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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**ARGENTINA**

**GLOBAL URBAN DEVELOPMENT PROGRAM**

**(AR-0066)**

**LOAN PROPOSAL**

**SEPTEMBER 2, 1986**

## Datos Socioeconómicos de Argentina

### 1. Datos Generales

Población total (millones de habitantes, 1985)	30,6
Población rural % (1985)	15,3
Extensión territorial (miles de Km <sup>2</sup> )	2.776,7
Habitantes por Km <sup>2</sup>	11,0
Tasa de natalidad por mil habitantes (1984) %	24,6
Tasa de crecimiento demográfico (promedio 1970-84) %	1,7
Tasa de mortalidad por mil habitantes (1984) %	8,7
Tasa de mortalidad infantil por mil nacidos vivos (1975-80) %	36,0
Producto interno bruto por habitante 1984 (US\$) <u>a/</u>	2.478,0
Años de expectativa de vida al nacer (1984) %	69,7
Alfabetismo (1982) %	94,2
Tasa de cambio oficial, diciembre 31, 1985 (australes/US\$)	0,80
Consumo per cápita de energía, 1977 (ton. equiv. en petróleo)	1,17
Nivel de bajos ingresos por habitante	
junio 1985 (en australes)	616
diciembre 1985 (en australes)	765

### Población económicamente activa por sectores (1980)

	<u>En miles</u>	<u>%</u>
<u>T o t a l</u>	<u>9.989</u>	<u>100,0</u>
Agricultura y pesca	1.289	12,9
Minería	50	0,5
Manufactura	2.138	21,4
Construcción	1.079	10,8
Comercio	1.828	18,3
Transporte	499	5,0
Electricidad, gas y agua	109	1,1
Servicios financieros y otros	2.997	30,0
Tasa de desempleo <u>b/</u>		
octubre, 1983		3,1
octubre, 1984		3,6
octubre, 1985		4,9
Tasa de sub-empleo <u>b/</u>		
octubre, 1983		4,9
octubre, 1984		4,6
octubre, 1985		6,5

a/ Preliminar.

b/ Corresponde a Gran Buenos Aires.

2. Producto Interno Bruto a/  
(a precios de mercado)

	Composición (%)						Tasa Real de Crecimiento Anual (%)				
	1979	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
<b>Por Gasto</b>											
PIB	100,0	100,0	100,0	100,0	100,0	100,0	1,1	-6,5	-5,2	3,4	2,4
Inversión interna bruta	22,0	27,9	18,8	16,8	14,9	12,0	4,7	-23,3	-15,4	-8,6	-13,4
Consumo	77,0	81,1	84,0	79,0	79,4	82,9	4,7	-3,2	-10,8	4,0	6,4
Exportaciones	11,7	11,2	12,8	13,7	14,5	14,0	-3,9	7,9	1,5	8,4	-0,7
Importaciones	10,7	15,2	15,6	9,5	8,8	8,9	42,8	-3,8	-42,1	-4,7	6,4
<b>Por Origen c/</b>											
Agropecuaria	13,6	12,6	13,8	15,6	15,3	15,4	-6,4	2,4	7,3	0,7	3,7
Minería	2,4	2,5	2,7	2,8	2,8	2,7	3,8	0,6	-0,7	3,2	-0,9
Manufactura	26,1	25,0	22,4	22,6	24,2	24,8	-3,8	-16,0	-4,7	10,9	4,0
Construcción	7,0	6,6	6,1	5,1	4,7	3,6	6,4	-13,8	-19,8	-6,8	-20,1
Transporte	10,7	10,7	11,0	11,3	11,4	11,6	0,6	-3,7	-2,6	3,5	4,3
Comercio	14,2	15,0	14,9	12,8	12,8	13,1	5,6	-6,8	-18,3	3,2	4,8
Gobierno	9,5	9,5	10,2	11,0	10,7	10,7	0,8	1,0	2,3	0,1	1,9
Electricidad, agua y gas	3,3	3,6	3,8	4,1	4,3	4,4	7,8	-1,1	3,1	8,0	6,5
Servicios financieros	8,1	9,1	9,2	8,6	7,7	7,7	12,3	-5,3	11,5	-7,5	0,8
Otros servicios	5,1	5,4	5,9	6,2	6,1	6,0	4,6	3,8	-1,8	2,6	1,9

a/ A precios constantes de 1970.

b/ Preliminar.

c/ A costo de factores.

Fuente: Banco Central y Ministerio de Economía.

3. Comercio Exterior

Comercio Exterior	(Millones de US\$)								Tasa de Crecimiento Anual					
	1978	1979	1980	1981	1982	1983	1984	1985 a/	1979	1980	1981	1982	1983	1984
Exportaciones de bienes (FOB)	6.400	7.815	8.020	9.169	7.157	7.834	8.072	8.398	22,1	2,6	14,3	-21,9	9,5	3,0
Carne vacuna	426	737	568	564	488	338	245	214	73,0	-22,9	-0,7	-13,4	-30,7	-27,5
Otras carnes	111	142	120	115	112	92	59	68	27,9	-15,7	-4,2	-1,7	-17,8	35,0
Maíz	587	606	513	1.308	585	803	749	806	3,2	-15,3	155,0	-55,3	37,2	-6,7
Trigo	174	606	816	764	676	1.474	971	1.085	248,3	34,7	-6,4	11,5	118,0	-34,1
Sorgo	358	302	208	637	508	554	459	295	15,6	-31,1	206,3	-20,2	9,0	-17,1
Semillas oleaginosas	548	725	633	600	439	361	924	752	32,3	26,9	-5,2	-26,8	-17,8	156,0
Aceites vegetales	287	468	442	340	394	517	897	1.007	16,3	-5,5	-23,1	11,6	31,2	73,5
Cueros y pieles	28	36	367	309	370	291	333	326	28,6	901,9	-15,8	19,7	-21,3	14,4
Lanas	184	184	235	287	185	145	175	151	n.d.	27,7	22,1	-35,5	21,6	20,7
Productos industria alimenticia	566	653	1.213	1.133	884	1.147	1.122	850	15,4	85,8	-6,6	-21,9	29,7	-2,2
Productos minerales	74	69	315	658	580	372	353	619	-6,8	256,5	108,9	-11,9	-35,9	-5,6
Metalmeccánicas, maquinaria y transporte	787	745	844	876	1.025	591	679	1.120	-5,3	13,2	3,8	17,0	-42,3	14,9
Importaciones de bienes (CIF)	3.834	6.712	10.541	9.430	5.337	4.505	4.635	4.050	75,1	57,0	-5,4	-43,4	-15,6	2,9
Productos de consumo	213	712	1.857	1.632	395	209	250	240	134,3	160,8	-7,9	-75,8	-47,1	19,6
Productos intermedios	2.052	3.334	5.217	4.728	3.320	3.074	3.290	2.740	62,4	56,5	-9,3	-29,8	-7,4	27,5
Bienes y equipos de capital	1.096	1.568	2.392	2.059	950	769	600	650	43,1	52,6	-13,9	-57,8	-19,1	-22,0
Combustibles	473	1.098	1.075	1.011	672	453	460	420	132,6	-2,1	-5,9	-33,5	-32,6	1,5

a/ Preliminar.

Fuente: Banco Central.

Balanza de Pagos	(Millones de US\$)								Tasa de Crecimiento Anual					
	1978	1979	1980	1981	1982	1983	1984	1985 a/	1979	1980	1981	1982	1983	1984
Exportaciones (POR)	6.400	7.815	8.020	9.169	7.157	7.834	8.072	8.398	27,1	2,6	14,3	-21,9	9,5	3,0
Importaciones (POR)	3.481	6.018	-9.398	8.414	4.573	4.123	4.132	3.786	72,8	56,2	-10,5	-45,6	-9,8	0,2
Salanza comercial	2.926	1.797	-1.378	754	2.584	3.711	3.940	4.612	-	-	-	-	-	-
Servicios (netos)	-1.123	-2.351	-3.431	-5.365	-4.858	-6.166	-6.484	-5.873	9,3	45,9	56,4	-9,4	26,9	5,2
Transferencias	67	57	22	-22	29	15	1	-1						
Saldo en Cuenta Corriente	1.870	-497	-4.787	-4.633	-2.241	-2.439	-2.543	-1.260						
Movimiento de capitales (neto)	309	4.491	2.465	1.791	1.443	54	3.293	597						
Público	-639	178	798	1.197	2.505	290	3.331	1.061						
Privado	873	4.401	2.097	193	-1.062	-235	-38	-664						
(Inversión directa)	274	264	790	931	251	183	269	921						
(Corto plazo)	-1.510	-1.450	-1.991	-8.466	-4.429	-346	1.687	-1.698						
Errores y omisiones	12	243	310	213	157	-88	-52	-						
Cambio reservas internacionales (- aumento)	-1.998	-4.234	2.628	3.056	641	2.473	-143	-663						

Preliminar.

fuente: Banco Central.

Finanzas Públicas	Porcentaje del PIB												
	Gobierno General a/							Sector Público b/					
	1979	1980	1981	1982	1983	1984	1985 c/	1979	1980	1981	1982	1983	1984
Ingresos corrientes	26,6	27,6	25,8	22,4	23,4	26,4	24,5	31,3	36,3	36,2	31,9	31,8	32,4
Ingresos tributarios													
Gastos corrientes	21,7	24,6	30,1	27,5	27,6	26,9	22,6	24,4	34,6	42,5	40,8	41,1	37,5
Ahorro en cuenta corriente	4,9	3,9	-4,3	-5,1	-4,2	-0,4	1,9	6,9	1,7	-6,3	-8,9	-7,3	-5,1
Gasto de capital	6,7	6,0	6,4	4,9	5,6	5,5	3,9	8,5	9,6	9,8	8,3	8,8	7,4
Déficit (-) Superávit (+)	-1,7	-2,9	-10,6	-9,9	-9,7	-5,0	-2,0	-1,1	-7,6	-15,9	-16,7	-15,7	-12,5
Financiamiento													
Interno	1,4	2,9	6,4	8,1	9,5	5,4	1,5	0,9	6,5	10,3	13,5	15,6	12,1
Externo	0,3	-	4,2	1,8	0,2	-0,4	0,5	0,2	1,1	5,6	3,2	0,1	0,4

Incluye Administración Nacional (Gobierno Central, entes descentralizados y cuentas especiales), Provincias, Municipalidad de la ciudad de Buenos Aires y

Sistema de Seguros Sociales.

Sector público no financiero.

Preliminar.

fuente: Ministerio de Economía.

Sistema Financiero Nacional

	(Millones de Australes)						Tasa de Crecimiento Anual					
	1980	1981	1982	1983	1984	1985 a/	1980	1981	1982	1983	1984	1985
Activos internacionales netos	0,1	-0,3	-1,5	-12,5	-60,1	133,8	-56,4	-100,0	-365,5	-712,5	-451,8	197,5
Crédito interno	10,0	28,6	91,6	367,1	2.298,9	11.396,4	111,2	186,0	220,3	300,8	580,7	356,2
Sector público (neto)	1,7	6,4	22,6	76,3	596,8	2.024,2	107,7	226,4	253,1	237,6	682,2	389,5
Sector privado (neto)	8,3	22,2	69,0	290,8	1.902,1	8.472,2	108,5	162,5	210,8	321,6	556,1	366,7
Dinero	2,7	4,6	16,2	75,0	485,0	3.870,0	92,7	68,5	176,3	362,0	606,9	697,2
Casi-dinero	5,3	11,3	29,7	129,0	946,0	5.470,0	81,2	115,2	161,3	333,2	678,5	478,5
Total (M2)	8,0	15,9	45,9	204,0	1.431,0	9.340,0	86,5	99,3	187,5	342,3	644,9	551,5
(% del PIB)	28,5	29,1	30,5	29,8	27,1	23,6						

Preliminar.

. No disponible.

ente: Banco Central.

Precio (Tasa de crecimiento anual)	1978	1979	1980	1981	1982	1983	1984	1985 a/
Deflactor del PIB	158,2	150,2	100,7	105,6	248,2	355,6	n.d.	n.d.
Al consumidor (Promedio Anual)	175,5	159,5	100,8	106,5	164,8	343,8	626,7	385,4
Al por mayor (Promedio Anual)	146,0	149,3	75,5	109,6	256,2	360,9	573,6	361,9

Diciembre a diciembre.

. No disponible.

ente: Banco Central.

