

MULTISECTOR PREINVESTMENT PROGRAM
STAGE II

(AR-0162)

EXECUTIVE SUMMARY

BORROWER: The Argentine Republic

EXECUTING AGENCY: The Dirección Nacional de Inversión Pública y Financiamiento de Proyectos (DNIPyFP) [National Public Investment and Project Financing Bureau] - Preinvestment Unit, which is attached to the Subsecretaría de Inversión Pública [Undersecretariat for Public Investment] of the Secretaría de Programación Económica [Economic Programming Department] of the Ministry of the Economy and Public Works and Services.

AMOUNT AND SOURCE: IDB US\$25 million (OC)
Local counterpart funding: US\$ 7 million
Total: US\$32 million

FINANCIAL TERMS AND CONDITIONS: Amortization period: 20 years
Disbursement period: 4 years
Commitment period: 3 years
Interest rate: variable
Inspection and supervision: 1%
Credit fee 0.75%

OBJECTIVES: The overall program objective is to make public investment more productive and thereby foster economic and social development in Argentina. The specific objectives of the program are to: (i) support the preparation of general and specific preinvestment studies that meet domestic and international financing agency standards and requirements; and (ii) bolster efforts to organize and strengthen the Sistema Nacional de Inversión Pública [National Public Investment System], including reinforcement of the provincial governments' investment systems.

DESCRIPTION: This program is the second stage of an existing operation and will have the same features as the first stage. Program activities are assembled into two components, namely: (i) study preparation, and (ii) institutional strengthening. The study preparation component will help finance prefeasibility and feasibility studies and final designs for projects within the strategy and priority areas agreed on with

country officials, as well as general studies aimed at facilitating the identification of specific projects, analysis of alternatives as the basis for decision-making on the timeliness and advisability of considering a particular operation, and sector planning. The institutional strengthening component will help strengthen the national public investment system by furnishing: technical assistance to the DNIPyFP, which is the agency responsible for the yearly framing and implementation of a national public investment plan; and institutional strengthening for system participants (provincial governments in particular) to enhance their project planning, preparation, analysis, monitoring and evaluation capabilities. The Preinvestment Unit would assist in managing the program, as it did in the first stage.

**ENVIRONMENTAL
CLASSIFICATION:**

The Environment Committee, at its meeting of January 17, 1996, approved the environmental summary and classified this as a Category III operation. The environmental summary was sent to the Public Information Center on January 30, 1996.

BENEFITS:

The program will help strengthen the process of assigning priority to public investment projects so as to maximize the impact of investment funds in the coming years.

The program will also strengthen the National Public Investment System (SNIP) and enhance the process of the yearly framing and implementation of a national public investment plan. At the same time, it will strengthen the technical capabilities of functional units having responsibility at the provincial level for preparing and assigning priority to investment projects within their respective jurisdictions.

Lastly, the program will facilitate the preparation of studies for projects to be considered for Bank financing and will expedite the identification of specific actions that will promote more direct Bank involvement in addressing the needs of provincial governments.

RISKS:

In the course of the first stage of this investment program, it was discovered that a number of recipient agencies did not have appropriately trained technical staff for drafting terms of reference, selecting and hiring consulting services, and monitoring study execution. To address this weakness, the proposed program includes funding for the procurement of supplemental consulting services for recipient agencies by the Preinvestment Unit as requiring extra support.

**SPECIAL
CIRCUMSTANCES:**

No waivers of policy are envisioned. However, bearing in mind the lessons drawn from the first stage of the program, a modification in auditing procedures for the selection and procurement of consulting services is recommended so as to allow for random ex post audits of individual-consultant contracts for less than US\$50,000 and of consulting-firm contracts for less than US\$100,000; this will expedite program execution and facilitate supervision by the Country Office. Also, in view of the large number of studies included in the program and, accordingly, the need to expedite the hiring of consulting firms, a Bank-approved system will be used to draw up a roster of eligible consulting firms. In order to alert interested consulting firms to the business opportunities available and to the fact that a roster is being established, a general procurement notice will be published in *Development Business* as soon as the loan is approved. In addition, specific procurement notices will be published in *Development Business* at least twice a year, within 60 days of the start of each calendar semester (see paragraph 4.11).

**THE BANK'S
COUNTRY STRATEGY:**

The Bank's operating strategy in Argentina targets three basic areas: (1) reducing poverty and improving the quality of life, through projects aimed at creating sources of gainful employment and enhancing service quality and coverage at the national, provincial and local levels; (2) boosting the productivity and competitiveness of tradable goods sectors, by providing support infrastructure and supplementing private investment under an approach that pairs regional development initiatives with environmental protection; and (3) pursuing modernization of the State beyond administrative streamlining and restructuring at the central level, extending it to the legislative and judicial branches and to the provincial and local government levels.

The proposed program will serve as an important vehicle for bolstering the Bank's country work and further strengthening the country programming process in Argentina. This is particularly important in light of the need to maximize the impact of increasingly limited allocations for public investment in the coming years, as well as the need to lend support for investment planning and spending in high-priority public investment areas (e.g., health, education, and basic sanitation).

**IMPLEMENTATION
PROBLEMS
DETECTED:**

The first stage of the preinvestment program used an especially large number of individual consultants and very few consulting firms for the preparation of project studies, which made management by the Bank and the Preinvestment Unit particularly difficult. To resolve this problem, it was decided that consulting firms would only be retained for project studies having an estimated cost of over US\$200,000, without prejudice to the hiring of individual consultants as warranted by the project.

Other problems included the Preinvestment Unit's technical weakness in sectors targeted to receive significant levels of funding for program studies, as well as problems generated by staff turnover at the unit and the lack of an information system; in fact, the Bank had to set up its own system to monitor the program and assist the Preinvestment Unit in fulfilling its duties. To remedy this situation, an economist specialized in project evaluation and an expert in the evaluation of social investment projects will be hired to provide the support that the unit's technical work will require throughout the program execution period. Moreover, any changes that are recommended or actually made in the unit's structure are to be duly substantiated in the progress reports.

**SPECIAL
CONTRACTUAL
CONDITIONS:**

As a condition precedent to first disbursement, the DNIPyFP is to furnish evidence, to the Bank's satisfaction, that it has hired two additional experts to support the technical work of the Preinvestment Unit (paragraph 4.3), implemented the operating regulations as agreed with the Bank (paragraph 4.7), and signed at least one subsidiary agreement with a recipient agency (paragraph 4.13). The technical cooperation agreement is also to include appropriate provisions to ensure regular reporting, program monitoring and evaluation, the presentation of audited financial statements and compliance with Bank procedures for the procurement of consulting services.

I. BACKGROUND

A. Frame of reference

1. Trends in public and private investment

- 1.1 The volume of funding earmarked for domestic investment increased from 14% to 19% of GDP over the five-year period from 1990 to 1994 in a reversal of the downward trend observed throughout the 1980s, which produced a 10% shrinkage in these funds. It is worth noting that this expansion in investment is a reflection of the private sector's expanded role in the country's economy, prompted by public-sector reform that established a new division of labor in which the private sector is called upon to serve as the engine of economic growth; at the same time, responsibility for the production of tradable goods and services was shifted from the public to the private sector. As a result, private investment levels rose from 11% of GDP in 1990 to 17% by 1994, with public investment holding steady at a lower structural level, averaging out to 2.2% of GDP for the period from 1990 to 1994, well below its average of 5.2% of GDP for the previous decade.
- 1.2 One of the main changes made by the national government involved adjusting and redesigning its investment system in accordance with its new role. To accomplish this, it negotiated Bank financing for a multisector preinvestment program to address critical needs in regard to the availability of preinvestment studies to establish the economic, financial, institutional, technical and environmental feasibility of projects scheduled for financing. The program was approved by the Bank in 1993 and is now nearing completion. The scope of the program is discussed later in this document; however, it is safe to say that it made a significant contribution toward expediting efforts to set up a national investment system, which served as the basis for developing the [National Government Investment System].

