

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**PROGRAM TO SUPPORT TRANSPARENCY AND
INTEGRITY REFORMS IN ARGENTINA II**

(AR-L1303)

LOAN PROPOSAL

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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
DPPEESA	Dirección de Programas y Proyectos Especiales con Enfoque Sectorial Amplio [Office for Special Sector-wide Approach Projects and Programs]
ESW	Economic and sector work
FACPCE	Federación Argentina de Consejos Profesionales de Ciencias Económicas [Argentine Federation of Professional Councils of Economic Sciences]
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
GDE	Gestión Documental Electrónica [electronic document management system]
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
OECD	Organization for Economic Cooperation and Development
OVE	Office of Evaluation and Oversight
PBP	Programmatic policy-based loan
SADE	Sistema de Administración de Documentación Electrónica [electronic document management system]
SARHA	Sistema de Administración de Recursos Humanos [Human Resource Management System]
SSRFI	Subsecretaría de Relaciones Financieras Internacionales [Office of the Deputy Secretary for International Financial Relations]

PROJECT SUMMARY

ARGENTINA PROGRAM TO SUPPORT TRANSPARENCY AND INTEGRITY REFORMS IN ARGENTINA II (AR-L1303)

Financial Terms and Conditions					
Borrower			Flexible Financing Facility ^(a)		
Argentine Republic			Amortization period:		20 years
Executing agency			Disbursement period:		1 year
Ministry of Finance, acting through the Office for Special Sector-wide Approach Programs and Projects of the Office of the Deputy Secretary for International Financial Relations of the Office of the Secretary of Treasury			Grace period:		5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:		LIBOR-based
IDB (OC):	200,000,000	100	Credit fee:		^(c)
			Inspection and supervision fee:		^(c)
Total:	200,000,000	100	Weighted average life:		12.75 years
			Approval currency:		U.S. dollar
Project at a Glance					
Project objective/description: The objective of the program is to contribute to the transparency and integrity of public management through regulations and mechanisms to promote access to information. This second operation will deepen progress in the following areas: (i) regulation of the legislation on access to public information and consolidation of the rules for ethical conduct of public officials; (ii) consolidation of the regulations and mechanisms for management of State resources in relation to public works contracting, public procurement, and public sector employment; and (iii) management of the financial sector. This is the second of two consecutive operations that are linked technically but financed independently under the programmatic policy-based loan (PBP) modality.					
Special contractual conditions precedent to the sole disbursement of the loan proceeds: The disbursement of the sole tranche is contingent upon fulfillment of the policy reform conditions described in the Policy Matrix (Annex II), the Policy Letter , and the conditions established in the loan contract (see paragraph 3.3).					
Exceptions to Bank policies: None.					
Strategic Alignment					
Challenges: ^(d)	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(e)	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, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

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

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

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

(e) 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 **Introduction.** This operation is the second and last of a programmatic series under the programmatic policy-based loan (PBP) modality. In the first operation (loan 4244/OC-AR), for an amount of US\$200 million, the program supported a series of legislative and administrative measures to contribute to transparency and integrity, through three components that contributed to: (i) ensuring greater access to public information for citizens and economic actors and building the capacity of agencies to enforce job performance rules for public officials; (ii) strengthening transparency in the use of public resources for public works contracting, public procurement, and public sector employment; and (iii) enhancing the effectiveness of the financial system and lowering transaction costs; as well as the macroeconomic stability component.
- 1.2 **Recent macroeconomic performance.** Argentina is on a path of fiscal and current account adjustment. It is currently unable to access international debt markets and has a stand-by arrangement in place with the International Monetary Fund (IMF). The Central Bank of the Argentine Republic (BCRA) has also significantly tightened monetary policy. The macroeconomic adjustment is beginning to show results,¹ the fiscal target for 2018 was met, while the Congress passed a balanced primary budget act for 2019. The change in relative prices is helping reduce the external imbalances and the new monetary policy framework has helped stabilize the exchange rate, while inflation, though still high, is moving downward.
- 1.3 The tightening of monetary and fiscal policy, compounded by the drought hitting agricultural production, is imposing short-term costs on economic activity, which is in recession. The market consensus is for GDP to contract by 2.4% in 2018 and 1.2% in 2019. The drop in real wages impacted consumption, while deteriorating expectations affected investment. To this was added the contractionary bias of the monetary and fiscal policy mix. Economic activity is expected to start recovering in the second quarter of 2019, supported by a rebound in agricultural production and a potential recovery in real wages and relative prices, which will boost exports.
- 1.4 Beyond the intensification of the fiscal and monetary adjustments prompted by the currency crisis, Argentina has maintained the general macroeconomic policy and growth framework adopted in early 2016. The macroeconomic stabilization agenda has risen in priority, but gradual pro-growth reforms continue to be supported, albeit at a slower pace. This framework of action is characterized by the reinstatement of the private sector as the driver of development and the building of a more efficient and transparent State to support its growth. The government has made significant progress in terms of the country's institutions and reintegration in the international community, although it faces significant challenges related to growth, poverty reduction, disinflation, and balanced fiscal accounts.²

¹ IMF. Second review under the [Stand-by Arrangement](#), December 2018.

² See: Argentina 2017, [Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Argentina](#).

- 1.5 **Progress and challenges in relation to transparency and integrity.** Argentina has made significant progress in terms of transparency and integrity since the first operation was approved. In addition to the progress deriving from the measures identified in both the first and second operations of this program, Argentina has also adopted a series of additional complementary measures on transparency and integrity. In order to present a full analysis of the country's progress on this agenda and the program's contribution, this document first describes the measures in the first operation and how they have progressed. It then describes the measures put forward in this second operation. Lastly, it describes the measures additional to the program that Argentina has taken and how they relate to the program's objectives.
- 1.6 **Problems addressed by the program.** As indicated by the academic literature and the recent report by the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean (Expert Group),³ the legal and regulatory measures are necessary, but not sufficient, conditions for ensuring the effectiveness of integrity reforms, and their sustainability. In particular, this second operation supports administrative measures contributing to transparency and integrity with a particular emphasis on implementation, linked to: (i) access to public information and the ethical conduct of public officials; (ii) management of resources relating to government works, procurement, and personnel; and (iii) management of the financial sector.
- 1.7 The package of reforms supported by this programmatic series represents a significant contribution to legal and institutional developments in Argentina to promote transparency and integrity. As regards the first operation, as of December 2017 the country had fulfilled all its policy action commitments.⁴
- 1.8 **First operation and program progress.** The first operation had four components: (i) macroeconomic stability; (ii) strengthening access to public information and the legal framework for the ethics of public officials; (iii) strengthening transparency in the use of public resources; and (iv) strengthening financial transparency. The evidence submitted to the Bank on 27 November⁵ and 11 December 2017⁶ shows that Argentina complied in full with the package of 12 legislative and administrative measures supported by the first operation, as described below.
- 1.9 **Strengthening access to information and the legal framework for the ethics of public officials.** Through this component, the Argentine government achieved progress with four specific measures: (i) inclusion in Argentina's legal framework of rules for access to public information encompassing all branches of national government and establishing autonomous bodies/garantors overseeing fulfillment of the right of access to public information and promoting active transparency measures through promulgation of Law 27275 on access to information;

³ Report of the Expert Advisory Group on Anti-Corruption, Transparency, and Integrity in Latin America and the Caribbean, Engel, Eduardo; Ferreira Rubio, Delia; Kaufmann, Daniel; Lara Yaffar, Armando; Londoño Saldarriaga, Jorge; Noveck, Beth Simone; Pieth, Mark; Rose-Ackerman, Susan, IDB, November 2018. See also *Transparency and Accountability*, Becky Carter, GSDRC, 2014.

