

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**PROGRAM TO SUPPORT THE DIGITAL TRANSFORMATION
OF MSMEs TO INDUSTRY 4.0**

(AR-L1360)

LOAN PROPOSAL

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CONTENTS

PROGRAM SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	1
	A. Background, problem addressed, and rationale	1
	B. Objectives, components, and cost.....	9
	C. Key results indicators.....	13
II.	FINANCING STRUCTURE AND MAIN RISKS	13
	A. Financing instrument	13
	B. Environmental and social risks	14
	C. Fiduciary risks	14
	D. Other risks and key issues	15
III.	IMPLEMENTATION AND MANAGEMENT PLAN.....	16
	A. Summary of implementation arrangements.....	16
	B. Summary of arrangements for monitoring results	18

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
1.	Multiyear execution plan/annual work plan
2.	Monitoring and evaluation plan
3.	Environmental and social review summary
4.	Procurement plan

OPTIONAL LINKS	
1.	Economic analysis A. Final report B. Spreadsheet
2.	Program Operating Regulations
3.	Program vertical logic
4.	Program design studies
5.	Study of MSME demand for technical assistance on digital transformation
6.	Climate change annex
7.	Calculation of climate finance
8.	Gender and diversity annex
9.	Details of execution mechanism
10.	Costs of fundable activities
11.	Bibliographical references
12.	Environmental and social safeguards filter

ABBREVIATIONS	
AGN	Auditoría General de la Nación [Office of the Auditor General]
ANDIS	Agencia Nacional de Discapacidad [National Agency for Persons with Disabilities]
COVID-19	Coronavirus disease caused by the SARS-CoV-2 virus
DGPpySE	Dirección General de Programas y Proyectos Sectoriales y Especiales [Bureau of Sector and Special Projects and Programs]
GDP	Gross Domestic Product
ICT	Information and communications technology
IMF	International Monetary Fund
MCTI	Ministry of Science, Technology, and Innovation
MDP	Ministry of Productive Development
MSMEs	Micro, small, and medium-sized enterprises
MTEySS	Ministry of Work, Employment, and Social Security
NCB	National competitive bidding
PACC	Programa de Apoyo al Crédito y la Competitividad [Credit and Competitiveness Support Program]
QCBS	Quality- and cost-based selection
QCS	Selection based on consultants' qualifications
SAE	Secretaría de Asuntos Estratégicos [Department of Strategic Affairs]
SEPyMEyE	Secretaría de la Pequeña y Mediana Empresa y los Emprendedores [Department for Small and Medium-sized Enterprises and Entrepreneurs]
SIGEN	Sindicatura General de la Nación [Office of the Comptroller General]
SOFR	Secured Overnight Financing Rate
UEPEX	Sistema de Unidades Ejecutoras de Préstamos Externos [Execution Unit for Projects with External Financing]

PROGRAM SUMMARY

ARGENTINA

PROGRAM TO SUPPORT THE DIGITAL TRANSFORMATION OF MSMEs TO INDUSTRY 4.0 (AR-L1360)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Argentine Republic			Amortization period:	25 years
Executing agency:			Disbursement period:	5 years
Ministry of Productive Development (MDP), through the Department for Small and Medium-sized Enterprises and Entrepreneurs (SEPyMEyE)			Grace period:	5.5 years ^(b)
Source:	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital): ^(f)	80 million	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	80 million	100	Weighted average life:	15.25 years
			Approval currency:	United States dollar
Program at a Glance				
Program objective/description: The general development objective of the program is to help increase the productivity, competitiveness, and market access of the beneficiary micro, small, and medium-sized enterprises (MSMEs). The specific development objectives are to: (i) promote the innovative and environmentally sustainable productive development of beneficiary MSMEs; (ii) promote the digital transformation of beneficiary MSMEs; and (iii) strengthen assistance to MSMEs in all regions of the country and the decentralization of SEPyMEyE programs.				
Special contractual conditions precedent to the first disbursement of the loan: The borrower, through the executing agency, will have submitted: (i) evidence of the approval and entry into effect of the program Operating Regulations , under the terms and conditions previously agreed upon with the Bank, and (ii) the model agreements and legal instruments that will be used to award grants to MSMEs, as well as those for the activities aimed at the digital transformation centers and other beneficiary entities mentioned in all program components (paragraph 3.6), in accordance with terms and conditions previously agreed upon with the Bank.				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Cross-cutting issues: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

^(f) In accordance with document AB-2990, disbursement of the loan proceeds will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% in the first 36 months, in all cases as of the loan approval date by the Bank's Board of Executive Directors (paragraph 2.2).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic context.** Economic activity in Argentina fell sharply between 2018 and 2020 (cumulative drop of 14%), exacerbated by COVID-19. Although it recovered by 10.3% in 2021, gross domestic product (GDP) is still 5.2% below its 2017 level. A growth rate of 3.5% is forecast for 2022. Annual inflation was 50.9% in 2021 and is projected to reach 68.5% in 2022. The primary fiscal deficit stood at 6.4% of GDP in 2020, declining to 3% in 2021, and is projected to be 2.5% of GDP in 2022. In March 2022, a new agreement was signed with the International Monetary Fund (IMF) to refinance maturing debt under the previous program and provide additional financing. In June 2022, the IMF approved the first review of that program.
- 1.2 **Productivity problem in Argentina.** Productivity has moved away from the frontier in recent decades.¹ The challenge is to regain long-term growth based on productivity gains. At the aggregate level, productivity is associated with the performance of firms and the reallocation of factors of production to businesses with higher productivity levels. This depends on a number of factors that affect the investment climate. Productivity varies widely from one company to another. The productivity of micro, small, and medium-sized enterprises (MSMEs) is 25% of the productivity of large companies, whereas in developed countries this figure ranges from 50% to 80%. The factors underlying the low relative productivity of MSMEs include: (i) low effort in technological innovation; (ii) low adoption rate of digital transformation technologies² associated with the Industry 4.0 paradigm;³ and (iii) insufficient institutional development and support networks providing technological extension services to MSMEs.
- 1.3 **Low technological innovation effort.** Technological innovation on the part of MSMEs usually consists of improvements in production processes, organizational management, and product design. But even this type of incremental innovation has a major impact on productivity. Indeed, companies that introduce technological innovation of this kind have 24% higher productivity than those that do not [1].⁴ However, there are a number of barriers that make MSMEs 18% less likely to invest in innovation. Moreover, even among those companies that manage to invest, this investment is 35% lower. The main obstacles concern access to knowledge. MSMEs that report lack of knowledge invest 39% less in innovation than those that report other obstacles (e.g. high cost, access to markets, or institutional performance), which invest only 22% less in technological innovation.

¹ Between 1950 and 2019, total factor productivity in Argentina rose by 25%, while in the United States it grew by 83%. PWT 10.0.

² Digital transformation is understood to mean the use of technology to improve business performance, whether in areas related to internal processes, customer relationships, or through new business models (MIT Center for Digital Transformation, 2011).

³ The Industry 4.0 paradigm is understood as the set of productive and institutional transformations describing the organization of production processes based on information technologies and devices communicating independently with one another along the value chain (Motta et al, 2019).

⁴ See [Bibliography](#).

The main obstacles related to access to knowledge have to do with companies' limited internal capacity, in particular in terms of their human resources, difficulty retaining key personnel, and organizational rigidities. These problems can be mitigated through access to external sources of knowledge.

- 1.4 Access to technology extension services, such as the provision of specialized technical information, training, or research and development, can help mitigate these knowledge obstacles. However, in the case of Argentine MSMEs, access to such services is limited by market failures that constrain their potential to boost productivity. On the demand side, the information on the benefits of these services is incomplete, as indicated in the [study of MSME demand for technical assistance on digital transformation](#). On the supply side, providers of these services restrict supply because their costs are fixed relative to the size of the company, and they lack incentives to adapt them to MSMEs' needs.
- 1.5 **Green productive transformation and climate change.** Argentina has witnessed more frequent and intense climate variability and extreme weather events in recent years, such as droughts in the north and severe storms and floods in the south. These events have led to economic losses, with MSMEs being hit hardest by the destruction of infrastructure and the scarcity of water and energy. Between 1970 and 2015, the country was affected by 97 large-scale disasters, 93% of which were hydrometeorological, leading to annual losses estimated at 0.7% of GDP. Climate change models project an increase in precipitation and temperature towards the end of the century of between 0.5 and 1 degree Celsius.⁵ Argentina's productive structure, which specializes in the exploitation of natural resources, is particularly sensitive to climate change and environmental degradation. Additionally, consumers are looking for environmentally sustainable goods and services backed by the relevant certification. However, only 14% of MSMEs report having environmental certification for their production processes and products [2]. On the one hand, this reflects demand-side problems (ranging from companies' information asymmetries and low internal capacity to absorb green technologies, to problems of the low valuation they place on the impact and availability of these technologies) and, on the other, supply-side problems (greater complexity of environmental technologies compounded by low public and private capacity to support companies seeking to adopt these technologies due to a poor understanding of demand). The transition to a green productive matrix provides opportunities in certain sectors, but also creates the need for technological readaptation in others. Access to technological extension services can facilitate this conversion, as indicated in the [climate change annex](#).
- 1.6 **MSMEs' limited digital transformation to Industry 4.0.** The second problem underlying the productivity gaps is the low rate of adoption of technologies related to the [Industry 4.0](#) paradigm. There is evidence to suggest that, when applied to manufacturing MSMEs, these technologies enable them to reduce production costs, improve product quality, and enhance their ability to introduce

