

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**REGIONAL**

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)  
REGIONAL INTEGRATION OF THE RIVER PLATE BASIN COUNTRIES**

**(RG-O1679)**

**FIRST INDIVIDUAL OPERATION:  
REGIONAL INTEGRATION OF THE RIVER PLATE BASIN COUNTRIES**

**(RG-L1138)**

**LOAN PROPOSAL**

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## **ABBREVIATIONS**

AECID	Agencia Española de Cooperación Internacional para el Desarrollo [Spanish Agency for International Development Cooperation]
CCE	Comité de Coordinación Estratégica [Strategic Coordination Committee]
CCLIP	Conditional credit line for investment projects
FONPLATA	Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund]
ICAP	Institutional Capacity Analysis Platform
ICB	International competitive bidding
IOM	International Organization for Migration
IRR	Internal rate of return
LPI	Logistics performance index
MSMEs	Micro, small, and medium-sized enterprises
NCB	National competitive bidding
NPV	Net present value
SARAS	Sistema de Administración de Riesgos Ambientales y Sociales [Environmental and Social Risks Management System]
SMEs	Small and medium-sized enterprises
UCAE	Unidad Coordinadora de Alianzas Estratégicas [Strategic Partnerships Coordination Unit]
UNIDO	United Nations Industrial Development Organization

## PROJECT SUMMARY

### REGIONAL CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) REGIONAL INTEGRATION OF THE RIVER PLATE BASIN COUNTRIES (RG-O1679)

### FIRST INDIVIDUAL OPERATION: REGIONAL INTEGRATION OF THE RIVER PLATE BASIN COUNTRIES (RG-L1138)

Financial Terms and Conditions					
<b>Borrower:</b>				<b>Flexible Financing Facility<sup>(a)</sup></b>	
Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA)				<b>Amortization period:</b>	25 years
<b>Executing agency:</b>				<b>Disbursement period:</b>	4 years
FONPLATA, acting through its Strategic Partnerships Coordination Unit (UCAE)				<b>Grace period:</b>	5.5 years <sup>(b)</sup>
<b>Source</b>	<b>CCLIP (US\$)</b>	<b>First operation (US\$)</b>	<b>%</b>	<b>Interest rate:</b>	LIBOR-based <sup>(c)</sup>
<b>IDB (Ordinary Capital):</b>	300,000,000	100,000,000	99.4	<b>Credit fee:</b>	<sup>(d)</sup>
				<b>Inspection and supervision fee:</b>	<sup>(d)</sup>
<b>Local:</b>		600,000	0.6	<b>Weighted average life:</b>	15.25 years <sup>(e)</sup>
<b>Total:</b>	300,000,000	100,600,000	100.0	<b>Currency of approval:</b>	United States dollars
Project at a Glance					
<p><b>Objective of the CCLIP:</b> Contribute to the development of the River Plate Basin countries through sustainable infrastructure and trade facilitation interventions critical for promoting regional integration, as well as interventions in the border areas to promote economic integration.</p> <p><b>Objective of the first operation under the CCLIP:</b> The general objective of this individual operation is to promote the regional and economic integration of the River Plate Basin countries through sustainable infrastructure, trade facilitation, and urban development interventions in border areas. The specific objectives are to: (i) improve logistics and transportation infrastructure performance in the basin countries; (ii) improve urban development in border areas; and (iii) build capacity at FONPLATA and the subexecuting agencies for the design, execution, monitoring, and evaluation of sustainable infrastructure, trade facilitation, and urban development projects in border areas.</p>					
<p><b>Special contractual conditions precedent to the first disbursement of the loan proceeds:</b> As special contractual conditions precedent to the first disbursement of the loan proceeds: (i) the program <a href="#">Operating Regulations</a> will have been approved and entered into effect, in accordance with the terms and conditions previously agreed upon with the Bank (paragraph 3.3); (ii) the program Strategic Coordination Committee (CCE) will have been formed; and (iii) the UCAE core team will have been appointed, comprising at least a general coordinator, a strategic partnerships/planning specialist, and a project monitoring specialist. See also the special contractual conditions in Annex B of the <a href="#">environmental and social management report</a>.</p>					
<b>Exceptions to Bank policies:</b> None.					

Strategic Alignment			
<b>Challenges:</b> <sup>(f)</sup>	SI <input checked="" type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input checked="" type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(g)</sup>	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input type="checkbox"/> and ES <input checked="" type="checkbox"/>	IC <input type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) In keeping with document FN-729 (Strategy and Operational Readiness for the Execution of the LIBOR Transition for the IDB Balance Sheet) and document CF-257-1 (Base Rate Replacement for Sovereign Guaranteed LIBOR-based Loans), this loan will be subject to the SOFR-based interest rate, upon notification to the borrower by the Bank, pursuant to the provisions of 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 the relevant policies.
- (d) The original weighted average life of the loan may be shorter, depending on the signature date of the loan contract.
- (e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. PROJECT DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 The Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA) requested a conditional credit line for investment projects (CCLIP) from the Inter-American Development Bank (IDB) to promote the regional integration of the River Plate Basin countries and deepen and strengthen the strategic partnership between the IDB and FONPLATA.
- 1.2 The River Plate Basin includes the basins of the Paraná River, Paraguay River, Uruguay River, and River Plate, spanning approximately 3.2 million square kilometers in Argentina, Bolivia, Brazil, Paraguay, and Uruguay with more than 130 million inhabitants.
- 1.3 The primary sector (oil and gas, minerals, crop and livestock farming), agroindustrial production, and trade generate almost 80% of the GDP of the five countries.<sup>1</sup>
- 1.4 These countries share hydrographic systems, power grids, transportation networks, and other communication systems, as well as strong cultural, social, and historical ties that create pathways for social and commercial integration.
- 1.5 **The problem.** Despite these close ties, the basin countries lag far behind other regions in two critical areas for integration: (i) economic integration and trade facilitation; and (ii) border area economic development.
- 1.6 Deepening regional integration in these critical areas will yield social and economic benefits by realizing the basin's potential as a subregional market and helping to improve quality of life, especially in border areas.
- 1.7 **Economic integration and trade facilitation.** Infrastructure investment has been a priority on the region's integration agenda but has been insufficient.<sup>2</sup> Empirical evidence shows the positive effect of investment for integration, particularly among the River Plate Basin countries.<sup>3</sup> Studies indicate that the return on investment in infrastructure and integration derives from the resultant lower transportation costs (travel times, accidents, wear and tear on vehicles, etc.) and increased productivity due to improved production factor location and access. This outcome is more pronounced in countries with larger infrastructure gaps. Likewise, the volume of intraregional exports increases 27% with investments in "hardware" (integration infrastructure) and 20% with investments in "software" (policies, processes, and regulatory frameworks).<sup>4</sup>
- 1.8 The impact of COVID-19 on growth has made investment in infrastructure and trade facilitation a key element for the economic recovery of the River Plate Basin.

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<sup>1</sup> See [optional link 6](#).

<sup>2</sup> Infrastructure investment 2008-2017: Latin America and the Caribbean, 2.8%; East Asia and the Pacific, 5.7%; Middle East and North Africa, 4.8%. [From Structures to Services: The Path to Better Infrastructure in Latin America and the Caribbean](#). IDB, 2020.

<sup>3</sup> Modelo de equilibrio general computable BID-INT (Giordano et al., 2014; IDB).

<sup>4</sup> Giordano et al., 2013; IDB.

Investments that decrease the time, cost, and complexity of trade increase competitiveness, demand, and productivity. This creates jobs and improves income distribution.<sup>5</sup> Increases in border area efficiency have a positive effect, since they bring costs down and promote growth in the two economies exchanging goods. Lastly, the reconfiguration of the value chains of companies that, as a consequence of COVID-19, are trying to move their productive processes and suppliers closer to their end markets, offers opportunities for job creation in the basin countries.<sup>6</sup>

- 1.9 However, the basin countries lag far behind on most of the indicators that measure economic integration and trade facilitation.<sup>7</sup>

**Table 1. Performance of the River Plate Basin countries on the LPI**

Region or country	Overall LPI	Customs	Infrastructure	International shipping	Quality of logistics services and competition	Tracking and tracing	Timeliness
European Union	3.52	3.34	3.46	3.41	3.49	3.56	3.86
Europe and Central Asia	2.77	2.55	2.56	2.74	2.70	2.76	3.27
Latin America and Caribbean	2.68	2.49	2.49	2.71	2.61	2.71	3.07
East Asia and the Pacific	3.02	2.80	2.85	3.02	2.98	3.07	3.39
Middle East and North Africa	2.75	2.49	2.72	2.73	2.64	2.76	3.17
<b>River Plate Basin</b>	<b>2.74</b>	<b>2.46</b>	<b>2.57</b>	<b>2.75</b>	<b>2.70</b>	<b>2.74</b>	<b>3.19</b>
Argentina	2.89	2.42	2.77	2.92	2.78	3.05	3.37
Bolivia	2.36	2.32	2.15	2.54	2.21	2.13	2.74
Brazil	2.99	2.41	2.93	2.88	3.09	3.11	3.51
Paraguay	2.78	2.64	2.55	2.69	2.72	2.61	3.45
Uruguay	2.69	2.51	2.43	2.73	2.71	2.78	2.91

Source: Prepared by the authors based on <https://lpi.worldbank.org/>.

