

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

PROGRAM TO SUPPORT TRANSPARENCY AND INTEGRITY REFORMS IN ARGENTINA

(AR-L1268)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Roberto de Michele (IFD/ICS), Project Team Leader; María J. Jarquín (IFD/ICS), Alternate Project Team Leader; Javier Reyes (ICS/CAR); Nicolás Dassen, Mariano Lafuente, and Melissa Gonzalez (IFD/ICS); Edgardo Demaestri (IFD/CMF); Teodoro Noel (VPC/FMP); Gabriel Sánchez (CSC/CAR); Viviana Mariela Maya Iglesias (LEG/SGO). The team thanks Javier León (IFD/ICS) and Edgardo Mosqueira (IFD/ICS) for reviewing the document.

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ABBREVIATIONS

BCRA	Banco Central de la República Argentina [Central Bank of the Argentine Republic]
CONTRAT.AR	Electronic Management System for Public Works Contracting, Concessions for Public Works and Public Services, and Licenses
FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas [Argentine Federation of Professional Councils of Economic Sciences]
FATF	Financial Action Task Force
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
OECD	Organization for Economic Cooperation and Development
PBP	Programmatic policy-based loan
SARHA	Sistema de Administración de Recursos Humanos [Human Resource Management System]
UIF	Unidad de Información Financiera [Financial Information Unit]

PROJECT SUMMARY

ARGENTINA PROGRAM TO SUPPORT TRANSPARENCY AND INTEGRITY REFORMS IN ARGENTINA (AR-L1268)

Financial Terms and Conditions				
Borrower: Argentine Republic			Flexible Financing Facility^(a)	
			Amortization period:	20 years
Executing agency: Ministry of Finance, acting through the Coordination Unit for Sector-wide Approach Programs and Projects of the National Office of Projects with International Lending Agencies of the Office of the Undersecretary for International Financial Relations of the Office of the Secretary of Finance			Original WAL:	12.75 years
			Disbursement period:	1 year
			Grace period:	5.5 years
Source	Amount (US\$)	%	Inspection and supervision fee:	(b)
IDB (Ordinary Capital):	200 million	100%	Interest rate:	LIBOR-based
			Credit fee:	(b)
Total:	200 million	100%	Approval currency:	U.S. dollars from the Bank's Ordinary Capital
Project at a Glance				
<p>Project objective/description: The objective of the program is to contribute to transparency and integrity of public management through regulations and mechanisms to promote access to information. This first operation will address: (i) adoption, with the force of law, of the principle of access to public information and ethical conduct of public officials; (ii) management of expenditures on works, procurement, and government personnel; and (iii) management of the financial sector.</p> <p>This is the first of two consecutive operations that are technically linked but financed independently, to support the above program, under the programmatic policy-based loan modality.</p>				
<p>Special contractual conditions precedent to the first disbursement: The first and only disbursement will be contingent on fulfillment of policy reform conditions, as established in the Policy Matrix (Annex II), the Policy Letter, and the loan contract (see paragraph 3.3).</p>				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges:^(c)	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes:^(d)	GD <input type="checkbox"/>	CC <input 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 and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

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

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

^(d) GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 **Macroeconomic context.** Argentina changed its economic policy framework in early 2016 in a difficult macroeconomic setting that had deteriorated over several years. The government's actions began to correct domestic imbalances, as shown by the movements in Argentina's risk indicators, its renewed access to international credit markets, and slowing of inflation. The projected growth for 2017 is 2.8%, recovering from a slump of -2.3% in 2016. The national year-on-year inflation rate as of December 2016 was 35.6% but is projected to slow, based on market expectations, to 21% by end-2017.¹ The Government of Argentina is implementing a strategy of gradual fiscal consolidation, taking advantage of the current moderate levels of public debt and the good appetite of international credit markets. Fiscal gradualism helps cushion the impact of adjustment costs but entails high short-term financing requirements and some vulnerability to adverse shocks in international financial markets.²
- 1.2 **Integrity and transparency context.** As the Government of Argentina noted in its report, "El Estado del Estado" [The State of the Government], there is a relationship between pro-growth economic measures and transparency.³ In line with this assessment, the government identified transparency and accountability as a crosscutting element of its program when it adopted the Plan for Modernization of the State.⁴ The government's assessment is also consistent with literature recognizing the relationship between corruption and economic growth with the resulting negative macroeconomic consequences. One of the first studies to associate indicators of honesty and bureaucratic efficiency with economic growth and focus on the adverse macroeconomic consequences of corruption was authored by Paolo Mauro.⁵ The evidence suggests a significant, negative correlation between corruption and public investment, and therefore, between corruption and economic growth.⁶
- 1.3 To address corruption, authors like Robert Klitgaard and others recommend the adoption of regulations and systems that facilitate access to public information.⁷

¹ Data sources: projected economic growth for 2017, "Relevamiento de Expectativas de Mercado" [Market Expectations Survey] of the Central Bank of the Argentine Republic (BCRA); recession data for 2016, National Institute of Statistics and Censuses (INEC); inflation measurement as of December 2016, provincial statistics institutes and Government of the City of Buenos Aires; estimated inflation at end-2017, BCRA Market Expectations Survey.

² IDB Group country strategy with Argentina 2016-2019 (document GN-2870-1), with updated data from the BCRA.

³ *El Estado del Estado, Diagnóstico de la Administración Pública* [The State of the Government: Diagnostic Assessment of the Public Administration], Office of the President of Argentina, 2015.

⁴ *Plan de Modernización del Estado* [Plan for Modernization of the State], Decree 434/2016.

⁵ Mauro, Paolo (1995), "Corruption and Growth," *Quarterly Journal of Economics* 110 (3): 681-712.

⁶ Similarly, Zak and Knack (1998) demonstrated a positive correlation between trust among people, investment, and economic growth. However, Rothstein and Eek (2009) demonstrated a negative correlation between corruption and trust. For more details, see [Economic Analysis of the Program](#).

⁷ Klitgaard, Robert (1988), *Controlando la corrupción* [Controlling corruption], Buenos Aires, Sudamericana. Also, see Rose-Ackerman, Susan (1978), *Corruption, A Study in Political Economy*, Academic Press.

Klitgaard also noted that corruption is more pronounced when the authority vested in public officials is discretionary with no effective mechanism for accountability.

- 1.4 Access to information is an essential tool for promoting transparency and integrity in the public sector.⁸ The countries with better systems for access to information have better transparency indicators.⁹ Therefore, the legal and institutional reforms being pursued by the Government of Argentina to strengthen access to information, and in turn to improve transparency and integrity frameworks in the public sector, are steps in the right direction. However, there are challenges regarding transparency and integrity, some of which this operation will address.
- 1.5 **Problem and causes.** The previous discussion is relevant to Argentina, given that corruption has been one of the most problematic factors for doing business in the country.¹⁰ For citizens, the perception of corruption in the public administration has also been significant. In Transparency International's 2015 Corruption Perceptions Index, Argentina scored 32 points, on a scale from 0 (highly corrupt public sector) to 100 (very clean public sector). It ranked below the average of 37 points reported for Latin America and the Caribbean countries, and well below the average of 69 points reported for countries belonging to the Organization for Economic Cooperation and Development (OECD). The World Bank's Control of Corruption Index, which captures the population's perceptions of the extent to which public power is exercised for private gain, among other data, showed a score of -0.59 for Argentina in 2015, on a scale from -2.5 (weak) to 2.5 (strong). Argentina therefore ranked below the average for Latin America and the Caribbean, -0.28, and well below the average for OECD countries, 1.16 (2015). The World Bank's Government Effectiveness Index, which captures the degree of the civil service's independence from political pressures, among other data, showed a score of -0.09 for Argentina in 2015, on a scale from -2.5 (weak) to 2.5 (strong). This positioned the country slightly above the 0.21 average for Latin America and the Caribbean, but well below the average for OECD countries, 1.23. These last two indicators are part of the World Bank's [Worldwide Governance Indicator](#) for 2015.
- 1.6 This data coincides with: (i) the difficulties reported by corporate executives in accessing information about changes in government policies;¹¹ (ii) the high frequency of irregular payments in interactions with the State;¹² and (iii) flaws in the

⁸ Stiglitz, Joseph (2001), "On Liberty, the Right to Know and Public Discourse: The Role of Transparency in Public Life." In *The Rebel Within*. Ed. Ha-Joon Chang. London: Anthem.