⁵ Third National Communication. United Nations Framework Convention on Climate Change (UNFCCC), 2015; Nationally Determined Contribution, 2020.

innovations [3].⁶ The level of digitalization of Argentine companies is relatively high in online sales and payments (60%), but relatively low in the use of more advanced technological tools. Companies are also somewhat passive in the face of the challenge of digitalization: 60% do not have any specific actions under way. Thus, while certain technological practices are widespread among all companies (56% of microenterprises, 64% of small enterprises and 59% of medium-sized enterprises), the uptake of more advanced digital tools such as enterprise resource planning (ERP) is much less widespread among smaller companies (14% of microenterprises and 74% of large companies). These gaps widened during the COVID-19 crisis.⁷

- 1.7 Argentina lags behind other Latin American and Caribbean countries, including Brazil, Chile, Colombia, Mexico, Peru, and Uruguay, in offering training on advanced digital technologies, particularly in robotics and control, artificial intelligence and machine learning, and Big Data [4]. Various studies also point to a digital gender gap in terms of digital skills, as reflected, for example, in information and communications technology (ICT) training, where only 21% of qualified employees and 18% of technical staff are women [5].
- 1.8 **Sector-specific digital transformation.** The process of digital transformation often has certain specific features that vary from sector to sector. However, the development of sector-specific digital transformation norms and standards is limited and companies face problems accessing sector-specific knowledge. Companies in a given sector tend to be geographically concentrated in productive clusters reflecting local production specializations. Nevertheless, the development of sector-wide digital transformation networks remains limited. The sector-specific features of digital transformation give rise to sectoral public goods (knowledge, standards and regulations), such that the approach requires collective action by public and private actors.
- 1.9 **Technological infrastructure for digital transformation.** An analysis of business digital transformation support networks in Argentina—including technology centers, research centers, and universities—finds that most of them are still focused on awareness-raising activities or providing training services. More strategic digitalization support actions focus on process improvements. There tend to be fewer more complex actions, such as product improvements. In addition, more than 50% of the organizations interviewed reported that they lacked sufficient training for the digital transformation that companies demand from them, particularly in terms of newer technologies [6]. Some weaknesses have also been reported in infrastructure and equipment for the provision of digital technology extension services. Public policy has internalized the need to strengthen these

⁶ Productivity gains of 10% to 20% are suggested for digital industrial plants (Roland Berger, 2016). The main factors are reductions of between 30% and 50% in inventories due to real-time management, reductions of between 10% and 20% in production and logistics costs, quality improvements through the introduction of advanced robotics “cobotics” (collaborative robots), plant logistics automation, and lower maintenance costs, with the incorporation of fault predictability systems and management of preventive checks (Motta et al, 2019).

⁷ It is estimated that only 2% of MSMEs have made the transition to the production paradigm of Industry 4.0 (Fundación Observatorio PyME [SME Observatory Foundation] (FOP), 2022).

networks as a priority action, as reflected by the launch of the [Industry 4.0 Plan](#) approved by the Argentine authorities in 2019.

- 1.10 **Insufficient institutional development.** Argentina has a complex productive structure in terms of both sectors and regions. Ensuring sufficient sector and regional capillarity in the support services network for technology extension to MSMEs is crucial. There are significant imbalances in this network, however, especially at the regional level. Thus, 58% of all MSMEs accessing the technology extension support services provided by the Ministry of Productive Development (MDP) through the Department for Small and Medium-sized Enterprises and Entrepreneurs (SEPyMEyE) are concentrated in the Autonomous City of Buenos Aires (CABA) and the Province of Buenos Aires, while a further 30% are concentrated in the country's central provinces [7]. The participation of companies based elsewhere in the country is very limited [8]. Although there is a network of support institutions at the local level that disseminate the services of the SEPyMEyE through over 100 windows across the country, strengthening the management capacities of the institutions acting as network nodes in relatively less developed regions is key, as it makes local actors available that are able to stimulate demand from business, by making the benefits and technical assistance better known and then acting as a link between the MDP's programs and services and companies' needs or demands.
- 1.11 **International evidence.** There is strong and robust international evidence from quasi-experimental impact evaluations—and, more recently, experimental impact evaluations—showing that grants are effective in promoting both innovation and the digital transformation of MSMEs. More specifically, different evaluations of interventions that promote the adoption of digital technologies have identified significant positive impacts on companies' sales revenues, employment, and profitability [9]. In terms of programs that use grants to promote the technological modernization of MSMEs, the empirical evidence shows that they have a positive and significant effect on labor productivity, employment, sales, exports, business survival, and innovation [10]. There is also evidence for the impact of similar interventions on the adoption of environmental technologies and their subsequent positive effects on companies' performance [11].
- 1.12 **The Bank's experience in the country, with the SEPyMEyE, and in the region.** The Bank has financed operations supporting Argentine MSMEs through this same executing agency since the 1990s. The projects "Business Development Support Program" (loan [989/OC-AR](#));⁸ "Micro, Small, and Medium-sized Enterprise Credit Access and Competitiveness Program" (loan [1884/OC-AR](#));⁹ and the "MSME Competitiveness Support Program" (loan [2923/OC-AR](#)),¹⁰ are direct predecessors of this operation and share the objective of improving the competitiveness of Argentine MSMEs through a variety of instruments and with SEPyMEyE as the executing agency in each case. Quasi-experimental impact evaluations for these programs demonstrate the positive results of the "nonreimbursable contribution"

⁸ Approved in 1997 for US\$121.8 million (closed).

⁹ Approved in 2007 for US\$74 million (closed).

¹⁰ Approved in 2013 for US\$80 million, 93% disbursed.

grant instrument¹¹ for business development. In particular, Castillo et al. (2016) and Franco and González-Rozada (2022), carried out quasi-experimental impact evaluations of operations [1884/OC-AR](#) and [2923/OC-AR](#), respectively. These studies identified significant positive impacts on employment, average wages, the probability of exporting, and the probability of survival of the MSMEs catered to. Franco and González-Rozada (2022) also identified that for all the variables with significant results, the impact increases with the time of exposure to the program: the effect is positive in the year in which the treatment is granted, and its impact increases after one and two years.¹² This sector-level work, in addition to having a positive impact on the beneficiary firms, established a market in Argentina for business development services for MSMEs. In addition, the Bank also supported MSMEs through the “Global Small Business and Microenterprise Credit Program” (loan [1192/OC-AR](#)),¹³ as well as the operation “Competitiveness Program for Regional Economies” (loan [3174/OC-AR](#)),¹⁴ which pioneered the combination of credit with technical assistance, and included the strengthening of institutions providing technology services and technical assistance to MSMEs, with a broad regional distribution. Lastly, although not an Argentina operation but nevertheless highly relevant given its similarity and role as a pioneer among programs of this kind, the “Digital Transformation Program for MSMEs” in Uruguay (loan [5294/OC-UR](#))¹⁵ offered lessons on how to approach the digital transformation process in MSMEs from both the supply and demand sides.

- 1.13 **Lessons learned.** Against this backdrop, the following lessons learned can be identified: (i) grants to facilitate MSMEs’ access to technical assistance and digitalization services, with partial reimbursement of costs and delivery of technical services with market mechanisms, will be used in the components of this program as they have been shown to improve MSME competitiveness; (ii) the biggest impacts are seen in companies that access program support for the first or second time; subsequently the effects are diluted, so repetition in the current program will be limited according to the guidelines set out in the [program Operating Regulations](#); (iii) intermediate entities play an important intermediary role for the program¹⁶ (paragraph 1.30); (iv) in the absence of compensatory mechanisms, the demand-side instrument leads to a concentration of program benefits in the most developed areas of the country, and these last two points justify the effort in the current Component 3 (paragraph 1.30); (v) the stimulation of demand for digital transformation services must be supported by a strengthening of supply that accompanies the increase in demand, hence Component 2 contains both instruments (paragraphs 1.26 through 1.29); and (vi) the impact of programs supporting digital transformation shows that the effects are greatest when investments in digital technologies are accompanied by improvements in other areas, such as organizational capabilities, human capital, and managerial skills

¹¹ Nonreimbursable contributions are partial subsidies that business support programs provide to cover part of the cost of some business activity that programs seek to incentivize. The international literature also calls them “vouchers” or “matching grants.”

¹² This evaluation incorporates the [Final Report of the Impact Evaluation of the MSME Competitiveness Support Program](#) ([2923/OC-AR](#)).

¹³ Approved in 1999 for US\$200 million (closed).

¹⁴ Approved in 2014 for US\$200 million, 74% disbursed.

¹⁵ Approved in 2021 for US\$15 million, 8.5% disbursed.

¹⁶ These intermediate institutions will be strengthened under Component 3 of this operation.

[12], which, in the context of this program, led to the design of Component 1 (paragraphs 1.22 and 1.25).