2. National Government Investment System

- 1.3 The National Government Investment System [Sistema Nacional de Inversión Pública] (SNIP) was established under Law 24,354 of August 29, 1994, and the respective implementing regulations were enacted on May 22, 1995 under Executive Decree 720/95. The SNIP was set up for the purpose of framing and implementing a national public investment plan each year and regularly updating the public investment project pipeline. The agency in charge of the SNIP is the Dirección Nacional de Inversión Pública y Financiamiento de Proyectos [National Public Investment and Project Financing Bureau] (DNIPyFP), which is attached to the Subsecretaría de Inversión Pública [Undersecretariat for Public Investment] of the Secretaría de Programación Económica [Economic Programming Department] of the Ministry of the Economy and Public Works and Services.

The Bureau's main responsibility is to appraise projects and programs and rank them in order of priority so as to facilitate the selection of operations (i) that are to be included in the national budget, and (ii) whose implementation will require outside financing.

- 1.4 The startup of the SNIP in 1995 expedited the framing of a multiyear (three-year) public investment plan, which included allocations for investments by provincial governments. This was accompanied by the establishment of the BAPIN project data bank which stores standardized electronic data on public investment projects and programs that are at the design, prefeasibility or feasibility stage. This information is fed into the project pipeline to facilitate budgeting operations and is eventually expected to include data on physical and financial performance and project evaluation.
- 1.5 The BAPIN's updated project pipeline currently has data on approximately 1,000 projects and programs at different stages of the preinvestment cycle (design, prefeasibility and feasibility). Its execution module is presently in the design phase. The data on file at present is limited to the projects and programs of national government agencies, with plans to gradually extend its coverage to encompass the operations of other government agencies or private organizations impacting on the national wealth and budget. Accordingly, any provincial projects identified as eligible for government-guaranteed direct financing in the course of the Bank's programming cycle with Argentina will need to be incorporated in the pipeline.
- 1.6 The national government has requested Bank assistance to strengthen the SNIP's operation and shore up the gains achieved under the first stage of the multisector preinvestment program through a second stage, as proposed herein.

3. Provincial government participation

- 1.7 The national government is stepping up the process of decentralizing basic functions of the State, so that social services will be delivered by those levels of government closest to the target population. Law 24,049, for instance, established procedures for transferring social services in the health and education areas and other social welfare programs to provincial governments. Subsequent agreements (the revenue sharing agreements of August 1992 and 1993) spelled out joint arrangements at the national and provincial levels to ensure economic stability and growth, including minimum monthly transfers of funding (under the federal revenue sharing system). Lastly, the sixth transitional provision of the text of the Constitution approved at the National Constitutional Convention on August 22, 1994 set the end of 1996 as the deadline for setting up a federal revenue sharing system which: is consistent with the spheres of competence, services and

functions of each level of government; includes objective revenue sharing criteria; ensures equity; is based on cooperation; gives priority to achieving a comparable level of development and quality of life, and equal opportunity throughout the country.

- 1.8 As part of this process, the Argentine government and the Bank have been working to devise mechanisms to expand the direct share of provincial governments in the Bank's loan portfolio. During the November 1995 programming mission, it was agreed with the country authorities that the Bank would begin preparing operations to provide direct financing to the provinces of Mendoza, La Rioja and Buenos Aires; these operations would include institutional strengthening aimed at bolstering their investment systems. It was further agreed that the proposed project would serve as a vehicle for helping to strengthen the project planning, ranking and implementation capabilities of the country's other provinces and would bolster corresponding project preparation efforts.

B. Bank involvement and experience

1. Bank involvement

- 1.9 The Bank's operating strategy in Argentina targets three basic areas: (1) reducing poverty and improving the quality of life, through projects aimed at creating sources of gainful employment and enhancing the quality and coverage of social services at the national, provincial and local levels; (2) boosting the productivity and competitiveness of tradable goods sectors, by providing support infrastructure and supplementing private investment under an approach that pairs regional development initiatives with environmental protection; and (3) pursuing modernization of the State beyond administrative streamlining and restructuring at the central level, extending it to the legislative and judicial branches and to the provincial and local government levels.
- 1.10 The second phase of the multisector preinvestment program will bolster the Bank's work in Argentina, facilitating the preparation of preinvestment studies for projects and programs identified as eligible for financing during the country programming exercise. It will also enhance the priority ranking of government investment projects so as to maximize the impact of investment funds in the coming years. More specifically, it will provide institutional strengthening for government agencies in the areas of investment planning and spending in high-priority sectors (e.g., health, education, basic sanitation, reform and modernization of the State aimed at improving provincial government finances).

2. Bank experience

a. Multisector preinvestment program - stage I

- 1.11 The multisector preinvestment program was approved by the Bank on January 13, 1993, in the amount of US\$24 million (loan 740/OC-AR). The loan contract was signed on July 8, 1993, and the loan was declared eligible for disbursement on August 26 of that year. The goals of the program were to finance preinvestment studies and strengthen Argentina's National Public Investment System. A detailed description of the outputs produced by the program is available in the operation's technical files. The following paragraphs give a summary of the program's most salient features.
- 1.12 The program consists of two subprograms: (i) preinvestment studies, and (ii) institutional strengthening. The first subprogram absorbed 90% of the loan proceeds and has been successfully achieving its purpose. To date, it has financed specific studies for three operations examined and approved by the Bank during 1994 and 1995: (i) a reform and investment program for the education sector (loan 845/OC-AR), (ii) a provincial agricultural services program (loan 899/OC-AR), and (iii) a support program for fiscal and social reforms (loan 871/OC-AR). It is also financing the preparation of specific studies for four other operations included in the 1996-1997 operating program, namely: (i) an investment program for regional development (AR-0073), (ii) a low-income neighborhood upgrading and sites and services program (AR-0163), (iii) a port upgrading program (AR-0126), and (iv) an environmental reclamation program for the Matanza-Riachuelo watershed (AR-0136).
- 1.13 The cost of the preinvestment studies for the three projects currently being financed by the Bank is less than 1% of their respective total implementation costs, amounting to US\$1.386 billion. Study costs for the five projects with studies in progress are not expected to exceed 2% of their total costs, estimated at US\$1.372 billion, which is considered reasonable based on past experience with comparable project studies.
- 1.14 In 1993, the Argentine government began establishing the legal framework for its National Public Investment System (SNIP) and setting up the agency in charge of the system, the Dirección Nacional de Inversión Pública y Financiamiento de Proyectos [National Public Investment and Project Financing Bureau] (DNIPyFP). Although these activities were financed by the government, the institutional strengthening subprogram lent support for establishing the BAPIN project bank and organizing the DNIPyFP. The SNIP is now operational, and the DNIPyFP submitted its first multiyear national budget to the Argentine Congress in 1995 as established by law. The BAPIN project bank is also fully operational, and its preinvestment module has already been completed.