⁹ Islam, Roumeen (2003), *Do More Transparent Governments Govern Better?*, World Bank Policy Research Working Paper 3077.

¹⁰ In recent years, corruption has been reported as one of the main obstacles to doing business in Argentina, according to the World Economic Forum's Global Competitiveness Index 2016-2017.

¹¹ According to the transparency of government policymaking indicator of the World Economic Forum's Global Competitiveness Index 2015-2016, on which Argentina scored 3.0 points, on a scale from 1 (extremely difficult) to 7 (extremely easy). The average for OECD countries was 4.77.

¹² According to the irregular payments and bribes indicator of the World Economic Forum's Global Competitiveness Index, Argentina scored an average of 2.9 points for 2010-2011 and 2015-2016, compared with 3.45 for Latin America and the Caribbean countries and 5.56 for high-income OECD countries for the latest measurement.

criteria used to identify the information required for financial institutions in due diligence activities.¹³ In all these cases, there is much room for improvement.

- 1.7 The problems described here are associated with the institutional capacity to promote transparency and integrity, particularly in: (i) access to public information and ethical conduct of public officials; (ii) management of expenditures on works, procurement, and government personnel; and (iii) management of the financial sector.¹⁴ The factors behind these institutional challenges include weaknesses in regulations, the resources to reinforce them, and incentives for the agents subject to them. Faced with this situation, the Government of Argentina has undertaken a series of institutionally relevant measures.
- 1.8 **Legal and institutional framework for access to information.** Law 27275 on the Right of Access to Public Information was enacted in 2016, to replace regulations of lesser authority that limited the exercise of this right. It mainly expanded the law's coverage to all branches of the national government, creating agencies in each to guarantee that right. This contributed to raising Argentina's ranking in the Global Right to Information Rating in 2016 from 66 to 91 points,¹⁵ which this rating system recognizes as significant progress.
- 1.9 There are more opportunities to deepen this reform. It is important to ensure that regulations are enforced in each of the different arms of the government, and that obligations for active transparency are met, including providing information in open formats as established by this law.¹⁶ This would address the areas for improvement described below.
- 1.10 **Open data.** According to the [Open Data Handbook](#): "Open data is data that can be freely used, re-used and redistributed by anyone, subject only, at most, to the requirement to attribute and share-alike." The Open Data Barometer, which measures the degree of readiness, implementation, and impact of open data policies, reported a low score of 23.78 for Argentina in 2015, on a scale from 0 (minimum) to 100 (maximum).¹⁷ This represents a decrease from 2014, when it scored 35.71. For open government data, the main challenges include not enough

¹³ According to data from the latest mutual evaluation of the Financial Action Task Force (FATF) (2010).

¹⁴ Tanzi, Vito, and Hamid Davoodi (1997), *Corruption, Public Investment, and Growth*, IMF Working Paper. Sovereign risk, among other factors, is higher for countries with weaker ratings in transparency and integrity. See Bekaert et al. (2014), "Political Risk Spreads," *Journal of International Business Studies*, 45, 471-493. More recently, "Corruption: Costs and Mitigating Strategies," IMF Staff Discussion Note, SDN/16/05, 2016.

¹⁵ The enactment of Law 27275 established a higher-level legal rule that modified a lower-level regulation, Decree 1172 of 3 December 2003. The law, among other provisions, establishes a legal requirement to provide free and open online access to Argentina's official gazette, *El Boletín Oficial*. This law is complementary to Decree 117 of 12 January 2016, which establishes an Open Data Plan (source: Law 27275). The [Global Right to Information Rating](#), which measures the strength of the legal framework for access to information, gave the country 66 points in 2014, out of a maximum of 150.

¹⁶ Articles 5 and 32 of Law 27275 establish that the State has the obligation to deliver information on digital media and in open formats, stating that "information shall be accessible in open electronic formats to facilitate its processing via automatic means that enable its reuse or redistribution by third parties."

¹⁷ World Wide Web Foundation (2015), "[Open Data Barometer, Third edition – Regional Report, Latin America](#)."

data availability and accessibility, and limited reusability.¹⁸ This operation recognizes the Open Data Plan, adopted via Decree 117/2016, as a measure that will facilitate the analysis and exchange of public databases from different economic, cultural, environmental, and social sectors.¹⁹

- 1.11 **Ethics of public officials.** The country faces two major challenges in this area. First, few convictions are obtained for crimes against the public administration²⁰ (approximately 3% of the total cases brought to trial), and, on average, court proceedings last more than a decade.²¹ As part of solving this problem, a law was needed to promote cooperation in return for a reduced or suspended sentence. In 2016, the National Executive Branch submitted [a bill](#) to the National Congress that would govern cooperation agreements with persons involved in committing crimes of corruption included in the Criminal Code, known as the “Repentance Law.” This bill was enacted as Law 27304. It amends the Criminal Code and introduces the concept of effective cooperation of the repentant suspect. This law offers an incentive for persons with a low level of involvement in crimes of corruption to provide information considered valuable to the investigation.
- 1.12 The second challenge relates to the implementation of Law 25188 on Public Ethics, as related to the integrity of public officials. Although this law forbids officials from accepting gifts, with some limited exceptions, its lack of regulations on this matter makes it impossible to properly track the destination of these gifts and prevent them from potentially being improperly added to the assets of public officials. Regulations regarding this issue were written in 2016 and are considered part of the reforms under this program. These measures include the implementation of an information system for public officials to report the gifts they have received as a courtesy or due to diplomatic custom, and for the Anticorruption Office to oversee that obligation more effectively.²² This gift registry will also supplement the integrity system with sworn declarations of assets and conflicts of interest components, which have been in place with regulations since 2000. The Anticorruption Office already has procedures in place to oversee this system.

¹⁸ [Government at a Glance: Latin America and the Caribbean 2017](#), Éditions OECD, Paris. See chart 8.21 on page 141, in which Argentina scored 0.47 out of 1 behind Colombia, Uruguay, Mexico, Paraguay, Brazil, Chile, and Peru.

¹⁹ Due to this law, there is currently a [data access portal](#).

²⁰ An [OECD report](#) based on analysis of 427 cases of bribery of foreign public officials brought between 1999 and 2004 can be used to compare case durations. In the report’s analysis, a total of 415 convictions were obtained in 17 of the 41 countries that ratified the Convention on Combating Bribery of Foreign Public Officials. The average case duration in the countries covered by the report was 3.42 years.

²¹ [“Los Procesos Judiciales en Materia de Corrupción. Los Tiempos del Proceso. Estado de situación”](#) [Court proceedings on corruption. Processing times. State of affairs]. Document produced by the Oficina de Coordinación y Seguimiento en materia de Delitos contra la Administración Pública [Office for Coordination and Monitoring of Crimes against the Public Administration], Asociación Civil por la Igualdad y la Justicia [Civil Association for Equality and Justice] (ACIJ), and Centro de Investigación y Prevención de la Criminalidad Económica [Center for Research and Prevention of Economic Crime] (CIPCE), 2012. According to CIPCE (2014), in Argentina 750 cases of corruption committed by current and former public officials have been brought to trial since 1986. On average, each case lasts 14 years. See [“La Reforma Procesal Penal Frente a la Corrupción”](#) [Reform of Criminal Procedure on Corruption].