⁴ Over the last three years, Argentina has seen an improvement in all six of the World Bank's Worldwide Governance Indicators, including the control of corruption dimension. The country has also seen progress over the 2015-2017 period on the Transparency International index and the Open Data Barometer.

⁵ See [Optional link 4](#).

⁶ See [Optional link 5](#).

- (ii) adoption of a government open data plan in national government, by Decree 117/2016 instructing ministries, secretariats, and deconcentrated bodies reporting to the national executive branch on the preparation of such plans, which should include—in addition to institutional information—the publication and updating on the national public data portal, and the databases referring to various economic, social, cultural, and environmental sectors, including the updating of information on the aforementioned portal; (iii) introduction into Argentine's body of criminal law of the concept of “repentant suspect” (State's evidence), by enactment of Law 27304, to improve the likelihood of obtaining information about crimes against the public administration, thus either helping make significant progress in the investigation or leading to other parties involved in the crime, in exchange for a possible reduction in sentence; and (iv) strengthening the capacity to record gifts to public officials through Decree 1179/2016 establishing the rules on gifts under Law 25188 on Ethics in the Civil Service and creating the Registry of Gifts to Public Officials. This will allow public officials to duly report gifts and enable the Anticorruption Office, which is responsible for issuing complementary rules and clarifications for the implementation of the aforementioned regulation, under the terms specified in the cited decree, to effectively oversee and monitor the destination of such gifts.
- 1.10 **Strengthening transparency in the use of public resources.** In this component, the Argentine government made progress on three specific measures: (i) implementation of the electronic management system for public works contracting, concessions for public works and public services, and licenses (CONTRAT.AR), a mechanism offering the government greater transparency and accountability in managing public works contracts and concessions for public works and services, including the bidding, award, execution, and evaluation stages; (ii) enactment of a decree establishing the means to facilitate and streamline the interaction between national government and users of the procurement system, equipping the procurement system with more advanced technology; and facilitating access to information, in accordance with the provisions of Article 8(a) of Law 24156, for the agencies of the national executive branch, as regards technology developments affecting any aspect of the procurement system; particularly as regards the presentation of bids and registration of suppliers; and (iii) adoption of a system to facilitate control and transparency of payroll management, with the implementation and commissioning of a single comprehensive personnel administration and management system (SARHA) providing services to entities and jurisdictions included in 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.
- 1.11 **Strengthening financial transparency.** In this component, the Argentine government made progress on five measures in the first operation: (i) assuring the financial autonomy and independence of the financial intelligence unit (FIU) through provisions with the force of law establishing these conditions under the Ministry of Finance and ensuring its adequate budgetary funding; (ii) establishing new procedures to optimize management of information requirements vis-à-vis the FIU's foreign counterparts; (iii) establishing criteria for risk-proportional reporting by banks of suspicious transactions, such that due diligence measures preserve financial inclusion, facilitate investment accounts, and guarantee the integrity of the

banking system through regulatory measures authorizing the director of the FIU to set criteria in coordination with other financial regulators, in order to ensure consistency with the measures adopted; (iv) establishing the special reporting model for external audits on reconciliation of assets and liabilities according to International Financial Reporting Standards (IFRS), to be used by financial institutions subject to BCRA oversight; and (v) setting criteria such that, as of January 2018, financial institutions subject to BCRA oversight record their transactions and changes in assets and prepare financial statements in accordance with the IFRS, resolutions adopted by Argentine Federation of Professional Councils of Economic Sciences (FACPCE) and the applicable BCRA rules.

- 1.12 **Continuing challenges.** This second operation will provide a continuation of support for the measures addressing the challenges that were originally identified, starting from a theoretical framework in which transparency and institutional quality are crucial to the adequate provision of public services and are the cornerstone of creating a business climate that encourages investment and supports private sector development.⁷ The empirical evidence suggests that a country's economic productivity and growth may be adversely affected by the lack of transparency and integrity.⁸ The causes of this problem include systems and processes that restrict access to information for both citizens and economic actors, and even the government bodies responsible for oversight, and also institutions, law, and regulations with technical or design defects that give rise to discretionality. In particular, in this second operation the gap addressed relates to implementation of the policies identified in the first operation. Accordingly, the measures that have been identified are primarily in response to this issue, as described in the following paragraphs.
- 1.13 **Strengthening access to information and the legal framework for the ethics of public officials.** The topics in this area identified for the second operation included issuing regulations for the Law on the Right of Access to Public Information for the Executive Branch in order to advance with its implementation, resulting in the adoption of Decree 206/2017. On the issue of open data, in the second operation, progress on the preparation of open data plans by 50% of ministries was agreed upon. At the time of preparation of this operation, almost all the ministries had adopted these plans.
- 1.14 In relation to the integrity of public officials, the second operation incorporates a measure reporting on the implementation of Law 27304. The Office of the Public Prosecutor established a monitoring mechanism using its annual report to the Congress, whereby it confirms that this legal instrument is being used in the case of at least 17 individuals charged with crimes of corruption. Also concerning the integrity of public officials, this second operation plans to make the Registry of Gifts

⁷ Vito Tanzi and Hamid Davoodi (1997), *Corruption Public Investment and Growth*, IMF Working Paper. Among other factors, sovereign risk is greater in those countries with weaker ratings on transparency and integrity dimensions. Ver Bekaert et.al (2014). *Political Risk Spreads. Journal of International Business Studies*, 45, 471-493. More recently, *International Monetary Fund Discussion Note, Corruption Costs and Mitigating Strategies*, SDN/16/05, 2016.

⁸ Organization for Economic Cooperation and Development – OECD (2013), "The Rationale for Fighting Corruption," Background Brief, Paris: OECD; Sumanjeet, R. (2015), "Institutions, Transparency, and Economic Growth," *Emerging Economy Studies* 1(2): 188-210.

to Public Officials more effective by using the electronic document system to increase its connectivity and operability.

- 1.15 **Strengthening transparency in the use of public resources.** This operation continues the three measures adopted under the first operation with the aim of making progress on implementation. The first operation recognized the adoption of the CONTRAT.AR system. For the second operation, the proposal is to apply this system to 50% of public works, by verification of the application of the rule by the Office of the Cabinet Secretary for Modernization. This measure has been maintained in the second operation and progress exceeds expectations. In order to facilitate and streamline the interaction between national government and users of the COMPRA.AR procurement platform, this second operation will expand the coverage of this portal by extending its use to include State-owned enterprises. Lastly, as regards control and transparency in payroll management, the first operation envisaged adoption of the SARHA system, an IT tool that would be implemented in at least 50% of ministries. The second operation has identified a means of verification as part of implementation that recognizes the expansion of SARHA to 85% of all ministries and deconcentrated entities as of 27 August 2018, following its entry into force on 25 July 2016.
- 1.16 **Financial transparency.** A series of measures is envisaged in this component for the second operation aiming to ensure the effectiveness of the FIU's work. In terms of the agency's autonomy and independence, it has been confirmed to be independent in both functional and budgetary terms. Its functional location under the aegis of the Ministry of Finance also allows it to coordinate better with other regulatory and supervisory entities in the financial sector. Another element related to strengthening of the FIU is improving its capacity to manage information with counterpart agencies in other countries and, on the basis of that strengthening, improve its capacity to share this information securely with the local agencies responsible for the investigation and prosecution of money laundering activities. Another element that increases the effectiveness of the FIU is the adoption of regulations that enhance its capacity to use the information from the suspicious transaction reports that are submitted to it by regulated entities.
- 1.17 Also as regards financial transparency, measures that are part of the regulatory process applicable to financial institutions subject to supervision by the BCRA are recognized, in the framework of the implementation of the actions envisaged in the roadmap for convergence of the accounting information system with international financial reporting standards (IFRS).⁹
- 1.18 **Additional reforms carried out by the national government.** As described in paragraph 1.5, the Argentine government has developed an active agenda on transparency and integrity, with a series of additional policies to complement the measures included in this program. These complementary measures are evidence of the commitment by the authorities to strengthen the institutional framework for transparency and integrity, and a sign of the political will to ensure the sustainability of this agenda beyond the IDB program. The additional measures are described taking into account their relationship with the program components. This

⁹ As indicated in the first operation, BCRA Circular "A" 5541 defined the "Road Map for Convergence of the Reporting and Accounting System toward the IFRS." In monitoring this commitment, the BCRA began issuing a series of circulars to implement the roadmap, some of which were considered by this program.

helps to show the validity of the program's rationale and the consistency and complementarity of the IDB's contribution and the efforts of the authorities.