- 1.10 Investments in logistics infrastructure make it possible to decrease international transportation costs by lower logistics costs among production centers and foreign trade hubs, which leads to trade growth.<sup>8</sup> [Optional link 5](#) indicates the basin's poor performance on trade facilitation indicators.
- 1.11 **Urban development in border areas.** Development that is more evenly distributed would improve quality of life and productivity and competitiveness conditions in border areas, and could create opportunities for positioning these regions in the international economy, generating positive externalities at the national level.<sup>9</sup>
- 1.12 The border areas in the River Plate Basin lag behind other areas in the basin countries. A study by the Spanish Agency for International Development Cooperation (AECID)<sup>10</sup> shows that the border areas are the poorest areas in MERCOSUR. These areas have unmet basic needs, low levels of human development, and high levels of economic informality and insecurity, as evidenced

<sup>5</sup> A 10% decrease in transportation costs can drive exports up by 30% and increase employment in at exporting companies (Volpe et al., 2013; IDB, 2018a).

<sup>6</sup> Document [GN-3038](#).

<sup>7</sup> <https://lpi.worldbank.org/>.

<sup>8</sup> Hugot and Umaña-Dajud, 2015; De Soyres et al., 2018; Mesquita Moreira, 2008.

<sup>9</sup> ECLAC source: [Desarrollo Territorial](#).

<sup>10</sup> Source: [AECID-MERCOSUR](#).

- by problems like illegal human smuggling and trafficking.<sup>11</sup> The study also shows that the local stakeholders have little ability to forge binational initiatives promoting border area governance and development.
- 1.13 Due to the size, diversity, and isolated and sparse nature of the populations and their productive units in border areas, the basin needs comprehensive, multisector projects. By definition, such projects have crossborder implications and are small-to-medium scale with high transaction costs and the added difficulty of multinational coordination. As a result, there is little room for them within national and multilateral financing plans.<sup>12</sup>
- 1.14 **The opportunity.** Promoting the regional and economic integration of the basin countries requires a combination of: (i) national policies and programs;<sup>13</sup> and (ii) local policies and projects located in border areas and other zones critical to foreign trade.<sup>14</sup>
- 1.15 However, the governments, and therefore the IDB and other multilateral banks, have focused their integration projects on national programs executed by national agencies. For example, only two of the nine regional operations in the IDB's active portfolio are executed by subnational governments.
- 1.16 Accordingly, this CCLIP and the first individual operation are designed to complement the IDB interventions by leveraging FONPLATA's comparative advantages for the design and execution of small-scale projects, executed by subnational agencies, that will help one or more countries better position themselves internationally.<sup>15</sup>
- 1.17 The CCLIP thus seeks to develop FONPLATA's capacity to serve this "niche" often ignored by larger-scale multilateral banks. The program will: (i) establish project eligibility criteria with regard to size and location; (ii) seek to build technical capacity at FONPLATA for the identification, design, execution, monitoring, and evaluation of such projects, including gender and diversity issues;<sup>16</sup> and (iii) seek to build capacity at FONPLATA and its executing agencies for the execution of projects within the niche.
- 1.18 **Eligible projects.** As established in the program [Operating Regulations](#), the eligible projects will be: (i) smaller in size (up to US\$50 million for infrastructure, US\$30 million for urban development; and US\$10 million for integration and rural development and tourism projects); (ii) preferably executed by subnational agencies; (iii) integration projects (multinational targeting, national subsidiarity,

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<sup>11</sup> Source: IOM, Diagnóstico sobre la situación e incidencia de la trata de personas en contextos humanitarios en América del Sur. IOM, Panama, 2020.

<sup>12</sup> Instituto Español de Estudios Estratégicos: [Las fronteras "porosas" de Sudamérica: ¿líneas divisorias o áreas de cooperación? 2016.](#)

<sup>13</sup> Trade policy, national logistics plans, export promotion strategy, trade facilitation policies, simplification of procedures, etc.

<sup>14</sup> [Link.](#)

<sup>15</sup> [Optional link 7.](#)

<sup>16</sup> FONPLATA's institutional analysis identified the need for strengthening to mainstream gender and diversity issues in project design, execution, monitoring, and evaluation.

regional additionality, market defect offset); (iv) projects in border and other areas critical to foreign trade; and (v) projects for improving existing, or building new, infrastructure, trade facilitation in border areas, improving human and urban development at the borders, and capacity-building at the subloan executing agencies.

- 1.19 **Benefits of serving the “niche.”** Interventions in border areas contribute to greater integration among countries and have a positive impact on nonborder areas. A study by Barajas et al. (2014) shows that on the Mexico-U.S. border the interdependence of the Texas-Northeast Mexico border areas with regard to production has a positive economic impact on distant states in both countries, such as Michigan and the central states of Mexico.<sup>17</sup>
- 1.20 **FONPLATA indicative project portfolio.** Twelve projects in execution for a total undisbursed amount of US\$369.53 million were reviewed during the analysis mission. A short list was identified with seven projects for US\$123 million that could have components eligible for financing under the first operation. The financing provided in this operation will depend on demand from the member countries, so this list may change during execution ([optional link 4](#)).
- 1.21 **Border target area.** The construction, infrastructure improvement, and trade facilitation projects may be carried out anywhere in the countries, as long as the infrastructure is critical for foreign trade and private investment. Border area projects will take place within the 100-kilometer strip along the River Plate Basin country borders.
- 1.22 **Beneficiaries.** The beneficiaries of the CCLIP and the first individual operation will be: (i) FONPLATA, which will be provided with financial resources and the technical capacity to serve the critical operational niche; (ii) the basin countries, which will gain a financing alternative to serve this critical niche; and (iii) local governments, which will have access to a lending institution focused on subnational projects.
- 1.23 **IDB-FONPLATA relationship.** FONPLATA is an entity with international legal status governed by the provisions of its Charter and By-laws, founded in 1974 by Argentina, Bolivia, Brazil, Paraguay, and Uruguay. The Bank and FONPLATA are currently implementing the Global Credit Program for Regional Integration of the River Plate Basin Countries (loan 4377/OC-RG), which seeks to reduce disparities in integration and development in the border areas of the River Plate Basin, and, specifically, in the Jesuit missions circuit. To date, the program has disbursed 100% of its resources, all of which have been allocated to Bank-approved projects. The first operation under the CCLIP builds on the achievements of program 4377/OC-RG and leverages lessons learned by extending coverage to areas outside the prioritized corridors and narrowing eligibility to the types of projects in which FONPLATA has been effective. Additionally, technical-cooperation operation ATN/OC-16469-RG was approved, to: (i) strengthen capabilities and mechanisms for coordination among entities responsible for executing the projects; and (ii) support the design and implementation of regional integration initiatives.

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<sup>17</sup> [Link](#).

This technical-cooperation operation has built technical capacity at FONPLATA to help optimize management of the Operations and Countries Department by making it more efficient and effective in supporting the project cycle. It has also financed the analysis of guarantees for public-private partnership projects in Argentina and the development of project proposals for Argentina, Bolivia, Brazil, and Paraguay. Additionally, it supported FONPLATA's Integration and Development Forum, which discussed such issues as: (i) public lending institutions, international agencies, and their role in the development of Latin America; (ii) development, challenges, and opportunities in the Southern Cone; and (iii) international trade and integration; and others. It also provided support for development of the plan for communicating and disseminating results, systematic documentation of information, and generation of management reports on the supported projects. Lastly, it will support the process of evaluation and lessons learned during execution.

- 1.24 The Bank's support through FONPLATA is based on three criteria established in the Policy on the IDB's Relations with Subregional Financial Institutions (document GN-1922-3), namely: (i) consistency of strategy and policies (FONPLATA's strategies and policies are consistent with the Bank's, as confirmed in the institutional analysis conducted during preparation of operation 4377/OC-RG and in the institutional capacity analysis platform report prepared for this operation, and as corroborated by the Guidelines for IDB-FONPLATA Coordination study); (ii) complementarity of actions (evidenced by FONPLATA's capacity to execute integration projects in which the Bank would not participate due to their size and the subnational character of the executing agency); and (iii) additionality of resources (the technical support provided to FONPLATA is expected to have a multiplier effect on the subregion and contribute to the identification, design, and execution of more, better integration projects).
- 1.25 **The Bank's experience with subregional entities.** In addition to loan 4377/OC-RG, the Bank has carried out operations with the Caribbean Development Bank (loan 3561/OC-RG, Sustainable Energy Facility for the Eastern Caribbean; and loan 2798/BL-RG, Caribbean Development Bank Global Loan Program). Two lessons learned from these operations are that: (i) these loans expand the client banks' portfolios, so they must include funding for strengthening the counterpart and/or hiring staff to manage the subloans and the relationship with the IDB; and (ii) subloans financed with the proceeds of global credit loans can go to sectors other than the ones involved in the design of the loan, so it may be necessary to incorporate colleagues from other sectors during execution. These lessons are reflected in the Component 3 FONPLATA strengthening activities. The lessons learned from the operation now in execution with FONPLATA (loan 4377/OC-RG) are: (i) to improve execution efficiency and effectiveness, the Bank should support the executing agency with technical cooperation to strengthen internal processes and ensure compliance with IDB requirements and procedures; and (ii) an IDB-FONPLATA coordination mechanism is necessary for the work of identifying, preparing, and executing the operations and ensuring that FONPLATA effectively serves an identified niche. These lessons are reflected in the technical-cooperation operation now in preparation by the Integration and Trade Sector (INT), to provide FONPLATA with execution support. In turn, the

Strategic Coordination Committee (CCE) created for this operation responds to the second lesson learned in loan 4377/OC-RG.