Deuda Externa	1970	1975	1979	1980	1981	1982	1983	1984 a/	1985 a/
Total	3.876	8.085	19.034	27.162	35.671	43.634	46.005	47.821	49.207
Sector público	2.143	4.941	9.940	14.459	20.024	28.616	31.706	46.119	39.913
Largo plazo			8.365	10.284	13.901	17.325			
Corto plazo			1.695	4.175	6.123	11.291			
Sector privado	1.733	3.144	9.074	12.703	15.647	15.018	14.299	11.692	9.284
Largo plazo			5.438	6.593	12.166	10.637			
Corto plazo			3.636	6.110	3.481	4.381			

Preliminar.

ente: Banco Central.

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9. <u>Servicio de la Deuda</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984 a/</u>	<u>1985 a/</u>
Servicio total (en millones US\$)						
efectivamente pagada	4.676	6.307	7.321	8.562	6.263	8.146
Servicio/exportaciones de bienes y servicios no factoriales (%)	46,9	57,7	84,5	91,9	59,2	79,9

a/ Preliminar.

10. <u>Préstamos del BID</u> (Aprobados hasta 30-XII-1985)	<u>Millones de US\$</u>	<u>% del Total</u>
<u>T o t a l</u>	<u>3.291,1</u>	<u>100.0</u>
Capital Ordinario	1.379,1	41,9
Capital Interregional	1.339,4	40,7
FOE	524,7	16,0
FFPS	43,5	1,3
Otros fondos	3,8	0,1
<u>Por Sector</u>	<u>3.291,1</u>	<u>100.0</u>
Agrícola y Pesca	371,2	11,2
Industrial y Minería	648,7	19,7
Transportes y Comunicaciones	290,2	8,8
Energía	1.477,0	44,9
Educación, Ciencia y Tecnología	213,6	6,4
Vivienda y Obras Urbanas	41,8	1,3
Salud Pública y Ambiental	170,4	5,2
Preinversión	3,3	0,1
Financiamiento Exportaciones	78,4	2,4

DOC. DATA-AR  
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ARGENTINA

Global Urban Development Program

(AR-0066)

LOAN PROPOSAL

I. BASIC INFORMATION

A. The borrower

- 1.01 The borrower will be the Argentine Nation.

B. Executing agency

- 1.02 The program will be carried out through the Office for the Promotion of Urban Development (OPDU, Oficina de Promoción de Desarrollo Urbano), which is to be set up in the Secretariat of Housing and Environmental Management (SVOA, Secretaría de Vivienda y Ordenamiento Ambiental) of the Ministry of Health and Social Action.

C. Purpose and description

- 1.03 The general purpose of the project will be to improve the living conditions of the urban population in Argentina through the implementation of specific urban infrastructure and community facilities projects, preferably for the benefit of low-income sectors, intermediate cities (from 150,000 to 650,000 inhabitants) and small cities (fewer than 150,000 inhabitants) in the interior. Another key purpose will be to establish and operate a technical assistance and credit mechanism at national level for the expansion or improvement of infrastructure and urban services at local level, primarily, though not exclusively, in low-income neighborhoods. In addition, the program will seek to strengthen national (particularly SVOA itself), provincial and municipal institutions charged with the identification, formulation, implementation and operation of urban projects. It will funnel a portion of the country's domestic savings into the area of urban development by means of local government contributions and the participation of provincial financial intermediaries and the beneficiaries themselves.

- 1.04 The program consists in the implementation of a set of urban development works, decentralized at provincial and municipal level, through a mechanism for the transfer of retrievable financial resources, that would be recycled to produce a multiplier effect. The works to be undertaken include potable water services, sewers, community services, electric power, street improvement, flood control and gas distribution. The program will have two components, a line of credit for project financing and a technical assistance subprogram. The first component will involve fully the granting of retrievable subloans for urban development projects. In conjunction with the credit mechanism, a technical assistance component will be established, primarily to support prospective subborrowers in the preparation of their credit applications, to aid SVOA, provincial governments and other domestic institutions in the elaboration of studies and recommendations on urban development strategies and policies, and to provide support to provincial and municipal governments in the administrative and financial upgrading of agencies responsible for providing urban services.

D. Operation of the program

- 1.05 This will be the first time the system of financing public service projects proposed in this operation will be practiced, with the expectation that in the long work it will become the principal means of transfer payments from the national government to the provinces and from the latter to their own institutions. This mechanism has a multiplier effect on the volume of resources that can be funneled into public service projects. Combined with the arrangements proposed for recovery of the investments, this will gradually lead to a large user share in funding the services.
- 1.06 Through the credit component, subloans, with maintenance of value provisions will be extended, to the provincial governments, municipalities, and/or their public utility companies for the construction of the projects mentioned. These subloans will be managed through an office to be set up in the Secretariat of Environmental Management, where project promotion, institution-strengthening, urban development policymaking and priorities will also be coordinated. The subloans will be guaranteed by provincial governments or provincial banks or both, and by the federal funds allocated to the provinces. Repayment of the subloans will tend to come from collections of rates, fees, property taxes, and other charges levied for the services, supplemented if necessary with allocations of fiscal proceeds. The recoveries of the subloans will be recycled to finance projects over and above the original \$300 million placed in the project. The original proceeds constitute seed financing for long-term construction of public services.



- 1.07 These efforts will be backed by a component to provide technical assistance to the agencies involved in urban development (provincial and municipal governments, public utilities, etc.) in policymaking, improved administration of public services and implementation of investment projects. At the start this component would be financed as part of the program, with grant-aid and other contingent recovery resources, if the undertakings lead to a project fundable under the program. The continuity of this component is ensured through later financing out of intermediation margins and any commissions collected in the subloan program mentioned earlier.

E. Cost and financing

- 1.08 The total cost of the program is estimated as the equivalent of US\$300 million, mainly to finance the urban development works program to be implemented by means of a credit mechanism; 93.4% of the proceeds would be targeted to these purposes. An additional 1.5% of the funds will be employed for the technical assistance program and the institution-strengthening of SVOA.
- 1.09 The program will be funded by two Bank loans and the related local counterpart contribution. One loan will be for US\$120 million in foreign exchange and the other for the equivalent of US\$2 million in australs. The local counterpart will be funds allocated for this purpose in SVOA, drawn from the receipts of the National Housing Fund (FONAVI, Fondo Nacional de la Vivienda) and a small contribution from the United Nations Development Programme (UNDP).

F. Terms and proposed conditions

- 1.10 The terms and conditions of the proposed loans would be as follows:

		<u>IC</u>	<u>OC</u>
(i)	Interest	Variable	4%
(ii)	Credit fee	1.25%	-
(iii)	Inspection and supervision fund	1% of the loan	1% of the loan
(iv)	Terms		
	- commitment of resources	3 years	3 years
	- disbursement and grace period	5 years	5 years
	- amortization	25 years	25 years

## II. FRAME OF REFERENCE

### A. Recent developments in the economic situation

- 2.01 The Argentine economy underwent a substantial change in 1985. The government in mid-year launched a drastic stabilization plan known as the "Austral Plan", the primary objective of which was to stabilize prices in an economy with a long period of rising inflation, which in June 1985 was on the brink of hyperinflation. The principal elements of the plan consisted in: (a) a price and wage freeze; (b) monetary reform and a new monetary unit, the austral, equal to 1,000 Argentine pesos, and the implementation of fixed parity of 0.80 australs to one United States dollar; (c) the sound financing of spending and public credit. Parallel with this, a new agreement with the IMF was announced, which alleviated the external payments problem, together with a program to finance and renegotiate service on past due debt and debt due to expire in 1985 with commercial banks.
- 2.02 The Austral Plan had the widespread support of the population and met its goal of substantially reducing inflation and inflationary expectations. The rate of inflation was trimmed from 28% per month in May-June 1985 to only 2.9% per month between July 1985 and February 1986. The sharp drop in inflation was coupled with a gradual recovery of output in the final months of 1985 following a massive contraction at the start of the plan, which was reflected in widespread depletion of inventories. The plan has clearly made a significant contribution to stability in the economy and confidence abroad.
- 2.03 In the fiscal area there has been substantial improvement since the Austral Plan was adopted. The consolidated deficit of the nonfinancial public sector dropped considerably in 1985 to the equivalent of 4% of gross domestic product (GDP), from 12.5% in 1984. In the external sector the deficit on current account of the balance of payments was down nearly 60% in 1985 from the previous year. This was made possible by a larger trade surplus, primarily because of lower imports and, in part, higher export volume of cereal products, despite the drop in world prices. At year-end 1985, a slight improvement was posted in the country's gross international reserves position.
- 2.04 Because of its high level of external debt, the Argentine economy was adversely affected in 1985 by the international economic situation, particularly by the unfavorable development in the terms of trade and the fiscal and monetary policies of the industrialized countries. These factors have had the following impact on general economic activity: (a) a 4.4% drop in the GDP during the year 1985, primarily due to the decline in industrial output and in wholesale and retail trade; (b) a further drop in the level of investment (gross domestic investment slumped 16.8% in 1985 with respect to the prior year); (c)

the lower level of productive activity during the year 1985 stemmed from a reduction in the number of hours worked, reflected in higher unemployment and, particularly, underemployment, and (d) a decline in the real income of the population with real per capita wages for industrial workers down 15% in 1985 from the year before.

- 2.05 From the start of the plan, the government contended that the wage and price freeze would be temporary in nature, and in late 1985 it announced a general 5% wage adjustment for both public and private sector employees, effective January 1986. In February 1986 the government requested an extension to the current agreement with the IMF, concluded in July. A new agreement is expected to be negotiated with the IMF in the second half of 1986, which would be supplemented by financings from other international organizations such as the World Bank and the IDB. In April 1986 new guidelines were announced on the wage and price system. The price freeze was replaced by administered prices keyed to the cost of inputs. Wage increases are negotiable during the remainder of the year. Also authorized were a series of small devaluations of the austral, increases in gas, electricity and potable water rates and in gasoline prices.
- 2.06 Economic activity in 1986 is following the premises the second phase of the Austral Plan with the introduction of structural measures designed to consolidate the stabilization effort and at the same time promote economic growth. The policy of the government pursues the promotion of exports, the revival of construction, the modernization and transfer of publicly-owned enterprises to the private sector and greater participation by the latter in petroleum exploration activities. The signs of a slow recovery in productive activity, visible since late 1985, indicate that the country is gradually coming out of the recession. Moderate growth is thus foreseeable in 1986. Yearly inflation may be higher than the government forecast of 28%, possibly about 60%.
- 2.07 The external sector is closely associated with the future performance of the economy. Declining volume and lower world prices for the major Argentine exports will substantially reduce the trade surplus in 1986. The size of the external debt will continue to impose severe restraints on the economy, with interest payments on the debt representing a major share of domestic savings. These conditions might, therefore, produce pressures on fiscal and exchange policy unless there is an offsetting increase in external borrowing.
- 2.08 The trend in public finances followed since the Austral Plan was launched is expected to continue in the short run. Structural changes in the organization of the public sector and particularly in the administration of public spending will need to go hand in hand with the goals of economic recovery. In this connection, 1986 will be a year of transition between the first phase of the Austral Plan, which was that of controlling inflation, and the second phase, the purpose of which will be to achieve growth with stability. Growth in

exports and the creation of a climate conducive to more private investment will be the major factors for the development and future growth of the country.

B. Background of the program

- 2.09 Argentina is one of the most urbanized countries in Latin America, with the unique characteristic that urbanization, already well advanced before World War I, has been relatively slower than in most regional countries in recent decades. Although there has not been the same rampant urban growth in Argentina as in many Latin American countries since 1950, there is still a substantial gap between the supply and demand of infrastructure and services in the principal cities.
- 2.10 Argentina is also one of the Latin American countries where the urban population is most heavily concentrated in the capital city. Since 1970, however, there has been a clear trend towards decentralization of the urban population away from greater Buenos Aires, primarily because of the more rapid growth of intermediate cities (150,000 to 650,000 inhabitants) and small cities (fewer than 150,000 inhabitants) in the interior, especially the former. Among the different size cities, apart from the immediate periphery of Buenos Aires, the unsatisfied needs for investment in infrastructure and urban services are greatest at this time in the intermediate cities, primarily because of their higher demographic growth in recent decades in a setting of limited resources for the expansion or improvement of local services. The areas most affected by the current deficit of urban services are on the periphery of these cities, occupied by the low-income population; most growth has occurred precisely in the outlying districts where the lack of infrastructure and services is most severe.
- 2.11 The recessionary position characteristic of the Argentine economy during the 1980's has had adverse repercussions on the ability of provincial and municipal governments to meet the growing demand for capital investment in infrastructure and urban services. The recent construction of large-scale housing developments by the provincial housing institutes, drawing on the resources of the National Housing Fund (FONAVI, Fondo Nacional de la Vivienda) has also had major impact in many cities, bringing additional pressures to bear on basic services in the specific neighborhoods where these developments are located and on the installations and trunk networks serving the cities as a whole, thus creating bottlenecks for their future expansion.
- 2.12 As a direct consequence of the recent process of urban expansion, the growing demand for housing has also extended to infrastructure and urban services in general. However, the agencies responsible for supplying urban services in the interior have not had the resources

for an adequate response. This situation has been exacerbated by the recent territorial and administrative decentralization of urban infrastructure planning and construction brought about by the technical and financial shortcomings of many provincial agencies that have had to assume these functions.