- 1.14 **Collaboration with the IDB Group.** This operation will be coordinated with IDB Lab interventions currently in execution that are innovating in similar areas, such as: “Development of Creative Entrepreneurs in Mendoza” (operation [ATN/ME-16655-AR](#));¹⁷ and “Córdoba GovTech: Developing the GovTech Ecosystem for the Transformation of Citizen Services” (operation [ATN/ME18999-AR](#)).¹⁸ In these programs, coordination and complementarity with public policies and programs allows: (i) the transfer of learning to the public sector for work in specific sectors such as the creative industries, which can be supported from Subcomponent 2.3 (paragraph 1.29); and (ii) the generation of new funding sources that reinforce the support provided and increase its sustainability, for example by making it possible for companies that participated in the Córdoba GovTech program to boost their digital transformation through Component 2 of this program (paragraphs 1.26 through 1.29).
- 1.15 **Complementarity with other operations in the portfolio and in preparation.** This operation is complemented by other operations in the portfolio that offer different forms of support to promote innovation in the Argentine private sector, such as the “Technological Innovation Program IV” (loan [3497/OC-AR](#));¹⁹ the “Technological Innovation Program V” (loan [4025/OC-AR](#));²⁰ and the “Federal Innovation Program” (loan [5293/OC-AR](#));²¹ which are being co-executed by the National Agency for the Promotion of Research, Technological Development, and Innovation (Agencia I+D+i) and the Ministry of Science, Technology, and Innovation (MCTI) to enhance the national innovation system. These three operations strengthen a group of science and technology institutions that the MSMEs in this program will be able to benefit from in their innovation efforts. Additionally, the technical support that this program will provide will be supported by funding contributions to promote lending to MSMEs from programs such as the “Credit Program for the Reactivation of Production of the Province of San Juan” (loan [5343/OC-AR](#));²² and the “Global Credit Program for Reactivation of the Productive Sector” (loan [5057/OC-AR](#));²³ as well as the “Credit Program for the Reactivation of Production of the Province of Neuquén,” which is currently in preparation. These three programs support MSMEs through credit instruments financing work and capital investment, which the current program does not offer but may complement the technical assistance received.
- 1.16 **The Bank’s nonfinancial additionality and the innovations of this operation.** Subcomponent 1.1 of this operation (paragraph 1.23) continues business support measures already applied in previous operations (paragraph 1.12). The remainder of the operation incorporates new topics that were not previously financed, namely

¹⁷ Client support technical cooperation of US\$1.9 million, approved in 2018.

¹⁸ Client support technical cooperation of US\$830,000, approved in 2021.

¹⁹ Approved in 2015 for US\$190 million, active with 100% disbursed.

²⁰ Approved in 2017 for US\$125 million, active with 93% disbursed.

²¹ Approved in 2021 for US\$287.5 million, active with 11% disbursed.

²² Approved in 2021 for US\$68 million, active pending eligibility.

²³ Approved in 2020 for US\$500 million, active with 80% disbursed.

direct actions with companies in gender, diversity and green productive development, direct actions to strengthen the range of support for Industry 4.0 technologies in businesses, actions in companies to promote the adoption of advanced technologies of this type, and work with intermediary institutions to decentralize the execution of SEPMyE instruments. These are also all new SEPMyE actions, and only a few of them have been piloted. On all these issues, the Bank has advised SEPMyE teams on instrument design. Additionally, more than 10 specific studies were commissioned from Argentine and foreign experts to optimize program design. These are listed in [program design studies](#). The preliminary deliveries of the studies due to be completed after the design stage were input for the design, and their final results will be incorporated into the calls for proposals for the specific instruments.

- 1.17 **Coordination with other donors.** In 2022, SEPMyE began the implementation of the “Pilot Program for the Digital Transformation of Argentine SMEs,” financed by the Central American Bank for Economic Integration (CABEI). The SEPMyE team that led its execution has also been assigned to this program, thus facilitating coordination between the two operations. Some of the resources of this program will be used to finance pilot actions to strengthen the technology centers that will be scaled up through Subcomponent 2.1 (paragraph 1.27) of this operation. The bulk of the program’s resources will be allocated to loans for investment in companies that are implementing digital transformation processes, thus complementing the other types of support for these companies the operation will finance through Component 2 (paragraph 1.26).
- 1.18 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy 2020-2023 (document AB-3190-2) and is strategically aligned with the challenges of (i) productivity and innovation, by explicitly promoting business innovation (paragraphs 1.22, 1.23, and 1.24); and (ii) social inclusion and equality, by promoting full inclusion in leadership positions, together with the adaptability of jobs, the incorporation and creation of new technologies, such as technological or other forms of support that improve employment quality for vulnerable populations, such as women and persons with disabilities (paragraphs 1.19, 1.20, and 1.25). It is also aligned with the following crosscutting themes: (i) institutional capacity and the rule of law, by strengthening the capacities of the SEPMyE and public and private organizations supporting MSMEs in Argentina (paragraphs 1.16 and 1.30); (ii) climate change (paragraph 1.5), since, according to the [joint methodology of the multilateral development banks for tracking climate finance](#), 14.74% of the operation’s resources are invested in climate change mitigation and adaptation activities, through grant-funded investments in training and the incorporation of green innovation for MSMEs. These resources contribute to the IDB Group’s climate financing target (30% of the annual approvals); (iii) environmental sustainability, through recycling cooperatives and the promotion of green productive transformation (paragraphs 1.5 and 2.6); (iv) gender equity, by mainstreaming the gender perspective in business management (paragraphs 1.19, 1.24, and 1.25); and (v) diversity, by including actions and policies for the inclusion of persons with disabilities in the workforce, based on training and the incorporation of measurement indicators into the program (paragraphs 1.20 and 1.25). The program will also support the Corporate Results Framework 2020-2023 (document GN-2727-12) through indicators: (i) *Micro, small, [and] medium enterprises*

financed; (ii) Enterprises provided with technical assistance; (iii) Women beneficiaries of economic empowerment initiatives; and (iv) Agencies with strengthened digital technology and managerial capacity. The program is consistent with the guidelines of the Innovation, Science and Technology Sector Framework Document (document GN-2791-8), in the dimension of investment in competitiveness, technology and innovation; and also with the Gender and Diversity Sector Framework Document (document GN-2800-8), in the dimension of promoting gender equality and is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), by strengthening its institutional capacities. The project is aligned with the IDB Group Country Strategy with Argentina 2021-2023 (document GN-3051), in terms of the strategic objective of promoting entrepreneurship, innovation, and the development of competitive business clusters. The program is aligned with Vision 2025 (document AB-3266), specifically in the areas of the digital economy, support for small and medium enterprises and value chains, as well as the crosscutting issues of gender equality and diversity, and climate change. Lastly, the operation is also included in the 2022 Operational Program Report (document GN-3087).

- 1.19 **Gender.** The gender dimension is an emerging issue in MSME policy. Women account for less than a third of private sector salaried employment in Argentina (32.8% in 2018) and earn on average 26% less than men. Women are also underrepresented in decision-making positions in companies²⁴ (Ministry of Work, Employment, and Social Security (MTEySS), 2022). Only a third of Argentine MSMEs are women-led (32% in 2020), and they are concentrated in certain sectors with lower levels of productivity that are less integrated into the global economy. One of the causes of this situation is the greater difficulty in obtaining funding and accessing sources of external knowledge for technological modernization (in particular as it relates to its link with national innovation system institutions). Specifically, the program will include actions to promote gender mainstreaming in MSME management and digital talent training for women (paragraph 1.25).
- 1.20 **Diversity.** According to the 2018 National Study on the Profile of Persons with Disabilities, 10.2% of the population aged 6 years and older has some form of disability. Women (10.8%) account for a larger proportion than men (9.5%) [13]. The labor force participation rate among persons with disabilities is 35.9%, i.e., about a third are economically active. Men have an employment rate of 40.3%, compared to 25.8% for women. Likewise, according to information collected by the National Agency for Persons with Disabilities (ANDIS), 1.5 million people have a disability certificate [14]. Currently, there are no measures or policies to promote the labor market inclusion of persons with disabilities in MSMEs currently under way, nor are there disaggregated data on their participation (paragraph 1.25).

²⁴ While 6.3% of male employees hold managerial positions, this proportion is almost half (3.6%) in the case of women. In turn, 3.6% of men and only 1.6% of women hold leadership positions (MTEySS, 2022).