²² The new system features [electronic forms that are publicly available](#) to report gifts according to the terms of the Public Ethics Law and its specific regulations.

- 1.13 **Information and transparency in the management of public works.** Regarding the management of expenditures on works, procurement, and government personnel, the National Public Sector Financial Administration and Oversight Systems Act (Law 24156 of 1992) does not establish an electronic system for contract management. Neither do Laws 13064 and 17520, which cover public works. Law 25506 recognized digital signatures in 2001. However, the use of electronic management systems, administrative contracting systems, and human resources systems had not been approved until that year. The Ministries Act (Law 22520), as amended, created the Ministry of Modernization to promote the development of technology, centralize processes, and strengthen systems previously spread among several different governments and institutions.
- 1.14 According to a national government report, in late 2015 the price paid per kilometer of road was between 30% and 50% higher than for the rest of Latin America, and in many cases information for procurement was processed manually.²³ Solicitation forms to participate in public works tenders were purchased in person and as hard copies, increasing transaction costs and, as a result, decreasing competition. Once contracts were awarded, there was no centralized database for tracking them.
- 1.15 As of December 2015, 30% of road works were inactive, and there was evidence of irregularities that included improper payments of partial advances and for finished work, even when that work was unfinished.²⁴ As the [OECD \(2017\)](#) points out, the lack of data and information asymmetries adversely impact decision-making by regulators and other sector actors.
- 1.16 **Access to information on public procurement.** The public procurement system in force prior to Regulatory Decree 1030/2016 included few technological features, favoring the use of physical media and not taking advantage of technological systems in the various stages of the procurement processes in accordance with international standards.²⁵ For example, while opportunity announcements were supposed to be posted online, only 50% of the national public administration's processes were posted.²⁶ With the issuance of the regulatory decree, these challenges were compounded by the addition to the new system of decentralized bodies and government enterprises that are not part of the central administration, which this program seeks to support. This situation began to change when it became mandatory to apply technology solutions to all procurement system processes, including posting opportunities on a single portal and creating a single vendor registry online.
- 1.17 **Information on management of the national public sector payroll.** According to the [OECD \(2017\)](#), in 2014 public employment in Argentina accounted for 18% of

²³ [El Estado del Estado, Diagnóstico de la Administración Pública](#) [The State of the Government: Diagnostic Assessment of the Public Administration] (2016), Office of the President of Argentina, page 206.

²⁴ [El Estado del Estado, Diagnóstico de la Administración Pública](#) [The State of the Government: Diagnostic Assessment of the Public Administration] (2016), Office of the President of Argentina, page 116.

²⁵ For standards, see *OECD Recommendation of the Council on Public Procurement* (2015), OECD, Paris; and [El Estado del Estado, Diagnóstico de la Administración Pública](#) [The State of the Government: Diagnostic Assessment of the Public Administration] (2016), Office of the President of Argentina.

²⁶ [El Estado del Estado, Diagnóstico de la Administración Pública](#) [The State of the Government: Diagnostic Assessment of the Public Administration] (2016), Office of the President of Argentina.

total employment, the third largest share in the region. According to the International Monetary Fund (IMF) (2016), the payroll of the consolidated public sector represented a third of public spending. Despite this size, in late 2016 there were 36 different payroll payment systems and 107 institutions processing payroll with no centralized oversight or interoperability to exchange information about government employees and their salaries. This fragmented information structure made it virtually impossible to manage, which limited the rational use of government expenditures and made it difficult to detect potential fraud in public employment.²⁷ As of December 2015, a manual audit of a sample of employees showed that more than 2,600 had no assigned duties and did not attend work, among other issues.²⁸ The implementation of the Human Resource Management System (SARHA) under Executive Branch Decree 1030/2016 addresses this problem.

- 1.18 **Financial transparency.** The Financial Action Task Force (FATF) issues International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation. In February 2012,²⁹ this organization approved an update to the standards, which included more specific and rigorous requirements.³⁰ IDB member countries have adopted and are in the process of implementing these standards. This is particularly important given the adverse impacts of money laundering³¹ on an economy and the potential implications for a country's reputation when it receives a negative evaluation on applying these standards within its jurisdiction.
- 1.19 Although the FATF³² reported in 2014 that Argentina met the technical conditions of its standards, it also noted a series of improvements to be made, some of which are included in this program, to lock in gains.³³ One of these ensuring the autonomy and independence of the Financial Information Unit (UIF).³⁴ The comparative budget of the UIF for 2015 and 2016 shows an increase of more than 35%. In addition, regulations were introduced to safeguard the use of the information sent and received by the UIF, and to adopt a risk-based approach for the information that obligated entities request from their customers. These measures ensure that the "know your customer" activities of banking institutions covered by money laundering

²⁷ Source: Ministry of Modernization.

²⁸ Staff calculations based on data from [El Estado del Estado, Diagnóstico de la Administración Pública](#) [The State of the Government: Diagnostic Assessment of the Public Administration], Office of the President of Argentina, pages 32-33.

²⁹ See [document](#).

³⁰ For a comparison of new standard requirements, see *The New FATF Standards*, Sutton, Gary W. (2012), *George Mason Journal of International Commercial Law*, Vol. 4:1.

³¹ Buchanan, Bonnie (2004), "[Money Laundering: A Global Obstacle](#)," *Research in International Business and Finance*. Vol: 18:1, pages 115-127.

³² The [FATF issues standards](#) to prevent money laundering and promotes the effective implementation of legal, regulatory, and operational measures to combat money laundering and other threats to the international financial system's integrity.

³³ FATF (2014), "[Eleventh Follow-up Report. Mutual Evaluation of Argentina](#)." OECD and FATF. Paris, France.

³⁴ FATF (2012), [The FATF Recommendations](#), OECD and FATF. This recommendation is related to Article 5 of Law 25246, as amended, which established the UIF as an independent agency with financial autonomy under the Ministry of Treasury and Public Finance. Source: Decree 1025/2016.

and terrorism financing prevention laws are based on proportionality without affecting the efficiency and effectiveness of the processes adopted.³⁵

- 1.20 In turn, the earnings of financial institutions depend on their risk ratings, which may be affected when they acquire risky assets (associated with illicit activities). Therefore, incentives for financial institutions are aligned with the implementation of measures to detect money laundering and terrorism financing.³⁶ In addition to institutional factors, the transparency and integrity of financial management are also influenced by the resources behind the reforms and the incentives for those subject to them. One of the main resources to facilitate the flow of information between financial institutions and the UIF is the [Transaction Reporting System](#).
- 1.21 The information in financial and accounting statements of the banks and other financial institutions overseen by the BCRA does not fully comply with international standards. This hinders the transparency of information and its comparison with both the information provided by other countries and the information provided domestically by other institutions overseen by the National Securities Commission (mainly those included in the public offering system), which adopted the International Financial Reporting Standards (IFRS) in 2012.³⁷
- 1.22 This state of affairs is a constraint on strengthening the financial integrity and credibility of financial sector governance and may limit the country's efforts to follow international recommendations in this area for compliance with basic principles for effective financial oversight. Regarding this, Argentina has made a commitment to the Group of Twenty and the Financial Stability Board to converge toward the adoption of the IFRS.³⁸
- 1.23 In order to address the problem of financial and accounting information provided by financial institutions, in 2014 the BCRA began a process of implementing a reporting and accounting system compatible with the IFRS,³⁹ for the institutions covered by the Financial Institutions Law to prepare their accounting statements. As part of this process, the BCRA has been issuing rules and disseminating the tasks to be performed by the regulated institutions, in accordance with the timetable included in the "Road Map for Convergence of the Reporting and Accounting System toward the IFRS," published in Circular "A" 5541 of 12 February 2014.
- 1.24 Some of the key measures being implemented as part of the process of convergence toward the IFRS are as follows: (i) financial institutions must submit a report to the BCRA on a semiannual basis, starting with March 2015, indicating the degree of progress in implementing their plans for convergence toward the IFRS (the guidelines to be followed by those plans were published in Circular "A" 5635 of September 2014); (ii) the fiscal year closing date was standardized to 31 December,

³⁵ Gelb, Alan (2016), *Balancing Financial Integrity with Financial Inclusion: The Risk-Based Approach to "Know Your Customer,"* Center for Global Development.