- 1.26 **The Bank's value-added.**<sup>18</sup> The Bank will offer value-added in: (i) climate change and environmental sustainability, by recognizing the basin's vulnerability challenges; (ii) gender equality and diversity, by building capacity at FONPLATA to mainstream these issues in its operations;<sup>19</sup> (iii) leveraging private investment or public-private partnerships; and (iv) border integration processes, a topic on which the Bank has gained a great deal of practical knowledge from operations throughout the region. These crosscutting issues will be included in the Component 3 institution-strengthening actions and in the criteria for the eligibility and prioritization of subloans throughout the CCLIP.
- 1.27 **Rationale for the CCLIP.** The CCLIP, under multisector modality I, is the right instrument because it provides a technical framework for joint work and timely financing. The CCLIP will make it possible to: (i) provide long-run continuity to the investment programs in the niche to be served by FONPLATA; (ii) ensure that the Bank provides effective, sustained technical support to FONPLATA; and (iii) promote the continuity of the executing agency staff and the ongoing institutional analysis. The CCLIP is expected to cover three individual loan operations with similar features that will be adjusted with each new operation, based on the lessons learned from the prior operations.
- 1.28 **Eligibility of the CCLIP and the first individual loan operation.** The CCLIP and the first individual loan operation meet the eligibility criteria set in the CCLIP policy currently in effect (document GN-2246-13): (i) the CCLIP objectives align with the priorities established in the IDB Group country strategies for the five River Plate Basin countries; (ii) a new simple evaluation of FONPLATA was conducted during preparation of the first individual operation; (iii) the objectives of the first individual loan operation contribute to achievement of the CCLIP objectives; (iv) the first individual operation is included in the CCLIP components and sectors; and (iv) the loan proposal for the first operation includes institutional capacity-building actions for FONPLATA.
- 1.29 **Strategic alignment.** The first operation is aligned with the following development challenges of the second Update to the Institutional Strategy (document AB-3190-2): economic integration, since the program will improve regional infrastructure and promote integration instruments and policies. It is also aligned with the priority area of increased resource mobilization, since the program will expand relationships with a source of bilateral financing. Lastly, the

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<sup>18</sup> The operation was designed under a "triple booking" sector collaboration arrangement among the Integration and Trade Sector (INT), Transport Division (TSP), and Connectivity, Markets, and Finance Division (CMF).

<sup>19</sup> The preliminary analysis of FONPLATA's indicative portfolio has identified opportunities for mainstreaming in various areas, such as: promoting women's participation in infrastructure projects; access to finance and technical assistance for MSMEs owned or led by women and members of diverse groups like Afro-descendants and indigenous peoples; accessibility of financial services and infrastructure for persons with disabilities; prevention of gender-based violence in urban infrastructure projects; and prevention of human trafficking in tourism projects, etc. ([optional link 3](#)).

- program aligns with the crosscutting themes of gender, diversity, and the environment through institutional capacity-building at FONPLATA for: (i) mainstreaming gender equality and diversity in its portfolio (paragraph 1.32); and (ii) raising the executing agencies' awareness of environmental issues by promoting the IDB Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy (document GN-2609-1) and the IDB Climate Change Action Plan (document OP-2053-2), through specific training for the FONPLATA teams to integrate the climate change adaptation and mitigation dimensions, according to the principles and criteria of the joint methodology of the multilateral development banks,<sup>20</sup> in the design of operations to be financed under subsequent operations of this CCLIP, and by incorporating climate change concepts into Components 1 and 2.
- 1.30 The program is also aligned with the Bank's Vision 2025 "Reinvest in the Americas: A Decade of Opportunity" (document AB-3266) through five priority areas: (i) regional integration, by improving the integration and regional trade facilitation infrastructure; and (ii) gender and diversity, by promoting the incorporation of training and the development of FONPLATA's gender and diversity strategy and unit. Although this first operation does not include climate finance from the IDB, it does seek to align with Vision 2025 through capacity-building at FONPLATA for climate change action with training and the incorporation of adaptation and mitigation dimensions in future FONPLATA projects that reflect climate finance criteria, as defined in the [joint methodology of the multilateral development banks](#).
- 1.31 The program is aligned with the following Corporate Results Framework (document GN-2727-12) indicators: intraregional trade in goods; jobs supported; micro, small, medium enterprises financed; roads built or upgraded; amount of international trade supported; agencies with strengthened digital technology and managerial capacity; projects supporting economic integration; and projects supporting gender equality and diversity.
- 1.32 The program is also consistent with the: (i) criteria for identification of integration initiatives established in the Sector Strategy to Support Competitive Global and Regional Integration (document GN-2565-4); (ii) the strategic principle of planning, building, and maintaining infrastructure for the delivery of quality services established in the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5); (iii) Integration and Trade Sector Framework Document (document GN-2715-11), by reducing: (a) transportation, logistics, and administrative processing costs; and (b) information costs through improved institutions, since the project seeks to finance projects that will contribute to trade facilitation and investment and thereby strengthen institutions; and (iv) the Transportation Sector Framework Document (document GN-2740-7), by improving the logistics performance of the River Plate Basin countries' through investments in infrastructure for integration. The operation is also aligned with the Climate Change Sector Framework Document (document GN-2835-8), by seeking to build capacity, through the

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<sup>20</sup> [Joint Report on Multilateral Development Banks' Climate Finance](#).

- Component 3 training, for the development, validation, and implementation of methodologies, instruments, and procedures to determine the effectiveness of climate actions, as well as for the monitoring and evaluation of climate actions. The Component 3 training is also for FONPLATA to help the countries take climate and transitional risks into account in their interventions. The other two components of the program will then apply sustainable infrastructure concepts to foster a multisector approach to climate change.
- 1.33 The program is aligned with the Gender and Diversity Sector Framework Document (document GN-2800-8), by including actions in Component 2 to improve the well-being of women, children, and other diverse populations by increasing access to culturally relevant, high-quality public services and expanding economic opportunities for women.
  - 1.34 The program is aligned with the IDB Group country strategies, as described below. Argentina (document GN-3051): the CCLIP is aligned with the following objectives: (i) promote foreign trade positioning, through the Component 1 investments in infrastructure and foreign trade facilitation; and (ii) improve living and mobility conditions, through the Component 2 urban development actions. The CCLIP is also aligned with the priority area of economic recovery, through the promotion of foreign trade positioning via the Component 1 investments in infrastructure for integration and trade facilitation.
  - 1.35 Bolivia (document GN-2843): the CCLIP is aligned with the following strategic objectives: (i) reduce vulnerability to natural disasters and climate change, through the planned Component 3 actions to strengthen FONPLATA with regard to climate change issues; and (ii) the Component 1 investments in sustainable infrastructure.
  - 1.36 Brazil (document GN-2973): the CCLIP is aligned with the strategic objective of promoting improved economic competitiveness, through the cost reductions resulting from the Component 1 investments in infrastructure and trade facilitation. It is also aligned with the priority area of promoting international integration to boost productive capacity, through the Component 1 investments in integration and trade facilitation.
  - 1.37 Paraguay (document GN-2958): the CCLIP is aligned with the following strategic objectives: (i) promote international trade positioning, through the Component 1 investments in infrastructure and trade facilitation; and (ii) improve the coverage and quality of infrastructure, through the Component 1 investments in infrastructure and Component 2 investments in urban development. It is also aligned with the priority area of integration and diversification, by promoting infrastructure development for integration and trade facilitation. Furthermore, it is aligned with the priority area of productive and resilient infrastructure, by financing projects to improve the road network's quality, coverage, and resilience to adverse weather events.
  - 1.38 Uruguay (document GN-3056): the CCLIP is aligned with the following strategic objectives: (i) improve international trade positioning, through the Component 1 infrastructure and trade facilitation actions; (ii) improve productive and resilient infrastructure, through the Component 1 investments in sustainable infrastructure

planned; and (iii) facilitate urban services and housing, through Component 2 urban development actions.