- 1.15 The experience gained in implementing the first stage of the program has been positive in many respects, but has also exposed a few problems, as discussed further below.
- 1.16 The program's design is considered to have been appropriate for achieving its proposed objectives, in the sense that it was flexible enough to adapt to the specific circumstances of the decision-making process for public investment. This is reflected by the fact that all the loan proceeds were properly allocated and over half of the funds disbursed (57%) within two years from the commencement of program implementation.
- 1.17 The main factors facilitating implementation were: (i) the hierarchical position of the Preinvestment Unit, which gives it ready access to decision-making on project ranking and to information on the needs of beneficiary agencies, as well as on Bank needs, (ii) the appointment of a Preinvestment Unit manager with experience in consulting services, (iii) the fact that the Preinvestment Unit had the same policy officials and coordinator for the first two years of program implementation, and (iv) the assistance lent by the Bank's project teams - which oversaw the drafting of terms of reference and the execution of studies for projects slated for Bank financing - and by the Bank's Country Office, which helped set up the Preinvestment Unit's information system and quality control procedures.
- 1.18 Despite these factors, the minimum staffing level of the Preinvestment Unit as decided on for the program preparation phase was not met. With rare exceptions, the unit was unable to recruit personnel with the training, experience and commitment required for sound program implementation or to procure the equipment and information systems needed for it to operate efficiently. Virtually no program funding was allocated for institutional strengthening of the Preinvestment Unit or for strengthening the agencies targeted for preinvestment studies.
- 1.19 Consulting firms were hired in only a few cases during the program implementation; nearly all the studies, even the large-scale ones, were performed by individual consultants. The explanation for the arrangements - which were agreed on by country officials and the corresponding Bank project teams - varied according to the study in question. Nevertheless, this approach added to the Preinvestment Unit's administrative workload and interfered with the performance of its work, since it had to assist in the recruitment of large numbers of individual consultants and review their respective reports.
- 1.20 In brief, the program contributed to setting up the National Public Investment System (SNIP), including the establishment of its legal framework, start-up of activities, and the organization of the DNIPyFP and its three departments; it has also laid the groundwork for the implementation of an efficient long-term public investment

planning system. As part of its activities, the program helped organize project preparation efforts at the Preinvestment Unit, which has prepared a total of 102 studies to date: 14 specific studies, 23 general studies, 3 multipurpose consultancies, 33 specific consultancies and 29 institutional strengthening studies. Studies are currently being prepared for seven projects in the Bank's loan portfolio representing total investments of approximately US\$2.8 billion. In sum, all provisions of the agreement have been complied with.

b. Other preinvestment activities

- 1.21 In 1993 the Bank approved a US\$5 million line of credit (PPF/003-AR) for project preparation activities, which was later expanded to US\$8 million. As of January 1996, ten operations totaling approximately US\$7.4 million had been financed under the line of credit. Moreover, there are a number of projects currently under way that include allocations for the financing of preinvestment studies and institutional strengthening activities. The program's technical files contain a list of projects financed under the PPF credit facility and projects with funding for preinvestment studies and institutional strengthening activities.
- 1.22 The coexistence of preinvestment programs and the Project Preparation Facility (PPF) as the Bank's preinvestment tools is a reflection of their essential and mutually complementary nature as a means of bolstering the project cycle. Preinvestment programs are conduits for financing for all phases of the project cycle, ranging from general, prefeasibility and feasibility studies to engineering designs and bidding documents. They also supply financing for institutional strengthening activities to reinforce public investment systems at the country level. PPF credit lines, on the other hand, provide funding for necessary tasks to round out the preparation of specific projects, including the financing of follow-up studies, and help bolster preliminary work for the fulfillment of conditions precedent to first disbursement. In keeping with its ad hoc nature, the maximum allowable amount for financing under the PPF is US\$1.5 million per project, compared with US\$4.5 million under a preinvestment program, as in the case of the present program.

c. Involvement and experience of other organizations

- 1.23 While other multilateral assistance and financing agencies have funded preinvestment studies for specific projects and programs in Argentina, the Bank has spearheaded efforts to help strengthen the National Public Investment System (SNIP). During the second half of 1994, DNIPyFP officials negotiated World Bank financing for institutional strengthening of programming units in various central government agencies.

- 1.24 The World Bank's technical assistance project to strengthen public investment was approved on November 21, 1995, for implementation beginning in January 1996. The objective of this operation is to upgrade public investment procedures and strengthen the project analysis and appraisal capabilities of central government agencies. The project consists of four components: (i) support for decision-making on sector investments, (ii) upgrading of central government project analysis and appraisal capabilities, (iii) general studies in support of sector investment strategies, and (iv) assistance in the framing of the national public investment plan. The total project cost is US\$21 million, to be covered in part by the equivalent of US\$16 million in World Bank financing. Project implementation is expected to take five years, with the DNIPyFP serving as the executing agency. The operation includes funding for a project management unit to ensure smooth implementation.
- 1.25 The IDB project team has been working with the World Bank to ensure that the two operations effectively help establish an efficient public investment system with no duplication of efforts. In fact, the activities scheduled to be conducted as part of the IBRD project would strengthen central government agencies, while the IDB's activities - in addition to preparing preinvestment studies for projects slated for inclusion in the IDB's country program - would help strengthen agencies in charge of public investments at the provincial level and reinforce the DNIPyFP's ability to fulfill its duties as the agency in charge of the National Public Investment System.

II. PROGRAM OBJECTIVES

- 2.1 The second phase of the program will have the same objectives, components and implementation mechanism as the first phase, with necessary adjustments being made in the design to improve program performance based on lessons drawn from past experience. The program's overall objective is to make public investment more efficient so as to foster economic and social development in Argentina. The specific objectives of the program are to: (i) support the preparation of general and specific preinvestment studies that meet domestic and international financing agency standards and requirements; and (ii) bolster efforts to strengthen the National Public Investment System, including reinforcement of the provincial governments' investment systems.
- 2.2 Achieving the program objectives would mean overcoming a major constraint on the effectiveness of public investment, by ensuring the availability of a reasonably large number of projects that are backed by studies establishing their feasibility and will be given high priority for financing upon their inclusion in national and provincial government budgets.

III. PROGRAM DESCRIPTION

A. Components

- 3.1 Program activities would be assembled into two components: (1) a study preparation, and (2) institutional strengthening.

1. Study preparation (US\$27,617,000)

- 3.2 The study preparation component would finance preinvestment studies for projects within the strategy and priority areas agreed on with country officials.

- 3.3 As in the first stage of the program, the following types of studies would qualify for financing: (i) prefeasibility and feasibility studies and final designs, and (ii) general studies aimed at facilitating the identification of specific projects - including the technical and economic analysis of alternatives as the basis for decision-making on the timeliness and advisability of considering a particular operation - and at expediting sector programming. Also included are studies of projects to modernize the State geared toward consolidating reforms and extending them to the legislative and judicial branches and to the provincial and local government levels.

- 3.4 The range of studies to be financed under the program would include studies that are of interest to the national, provincial and local governments and independent agencies.

- 3.5 The scale of the study preparation component takes into account the availability of financing under the conditional revolving line of credit administered by the PPF, project preparation funding provided for under specific loans currently under way, and the World Bank project. The allocation for this component covers the financing requirements for studies associated with the preparation of projects identified in conjunction with country officials for possible financing between 1997 and 1999. This component provides for the preparation of projects representing a total of approximately US\$3 billion in investments, with the cost of corresponding studies estimated at roughly 1% of this figure based on past experience with the first stage of the preinvestment program.

2. Institutional strengthening (US\$2,159,000)

- 3.6 The institutional strengthening component would be carried out within the structure of the Subsecretaría de Inversión Pública [Undersecretariat for Public Investment] and would bolster the Dirección Nacional de Inversión Pública y Financiamiento de Proyectos [National Public Investment and Project Financing Bureau]

(DNIPyFP), which is in charge of the National Public Investment System (SNIP); it would also strengthen the functional units responsible for the programming, preparation, analysis, monitoring and evaluation of investment projects in three provincial governments initially. These activities would sustain the established system, making the necessary adjustments in order to enhance its efficiency, and extend its coverage to participating agencies. The allocation for this component has been discussed by Bank and country officials and is considered adequate for purposes of the second stage of the program.