³⁶ Isa, Yusarina Mat; Zuraidah Mohd-Sanusi; Mohd Nizal Haniff; and Paul A. Barnes (2015), "Money Laundering Risk: From the Bankers' and Regulators' Perspectives," *Procedia Economics and Finance* 28, pages 7-13.

³⁷ Source: BCRA Circular "A" 5541.

³⁸ Ibid 36.

³⁹ The [recent IMF consultation](#).

as of 31 December 2016, in order for the IFRS to enter into effect on the same date for all institutions, and to avoid having two systems to receive, process, validate, and use information and two different regulatory mechanisms based on the accounting system employed by each financial institution; and (iii) guidelines were set for reconciliations to be submitted to the BCRA by financial institutions, as of March 2016. Likewise, starting in 2017, financial institutions have begun including a reconciliation of assets and earnings in their quarterly financial statements that allows for comparison between the current system and the post-IFRS system. The process of convergence toward the IFRS is expected to end in 2018, when financial institutions regulated by the BCRA begin recording their transactions and changes in assets and preparing their financial statements in accordance with the IFRS.⁴⁰

- 1.25 The Government of Argentina, aware of these challenges and their impact on transparency and integrity, and therefore on the country's credibility and investment, has identified a framework for action based on "building a more efficient and transparent State to support this growth."⁴¹ In its March 2016 [Modernization Plan](#), the government included among its objectives to strive for a public administration that serves citizens through transparent management. The measures under this operation are also aligned with the efforts of the Government of Argentina to help gain access to the OECD.⁴²
- 1.26 The Argentine government is therefore requesting Bank support under this operation for its agenda to promote transparency and integrity. This is the first of two consecutive operations that are technically linked but financed independently, to support the program described above, under the programmatic policy-based loan modality in accordance with "Policy-based Loans: Guidelines for Preparation and Implementation" (document CS-3633-1).⁴³ All the programmatic commitments for this operation have been fulfilled. More details on the triggers and programmatic commitments are included in the Policy Matrix (Annex II) and in the [Means of Verification Matrix](#).
- 1.27 **The Bank's experience with the country and the sector.** Several policy measures that are part of this operation are closely tied to the Bank's portfolio in the country in relation to transparency and integrity issues, on which the IDB is a strategic partner

⁴⁰ For more details about the progress in the process of convergence toward the IFRS, see Demaestri, Edgardo and Jimena Chiara (2017), "[Análisis Técnico sobre el Estado de Avance hacia la Implementación de las NIIF en la Argentina](#)" [Technical Analysis of Progress Toward Implementing the IFRS in Argentina].

⁴¹ IDB Group country strategy with Argentina 2016-2019.

⁴² The IMF and other international agencies, such as the follow-up mechanisms for implementation of the OAS Inter-American Convention Against Corruption and the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, advocate implementation of the reforms under this operation. The IMF's recent [Article IV Consultation report](#), for example, states: "The authorities began taking steps to rebuild public institutions, strengthen anti-corruption controls, and step-up enforcement. These include initiatives to promote open government, reduce bureaucracy, build human and institutional capacity, and increase digital innovation in the public sector. A new framework for public tenders of infrastructure projects has also been announced to increase transparency and prevent collusive practices [and] the recently proposed legislative reforms to provide additional tools to prosecute corruption, seize assets linked to corruption, and introduce criminal liability for legal persons. These efforts would be complemented by effectively mobilizing the anti-money laundering framework."

⁴³ PBPs consist of a series of sequential individual operations, each with its own loan contract.

- in identifying, preparing, and adopting such measures and others to which the Government of Argentina is committed, as described below. The Bank has provided advisory support and cooperated closely with Argentina in strengthening the institutional capacity of its public administration. For this program, the Bank's collaboration is through dialogue, technical assistance, and support for several of the key measures that are part of this first operation and planned for a potential second operation. Regarding access to information measures, the Bank maintains a dialogue with the lead agencies identified in the recently enacted Law on the Right of Access to Public Information, such as the Ministry of the Interior. Regarding the "Repentance Law," the Anticorruption Office is receiving technical assistance from the IDB for capacity-building. The Bank has supported transparency measures for public expenditures through technical assistance in developing the preliminary draft of a bill on public works transparency.
- 1.28 The IDB has also provided support for: (i) improvement of public procurement and works management systems, including providing technical assistance in developing the preliminary draft of a bill on public works transparency; (ii) continuous improvement of integrated financial management systems; (iii) institutional strengthening of the UIF in its oversight capacity; (iv) strengthening of the Anticorruption Office's operational capacity in terms of the effectiveness of its actions governing the acceptance of gifts and its responsibility in investigations of corruption crimes; and (v) conducting a technical dialogue with the Ministry of the Interior on the implementation of the Law on the Right of Access to Public Information. All these measures are part of this operation.
- 1.29 The Bank's contribution to reforms has been structured around an ongoing policy and technical dialogue with the country. They include technical assistance, advisory services, seminars on integrity and transparency, open government, information management systems, transparency in the use of public resources for public works, civil service, and other areas, and financial transparency. Other instruments used include technical assistance and analytical work provided through technical-cooperation operations to strengthen transparency in the implementation of public works and improve the internal processes of the Anticorruption Office (ATN/AA-15799-AR); support for the revision of UIF oversight regulations through regional technical-cooperation operation ATN/AA-15291-RG financed by the Transparency Fund; and other technical-cooperation operations in preparation related to open government and e-government.
- 1.30 The Bank has also included the Argentine Republic in the IDB/OECD Integrity Network. This initiative coordinates the integrity offices of several countries of our region in technical dialogue with the OECD and at the IDB, to promote effective measures for the introduction of integrity policies in the public sector. The IDB has invited the Anticorruption Office to be part of this technical discussion group coordinated jointly by the Bank and the OECD.
- 1.31 The Bank has geared its financial support toward strategic areas where its knowledge and technical capacity have enabled it to add value. This support has taken the form of loans for institution-strengthening to generate statistical information in a reliable and timely manner (loan AR-L1266, now in process of approval), for improvement of the information system for financial management

(loan 2754/OC-AR), and for improvement of transparency and information systems in the extractive industries (in the programming stage).