- 1.39 Lastly, the program is included in the 2021 Operational Program Report (document GN-3034-2).

**B. Objectives, components, and cost**

- 1.40 **Objective of the CCLIP.** Contribute to the development of the River Plate Basin countries through sustainable infrastructure and trade facilitation interventions critical for promoting regional integration, as well as interventions in the border areas to promote economic integration. The CCLIP also seeks to improve the collaboration between the IDB and FONPLATA, in order to ensure the complementarity and additionality of their interventions, and to build capacity at FONPLATA and the subloan executing agencies for integration.
- 1.41 **Objective of the first individual loan operation.** The general objective of this individual operation is to promote the regional and economic integration of the River Plate Basin countries through sustainable infrastructure, trade facilitation, and urban development interventions in border areas. The specific objectives are to: (i) improve logistics and transportation infrastructure performance in the basin countries; (ii) improve urban development in border areas; and (iii) build capacity at FONPLATA and the subexecuting agencies for the design, execution, monitoring, and evaluation of sustainable infrastructure, trade facilitation, and urban development projects in border areas. The components of the first individual operation are described below.
- 1.42 **Component 1. Regional integration (US\$42 million).** This component seeks to foster the integration of the River Plate Basin countries by improving the existing infrastructure and building new infrastructure, both in border areas and in other areas where it is critical for foreign trade and private investment in the basin countries, as well as introducing measures to support trade facilitation. The resources under this component will be used to finance projects preferably to be executed by subnational governments that, given their amount, will complement the IDB's operational work, such as binational bridges, border crossings, highways, dry ports, waterways, etc., as well as projects to improve processes, interoperability, and technology, such as equipment, staff training, and control systems at border crossings, etc.
- 1.43 **Component 2. Urban development in border areas (US\$58 million).** This component seeks to advance the crossborder connectivity and economic integration in the basin countries. Specifically, it will finance projects that complement the IDB's operational work in such areas as land-use management activities,<sup>21</sup> development of urban infrastructure that meets universal accessibility criteria<sup>22</sup> (such as transportation, power, water and sanitation, neighborhood improvements, development of tourist destinations and tourist

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<sup>21</sup> This could include special economic zones, industrial parks, etc.

<sup>22</sup> This includes the development of new infrastructure and improvements to existing infrastructure.

information offices, housing, etc.),<sup>23</sup> and joint binational economic land management.<sup>24 25</sup>

- 1.44 **Component 3. Institutional strengthening of FONPLATA and executing agencies (US\$0.6 million).** This component seeks to build staff capacity at FONPLATA and subloan executing agencies for the design and execution of integration and urban development projects, and may include: (i) capacity-building for project identification, prioritization, and design; (ii) capacity-building and strengthening of tools for project execution, monitoring, and evaluation; (iii) capacity-building and strengthening of the socioenvironmental management system; (iv) strengthening of procurement systems and project management; (v) development of tools and capacity-building for mainstreaming gender and diversity in projects through a gender and diversity strategy,<sup>26</sup> monitored by the gender and diversity unit; and (vi) training on integration issues, including environmental and social management, climate change, gender and diversity, and sustainable infrastructure.<sup>27</sup>
- 1.45 **Project eligibility in the first operation.** Projects contributing to the objectives of regional integration among the River Plate Basin countries, or with other countries, will be eligible, as specified in the program [Operating Regulations](#). Projects eligible under Component 1 may be executed anywhere in the basin countries, where they are essential for improving integration. Projects eligible under Component 2 must be located within the 100-kilometer strip along the borders between the basin countries.
- 1.46 The eligible road infrastructure projects—bridges, highways, and urban roads—must undergo a road safety audit that will be reflected in the engineering designs and the audit report recommendations.<sup>28</sup> The road safety audits will be performed during project design by a team that will preferably be independent from the executing agencies.<sup>29</sup>

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<sup>23</sup> Starting with the second operation under the CCLIP, interventions in urban areas must incorporate universal accessibility criteria into their design.

<sup>24</sup> The direct beneficiaries of these activities will be subnational governments that receive financing for this type of project, and the final beneficiaries will be the residents of the areas where the projects are executed.

<sup>25</sup> The component will prioritize projects incorporating the criteria of the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), especially those relating climate change and gender.

<sup>26</sup> Preliminarily, diversity will be understood to refer to the following diverse groups: indigenous peoples, the Afro-descendent population; LGBTQ+ persons, and persons with disabilities.

<sup>27</sup> The activities included in this component will be financed by FONPLATA with local counterpart resources from the first individual operation under the CCLIP, except for the gender and diversity activities (v and vi), which will be financed with resources from the technical-cooperation operations ATN/OC-16469-RG and ATN/OC-17816-RG, now in execution.

<sup>28</sup> The [Technical Guide for the Application of Road Safety Audits in Latin America and the Caribbean](#), developed by the IDB, serves as a reference on the road safety audits.

<sup>29</sup> This requirement will not be mandatory for projects in the indicative pipeline for the first CCLIP operation, which already have final engineering designs but no road safety audit. However, projects included in new FONPLATA operations to be financed with this first CCLIP operation or subsequent ones must meet the requirement.

- 1.47 The eligible projects must apply and comply with FONPLATA's Environmental and Social Risks Management System (SARAS). Otherwise, they must undergo a socioenvironmental audit, the form and content of which has been previously agreed upon with the Bank.
- 1.48 The first operation under this CCLIP will focus on dimensioning the existing needs and on training the teams of FONPLATA and the subexecuting agencies on incorporating the climate change adaptation and mitigation measures, to address the basin countries' climate priorities. This will include a screening process for the operations, to be defined in the program [Operating Regulations](#).
- 1.49 The first operation will contribute to the institutional strengthening of FONPLATA by establishing a gender and diversity unit and strategy, which will be supported through staff training. This will give FONPLATA the tools and capabilities to mainstream these dimensions in project design, execution, monitoring, and evaluation. Gender equality and diversity will also be mainstreamed in the subloans under this first operation and subsequent operations. Accordingly, 15% of projects under the first operation are expected to support gender equality, and 10%, diverse populations.<sup>30</sup>
- 1.50 In addition, the programs must meet the IDB and FONPLATA procurement and fiduciary management requirements described in Annex III of the Proposal for Operation Development and in the program [Operating Regulations](#).
- 1.51 Thresholds have been established to ensure that the subloans complement the Bank's operational work.

**Table 2. Indicative thresholds for project financing  
(in US\$ million)**

Sector	Maximum amount
Road infrastructure	50
Urban and social development	30
Integration software	10
Rural development and tourism	10

- 1.52 **Exceptions to maximum amounts.** The IDB may grant exceptions to the maximum amounts. The reasons for such exceptions are specified in the program [Operating Regulations](#).
- 1.53 **Strategic Coordination Committee.** The IDB and FONPLATA will form a Strategic Coordination Committee (CCE) that meets every six months to analyze the program's overall functioning and the progress made on the projects in the pre-eligibility, approval, and execution stages. The CCE may, if it deems necessary, hold special meetings or invite relevant guests to advise the CCE on issues contributing to the decision-making process. The CCE will have been

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<sup>30</sup> The characteristics of projects supporting gender equality and diversity will be defined as part of the gender and diversity strategy.

formed, and its members appointed, as a special contractual condition precedent to the first disbursement. Its operations and system of representation will be governed by the program [Operating Regulations](#).

### C. Key results indicators

- 1.54 **Impacts and outcomes.** The CCLIP is expected to: (i) deepen the integration of the River Plate Basin countries; (ii) improve the economic and human development indices in basin border areas; and (iii) build capacity at FONPLATA and the subloan executing agencies in the areas of integration, urban development, and sustainable infrastructure, as well as the crosscutting themes of gender and diversity and climate change. The first individual operation is expected to: (i) improve the logistics performance of the basin countries; (ii) lower vehicle operating costs; (iii) shorten travel times; (iv) increase the number of subnational governments with which FONPLATA and the Bank work on land-use planning/urban development; and (v) increase the number of executing agencies trained on project design and execution, as well as on mainstreaming the crosscutting issues of gender and diversity and climate change.
- 1.55 **Economic analysis.** Since this is a global credit program and the specific projects to be financed will therefore be identified at a later time, the economic benefits are estimated using a representative project as a benchmark. That project corresponds to an intervention that enables a reduction in variable costs for the private sector by improving the regional physical infrastructure (roads and ports). For evaluation purposes, the corresponding estimated benefits associated with performing such typical interventions are compared with the costs of the operation. Specifically, under these assumptions and using a time horizon of 10 years and discount rate of 12%, the operation would generate a net present value (NPV) of US\$8.86 million and an internal rate of return (IRR) of 14.57%. Since this is a benchmark project, the values must be taken as an order of magnitude. The total NPV and IRR remain positive in the sensitivity scenario tested in [optional link 1](#).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Origin and use of resources.** The proposed conditional credit line for investment projects (CCLIP) is for up to US\$300 million from the Bank's Ordinary Capital resources with a tenor of 12 years, within which time three individual operations are expected to be executed. The first operation under the CCLIP will be financed with an investment loan of up to US\$100 million under the global credit loan modality, with a local counterpart contribution from the borrower (FONPLATA) of an estimated US\$0.6 million.<sup>31</sup> The operation's disbursement period will be four years, which is consistent with the size and type of demand identified, as well

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<sup>31</sup> This operation is aligned with the following objective established in the Operations Processing Manual, Section PR-203, Global Credit Programs: "To strengthen the technical, economic, financial, administrative and managerial aspects of intermediary financial institutions and enable them effectively to play the role for which they were created, and in this context, to attain permanence, continuity, and long-term financial viability."

as with experience under prior operations with a similar technical scope, such as loan 4377/OC-RG. The FONPLATA member countries will request subprojects under this program, and FONPLATA may commit the Bank loan proceeds within the three years following the effective date of the subloan contract between FONPLATA and the subborrower. Eligible projects will be financed by FONPLATA in the order the requests are received from the countries and according to criteria set by the Strategic Coordination Committee (CCE).