- 2.13 The preinvestment efforts required have not been made at either national or provincial level to identify priorities, prepare urban development projects, provide the technical support needed in order to improve the financial management and operation of public services in intermediate and small cities in the interior. These drawbacks are largely due to the absence of a technical assistance and financial mechanism at national level to promote urban development at local level. The Argentine government, aware of this need, has proposed that such a mechanism be set up in the Secretariat of Housing and Environmental Management (SVOA) through the establishment and implementation of the program analyzed herein.
- 2.14 More specifically, the proposed program would create a continuing source of funding and technical assistance for provinces and municipalities in order to meet the growing demand for infrastructure and urban services, as well as institution-strengthening of the agencies in charge of planning and providing urban services. In conjunction with this, the program would seek to strengthen the role of SVOA and of the provincial and municipal governments in providing direction for orderly urban development at local level, with emphasis on intermediate cities and provinces in the interior of the country.
- 2.15 These goals are consistent with the urban policy of the Argentine government. Its guidelines include lessening the conglomeration of urban population in greater Buenos Aires and decentralizing national public administration, including the transfer of the federal capital to Patagonia, a move recently proposed by the President. These objectives would be accomplished by improving infrastructure and services in intermediate and small-size cities, thus reinforcing the spontaneous process of urban decentralization already underway. Upgrading the provincial and municipal governments institutionally and financially would also be conducive to these goals. The program described in this proposal would contribute directly to the success of these objectives.

#### C. Participation of the public sector in urban development

##### 1. Introduction

- 2.16 The Secretariat of Housing and Environmental Management (SVOA) is the national government agency most directly involved in urban development in the interior, particularly in the sector of housing. At the provincial level, the major housing and urban development endeavors of the public sector are carried out by the provincial

housing and urban development institutes. These autonomous agencies of the provincial governments are responsible for the preparation and implementation of public housing projects. The infrastructure and urban services associated with the housing developments may either be provided by other local agencies or directly by SVOA.

- 2.17 The national government's principal financial facility in the housing and urban development area is the National Housing Fund (FONAVI), created in November 1972 (by means of Law 19,929). Upon inception of the Fund, its regulation and administration were assigned to SVOA, and authority for drawing up policies and general standards, for the approval and financing of specific housing projects as well as associated infrastructure spending and community services investment nationwide, were centralized in the latter agency.
- 2.18 FONAVI's resources are derived primarily from a 5% levy on the salary and wages of personnel employed in private business and in federal, provincial and municipal public agencies. A substantially smaller part of its funds come from levies on independent workers and in the form of recoveries from investments, made in public housing projects. FONAVI's receipts for the period 1979-1985 as well as a preliminary estimate of receipts for 1986 are given below. A more detailed analysis of FONAVI's resources and of the financial projections of the fund are given in Chapter V of the Project Report.

<u>Year</u>	<u>FONAVI Receipts</u> <u>(US\$ millions)</u>
1979	555.0
1980	391.4
1981	422.9
1982	519.5
1983	526.8
1984	450.0
1985	547.5
1986	685.0

- 2.19 As will be analyzed in detail in Chapter V of the Project Report, the FONAVI resources allocated as the national contribution to the present program will represent only about 5% or less of former's yearly projected receipts for the period 1987-1991. The results of the financial projections of FONAVI and its regular programs will be given below, to the end of determining the financial feasibility of the contribution allotted from these resources to pay for the local counterpart to this program.

## 2. Public services in urban development

- 2.20 The basic public services supporting urban development include the sectors of physical and social infrastructure which will be eligible for financing from the proceeds of this program. The direct

involvement of the national government in providing infrastructure and urban services is relatively limited compared with that of the provincial and municipal governments. The central government's role is essentially a regulatory and financial one, construction work by national government agencies being chiefly restricted to the federal capital and greater Buenos Aires.

- 2.21 The provincial agencies have themselves played a very important part in the provision and maintenance of infrastructure and urban services. On the one hand, they set the policies followed within the territorial boundaries of each province consistent with norms established by the corresponding national agency (Obras Sanitarias de la Nación, and others). Physical execution of the works, on the other hand, is done by businesses or autonomous agencies in each province, particularly in the water supply, sewer and electric energy sector.
- 2.22 Lastly, the municipal governments are in charge of the construction and maintenance of urban thoroughfares, in coordination with other jurisdictions. The municipalities are often also responsible for the implementation of water supply, sewerage and storm drainage projects. Municipal agencies are usually fully responsible for the latter sector but share construction in the two former sectors with the provinces. Health care and education services are frequently in charge of the municipalities by delegation of the provincial governments, but the performance of the local governments in the expansion of these facilities has been restricted in recent years because of their poor financial standing.

### 3. Present status of urban public services

- 2.23 According to the 1980 National Population and Housing Census and surveys conducted in 1984 by the Unidad Ejecutora de Saneamiento Hídrico (UNESH), 68% of the Argentine urban population, compared with 13% of the rural population, has potable water service. This represents 58% coverage for the nation as a whole. Among urban areas, the largest deficit is in the belt surrounding Buenos Aires where the coverage is 60%, while in cities with from 100,000 to 500,000 inhabitants coverage is 77% and 79% in those with 500,000 to 1,000,000 inhabitants.
- 2.24 With respect to sewerage, according to estimates of the Pan American Health Organization, 40% of the Argentine urban population has housing with public sewer connections, while 35% has in-house sanitation systems (latrines, septic tanks or other) and the remaining 25% has no service. According to studies made by UNESH and the Consejo Federal de Saneamiento (COFES) on the urban population in 196 localities with over 10,000 inhabitants, those in the range of 10,000 to 500,000 have 37% coverage of dwellings with in-house connections below the national urban average. In cities with over 500,000 inhabitants there is 42% coverage.

- 2.25 Based on surveys in 24 cities of different sizes between 1978 and 1981, the Ministry of Social Action determined that at least 38% of the urban population lacked paved access to their homes. Among the energy sectors, an estimated 95% of urban households have electricity service compared with only 44% of rural homes, although both urban and rural coverage varies between one region of the country and another, reaching almost 100% in the Province of Buenos Aires, compared to 70% to 75% in northeastern Argentina (provinces of Chaco, Corrientes, Formosa and Misiones).
- 2.26 In the area of community services, (education, health care and others), the problems are both qualitative and physical. In the education sector, for example, although elementary and secondary education is generally satisfactory in terms of the degree of coverage of the population, the buildings in which most of the educational facilities operate are unsuitable and need to be replaced or extensive repairs made. Because the number of schools has increased only slightly in recent years, the average number of students per grade and per classroom in many areas of the country exceeds present-day educational standards. This situation is relatively more serious in areas of urban expansion where the demand for services has outpaced the supply in the past decade. Generally speaking, the same relative lack of services in outlying neighborhoods of Argentine cities is also true of the health and family aid sectors.

D. Status of public utility rates

- 2.27 The present government's policy concerning public utility rates chargeable at national level is to allow rates to climb high enough to cover the cost of service. In this sense, depending on the degree of misalignment between receipts expenditures, plans for raising the rates charged by each company and sector have been adjusted. In some instances, they tend to strike a balance between revenues and expenditures and in others seek additional income, to supplement the capital spending program of the institutions. Nevertheless, it should be mentioned that the federal government only has control over rates in federal institutions, while in provincial and municipal institutions control is exercised by the provincial governments. Thus, these rate situations are considered separately in the following discussion.
- 2.28 During 1985 public utility rates increased, in real terms, an aggregate 16.5%, although with broad differences among the various sectors. For example, fuels increased by 20.6%, energy (SEGBA and Agua y Energía Eléctrica) by 22.9%, transport remained relatively steady with a drop of 0.8%, communications (Empresa Nacional de Teléfonos-ENTEL and Empresa Nacional de Correos y Telégrafos-ENCOTEL) increased 10.6%, while water service and sewerage (Obras Sanitarias de la Nación-OSN) was the poorest performer, down 11.7%.



During 1986 there have been relatively steady increases which have tended to protect the real value of rates, with the exception of water and sewerage (OSN) where the increases in March 1986, following customer rezoning and reclassification, were about 100% in real terms. These OSN increases are the last that will be made in 1986 but are still expected to place the company in a surplus position for the entire year of 1986. At present (mid-1986), the public utility rates charged in Argentina are the highest, in real terms, in the past five years.

- 2.29 There is no reliable information available on public utility rates for water and sewerage services or for electricity distribution at the provincial level, since these services have been decentralized and in some instances are run by municipal companies or service cooperatives. The dispersion of providers of these services is now very extensive. Notwithstanding these observations, in the sample of projects analyzed it was found that of the nine institutional applicants for credit that charge or ought to charge rates, five cover their operating and maintenance costs, two are very close to covering them, one covers less than 50% and the other is funded through a system of royalties and charges no rates. Of the nine institutions, eight are expected to be eligible at the time the corresponding credits are granted.
- 2.30 An analysis was also made of the status of other institutions at provincial level not included in the sample already mentioned, as a way of supplementing this information. Reliable information was obtained from the provinces of Mendoza, Tucumán and Chubut for water and sewer services (3 institutions) and electricity (3 institutions). All the electricity institutions have margins of 10 to 20% over and above their operating and maintenance costs. Only one of the water supply and sewerage companies had a 53% margin over and above such costs and the other two covered only from 45% to 70% of such costs. Nevertheless, it should be mentioned that in every case analyzed the trend in the past two years is clearly towards better cost coverage.
- 2.31 From the preceding analysis it can be concluded that although the rate situation at provincial level is not wholly satisfactory, the results make it possible to infer that this will not have a negative impact on the demand for resources from the program and that, once the critical situation existing at the time of decentralization was past, coverage has steadily improved, which is consistent with the results desired in the program.

### III. THE PROGRAM, ITS COST AND FINANCING

#### A. Description

- 3.01 The program consists in the implementation of a set of decentralized urban development works in provinces and municipalities and technical

assistance associated with the planning, preparation and administration of such projects. The program will be divided into two components, a works component, funded through a mechanism of credits to the participating agencies, and a studies and consulting component, funded through recoverable credits, contingent recoveries or grant aid, as the case may be.

- 3.02 The governments of the provinces and of the National Territory may participate as program beneficiaries, as well as municipal governments, official agencies in their respective areas of jurisdiction, national, provincial, municipal public agencies and cooperatives specialized in urban development, infrastructure, community services and complementary works, and agencies with programs in support of the aforementioned institutions and agencies. In addition, national, provincial and municipal entities responsible for the definition of urban development policies and strategies and for urban planning at local level shall be eligible as beneficiaries of the program's technical assistance.
- 3.03 Works fundable with the proceeds of the program would be in the following sectors:
- (a) Potable water: construction, expansion and/or improvement of one or more components of these systems ranging from the impoundment works to in-house distribution.
  - (b) Sewer networks: construction, expansion and/or improvement of one or more components of these systems, ranging from sewers to final disposal of the effluent, including works to control pollution of bodies of water into which sewage is discharged.
  - (c) Community services: works and services aimed at resolving community needs for kindergartens, elementary and secondary schools, child-care centers, health care units and community centers (each type of service will be regarded as one component and each project may be composed of one or more components).
  - (d) Street improvement and storm sewers: Paving of urban streets and sidewalks; construction of viaducts and interchanges, including supplementary works such as lighting, safety, public utility networks, green areas and traffic signs; rebuilding of pavement that has reached the end of its service life or that was damaged by natural disasters; and construction of storm sewers for the drainage of rainwater.
  - (e) Gas: Construction and facilities associated with liquefaction plants, 60/50-10 kgs/cm<sup>2</sup> pressure reducing stations on approach pipelines, 10-5 kg/cm<sup>2</sup> pressure reducing stations, compressed natural gas or propane-butane tanks, and home distribution systems.