- 1.32 This operation incorporates good practices and lessons learned from the Bank's support for the sector in the region, particularly those arising from the PBP for Chile's Integrity and Transparency Agenda Support Program (loans 3617/OC-CH and 3748/OC-CH); the loan for the Transparency and Anticorruption Program with Bolivia's Ministry of Institutional Transparency and Anticorruption (loan 2216/BL-BO); the PBP for the Tax Management and Transparency Program in Guatemala (loan 3786/OC-GU); the PBP for Support for Fiscal Consolidation in Honduras (loan 2745/BL-HO), which supported transparency measures for procurement as well as payroll; and the loan for the Program to Strengthen the Public Investment System in Colombia (loan 2977/OC-CO), regarding transparency in public works. These operations have especially contributed lessons learned in the areas of public ethics, transparency in the use of public resources, and financial transparency that were built into the design of this operation's Components II, III, and IV.
- 1.33 This operation also draws on lessons learned by the Bank in designing policy-based loans, including the following: (i) the effective sequencing of reforms must take the capabilities of the institutions involved into account and map out a gradual progression of reforms that combines advances on the policy front with improvements in technical capacities; and (ii) the planned reforms must consider the interests and capabilities of the organizations meant to implement them, so as to improve their effectiveness.⁴⁴
- 1.34 **Strategic alignment.** The operation is aligned with the IDB Group country strategy with Argentina 2016-2019 (document GN-2870-1), specifically the priority area of business climate improvement and the strategic objective of institutional strengthening of the government, and with the government efficiency indicator of the World Economic Forum's Global Competitiveness Index. The measures under the program therefore seek to contribute: (i) at the impact level, to the transparency of government policies (Results Matrix, impact indicator 4); and (ii) at the expected outcome level, to compliance with the right of access to public information and the promotion of active transparency (Results Matrix, impact indicator 1). This operation is also included in the 2017 Operational Program Report (document GN-2884). The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008), and aligns with the challenge of productivity and innovation through expected outcome indicator 2, and with the crosscutting area of institutional capacity and the rule of law through the Government Effectiveness Index (Results Matrix, impact indicator 2). In addition, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through expected outcome indicator 2, related to a country development results indicator that refers to the number of government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery. Lastly, the operation is consistent with the Sector Strategy: Institutions for Growth and Social

⁴⁴ Among other sources, see Santiso, Carlos; Jorge von Horoch; and Juan Cruz Vieyra (2014), *Improving Lives Through Better Government: Promoting Effective, Efficient, and Open Governments in Latin America and the Caribbean*. IDB Technical Note TN-711.

Welfare (document GN-2587-2), specifically its components of combating corruption and promoting transparency, and with the Fiscal Policy and Management Sector Framework Document (document GN-2831-3), through dimensions 1 and 4.

B. Objectives, components, and cost

- 1.35 **Objective.** The objective of the program is to contribute to transparency and integrity of public management through regulations and mechanisms to promote access to information. This first operation will address: (i) adoption, with the force of law, of the principle of access to public information and ethical conduct of public officials; (ii) management of expenditures on works, procurement, and government personnel; and (iii) management of the financial sector.
- 1.36 **Beneficiaries.** The end-beneficiaries will be the citizens. The direct beneficiaries are: (i) the government and public servants; (ii) public officials and government suppliers; and (iii) financial institutions and their clients. Regarding financial institutions, the beneficiaries of the Component IV measures that apply risk-proportional criteria to due diligence provisions in account management are banking institutions and their customers. They allow banking institutions to apply procedures and mechanisms that match the risks, and therefore to save in situations where the risks identified are lower. For customers, for the same reason, the benefit involves not incurring unnecessary expenses to collect and provide information to open and manage accounts.
- 1.37 **Component I. Macroeconomic stability.** The objective of this component is to ensure a macroeconomic context consistent with the program objectives, as established in the Policy Matrix (Annex II).
- 1.38 **Component II. Strengthen access to information and the legal framework for the ethics of public officials.** This component bundles together a number of crosscutting measures. The objective of this component is to ensure greater access to public information for citizens and economic actors, and to build the capacity of agencies to enforce job performance rules for government workers. To do so, the following policy actions are proposed for the first operation:
- (i) Incorporation of a system to access public information into Argentina's legal framework through enactment by the Executive Branch of Law 27275 on Access to Public Information, which extends to all national government branches and creates autonomous supervisory bodies to ensure compliance with the right of access to public information and promote active transparency measures.
 - (ii) Adoption of an Open Government Data Plan through enactment by the Executive Branch of Decree 117/2016 instructing ministries, departments, and decentralized agencies that report to the National Executive Branch to prepare such plans. In addition to institutional information, these plans will include publishing and updating on a national public data portal, as well as databases on various economic, social, cultural, and environmental sectors, also updated on the portal.
 - (iii) Introduction of the concept of the "repentant suspect" into Argentina's body of criminal law through enactment by the Executive Branch of

Law 27304, known as the Repentance Law, amending the Criminal Code. This improves the likelihood of obtaining information on crimes against the public administration, while contributing significantly to progress in the investigation or arrest of the mastermind(s) of the crime, as well as potential reductions in criminal sanctions.

- (iv) Capacity-building for the reporting of gifts received by public officials through enactment by the Executive Branch of Decree 1179/2016, which establishes the regulations implementing Article 18, “Rules Governing Gifts to Public Officials,” of Law 25188 on Public Ethics in the Civil Service, as amended, and creates a “Registry of Gifts to Public Officials.” This registry will allow civil servants to properly report these situations, and enable the Anticorruption Office, which will issue supplemental clarifying rules for implementation of these regulations under the decree, to effectively control and track the destination of these gifts.

1.39 Indicatively, the second operation is expected to contribute to consolidating these measures through regulations implementing the Law on the Right of Access to Public Information and enforcement of the Repentance Law, which are included in this first operation; implementation of the Open Data Plan from the other measures; and integration of the gift registry into the electronic document processing system for the public administration.

1.40 **Component III. Strengthen transparency in the use of public resources.** The objective of this component is to strengthen transparency in the management of government expenditures for public works contracting, public procurement, and public employment. To do so, the following policy actions are proposed for the first operation:

- (i) Implementation of the CONTRAT.AR Electronic Management System for Public Works Contracting, Concessions for Public Works and Public Services, and Licenses through enactment by the Executive Branch of Decree 1336/2016, authorizing its implementation. This system will offer the government greater transparency and accountability in managing public works contracts and concessions for public works and services, including the stages of bidding, award, execution, and evaluation. This decree establishes the Ministry of Modernization as administrator of the proposed system, authorizing it to issue the supplemental clarifying and operational rules necessary for its implementation.
- (ii) Facilitation and streamlining of interactions between the national government and users of the procurement system by enhancing the technological development of the system and facilitating access to information through enactment by the Executive Branch of Decree 1030/2016 approving the regulations implementing Decree 1023/2001, as amended, to promote technological development; adopt information and communication technologies; apply the registry solution and single window principles; simplify procedures to facilitate and streamline interactions between the national government and those under its

authority; reengineer processes; enhance efficiency, effectiveness, quality, and sustainability; fight corruption; and promote ethics and transparency. This will be done in accordance with Article 8(a) of Law 24156, the National Public Sector Financial Administration and Oversight Systems Act, regarding technological development for all procurement system processes, particularly the submittal of bids and registration of suppliers.

- (iii) Facilitation of control and transparency of payroll management with the implementation of a single, integrated Human Resource Management System (SARHA) through enactment by the Executive Branch of Decree 1030/2016, to serve the institutions and jurisdictions covered by Article 8(a) of Law 24156,⁴⁵ including implementation of the Central Registry of National Public Sector Personnel and the Master Computerized Records Management System for National Public Administration Personnel. The National Public Employment Office of the Department of Public Employment within the Ministry of Modernization is responsible for controlling payroll. In turn, the Administrative Modernization Department of the Ministry of Modernization is in charge of improving the technology of information systems, including payroll.

1.41 Indicatively, the second operation is expected to contribute to consolidating these measures by expanding coverage, with a larger percentage of institutions using the CONTRAT.AR and SARHA systems, and enhancing the technological development of the procurement processes of other institutions identified in Law 24156.

1.42 **Component IV. Strengthen financial transparency.** The objective of this component is to enhance the effectiveness of the financial system and lower transaction costs by strengthening financial transparency through the adoption of measures aligned with the FATF international standards and the IFRS issued by the IFRS Advisory Council. To do so, the following policy actions are proposed for the first operation:

- (i) Assurance of the financial autonomy and independence of the UIF through enactment by the Executive Branch of Decree 1025/2016 establishing these conditions through provisions with the force of law under the Ministry of Finance and ensuring adequate budgetary financing for them.
- (ii) Establishment of new procedures through the issuance of UIF Resolution 135/2016 of the former Ministry of Treasury and Public Finance, to optimize the management of information requirements with foreign agencies analogous to the UIF, for such purposes as: (a) safeguarding the confidentiality of sources of information when the information is provided to courts or to the prosecutor's office; (b) preventing improper use of the information processed; and

⁴⁵ Law 24156, National Public Sector Financial Administration and Oversight Systems Act.