- 1.19 In the case of the topics the program incorporates in Component 2 on strengthening access to public information and the legal framework for the ethics of public officials, the country adopted a series of complementary policies. These include the new criminal liability applicable to legal entities (Law 27401), which includes, inter alia, criminal liability for agents of businesses and the obligation for businesses to adopt compliance programs.
- 1.20 Also noteworthy within the scope of Component 2, as regards the integrity of public officials, is Decree 732/2018, which sets criteria and limitations on appointments of relatives in the public administration. Additionally, legislation that would strengthen and update the current Public Ethics Law 25188 is at an advanced stage of drafting. This bill aims to improve the prevention and resolution of conflicts of interest and make the affidavits system for public officials more efficient. These measures are related to and complement the creation of the Registry of Gifts to Public Officials, envisaged by the Public Ethics Law and addressed by the program.
- 1.21 As regards the topics the program incorporates in the Strengthening transparency in the use of public resources component (Component 3), Argentina adopted new rules for public-private partnership (PPP) contracts. Specific regulations on transparency and integrity for contracts of this type were issued, such as the case of the transparent consultation procedure and the guidelines on transparency in public procurement in PPP projects. An important step in strengthening oversight bodies was the adoption of a decree reorganizing the reporting of internal audit units and improving the definition of these units' responsibilities. As regards the management of State-owned enterprises, an administrative decision was taken with guidelines on good governance for majority State-owned enterprises. Lastly, in order to improve coordination between the crime-prevention and oversight bodies, the Secretariat for Institutional Strengthening was created by Executive Branch decree, under the aegis of the Chief of the Cabinet of Ministers, with the aim of assisting the Chief of the Cabinet of Ministers on the design, development, and implementation of public policies to strengthen integrity in the civil service and prevent corruption, in coordination with national government bodies with jurisdiction in this area.
- 1.22 In 2018, a series of laws were passed to simplify, modernize, and cut red tape in productive sectors, infrastructure, and national government (Laws 27444, 27445, and 27446). For example, among other measures, the latter establishes the evidentiary validity of official documents signed digitally in the GDE and SADE electronic document management systems, making them equivalent to traditional formats. Decree 891, issued in November 2017, establishes good practices for simplification applicable to the functioning of the national public sector, the issuance of standards, and their regulations. This decree stipulates that rules and regulations must be simple, clear, precise, and easy to understand. This set of measures is related particularly to measures identified in the program aiming to combine administrative simplification with the use of technology to improve the electronic management system for public works contracting, concessions for public works and public services, and licenses in Component 3.

- 1.23 Lastly, as regards the financial transparency measures envisioned in Component 4, the FIU adopted a guide for action to implement its autonomy and independence. For its part, Banco de la Nación Argentina, with technical assistance from the IDB, undertook its first money laundering risk assessment. Law 27446 cited above equips the FIU with new tools, such as the possibility of certain regulated entities sharing customer files if they contain information about the legality and origin of funds. Several of these measures are explicitly based on OECD and Financial Action Task Force (FATF) recommendations. These measures complement the purpose of the program and of Component 4, namely to strengthen financial transparency through better use of information by the FIU and BCRA in line with international standards.
- 1.24 **Rationale.** To address the challenges cited in the first operation, which remain valid for this second operation, the Argentine government committed itself to a package of policy measures that, as noted above, was fulfilled in its entirety in the first operation, and in some cases significant progress has been made on implementation. As outlined in the foregoing paragraphs, challenges remain, in particular in relation to implementation, which this second operation aims to address.
- 1.25 Having made the progress described in this document, and in seeking to maintain a stable macroeconomic framework that will enable the country to cover part of the additional financing needs arising from its internal economic conditions, the Argentine government made a request of the Bank in 2018 to proceed with the second operation.
- 1.26 **The Bank's experience in the country and the sector, and lessons learned.** 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 both procurement and payroll; and the loan for the Program to Strengthen the Public Investment System in Colombia (loan 2977/OC-CO), concerning transparency in public works. As regards the IDB's experience in strengthening oversight bodies, key lessons were learned from the Program for Strengthening Institutional Management of the Office of the Attorney General in Colombia (loan 4443/OC-CO) and the Project to Enhance Control Services for Effective, Preventive, and Enabling Control for Public Management in Peru (loan 4724/OC-PE). Lastly, as regards integrated human resources systems, experience from operations such as the Public Sector Efficiency Program in Jamaica (loan 3122/OC-JA) has been drawn upon. Additional information on lessons learned is presented in paragraph 1.31.
- 1.27 This operation also incorporates lessons learned from IDB policy dialogues, including, in particular, the OECD-IDB Integrity Network for Latin America and the Caribbean, which brings together the main parties responsible for integrity systems in the countries of the region. The network's objective is to guide policy debates on

- sharing best practices and lessons learned on integrity policy implementation at the regional and international levels. The second meeting of the network served to follow up the results of the 2018 Summit of the Americas and leveraged synergies with the ministerial meeting of the OECD Regional Programme for Latin America and the Caribbean on integrity and good governance. High level civil servants from the Argentine government with responsibilities in the areas addressed by this operation are active participants in this network. In particular, lessons have been learned on matters concerning the integrity of public officials, which are issues addressed in Component 2 of the program.
- 1.28 In the case of technical studies and knowledge contributions, the impact evaluation of the COMPR.AR program stands out. This program is based on a tool supporting the management of purchasing and procurement by government agencies. COMPR.AR facilitates the participation of buyers, suppliers, and the community in government procurement processes, improving the transparency and efficiency of public procurement and the quality of the products. Between June 2016 and 2018 more than 4,700 processes and 30,000 items were transacted for a total of 33 billion pesos. Meanwhile, over 8,200 purchase orders were issued.¹⁰ The preliminary data from the evaluation show the program to be yielding positive results in terms of expanding supply and lowering prices.
- 1.29 Other recent IDB studies relating to the program objective were also considered, particularly “El Fin del trámite eterno: ciudadanos, burocracia y gobierno digital” and “El Uso de Indicadores de Corrupción en las Calificaciones de Riesgo Soberano.” The contribution of the Expert Group mentioned above in paragraph 1.6 and the study by Kevin Casas and Miguel Carter on the context of corruption in Latin America were also taken into account. A full list of academic references can be found under [optional link 2](#).
- 1.30 The Bank has actively supported promotion of Argentina’s transparency and integrity agenda and this program in particular through a series of technical assistance operations supporting the agencies responsible for developing and implementing several of the policies included in this operation. These technical cooperation operations included Transparency Policies for More Effective Management (ATN/AA-15799-AR), Use of Big Data for Government Efficiency and Regional Integration (ATN/OC-15822-RG), and Open Government and Public Innovation Labs (ATN/AA-16286-RG), through which support continues to be provided, at the time of preparation of this operation, to the Anticorruption Office and Access to Information Agency, which are responsible for implementing the measures in Component 2. The FIU, which is responsible for implementing the measures in Component 4, was supported through the technical cooperation