- (f) Electricity and public lighting: Construction of medium-tension networks of up to 33 kW and 380/220 volt distribution networks, substations, transformers and distribution centers at low and medium tension for urban use lamps, structures, panels and generation projects to supply isolated urban areas.
- (g) Erosion and flood control: Construction of protective works to prevent damage caused by floods, silting, wind and water erosion harmful to urban areas or that pose a threat to the population.

3.04 The technical assistance activities in the area of urban development promoted by the program will include the following:

- (a) Urban development policy and strategy studies - In support of the general goals of the program, technical assistance will be furnished to provincial governments and institutions responsible for urban-regional development policy formulation at national level for the definition of urban development policies and strategies and, as well for the evaluation of present problems and future trends in cities that may be candidates for the program credits.
- (b) Formulation of specific projects - According to the credit regulations of the program, the projects to be financed should meet certain technical, socioeconomic, financial, institutional and legal criteria. Because of the need to provide support for local technical teams in preparing the projects in keeping with the program's conditions, technical assistance on the elaboration of the loan applications will be offered, keyed to specific needs pinpointed by the executing office of the program on a case-by-case basis. The granting of financing for the formulation of these projects does not make it binding on SVAO to provide financing for their implementation.
- (c) Institution-strengthening and/or financial upgrading of the subborrowers, executing agencies and/or operators of projects and urban services - These activities include direct support provided to the aforesaid agencies in the execution and operation of projects that are financed, and for the general administration of urban public services as well. These activities will consist in specific studies and/or local human resource training.

3.05 The activities included in subparagraph (c) above will be financed as part of the technical assistance component when institutions are involved that are not loan recipients in the works program. Should they be recipients, such institution-strengthening activities would be a special category of the credit and would be part of the works program and fully reimbursable.

- 3.06 In addition to its support for the technical assistance subprogram, the IDB will also directly help in the institution-strengthening of the Secretariat of Housing and Environmental Management (SVOA) itself through the partial financing of the advisory activities required by the new office set up to administer the program. The Bank will pay for four advisors to SVOA in areas pinpointed by the Analysis Mission as being critical to the program during the early years of its operations. This assistance would be derived from a portion (US\$500,000 equivalent) of the loan in local currency that will partially finance the technical assistance program. Similarly, UNDP will finance an equal number of advisors through a non-reimbursable contribution equivalent to US\$500,000. Costs incurred by the Program Formulation Unit prior to the loan approval will be included as part of this component as well. (The unit was set up in SVOA under an agreement with the UNDP for the purpose of preparing the IDB loan application for this program.) This amount is estimated as the equivalent of US\$500,000, much of which has already been disbursed (July 1986), and will be recognized as part of the local contribution to the program, as described in Section G of the next chapter.

B. Cost and financing

- 3.07 The total cost of the program is estimated as the equivalent of US\$300 million, in accordance with the following breakdown:

	<u>IDB</u>		<u>LOCAL</u>	<u>TOTAL</u>	<u>%</u>
	<u>IC</u>	<u>OC</u>	<u>CONTRIBUTION</u>		
Works	118.80	-	175.50	294.30	98.1
Technical assistance	-	1.48	1.50	2.98	1.0
SVOA institution-strengthening	-	0.50	1.00	1.50	0.5
Inspection and supervision fund	<u>1.20</u>	<u>0.02</u>	<u>-</u>	<u>1.22</u>	<u>0.4</u>
Total	120.00	2.00	178.00	300.00	100.0
Percentage	40,0	0,7	59,3	100,0	

- 3.08 As shown in the preceding table, it is proposed that the IDB share in the financing of the program by providing two loans, one in foreign exchange for a total of US\$120 million derived from the interregional capital of the Bank, and the second in local currency from the ordinary capital for the equivalent of US\$2 million. The amount of the loans would be consistent with the parameters stipulated in Bank policy for financing for Group A countries in this sector known as "Urban Development and Social Infrastructure".

- 3.09 The local contribution equal to US\$178 million would come from SVOA, drawing on resources emanating from FONAVI and, eventually, the provincial banks (a UNDP contribution of about US\$500,000 is also estimated). Based on the analysis of the projects in the sample, the FONAVI funds would account for an estimated 90% to 95% of the local contribution, while the rest would come from the provincial banks. Apart from this, the Secretary of Housing, in FONAVI Regulatory Resolution 88, dated January 2, 1986, allocated the entire amount of FONAVI receipts, equivalent to US\$180 million, as counterpart to the IDB credit operations for the partial financing of the program. The Audit Office of the Nation, in an opinion dated May 5, 1986, cleared the resolution without objection, allowing of the FONAVI proceeds to be drawn on for the items envisaged in the program and thus ensuring the availability of the local counterpart.
- 3.10 This plan of financing provides assurance that the total resources mentioned in the works program (US\$294.3 million) will be issued in the form of credit, financing projects costing an estimated total of around US\$350 million.
- 3.11 The financial feasibility of securing these resources can be assessed by analyzing the projections of source and use of funds of FONAVI as follows (for more details, see Chapter V of the Project Report):

Projection of FONAVI's yearly receipts  
(in millions of June 1985 dollars)

<u>Y e a r</u>	<u>Receipt</u>
1986	685.0
1987	697.3
1988	709.9
1989	723.1
1990	736.4
1991	750.0

- 3.12 These resources are adequate to cover the regular and special programs of FONAVI. The balances shown in the projections for the first five years of disbursement of the operation indicate that there would be enough funds to meet the national counterpart commitments to the project of US\$180 million between the years 1987 and 1991. All of this could be done while maintaining a level of housing construction higher than in the past. Indeed, the projections show cumulative funds available each year greater than the local counterpart needs of the program.

(US\$ millions)

<u>Years</u>	<u>Balance available</u>	<u>Counterpart requirements (cumulative)</u>
1987	375.1	11.7
1988	362.6	53.0
1989	316.3	107.4
1990	292.3	151.9
1991	291.3	178.0

C. Demand and scaling

1. Demand

- 3.13 Using two different methods or approaches, SVOA made a tentative estimate of the global and sectoral demand for resources for investments in infrastructure and urban services in Argentina for the period of execution of the proposed program. In addition, the Program Formulation Unit has received a substantial number of loan applications from the provinces and, based on preliminary review, has identified a group of projects potentially eligible for subloans under the program. These include the operations in the indicative sample analyzed by the Bank, which will be described in the Project Report.
- 3.14 Briefly stated, the methods followed by SVOA in estimating the potential demand for funds for infrastructure and urban services were as follows: (a) a projection of needs identified in the sectors covered by the program based on the corresponding sectoral diagnoses; and (b) a survey of projects potentially comprised in the program sectors in 16 of the 22 provinces of the country. The following table summarizes the aggregate results of these estimates.

Potential global demand for investments in urban development, 1986-1990

<u>Method</u>	<u>Estimated demand (US\$ millions)</u>	<u>Percentage coverage by the program</u>
Projection of needs	7,954.3	3.8
Survey of projects	1,389.0	21.6

- 3.15 The data in the preceding table show that the program would meet a very slim part of the needs projected in the various sectors covered, as well as a fairly small percentage of the investments entailed in the projects surveyed in the 16 Argentine provinces. A more specific source for assessing the effective demand for the proceeds of the

program, however, is an initial group of about 100 applications that were sent to SVOA prior to the survey.

- 3.16 The projects envisaged in these applications for the most part possess high priority for the provincial governments. They were also subjected to a pre-selection process by the Program Formulation Unit, which left a potentially eligible group of 37 operations that would require an investment of roughly US\$173 million. The following table gives the sectoral breakdown of these projects and the status of their preparation or analysis by SVOA.

Pipeline of projects in preparation or analysis  
Number (amount in US\$ millions)

<u>Sector</u>	<u>Analyzed</u>	<u>Under analysis</u>	<u>In reformulation</u>	<u>Identified</u>	<u>Total</u>
Potable water	4 (28.6)	2 ( 4.9)	2 (10.5)	1 ( 5.0)	9 (49.0)
Sewers	3 (17.4)	3 (10.0)	2 (12.5)	2 ( 8.0)	10 ( 47.9)
Community services	2 ( 9.5)	—	—	2 (13.0)	4 (22.5)
Street improvement	1 ( 1.7)	1 ( 3.4)	—	2 (12.0)	4 (17.1)
Gas	1 ( 1.5)	—	1 (10.0)	1 ( 7.0)	3 (18.5)
Electricity	2 ( 2.7)	—	—	1 ( 2.5)	3 ( 5.2)
Flood control	1 ( 1.6)	—	2 ( 9.6)	1 ( 2.0)	4 (13.2)
Total	14(63.0)	6 (18.3)	7 (42.6)	10(49.5)	37(173.4)

- 3.17 According to these figures, the program now has a pipeline of nine potable water projects, ten sewerage projects, four community services projects, four erosion and flood control projects, four street improvement projects, three electricity and three gas. Twenty of the projects, with a total cost of US\$81.3 million, have been analyzed or are in process of analysis by SVOA. Seventeen totaling US\$92.1 million, are in various stages of preparation. It is pointed out that, assuming only 50% of the projects still pending analysis are fundable, the total investment required would be about US\$120 million.

- 3.18 On the basis of the preceding considerations, in its loan request to the Bank, the Argentine government estimated an investment and

technical assistance program equivalent of US\$300 million for implementation in a five-year period. During the analysis mission these demand estimates were reviewed, as well as the status of preparation of the projects in the program pipeline and the implementing capacity of SVOA. The conclusion was reached that the magnitude requested by the national authorities would be feasible.

- 3.19 Based on the analysis of demand in the sectors mentioned in the preceding section and bearing in mind the deadline for commitment of the funds and the social and territorial priorities established by the provincial governments, SVOA has made the following tentative sectoral breakdown of the credit resources of the program:

<u>Sector</u>	<u>Percentage</u>
1. Potable water	30
2. Sewerage	30
3. Community services	10
4. Street improvement and storm sewers	10
5. Gas	10
6. Electricity and lighting	5
7. Erosion and flood control	<u>5</u>
Total	100

2. Feasibility of demand

- 3.20 The Bank has examined the feasibility of the projects listed in the following table in order to ascertain the status of preparation of the program and guarantee that SVOA can start its implementation with a critical mass of projects in the various sectors and to determine as well the analytical capacity of the Program Formulation Unit. According to the table, the projects in the sample represent a cost of US\$63 million, roughly 22% of the proceeds of the program available for the financing of works and services. At the time this sample was analyzed a review was made of the criteria and methodologies that would be employed in the ex ante analysis of the other projects in the universe to be financed with the proceeds of the program.



<u>Sector/Project (Province)</u>	<u>Indicative sample of projects</u>	<u>Amount (US\$ millions)</u>
1. Potable water - Cipolletti/Fernández Oro (Río Negro)		9.4
2. Potable water - Corrientes (Corrientes)		9.7
3. Potable water - Tandil (Buenos Aires)		5.7
4. Potable water - Neuquén (Neuquén)		3.8
5. Sewers - Neuquén (Neuquén)		11.4
6. Sewers - Caucete (San Juan)		4.5
7. Sewers - Rawson (Chubut)		1.5
8. Community services - Río Gallegos/Pico Truncado/ Caleta Olivia (Santa Cruz)		5.6
9. Community services - Cipolletti (Río Negro)		3.9
10. Street improvement - Salta (Salta)		1.7
11. Gas - James Craik (Córdoba)		1.5
12. Electricity - Salta (Salta)		0.8
13. Electricity - Posadas (Misiones)		1.9
14. Flood control - Salta (Salta)		1.6
<u>Total</u>		<u>63.0</u>

- 3.21 A summary of the major findings of the analysis made by the Bank on the projects in this sample is given below. A total of eleven projects have satisfactorily met all the criteria governing eligibility and approval stipulated in the credit regulations of the program. Nevertheless, for two projects (potable water and sewerage in Neuquén) a rate system is being implemented at present, the internal revenue from which would cover the operating and maintenance costs of the provincial entity responsible for supplying these services. Therefore, although these projects are technically and economically viable, their financing out of the proceeds of the program would depend on prior compliance with the eligibility criterion set forth in the credit regulations on public utility rates. In addition, in terms of the Cipolletti community services project, its approval by SVOA will be contingent on the revision of the designs and operating costs of one of the primary schools contained in the project, in order to meet the economic criterion of cost efficiency. No problems are foreseen in the prompt compliance with this criterion.