- 2.2 **Characteristics of the program financing.** Through FONPLATA, the program will grant loans to the River Plate Basin countries or to other institutions or political subdivisions of those countries. The nature and specifics of the project eligibility criteria, as well as the terms for the transfer of funds to the projects, are detailed in the program [Operating Regulations](#). In accordance with the [current indicative pipeline](#),<sup>32</sup> the proceeds of the first individual operation under the CCLIP will be split among the three components as specified below.

**Table 3. Estimated program costs (US\$ million)**

Components	IDB	Local	Total	%
Component 1. Regional integration	42.0	0.0	42.0	41.8
Component 2. Urban development in border areas	58.0	0.0	58.0	57.6
Component 3. Institution-strengthening	0.0	0.5	0.5	0.5
Administration or other contingencies	0.0	0.1	0.1	0.1
<b>Total</b>	<b>100.0<sup>33</sup></b>	<b>0.6</b>	<b>100.6</b>	<b>100.6</b>

## **B. Environmental and social safeguard risks**

- 2.3 In accordance with Operational Policy OP-703, this CCLIP and the first operation are classified as B.13, since the final projects to be financed have not yet been identified, so ex ante classification of impacts is not feasible. However, alternative socioenvironmental evaluation and management tools will be applied to determine the level of socioenvironmental impacts and risks associated with each project. One substantial socioenvironmental risk indicator and one moderate natural disaster risk indicator have been identified.
- 2.4 FONPLATA submitted the following [indicative pipeline of projects](#) that could be eligible for the first operation. These projects will generate localized, short-term negative environmental and social impacts, for which known mitigation measures will be implemented that have been effective in similar projects (in terms of the scope and type of impacts and risks).

<sup>32</sup> The planned program financing is subject to demand, so this pipeline may change.

<sup>33</sup> The costs per component are indicative.

**Table 4. Tentative list of subloans (in US\$)<sup>34</sup>**

Operation	Date of approval	Location	Potential financing amount
ARG-28/2016 Border complexes	4/11/2016	Misiones, Formosa, Salta, and Jujuy: Jama crossing – Aguas Blancas crossing – Clorinda border crossing – Pilcomayo crossing. Argentina	10,000,000
ARG-35/2017 Infrastructure for INT	13/12/2017	Entre Ríos, Mendoza, Misiones, Corrientes: Concordia – Salto (Uruguay); Cristo Redentor System (Chile); Posadas – Encarnacion (Paraguay); Paso de los Libres – Uruguayana (Brazil). Argentina	11,000,000
ARG-40/2018 Puerto Las Palmas Access	14/12/2018	Las Palmas, Chaco, Argentina. Border with Paraguay	9,000,000
BR-23 Ponta Porã	15/11/2019	Ponta Porã, Brazil. Municipality on the Paraguay border (Pedro Juan Caballero)	25,000,000
ARG-42/2019 Provincial infrastructure (Federal Fiduciary Fund for Regional Infrastructure, first stage)	14/05/2019	Argentina	11,000,000
BRA 122 or 21 – Itajaí 2040: Modern and Sustainable	14/08/2018	Brazil	25,000,000
BR 134 Cascavel	18/06/2020	Brazil	32,000,000

- 2.5 FONPLATA has implemented an Environmental and Social Risks Management System (SARAS) and has staff specializing and working on environmental issues. Although FONPLATA applies this system for all new infrastructure projects, it did not do so for all projects on the tentative list, since some were approved before the system was created, and others are projects with indirect executing agencies.
- 2.6 The SARAS review identified gaps in the application of international socioenvironmental standards. Accordingly, the Bank will require FONPLATA to: (i) implement improvements (update the social tools, especially meaningful public consultation; prepare a socioenvironmental audit guide; develop an environmental and social procedure for operations with indirect executing agencies; identify responsibilities and the timeline for disclosure of environmental and social documentation during project preparation; and develop a technical specifications guide for bidding documents); (ii) add a social specialist on the socioenvironmental management department team, to manage the social impacts associated with the subprojects; and (iii) establish a gender and diversity unit within FONPLATA, to monitor implementation of the gender and diversity strategy. To support these requirements, Component 3 includes strengthening the SARAS and its socioenvironmental management capacities.

<sup>34</sup> [Optional link 8](#) includes a list of provisional activities and outputs associated with the projects in the indicative pipeline.

## **C. Fiduciary risks**

- 2.7 As established in policy document GN-2246-13, and institutional capacity analysis of FONPLATA was performed under the “simple evaluation” modality. This modality was used since FONPLATA is already executing a similar IDB-financed project (loan 4377/OC-RG), on which general performance in execution and progress on achieving outcomes has been satisfactory. The fiduciary risk has been determined to be low based on the fiduciary capacity assessment of FONPLATA (procurement and financial), which used the Institutional Capacity Analysis Platform (ICAP) methodology and took into account the experience and strengths acquired with execution of loan 4377/OC-RG. Implementation of FONPLATA’s institutional strategic plan views the fiduciary management of operations as one of the most important actions within the major focus area of institutional efficiency, and work is being done to improve it. The technical-cooperation operation ATN/OC-16469-RG, executed in connection with loan 4377/OC-RG, made it possible to harmonize IDB and FONPLATA’s fiduciary standards in areas such as project cycle management, risk monitoring, and supervision of operations. Accordingly, the operation’s fiduciary risk is regarded as low. The operation’s macroeconomic, fiscal sustainability, public management, governance, and sustainability risks are regarded as medium.

## **D. Other key risks and issues**

- 2.8 **Macroeconomic risk.** This risk is regarded as medium-high. External macroeconomic shocks and other types of exogenous macrofinancial risks can affect demand for projects in the River Plate Basin countries, or even achievement of the program objectives. Regardless of the probability and impact of this risk in the countries of the region, the empirical evidence is that FONPLATA has never defaulted on its financial obligations.<sup>35</sup>
- 2.9 **Executing agency.** This risk is regarded as high. If FONPLATA does not have (i) an environmental policy that meets the standards of the IDB socioenvironmental policy for managing environmental, social, and occupational safety and health impacts; and (ii) a team dedicated to supervising these impacts, it would not be in compliance with the Bank’s environmental and social policies, so the subloans would not be eligible for financing under the program.