¹⁰ The preliminary data from the evaluation show, for example, that extra costs paid by different agencies for the same product come to as much as 25% of the average price. The impact evaluation will provide robust evidence in two stages. The first stage will produce evidence on two questions: What effect does COMPRA.AR have on the transparency of public procurement? What effect does COMPRA.AR have on the efficiency of public procurement? And lastly, what is COMPRA.AR's impact on the price of public procurement paid by national government? The second stage of the evaluation will seek to answer the following questions: What additional information can the tool provide procurement officials to inform them about the most suitable purchase? What is the impact of the intervention on the characteristics of the contracted producers. What is the impact of the intervention on the quality of the products purchased with the tool?

operation Strengthening the Integrity of Financial Systems: Improving the Capacity to Prevent Money Laundering and Terrorist Financing II (ATN/AA-15291-RG). The aforementioned technical cooperation operations are being supported by the IDB Transparency Fund.¹¹ The impact study on COMPRA.AR was financed by ESW RG-E1584, Improving the Evidence on Effective Integrity Reforms (see [optional link 3](#)).

- 1.31 In addition to the lessons and practices discussed in paragraph 1.26, this operation draws on lessons learned by the Bank in designing policy-based loans, including the following: (i) the effective sequencing of reforms should take into account the capabilities of the institutions involved and map out a gradual progression of reforms that combines advances on the legislative front with improvements in technical capacities and effective implementation; (ii) to enhance their effectiveness, the planned reforms should consider the interests and capabilities of the organizations meant to implement them; and (iii) effective coordination is needed between the various bodies involved in designing the reforms. This operation also draws upon the experience of the Support Program for Chile's Integrity and Transparency Agenda I and II.¹² Specifically, the program with Chile contains policy measures similar to those included in Component 2 of this operation.
- 1.32 In summary, the Bank's value added can be observed in three key areas: first, the production of knowledge related to the issues addressed by the program, as described in paragraphs 1.28 and 1.29; second, the various technical cooperation operations that converged to support several of the reforms and entities identified for the program (paragraph 1.30 and [optional link 3](#)); and third, the transfer of lessons learned in other operations with similar objectives and in the Bank's relevant policy dialogues (paragraphs 1.26, 1.27, and 1.31). The Bank's broad range of experience in the sector and studies relating to the issue of transparency and integrity confirm the program's main assumptions and the IDB's approach to the subject. In summary, it is important to support reforms that are aligned with international commitments on transparency and integrity. The technical quality of the laws and regulations is important, particularly because these aspects improve the effective application of the measures. The use of technology has also been found to be relevant as a means of ensuring access to information.
- 1.33 **Coordination with other international agencies.** The Bank has coordinated the technical aspects of the program with other donors and multilateral agencies in particular. This included coordination with the World Bank on the measures in Component 2 concerning the integrity of public officials, and those in Component 3 concerning transparency in the use of resources. Coordination has also been pursued with the IMF, particularly as regards measures to support the Financial Intelligence Unit, given their relationship with the stand-by arrangement between the Argentine Republic and the IMF referred to in this operation.

¹¹ More references to the Transparency Fund's support in the country and the region can be found in the external review of the fund in *Transparency Fund, Review of Results*, Stephanie Trapnell, *Discussion paper* no. IDB-DP-554.

¹² See "La Economía Política de la Agenda de Probidad y Transparencia de Chile," Jorge Sahd K., Cristian Valenzuela B., IDB, 2018. This study was also financed with resources from the Transparency Fund.

- 1.34 **Strategic alignment.** The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the productivity and innovation challenge through strengthening of access to information and the legal framework for the ethics of public officials and the strengthening of the transparency of public resources. This alignment relates to the problem of the relative capacity to respond to requests for access to information, linked to Results Matrix outcome indicator 1.1 (percentage of responses to requests for access to information). As regards innovation, it is aligned with the problem of the low technological capacity applied to the procurement process. In this case, it is linked to Results Matrix outcome indicator 2.1 (percentage real direct investment expenditure processed through CONTRAT.AR). The program is also aligned with the crosscutting theme of institutional capacity and rule of law through an indicator of the ethical conduct of companies.¹³ The program will also contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through government agencies benefiting from projects to strengthen technology and management instruments to enhance the delivery of public services.¹⁴ The operation is included in the 2019 Operational Program Report (document GN-2948).
- 1.35 The operation is also consistent with the Sector Strategy: Institutions for Growth and Social 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-2831-8), through its dimensions that “seek to reinforce sustained growth in a context of fiscal sustainability and macroeconomic stability” (dimension 1) and that indicate that “governments will promote strengthening the efficiency of tax administrations, financial management and use of public resources” (dimension 4). Lastly, the operation is aligned with the IDB Group Country Strategy with Argentina 2016-2019 (document GN-2870-1) through the strategic objective of government institutional strengthening, specifically through impact indicator 1 “average number of bidders in public calls for tender awarded through COMPR.AR” and impact indicator 2 “ethical conduct of businesses”; while the program’s measures aim to contribute: (i) at the impact level, to the transparency of the government’s policies;¹⁵ and (ii) at the outcome level, to compliance with the right of access to public information and promotion of active transparency.¹⁶

B. Objectives, components, and cost

- 1.36 **General objective.** The objective of the program is to contribute to the transparency and integrity of public management through regulations and mechanisms to promote access to information. This second operation will deepen progress in the following areas: (i) regulation of the legislation on access to public information and consolidation of the rules for ethical conduct of public officials; (ii) consolidation of the regulations and mechanisms for management of State resources in relation to public works contracting, public procurement, and public sector employment; and (iii) management of the financial sector. This is the second

¹³ See Results Matrix impact indicator 2.

¹⁴ See Results Matrix outcome indicator 2.2.

¹⁵ See Results Matrix impact indicator 1.

¹⁶ See Results Matrix outcome indicator 1.

of two consecutive operations that are linked technically but financed independently under the programmatic policy-based loan (PBP) modality. The activities under this operation are intended to close gaps on the issues identified in the first operation, with particular emphasis on implementation. In line with the policy endorsement, all the actions proposed for this second operation have also reported significant progress.

- 1.37 **Beneficiaries.** The same criteria have been applied as in the first operation, and a sharp distinction is drawn between beneficiaries and users. The project beneficiaries are citizens requesting public information, businesses and citizens entering into contracts with government, citizens benefiting from public works and goods bought by the government, and citizens who interact with financial institutions and financial institutions that interact with the BCRA, whereas the users are officials working in the agencies where the program outputs will be implemented, such as national government procurement and purchasing units and agencies, offices giving access to public information, etc.
- 1.38 **Component 1. Macroeconomic stability.** The objective of this component is to maintain a macroeconomic context consistent with the program objectives as established in the [Policy Letter](#) and the Policy Matrix (Annex II).
- 1.39 **Component 2. Strengthen access to information and the legal framework for the ethics of public officials.** The objective 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 public officials. Accordingly, the following policy actions are proposed: (i) regulations implementing the Law on the Right of Access to Public Information, Law 27275;¹⁷ (ii) preparation of Open Data Plans by 50% of ministries and acceptance thereof by the Office of the Cabinet Secretary for Modernization under Decree 117/2016; (iii) implementation of actions regarding the operation and enforcement of Law 27304, known as the “Repentance Law,” amending the Criminal Code; and (iv) continue capacity-building for the Registry of Gifts to Public Officials, incorporating the gift registry into the electronic document processing system for the public administration (GDE).
- 1.40 **Component 3. Strengthen transparency in the use of public resources.** The objective of this component is to strengthen transparency in the management of national public resources in relation to public works contracting, public procurement, and public employment. Accordingly, the following policy actions are proposed for the second operation: (i) use of the electronic management system for public works contracting, concessions for public works and public services, and licenses (CONTRAT.AR) for 50% of public works contracts executed by the Ministries of the Interior, Public Works, and Housing; Transportation; Education, Culture, Science, and Technology; and the Office of the Secretary for Energy;¹⁸ (ii) adoption of a resolution establishing a strategy for gradual application to other agencies listed in Article 8(a) of Law 24,156 on national public administration of the

¹⁷ Enactment of the Law on the Right of Access to Public Information was incorporated into the first operation as a measure of greater depth for its level. Its implementing regulations were drafted shortly after enactment of the law and during processing of that first operation, which confirms the desired sequence and logic of these measures for this programmatic series.