B. Objectives, components, and cost

- 1.21 **Objective.** The program's general development objective is to help increase the productivity, competitiveness, and market access of²⁵ beneficiary MSMEs. The specific development objectives are to: (i) promote the innovative and environmentally sustainable productive development of beneficiary MSMEs; (ii) promote the digital transformation of beneficiary MSMEs; and (iii) strengthen assistance to MSMEs in all regions of the country, and the decentralization of SEPyMEyE programs.
- 1.22 **Component 1. Strengthening MSME innovation processes (US\$28 million).** Through grants and awareness-raising actions, this component will finance the incorporation of technical and technological services that help MSMEs adopt new technologies, adapt to a low-emission economy that is resilient to climate change impacts, and mainstream gender and diversity. MSMEs are to submit business development projects that include a diagnostic assessment and an analysis of the problems that they seek to solve through their implementation.
- 1.23 **Subcomponent 1.1 Supporting MSME demand for innovation services (US\$20 million).** The activities receiving grant support will be aimed at stimulating innovation by MSMEs through their contracting of technical assistance and training services. Activities such as quality certifications, consultancies for process and management improvements, export development, and commercial intelligence and general product innovation processes may be financed. Execution will be through an open window or public calls for proposals on specific topics to which the beneficiary MSMEs may submit business development projects. Projects that meet the requirements established in each call and that have the Bank's no objection may be supported. Training activities will also be financed for companies and intermediate entities for the formulation and presentation of business development projects. The following operational details will be included in the [program Operating Regulations](#): The grants will be for up to US\$50,000 and will cover up to 70% of the costs of the plan; and an 80% subsidy will be provided for activities that incorporate gender and/or diversity perspectives, or issues related to green productive transformation and the circular economy.²⁶ As many as 1,300 companies are expected to benefit from these activities.
- 1.24 **Subcomponent 1.2 Green production transformation and the circular economy (US\$5 million).** This subcomponent will finance MSME projects that benefit the environment, help reduce emissions, strengthen MSMEs' capacity to adapt to climate impacts, and optimize the use of natural resources. The following activities, *inter alia*, will be financed: (i) grants to fund business development projects linked to topics that support climate change mitigation and adaptation, including renewable energy, energy efficiency, and the circular economy (eligible green activities are listed in the [program Operating Regulations](#)); (ii) specific grants

²⁵ For the purposes of the program, any company that qualifies as an MSME under SEPyMEyE regulations will be classed as an MSME. The SEPyMEyE defines MSMEs according to minimum and maximum sales amounts, which [vary according to the sector of activity](#). For reference, according to invoicing criterion in effect since April 2021 for the industrial and mining sectors, microenterprises are businesses with annual sales of up to US\$473,261; small enterprises, up to US\$3,550,652; tranche 1 medium-sized enterprises, up to US\$27,505,109; and tranche 2 medium-sized enterprises, up to US\$42,991,304.

²⁶ The list of activities considered "green" can be found in the [program Operating Regulations](#).

for specialized technical assistance to companies that belong to certain value chains (renewables, electric transportation, green hydrogen, lithium, circular economy); (iii) awareness-raising and business training in green production transformation and the circular economy; and (iv) training for recycling cooperatives to improve the inputs delivered to materials processing companies. The following operational details will be included in the [program Operating Regulations](#): The aim is for the resources allocated to the implementation of these actions to reach 300 MSMEs. For this purpose, calls for proposals will be launched for the presentation of projects from which those to be financed will be selected on a competitive basis. The grants will be for up to US\$50,000 and will cover up to 80% of the cost of business development project activities.

- 1.25 **Subcomponent 1.3 Mainstreaming gender and diversity in MSME management (US\$3 million).** This subcomponent will include training and technical assistance for the formulation and implementation of plans to identify and reduce gender and diversity inequalities in companies, as well as promote greater women's participation in business management positions. Diversity actions will focus primarily on the challenges faced by persons with disabilities. Grants will be used to finance business development projects linked to gender, diversity, and disability issues, such as: (i) formulating and adopting plans to identify and reduce gender and diversity inequalities in companies; (ii) promoting greater participation of women in management and productivity positions; and (iii) promoting the professional development of people with disabilities and full inclusion in leadership positions, along with the adaptability of jobs, the incorporation and creation of new technologies, such as technological or other forms of support that improve job quality. Activities such as internships, training, mentoring, or leadership programs will also be financed, especially those targeted to people with disabilities, women, and other diverse groups.²⁷ The following operational details will be included in the [program Operating Regulations](#): Grants will be for up to US\$30,000 and can cover up to 80% of the costs of the business development projects presented. Some 180 companies are expected to be financed through open public calls for proposals (see the [gender and diversity annex](#)).
- 1.26 **Component 2. MSME digital transformation to Industry 4.0 (US\$32 million).** This component seeks to increase the productivity and competitiveness of MSMEs by financing interventions linked to digital transformation that facilitate companies' transition to the Industry 4.0 model. It will invest in strengthening technology centers and in financing the preparation and execution of companies' digital transformation plans.
- 1.27 **Subcomponent 2.1 Strengthening technological and institutional offerings for digital transformation (US\$10 million).** This subcomponent will support the development of the technological offerings for digital transformation by strengthening of at least 10 digital transformation centers²⁸ in strategic locations

²⁷ The executing agency will periodically call for tenders to contract training institutions that develop and offer this type of program-financed activity. These contracts will be subject to the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), as established in the loan agreement.

²⁸ The program will consider all institutions offering services to MSMEs to assist them in their digital transformation processes to be digital transformation centers. These may be not-for-profit public, mixed, or private technology centers.

throughout the country. This intervention will promote the adoption of new technologies through training actions for technical staff and the purchase of equipment (such as software licenses for simulation, 3D design, laboratory training, and automatic equipment), enabling the centers to expand the range of services they provide to their local MSMEs and serve more companies. At these centers, MSMEs will be able to find solutions for their specific problems, test new products and processes, receive training and information, obtain technical assistance, access shared equipment/technologies, and receive advice and support in the search for suppliers of Industry 4.0 technologies. Additionally, sector studies, analyses of regulatory frameworks and reform proposals, strengthening of relevant institutions, and adoption of standards that serve the whole country or specific sectors for new technologies will be financed. The following operational details will be included in the [program Operating Regulations](#): Public calls for project submissions will be launched by eligible entities and beneficiaries will be selected on a competitive basis. Beneficiaries will submit strengthening plans and may receive up to US\$1 million to cover up to 80% of the plan. Each center is expected to serve at least 50 companies.

- 1.28 **Subcomponent 2.2 Supporting companies' demand for digital transformation (US\$12 million).** This subcomponent will partially finance technical assistance through grants for the adoption of technologies related to the Industry 4.0 model. It will finance, *inter alia*: (i) diagnostic assessments or self-diagnostics to identify digital gaps and degrees of digital maturity; (ii) preparation of action plans for companies to make the transition to Industry 4.0; (iii) implementation of the digital transformation plan; (iv) implementation of technology transfer projects in the field of Industry 4.0; (v) conduct diagnostic assessments and cybersecurity audits for industries, as well as systems interoperability; and (vi) improve the digital skills of the beneficiary companies' personnel. This subcomponent will also finance digital talent training activities, such as: (i) identification of current and expected unmet digital talent demands; (ii) development of new training offerings closely aligned with these demands; (iii) aggregation of digital talent demands in regions and clusters; and (iv) digital talent training for women. The activities will be carried out through competitive calls for proposals. The following operational details will be included in the [program Operating Regulations](#): The grants will be for up to US\$70,000,²⁹ covering up to 70% of the expenses of the digital transformation plans presented. In total, the activities of the subcomponent are expected to support some 200 companies. As an extra incentive, additional grant funding amounting to 10 additional percentage points will be added to projects that include activities relating to climate change adaptation and/or mitigation (corresponding to 80% of expenses) or gender and/or diversity perspectives.
- 1.29 **Subcomponent 2.3 Sector and/or associative digital transformation (US\$10 million).** This subcomponent will support the digital transformation of groups of companies by awarding grant funding for the following activities, *inter alia*: (i) diagnostic assessments and evaluation of digital maturity in different productive clusters to produce roadmaps for their overall digital transformation;

²⁹ This ceiling amount was estimated on the basis of cost calculations for digital transformation activities of companies such as quality certifications, or incorporation of Industry 4.0 technologies (see [execution mechanism details](#)).

and (ii) implementation of collective business solutions aligned with the roadmap developed. Diagnostic assessments and evaluations of digital maturity will be financed in various production clusters. The activities will be conducted through competitive calls to which groups of firms offering collective business development projects that include activities involving all the applicant companies may be submitted. The following operational details will be included in the [program Operating Regulations](#): The grants will be for up to US\$250,000 and will cover up to 70% of the costs of the plan, and for activities that incorporate gender and/or diversity perspectives, or activities related to climate change adaptation and/or mitigation, the subsidy will be 80%. Implementation of 50 projects that benefit roughly 500 companies from different groups and/or sectors is planned.

- 1.30 **Component 3. Strengthening of the federal network of support services and decentralization of SEPMyE instruments (US\$16 million).** This component seeks to consolidate and extend the current structure of assistance to MSMEs across all regions of the country, especially in provinces that currently have more limited access to MSMEs support instruments.³⁰ Networks and entities offering MSMEs technical and technological support, business service centers, regional development centers and MSME technical support areas in universities will be strengthened. This subcomponent will finance, *inter alia*: (i) the development of activities for the selection and accreditation of the institutions that wish to be included in the small and medium-sized enterprise (SME) windows; (ii) awareness-raising and training actions for the teams at MSME support entities (such as the business service centers of the sector chambers, universities, provinces and municipios) to disseminate and promote the support tools offered by SEPMyE nationwide, as well as providing technical advice for the formulation and presentation of projects for companies to access the benefits offered; (iii) strengthening the technical teams of the aforementioned institutions, including the acquisition of minor equipment to complement and/or incorporate services; (iv) preparation of surveys and/or studies to implement best practices in the provision of services by the actors that make up the federal network; and (v) activities (such as national meetings, travel and per diems, and development of dissemination materials) to coordinate policies and programs at both the national and subnational levels to support productive development of regional economies. Support will be offered to all institutions with the potential to act as intermediaries for SEPMyE instruments, through public calls for proposals. Particular attention will be paid to the regions of the country that currently have lesser degrees of institutional development for supporting MSMEs. Approximately 50 institutions are expected to be supported.³¹
- 1.31 **Administration (US\$4 million).** This is intended to cover the executing agency's costs (the technical part through SEPMyE and fiduciary aspects through the Bureau of Sector and Special Projects and Programs (DGPPSE)) incurred administering the funds (such as hiring support consultants, related travel, and

³⁰ See [MSME support tools that are currently available](#).