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<sup>35</sup> For consistency with IDB macroeconomic safeguards policies (specifically, Recommendation 2 of document AB-2990, “Enhancing Macroeconomic Safeguards at the Inter-American Development Bank,” and Section IV of document GN-2753-7, “Operational Guidelines for the Implementation of the Macroeconomic Safeguards in the Inter-American Development Bank”), the FONPLATA member countries must have an independent macroeconomic assessment in place at the time of approval of the relevant individual subloan by the FONPLATA executive board. In the absence of such assessment, the relevant subloan will be subject to the same disbursement speed restrictions as established by the IDB for its individual investment loan operations, as applicable. The program Operating Regulations will describe the contents of such assessments and the mechanisms for FONPLATA to perform them, as well as how disbursement restrictions are to be enforced and governed, all of which must be aligned and consistent with the applicable Bank policies.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower and executing agency will be the Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA), acting through its Strategic Partnerships Coordination Unit (UCAE). The UCAE will have a core team comprising a general coordinator, a strategic partnerships/planning specialist, and a project monitoring specialist. Establishment of the UCAE core team is as condition precedent of the operation. The program's execution mechanism and governance structure will be established in the program [Operating Regulations](#), including internal coordination bodies of the IDB Vice Presidency for Sectors and Knowledge and Vice Presidency for Countries and IDB-FONPLATA, to assess project eligibility.
- 3.2 The UCAE will be responsible for program execution and will act as counterpart to the Bank project team. Furthermore, an IDB-FONPLATA Strategic Coordination Committee (CCE) will be formed with functions that include supporting eligibility and prioritization processes for the operations to be financed, sharing information on results achieved, proposing changes and adjustments necessary to facilitate performance, and pursuing synergies with other programs and financing sources.
- 3.3 **As special contractual conditions precedent to the first disbursement of the loan proceeds:** (i) the program [Operating Regulations](#) will have been approved and entered into effect, in accordance with the terms and conditions previously agreed upon with the Bank; (ii) the program Strategic Coordination Committee (CCE) will have been formed; and (iii) the UCAE core team will have been appointed, comprising at least a general coordinator, a strategic partnerships/planning specialist, and a project monitoring specialist. The first condition is necessary to ensure effective program execution, considering that Bank experience shows that approval of the [Operating Regulations](#) prior to the first disbursement contributes the executing agency's internal organization. The second condition is justified by the importance of creating an coordinating agency for IDB-FONPLATA strategic and technical dialogue. The third condition is regarded as essential to assure the Bank that the executing agency has an effective core team in place to start program execution.
- 3.4 **Implementation.** FONPLATA will be responsible for supervising the use of the subloan proceeds and for providing the human and technological resources necessary to conduct the program as planned and on schedule. FONPLATA will receive the program resources from the Bank and, in its role as multilateral bank, make subloans to the River Plate Basin countries or other entities and political subdivisions of those countries. The resources will be allocated in accordance with the eligibility criteria established in the program [Operating Regulations](#).
- 3.5 **FONPLATA's financial position.** According to its audited financial statements as of 30 June 2021, FONPLATA had total assets of US\$2.047 billion, with a loan portfolio for 64% of that amount (US\$1.304 billion). Given FONPLATA's preferred creditor status and the privileges and immunities conferred by its member countries, the likelihood of a portfolio default is low, so its credit risk is low. Furthermore, its total net assets are US\$1.174 billion, reflecting very low levels of liabilities and leveraging. Lastly, as of 30 June 2021, FONPLATA held an average

investment portfolio rating of AA, which is better than required by the investment policy (AA-). FONPLATA thus has ample financial capacity to meet the obligations it will assume towards the Bank.

- 3.6 **Guarantees.** In accordance with its policy on guarantees required from the borrower (document GP-104-2), the Bank does not require a joint and several guarantee from the respective countries, when the development banks or agencies have ample financial capacity, provided that their charters establish a joint and several or subsidiary guarantee of the member countries.<sup>36</sup> The Bank will not require the sovereign guarantee of the FONPLATA member countries for this operation, since FONPLATA has ample financial capacity, and under its Charter and By-laws the internal and external loans administered and obtained by FONPLATA have the joint and several guarantee of its member countries.
- 3.7 **Retroactive financing.** The Bank will not retroactively finance expenditures corresponding to disbursements by FONPLATA to finance eligible projects prior to approval of the CCLIP by the Bank's Board of Executive Directors.
- 3.8 **Program Operating Regulations.** Program execution will require [Operating Regulations](#) consistent with FONPLATA and Bank policies and procedures, as well as with the laws and financial practices of the River Plate Basin countries. The program [Operating Regulations](#) will establish eligibility conditions for projects to be financed, credit risk requirements, and decision-making processes. They will also specify the mechanisms for orchestrating the transfer of resources to the subborrowers and govern the monitoring and management of environmental and social considerations related to the use of program resources. Lastly, the program [Operating Regulations](#) will include the terms on which FONPLATA will deliver reports on use of the program resources, consistent with the stipulations of the monitoring and evaluation plan ([required link 1](#)).

## **B. Summary of arrangements for monitoring results**

- 3.9 **Reports.** FONPLATA will be responsible for compiling and processing data for program monitoring and evaluation with the institutional support provided by the Bank for that purpose. The program [Operating Regulations](#) determine that reports will be delivered every six months and will contain, at a minimum, a description of progress on the results indicators and project compliance with the eligibility conditions, as well as a socioenvironmental compliance report.
- 3.10 **Evaluation.** FONPLATA will be responsible for compiling the relevant information required for program evaluation. The ex post evaluation described in [required link 1](#) employs an ex post cost-benefit method and will be delivered by FONPLATA within 90 days, running from the disbursement expiration date. Contingent on the amount of information, a quasi-experimental methodology is proposed for the impact assessment (regression discontinuity or double difference).

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<sup>36</sup> Under FONPLATA's Charter and By-laws, its board of directors will have to adopt a resolution to authorize: (i) contracting the debt with the Bank; and (ii) the joint and several liability of the member countries to back its obligations towards the Bank. For each member country, joint and several liability will be limited to the amount it has subscribed with FONPLATA as irrevocably committed callable capital.

## Evaluability Summary

### **First Individual Program under the CCLIP for Investment Projects for Regional Integration of the Countries of the Rio de la Plata River Basin, RG-L1138: Regional Integration of the Rio de la Plata River Basin Countries**

- 1.1 The objective of this Evaluability Summary is to inform the Bank's Board of Directors about the evaluability of the Global Credit Program for the Regional Integration of the Countries of the Rio de la Plata River Basin (RG-L1138). Given the nature of this loan, the standard Development Effectiveness Matrix score does not apply. In its stead, Management has assessed that the ex-ante evaluability, the ability to monitor during implementation, and the ex-post reporting capabilities of FONPLATA will be consistent with the Bank's standards.
- 1.2 With respect to this consistency, the analysis carried out by the Bank concluded that FONPLATA's policies and strategies are coherent with those of the Bank. FONPLATA's fiduciary policies, financial administration policies, and those pertaining to human resources among others are similar to those of the Bank<sup>1</sup>. FONPLATA's mission is: "to support the integration of its member countries to achieve a harmonious and inclusive development, both within and between the geographic areas under the influence of the Rio de la Plata's River Basin. This will contribute to reducing socio-economic disparities and enhancing the complementarity and synergies of the efforts of national development institutions as well as those of other development agencies, through projects of medium and small dimension to be executed within the delimited geographic space; in order to favor one or more countries in achieving a better insertion in the sub-region, the region, and global markets."<sup>2</sup> Similarly, FONPLATA's System for the Management of Socio-Environmental Risk (SARAS for its initials in Spanish) has been developed with criteria that are similar to the corresponding Bank policies<sup>3</sup>. The total amount of Bank resources assigned to this first program under the CCLIP is of \$100 million with a local counterpart of US\$600 thousand. The Bank and FONPLATA teams will work jointly to establish a dialogue for the prioritization of eligible projects, establishing a Strategic Coordination Committee for joint work.
- 1.3 At its most general level, the program's eligibility criteria establish that for the regional integration projects will be eligible that are either in border zones or from other parts of the benefitted countries so long as the infrastructure is critical for foreign trade. For projects of border urban development, eligible projects must be located within a band of 100 kilometers

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<sup>1</sup> BID: PACI FONPLATA, 2020. & BID: "Evaluación de Capacidad Institucional (SECI) del Organismo Ejecutor del Programa RG-L1115" [*Institutional Capacity Evaluation (SECI) of the Program's Executing Agency*], 2017. Given that the Bank is already satisfactorily executing a program with FONPLATA (RG-L1115), for this program (RG-L1138) a simple evaluation was used that likewise determines that fiduciary risk is low and the institutional policies are coherent.

<sup>2</sup> FONPLATA: "Plan Estratégico Institucional" [*Institutional Strategic Plan*], (Santa Cruz de la Sierra, Bolivia, 2013).

<sup>3</sup> BID: Informe de Gestión Ambiental y Social (IGAS) [*Environmental and Social Management Report*], 2020.

of the territory along the frontiers between the countries of the River Basin. The Strategic Coordination Committee of IDB and FONPLATA will determine the pre-eligibility of projects or project components to be financed with the program's resources and will also provide technical input to facilitate their design. It is worth noting that the projects to be financed by FONPLATA are, given their size and nature, in a niche that is complementary to the Bank's customary space for operations.

- 1.4 Under this first operation under the CCLIP FONPLATA will be provided with institutional strengthening, particularly for capacity building in socioenvironmental management. This is with the hope that, even though this first operation under the CCLIP does not have green financing, the second operation and subsequent ones will. Moreover, support is also being given to FONPLATA for the creation of a gender and diversity strategy and a unit responsible for this topic in FONPLATA. Considering this, the project is aligned to gender and diversity and will incorporate this priority within the portfolio gradually even within this first program.
- 1.5 Additionally, given that the Bank already has a project under execution with FONPLATA (RG-L1115) the technical cooperation (TC) ATN/OC-16469-RG has been approved with the goal of technically strengthening FONPLATA in its management and monitoring of projects. Under this TC, support has also been given and will continue to be given for the analysis of projects with public-private participation and for different loan proposals in the beneficiary countries of the Rio de la Plata River Basin.
- 1.6 As the executing agency, FONPLATA will be responsible for conducting the monitoring of the program and for the preparation and delivery of the monitoring reports as is established in the Monitoring and Evaluation Plan and in the program's Results Matrix. An economic analysis has been conducted based on indicative projects that could potentially comprise the program. The analysis concludes the program is economically viable. Given the nature of this program, in coordination and collaboration with another multilateral, the program shall not be subject to completing a Project Completion Report (PCR).