- 3.7 For the institutional strengthening of the Subsecretaría de Inversión Pública, consulting services will be hired to carry out the following tasks, as discussed and proposed by the executing agency: (i) review the Bureau's basic responsibilities and frame specific recommendations for ensuring that the three DNIPyFP departments and standing committees work together in an efficient and effective manner for the yearly framing and implementation of the national public investment plan; (ii) establish project identification and appraisal criteria and procedures for ranking investment projects according to their scale, economic, social and environmental impact, and national interest; (iii) design and implement a regular management reporting system on the project cycle, showing project status and pending actions as of their incorporation in the BAPIN project bank through year 1 of their inclusion in the national public investment plan; (iv) organize the BAPIN execution and operation module, design the corresponding interfaces for distribution to all agencies connected to the SNIP, organize the communication module between data bases, and draft user manuals and documentation; (v) organize and hold short courses to train operators at agencies connected to the BAPIN network in data management and retrieval techniques; (vi) select, appraise, and assess the progress of 11 lending operations from the time of their inclusion in the program to the date of the commencement of work thereunder, including at least five executing agencies; (vii) frame and implement specific recommendations for Ministry of the Economy and Public Works and Services units responsible for overseeing arrangements for international organization financing (programming, project preparation, contract negotiation, contract signature, conditions precedent, eligibility and final disbursements, and relations with executing agencies); and (viii) audit project costs for two projects with large-scale infrastructure components whose implementation requires outside financing.
- 3.8 The successful completion of these tasks should result in: (i) the DNIPyFP's administrative structure and staffing pattern being better suited to the duties entrusted to it (under the law creating the SNIP) as the agency in charge of appraising and ranking projects to be included in the national public investment plan; (ii) more efficient public investment management, thanks to a system that will be able to quickly and effectively supply an

abundance of high-quality data as the basis for decision-making on the allocation of investment funds; and (iii) more expeditious preparation, negotiation and implementation of projects included in the operating programs of international lending agencies, for which purpose the program would finance a diagnostic study and the resulting recommendations would be implemented at the Economic Programming and Finance Departments of the Ministry of the Economy and Public Works and Services.

- 3.9 Strengthening the provincial government agencies in charge of the investment project cycle would lay the groundwork for efforts to develop the technical and operational capabilities of three provincial governments, with an eye to enhancing the efficiency of provincial government investments and help setting up provincial government investment systems that are compatible with the SNIP. This component would be in the nature of a pilot endeavor and could be expanded during the course of program implementation in line with demand. Its scale allows for institutional strengthening activities for one small, one medium-size and one large province. The country officials feel that it would be best to implement these activities on an incremental basis, in keeping with the technical and financial capabilities of each province.
- 3.10 These activities would be conducted in two phases. The initial assessment phase would evaluate the functional units in charge of the preparation, appraisal and implementation of public investment projects, and would formulate general recommendations concerning the institutional reforms needed for each unit to establish a public investment system compatible with the national system; plans of operations would also be prepared for technical training and equipment procurement activities geared toward bolstering project identification, preparation, monitoring and evaluation systems and the preparation of terms of reference and final cost estimates. During the second phase, the DNIPyFP and participating provincial governments would be encouraged to share their experiences. A detailed description of the institutional strengthening component and the corresponding cost estimates are available in the program's technical files.

B. Program status

1. Study generation

- 3.11 Studies have already been identified for the first year of the program, and the corresponding terms of reference have been evaluated on a preliminary basis. Studies to be subsequently incorporated in the program for financing in the course of the second, third and fourth years of program implementation will be identified and approved as the Bank's country operating program is established. This will give the program the necessary flexibility to adapt to the dynamics of the Bank's country programming process and will help to bolster project generation and preparation for the

1997-1999 programming period, in line with the economic and social changes taking place at the countrywide level and the anticipated larger share of provincial governments in the Bank's portfolio. As country officials and the Bank move forward in their efforts to generate new operations for inclusion in subsequent programming exercises, the program will draw up terms of reference for the preparation of the corresponding projects.

- 3.12 The following table contains a list of studies identified for financing in the first year of program implementation, along with their estimated costs and tentative environmental classifications.

PREINVESTMENT STUDIES DURING YEAR ONE	AMOUNT (IN US\$000)	TENTATIVE ENVIRONMENTAL CLASSIFICATION
1. Specific studies	8,900	
- Environmental reclamation of Lago San Roque (AR-0168)	3,600	III
- Support for manpower redeployment in productive sectors, stage II (AR-0172)	500	II
- Provincial administration of justice (AR-0124)	300	II
- National highways — stage II (AR-0183)	4,500	III

- 3.13 The following paragraphs present a summary description of each of these studies:

- a. Environmental reclamation of Lago San Roque (AR-0168). The goal of this study, coordinated by the Córdoba Provincial Ministry of Public Works and Services, is the design and preparation of an environmental sanitation project for the Lago San Roque watershed. The project will be based on a study of conditions for the environmental upgrading of the entire watershed, including a diagnostic study, the identification of alternatives, the development of selected alternatives, an executive-project-level appraisal of recommended short-term measures, an appraisal of identified medium- and long-term investment projects at the prefeasibility or higher level, and terms of reference for the preparation of final designs, as well as the establishment of an institutional framework for project implementation.
- b. Support for manpower redeployment in productive sectors, Stage II (AR-0172). The main objective of the second stage of this program is to expand opportunities for the employment and social advancement of low-income or socioculturally disadvantaged groups and bolster manpower redeployment efforts by promoting skills development in productive sectors where skills levels are inadequate and there is evidence of a demand for skilled laborers. This study will be conducted under the aegis of the Commerce and Investment Department of the Ministry of the Economy and Public Works and Services.

- c. Provincial administration of justice (AR-0124). This two-phase study will identify and design a series of activities to help modernize the justice system at the provincial government level. The first phase will identify key elements of the justice system that can feasibly be strengthened to produce short- and medium-term efficiency gains, and design surveys and procedures to measure the supply and demand for judiciary services, including: (i) an assessment of the volume, frequency and grounds for judicial actions by type of dispute, the time frame for the corresponding proceedings and the responsiveness of the justice system (judges, magistrates, district attorneys, financing facilities, etc.); and (ii) the identification and measurement of other agents or factors impacting on the justice system. The second phase would be devoted to field studies, the designing of activities and implementation procedures for previously identified project components, and institutional, financial, technical and socioeconomic feasibility studies, as well as to the identification of inherent project risks.
- d. National highways, stage II (AR-0183). The National Highway Administration is currently engaged in a road improvement program for the country's main corridors, and the second phase of this program would round out works performed under phase one. Accordingly, engineering and economic and environmental feasibility studies need to be done for approximately 26 highway projects. The first phase of the new program would be devoted to updating the transportation sector strategy to ensure that all the proposed highway projects constitute necessary high-priority infrastructure projects for this sector. Engineering studies would include field work, survey work, water engineering and drainage studies, soil studies, studies of road surfaces, bridge designs, computations of the volume of construction work and corresponding cost estimates, technical drawings and engineering documents, general specifications and special conditions, and a timetable for the performance of studies and the submission of reports. Economic and environmental appraisals will take into account construction and maintenance costs, present and projected traffic volumes, the environmental impact of construction work and proposed mitigating measures, including cost calculations and relevant lessons drawn from the first highway program.

2. Environmental impact and classification of program studies

- 3.14 Stage II of the multisector preinvestment program was classified as a Category III operation by the Bank's Environment Committee on January 24, 1995. Its environmental summary was discussed and approved on January 17, 1996. While the program itself is environmentally neutral in that it would fund only preinvestment studies and training activities, the projects financed as a result

of these studies could have a wide variety of environmental effects. The program's geographic coverage is rather extensive, and projects stemming from studies scheduled for financing under the program would involve a broad range of sectors and geographic areas, with all the complex environmental and socioeconomic issues this situation raises.