³¹ All grant-related operational details applicable to the subcomponents, especially those concerning maximum amounts and percentages, will likewise be included in the [program Operating Regulations](#). Details regarding eligibility and selection criteria (paragraph 3.4) for each of the instruments in the three components can be found in the report on [execution mechanism details](#). Additionally, the maximum amounts per grant in each subcomponent are justified based on the costs of activities already financed by other SEPMyE programs (paragraph 1.12) and on the market analysis of [fundable activity costs](#).

communication and dissemination expenses), including those of monitoring and external audits, as well as strategic evaluation in coordination with the Strategic Affairs Department (SAE).

- 1.32 **Beneficiaries.** The main beneficiaries of this operation will be Argentine MSMEs that will be able to boost their productivity, competitiveness, and market integration by enabling them to overcome the problems they face in accessing innovation and digitalization support services. MSMEs are a fundamental part of Argentina's productive fabric, accounting for 99.4% of all companies, employing 64% of registered wage earners, and concentrating 51% of the total wage bill [15]. The program's beneficiaries will also include entities that offer technological services by contributing to their equipment and training, MSME employees who will be trained in digital skills, and women entrepreneurs and persons with disabilities who will receive specific support adapted to their needs.

C. Key results indicators

- 1.33 **Results indicators.** The key indicators of the general development objective relate to productivity growth, exports, and the inclusion of MSMEs in the value chains of large corporations. The key indicators of the specific development objectives refer to investment in innovation, demand for training services and/or technical assistance for innovation on environmental issues, greater access by MSMEs to the new digital transformation services offered by technology centers, the degree of maturity for digital transformation and Industry 4.0 of the companies supported and their location in regions other than those of the center of the country (the city of Buenos Aires, and provinces of Buenos Aires, Córdoba, and Santa Fe).
- 1.34 **Economic analysis.** A [cost-benefit analysis](#) was conducted with a time horizon of 10 years at both aggregate and component levels. The analysis shows that the program has a positive net present value of US\$205 million and an internal rate of return of 21%, which is above the 12% annual discount rate used by the Bank. By component, the net present value is US\$52 million for the first component and US\$167 million for the second. The results are robust to a sensitivity analysis for the main program parameters: profit margin, social discount rate, business survival rate, productivity growth, employment growth, investment growth in innovation, and expenditure growth in fixed assets. A fiscal evaluation of the program was also conducted, finding that in present value terms, US\$4.6 are generated through higher company income tax intake for each dollar the tax authorities invest in the program.

II. FINANCING STRUCTURE AND MAIN RISKS

D. Financing instrument

- 2.1 This program is structured as an investment loan for specific projects, within the scope of which a wide variety of specific business support projects will be financed. The total cost of the program is US\$80 million, which will be financed by the Bank from its Ordinary Capital resources. The program disbursement period will be five years and the loan will be disbursed according to the schedule presented in Table 2.

- 2.2 In accordance with Enhancing Macroeconomic Safeguards at the Inter-American Development Bank (document GN-2753-11; AB-2990), disbursement of the loan proceeds will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months, in all cases from the date of loan's approval by the Bank's Board of Executive Directors. These limits may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy have been fulfilled, provided that the borrower has been notified in writing.

Table 1. Estimated program costs (US\$ thousands)

Components	IDB (total)	%
Component 1. Strengthening MSME innovation processes	28,000	35.0
1.1 Supporting MSME demand for innovation services	20,000	25.0
1.2 Green production transformation and the circular economy	5,000	6.0
1.3 Gender and diversity mainstreaming in MSME management	3,000	3.0
Component 2. MSME digital transformation to Industry 4.0	32,000	40.0
2.1 Strengthening technological and institutional offerings for digital transformation	10,000	12.5
2.2 Supporting companies' demand for digital transformation	12,000	15.0
2.3 Sector and/or associative digital transformation	10,000	12.5
Component 3. Strengthening of the federal network of support services and decentralization of SEPMyE instruments	16,000	20.0
Administration	4,000	5.0
Total	80,000	100.0

Note: The amounts listed for each component/subcomponent are indicative.

Table 2. Financial execution schedule (US\$ thousands)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (total)	10,690	13,240	15,940	20,970	19,160	80,000
%	13.36	16.55	19.93	26.21	23.95	100.00

E. Environmental and social risks

- 2.3 In accordance with the Environmental and Social Policy Framework (document GN-2965-23), the operation was classified as Category "C," with a moderate level of environmental and social risk. No significant negative environmental and social impacts and/or risks related to the operation are anticipated. For the purpose of maintaining the appropriate environmental, labor, and social conditions, the executing agency will ensure compliance with current legislation through the beneficiaries' commitments set out in the agreements they sign to access program benefits. These aspects will be addressed by SEPMyE staff, including additional specialized staff recruited for this purpose, as described in the [environmental and social review summary](#).

F. Fiduciary risks

- 2.4 An institutional capacity analysis of the executing agency was conducted, which confirmed that its institutional capacity has a satisfactory degree of development

for the execution of the program, as well as previous experience in the implementation of operations financed with Bank resources (paragraph 1.12 and Annex III). One high-level economic-financial risk was identified: given the country's current macroeconomic context, the likelihood of fiscal limitations that could affect the program going forward were identified. In the absence of a sufficient budgetary allocation during the life of the program, the implementation of projects could be delayed, resulting in an under-execution of resources and an obstacle to achieving some to the expected outputs and outcomes. As a mitigation measure, program activities will be thoroughly planned to identify resource needs and manage the budget allocation with the corresponding agencies in a timely manner. Should the need for budget amendments or increases be identified during each years' execution, with the Bank's support the executing agency will make the necessary arrangements with the SAE. Opportunities for improvement and measures were also identified that will be addressed by the executing agency in the near term: (i) strengthening the internal control structure for program execution; (ii) describing the specific technical and operational arrangements and coordination mechanisms for program procurement, financial management, internal control, and audit in the [program Operating Regulations](#); and (iii) strengthening the teams responsible for financial and procurement management as program execution progresses.

G. Other risks and key issues

- 2.5 A medium-high economic-financial risk was preliminarily identified whereby if the macroeconomic context deteriorates, companies' demand for support for innovation projects will decrease and program execution will slow. To mitigate this risk, there will be ongoing promotion of the advantages of innovation in reducing companies' costs, which would maintain the attractiveness of the program's activities, even in an adverse macroeconomic climate.
- 2.6 **Sustainability.** Regarding sustainability commitments at the end of the operation, the MDP's budget flows in recent years have allowed it to sustain the execution of several programs with external financing. In turn, the institutional strengthening of the SEPMyE in the last two years, and the strengthening of the intermediate institutions that will take place during execution of Component 3 (paragraph 1.30) will provide institutional sustainability to the program's actions. The sustainability of the actions with each beneficiary will derive from the impact of the improvements generated by technical assistance on companies' performance. Moreover, the impact evaluations of similar programs carried out in Argentina show that positive impacts increase their effects the longer the time elapsing between the program action and the impact measurement. Regarding the sustainability of the new equipment at the technology centers, the agreements signed with the beneficiaries will establish their obligations to ensure that it is properly maintained.

III. IMPLEMENTATION AND MANAGEMENT PLAN

H. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Argentine Republic. The executing agency will be the Ministry of Productive Development (MDP) and will act through the Department for Small and Medium-sized Enterprises and Entrepreneurs (SEPyMEyE), which will be in charge of the program's overall coordination and technical execution. Moreover, the Bureau of Sector and Special Projects and Programs (DGPyPSyE), an agency of the Administrative Management Department (SGA), which, in coordination with the SEPyMEyE, will be responsible for the program's administrative, financial, accounting, budgetary, and procurement management. Details of the responsibilities and coordination between these areas will be spelled out in the [program Operating Regulations](#).
- 3.2 **Interagency coordination.** The MDP's outward coordination is conducted through the Federal Council of MSMEs, which is headed by the MDP and involves the ministers of production or industry of each province, business entities and academics from all over the country, with meetings twice a year. In addition, the MDP advances the Federal SME Agenda, with weekly meetings in various cities of the country to improve the dissemination and local coordination of SEPyMEyE instruments. The two agencies enable the coordination of policies at the highest level, and the coordination of specific instruments at the local level.
- 3.3 For the awarding of grants to MSMEs and for activities whose products are intended for other beneficiary entities within the scope of the program, such as digital transformation centers (paragraph 1.26) or MSME technical and technological support entities (paragraph 1.30), the executing agency will formalize the commitments with the respective beneficiaries relating to the execution of the activities through agreements or other equivalent legal instruments.
- 3.4 **Eligibility criteria.** The beneficiary selection mechanisms will follow criteria of integrity and transparency reflected in competitive public calls, the rules and conditions of which will be subject to the Bank's no objection. The eligibility criteria for and prioritization of companies will be based on sectors of activity, the region where they are located, technical capacity to execute the proposed actions; and for institutions in their institutional capacities, demonstration of effective demand and support from the corresponding subnational governments ([program Operating Regulations](#), [execution mechanism details](#)).
- 3.5 [Program Operating Regulations](#). Program execution will be conducted in accordance with the program Operating Regulations,³² which will define operational aspects of technical, fiduciary, financial, and other matters. The program Operating Regulations will include: (i) guidelines for the use of program funds and financial management; and (ii) execution mechanisms, which will include the mechanism for the allocation of grants and the various calls for proposals that will be run to identify and select beneficiaries. The selection criteria and eligibility conditions of the beneficiaries of each instrument (MSMEs and

³² To facilitate the reading of the execution mechanisms, eligibility criteria and selection of beneficiaries, see the [details of the execution mechanism](#), which summarizes these aspects in table form.

entities) will be set out in each call for proposals and will be subject to the Bank's no objection.