## RESULTS MATRIX

<b>Project objective:</b>	The general objective of this individual operation is to promote the regional and economic integration of the River Plate Basin countries through sustainable infrastructure, trade facilitation, and urban development interventions in border areas. The specific objectives are to: (i) improve logistics and transportation infrastructure performance in the basin countries; (ii) improve urban development in border areas; and (iii) build capacity at FONPLATA and the subexecuting agencies for the design, execution, monitoring, and evaluation of sustainable infrastructure, trade facilitation, and urban development projects in border areas.
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### GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline	Expected year achieved	Target	Means of verification	Comments
<b>General objective</b>						
Increase in the overall Logistics Performance Index (LPI) score	Score over 5	2018 Paraguay: 2.78 Bolivia: 2.36 Uruguay: 2.69 Brazil: 2.99 Argentina: 2.89	2030	Paraguay: 2.81 Bolivia: 2.38 Uruguay: 2.72 Brazil: 3.02 Argentina: 2.92	World Bank LPI	Measured at 9 years (2030). Target: corresponds to a 1% increase in the score over baseline for the five countries.
Increase in the transport infrastructure subscore (LPI)		2018 Paraguay: 2.55 Bolivia: 2.15 Uruguay: 2.43 Brazil: 2.93 Argentina: 2.77		Paraguay: 2.58 Bolivia: 2.17 Uruguay: 2.45 Brazil: 3.96 Argentina: 2.80		

### SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	End of project	Means of verification	Comments
Specific objective 1. Improve logistics and transportation infrastructure performance in the basin countries									
Lower vehicle operating costs, on a route to be determined	%	2020: To be determined	N/A	N/A	N/A	0.9* (baseline)	0.9* (baseline)	FONPLATA report	The baseline will be determined through a specific FONPLATA project. The project pipeline is tentative.
Travel time between two established points, on a route to be determined	Minutes					0.85* (baseline)	0.85* (baseline)		
Specific objective 2. Improve urban development in border areas									
National and/or subnational governments partnering on issues of land use/development	#	2020: 0	0	0	1	1	2	FONPLATA report	FONPLATA indications
Specific objective 3. Build capacity at FONPLATA and the subexecuting agencies for the design, execution, monitoring, and evaluation of sustainable infrastructure, trade facilitation, and urban development projects in border areas									
Subexecuting agencies strengthened in project execution and design	#	2020: 0	0	1	1	2	4	FONPLATA report	
Subexecuting agencies strengthened in the crosscutting issues of gender and diversity and climate change									
Projects that support gender equality	%	To be determined	0	0	0	0	15		The gender and diversity strategy will define the criteria and methodology for this measurement.
Projects that support diversity							10		

OUTPUTS

Indicators	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	End of project	Means of verification	Comments
<b>Component 1</b>									
Total investment in Component 1	US\$ million	0	8	10	12	12	42	FONPLATA report	
<b>Component 2</b>									
Total investment in border areas	US\$ million	0	14	14	15	15	58	FONPLATA report	
<b>Component 3</b>									
FONPLATA training on project design and execution	#	0	1	0	1	0	2	FONPLATA report	
Training for executing agencies on project design and execution			0	1	0	1	2		
FONPLATA gender and diversity strategy approved, in execution, and with an outcome report			1	0	0	0	1		
FONPLATA gender and diversity unit created and operational			1	0	0	0	1		
Training for FONPLATA on issues of climate change and gender and diversity, held and evaluated			2	0	2	0	4		

## **FIDUCIARY AGREEMENTS AND REQUIREMENTS**

<b>Country:</b>	Argentina, Bolivia, Brazil, Paraguay, and Uruguay
<b>Operation:</b>	Regional Integration of the River Plate Basin Countries (RG-L1138)
<b>Executing agency:</b>	Fondo Financiero para el Desarrollo de la Cuenca del Plata [River Plate Basin Development Fund] (FONPLATA), acting through its Strategic Partnerships Coordination Unit (UCAE)
<b>Prepared by:</b>	Lilena Martínez and Roberto Laguado (FMP/CAR)

### **I. EXECUTIVE SUMMARY**

- 1.1 FONPLATA is an entity with international legal status governed by the provisions of its Charter and By-laws, founded in 1974 to meet the financing and technical support needs associated with promoting the economic development and integration of the River Plate Basin countries: Argentina, Bolivia, Brazil, Paraguay, and Uruguay (hereinafter the member countries, beneficiary countries, or borrowing countries).
- 1.2 The fiduciary risk has been determined to be low based on the fiduciary capacity assessment of FONPLATA, which used the Institutional Capacity Analysis Platform (ICAP) methodology and took into account the experience and strengths acquired with its execution of another operation, loan 4377/OC-RG.

### **II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY**

- 2.1 FONPLATA's Administration and Finance Department is in charge of planning and directing the fund's financial and administrative policies, as well as its budget, accounting, treasury, and procurement management. The Accounting and Budget Unit is responsible for budget formulation, management, control, and accountability in annual budget execution, as well as for preparing the financial statements. The Internal Audit Unit is responsible for verifying compliance with internal control procedures and activities to keep the fund's exposure to risks within the limits established in its policies.
- 2.2 The Strategic Partnerships Coordination Unit (UCAE) is responsible for programming, negotiating, and executing projects and initiatives financed with external resources from multilateral agencies, including administration of contracts entered into with international agencies and organizations, financial and accounting record-keeping for loan and cooperation operations, and preparation of annual financial statements for each contract. The Operations and Countries Department handles the programming, negotiation, and execution of FONPLATA projects and initiatives that receive external resources managed by the UCAE.

- 2.3 FONPLATA also has a Risk Management and Compliance Unit responsible for managing institutional risks and analyzing and monitoring risks that could jeopardize the institution's solvency, liquidity, and returns.
- 2.4 FONPLATA has up-to-date policies, manuals, regulations, forms, and standard bidding documents, including the Regulations on the Development and Administration of Operations, updated in late 2019. The ICAP institutional capacity analysis also concluded that FONPLATA is a continuously improving, organized institution with modern manuals, segregated functions, and delegated responsibilities.
- 2.5 FONPLATA will use the K2B system for resource planning, management, and record-keeping. This system records financial, accounting, and budget information in real time and can be configured to identify the IDB as an institution and program accounting.

### III. FIDUCIARY RISK ASSESSMENT AND MITIGATION ACTIONS

- 3.1 The fiduciary risk has been determined to be low based on the fiduciary capacity assessment of FONPLATA, which used the Institutional Capacity Analysis Platform (ICAP) methodology and took into account the experience and strengths acquired with execution of loan 4377/OC-RG. Opportunities for improvement were identified, such as: (i) inclusion of the subproject financial supervision processes in the program [Operating Regulations](#), for approval or review of the financial plans, disbursement requests, payment justifications, audited financial statements, supervision plans, etc.; (ii) use of Internet sites like United Nations Development Business (UNDB) to publish procurement planning; and (iii) effective coordination between the UCAE, which will manage the program, and the rest of FONPLATA's organizational structure.

### IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACTS

- 4.1 **Procurement.** The policies applicable to FONPLATA's borrowers and beneficiaries for the procurement of goods and services and the contracting of individual consultants and consulting firms will be used, supplemented in the areas described in Section V of this document, which will be included in the program [Operating Regulations](#) for procurement management.
- 4.2 Goods, services, their suppliers, and individual consultants or firms, originating in the FONPLATA member countries will be eligible for all program procurements.
- 4.3 **Exchange rate.** For accountability reporting on the program resources, the exchange rate in effect on the payment date will be used, pursuant to Article 4.10, subparagraph (b)(ii), of the General Conditions. The agreed exchange rate to be used for determining the equivalence of expenditures incurred in local currency and chargeable against the local contribution, or of reimbursements of expenditures chargeable to the program, will be the effective exchange rate on the payment date.
- 4.4 **Financial statements and other audited reports.** FONPLATA's audited financial statements, duly issued by an independent audit firm acceptable to the Bank, will be delivered to the Bank within 120 days after the close of each financial year of

the executing agency during the disbursement period. The last of these reports will be delivered within 120 days after the date stipulated for the last disbursement of the loan proceeds. When justified by the type of project financed by the program, the UCAE may request financial statements from the beneficiaries.