- 3.15 All projects associated with studies tentatively included in the program were preclassified in the environmental summary according to the Bank's classification criteria, which would be used for all other projects associated with any and all studies which may be subsequently included in the program. The environmental specialist attached to the Country Office would assist with the environmental classification of any new studies to be added. Studies for any Category III or IV projects currently or subsequently included in the program will provide for the performance of environmental impact assessments to identify any problems likely to arise and will recommend measures for the prevention, control and mitigation of any adverse effects, as well as environmental upgrading measures. The terms of reference for the environmental impact assessments for these projects will require a detailed cost breakdown and implementation and supervision schedule, as well as consultations with any impacted communities (to be conducted in accordance with Bank procedures) and, where applicable, the development of a plan for the mitigation of any adverse environmental effects.
- 3.16 Furthermore, the environmental summary recommends that all studies financed under the program include the requirement that the beneficiary agency comply with all provisions of Argentine legislation governing the protection of natural resources and the environment and adhere to Bank policy and procedures for the assessment of environmental effects and natural disasters.

IV. PROGRAM EXECUTION

A. Participating agencies

- 4.1 The executing agency for the proposed program would be the Dirección Nacional de Inversión Pública y Financiamiento de Proyectos [National Public Investment and Project Financing Bureau] (DNIPyFP), which is attached to the Subsecretaría de Inversión Pública [Undersecretariat for Public Investment] of the Secretaría de Programación Económica [Economic Programming Department] at the Ministry of Economy and Public Works and Services, through its Preinvestment Unit.
- 4.2 The Preinvestment Unit was established for purposes of the current preinvestment program and would continue to perform the same activities throughout the second stage of the program. More specifically, it would be in charge of implementing, coordinating and managing the program and helping to ensure that all institutional strengthening activities and studies financed thereunder are conducted in due and proper fashion.
- 4.3 Owing to the Preinvestment Unit's technical weakness in terms of its project appraisal capabilities in sectors targeted to receive significant levels of funding for program studies, as well as the problems generated by staff turnover, the unit will be strengthened by means of specialized technical consultancies which will lend support in analyzing specific study proposals as necessary, and reviewing the technical content of the final reports. Furthermore, the recruitment of two additional professionals for DNIPyFP will provide support for the unit's technical work on a long-term basis, and the procurement of computer equipment will strengthen its administrative management, accounting operations and program information systems. Information seminars will be held to disseminate information on the program's main objectives among national and provincial government agencies qualifying as potential program recipients. The revised organization chart for the Preinvestment Unit has been examined by the project team and is deemed adequate for the tasks to be assigned to the unit. As a condition precedent to first disbursement, two additional experts would have to be hired to lend support for preinvestment activities: an economist specialized in investment project evaluation and an expert in the evaluation of social investment projects.
- 4.4 The Preinvestment Unit ^{1/} is divided into three organizational areas: the general coordinator's office, a technical area and a

^{1/} A discussion of the functions, structure and budget of the Preinvestment Unit is available in the program's technical files.

financial/accounting area. The general coordinator will work with the unit's technical staff in establishing its annual work program, and will advise beneficiary agencies on established procedures, evaluate requests and monitor operations. The financial/accounting area will be responsible for drawing up the annual budget and financial statements, will issue information on disbursement and auditing procedures and will advise beneficiary agencies on the preparation of charts of account for financial auditing purposes.

- 4.5 The DNIPyFP, which is responsible for overall program management, will have general supervisory authority over the Preinvestment Unit, and must approve the unit's annual work program, requests for financing, annual financial statements and proposals for enhancing program implementation. The DNIPyFP will be advised by a technical committee, 2/ which will assist it in ensuring that all studies scheduled for financing are included in the approved annual program, in verifying that terms of reference make adequate provisions for the study of technical, economic, institutional, financial and environmental considerations, in approving the execution of studies and the corresponding reports, and in recommending any necessary operational changes to improve program implementation.

- 4.6 The executing agencies for the studies component will be central and provincial government agencies, which would procure the necessary consulting services to prepare the studies. The Preinvestment Unit will assist with institutional strengthening activities.

B. Operating regulations

- 4.7 Program execution will be governed by operating regulations substantially similar to those used for the first stage of the program, including but not limited to the following elements: selection criteria for program studies; requirements for purposes of analyzing proposals submitted; criteria for the selection and hiring of consulting services; rules for the use of program funds; arrangements for making transfers; the execution period; and the establishment of guidelines for program monitoring and supervision. As a condition precedent to first disbursement, the DNIPyFP will be required to furnish evidence that it has adopted the operating

2/ This committee would be comprised of the following DNIPyFP officials: the director of the DNIPyFP, who would serve as its chairman; the head of the Project Appraisal Department (DAP); the head of the Public Investment Department (DIP); the head of the Financing and Cooperation Department (DFC); and the general coordinator for the Preinvestment Unit, who would serve as the committee's secretary.

regulations established in conjunction with the Bank (available in the program's technical files).

1. Selection criteria for program studies

- 4.8 Studies to be financed in the course of the second, third and fourth years of program implementation must be consistent with government priorities and Bank programming guidelines. The following general criteria would apply: (i) General studies would examine high-priority problem sectors, subsectors and areas with a view to finding solutions. Each such study would define and analyze the technical, economic, environmental and social parameters and explain their practical implications and how the study's findings might be applied: (ii) Specific prefeasibility studies would have to identify technical, financial, institutional and other types of problems and possible solutions. However, prefeasibility studies may not be necessary in cases where the preliminary data emerging from a particular general study suggest that the project in question has all the necessary information with which to conduct a feasibility study: (iii) Feasibility studies must be preceded by a preliminary study indicating that the project would have a satisfactory economic rate of return and would be technically, environmentally, financially and institutionally viable; and that all relevant factors that need to be examined more carefully have been identified; and that the selected alternative is the one that offers the highest net present value, or is the least-cost alternative when several alternatives offer similar benefits. Where applicable, consultations with impacted communities may need to be conducted prior to the final selection of an alternative: (iv) Final engineering designs would be drawn up once the project's technical, economic, environmental, financial and institutional feasibility has been duly established.

2. Criteria for the selection and hiring of consulting services

- 4.9 Consulting services would be selected as established in the terms of reference to ensure an adequate level of technical expertise and experience for carrying out the studies. Beneficiary agencies would be responsible for selecting and retaining these services in accordance with Bank rules and procedures to be set forth in Annex B to the technical-cooperation loan agreement and appended to the program's operating regulations.
- 4.10 The first stage of the preinvestment program, it was noted, used an especially large number of individual consultants compared with very few consulting firms to prepare project studies, which made management by the Bank and the Preinvestment Unit particularly difficult. To remedy this problem, it was decided that consulting firms would only be retained for studies having an estimated cost of US\$200,000 or more, without prejudice to the hiring of individual consultants as warranted by the project.
- 4.11 In light of the experience gained during the first stage and given the prospective source of program financing, it was recommended that the program include a mechanism to expedite the selection and hiring

of consulting services and thereby make the process more efficient. It is proposed, then, that the Preinvestment Unit be given new discretionary limits in view of its greater experience as a result of the first operation and on the grounds that this would help keep the Country Office from becoming over burdened. Accordingly, the following provisions have been incorporated into the operating regulations to supplement existing stipulations in regard to Bank procedures for the selection and hiring of consulting firms and/or individual consultants, and would also be included in the technical-cooperation loan agreement:

- a. In cases where clearance is required, all procedures related to the selection and hiring of consulting firms for studies having an estimated cost of under US\$100,000, and to the selection and hiring of individual consultants for studies valued at under US\$50,000, may be cleared by the Preinvestment Unit, without need for prior Bank approval. However, the Bank will conduct random expost audits of all documentation and procedures used in the selection and hiring of such consulting services and, if they are found to be inconsistent with Bank policy, will declare the study to be ineligible for financing under the program.
- b. In view of the large number of studies included in the program and, accordingly, the need to expedite the hiring of consulting firms, a Bank-approved system will be used to draw up a roster of eligible consulting firms. In order to alert interested consulting firms to the business opportunities available and to the fact that a roster is being established, a general procurement notice will be published in *Development Business* as soon as the loan is approved. In addition, specific procurement notices will be published in *Development Business* at least twice a year, within 60 days of the start of each calendar semester. The specific procurement notices will provide details on the studies to be financed during the following six-month period, including their scope, the agency responsible, and contact information. The notices will mention that the roster will remain open during the execution period, inviting firms to register and to update their data each year. The program's procurement plan is presented in Annex IV-1.