¹⁸ Works contracted since adoption of the system in August 2016.

obligations laid down for the entities identified in the first operation; and (iii) continuing improvements in control and transparency of payroll management through the implementation of the human resources management system (SARHA) at 50% of ministries and deconcentrated entities, for personnel management and administration.

- 1.41 **Component 4. Strengthen financial transparency.** The objective of this component is to increase the effectiveness of the financial system and reduce transaction costs, strengthening financial transparency through the adoption of measures aligned with the international standards of the Financial Action Task Force (FATF) and international financial reporting standards (IFRS) issued by the International Accounting Standards Board (IASB). Accordingly, the following policy actions are proposed for the second operation: (i) operation of the FIU with financial autonomy and independence and in coordination with the new tenets of economic and financial policy; (ii) strengthening to support the FIU's capacity to manage information with counterpart agencies in other countries and enhance its internal capacity for sharing this information securely with the agencies responsible for investigation and prosecution of money-laundering activities; (iii) delivery to the FIU of suspicious transaction reports from regulated entities enabling it to perform detection and analysis work more efficiently and effectively, and enhancement of the FIU's ability to access information from special investment accounts; (iv) issuance of rules and/or regulations by the BCRA applicable to supervised financial institutions concerning implementation of the actions on the roadmap for convergence of the reporting and accounting system toward the IFRS; and (v) implementation by financial institutions of the actions on the roadmap for convergence of the reporting and accounting system toward the IFRS, particularly as regards the criteria for recording their transactions and changes in equity and preparing their financial statements.
- 1.42 This proposal is consistent with the twelve indicative measures noted in the framework for the first operation (see [Policy Letter](#)), which have been maintained as initially identified and stated, with the exception of the drafting and terminology clarifications described below. The first clarification refers to the name of the Regulations Implementing the Law on the Right of Access to Information. The correct name is the Law on the Right of Access to Public Information. The second has to do with the change in name of the Ministry of Modernization, which is now the Office of the Cabinet Secretary for Modernization. The third corrects the name of the Ministry of the Interior, Housing, and Public Works to the Ministry of the Interior, Public Works, and Housing; the Ministry of Education to the Ministry of Education, Culture, Science, and Technology; and the Ministry of Energy to the Office of the Secretary for Energy, as they are all presently named. The fourth specifies the instrument by which the measure will be adopted (a resolution, in this case). In this case, the measure is defined in greater detail, including the explicit requirement that it must contain a strategy for its gradual application. Lastly, in the last measure in the matrix, a final sentence has been added for clarification, in order to precisely identify the policy measure based on its specific name. These clarifications do not affect the objective of the operation or modify the measures or their specific purposes, but rather add detail and precision to the measures enumerated (see [required link 2](#)).

C. Key results indicators

- 1.43 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 turn, a randomized methodology is proposed for some of the outcome indicators and a before-and-after methodology with trends is proposed to evaluate improvement in these indicators resulting from the program. Lastly, the [monitoring and evaluation plan](#) includes an analysis of the effects at the macroeconomic level using international indicators by means of the synthetic control methodology, used in the first operation to continue monitoring progress in this regard.
- 1.44 The analysis of the potential impact of the program at the macroeconomic level was structured around the general and specific problems that the program addresses. This 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. The preliminary analysis of the short-term impact of the transparency support program (4244/OC-AR) shows that the program led to a significant improvement in the control of corruption, government effectiveness, freedom and engagement of citizens, transparency of government policy, and government effectiveness indices. The program has not been found to have any significant impact on the indicators of ethical behavior of firms or risk of money laundering and terrorist financing (Basel AML index). The evidence mentioned in the [bibliographical annex](#) and the [monitoring and evaluation plan](#) also supports the reforms included in terms of the expected effects. Overall, these results suggest that the program will have a positive impact on fulfillment of the proposed objectives in the near term.
- 1.45 **Economic analysis.** On the basis of the OVE's recommendations in its review of the evaluability of the Bank's projects in 2011¹⁹ and the findings of the review of the evaluation practices and standards for policy-based loans carried out by the Evaluation Cooperation Group (ECG), comprising the independent evaluation offices of various multilateral development banks,²⁰ envisaged in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non Sovereign Guaranteed Operations), which indicates that it would not be necessary to include an analysis of efficiency in the use of financial resources,²¹ it was determined that no economic analysis would be conducted for this type of loan, as was reported to the Bank's Board of Executive Directors. Therefore, this loan operation does not include an economic analysis,

¹⁹ RE-397-1. The score in the economic analysis section is currently calculated using the maximum value of the cost-benefit analysis and the cost-effectiveness analysis. However, this analysis cannot be applied to policy-based loans.

²⁰ *Good Practice Standards for the Evaluation of Public Sector Operations. Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.*

²¹ According to the ECG, PBLs must be evaluated in terms of their relevance, effectiveness, and sustainability. Efficiency is not included as a criterion as the dimensioning of PBLs is linked to the country's funding gap, so is independent from the project benefits.

and, consequently, the economic analysis is not considered for the purposes of measuring the evaluability score on the DEM for this program.

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” (document CS-3633-2)²² 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 timeframes needed 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(a) of document CS-3633-2. This operation would represent around 0.4% of the gross financing requirements of the public sector for 2019, and 0.7% of financing with multilaterals. These requirements will be supplemented through domestic market bond issues of US\$8.8 billion. This partly explains why the Argentine government needed to move forward with this operation in 2019. 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.

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 program requires no classification. The policy changes implemented under this operation will have no direct or significant impact on the country’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 risks and key issues

- 2.5 **Public management and governance.** The political context up to and including the disbursement period for this operation will be favorable to this program. Also, the program’s policy relevance to the objectives set by the government in the

²² PBPs consist of a series of sequential individual operations, each with its own loan contract.

documents cited in the first operation and in the section on the “Additional reforms carried out by the national government” in this document contribute to the sustainability of the reforms. Nonetheless, a medium risk related to public management and governance has been identified with respect to implementation of measures additional to the program that could be relevant for the transparency and integrity agenda going forward, such as the policy implementation risk associated with the 2019 elections. At least two factors should be considered in this regard. First, the country is in the advanced stages of joining the OECD, a process that tends to transcend government administrations. Second, the March 2019 publication of the OECD’s “Integrity Review of Argentina: Achieving Systemic and Sustained Change” contains a menu of reforms for the future that the country recognizes and that is part of this process. In this context, mitigation measures include the various technical cooperation operations that have been made available to the country and the ongoing technical dialogue with the authorities on the integrity agenda, particularly through the IDB-OECD Integrity Network ([optional link 3](#)), which are evidence of a sustained forward-looking effort.