- (c) efficiently harmonizing local regulations with international standards to prevent money laundering and terrorism financing.
 - (iii) Establishment of criteria, through the issuance of UIF Resolution 141/2016 of the former Ministry of Treasury and Public Finance, for risk-proportional reporting of suspicious transactions by banking institutions, such that due diligence measures preserve financial inclusion, facilitate investment accounts, and guarantee the integrity of the banking system by means of regulatory measures authorizing the UIF director to set criteria in coordination with other financial regulators, in order to ensure consistency with the measures adopted.
 - (iv) Establishment of the special reporting model for external audits to be used by financial institutions subject to BCRA oversight, in order to reconcile their assets and liabilities according to the IFRS, through BCRA Circular “A” 5541 for convergence of the Reporting and Accounting System toward the IFRS. This calls for financial institutions to: (a) implement plans for convergence toward the IFRS; (b) include a reconciliation of assets and earnings in their 2017 quarterly financial statements that allows for comparison between the current system and the post-IFRS system; and (c) begin, as of 1 January 2018, preparing their financial statements in accordance with the IFRS, the accounting standards adopted by the Argentine Federation of Professional Councils of Economic Sciences (FACPCE), and the applicable BCRA rules.
 - (v) Issuance of criteria and their communication to the financial institutions subject to BCRA oversight through BCRA Circular “A” 6114/2016, for these financial institutions to begin, as of 1 January 2018, recording their transactions and changes in assets and preparing their financial statements in accordance with the IFRS, the accounting standards adopted by the FACPCE, and the applicable BCRA rules.
- 1.43 Indicatively, the second operation is expected to contribute to consolidating these measures by: building the UIF’s capacity in information management to prevent money-laundering schemes; the BCRA issuing rules and/or regulations to continue implementing the actions of the Road Map for Convergence of the Reporting and Accounting System toward the IFRS; and the BCRA monitoring the implementation of these actions by financial institutions.
- 1.44 This first operation deals mainly with measures having the force of law, decree, and resolution establishing systems and mechanisms to promote transparency and integrity, among other effects. The second operation will seek, as far as possible, to consolidate the reforms, demonstrating the gradual implementation of the policies adopted under the first operation.

C. Key results indicators

- 1.45 The literature and international experience reviewed suggest that the policy actions described above (and their corresponding output indicators in the Results Matrix), supported as part of this operation, contribute to the expected outcomes of the program. Particularly, there is evidence that legislative measures ensuring access

- to public information and open data increase the responses to requests for information received by the National Public Administration, and that the establishment of electronic management systems for the procurement of public works through laws and regulations ensures greater use of such systems for the execution of public expenditure on public works. For more information, see the sole annex of the [Monitoring and Evaluation Plan](#).
- 1.46 The expected outcomes are: (i) percentage of responses to access to information requests from the national public sector in relation to the amount of requests received; (ii) number of gifts recorded by the national public sector; (iii) percentage of spending on direct real investment (public works) executed by the national public sector that is processed through the CONTRAT.AR system; (iv) percentage of national public administration ministries and agencies included in the centralized payroll system using the Human Resource Management System (SARHA); (v) number of decentralized agencies added to the electronic procurement system; and (vi) percentage of financial institutions subject to BCRA oversight preparing their financial statements in accordance with international standards.
- 1.47 The Results Matrix will be used to measure the results of the policy actions and reforms envisaged in the program. Progress for these indicators will be based on status reports prepared by the executing agency. In addition, a before-and-after methodology with trends is being proposed to evaluate improvement in these indicators as a result of the program.
- 1.48 **Economic analysis.** An [Economic Analysis of the Program](#) was performed, structured around the fact that the policy measures that Argentina intends to implement to strengthen the rules, systems, and processes for access to information are essential factors for strengthening the framework for transparency and integrity. Specifically, this analysis focuses on providing empirical evidence of the program's potential impact on the following indicators: (i) the control of corruption index; (ii) the government effectiveness index; (iii) the voice and accountability index (the level of freedom and commitment of citizens) (these first three indices are part of the World Bank's Worldwide Governance Indicators); (iv) the transparency of government policy-making; (v) the ethical behavior of firms; and (vi) the government efficiency indicator (the latter three indicators are part of the World Economic Forum's Global Competitiveness Index); as well as the following indicators: (vii) the [Basle Anti-Money Laundering Index](#); (viii) the [Global Right to Information Rating](#); (ix) the [Open Data Barometer](#); and (x) Benchmarking Public Procurement.
- 1.49 The analysis of potential program impact was based on four key dimensions: (i) integrity and economic growth; (ii) information and democracy; (iii) corruption prevention and procurement; and (iv) corruption prevention and civil service. It concluded that there is ample evidence of the impacts of measures to improve transparency and integrity as mechanisms contributing to the prevention and control of corruption at both the macroeconomic and microeconomic levels.
- 1.50 Regarding the findings of the analysis of the program's potential impact, the economic analysis showed that a higher level of corruption is associated with: (i) lower growth rates due to political instability, a decrease in private investment, and inefficiency at the firm level; and (ii) declining legitimacy for democracies due to an erosion of citizens' trust in their government regimes and a

decrease in interpersonal trust, as well as an adverse impact on voter turnout. It has been shown that a variety of solutions, closely tied to the measures supported by the program, work to control corruption and offer positive spillover effects, including: (i) public procurement reforms like centralized management supported by information systems and audits, which can lead to decreased cost overruns in procurement and increased quality of the goods and services purchased; and (ii) reforms for the professionalization of the civil service, particularly to strengthen meritocracy, which can limit corruption, promote long-term economic growth, and contribute to reducing poverty.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is structured as a programmatic policy-based loan (PBP) consisting of two sequential individual operations, in accordance with “Policy-based Loans: Guidelines for Preparation and Implementation”⁴⁶ (document CS-3633-1) and the guidelines of “The New Lending Framework. Assessment Report and Recommendations” (document GN-2200-13). The programmatic modality is justified by: (i) the need to provide the time necessary to implement complex reforms that require medium-term actions; (ii) the different amounts of time to implement each of those actions; (iii) the usefulness of assessing progress and adjusting reforms based on the knowledge gained; and (iv) the support and continuity of the policy dialogue in the country.
- 2.2 **Dimensioning.** This loan is for US\$200 million in a single disbursement from the Bank’s Ordinary Capital resources. The operation is justified on the criterion of any financing gap that may arise from the sector policy reforms and/or institutional changes to be carried out under the operation, as established in paragraph 3.27 of document CS-3633-1. This operation would represent around 0.5% of the gross financing requirements of the public sector for 2017, and 8.3% of financing with multilaterals. These requirements will be supplemented through domestic market bond issues of up to US\$14 billion, plus US\$16 billion in international market bond issues,⁴⁷ with US\$13 billion during May 2017. This partly explains the need for the Government of Argentina to move forward with this operation in 2017. The reason for selection of the PBP modality was the government’s interest in securing the Bank’s support to promote sector policy reforms and institutional changes in the short and medium term. The government’s strong determination to execute the reform agenda in order to join the OECD lays a firm foundation for the expected outcomes to be achieved.⁴⁸

⁴⁶ PBPs consist of a series of sequential individual operations, each with its own loan contract.

⁴⁷ The total amount of international issues is US\$6 million in bank financing facilities plus US\$10 million in market placements.

⁴⁸ Studies on the effectiveness of development finance indicate that reform programs can be effective when the country itself takes ownership of them, and the design of these measures reflects the country’s execution capacity. In its 1999 evaluation, the Bank’s Office of Evaluation and Oversight concluded that “in general, if a government is committed to a reform plan and it is viable to complete these during that government’s term, sector loans can be highly effective in facilitating the reform process and supporting the development of member countries.”