## V. PROCUREMENT EXECUTION AGREEMENTS AND REQUIREMENTS

- 5.1 **Procurement execution.** Program procurements will be carried out in accordance with the policies applicable to FONPLATA's borrowers and beneficiaries for the procurement of goods and services and the contracting of individual consultants and consulting firms, as per resolution 1394/2017, supplemented by the [Operating Regulations](#), which will cover the following:
- Guidelines for offerors.** The [Operating Regulations](#) will include guidelines for offerors on contractual responsibilities, FONPLATA's role, information on bidding processes, the offeror's role, confidentiality, steps to be taken by FONPLATA in the event of protests or disagreements and reports of prohibited practices, and information meetings on bidding processes.<sup>1</sup>
  - Dispute settlement and arbitration.** The bidding documents to be used in the execution of the projects will include provisions allowing the beneficiary countries, in each contract, to opt for dispute settlement mechanisms.
  - Publication of procurement notices.** For projects that include international competitive bidding (ICB), the borrower will prepare and provide FONPLATA with a draft version of a general procurement notice. FONPLATA will have the notice posted on the UNDB Online website. The notice will contain information on the borrower (or potential borrower), the amount and purpose of the loan, the source of financing, the size of procurements to be tendered, and the borrower's procurement office contact information.
  - Short list of consulting firms.** Consulting firms will be selected from short lists prepared after public calls for expressions of interest. Short lists of fewer than five firms may be accepted under special conditions approved by the Bank.

Table 1. Table of threshold amounts

Goods		
International competitive bidding	National competitive bidding	Shopping
Starting at the amount determined in agreement with the Bank as the threshold for NCB for the borrowing country.	Less than US\$1.5 million or the amount established by the Bank for ICB in Argentina.	Up to US\$100,000. For procurement of simple, available goods up to US\$1.5 million.
Works		
Starting at the amount determined in agreement with the Bank as the threshold for NCB for the borrowing country.	Less than US\$25 million or the amount established by the Bank for ICB in Argentina.	Up to US\$350,000. For procurement of small works with standard technical specifications, up to US\$25 million.

<sup>1</sup> The guidelines or equivalent document used for loan 4377/OC-RG, as updated, may be used as a model.

Consulting firms	
Contracts for under US\$200,000	Contracts for over US\$200,000
Publication of a notice in UNDB	Publication of a notice in the national media

**Table 2. Procurement supervision plan**

Supervision activity	Supervision plan			
	Nature and scope	Frequency	Responsibility	
			FONPLATA	Third party
Operations	Nature: FONPLATA supervision of borrowers	Annual	Technical and fiduciary team	With inputs from an external auditor
Compliance	Verification of compliance with the special conditions of the program	At the end of each project financed under the program	Technical and fiduciary team	

- 5.2 **Records and files.** FONPLATA will ensure that the physical files on procurements are located in the offices of the borrowers, and adequately safeguarded and maintained to ensure they will be complete and available for a minimum of three years following completion of each project. The electronic files on procurements for program projects will be kept in optimal conditions for later consultation.
- 5.3 **Retroactive financing.** The Bank will not retroactively finance expenditures corresponding to disbursements to finance eligible projects carried out by FONPLATA prior to approval of the CCLIP by the Bank's Board of Executive Directors.

## **VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS**

- 6.1 **Programming and budget.** The executing agency will be responsible for formulation and programming of its annual budget and for all procedures to consolidate the annual budget for approval. As needs arise to increase or reallocate items, the executing agency will request changes and arrange for their approval. No difficulties are anticipated with budget management.
- 6.2 **Accounting and information systems.** FONPLATA will use the recently implemented K2B system for financial management and recording of program transactions. This system records financial, accounting, and budget information in real time and can be configured to identify the IDB as an institution and program accounting.
- 6.3 Accounting transactions are recorded on a cash basis, following International Financial Reporting Standards. The executing agency will establish specific accounts for accounting control of the program to ensure that transactions with program resources can be identified in terms of subloans issued, recognition of the debt with the Bank, execution of expenditures, and management of the cash provided by the Bank. The program financial reports will include the sums received and amounts spent (loans and expenditures). Accounting and reports will be in the currency of the operation.

- 6.4 **Disbursements and cash flow.** The Bank will disburse funds according to the reimbursement of expenditures modality or another modality established in guidelines document OP-273-12. Disbursement requests must include the list of eligible loans as established in the program [Operating Regulations](#). If the advance of funds mechanism is used, the advances will be based on a financial plan for the next six months or other reasonable period, when payments are duly made and documented. Subsequent disbursement may be made, once justification has been provided for 80% of the previous advances. Utilization of the flexible arrangements established in guidelines document OP-273-12 may be considered, if necessary. FONPLATA may justify expenditures incurred to the Bank at the time the funds are transferred to the subborrowers. The Bank will recommend that the executing agency use e-disbursements.
- 6.5 FONPLATA will maintain a special account at JP Morgan Bank for receiving the advances of funds, when the reimbursement of expenditures modality is utilized, disbursements may be made directly to a FONPLATA institutional account.
- 6.6 The program resources will be disbursed to FONPLATA as borrower, which will then transfer them to the subborrower and program beneficiaries.
- 6.7 **Internal control and audit.** Internal control will be exercised by FONPLATA's Internal Audit Unit, which to assure its independence, will report operationally and administratively to the President and Chief Executive Officer, or at his request, to the Audit Committee of the Board of Directors. The internal auditor is responsible for verifying compliance with FONPLATA's internal control procedures and activities to keep risk exposure within the limits established in FONPLATA's policies, as the third line of defense in the corporate risk management model.
- 6.8 FONPLATA's Internal Audit Unit will continue its work and expects to include reviews of compliance with the [Operating Regulations](#) in its annual work plan, and to supervise the portfolio to be financed with Bank resources.
- 6.9 **External control and reports.** FONPLATA will deliver its audited financial statements on an annual basis, with explanatory notes that include information on the Bank loan proceeds, engaging an independent audit firm acceptable to the Bank. The audited reports will be delivered within 120 days after the close of each fiscal year. If the firm that currently reviews FONPLATA's institutional financial statements is deemed eligible by the Bank, it may be perform the program audit without a competitive process, to keep transaction costs down.
- 6.10 The audit costs will be covered with FONPLATA resources.
- 6.11 **Financial supervision plan.** The initial financial supervision plan is based on the risk and fiduciary capacity assessments performed in accordance with the onsite and desk reviews for the program and includes the scope of operational, financial, and accounting activities, compliance and legality, frequency, and responsibilities.
- 6.12 In addition to the reports required for processing disbursements and the annual audits, a detailed financial plan will be required for the purpose of effective monitoring of disbursement projections.
- 6.13 **Execution mechanism.** The borrower and executing agency will be FONPLATA, acting through the UCAE. Through FONPLATA, the program will make subloans to

- the River Plate Basin countries<sup>2</sup> or other entities and political subdivisions of those countries. The projects funded with program resources will be submitted to the IDB with the corresponding justification of eligibility. An IDB-FONPLATA Strategic Coordination Committee (CCE) will be responsible for the program's strategic direction. The eligibility and prioritization criteria, as well as the membership of the CCE, will be described in detail in the program [Operating Regulations](#).
- 6.14 FONPLATA will transfer the program resources to the subborrowers<sup>3</sup> through the rediscounting facility it typically uses or another mechanism agreed upon with the Bank. FONPLATA will be responsible for identifying and selecting the eligible subborrowers that will participate in the program, as stipulated in the program [Operating Regulations](#) and its own policies and processes. The subborrowers will establish the amount of the subloans, nature of the disbursements, interest rates and fees, tenors, repayment frequency, and grace periods, based on a credit analysis of the subloans and useful lives of the projects, as well as other criteria in the [Operating Regulations](#). FONPLATA is responsible for financial management.

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<sup>2</sup> Argentina, Bolivia, Brazil, Paraguay, and Uruguay.

<sup>3</sup> Project execution units: development banks, institutions that promote development and support productive development, local representatives of national ministries, provincial or local governments, etc.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

Regional. Conditional Credit Line for Investment Projects (CCLIP). Regional  
Integration of the River Plate Basin Countries (RG-O1679)

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Fondo Financiero para el Desarrollo de La Cuenca del Plata (FONPLATA), to establish the Conditional Credit Line for Investment Projects (CCLIP) for the program Regional Integration of the River Plate Basin Countries (RG-O1679) (the "Line") for an amount of up to US\$300,000,000 chargeable to the resources of the Ordinary Capital of the Bank.

2. To establish that the resources allocated to the Line shall be used to finance individual operations under the Line, in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, DE-86/16 and DE-98/19; (b) the provisions set forth in documents GN-2564-3 and GN-2246-13; and (c) the terms and conditions included in the proposal for the corresponding individual operation.

(Adopted on \_\_ \_\_\_\_\_ 2021)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

Regional. Loan \_\_\_\_/OC-RG to the Fondo Financiero para el Desarrollo de La Cuenca del Plata (FONPLATA). Regional Integration of the River Plate Basin Countries. First Individual Loan Operation Under the Conditional Credit Line for Investment Projects (CCLIP) RG-O1679 – Regional Integration of the River Plate Basin Countries

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 Fondo Financiero para el Desarrollo de La Cuenca del Plata (FONPLATA), as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the program Regional Integration of the River Plate Basin Countries, which constitutes the first individual loan operation under the Conditional Credit Line for Investment Projects (CCLIP) Regional Integration of the River Plate Basin Countries, approved by Resolution DE-\_\_\_/21 on \_\_\_\_ 2021. Such financing will be for the amount of up to US\$100,000,000, 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 \_\_\_\_\_ 2021)