- 3.6 **Special contractual conditions precedent to the first disbursement of the loan:** The borrower, through the executing agency, will have submitted: (i) evidence of the approval and entry into effect of the [program Operating Regulations](#), under the terms and conditions previously agreed upon with the Bank, and (ii) the model agreements and legal instruments that will be used to award grants to MSMEs, as well as those for the activities aimed at the digital transformation centers and other beneficiary entities mentioned in all program components, in accordance with terms and conditions previously agreed upon with the Bank. The first condition has been established as the program Operating Regulations will develop the necessary implementation and fiduciary arrangements for the program's successful execution. The second condition has been established because these agreements will formalize the roles and responsibilities of the executing agency and each type of beneficiary.
- 3.7 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, eligible expenses related to the grants provided for in the framework of Subcomponent 1.1 of the program (paragraph 1.23), up to the sum of US\$8 million (10% of the proposed loan amount), provided that they have been made under conditions substantially analogous to those established in the loan contract and in the [program Operating Regulations](#). These expenses will have been incurred as of 30 March 2022 (project profile approval date), but under no circumstances will cover those incurred more than 18 months before the loan approval date. These expenses will be incurred early to maintain the continuity of the execution of the company grant instruments currently in force.
- 3.8 **Procurement.** Procurement operations financed in whole or in part with Bank resources will be conducted in accordance with the Bank's Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). Should these policies be modified during program execution, the borrower must accept their application in writing so that they can be applied to the program ([procurement plan](#)).
- 3.9 **Special considerations for procurement.** The selection criteria for the calls for grant proposals, their requirements, and execution mechanisms (including those for transferring funds to the beneficiaries, maintenance obligations, and the requirements applicable to expense reports) will be spelled out in the [program Operating Regulations](#). The models of agreements that will be signed with the beneficiaries will be reviewed by the Bank prior to their execution, in order to confirm their general compatibility with the procurement principles embodied in the policies contained in documents GN-2349-15 and GN-2350-15, and that they include the rules on eligibility, prohibited practices, and auditing, and comply with the financial management requirements set out in the Financial Management Guidelines for Projects Financed by the IDB (document OP-273-12), included in the respective annexes of the [program Operating Regulations](#).

- 3.10 MSMEs that receive grants will conduct procurement financed with these grants in accordance with Appendix 4 of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) and the Policies for the Procurement of Goods and Works financed by the Inter-American Development Bank (document GN-2349-15).
- 3.11 **Direct contracting.** For the implementation of the program's activities, the group of consultants previously contracted on a competitive basis under the Competitiveness Program for Regional Economies (loan 3174/OC-AR); and the MSME Competitiveness Support Program (loan 2923/OC-AR), will be directly contracted, provided that their prior performance has been satisfactory. This contracting will be carried out in application of paragraph 5.4(a) of document GN-2350-15, which authorizes the continuation of previous work that the consultant has carried out and for which he or she was contracted on a competitive basis.

I. Summary of arrangements for monitoring results

- 3.12 **Monitoring.** The executing agency will use the following documents for program monitoring: (i) results matrix; (ii) [monitoring and evaluation plan](#); (iii) progress monitoring report; and (iv) semiannual progress reports. The executing agency will prepare and submit to the Bank the semiannual progress reports, multi-year implementation plans, including the [annual work plan](#), and the [procurement plan](#), according to the terms and deadlines set forth in the [monitoring and evaluation plan](#).
- 3.13 **Evaluation.** The achievement of the goals contained in the results matrix will be verified through a midterm evaluation to be presented within 120 days from the date on which 50% of the loan proceeds have been disbursed. A final evaluation will take place at the end of the program. The terms of reference for contracting the evaluation will be submitted to the IDB for prior approval and will focus on the attribution of the results indicators described in the results matrix. This evaluation must be coordinated with the work of preparing the project completion report. The final evaluation will be submitted within 90 days after the close of the original disbursement period under the program or extensions thereof. The final evaluation will include an ex post economic evaluation, in which the actual costs and benefits of the intervention will be calculated by replicating the cost-benefit analysis methodology used during the ex ante [economic analysis \(monitoring and evaluation plan\)](#). In addition, the executing agency will conduct a strategic evaluation of the program, with technical-methodological assistance from the SAE.

Development Effectiveness Matrix		
Summary		AR-L1360
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Micro / small / medium enterprises financed (#) -Enterprises provided with technical assistance (#) -Women beneficiaries of economic empowerment initiatives (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3051	Promote entrepreneurship, innovation and the development of competitive business clusters
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Country Program Document
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.6
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.6
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Evaluability Assessment Note: The Digital Transformation and Industry 4.0 Support Program for MSMEs (AR-L1360) has as a general objective to contribute to increasing productivity, competitiveness, and access to markets by MSMEs. The program proposes to contribute to that objective through three specific objectives: (i) to promote an innovative and environmentally sustainable productive development among beneficiary MSMEs; (ii) to promote the digital transformation of beneficiary MSMEs; and (iii) to strengthen assistance to MSMEs in all regions of the country, as well as decentralizing SEPYME's programs.

The program's diagnosis identifies low productivity of firms as a central problem. It states that the main factors that determine the relatively low productivity of SMEs are a low level of effort in technological innovation; a scarce adoption of digital technologies associated with the Industry 4.0 paradigm, and an insufficient level of institutional development in a supporting network of actors that offer technological extension services. However, the diagnosis around these elements presents opportunities for improvement, particularly given the availability of information on MSMEs in Argentina, and the ample experience supporting SEPYME.

The program has mostly SMART indicators, allowing to measure the scope of specific and general objectives. However, some of the targets can be ambitious, considering that they are based on impact evaluations whose interventions had a wider scope. At least one indicator presents opportunities for improvement.

The economic analysis quantifies benefits in terms of income, employment, and investment in innovation among beneficiary MSMEs. It concludes that the project has an expected internal rate of return of 21%, showing different sensitivity scenarios. However, some of the assumptions used in the analysis are based on evidence from broader interventions.

The Monitoring and Evaluation Plan proposes three evaluation strategies. First, a causal nonexperimental evaluation, to understand if the intervention was effective in increasing the productivity, access to clients, investment in innovation, and digital maturity of participating MSMEs. Second, before and after comparisons about MSME demand for technical assistance on environmental aspects, and proportion of beneficiary MSMEs in underserved regions. Finally, case studies to complement the before-and-after analysis of MSMEs that use digital transformation services.

RESULTS MATRIX

PROGRAM OBJECTIVE:	This operation's specific development objectives are to: (i) promote innovative and environmentally sustainable productive development of beneficiary micro, small, and medium-sized enterprises (MSMEs); (ii) promote the digital transformation of beneficiary MSMEs; and (iii) strengthen assistance to MSMEs in all regions of the country, and the decentralization of Department for Small and Medium-sized Enterprises and Entrepreneurs (SEPyMEyE) programs. Achievement of these objectives will contribute to the general development objective of helping increase the productivity, competitiveness, and market access of beneficiary MSMEs.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measurement	Baseline value	Baseline year	Expected year of achievement	Target	Means of verification	Comments
General development objective: Help increase the productivity, competitiveness, and market access of beneficiary MSMEs.							
Difference between the average labor productivity growth rate of beneficiary MSMEs and the average labor productivity growth rate of comparable nonbeneficiary MSMEs	Percentage points	0	2021	2027	4.5	Program administrative records (SEPyMEyE), SEPyMEyE Information System, and MSMEs' business registry	See Table 2 in the monitoring and evaluation plan .
Difference between the percentage of beneficiary manufacturing MSMEs that are exporters of goods and the percentage of comparable nonbeneficiary MSMEs that are exporters of goods		0	2021	2027	4.1		
Difference between the percentage of beneficiary MSMEs that are suppliers of large corporations and the percentage of comparable nonbeneficiary MSMEs that are suppliers of large corporations		0	2021	2027	4.1		

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measurement	Baseline value	Baseline year	End of program	Means of verification	Comments
Specific development objective 1. Promoting the innovative and environmentally sustainable productive development of beneficiary MSMEs						
1.1 Difference between the average annual investment in innovation activities/income from annual sales by beneficiary companies and the average annual investment in innovation activities/income from average annual sales by comparable nonbeneficiary MSMEs	Percentage points	0	2021	1.13	Program administrative records (SEPyMEyE) and revised digital self-diagnostic assessment (SEPyMEyE) applied to applicants of the programs offered and ex post to beneficiaries and controls	See Table 2 in the monitoring and evaluation plan .
1.2 Demand from MSMEs for training and/or technical assistance services for innovation on environmental and climate change issues	#	231	2020	600	Program administrative records (SEPyMEyE)	
Specific development objective 2. Promoting the digital transformation of beneficiary MSMEs						
2.1 MSMEs provided with the new digital transformation and Industry 4.0 services offered by the beneficiary digital transformation technology centers	#	0	2021	500	Application and completion forms for projects to strengthen digital transformation centers (SEPyMEyE)	See Table 2 in the monitoring and evaluation plan
2.2 Difference in the average score of the Maturity Index for Digital Transformation and Industry 4.0 for program beneficiary MSMEs and the average score of that index for comparable nonbeneficiary MSMEs	%	0	2021	10	Program administrative records (SEPyMEyE), revised digital self-diagnostic assessment (SEPyMEyE) applied to applicants of the programs offered and ex post to beneficiaries and controls	
Specific development objective 3. Strengthening assistance to MSMEs in all regions of the country and the decentralization of SEPyMEyE programs						
3.1 Beneficiary MSMEs located outside the Central Region/total beneficiary MSMEs	%	14.5	2016-2021	20	Program administrative records (SEPyMEyE)	See Table 2 in the monitoring and evaluation plan .