3. Use of program funds

- 4.12 Program funds may be used to hire the consulting services needed to perform studies in accordance with Bank rules and procedures and to conduct institutional strengthening activities pursuant to the provisions of the technical-cooperation loan agreement and operating regulations. In accordance with Bank policy, program funds may not be used to finance overhead and administrative expenses incurred by the Ministry of the Economy and Public Works and Services, its departments or the beneficiary agencies, except for those specifically incurred in operating the Preinvestment Unit. Program funds would be used in conjunction with the revolving line of credit under the Project Preparation Facility (FPP-003-AR).

4. Transfer of program funds and disbursements

4.13 The program's funds would consist of resources provided under the technical cooperation loan presently under consideration and counterpart funding allocated by the Oficina Nacional de Presupuesto [Office of the Budget] and provided by the National Treasury, both of which are agencies attached to the Subsecretaría de Presupuesto y Administración Financiera [Undersecretariat for Budget and Financial Management] of the Ministry of the Economy and Public Works and Services. These funds will be deposited in an account opened in the name of the DNIPyFP and will be used to finance scheduled program activities. Funds earmarked for the financing of program studies will be transferred to provincial government agencies on a contingent-recovery basis under the terms of subsidiary agreements, and will be used to defray up to 70% of the cost of each study. 1/ Funding for the institutional strengthening of the provincial governments would be nonreimbursable. Allocations to national government agencies would be made in the form of nonreimbursable transfers, subject to the execution of subsidiary agreements between the parties. The DNIPyFP will be required to furnish evidence that it has signed at least one subsidiary agreement with any beneficiary agency as a condition precedent to the first disbursement of program financing.

4.14 Each fiscal year, the recipient agencies will inform the Preinvestment Unit of the amount of funding they will need in order to pay consultants during the year. The Preinvestment Unit will verify that all terms and conditions have been observed and will review the supporting documentation for each disbursement requested by a recipient agency.

5. Schedule for program execution and for the commitment and disbursement of program funds

4.15 The time required for program execution and disbursement in full of program funds would be four years from the effective date of the technical-cooperation loan agreement. The terms for commitment of program funds is three years from the effective date of the agreement. 2/ These time frames are in line with the program's scale and type of activities, and the program execution capabilities

1/ Contingent-recovery funding is used in cases where there is a reasonable likelihood that the studies in question will give rise to bankable projects or programs. In the event a loan is granted for these operations, the earmarked study funds would be incorporated in the loan and reimbursed with the first disbursement of the loan proceeds. In the event this process does not result in a project loan, the funds automatically become nonreimbursable.

2/ The technical-cooperation loan agreement for the proposed program will include a reference to the Bank's definition of "committed funds" as those funds allocated to a consulting services contract entered into by a recipient agency with a consulting service provider.

of the Preinvestment Unit and other participating agencies. The following tentative timetable for the disbursement of program funds takes into account the fact that the proposed program is closely tied in with the Bank's country operating program.

DISBURSEMENT SCHEDULE						
	Year 1	Year 2	Year 3	Year 4	Total	%
IDB funding	6,000	6,000	7,000	6,000	25,000	78
Local contribution	1,000	2,000	2,000	2,000	7,000	22
Total	7,000	8,000	9,000	8,000	32,000	100
Percentage, by year	22	25	28	25	100	

C. Program cost

- 4.16 The total program cost is estimated at the equivalent of US\$32 million. The Bank loan would amount to the equivalent of US\$25 million (78%), to be drawn on the ordinary capital and disbursed in foreign exchange. The balance, for the equivalent of US\$7 million (22%), would be contributed by the Argentine government. These funds would be used to finance the following cost categories: (i) study costs associated with project preparation; (ii) costs associated with institutional strengthening activities; and (iii) administrative expenses and supervision costs. The Bank's share of the program financing is similar to its share under the current program. The Bank would contribute to the financing of all the cost categories, as follows:

PROGRAM COST AND FINANCING (in thousands of U.S. dollars equivalent)				
Cost category	IDB loan	Local contrib.	Total	%
1. Studies	22,617	5,000	27,617	86.3
- Specific studies	18,717	3,600	22,317	69.7
- General studies	2,500	500	3,000	9.4
- Supplemental consulting services				
* Terms of reference and short-term consultancies	1,000	500	1,500	4.7
* Assistance for study management	400	400	800	2.5
2. Institutional strengthening	1,659	500	2,159	6.7
- Strengthening of the Subsecretaría de Inversión Pública	1,309	400	1,709	5.3
- Strengthening of provincial governments	350	100	450	1.4
3. Management and supervision				
- Preinvestment Unit	500	1,500	2,000	6.3
- Inspection and supervision	224		224	0.7
Total	25,000	7,000	32,000	100
Percentage of program financing (%)	78%	22%	100	

4.17 Since, by definition, preinvestment work is technical cooperation, the proposed program matrix is valid. The government's contribution, covering 22% of the total cost, is evidence of its commitment to the program. The program scale takes into account the financial management and accounting capabilities of the Preinvestment Unit and the beneficiary agencies for the scheduled studies, as well as the need for funding to cover the cost of feasibility studies for projects or programs identified in the course of country programming; financing for these activities is estimated at US\$4.5 billion for the next three years.

D. Operations monitoring

1. Supervision and evaluation

- 4.18 The beneficiary agencies would directly supervise the preparation of each study, with the Preinvestment Unit and the Bank, in turn, monitoring the studies' progress. Upon completion of each study, the beneficiary agency and the Preinvestment Unit would have 60 days in which to examine the draft version of the final report and issue an opinion. If of any observations are made, the consultants would make the necessary changes in the draft and produce the definitive version of the final report. This report, once approved by the beneficiary agency, the Preinvestment Unit and the technical committee, would then be presented for Bank approval.
- 4.19 The Preinvestment Unit would furnish the Bank with semiannual reports containing the following elements throughout the program execution period: (i) a status report on studies in progress; (ii) an indepth profile of each study; (iii) the findings of studies completed during the previous six months; (iv) information on the progress and execution of the institutional strengthening component at the national and provincial government levels; and (v) any changes that may have occurred in the structure, staffing and operations of the Preinvestment Unit during the six-month reporting period or planned for the following reporting period, with an explanation of each.
- 4.20 The beneficiary agencies would furnish the Preinvestment Unit with an evaluation of all the studies conducted. The terms for the evaluation would be established by the Preinvestment Unit in accordance with the requirements for preparing the final program evaluation report, which would be conducted by the deadline for the last disbursement of the technical cooperation loan. The final report would include the following: (i) a description of each study financed and a discussion of its findings; (ii) a detailed listing of the investment projects either conducted or rejected as a result of studies performed under the program, indicating the amount and source of financing for each such project and its expected socioeconomic benefits; (iii) the outputs produced by institutional strengthening activities; (iv) a description of the performance of the consulting services in their relations with the beneficiary agencies, assessing compliance with the terms of the contracts and the quality of the services rendered; (v) information for measuring the program's impact on national consulting capabilities; and (vi) an assessment of the program's contribution to the environmental appraisal process. The indicators formulated expressly for purposes of this operation, as established in the logical framework presented in Annex IV, should be taken into account in evaluating program outputs.