B. Environmental and social safeguard risks

- 2.3 According to Directive B.13 of the Environment and Safeguards Compliance Policy (document GN-2208-20 and Operational Policy OP-703), this operation requires no classification. The policy changes implemented under this operation will have no direct or significant impact on Argentina's environment or natural resources.

C. Fiduciary risks

- 2.4 The proposed financial instrument provides untied funds for budgetary support, since a responsible fiscal policy framework is in place. As such, the operation is deemed to involve no material fiduciary risks, given that the executing agency possesses the necessary financial management instruments and oversight systems.

D. Other project risks

- 2.5 The political context up to and including the disbursement period for this operation will be favorable to this program. Also, the program's political relevance to the objectives set by the government in the documents cited in this proposal contributes to the sustainability of the reforms. Despite this, two risks rated as "medium" were identified. They involve: (i) public management and governance: the measures, by their nature, may create institutional or cultural resistance affecting or delaying their implementation; and (ii) reputation: the low transparency levels in public policies and the country's limited financial transparency may impact the Bank's reputation, if the program fails to achieve the expected outcomes stated in paragraph 1.46. The mitigation measures associated with medium risks include technical assistance on issues of integrity and transparency, technical dialogue with the authorities, and assistance through the IDB/OECD Integrity Network.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Argentine Republic, and the executing agency will be the Ministry of Finance, acting through the Coordination Unit for Sector-wide Approach Programs and Projects of the National Office of Projects with International Lending Agencies of the Office of the Undersecretary for International Financial Relations of the Office of the Secretary of Finance.
- 3.2 The executing agency will have the following responsibilities: (i) coordinate with the institutions responsible for the actions included in this operation on all matters related to them; (ii) provide evidence that the policy commitments have been met, and any other program-related evidence needed by the Bank to approve the respective disbursement; and (iii) once the program disbursements have been assured, collect information on the performance indicators for use in evaluating the program outcomes. The executing agency will use available institutional means to ensure effective coordination with the public agencies involved in policy measures included in this operation. It will also cooperate with the Bank for the necessary coordination with other institutions involved in measures included in this operation.

- 3.3 **Special contractual conditions precedent to the sole disbursement of the loan proceeds. The first and only disbursement will be contingent on fulfillment of policy reform conditions, as established in the Policy Matrix (Annex II), the [Policy Letter](#), and the loan contract.**

B. Summary of arrangements for monitoring results

- 3.4 **Monitoring.** A [Monitoring and Evaluation Plan](#) was prepared for monitoring the program results. The instruments that make up this plan are as follows: (i) Policy Matrix (Annex II); (ii) [Means of Verification Matrix](#); and (iii) [Results Matrix](#). These constitute the key parameters for supervision and evaluation of the program results. The IDB will monitor program execution from its Country Office, as well as from the Innovation in Citizen Services Division. The executing agency will be responsible for monitoring and supervision of the results of the operation, in coordination with the Ministry of Finance, in order to keep the Bank fully informed.

- 3.5 **Evaluation.** As stated in the [Monitoring and Evaluation Plan](#), the program results will be measured based on administrative data, results evaluations, qualitative evaluations, and specific studies that are available and publicly accessible. In addition to the standard measurements included in the Monitoring Plan, the Bank plans to evaluate program impact using the synthetic control method developed by Abadie and Gardeazabal (2003), to determine the trajectory that Argentina would have followed without the program. This will be done using a series of proposed indicators, as follows: (i) the control of corruption index; (ii) the government effectiveness index; (iii) the voice and accountability index (the level of freedom and commitment of citizens) (these first three indices are part of the World Bank's Worldwide Governance Indicators); (iv) the transparency of government policy-making; (v) the ethical behavior of firms; (vi) the government efficiency indicator (the latter three indicators are part of the World Economic Forum's Global Competitiveness Index); and (vii) the 2016 Basle Anti-Money Laundering Index. The program's estimated impact will be determined by the difference between the trajectory of these indicators for Argentina and the trajectory of the indicators for the counterfactual "constructed Argentina." The expected impact after program implementation is that the country will improve significantly on all indices, showing the program's efficiency in meeting the proposed objectives. Given the nature of the interventions, which have relatively long maturity periods, the impact evaluation analysis will not be conducted before 2020.

IV. POLICY LETTER

- 4.1 The IDB and the Government of Argentina have agreed on the policy commitments to be supported through this program. These are reflected in the Policy Matrix (Annex II), the [Means of Verification Matrix](#), and the [Results Matrix](#). The [Policy Letter](#) affirms the government's commitment to the objectives and actions of the programmatic operation as a whole.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)*	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2870-1	Institutional Strengthening of Government
Country Program Results Matrix	GN-2884	The intervention is included in the 2017 Operational Program.
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	8.4	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	2.4	
3.3 Results Matrix Quality	3.0	
4. Ex ante Economic Analysis	6.0	
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	2.0	
4.2 Identified and Quantified Benefits	2.0	
4.3 Identified and Quantified Costs	0.0	
4.4 Reasonable Assumptions	2.0	
4.5 Sensitivity Analysis	0.0	
5. Monitoring and Evaluation	8.6	
5.1 Monitoring Mechanisms	1.5	
5.2 Evaluation Plan	7.1	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium	
Identified risks have been rated for magnitude and likelihood	Yes	
Mitigation measures have been identified for major risks	Yes	
Mitigation measures have indicators for tracking their implementation	Yes	
Environmental & social risk classification	B.13	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Gender Equality		
Labor		
Environment		
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	Yes	There are previous and in parallel operations to the intervention: : improvement of the financial management information system (AR-L1127); Program for Strengthening Transparency and Information Management in the Extractive Sector (AR-L1270); Strengthening of transparency in the execution of public works and improvement of the internal processes of the Anti-Corruption Office Transparency Policy Project for more effective management (AR-T1166); and review of the supervision regulations of the FIU (RG-T2670).
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	Based on the lack of a systematic evaluation about corruption, integrity and transparency, the techniques proposed for impact assessment in the monitoring and evaluation plan (before-and-after comparison, and synthetic controls) are presented as efforts to respond to questions about what works to increase integrity and transparency, and consequently to prevent possibilities of corruption, in similar contexts to Argentina.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

The objective of the project is to promote integrity and transparency in the government. This project describes the first of two Programmatic Operations to support Policy Reforms (PBP). To achieve its goal, the project aims to implement four components in the first trench: the first component aims to secure a macroeconomic context congruent with the goals of the program; the second component has the goal to foster access to information and strengthen the legal framework on public service ethics; the third component aims to foster transparency in public expenditure; and the fourth component aims to foster transparency in the financial system. The diagnosis identifies gaps in each of these areas with data from non-government organizations (such as data from Open Knowledge International and Right to Information to diagnose component I), data from the government (specially claims in a report published by the presidency to diagnose component II) and data from international organisms (for example, data from GAFI to diagnose component IV).

The diagnosis quantifies the institutional weaknesses and capital which complement the proposed reforms. It also identifies the incentives of agents subject to them. Agents as to government entities, persons in public service, or financial entities depending on the component. Institutional gaps are quantified by describing recent reforms based on the Official Government Bulletin. Human resources are quantified by the dimensioning of public sector employment according to OCDE and IDB. Physical capital is quantified by stating availability of electronic information systems on the world wide web, or as documented in the report by presidency used to diagnose component III.