#### IV. PROGRAM EXECUTION

##### 1. Office for the Promotion of Urban Development

- 4.01 The program will be formally instituted by an Executive Decree approving the loan contracts with the Bank, setting up a special account in the national budget to administer the proceeds of the program and establishing the office responsible for its implementation within the institutional sphere of the Secretariat of Housing and Environmental Management. The special account will be

administered by SVOA and have separate, detailed bookkeeping. The resources in the special account will be derived from the IDB loan funds, the FONAVI counterpart and subloan recoveries.

- 4.02 The executing agency of the program will be the Secretariat of Housing and Environmental Management (SVOA) of the Ministry of Health and Social Action. Primary authority for the program will be vested in the Secretary of Housing, who will approve and sign the subloan contracts for the financing of infrastructure and urban services, as well as the technical assistance agreements. Under the Executive Decree mentioned in the preceding paragraph, the office that will administer the program, which will be formally known as the Office for the Promotion of Urban Development (OPDU), will be set up directly under the Secretary of Housing. OPDU will perform the tasks inherent to orientation, analysis, and evaluation (ex ante and ex post) of the specific projects submitted by the provinces and municipalities, as well as the programming, administrative, follow up and supervisory functions involved in the various activities (investments and technical assistance) financed out of the proceeds of the program.

## 2. Works Subprogram

### a) Introduction

- 4.03 The credit applications will be prepared by the prospective subborrowers based on OPDU guidelines and, if necessary, with the support of expert consultants contracted for that purpose with the technical assistance resources of the program. The need for each specific project will be determined by the subborrower as the result of a provincial government policy assessment or a request from the municipal level or from the service agency in the sector. Regardless of this, the projects must be envisaged in the respective urban development plans and represent a declared priority of the provincial government.
- 4.04 The completed application will be reviewed by an interdisciplinary committee of OPDU officials appointed by the director of the program. The committee will prepare a project report indicating the results of the analyses and specifying the recommendations that should be borne in mind in granting the prospective subloan. Generally speaking, the committee will analyze the technical, economic, financial, institutional and legal aspects of the project based on the criteria and methodologies established in the credit regulations of the program.
- 4.05 Once the analysis of the project is concluded favorably, the director of the program will sign the final opinion with the corresponding recommendations and this document will be transmitted to the Secretary of Housing for consideration and approval. The secretary will make the final decision and issue a resolution authorizing the

respective financing, with copies to the subborrower, the Audit Office of the Nation for its monitoring work, and OPDU for negotiation of the specific subloan contract.

- 4.06 Repayment of the credits may be guaranteed by the provincial or municipal governments and/or banking institutions. The provinces may pledge their share in FONAVI's resources as guarantee for the counterpart contribution of the subborrowers and, secondarily, repayment of the credit. In the event FONAVI's resources are set aside for use, the government of the province will undertake to refund them through such coparticipation funds, royalty interest or any other credit, subsidy or contribution as may be due on the national plans. Before the corresponding agreement is formalized, SVOA shall state its acceptance of the guarantee offered by the subborrower.

b) Eligibility criteria

- 4.07 The credit regulations stipulate eligibility criteria for projects that are to be financed with proceeds of the program. These are both general in nature and specific for each sector. The general criteria include conditions in terms of the declared priority of the provincial government, technical, economic and financial feasibility, the legal authority of the subborrower to assume the commitments specified, clearance by the corresponding public service institution and compliance with IDB rate policies if rates are charged for the services. The sectoral conditions deal with criteria of a technical nature, technical and administrative capability of the executing agency, compliance with technical and environmental standards, and others.

c) Credit conditions

- 4.08 Principal repayments of all the subloans shall be tied to the consumer price index and their constant value maintained in real terms. The real interest rate charged shall be no more than 1% per month (in principle, the interest rate applicable to subloans will be the same one charged on the proceeds of the IDB loan in foreign currency, roughly 8.2% per annum effective rate). Commissions for commitment of resources shall not exceed 1% per annum of the undisbursed amount of the credit, computable on the average first-of-the-month balances in the preceding semester, payable semiannually. In addition, a one-time inspection and supervision fee not to exceed 1% of the original amount of the credit may be charged.
- 4.09 The interest rates and repayment of the credits determined in the manner described above will maintain the value of the proceeds of the program, ensure its recycling and compel the intermediaries to adopt income recovery policies consistent with coverage of the cost of services provided. These measures for the recovery of the real value

of resources transferred are part of the Argentine government's policy under its economic program and are consistent with IDB policy, even though the policies in effect for urban development programs (OP-751) in nonproductive sectors do not require positive rates of interest in real terms.

- 4.10 The amortization and grace periods will be up to 15 years for the amortization counting from the date of formalization of the credit, with the first payment due six months from the last disbursement. The terms ultimately established shall be a function of the characteristics of each sector, particularly with respect to their creditworthiness. The grace periods authorized for principal repayments may also apply to interest payments, but not commissions.
- 4.11 Unless otherwise agreed with the Bank, the threshold and upper limits applicable in the granting of credits will be as follows: a) minimum amount - US\$500,000 equivalent; b) maximum amount - US\$10 million equivalent; c) maximum total cost of a project - US\$15 million equivalent; d) maximum balance owed the program by each subborrower - US\$25 million equivalent, and e) balance outstanding with the program by a single province, its municipalities, its institutions and others located in it (the metropolitan area of the federal capital is considered a separate jurisdiction) - US\$40 million equivalent.
- 4.12 In addition to the limits indicated in the preceding paragraph, the credit regulations of the program provide that at least 75% of the proceeds of the program shall be utilized for investments in intermediate and small-size cities, therefore limiting the amount of proceeds allocable to the four largest cities in the country. These limits are intended to prevent concentration of the program's proceeds in a few provinces or a few cities. Moreover, at present there is no Argentine government policy that sets regional investment priorities or that would allow geographic priorities to be set for deciding ahead of time on the distribution of the program's resources between one province and another or among the municipalities in a particular province. One of the possible results of the technical assistance subprogram would be the studies that would be required as the basis for policy for the special allocation of funds in support of the country's urban development.
- 4.13 The approval of potable water and sewerage projects with a total cost exceeding US\$8 million equivalent, as well as projects in other sectors with a total cost in excess of US\$5 million equivalent, will be contingent on a statement by the Bank that it does not object.

d) Public utility rates

- 4.14 In order to be eligible as borrowers under the program, executing agents, or operators of the projects and services financed, public utilities in the sectors of drinking water, sewerage, electric power

and gas must comply with the following condition before SVOA can sign the subloan contract; each entity's rate receipts earned from the respective service must be more than the operating and maintenance costs of such services.

- 4.15 In addition to the eligibility condition mentioned above, public utilities benefiting from the works subprogram must maintain rate levels that are consistent with IDB policy in this regard. (Annex D of the credit regulations of the program outlines the rate policy that will be applied in this case; the annex constitutes a specific application of the general rate policy of the Bank). From the date of signature of the subloan contract and thereafter until one year from the completion of the project, rates should be charged the beneficiaries at least sufficient for the recovery of operating and maintenance cost of the services provided, in order to prevent the transfer of resources and consequent lessening of the capacity to provide service.
- 4.16 Of the sectors mentioned in the credit regulations, the public services subject to them include drinking water, sewerage, electric power and gas distribution; they do not include community services, erosion and flood control, street improvement and storm sewers, or public lighting.
- 4.17 Commencing one year after the project which is the object of the financing is completed and thereafter during the amortization period of the subloans, the yearly rates must be enough to cover operating and maintenance costs and the depreciation allowances for fixed assets in service duly revalued. For gas and electricity companies, revenues should be sufficient (i) to yield operating profitability of not less than 8% per annum on the revalued fixed investment, or (ii) to cover the entire debt service and not less than 30% of additional investments in fixed assets and net working capital made during the year.
- 4.18 If the application of the foregoing fails to generate sufficient resources to cover timely service of all the obligations of the respective beneficiary, guarantor and borrower (of the subloans), the necessary measures shall be taken to obtain such additional resources as may be required in order to accomplish that purpose.
- 4.19 The IDB rate policy would be implemented and monitored through the following procedures:
  - (a) The borrower, the Argentine Nation, would undertake that the subloan contracts between SVOA (federal entity) and the subborrowers (provincial jurisdiction) would include the commitment that the executing agencies will comply with the requirements of such policy and that the provincial governments will process the corresponding approval.

- (b) Such contracts shall contain clauses stipulating that, in case of nonperformance, the subloans may be callable.
- (c) Each year after the fifth operation is approved and thereafter until three years from the disbursement in full of the IDB loan, the borrower (the Nation, through SVOA) shall submit a report describing the performance of the contractual provisions on rates and what action has been taken to ensure performance of the provisions set forth in the contracts.
- (d) In the event of nonperformance of these conditions, the Bank shall require the performance of the contractual condition which stipulates that rates must be sufficient to cover the items specified in the IDB policy and in the event they are insufficient, it shall require that the necessary measures be adopted to obtain such additional resources as may be required for that purpose.

e) Other cost recovery mechanisms

- 4.20 In many Argentine municipalities there exist betterment levies, added value assessments and specific fee mechanisms to recover the investment costs and/or the cost of operating and maintenance infrastructure and urban services. The betterment levy consists in a direct charge levied on the beneficiaries for a specific investment (e.g., the paving of a street or the extension of a gas distribution pipeline into an urban neighborhood) prior to or immediately after the project is implemented, by dividing the cost among the total number of beneficiaries (normally those whose property fronts on the street to be paved or whose households will be connected to the new gas pipeline, in the cases mentioned).
- 4.21 The added value assessment mechanism operates the same as a property tax. Urban real estate tax revenues are increased in function of public investment having an impact on the value of real property. This is used particularly for improvements on major thoroughfares and protective works that may have a major effect on a property's value, the impact of which is not limited just to properties fronting on the works. These projects also usually involve much larger investments than the projects in which the cost is recovered through betterment levies. The added value on reassessment mechanism allows for the recovery of investments over a longer period of time and in a manner proportional to the benefits realized by each property owner. Revenues from this assessment may be raised by charging the same rate on a higher property value (stemming from reassessment in the wake of projects impacting on its value) and/or by reclassifying the property (rural to urban, or from one category of urban property to another depending on infrastructure service), thus making it possible to charge a higher rate in function of the public investments realized.

- 4.22 Many municipalities also use a fee-based system to finance the operation and maintenance of some urban services. These fees are usually levied on urban property owners bimonthly to finance a group of municipal services, which may include street cleaning and green zones, street and other public lighting, and maintaining urban streets and storm water systems.
- 4.23 The system of recoveries involving betterment levies, which is expected to be utilized in some projects financed with the program, would essentially refer to the protective works against erosion and flooding, street improvements and storm sewers. In the community services projects, the policy of the Argentine government is to provide the services free of charge to the target population.
- 4.24 If it is planned to recover the costs of the project through the reassessment mechanism, its viability will be analyzed primarily from the standpoints of the target population's ability to pay, express evidence of their willingness to pay, and the legality of the charge, based on decisions of the local deliberative councils. Whenever the system of recovery is fee-based, care will be taken to see that the fees cover operating and maintenance costs and, if possible depreciation.
- 4.25 For projects in the sectors of street improvement and storm sewers and anti-erosion and flood control projects, the suggested mechanisms for recovery of part or all the costs of investment are consistent with the IDB's urban development policy (OP-751). The IDB would also require that the borrower, through SVOA, prepare yearly reports on the results yielded by applying betterment levies, fees or similar charges for the recovery of the costs of the projects in the applicable sectors.

f) Procedures for the procurement of goods and services

- 4.26 Projects and procurements financed with the proceeds of the program will be contracted and carried out directly by the project executing agencies in keeping with the procedures stipulated in the relevant annex of the credit regulations. The executing agencies shall follow the system of public bidding in the procurement of equipment, materials and other goods associated with the program and in the contracting of works. For all cases in which such procurements or contracts exceed the equivalent of US\$200,000 and are totally or partially financed with proceeds in foreign currency of the prospective loan, international bidding shall be conducted. When procurements of goods are totally financed with proceeds in local currency, the bidding may be limited to the national sphere.

g) Maintenance of works

- 4.27 In credit contracts signed by SVOA and the subborrowers, it shall be stipulated that works built with the proceeds of the program shall be administered, operated and maintained in accordance with generally accepted technical standards. To that end, the responsible agencies shall undertake to allocate in their respective budgets yearly items adequate for the maintenance of the works financed. In addition, the contract shall require that, counting from approval of the fifth subloan operation and thereafter up to the third year following the date of disbursement in full of the foreign loan. SVOA, prior to March 31 of each year, shall submit a report on the performance of the commitments with respect to rates and maintenance in the preceding year and the plan proposed for the following year.

h) Recoveries

- 4.28 Funds derived from principal repayments of the credits issued with the proceeds of the program which accrue in excess of the amounts necessary for service of the IDB loans and coverage of the operating expenses of the program may only be utilized for the granting of new credits substantially consistent with the norms established in the prospective loan contract in foreign currency and in the credit regulations of the program, unless five years from the date of the final disbursement of the financing the Bank and the borrower agree on another use of the recoveries, without deviating from the basic objectives of the financing or reducing the effective period of this obligation.

i) Credit instruments

- 4.29 The credit instruments acquired by the executing agency through the granting of subloans may only be sold, assigned, transferred or pledged as guarantee to the order of the Secretariat of Finance of the Ministry of Economy. This restriction stems from the very nature of the operation, the purpose of which is the financing of specific works and their follow-up and supervision until they are implemented and in operation, which also involves regulations in terms of the use of the recoveries of the subloans for this same type of activity. Moreover, the institutional arrangement is not designed for such transactions to be effected on a broader scale.