2. Accounting data

- 4.21 The beneficiary agencies would be required to keep separate accounts of all outlays of program funds. Accounting would be done in accordance with the chart of accounts to be furnished by the Preinvestment Unit in due course. In addition, each beneficiary agency would present the Preinvestment Unit with semiannual accounting statements drawn up in accordance with the models supplied by the unit.
- 4.22 The program's financial statements would be drawn up by the Preinvestment Unit at the close of each fiscal year and audited by the Auditoría General de la Nación [National Auditor General's Office] for submission to the Bank within the 120 days following the end of each fiscal year.

E. Program sustainability

- 4.23 The National Public Investment System is already in place and is fully operational. It has laid the groundwork for implementing an efficient long-term public investment planning system. Program sustainability will be ensured by the government's contribution, which is roughly 75% of the cost of operating the Preinvestment Unit during the second stage. The Bank's contribution, covering the remaining 25%, would essentially finance the recruitment of two additional senior consultants and the procurement of the equipment needed for their work. The Preinvestment Unit is using experts hired under fixed-term contracts for the current program. This same type of contract would continue to be used in the second stage of the program, in line with the government's decision to keep the public sector streamlined and use the services of private consultants for project preparation work.

V. BENEFITS AND RISKS

A. Benefits

- 5.1 The program will help strengthen the process for assigning priority to public investment projects and thereby maximize the impact of investment funds in the coming years. Specifically, funding will be provided for preparing studies designed to establish the feasibility of investment projects and ensure prior to their financing, that they represent the best alternative for the solution of targeted problems.
- 5.2 The program will also strengthen the National Public Investment System and ensure that it makes an efficient contribution toward the yearly framing and implementation of a national government investment plan. At the same time, it will strengthen technical capabilities for the preparation and ranking of investment projects at the provincial level by directing institutional strengthening toward the functional units responsible for these tasks.
- 5.3 Lastly, the program will facilitate the Bank's work in Argentina and the preparation of studies for projects to be considered for Bank financing, and it will help expedite the preparation of specific actions designed to promote more direct Bank involvement in addressing the needs of provincial governments.

B. Risks

- 5.4 In the course of the first stage of the preinvestment program, it was discovered that a number of beneficiary agencies did not have appropriately trained technical staff for drafting terms of reference, selecting and hiring consulting services, and monitoring study execution. To address this weakness, the proposed program includes funding for the procurement of supplemental consulting services for beneficiary agencies identified by the Preinvestment Unit as requiring extra support.

PROGRAM LOGFRAME

ARGENTINA. MULTISECTOR PREINVESTMENT PROGRAM II (AR-0162)			
NARRATIVE SUMMARY OF PROGRAM OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p><u>Goal:</u></p> <p>To make national and provincial government investment more efficient.</p>	<p>Specific projects financed, backed by preinvestment studies that meet international lending agency standards and requirements, establish their feasibility and ensure that they represent the best alternative for solving the targeted problem.</p>	<p>- Impact assessment reports on public investment projects.</p>	<p>There is a commitment on the part of government officials to give priority to investment projects that are backed by preinvestment studies establishing their feasibility.</p>
<p><u>Purpose:</u></p> <p>To increase the availability of preinvestment studies and appraisals as the basis for ensuring that priority is given to projects whose economic, technical, institutional, environmental and financial feasibility has been duly established, both at the national and provincial government levels.</p>	<p>The availability of alternative investment projects for submission to domestic and international sources of financing within a period of four years.</p>	<p>Number of projects eligible for financing in Bank programming cycles and incorporated in the national public investment plan.</p>	<p>There is a high level of commitment to timely program implementation on the part of government officials, and the Preinvestment Unit has management experience.</p> <p>There is an adequate supply of professional services for the efficient performance of studies.</p>
<p><u>Components:</u></p> <p>1. Preinvestment studies.</p> <p>1.1 General studies for national and provincial government projects.</p> <p>1.1 Specific studies for national and provincial government projects.</p>	<p>Number of general and specific studies financed in accordance with program specifications.</p> <p>Number of projects being financed or considered for financing whose studies were prepared under the program.</p>	<p>Semiannual progress reports and annual evaluation reports.</p> <p>Number of projects incorporated into the Bank's country operating program.</p>	<p>Local counterpart funding will be available when needed.</p> <p>There is an adequate supply of professional services to perform the work.</p>
<p>2. Institutional strengthening of participating agencies.</p> <p>2.1 Tailoring of the DNIPyFP organizational and administrative structure to perform the duties assigned to it under the law creating the SNIP.</p>	<p>Implementation of recommendations approved by the DNIPyFP within six months of hiring the consulting services.</p> <p>Compliance with established deadlines for the framing of the national public investment plan with a view to its submission to Congress in September of each year.</p>	<p>Final consultants' report.</p> <p>Semiannual progress reports and annual evaluation reports.</p>	<p>There is a willingness on the part of government officials to implement recommendations.</p>

ARGENTINA. MULTISECTOR PREINVESTMENT PROGRAM II (AR-0162)			
NARRATIVE SUMMARY OF PROGRAM OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
2.2 An investment project registration, supervision and monitoring system (BAPIN), completed and operational.	<p>Availability of ready, reliable, and timely data on public investment projects in their preinvestment stage, as of the date of commencement of project implementation and as of month 24 of their operation phase.</p> <p>Gains in the productivity of DNIPyFP staff members as of month 12.</p>	<p>Semiannual progress reports and annual evaluation reports.</p> <p>Reduction in the time frame for identifying feasible projects consistent with government priorities, for consideration in the process of the yearly framing of a national public investment plan.</p>	<p>There is a willingness and commitment on the part of government agencies connected to the SNIP to feed the second tier BAPIN data base with current data on current projects and programs in the preinvestment phase.</p>
2.3 Performance of analyses and assessments and implementation of recommendations to improve the management and delivery of new investment projects.	<p>Tightening of the deadline for the fulfillment of conditions precedent and reduction in necessary administrative formalities for establishing eligibility for fresh financing as of month 8.</p> <p>Efficient mechanisms for setting deadlines and supervising project performance for new operations as of month 8.</p>	<ul style="list-style-type: none"> - Quarterly monitoring reports throughout the course of the performance of consulting services. - Semiannual progress reports and annual evaluation reports. 	<ul style="list-style-type: none"> - There is a willingness on the part of the executing agencies to supply needed information for the performance of necessary tasks. - There is a commitment on the part of the Ministry of the Economy and Public Works and Services to implement the resulting recommendations.
2.4 Completion of the pilot program for the auditing of project costs.	<p>The taking of decisions by government officials as a result of recommendations emerging from the pilot study by month 3.</p>	<ul style="list-style-type: none"> - Semiannual progress reports and annual evaluation reports. 	<ul style="list-style-type: none"> - There is a willingness on the part of the executing agencies for both projects to work with the consultants.
2.5 Provision of provincial government agencies in charge of the ranking, implementation and monitoring of investment projects with strengthened structures, trained personnel and operational information systems.	<p>SNIP-compatible public investment systems in place and operational in three provinces within a period of 18 months.</p> <p>Conduct of three seminars on project preparation and appraisal and the SNIP in each province within a period of 18 months, with each seminar running one week in length and attended by 40 participants.</p> <p>Conduct of three two-week-long seminars on information flow management for the provincial government investment system within the first 18 months.</p>	<ul style="list-style-type: none"> - Semiannual progress reports and annual evaluation reports. 	<ul style="list-style-type: none"> - There is an interest on the part of provincial governments in getting actively involved in the final design and implementation of this component.