OUTPUTS

Indicator	Unit of measurement	Baseline value	Baseline year	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	End of program	Means of verification	Comments
Component 1. Strengthening MSME innovation processes											
Subcomponent 1.1 Supporting MSME demand for innovation services											
1.1.1 Grant-funded projects for MSME technical assistance services for innovation	Projects funded ¹	277 ²	Average 2016-2021	130	162	260	357	391	1,300	Program administrative records	Agency responsible: SEPyMEyE
Subcomponent 1.2 Green production transformation and the circular economy											
1.2.1 Awareness-raising and training actions for MSMEs on environmental sustainability and climate change issues	Actions implemented	0	2021	8	0	0	4	8	20	Program administrative records	Agency responsible: SEPyMEyE. See the monitoring and evaluation plan . Eligibility criteria in the program Operating Regulations .
1.2.2 Grant-based projects for technical assistance services to MSMEs with contribution for climate change	Projects funded	0 ³	2021	59	65	65	59	52	300		
Subcomponent 1.3 Mainstreaming gender and diversity in MSME management											
1.3.1 Grant-based projects for technical assistance services to MSMEs for the formulation and implementation of gender equity plans	Projects funded	0	2021	36	36	36	36	36	180	Program administrative records	Agency responsible: SEPyMEyE Pro-gender Indicator

¹ Projects with at least one disbursement are considered "funded projects." This definition applies to all results matrix output indicators.

² The most comparable reference is the Credit and Competitiveness Support Program (PACC), which has supported projects with grant-based technical assistance to help companies develop entrepreneurial capabilities and improve their competitiveness (average of 277 projects financed between 2016 and 2021).

³ There is no history of similar interventions in Argentina. The most comparable reference is a specific call for proposals on energy efficiency that was made under the PACC in 2020, which financed 115 projects.

Indicator	Unit of measurement	Baseline value	Baseline year	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	End of program	Means of verification	Comments
Milestone 1. Women in management positions in relation to the total number of women employed in companies benefiting from MSME technical assistance and/or training projects for the formulation and implementation of gender equity plans funded by the program	%	3.6	2021	N/A ⁴	N/A	N/A	N/A	N/A	N/A	Project application and completion forms (SEPyMEyE)	See Table 2 in the monitoring and evaluation plan . Pro-gender indicator
Component 2. MSME digital transformation to Industry 4.0											
Subcomponent 2.1 Strengthening technological and institutional offerings for digital transformation											
2.1.1 Digital transformation technology centers strengthened with program financing	Projects funded	0	2021	1	2	2	3	2	10	Program administrative records	Agency responsible: SEPyMEyE Each technology center will support an average of 50 companies
Subcomponent 2.2 Supporting companies' demand for digital transformation											
2.2.1 Projects for the implementation of the digital transformation and Industry 4.0 in MSMEs	Projects funded	0 ⁵	2021	30	30	50	50	40	200	Program administrative records	Agency responsible: SEPyMEyE
Milestone 2. Projects to implement the digital transformation and Industry 4.0 in MSMEs that contribute to climate change funded		0	2021	N/A	N/A	N/A	N/A	N/A	N/A		See Table 2 in monitoring and execution plan .
2.2.2 Number of women receiving digital talent training	Persons trained	0	2021	250	250	250	250	250	1,250	Program administrative records	Agency responsible: SEPyMEyE

⁴ N/A: Data not applicable.

⁵ There is no history of similar interventions in Argentina. The most comparable reference, a specific call for proposals for grants for digital transformation, was made under the PACC in 2020, which supported the incorporation of fourth-generation technologies (Industry 4.0) for a group of just 27 companies. The treatment intensity (grant size) was 15% of that planned in the new program.

Indicator	Unit of measurement	Baseline value	Baseline year	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	End of program	Means of verification	Comments
2.2.3 Number of persons with disabilities receiving digital talent training		0	2021	50	50	50	50	50	250		Pro-gender and diversity indicator
Subcomponent 2.3 Sector and/or associative digital transformation											
2.3.1 Sector and/or associative digital transformation projects	Projects funded	0	2021	5	5	5	18	17	50	Program administrative records	Agency responsible: SEPMyE 10 participating companies per project
Component 3. Strengthening of the federal network of support services and decentralization of SEPMyE instruments											
3.1 Regional institutional strengthening projects for technical support to MSMEs funded	Projects funded	0	2021	8	11	11	11	9	50	Program administrative records	Agency responsible: SEPMyE It is estimated that each project will provide technical support to an average of 74 companies.
Crosscutting indicators											
C.1 MSMEs receiving training and/or technical assistance on climate change issues	%	14.7	Average 2020-2021	16	17.2	18.6	19.8	21	21	Program administrative records	Agency responsible: SEPMyE. The baseline is consistent with Serra, L. (2022). Indicator associated with specific development objective 1. See Table 2 in the monitoring and evaluation plan .
C.2 System of indicators on gender and disabilities in the personnel of MSMEs developed and operational	System operating	0	2022	0	0	1	0	0	1	Executing agency's official report to the IDB	Agency responsible: SEPMyE Pro-gender and diversity indicator. Indicator associated with specific development objective 1. See Table 2 in the monitoring and evaluation plan .

Country: Argentina **Division:** IFD/CTI **Operation number:** AR-L1360 **Year:** 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Productive Development (MDP), through the Department for Small and Medium-sized Enterprises and Entrepreneurs (SEPyMEyE)

Operation name: Program to Support the Digital Transformation of MSMEs to Industry 4.0

I. EXECUTING AGENCY'S FIDUCIARY CONTEXT

1. Use of country systems in the operation

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Others
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Specific features of fiduciary execution	The borrower will be the Republic of Argentina. The executing agency will be the MDP, acting through the SEPyMEyE. The Bureau of Sector and Special Projects and Programs (DGPpPSyE) will be responsible for the program's administrative, financial, and procurement management. Its responsibilities will include: (i) verifying and/or preparing disbursement requests and substantiating expenses and submitting them to the Bank; (ii) contracting the external audit of the program and acting as its counterpart; (iii) establishing and maintaining files; (iv) monitoring and evaluating the program; and (v) launching and supervising bidding processes and supervising works. Various types of expenditure are envisaged: public calls for grant applications, permanent windows, and ordinary procurement. The program Operating Regulations will establish the criteria and conditions for grants.
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	An institutional capacity analysis was conducted on the executing agency, confirming that its institutional capacity has a satisfactory degree of development for program execution. Opportunities for improvement and actions were identified to address the gaps detected. These include: (i) strengthening the internal control structure for program execution; (ii) spelling out the specific technical and operational arrangements and coordination mechanisms for program procurement, financial management, internal control, and auditing in the program Operating Regulations ; and (iii) strengthening the teams responsible for financial and procurement management as program execution progresses. The executing agency is considered to have the capacity to complete the actions identified in the near term and to undertake operation execution. Additionally, the executing agency has experience executing Bank-financed operations, including the loans for the Competitiveness Program
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	for Regional Economies (loan 3174/OC-AR) and the MSME Competitiveness Support Program” (loan 2923/OC-AR), both in execution.
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4. Fiduciary risks and response to risk

Risk taxonomy	Risk	Level of risk	Risk response
Economic and financial	<p>Given the current macroeconomic context in Argentina, the likelihood of future fiscal constraints that could affect the program has been identified.</p> <p>In the absence of sufficient budgetary allocation during the life of the program, project implementation could be delayed, resulting in under-execution of the loan proceeds and hindering the attainment of some expected outputs and outcomes.</p>	High	Comprehensive planning of program activities will be carried out in order to identify resource needs and manage budget allocation with the appropriate agencies in a timely manner. If any needs for budgetary amendments or increases are identified during each year's execution, with the Bank's support, steps will be taken by the executing agency with the Strategic Affairs Department (SAE) in a timely manner.

5. Policies and guidelines applicable to the operation: GN-2349-15, GN-2350-15, and OP-273-12 or any subsequent version thereof.

II. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE LOAN AGREEMENT

<p>For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the one stipulated in Article 4.10(b)(i). To determine the equivalence of expenses incurred in local currency and chargeable to the local contribution, or reimbursable expenses charged to the loan, the agreed-upon exchange rate will be that in effect on the first business day of the month payment is made by the borrower, the executing agency, or any other legal entity or individual to which the authority to incur expenses has been delegated makes the respective payments to the contractor, supplier, or beneficiary. In addition, the exchange rate indicated in Article 4.10(b)(i) of the General Conditions will be used for the recognition of the local contribution to expenses co-financed with Bank and local resources.</p>
<p>The annual audited program financial reports are to be presented to the Bank no later than 120 days following the close of each fiscal year of the executing agency, duly audited by an independent auditing firm acceptable to the Bank or by Argentina's Office of the Auditor General (AGN). The final audited financial reports will be presented within 120 days following the date of the last program disbursement.</p>

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	For the procurement of works, goods, and nonconsulting services subject to international competitive bidding (ICB) executed in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15), the Bank's standard bidding documents will be used, or those agreed upon by the Bank and the executing agency for the specific procurement operation. Consultants will be selected and hired in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), and the standard request for proposals issued by the Bank or another agreed upon by the Bank and the executing agency will be used for the specific selection. The program's sector specialist is responsible for reviewing the technical specifications and terms of reference for procurement during preparation of the selection processes. This technical review may be ex ante and is independent of the procurement review method.
<input checked="" type="checkbox"/>	Use of country systems	The information system will be used. The COMPR.AR system may be used for the procurement of goods and nonconsulting services of up to US\$1.5 million.
<input checked="" type="checkbox"/>	Retroactive financing	The Bank may retroactively finance, as a charge against the proceeds of the loan, eligible expenses related to the grants provided for in Subcomponent 1.1 of the program, up to the amount of US\$8 million (10% of the proposed loan amount), provided that they have been made under conditions substantially analogous to those established in the loan contract and in the program Operating Regulations . Such expenditures will have been incurred on or after 30 March 2022 (the project profile approval date), but under no circumstances include expenditures incurred more than 18 months prior to the approval of the loan. These expenditures will be incurred early in order to maintain the continuity of grant instrument execution for companies currently in effect.
<input checked="" type="checkbox"/>	Direct contracting and single-source selection	For the implementation of the program's activities, the group of consultants previously contracted on a competitive basis under the Competitiveness Program for Regional Economies (loan 3174/OC-AR); and the MSME Competitiveness Support Program (loan 2923/OC-AR), will be directly contracted, provided that their prior performance has been satisfactory. This contracting will be carried out in application of paragraph 5.4(a) of document GN-2350-15, which authorizes the continuation of previous work that the consultant has carried out and for which he or she was contracted on a competitive basis.
<input checked="" type="checkbox"/>	Training	Training courses on project design skills, and the necessary instruction to prepare for training and awareness-raising of the entities' technical teams, will be implemented by hiring consulting firms using quality-and cost-based selection (QCBS) or selection based on consultants' qualifications (QCS), as the case may be.
<input checked="" type="checkbox"/>	Recurrent expenditures	The recurrent expenditures required to implement the financed projects approved by the Project Team Leader will be handled according to the executing agency's administrative procedures. These procedures will be

		reviewed and accepted by the Bank, provided that they do not violate the principles of economy, efficiency, and competition, and that they are associated with travel expenses, workshop expenses, and tickets for coordination meetings. (See Recurrent Costs and Guiding Principles of the Expenditure Eligibility Policy, document GN-2331-5 and updates.)						
<input checked="" type="checkbox"/>	Special procurement provisions applicable to the operation	The models of agreements that will be signed with the beneficiaries will be reviewed by the Bank prior to their execution, in order to confirm their general compatibility with the procurement principles embodied in the policies contained in documents GN-2349-15 and GN-2350-15, and that they include the rules on eligibility and apply and are subject to the rules and mechanisms to avoid prohibited practices.						
<input checked="" type="checkbox"/>	Procurement supervision	<p>Procurement will be supervised ex post, except in cases where ex ante supervision is justified. For procurement executed through country systems, supervision will rely on the country's national supervision system. The method of supervision, i.e. (i) ex ante, (ii) ex post or (iii) country supervision, will be determined for each selection process. Ex post reviews will be conducted at least annually, in accordance with the project supervision plan, subject to changes during execution. The thresholds of reference for ex post review are:</p> <table border="1"> <thead> <tr> <th>Works</th><th>Goods/services</th><th>Consulting services</th></tr> </thead> <tbody> <tr> <td>--</td><td>US\$400,000</td><td>US\$400,000</td></tr> </tbody> </table>	Works	Goods/services	Consulting services	--	US\$400,000	US\$400,000
Works	Goods/services	Consulting services						
--	US\$400,000	US\$400,000						
<input checked="" type="checkbox"/>	Records and files	The Ministry of Productive Development will maintain files and supporting documentation on procurement processes, and calls for proposals, investments, and evidence of payments made using program funds. Additionally, digital files and records will be kept for these purposes and to enable supervision by the Bank.						

Main procurement activities

Description of procurement	Selection method	Estimated date	Estimated amount (US\$ thousands)
Firms			
Training of entities and companies in project formulation (various procurement operations)	Selection based on consultants' qualifications (CQS)	April 2023	500
Awareness-raising on environmental issues	Quality- and cost-based selection (QCBS)	January 2027	400
Awareness-raising on gender issues		March 2024	300
Digital talent training		July 2023	1,500

Description of procurement	Selection method	Estimated date	Estimated amount (US\$ thousands)
Awareness-raising and training of technical teams	CQS	June 2023	150
Baseline and monitoring		March 2023	270
Evaluations by the SAE	QCBS	March 2025	300
Individuals			
Project management (various contracts)	Individual consultant selection (3CV)	March 2023	2,500
Project execution team and project manager (various contracts)		March 2023	500
Decentralization survey and studies		July 2023	200
Sector and regulatory studies		November 2023	100
Conducting multiple studies		July 2023	500
Strategy development		June 2023	30
PDPV implementation team	3CV and direct contracting	April 2023	70

Click the link to access the [procurement plan](#).

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and budget	The MDP, through the DGPpyPSYE, is responsible for formulating and programming the annual budget and will take the necessary steps to consolidate it for approval. As needs to increase or reallocate line items arise, the International Loans Execution Bureau (DEPI) will request such modifications and will be responsible for handling their approval. Budget appropriations are executed through quarterly and monthly accrued commitment installments, which are allocated by the National Budget Office (Ministry of the Economy).
<input checked="" type="checkbox"/>	Treasury and disbursement management	<p>Bank accounts. As executing agency, the MDP will manage and control the bank accounts opened in dollars and in local currency exclusively for the separate management of loan proceeds, as well as the bank reconciliation of those accounts.</p> <p>Financial plan. Disbursements will be made in accordance with a detailed financial plan based on the program's actual liquidity needs.</p> <p>Disbursement methods. The Bank will disburse resources in the form of advances of funds or by means of any other mechanism established in the Financial Management Guidelines for IDB-financed Projects (document</p>

		<p>OP-273-12). Advances of funds will be disbursed in accordance with a financial plan prepared for the subsequent six months or another reasonable period, provided that the payments made are eligible and duly documented. With the exception of the first advance of funds, subsequent advances may be processed upon justification of 80% of the total cumulative balance of funds advanced previously. If necessary, use of the flexible measures established in document OP-273-12 can be assessed. The "Online Disbursement" electronic platform will be used to manage disbursements with the Bank.</p> <p>Flow of program funds. Program proceeds will be deposited in an account of the Central Bank of the Argentine Republic for the receipt of IDB disbursements, and later transferred to a special account of Banco de la Nación Argentina for managing the loan proceeds. Use of the Treasury Single Account is not envisaged.</p>
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	<p>The MDP will use the Execution Unit for Projects with External Financing (UEPEX) as the financial management system. The UEPEX system facilitates the identification of program funds and sources of financing. In accordance with the chart of accounts approved by the Bank, UEPEX assigns the program investments by component from the cost table. Cash basis accounting will be used and the International Financial Reporting Standards will be followed, as applicable, in accordance with national criteria.</p>
<input checked="" type="checkbox"/>	Internal control and internal audit	<p>The national internal control entity is the Office of the Comptroller General (SIGEN). The internal audit is the responsibility of the MDP's Internal Audit Unit (UAI).</p>
<input checked="" type="checkbox"/>	External control and financial reports	<p>The external audit of the program may be performed by an independent auditing firm eligible to audit Bank-financed operations, selected and contracted in accordance with the terms of reference and the model contract previously agreed upon with the Bank. Since the country external control subsystem has been validated, external project auditing may also be conducted by the Office of the Auditor General of Argentina (AGN), insofar as its workload allows.</p>
<input checked="" type="checkbox"/>	Financial supervision of the operation	<p>The financial supervision plan will be based on the executing agency's risk assessment and fiduciary capacity evaluations and will take into account onsite visits and desk reviews, as well as the analysis and monitoring of outcomes and recommendations of the audits of the program's annual financial reports.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Argentina. Loan ____/OC-AR to the Argentine Republic. Program to Support MSMEs in the Digital Transformation Toward Industry 4.0

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as borrower, for the purpose of granting the former a financing aimed at cooperating in the execution of the Program to Support MSMEs in the Digital Transformation Toward Industry 4.0. Such financing will be for the amount of up to US\$80,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2022)