3. Technical assistance program

- 4.30 All sectors and beneficiaries stipulated in the credit regulations of the program shall be eligible to receive technical assistance funds, as well as the national, provincial and municipal entities responsible for the definition of urban development policies and/or the conduct of specific urban planning activities at local level.



The ceiling amount on financing or contributions for technical assistance using the proceeds of the subprogram shall be the equivalent of US\$100,000. For all cases in which the amount of the financing or contribution exceeds the equivalent of US\$50,000, IDB clearance shall be required prior to the signature of the respective technical assistance agreement.

- 4.31 The selection and engagement of consultants shall be in accordance with the specific terms of reference approved by the management of the program. For technical assistance operations to assist potential subborrowers in the formulation of projects, the consultants shall be selected and engaged directly by the beneficiaries following procedures agreed upon between SVOA and the Bank and subject to prior clearance by the OPDU and, if appropriate, the Bank. For technical assistance in urban policy studies or urban assessments or diagnoses, or, to provide institutional support to suppliers of urban public services outside the context of specific investment projects financed with program resources, the consultants shall be selected and engaged directly by OPDU following procedures acceptable to the Bank.
- 4.32 In cases of technical assistance provided to prospective subborrowers for the design of specific projects, OPDU may provide advice to the beneficiaries in the selection and engagement of individual experts and/or consulting firms through the distribution of guidelines and other information on selection and hiring procedures, reference material, costs and fees, etc., as well as through information on possible candidates to perform the services needed by area of expertise and professional experience. In addition, OPDU may assist in the stages prior to the selection and signature of the consulting contract or contracts and/or designate observers to help in examining the proposals received by the beneficiary.
- 4.33 The financing of technical assistance operations for the design of specific projects will be melded into with the final amount of each project's subloan, if the project is approved by the management of the program. More specifically, the terms for repayment of the technical assistance credit will be keyed to the terms and conditions governing the project subloan. If, conversely, the investment project is not approved, the beneficiary shall not be liable for repayment of technical assistance. Technical assistance for the definition of urban development policies or strategies, the identification of investment projects, or institutional support for providers of urban services who were not recipients of subloans for specific projects, shall also be nonreimbursable in nature.

#### 4. Timetable of disbursements

- 4.34 The program has been scaled in such a way that its proceeds will be totally committed in the first three years of the scheduled period of

execution. However, given the nature of the projects included in the program and the relatively long periods of execution in some instances (average of 18 months, with a maximum of 36 months), a period of five years needs to be considered in order to complete the disbursements. Along these lines, the following timetable of disbursements of the proceeds of the program and of the Bank's loans is expected.

Disbursements (US\$ millions)

<u>Year</u>	<u>Total</u>	<u>IDB</u>	
		<u>IC</u>	<u>OC</u>
1	36.9	24.9	0.6
2	62.4	20.7	0.8
3	81.8	27.7	0.3
4	69.9	25.7	0.2
5	49.0	21.0	0.1
Total	300.0	120.0	2.0

5. Recognition of costs

- 4.35 In June 1985, the Ministry of Foreign Relations, acting on behalf of the Argentine government, signed a shared cost agreement with the United Nations Development Programme (UNDP), under which a unit for formulation of the IDB loan application was formed in the Secretariat of Housing and Environmental Management. On June 28, 1985, SVOA, in a letter signed by the executive director of the above unit, formally applied to the Bank for recognition, chargeable against the local counterpart resources of the prospective Bank loan in foreign currency, of costs incurred by the Secretariat of Housing for the preparation of the program prior to the approval of that loan. These costs are expected to total the equivalent of roughly US\$500,000 by the time of approval of the IDB loan. Recognition of these costs, chargeable to the local counterpart, is recommended.

6. Advance of funds

- 4.36 Because of the nature of the program and in order to streamline its implementation, it is recommended that an advance of funds be constituted for an amount not to exceed the equivalent of 10% of the proceeds of the IDB loans (advances of US\$12 million in foreign currency and US\$200,000 in local currency), which represents the estimate of the first 120 days of commitments. The advance of funds may be replenished to retain these levels as the executing agency justifies its expenditure.
- 4.37 Because of the way in which the preparation of the program has been handled, there is now a large number of applications in various

stages of review, as described earlier, which it would be possible to approve once the program is on an official footing. On the basis of these applications, a commitment of funds in the first year of about US\$120 million is estimated. Of that amount, about US\$48 million would correspond to the IDB, while disbursement in the following years may reach figures over US\$80 million, with over US\$30 million corresponding to the IDB. This pace of commitments and disbursements in a program being implemented on the basis of advances for projects, needs to have the flexibility provided by an advance of the size recommended.

7. Ex post evaluation

- 4.38 It is recommended that two years from the effective date of the prospective loan contracts with the Bank, a joint review (IDB/SVOA) be made of the program and its progress. This review would make it possible, if necessary, to amend the credit regulations and the procedures for implementation of the program. These projects that, having been financed, will make up the representative sample that would serve as a basis for the ex post evaluation of the program will also be reviewed. An evaluation report now in process will be ready by that date and contain information similar to that of the ex post evaluation report. A sample of five projects reports with their matching loan contracts for projects already approved and under way will also be presented.
- 4.39 Three years from the date of the last disbursement of the proposed financing in foreign exchange, the OPDU shall submit an ex post evaluation report to the Bank analyzing the extent to which the objectives of the program have been achieved.
- 4.40 The ex post evaluation report shall contain at least the following information:
- a) Amounts committed and disbursed and recoveries realized, indicating extensions approved and arrearage status, year by year since the start of the program;
  - b) Sectoral and provincial distribution of credit operations effected, number and amount of investment;
  - c) Distribution ranked by city size of credit operations effected, number and amount of investment;
  - d) Description of studies and analyses made with technical assistance funds, with a breakdown of costs and results;
  - e) Number and amount of projects identified, projects analyzed and in process of analysis, projects approved and in process of approval, year by year since the start of the program;

- f) Analysis of performance of contractual clauses by the subborrowers, with particular emphasis on the performance of public utility rate policies and invoicing based on metered consumption.
  - g) Analysis of the experience and findings of the ex post evaluations made of the specific projects financed, to the date of presentation;
  - h) Delivery of a representative sample of project evaluations effected by OPDU, following the methodology previously agreed upon with the Bank.
- 4.41 The emphasis in the report should be on the interpretation of information relating to the items listed in the preceding paragraph in light of the country's urban development objectives.

## V. JUSTIFICATION

- 5.01 Based on the analysis that was performed, the conclusion may be drawn that the proposed program would be feasible. The principal findings of the feasibility analysis conducted from the technical, institutional, financial and socioeconomic standpoints are summarized below. The results of the socioeconomic appraisal of the specific projects in a sample of the operations that would be financed with the proceeds of the program are also given.
- A. Technical feasibility
- 5.02 The status of preparation of the projects in the sample and the work being conducted by the program formulation unit in SVOA was successfully ascertained during the course of the analysis of the program. This work ranged from the promotion and identification of potential projects to the review of documentation received from the provinces. In some instances technical assistance on design aspects and in the preparation of the credit applications was provided. At the same time this represented a useful exercise for SVOA, which profited from the recommendations of the Bank missions on matters relating to the processing of an application's supporting documents.
- 5.03 This covers a very important aspect which should be continued during the course of program execution, since the sample projects represent roughly 22% of the estimated total cost of the works subprogram. The analysis of the remaining projects in the universe subject to financing is still pending, as work proceeds on projects that were not part of the sample because they were in process.

B. Institutional feasibility

- 5.04 The program will be administered by the Secretariat of Housing and Environmental Management, through the Office for the Promotion of Urban Development (OPDU), which will be specifically set up for that purpose by executive decree. The projects will be designed and carried out by provincial or municipal government entities following the guidance of OPDU.
- 5.05 In conjunction with the subprogram for the financing of specific infrastructure and urban services projects, a technical assistance subprogram is planned to aid prospective subborrowers in the identification and preparation of these projects and in upgrading the administration of urban services. In addition to the general objective of institution-strengthening of the agencies involved in the preparation and implementation of urban development projects at provincial and municipal level, this component would guarantee an adequate flow of projects designed in accordance with sectoral guidelines and the credit regulations of the program. In this way, compliance with the scheduled timetable for commitment and disbursement of the program's proceeds would be ensured.
- 5.06 Agreement has been reached with SVOA on the internal organization of OPDU. The functions and activities of the latter's various offices have been analyzed, together with the number and professional profile of the permanent staff required for the operation of the program. Both these areas were found to be satisfactory. Since this is a new and complex program which will follow project processing and analytical procedures other than those utilized by SVOA to date, additional support is to be given OPDU by drawing on Bank and UNDP proceeds to finance a team of expert advisors to train the permanent staff of OPDU and assist them in the program during its early years of execution.
- 5.07 As part of their analysis of specific projects submitted for possible financing under the program, the staff of OPDU will verify the capability of the local institutions involved in each project to carry them out and operate the resulting services. This will be done on the basis of the criteria and methodology stipulated in the credit regulations of the program. In addition, a specific local executing unit will be set up for each project that is approved, with responsibility for administering it with OPDU guidance, which will in turn be responsible for central follow-up and supervision of each project.
- 5.08 Lastly, it should be pointed out that the new Office for the Promotion of Urban Development (OPDU) should assimilate most of the staff and all of the experience of the Program Formulation Unit that has operated in SVOA since June 1985 with funding from the Argentine government and UNDP. In a relatively short period of time, this

unit laid the groundwork for the formation and operation of the proposed program and pinpointed and analyzed a large number of specific projects in a variety of sectors. This will ensure the timely commitment and disbursement of the proceeds of the program. Based on the preceding observations, the program is deemed to be institutionally feasible.

C. Financial feasibility

5.09 Following the analyses that were made, the conclusion may be drawn that the proposed program is financially feasible. The principal reasons for this conclusion are the following:

- (a) The local counterpart sources, particularly FONAVI, are more than adequate to meet the program's needs. The resources required are already legally committed to the program and their obtention is financially feasible.
- (b) Maintenance of value of the subloans, coupled with a policy of positive real interest rates in a moderately inflationary economic setting, is grounds for considering the proceeds of the program will suffer no depletion in real terms.
- (c) The system already in effect in the financial analysis of specific operations by members of the Program Formulation Unit -- and which is bound to improve with the application of the credit regulations agreed upon with the Bank-- will ensure full substantiation for the decisions pending on the creditworthiness of both projects and subloans.
- (d) The regime of guarantees to be established not merely by the provinces but also on a case-by-case basis by setting aside funds or special levies will contribute to the financial security of the program.
- (e) The experience gained in managing funds of this type in the midst of high levels of inflation has given the future OPDU's team a broad understanding of the causes for their deterioration in real terms and of the need to establish the means to prevent a repetition of problems such as those that have occurred in the past.
- (f) The structure and make-up being given to the institutional part of the program should guarantee high-grade financial management.