ARGENTINA. MULTISECTOR PREINVESTMENT PROGRAM II (AR-0162)			
NARRATIVE SUMMARY OF PROGRAM OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Activities: 1. Preinvestment studies. 1.1 Procurement of professional services to bolster the drafting of terms of reference for the preparation of preinvestment studies and the conduct of competitive bidding procedures for the selection and qualification of firms and the awarding of contracts for the performance of these studies.	Consulting services: Preparation of terms of reference = US\$ 800,000 Study management = US\$1,500,000 Subtotal = US\$2,300,000	Budget performance	- There is an adequate supply of professional services for the efficient performance of studies.
1.2 Performance of general preinvestment studies.	General studies = US\$3,000,000 Subtotal = US\$3,000,000	Budget performance	- There is an adequate supply of professional services for the efficient performance of studies. - Competitive bidding procedures are conducted and consulting services selected quickly and efficiently.
1.3 Performance of specific preinvestment studies.	AR-0168 Lago San Roque = 3,600,000 AR-0172 Manpower redeployment = 500,000 AR-0124 Administration of justice = 300,000 AR-n.a. Highways = 4,500,000 Other studies = US\$13,917,000 Subtotal = US\$22,317,000 Total = US\$27,617,000	Budget performance	- There is an adequate supply of professional services for the efficient performance of studies. - Competitive bidding processes are conducted and consulting services selected quickly and efficiently.
2. Institutional strengthening. 2.1.1 Review of basic responsibilities and framing of specific recommendations ensuring that the three DNIPyFP departments and standing committees work together in an effective and efficient manner in the yearly framing and implementation of the national public investment plan.	Consulting services 18 months = US\$61,500	Budget performance	There is a willingness and commitment on the part of the government to implement resulting recommendations.

ARGENTINA. MULTISECTOR PREINVESTMENT PROGRAM II (AR-0162)			
NARRATIVE SUMMARY OF PROGRAM OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
2.1.2 Establishment of project identification and appraisal criteria and procedures for the ranking of investment projects according to their size, economic, social and environmental impact and national interest.	Consulting services 18 months = US\$61,500	Budget performance	There is a commitment to enforce recommended criteria.
2.1.3 Design and implementation of a regular management reporting system on the project cycle, status, and pending actions, from a project's incorporation in the BAPIN to its inclusion in year 1 of the national public investment plan.	Consulting services 30 months = US\$97,500 Total = US\$220,500	Budget performance	The reports are distributed appropriately and in a timely manner.
2.2.1 Organization of the BAPIN execution and operation module, designing of corresponding interfaces for distribution to all agencies connected to the SNIP, organization of the communication module between data bases and, development of user manuals and materials.	- Consulting services .General coordination = US\$204,000 .Design, maintenance and adaptation of software 96 months = US\$217,000 .Programming 36 months = US\$117,000 .Preparation of manuals = US\$ 46,000 - Publications and printed matter = US\$ 40,000 Subtotal = US\$624,000	Budget performance	The data base is supplied w/current, timely information.
2.2.2 Design and conduct of short-term courses for the training of operators at agencies connected to the BAPIN network in data management and retrieval techniques.	- Consulting services Training = US\$ 507,000 - Instructional materials = US\$ 19,500 Subtotal = US\$ 526,500 Total = US\$1,150,500	Budget performance	There is a willingness to undergo training.
2.3.1 Selection, appraisal and assessment of the progress of 11 lending operations from the point of their incorporation into the program to the date of the commencement of the corresponding works, including at least five executing agencies.	Consulting services 32 months = US\$106,000	Budget performance	There is an interest in supplying appropriate information to enable the consultants to perform their work.

ARGENTINA. MULTISECTOR PREINVESTMENT PROGRAM II (AR-0162)			
NARRATIVE SUMMARY OF PROGRAM OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
2.3.2 Framing and implementation of specific recommendations for MEyOSP units in charge of arrangements for international organization financing (programming, project preparation, contract negotiation, contract signature, conditions precedent, eligibility and final disbursements, and relations with executing agencies).	Consulting services 24 months = US\$82,000 Total = US\$188,000	Budget performance	There is a willingness to make recommended changes.
2.4.1 Auditing of project costs for two projects with large-scale infrastructure components whose implementation requires outside financing.	Consulting services 3 months = US\$150,000	Budget performance	There is a willingness on the part of interested agencies to supply consultants with necessary information.
2.5.1 Framing of plans of operation for technical cooperation to strengthen functional units in three provinces in charge of the project cycle and the ranking of public investment projects, including training activities and procurements of equipment for the strengthening of project analysis, appraisal and ranking systems.	Consulting services 72 months = US\$206,100 Subtotal = US\$206,100	Budget performance	There is an interest on the part of provincial governments in playing an active role in project generation.
2.5.2 Implementation of plans of operations at the provincial level, including the sharing of information and experiences by provincial government agencies and the DNIPyFP.	- Consulting services = US\$155,000 - Materials and travel = US\$8,000 - Technical cooperation for provincial governments and the DNIPyFP = US\$10,900 - Equipment = US\$ 70,000 Subtotal = US\$243,900 Total = US\$450,000	Budget performance	There is an interest in playing an active role in project implementation.

ARGENTINA. MULTISECTOR PREINVESTMENT PROGRAM
(AR-0162)

PROCUREMENT PLAN

MAIN CONSULTING SERVICES	FINANCING US\$000		PROCEDURE	PREQUALIFICATION	ESTIMATED TIME
	IDB	Local			
FIRST YEAR	8,276	1,900			
Specific studies					
- Environmental reclamation of Lago San Roque (AR-0168)	2,952	648	ICB	Yes	II quarter
- Support for manpower redeployment in productive sectors, stage II (AR-0172)	410	90	ICB	Yes	II quarter
- Provincial administration of justice (AR-0124)	246	54	ICB	Yes	II quarter
- National highways -- stage II (AR-0183)	3,690	810	ICB	Yes	II quarter
General studies	625	125	1/	1/	II, III, and IV quarter
Institutional strengthening	553	170	1/	1/	II quarter
SECOND, THIRD AND FOURTH YEARS	16,000	3,600	1/	1/	-

PROCEDURES FOR SELECTING AND CONTRACTING CONSULTING SERVICES		
COST OF THE STUDIES	PROCEDURE	ADVERTISEMENT
US\$200,000 or more	International competitive bidding (ICB)	<p><i>Development Business</i> (General procurement notice as well as specific procurement notices)</p> <p>National newspapers having wide circulation.</p> <p>A Bank-approved consulting firm registration system will be used (roster).</p>
Less than US\$200,000	Bank's standard procedures	National newspapers having wide circulation.

1/ Will depend on the amount of the study or activity to be financed.

PROPOSED RESOLUTION

ARGENTINA. TECHNICAL COOPERATION LOAN AGREEMENT No. ____/OC-AR
TO ARGENTINA
Multisector Preinvestment II Program

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 agreement or agreements as may be necessary with la Nación Argentina, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a Multisector Preinvestment II Program. Such financing will be for the amount of up to US\$25,000,000, or its equivalent in other currencies, except that of Argentina, which are part of the Ordinary Capital resources of the Bank, and will be subject to the "Terms and Financial Conditions" and the "Special Contractual Conditions" of the Executive Summary of the Loan Proposal.