- 2.6 **Sustainability.** As described in the section on the “Additional reforms carried out by the national government,” the policies supported by this operation are fully consistent with the transparency and integrity measures adopted in recent years, and with the commitments of the Argentine Republic under the program agreed upon with the IMF, in particular as regards enhancing governance and fighting corruption, and the issue of financial transparency. The content of this agreement regarding the issues of transparency in general and financial transparency in particular is consistent with the general objective of this program.²³ It is also consistent with the commitments on transparency and integrity assumed by the national government in its process of accession to the OECD, which includes the “OECD Integrity Review of Argentina: Achieving Systemic and Sustained Change,” as indicated in paragraphs 1.32 and 2.5. This study evaluates recent efforts to build a consistent integrity system across society as a whole in Argentina out of isolated integrity initiatives and proposes specific actions as part of an integrity strategy to support ongoing reforms²⁴ (see paragraph 1.18). The OECD study also identifies measures that the Argentine Republic could adopt in the future to deepen the transparency and integrity reforms identified in this program as well as the measures described in paragraph 1.18. The OECD points out, among other measures, the importance of updating the Law on Public Ethics and strengthening the institutional capacity of the Anticorruption Office and the Office of the Auditor General of the Nation.
- 2.7 The implementation of complementary reforms in addition to those proposed by the program is also indicative of the Argentine government’s political commitment to spearhead an active agenda on the issue and strengthen the regulatory and institutional framework for transparency and integrity (paragraph 1.18). As a result, the reforms are expected to remain in force over the medium term, even subsequent to a change in administration.

²³ See IMF *Second Review under the Stand-by Arrangement*, IMF Country Report 18.374, December 2018. See the “Improving Governance and fighting Corruption” section.

²⁴ See “OECD Integrity Review of Argentina: Achieving Systemic and Sustained Change,” March 2019.

- 2.8 As described in this document, Argentina's transparency and integrity agenda encompasses a wide range of policy measures. These reforms require periodic review and fine-tuning to ensure their effectiveness. In addition to other measures identified in the OECD study mentioned in paragraphs 2.5 and 2.6, several of these reforms will likely be addressed by a bill to update Public Ethics Law 25188 that was recently submitted to the legislature. This legislative reform will have an impact on the clarification of issues such as the definition of conflicts of interest, the affidavits system for public officials, and general government integrity issues.²⁵ Furthermore, a future FATF evaluation through the Financial Action Task Force of Latin America (GAFILAT) can be expected to launch a new agenda dealing with financial transparency issues. The IDB's presence through policy dialogues, technical studies, and technical assistance will ensure that due attention is paid to potential requests for updates in Argentina that the Bank could support beyond this program.

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 Office for Special Sector-wide Approach Programs and Projects, within the Office of the Deputy Secretary for International Financial Relations of the Ministry's Office of the Secretary of Treasury.
- 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 results. 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 disbursement of the single tranche 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 the: (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 executing agency will be responsible for monitoring and supervision of the results of the operation, with a view to keeping the Bank duly informed.

²⁵ See the section on technical assistance to the Anticorruption Office, which is the body responsible for driving this report, and the role of the IDB through the OECD-IDB integrity dialogue.

- 3.5 **Evaluation.** The review of literature and international experience suggests 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. In particular, 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 [Monitoring and Evaluation Plan](#). [Optional link 2](#) gives a list of recent academic literature exploring the relationship between access to information, transparency, and greater integrity.
- 3.6 As stated in the Monitoring and Evaluation Plan and the Results Matrix, 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) control of corruption; (ii) government effectiveness; (iii) 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) government efficiency (the latter three indicators are part of the World Economic Forum's Global Competitiveness Index); and (vii) the 2016 Basel Anti-Money Laundering Index. The program's estimated impact will be determined by the difference between the trajectory of these synthetic control indicators for Argentina in 2014-2020 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 and the project completion report will not be produced before 2020.

IV. POLICY LETTER

- 4.1 **Policy Letter.** 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](#) confirms 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		
Country Strategy Results Matrix	GN-2870-1	Institutional strengthening of government
Country Program Results Matrix	GN-2948	The intervention is included in the 2019 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		9.4
3.1 Program Diagnosis		2.4
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		8.6
5.1 Monitoring Mechanisms		1.1
5.2 Evaluation Plan		7.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
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:		
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	The Bank has also actively accompanied the promotion of the transparency and integrity agenda of Argentina and this program specifically through a series of technical assistance that supported the agencies responsible for developing and implementing several of the policies included in this operation. Among these technical cooperations stand out Transparency Policies for More Effective Management (ATN / AA-15799-AR); Use of massive data for the efficiency of the State and regional integration (ATN / OC 15822 RG) and Open Governments and Public Innovation Laboratories (ATN / AA-16286-RG), through which the Anti-Corruption Office and the Agency were supported Access to Information, responsible for implementing the measures of Component 2. Through the Technical Cooperation "Strengthening Financial Integrity and Transparency Support to countries in the implementation of the FATF Standards" (ATN / AA 15291-RG) was supported to the Financial Information Unit, responsible for the measures of Component IV. The aforementioned technical cooperations are supported by the IDB Transparency Fund. Further references to the support of the Transparency Fund in the country and the region can be found in the External Evaluation of this instrument. As regards the impact study of COMPR.AR, it has been financed by the ESW RG-E1584, Improving the Evidence on the Reforms of Effective Integrity.

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

Evaluability Assessment Note:

The main goal of the operation is to contribute to the transparency and integrity of public management through regulations and mechanisms that promote information access.

To achieve this end, the second operation of this loan defines a deeper focus on the following specific areas on which the project will intervene. The first area of focus is to regulate the access to public information and the consolidation of ethical conduct regulations for public officials. The second area is the consolidation of regulations and mechanisms for the management of resources in public works and contracts, and public officials. The third area is the management of the financial sector. Each of these areas defines a component.

The project includes a description of the gaps in the processes that contribute to the weakness of each of these areas.

The project proposal in coordination with a technical cooperation generate an impact evaluation whose preliminary data reports that payments for cost overruns paid by different agencies for the same product reach up to 25% more than the average price.

Based on recommendations from OVE and Evaluation Cooperation Group, among others, it is considered that to include an economic analysis is not necessary for this type of project.

The monitoring is based on reports from the Ministry of Finance in coordination with the Executing Office. The final evaluation includes an impact evaluation that identifies the effects of transparency in the number of bidders looking to obtain public contracts. The evaluation is based on a randomized control trial.

There is one risk out of four classified as medium. The main risk identified in the program is the reputational risk of the bank; therefore, the project will facilitate the technical dialogue with local authorities and request assistance as need it from the IADB-OCDE integrity network as part of the mitigation measures.

POLICY MATRIX

Objective: The objective of the program is to contribute to the transparency and integrity of public management through regulations and mechanisms to promote access to information. This second operation will deepen progress in the following areas: (i) regulation of the legislation on access to public information and strengthening the rules for ethical conduct of public officials; (ii) consolidation of the regulations and mechanisms for management of State resources in relation to public works contracting, public procurement, and public sector employment; and (iii) management of the financial sector. This is the second of two consecutive operations that are linked technically but financed independently under the programmatic policy-based loan (PBP) modality.