D. Socioeconomic feasibility

1. The program

- 5.11 It is deduced from the analysis that the program is socially profitable for several reasons. In the first place, the program will promote preinvestment activity from which a larger basket of potential projects can be derived and better use thus made of investment funds. In the second place, the project as a general rule would have an economic rate of return higher than the opportunity cost of capital in its alternate uses. This would guarantee a net benefit to society. In the third place, the program is expected to play a key role in furthering rationalized public utility consumption based on the rate policy of OPDU (which stipulates rates more consistent with the cost of expansion of the systems). This rationalization might eventually mean major savings stemming from the optimization (in time) of investments in these sectors. Lastly, the development yielded by the technical and financial capacity of different agencies participating in the program would result in positive externality, the impact of which would materialize in the proper formulation and implementation of future projects.

2. The projects analyzed

- 5.12 The team of economists active in the preparation of the analysis of the sample is quite competent in the area of project analysis. In every case the team suitably researched the demand for each project's services in its area of direct influence, sought least-cost solutions and in some instances, following the team's analysis, the projects underwent reformulation to make them economically feasible. For the community services component, it was found that the analyses as a general rule were strict and complete.
- 5.13 The analysis of projects on which sufficient information was available followed standard economic evaluation methodology, the internal economic rate of return (IER) being calculated for all projects except community services, on which a cost-efficiency analysis was made. For the potable water projects the Bank's SIMOP model was utilized. The base year of the evaluations is 1985, in keeping with the date of information submitted for the projects. The distributional impact was made by directly quantifying or otherwise attempting an approximation of the share of net benefits flowing to low-income groups, except for community services where the percentage of low-income beneficiaries was calculated.
- 5.14 Bearing in mind the results of the evaluation of the sample, it is concluded that the projects in the program, the principal benefits of which are measurable, will have a rate of return in excess of 12% and that those benefits with nonmeasurable primary benefits will have cost-efficient solutions. Based on the weighted average of the

coefficients of distributional impact of the projects (intrasectorially weighted in accordance with the flow of benefits generated; intersectorially weighted in accordance with the sector distribution expected in the program), roughly 60% of the benefits generated by the investment are expected to be absorbed by low-income groups, according to the low-income threshold established by the Bank of 765 austral per capita per annum at December 1985 (this estimate does not include the Neuquén water supply and sewerage projects, which still have no financial feasibility, nor the Cipolletti community service project which still has no economic feasibility; both are being revised).

## VI. RECOMMENDATION

- 6.01 The study described in the project report indicates that the global urban development program is a suitable, timely approach for alleviating the growing problem of insufficiency in public services and contributing to infrastructure projects conducive to the development of the intermediate and small-sized cities in the country. The conclusion may be drawn from the analysis that the program dealt with in this document is technically, financially and economically feasible and is compatible with legislation currently in force in Argentina. The approval of the loans is therefore recommended and the following normative documents are submitted to the Board of Executive Directors for its consideration:

Proposed Resolution IC

Proposed Resolution OC

Recommendations

Description of the Project (Annex A to the Loan Contract).



PROPOSED RESOLUTION 1/

ARGENTINA. LOAN /IC-AR TO THE NACION ARGENTINA  
(Global Urban Development Program)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank to enter into such contract or contracts as may be necessary with the Nación Argentina, as borrower, for the purpose of granting it financing to cooperate in the execution of a global urban development program (hereinafter "the Program"), which comprises two subprograms, as follows: Works (Subprogram A) and Technical Assistance (Subprogram B). This financing shall be subject substantially to the following conditions:

1. Amount and Currencies: Up to US\$120,000,000 or its equivalent in other currencies which are part of the inter-regional capital resources of the Bank, to pay for goods and services originating in the member countries of the Bank and for such other purposes as may be specified in the loan contract. Payments of amortization and interest shall be made in the currency or currencies specified by the Bank, in a quantity equivalent to the corresponding amount owed, calculated in units of account in terms of dollars of the United States of America, in accordance with provisions to be included in the loan contract.
2. Source of Funds: The inter-regional capital resources of the Bank.
3. Guarantee: The general responsibility of the borrower.
4. Credit Fee: 1-1/4% per annum on the undisbursed portion of the financing, commencing to accrue 60 days after the date of the contract and payable in dollars of the United States of America on the same dates as the interest.

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1/ The provisions contained in this Appendix and in the following Appendices II, III and IV will only be final when the Board of Executive Directors has approved the loan proposal.

5. Amortization: The borrower shall amortize the loan in a period of 25 years from the date of the contract, by means of semiannual, consecutive and, insofar as possible, equal installments. The first installment shall be paid six months after the date scheduled for the last disbursement of the financing. The Bank may credit the amortization installments proportionally to the outstanding balance of each of the portions of the loan which accrue different rates of interest.
6. Interest: The borrower shall pay interest semiannually on the outstanding balances of the loan. The first payment shall be made six months after the date of the loan contract. During the disbursement period, the Bank: (a) shall determine the rate of interest to be applied as of the first day of each January and for the life of the loan to any amount disbursed during the ensuing year; and (b) may modify the interest rate, in accordance with the policy of the Bank, to be applied to disbursements of the loan made during the second half of the year.
7. Commitment and Disbursement: The period for commitment of the financing shall expire three years after the effective date of the loan contract and the period for disbursement of the financing shall expire five years after the same date.
8. Special Conditions:
  - (a) The resources of the loan shall be utilized in their entirety by the borrower through the Secretaría de Vivienda y Ordenamiento Ambiental (hereinafter referred to as the "Executing Agency"). If modifications in the legal provisions or the basic regulations concerning the borrower and/or the Executing Agency are approved which, in the opinion of the Bank, may substantially affect the program, the Bank shall have the right to require the borrower and/or the Executing Agency to provide explanatory and detailed information in order to assess the extent to which such modification or modifications may have an adverse impact on the Program. Only after hearing the Borrower and/or the Executing Agency and assessing their information and clarifications, may the Bank take such measures as it deems appropriate in accordance with provisions to be set forth in the loan contract.
  - (b) The resources of the loan, together with those of Loan /OC-AR, shall be used to participate in the execution of a program the cost of which is estimated at the equivalent of US\$300,000,000. Consequently, the loan contracts shall contain such provisions as the Bank deems appropriate to ensure that such resources as may be necessary, in addition to the two loans, for the complete execution of the Program shall be duly provided, in accordance with a schedule of investments satisfactory to the Bank, in an amount estimated at the equivalent of US\$178,000,000.
  - (c) Prior to the first disbursement of the financing, the Borrower shall demonstrate to the satisfaction of the Bank that:

- (i) it has established the Oficina de Promoción del Desarrollo Urbano ("OPDU") attached to the Secretaría de Vivienda y Ordenamiento Ambiental, and staffed with the necessary personnel and assigned the necessary functions to it as the executing unit of the Program;
  - (ii) it has opened a special account entitled "SVOA/IDB Urban Development Program," which shall be administered by the Executing Agency and remain in operation during the life of the loan contract;
  - (iii) a technical assistance agreement has been signed with UNDP for the institution-strengthening and operational upgrading of the OPDU, containing the terms of reference, timetable and procedures for the selection and contracting of the advisors.
  - (iv) the following have been put in effect: (1) the Credit Regulations of the Program; and (2) the Technical Assistance Regulations;
  - (v) it has submitted to the Bank for its approval the prototype agreement with the subborrowers, which shall contain, among others things, the obligations specified in paragraph 2 of Appendix III;
  - (vi) it has agreed with the Bank on the designated institution or firm of independent public accountants that shall perform the external audit of the financial statements of the Program.
- (d) When public utility projects such as water supply and sewerage are financed, the Borrower, acting through the Executing Agency, shall undertake that, in the commitment agreements to which reference is made in paragraph 2 of the Recommendations Appendix III, rates shall be established that will yield at least sufficient revenue to cover all the operating costs of the respective system, including those related to administration, operation, maintenance and, insofar as possible, depreciation. If the application of the foregoing does not generate sufficient revenue to cover timely service of all the obligations of the respective beneficiary, the necessary steps shall be taken, which may include an increase in rates, in order to obtain such additional resources as are required for that purpose.
- (e) When public utility projects such as gas and electricity are financed, the Borrower, acting through the Executing Agency, shall undertake that, in the commitment agreements to which reference is made in paragraph 2 of the Recommendations of Appendix III, rates shall be established that: (i) yield at least sufficient revenue to cover all the operating costs of the respective system, including those related to administration, operation, maintenance and, insofar as possible, depreciation; and (ii) will provide a reasonable yearly rate of return or cover a reasonable portion of the investments needed for normal expansion of the system. If the application of the

foregoing does not generate sufficient revenue to cover timely service of all the obligations of the respective beneficiary, the necessary steps shall be taken, which may include an increase in rates, to obtain such additional resources as are required for that purpose.

- (f) The beneficiaries of the subloans shall be charged on account of interest, commissions, or any other charges, a sum which yields annual revenues which tend to prevent decapitalization of the program. In the event that these earnings are not sufficient to prevent decapitalization, the borrower shall contribute the necessary additional resources.
- (g) In the acquisition of machinery, equipment and other materials for projects financed through subloans granted under the Program, and in the awarding of construction contracts, government entities and autonomous public agencies shall follow the system of public bids in each case in which the value of such acquisitions or contracts exceeds the equivalent of US\$200,000. The bidding shall be subject to the procedures to be appended as an annex to the loan contract.
- (h) The funds arising from recoveries of subloans granted with the resources of the Program, to the extent they accumulate in excess of the amounts needed for service of the loan, may be used only for the granting of new subloans conforming substantially to the rules laid down in the loan contract and in the credit regulations, unless five years after the date of the last disbursement of the financing, the Bank and the borrower agree upon another use for recoveries that does not depart from the basic objectives of the financing, or agree to reduce the period of validity of this obligation.
- (i) The Bank shall establish such inspection procedures as it deems necessary to assure the satisfactory execution of the Program, and the borrower and the Executing Agency shall extend all cooperation which is required for the most effective accomplishment of this purpose. From the amount of the financing, the sum of US\$1,200,000 shall be allocated for credit to the general income accounts of the Bank to meet expenses of general inspection and supervision.

PROPOSED RESOLUTION 1/

ARGENTINA. LOAN /OC-AR TO THE NACION ARGENTINA  
(Global Urban Development Program)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank to enter into such contract or contracts as may be necessary with the Nación Argentina, as borrower, for the purpose of granting it financing to cooperate in the execution of a global urban development program (hereinafter "the Program"), which comprises two subprograms, as follows: Works (Subprogram A) and Technical Assistance (Subprogram B). This financing shall be subject substantially to the following conditions:

1. Amount and Currencies: Up to US\$2,000,000 in australes which are part of the ordinary capital resources of the Bank, to cover local costs and for such other purposes as may be specified in the loan contract. Payments of amortization and interest shall be made in australs, in a quantity equivalent to the corresponding amount owed, calculated in terms of dollars of the United States of America, in accordance with provisions to be included in the loan contract.
2. Source of Funds: The ordinary capital resources of the Bank.
3. Guarantee: The general responsibility of the borrower.
4. Amortization: The borrower shall amortize the loan in a period of 25 years from the date of the contract, by means of semiannual, consecutive and, insofar as possible, equal installments. The first installment shall be paid six months after the date scheduled for the last disbursement of the financing.

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1/ The provisions contained in this Appendix and in Appendices I, III and IV will only be final when the Board of Executive Directors has approved the loan proposal.