The results matrix includes twelve product indicators which follow on passing legislation, or issuing decrees and resolutions. The project proposes to monitor these indicators through its publication on the Official Government Bulletin. The results matrix includes six results indicators. These indicators aim to measure access to government information and the registry of persons in public service. The indicators also aim to measure coverage in the public works system (CONTRAT.AR), the human resources management (SARHA) and the procurement system (COMPR.AR). The monitoring of these indicators relies on records by the corresponding Secretariats or Ministries. The results matrix also includes six impact indicators. These indicators are estimated by the World Bank, the World Global Forum and the Basel Institute.

The ex-ante evaluation of the project consists on a discussion on the literature on the expected benefits from the proposed interventions. The ex-post evaluation for the results indicators consist on a before-after comparison. The ex-post evaluation for the impact indicators is based on a synthetic control approach. The main shortcomings in evaluability are: the lack of quantification of costs in the ex-ante evaluation, the missing link between the proposed intervention and the proposed amount, and the absence of evidence to inform specific magnitudes in targets.

The main identified risks include institutional reluctance which implies delays. The risks also include a threat to the IDB reputation for variations of perceptions on transparency. The project aims to mitigate these risks through technical assistance and dialogue with authorities.

POLICY MATRIX

Specific objectives	Policy actions Programmatic operation I	Indicative policy actions Programmatic operation II
Component I: Macroeconomic stability		
Maintain a macroeconomic context consistent with the program objectives, as established in this Policy Matrix.	The macroeconomic context of the borrower is consistent with the program objectives.	The macroeconomic context of the borrower is consistent with the program objectives and with the principal points of the Policy Letter.
Component II: Strengthen access to public information and the legal framework for the ethics of public officials		
Ensure greater access to public information for citizens and economic actors, and to build the capacity of agencies to enforce job performance rules for government workers.	2.1 Incorporation of a system to access public information into Argentina's legal framework that extends to all national government branches and creates autonomous supervisory bodies to ensure compliance with the right of access to public information and promote active transparency measures.	Regulations implementing the Law on the Right of Access to Public Information.
	2.2 Adoption of an Open Government Data Plan instructing ministries, departments, and decentralized agencies that report to the National Executive Branch to prepare such plans. In addition to institutional information, these plans will include publishing and updating on a national public data portal, as well as databases on various economic, social, cultural, and environmental sectors, also updated on the portal.	Open Data Plans prepared by 50% of ministries and accepted by the Ministry of Modernization under Decree 117/2016.
	2.3 Introducing into Argentina's body of criminal law the concept of the "repentant suspect." This improves the likelihood of obtaining information on crimes against the public administration, while contributing significantly to progress in the investigation or arrest of the mastermind(s) of the crime, as well as potential reductions in criminal sanctions.	Implementation of actions regarding the operation and enforcement of the Repentance Law.

Specific objectives	Policy actions Programmatic operation I	Indicative policy actions Programmatic operation II
	2.4 Capacity-building for the reporting of gifts received by public officials, establishing the regulations for the gift registry set forth in the Public Ethics Law. This will allow civil servants to properly report these situations and enable the Anticorruption Office to effectively control and track the destination of these gifts.	Continued capacity-building for the registry of gifts received by civil servants, and integration of the gift registry into the electronic document processing system for the public administration.
Component III: Strengthen transparency in the use of public resources		
Strengthen transparency in the management of government expenditures for public works contracting, public procurement, and public employment.	3.1 Implementation of the CONTRAT.AR Electronic Management System for Public Works Contracting, Concessions for Public Works and Public Services, and Licenses. This system will offer the government greater transparency and accountability in managing public works contracts and concessions for public works and services, including the stages of bidding, award, execution, and evaluation.	CONTRAT.AR system used for 50% of public works executed by the ministries of the Interior, Housing and Public Works, Energy, Transportation, and Education.

Specific objectives	Policy actions Programmatic operation I	Indicative policy actions Programmatic operation II
	<p>3.2 Facilitation and streamlining of interactions between the national government and users of the procurement system by enhancing the technological development of the system and facilitating access to information, to promote technological development; adopt information and communication technologies; apply the registry solution and single window principles; simplify procedures to facilitate and streamline interactions between the national government and those under its authority; reengineer processes; enhance efficiency, effectiveness, quality, and sustainability; fight corruption; and promote ethics and transparency. This will be done in accordance with Article 8(a) of Law 24156 regarding technological development for all procurement system processes, particularly the submittal of bids and registration of suppliers.</p>	<p>Adoption of regulations for gradual implementation of the obligations set for the entities identified in the first operation at other national public administration agencies covered by Article 8(b) of Law 24156.</p>
	<p>3.3 Facilitation of control and transparency of payroll management with the implementation of a single, integrated Human Resource Management System (SARHA), to serve the institutions and jurisdictions covered by Article 8(a) of Law 24156, including implementation of the Central Registry of National Public Sector Personnel and the Master Computerized Records Management System for National Public Administration Personnel.</p>	<p>Continued improvement of control and transparency of payroll management with the implementation of the SARHA system at 50% of ministries and decentralized entities, for personnel management and administration.</p>

Specific objectives	Policy actions Programmatic operation I	Indicative policy actions Programmatic operation II
Component IV: Strengthen financial transparency		
Enhance the effectiveness of the financial system and lower transaction costs by strengthening financial transparency through the adoption of measures aligned with the Financial Action Task force (FATF) international standards and the International Financial Reporting Standards (IFRS) issued by the IFRS Advisory Council.	4.1 Assurance of the financial autonomy and independence of the Financial Information Unit (UIF) establishing these conditions through provisions with the force of law under the Ministry of Finance and ensuring adequate budgetary financing for them.	Operation of the UIF with financial autonomy and independence and in coordination with new tenets of economic and financial policy.
	4.2 Establishment of new procedures to optimize the management of information requirements with foreign agencies analogous to the UIF, for such purposes as: (i) safeguarding the confidentiality of sources of information when the information is provided to courts or to the prosecutor's office; (ii) preventing improper use of the information processed; and (iii) efficiently harmonizing local regulations with international standards to prevent money laundering and terrorism financing.	Capacity-building of the UIF in the management of information with analogous agencies in other countries, and enhancement of its internal capabilities for sharing this information securely with the agencies responsible for investigation and prosecution of money-laundering schemes.
	4.3 Establishment of criteria for risk-proportional reporting of suspicious transactions by banking institutions, such that due diligence measures preserve financial inclusion, facilitate investment accounts, and guarantee the integrity of the banking system by means of regulatory measures authorizing the UIF director to set criteria in coordination with other financial regulators, in order to ensure consistency with the measures adopted.	Reporting of suspicious transactions to the UIF by obligated entities, making its detection and analysis work more efficient and effective. Improvement of the UIF's ability to access information from special investment accounts.

Specific objectives	Policy actions Programmatic operation I	Indicative policy actions Programmatic operation II
	4.4 Establishment of the special reporting model for external audits to be used by financial institutions subject to the oversight of the Central Bank of Argentina (BCRA), in order to reconcile their assets and liabilities according to the IFRS.	BCRA rules and/or regulations issued for its supervised financial institutions to implement the actions of the Road Map for Convergence of the Reporting and Accounting System toward the IFRS.
	4.5 Issuance of criteria for financial institutions subject to BCRA oversight to begin, as of 1 January 2018, recording their transactions and changes in assets and preparing their financial statements in accordance with the IFRS, the accounting standards adopted by the Argentine Federation of Professional Councils of Economic Sciences (FACPCE), and the applicable BCRA rules.	Implementation by financial institutions of the criteria for recording their transactions and changes in assets and preparing their financial statements as part of the convergence of the reporting and accounting system toward the IFRS.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/17

Argentina. Loan ____/OC-AR to the Argentine Republic
Program of Support for Integrity and Transparency
Reform in Argentina

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 it a financing to cooperate in the execution of the Program of Support for Integrity and Transparency Reform in Argentina. Such financing will be for an amount of up to US\$200,000,000 from the Ordinary Capital resources of the Bank, 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 ____ 2017)