Components/ Policy objectives	Policy Conditions Programmatic operation I	Policy Conditions Programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
Component 1: Macroeconomic stability			
Maintain a macroeconomic context consistent with the program objectives, as established in this Policy Matrix and the Policy Letter.	1.1 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.	Fulfilled
Component 2: 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 build the capacity of agencies to enforce job performance rules for public officials.	2.1 Incorporation of a system to access public information into Argentina's legal framework that, inter alia, 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.	Fulfilled (2017 Q1)
	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 and making available the updated national public data portal.	Open Data Plans prepared by 50% of ministries and accepted by the Office of the Cabinet Secretary for Modernization under Decree 117/2016.	Fulfilled (2017 Q4)

¹ This information is purely informative as of the date of this document. In accordance with document GN-3633-2 (Policy Based Loans: Guidelines on Preparation and Application), fulfillment of all the specified conditions for disbursement, including maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank when the borrower applies for the corresponding disbursement and duly noted in the eligibility memorandum for the disbursement.

Components/ Policy objectives	Policy Conditions Programmatic operation I	Policy Conditions Programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
	2.3 Introduction into Argentina's body of criminal law the concept of the "repentant suspect," to improve 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) in the crime, as well as potential reductions in criminal sanctions.	Implementation of actions regarding the operation and enforcement of Law 27304, which incorporates the concept of "repentant suspect" (State's evidence) in the Argentine legal system.	Fulfilled (2018 Q1)
	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 and prevent public officials from taking ownership of them illegally.	Continued capacity-building for the registry of gifts received by public officials, and integration of the gift registry into the electronic document processing system for the public administration (GDE).	Fulfilled (2017 Q3)
Component 3: Strengthen transparency concerning public resources			
Strengthen transparency in the management of State resources in relation to public works contracting, public procurement, and public sector employment.	3.1 Implementation of the electronic management system for public works contracting, concessions for public works and public services, and licenses (CONTRAT.AR). This system will offer the government greater transparency and accountability in managing public works contracts and concessions for public works and services, including the bidding, award, execution, and evaluation stages.	CONTRAT.AR system used for 50% of public works executed by the ministries of the Interior, Public Works, and Housing; Transportation; and Education, Culture, Science, and Technology, and the Office of the Secretary for Energy.	Fulfilled (2018 Q3)
	3.2 Facilitation and streamlining of interactions between the national government and users of the procurement system by upgrading the system's technology and facilitating access to information. 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.	Adoption of a resolution establishing a strategy 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.	Fulfilled (2019 Q1)

Components/ Policy objectives	Policy Conditions Programmatic operation I	Policy Conditions Programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
	3.3 Facilitation of control and transparency of payroll management with the implementation of a single, integrated human resources 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.	Continued improvement of control and transparency of payroll management with the implementation of the human resources management system (SARHA) at 50% of ministries and deconcentrated entities, for personnel management and administration.	Fulfilled (2018 Q3)
Component 4: 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 international standards promulgated by the Financial Action Task force (FATF) 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 Intelligence Unit (FIU) 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 FIU with financial autonomy and independence and in coordination with new tenets of economic and financial policy.	Fulfilled (2018 Q1)
	4.2 Establishment of new procedures to optimize the management of information requirements with analogous foreign agencies, for such purposes as safeguarding the confidentiality of sources of information when the information is provided to courts or to the prosecutor's office; preventing improper use of the information processed; and efficiently harmonizing local regulations with international standards to prevent money laundering and terrorism financing.	Capacity-building of the FIU 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.	Fulfilled (2018 Q2)
	4.3 Establishment of criteria for risk-proportional reporting by banks of suspicious transactions, 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 FIU 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 FIU by regulated entities, making its detection and analysis work more efficient and effective. Improvement of the FIU's ability to access information from special investment accounts.	Fulfilled (2018 Q1)

Components/ Policy objectives	Policy Conditions Programmatic operation I	Policy Conditions Programmatic operation II	Status of fulfillment of conditions for programmatic operation II ¹
	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 roadmap for convergence of the reporting and accounting system toward the IFRS.	Fulfilled (2018 Q1)
	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 FACPCE, and the applicable BCRA rules.	Implementation by financial institutions of the actions in the roadmap for convergence of the reporting and accounting system toward the IFRS as regards the criteria for recording their transactions and changes in assets and preparing their financial statements.	Fulfilled (2017 Q4)

RESULTS MATRIX

Project objective:	The objective of the program is to contribute to the transparency and integrity of public management through regulations and mechanisms to promote access to information. This second operation will deepen progress in the following areas: (i) regulation of the legislation on access to public information and consolidation of the rules for ethical conduct of public officials; (ii) consolidation of the regulations and mechanisms for management of State resources in relation to public works contracting, public procurement, and public sector employment; and (iii) management of the financial sector. This is the second of two consecutive operations that are linked technically but financed independently under the programmatic policy-based loan (PBP) modality.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
IMPACT: Better performance by the country in promoting transparency and integrity										To measure the impact, random and before-and-after methods will be used depending on the indicator.
1. Average number of bidders for competitive contracts awarded via COMPR.AR	Bidders in competitive processes	3	2017	3	4	4	5	5	Report by the National Procurement Office (Office of the Cabinet Secretary for Modernization)	Random method Coverage improvement in the transparency and integrity of the national government's information and procurement systems. Due to the potential for this type of instrument to be executed rapidly, the operation will focus on measuring effects at the outcome or impact level that are associated with planned reforms that affect the beneficiaries of the operation: citizens and companies that interact with the national government.
2. Ethical behavior of firms' indicator	Score	2.83	2016	2.83	3.3	3.3	3.4	3.4	Executive Opinion Survey, Global Economic Forum, 2019-2020	Before-and-after method This indicator captures executives' perceptions of corporate ethics at their firms (ethical behavior in interactions with public officials, politicians, and other companies).

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
										Source: Executive Opinion Survey, Global Economic Forum, for the data series available from 2006 to 2014. Scale: From 1 (poor) to 7 (strong).

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments ²
Outcome 1: Strengthening access to information and the legal framework for the ethics of public officials										
1.1. Percentage of responses to requests for access to information in the national public sector compared with the number of requests received.	Responses to requests for access to information / Total requests for access to information	81.2	2015	83	85	87	90	90	Report from the Access to Public Information Agency (AAIP) The findings are published on the Open Data Portal . Requests for access to information are considered "closed" when they have been sent to "file" in the national executive branch's electronic document	Before-and-after method Regarding the baseline: According to the official statistics published in the Open Data Portal, 418 requests were received in 2015. Of these, only 79 cases remained pending or open, which means that responses were provided for 339 requests (equivalent to 81.2% of the total number of requests received). At the outcome level, the first operation estimated that the second operation would have a response rate of 85% for access to information requests in 2017 and a response rate of 87% in 2018. These projections were nearly met (83% in 2017 and 85% in 2018), but the actual rates are based on a significantly larger number of requests that were received. In the first 10 months of operation of the AAIP, the response

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments ²
									management system. ¹	<p>rate of 83% was based on a total of 2,500 requests received.²</p> <p>The creation of the AAIP will entail legislation and greater coverage of regulated entities.</p> <p>The incorporation of new regulated entities will involve a new process of training and cultural change that will impact response rates for access to information requests.</p> <p>The development of IT tools to track cases in real time and monitor them using dashboards designed by the AAIP will mean more accurate tracking and more realistic response estimates.</p> <p>The AAIP will also be the authority responsible for enforcing Decree 1558/2001 on personal data protection.</p>
Outcome 2: Strengthening transparency in the use of public resources										
2.1. Percentage of national government agencies that use CONTRAT.AR for public works procurements compared with the total number of national government agencies that	National government agencies that use CONTRAT.AR / Total national government agencies	45	2017	75	80	85	90	90	Report from the Office of the Secretary for Administrative Modernization in the Office of the Cabinet Secretary for Modernization	<p>Before-and-after method</p> <p>National government agencies are those covered by Article 8.a of Law 24156 on financial administration and control systems for national public sector.</p>

¹ The administrative path set up for processing access to information requests assumes that in order for a case to be sent to “file,” a good faith attempt at communication with the requester has been made. The agency does not analyze the information provided by the regulated entities except in those cases in which there is an administrative complaint.

² The figures provided correspond to the national government agencies indicated in Article 8(a) of Law 24156.

Indicators	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments ²
conduct public works procurements										
2.2 Percentage of national government agencies covered by Article 8.b that use COMPR.AR for procurement / Total national government agencies that conduct procurement	Decentralized agencies that use COMPR.AR / Total decentralized national government agencies	45	2017	75	80	85	90	90	Report from the National Procurement Office, Administrative Modernization, Office of the Cabinet Secretary for Modernization	Before-and-after method Decentralized agencies are those covered by Article 8.b of Law 24156 on financial administration and control systems for national public sector.
Outcome 3: Strengthening financial transparency										
3.1 Percentage of financial entities under BCRA supervision that prepare their financial statements in accordance with international standards / Total financial entities	Financial entities	76	2017	80	85	85	90	95	BCRA reports	Before-and-after method The indicator is measured using a representative sample to be identified in coordination with the BCRA. Criteria will be established to effectively represent the universe of entities under BCRA supervision.

OUTPUTS

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
Component 2. Strengthen access to information and the legal framework for the ethics of public officials										
2.1 Regulations issued implementing the Law on the Right of Access to Public Information, Law 27275	Regulations implementing the law	0	2015	1	0	0	0	1	Copy of the publication in the Official Gazette of the Argentine Republic of Decree 206/2017, issued by the National Executive approving the regulations implementing Law 27275 that establishes the right of access to public information	
2.2 Open data plans prepared by 50% of the ministries, and receipt of these plans by the Office of the Cabinet Secretary for Modernization, by virtue of Decree 117/2016	Note issued	0	2015	10	0	0	0	10	Note from the Office of the Cabinet Secretary for Modernization, with copy attached of the formal communications by over 50% of the ministries, including their respective open data plans	At the time of preparation of operation 4244/OC-AR, there were 19 ministries plus the Office of the Chief of Cabinet of Ministers, and only one had not formally presented a plan. ³ As of September 2018, the number of ministries decreased to 10 plus the Office of the Chief of Cabinet of Ministers.

³ On 5 September 2018, the Executive reduced the number of ministries to 10, plus the coordination of the Office of the Chief of Cabinet of Ministers (Article 1, Decree 801/2018). As provided by the decree, the design of policies for innovation in administration was transferred from the Ministry of Modernization to the Office of the Chief of Cabinet of Ministers (Article 16 (33) of the Law of Ministries, as amended by Article 5 of Decree 801/2018).

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
2.3 Actions implemented regarding the operation and enforcement of Law 27304 introducing the concept of “repentant suspect” (State’s evidence) into Argentina’s body of criminal law	Note issued	0	2016	1	0	0	0	1	Note from the Office of the Public Prosecutor with copy attached of the note of presentation (and stamp of receipt) to the Standing Bicameral Commission on Monitoring and Control of the Office of the Public Prosecutor of the 2017 Annual Report of the Office of the Public Prosecutor, and the link to the publication of the report	
2.4 Capacity strengthened to record gifts to public officials, incorporating the Registry of Gifts to Public Officials into the electronic document management system (GDE)	Document reflecting incorporation of the registry	0	2015	1	0	0	0	1	Note issued by the Anticorruption Office documenting the continuation of efforts to strengthen the capacity to record gifts to public officials, incorporating the Registry of Gifts to Public Officials into the GDE, with copy attached of the Instructions for the Registry of Gifts to Public Officials	

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
Component 3. Strengthen transparency in the use of public resources										
3.1 CONTRAT.AR system used for 50% of public works contracts executed by the Ministries of the Interior, Public Works, and Housing; Transportation; and Education, Culture, Science, and Technology and the Office of the Secretary for Energy	Note issued	0	2015	0	0	1	0	1	Note from the Office of the Cabinet Secretary for Modernization, including a report describing use of the CONTRAT.AR system for 50% of the public works executed by the Ministries of the Interior, Public Works, and Housing; Transportation; and Education, Culture, Science, and Technology and the Office of the Secretary for Energy	
3.2 Resolution adopted establishing a strategy for gradual application to other agencies listed in Article 8(a) of Law 24,156 on national public administration of the obligations laid down for the entities identified in the first operation	Resolution issued	0	2015	0	0	1	0	1	Resolution issued by the Office of the Secretary for Administrative Modernization in the Office of the Cabinet Secretary for Modernization	
3.3 Control and transparency of payroll management improved, through the implementation of the human resources management system (SARHA) at 50% of ministries and decentralized entities, for personnel management and administration	Note issued	0	2015	0	0	0	1	1	Note from the Office of the Cabinet Secretary for Modernization, including a report describing implementation of the SARHA at 50% of ministries and decentralized entities, for personnel management and administration	

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
Component 4. Strengthen financial transparency										
4.1 Operation of the FIU with financial autonomy and independence and in coordination with the new tenets of economic and financial policy	Copy of the publication in the Official Gazette of the Argentine Republic and copy of the FIU resolution	0	2015	1	0	0	0	1	(a) Copy of the publication in the Official Gazette of the Argentina Republic of the 2017 Budget Act; and (b) copy of the FIU Resolution 79/2018	
4.2 FIU strengthened in its capacity to manage information with counterpart agencies in other countries and enhanced in its internal capacity for sharing this information securely with the agencies responsible for investigation and prosecution of money-laundering activities	Copy of the publication in the Official Gazette of the Argentine Republic and note issued	0	2015	1	0	0	0	1	(a) Copy of the publication in the Official Gazette of the Argentina Republic of Law 27446; (b) Note from the President of the FIU with the following attached: (b.i) 2017 Management Report issued by the FIU; and (b.ii) copy of at least the cooperation agreement or similar instrument signed with a national and/or international organization	
4.3 Suspicious transaction reports received by the FIU from regulated entities enabling it to perform detection and analysis work more efficiently and effectively, and the FIU enhanced in its ability to access information from special investment accounts	Copy of the publication in the Official Gazette of the Argentine Republic and note issued	0	2015	1	0	0	0	1	Note from the President of the FIU with the 2017 FIU Reporting Quality Report	

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification	Comments
4.4 Rules and/or regulations issued by the BCRA applicable to supervised financial institutions concerning implementation of the actions in the roadmap for convergence of the reporting and accounting system toward the IFRS	Circular issued	0	2015	1	0	0	0	1	Copy of Circular "A" 6454 "Supplemental Guide to the Chart of Accounts" issued on 22 February 2018, which is intended to facilitate the standardization of accounting assignments that, as a result of application of the IFRS, the entities should conduct as from the periods beginning 1 January 2018	
4.5 Actions in the roadmap for convergence of the reporting and accounting system toward the IFRS implemented by financial institutions, particularly as regards the criteria for recording their transactions and changes in assets and preparing their financial statements	Circular issued	0	2015	1	0	0	0	1	Copy of Circular "A" 6323, in which the BCRA notifies financial entities of decisions made by the Board regarding updates to the chart of accounts resulting from application of the IFRS, taking into account the recording of asset transactions and changes as from 1 January 2018	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Argentina. Loan ____/OC-AR to the Argentine Republic. Program to
Support Transparency and Integrity Reforms in Argentina II

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 to Support Transparency and Integrity Reforms in Argentina II. Such financing will be for an amount of up to US\$200,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2019)