5. Interest: 4% per annum (including the 1% special commission of the Bank) payable semiannually on principal amounts outstanding. The first payment shall be made six months after the date of the loan contract.
6. Commitment and Disbursement: The period for commitment of the financing shall expire three years after the effective date of the loan contract and the period for disbursement of the financing shall expire five years after the same date.
7. Special Conditions:
  - (a) The resources of the loan shall be utilized in their entirety by the borrower through the Secretaría de Vivienda y Ordenamiento Ambiental (hereinafter "Executing Agency"). If modifications in the legal provisions or the basic regulations concerning the Borrower and/or the Executing Agency are approved which, in the opinion of the Bank, may substantially affect the Program, the Bank shall have the right to require the Borrower and/or the Executing Agency to provide explanatory and detailed information in order to assess the extent to which such modification or modifications may have an adverse impact on the Program. Only after hearing the borrower and/or the Executing Agency and assessing their information and clarifications, may the Bank take such measures as it deems appropriate in accordance with provisions to be set forth in the loan contract.
  - (b) The resources of the loan, together with those of Loan /IC-AR, shall be used to participate in the execution of a program the cost of which is estimated at the equivalent of US\$300,000,000. Consequently, the loan contracts shall contain such provisions as the Bank deems appropriate to ensure that such resources as may be necessary, in addition to the two loans, for the complete execution of the program shall be duly provided, in accordance with a schedule of investments satisfactory to the Bank, in an amount estimated at the equivalent of US\$178,000,000.
  - (c) Prior to the first disbursement of the financing, the borrower shall demonstrate to the satisfaction of the Bank that:
    - (i) it has established the Oficina de Promoción del Desarrollo Urbano (OPDU) attached to the Secretaría de Vivienda y Ordenamiento Ambiental, and staffed with the necessary personnel and assigned the necessary functions to it as the executing unit of the Program;
    - (ii) it has opened a special account entitled "SVOA/IDB Urban Development Program," which shall be administered by the Executing Agency and remain in operation during the life of the loan contract;
    - (iii) a technical assistance agreement has been signed with UNDP for the institution-strengthening and operational upgrading of the

OPDU, containing the terms of reference, timetable and procedures for the selection and contracting of the advisors.

- (iv) the following have been put into effect: (1) the Credit Regulations of the Program; and (2) the Technical Assistance Regulations;
  - (v) it has submitted to the Bank for its approval the prototype agreement with the subborrowers, which shall contain, among other things, the obligations specified in paragraph 2 of Appendix III;
  - (vi) it has agreed with the Bank on the designated institution or firm of independent public accountants that shall perform the external audit of the financial statements of the Program.
- (d) When public utility projects such as water supply and sewerage are financed, the borrower, acting through the Executing Agency, shall undertake that, in the commitment agreements to which reference is made in paragraph 2 of the Recommendations of Appendix III, rates shall be established that will yield at least sufficient revenue to cover all the operating costs of the respective system, including those related to administration, operation, maintenance and, insofar as possible, depreciation. If the application of the foregoing does not generate sufficient revenue to cover timely service of all the obligations of the respective beneficiary, the necessary steps shall be taken, which may include an increase in rates, in order to obtain such additional resources as are required for that purpose.
- (e) When public utility projects such as gas and electricity are financed, the Borrower, acting through the executing agency, shall undertake that, in the commitment agreements to which reference is made in paragraph 2 of the Recommendations of Appendix III, rates shall be established that: (i) yield at least sufficient revenue to cover all the operating costs of the respective system, including those related to administration, operation, maintenance and, insofar as possible, depreciation; and (ii) will provide a reasonable yearly rate of return or cover a reasonable portion of the investments needed for normal expansion of the system. If the application of the foregoing does not generate sufficient revenue to cover timely service of all the obligations of the respective beneficiary, the necessary steps shall be taken, which may include an increase in rates, to obtain such additional resources as are required for that purpose.
- (f) The beneficiaries of the subloans shall be charged on account of interest, commissions, or any other charges a sum which yields annual revenues which tend to prevent of the Program. In the event these earnings are not sufficient to prevent decapitalization, the borrower shall contribute the necessary additional resources.

- (g) The funds arising from recoveries of subloans granted with the resources of the program, to the extent they accumulate in excess of the amounts needed for service of the loan, may be used only for the granting of new subloans conforming substantially to the rules laid down in the loan contract and in the credit regulations, unless five years after the date of the last disbursement of the financing, the Bank and the borrower agree upon another use for recoveries that does not depart from the basic objectives of the financing, or agree to reduce the period of validity of this obligation.
- (h) The Bank shall establish such inspection procedures as it deems necessary to assure the satisfactory execution of the program, and the borrower and the executing agency shall extend all cooperation which is required for the most effective accomplishment of this purpose. From the amount of the financing, the sum of US\$20,000 in australes shall be allocated for credit to the general income accounts of the Bank to meet expenses of general inspection and supervision.



RECOMMENDATIONS

- A. It is recommended that the following conditions, in addition to the conditions set forth in the resolution, to be fulfilled to the Bank's satisfaction, be included in the loan contract:
1. In the contracts for subloans it shall be specified that, unless the Bank agrees otherwise, prior to issuing each call for public bidding or, if no invitation to bid is to be made for construction, prior to the initiation of such works, the following shall be submitted to the Bank: (a) the general plans, specifications, specific bidding guidelines and other documents required for the call, and (b) in the case of construction works, evidence of legal possession of the sites, or easements or other pertinent rights.
  2. With respect to projects that are financed with resources of the Program, the Borrower, acting through the Executing Agency, undertakes that the entities that wish to participate in the Program shall enter into a commitment agreement with said agency in which such entities undertake to comply with the following obligations, among others: (a) process the approval, if appropriate, and charge the rates as set forth in paragraphs 8(d) and 8(e) of Appendix I and paragraphs 7(d) and 7(e) of Appendix II; (b) maintain the project works in accordance with generally accepted technical standards for a period of ten years from the effective date of the loan contract; and (c) comply with such obligations as may arise from the analysis to be effected by OPDU for each project. The Borrower also undertakes to supervise the performance of these obligations and to keep the Bank periodically informed of such performance.
  3. Unless the Bank agrees otherwise, the resources of the Program may not be used to make subloans (i) that exceed the equivalent of US\$10,000,000 or (ii) the amount of which, added to the outstanding balance of earlier subloans to the same subborrower from the proceeds of this Program would exceed the equivalent of US\$25,000,000 and the equivalent of US\$40,000,000 in cumulative outstanding balances of all the subborrowers located in a single province or in Gran Buenos Aires.
  4. Subloans may not be made with the resources of Subprogram A (i) for amounts less than the equivalent of US\$500,000 or (ii) that are targeted to finance a project the total cost of which exceeds the equivalent of US\$15,000,000.

5. Up to the equivalent of US\$500,000 of the local counterpart resources may be used to finance expenses incurred as part of the Program prior to the date of the resolution but subsequent to June 4, 1985, provided requirements substantially similar to those foreseen in the resolution and in the loan contract have been met.
  6. The Borrower, through the Executing Agency, shall undertake to present to the Bank an annual report up to three years after the last disbursement which shall contain a description of the results on the recovery of costs related to works for community infrastructure, road improvement, rain sewers and protection against erosion and flooding, through betterment taxes, taxes or other systems of collection.
  7. Within seven months of the date of the loan contract, the borrower, acting through the Executing Agency, shall submit evidence that, pursuant to procedures and terms of reference previously agreed upon with the Bank, four advisors for the OPUD in the areas of technical assistance, legal affairs, financial transactions and socioeconomic evaluation have been contracted.
  8. Credit instruments acquired by the Executing Agency against the granting of subloans may only be sold, ceded, transferred or pledged as security to the Borrower.
  9. The borrower, through the Executing Agency, shall undertake to submit an annual report to the Bank following the approval of the fifth subloan operation and thereafter for up to three years after the disbursement in full, containing the results obtained in terms of the application of rates and maintenance of the works financed with resources of the program, that shall be required of the corresponding beneficiaries.
  10. The borrower, through the Executing Agency, shall undertake to submit two evaluation reports to the Bank: the first one, two years from the effective date of the loan contract, and the second one, three years from the disbursement in full of the financing to which reference is made in paragraph 1 of Appendix I, based on guidelines previously agreed upon with the Bank and pursuant to Section VII of Appendix IV of this document.
  11. Annual financial statements of the Program during the life of the loan contract shall be submitted to the Bank within 180 days of the close of each fiscal year, audited by the institution or firm of independent public accountants previously agreed upon with the Bank, pursuant to paragraphs 8(c)(vi) of Appendix I and 7(c)(vi) of Appendix II. The first statement shall be those for the year in which execution of the program begins.
- B. An annex substantially similar to Appendix IV (The Program) shall be included in the loan contract.

## THE PROGRAM

(Annex A to the Loan Contract)

### I. Purpose

- 1.01 The purpose of the program is to improve the living conditions of the urban population in Argentina through the implementation of specific urban infrastructure and community facilities projects, preferably to benefit low-income sectors, intermediate cities (150,000 to 650,000 inhabitants) and small cities (fewer than 150,000 inhabitants) in the interior of the country.

### II. Description

#### A. Operational

- 2.01 The program consists of: Subprogram A, Construction Works, Subprogram B, Technical Assistance, and a component of institutional strengthening of the SVOA.

- Subprogram A, Works will include the granting of subloans to finance urban development projects.
- Subprogram B, Technical Assistance will be aimed at: (i) assisting subborrowers in the preparation of their subloan applications; (ii) assisting municipal and provincial governments in the administrative and financial upgrading of the agencies responsible for providing urban services; and (iii) assisting the executing agency, municipal and provincial governments, as well as other national institutions, in the elaboration of studies and formulation of recommendations on urban development policies and strategies.
- Institutional Strengthening of the SVOA shall include the contracting of experts and other services for the administration and execution of the above mentioned subprograms.

#### B. Fundable Headings

- 2.02 Construction, expansion and/or improvement projects in the following areas will be financed out of the proceeds of the program: (a) drinking

water; (b) sewerage; (c) community facilities; (d) street improvements and storm sewers; (e) gas; (f) electricity and public lighting; and (g) erosion and flood control.

C. Participating Entities

- 2.03 The following entities may participate in the program: (i) governments of the Provinces and the government of the National Territory; (ii) municipal governments; (iii) official agencies in their particular areas of jurisdiction; (iv) national, provincial, municipal public agencies and cooperatives specialized in urban development, infrastructure works, community services and complementary works; and (v) entities with support programs for the aforementioned agencies. In addition, national, provincial and municipal entities responsible for the definition of urban development policies and strategies, as well as urban planning at local level, shall be eligible as beneficiaries of the program's technical assistance.

III. Total Cost of the Program

- 3.01 The total cost of the program is estimated as US\$300,000,000 equivalent, broken down as follows by category of investment and source of financing:

(in US\$ millions equivalent)

	Bank		Local Contri- bution	Total	%
	IC	OC			
Works (Subprogram A)	118.80	-	175.50	294.30	98.1
Technical Assistance (Subprogram B)	-	1.48	1.50	2.98	1.0
SVOA Institutional Support	-	0.50	1.00	1.50	0.5
Inspection and Supervision Fund	1.20	0.02	-	1.22	0.4
TOTAL	120.00	2.00	178.00	300.00	100.0%
Percentages	40.0%	0.7%	59.3%	100.0%	

IV. Contracting of Consultants

- 4.01 In the selection and contracting of consulting services totally or partially financed with resources of the loan no conditions or stipulations may be included that would restrict or hinder the participation of consultants from member countries of the Bank.

V. Procurement

- 5.01 When goods or services to be procured or contracted are totally or partially financed with foreign exchange of the financing, the procedures and specific bidding requirements or other form of purchase or contracting shall allow for the competition of goods and services, including those relating to any means of transport, from member countries of the Bank. Consequently, those procedures and specific requirements shall not impose conditions that limit or restrict the supply of goods or the participation of contractors from those countries.

VI. Rate Targets

- 6.01 The rates referred to in paragraph 8(d) and 8(e) of Appendix I and paragraph 7(d) and 7(e) of Appendix II shall cover administrative, operating and maintenance costs during the course of execution of the projects. In addition, beginning one year after the completion of the respective project, the rates shall be such as to cover, as well, the cost of depreciation of revalued fixed assets. For projects in the gas and electric power sectors, the rates shall also be sufficient to yield, within one year after the completion of the respective project: (a) operating profitability on fixed investment of at least 8%; or (b) an internal generation of funds which covers its entire debt and at least 30% of new investments in fixed assets and working capital effected during the year.

VII. Ex-post Evaluation

- 7.01 Two years from the effective date of the loan contract the executing agency shall submit to the Bank the first report specified in paragraph 10 of Appendix III, analyzing the degree of compliance with the objectives of the program and containing pertinent information, similar to that of the report described in paragraph 7.02 below. Also submitted shall be information on the report which shall constitute the representative sample referred to in subparagraph (h) of the same paragraph.
- 7.02 Three years from the date of the final disbursement of the loan to which references made in paragraph 1 of Appendix I, the executing agency shall submit to the Bank the second report specified in paragraph 10 of Appendix III, analyzing the degree to which the objectives of the program have been accomplished and containing, as a minimum, the following information:
- (a) amounts committed, amounts disbursed and recoveries, indicating extensions granted and arrearage situation year by year since the start of the program;
  - (b) sectoral and provincial distributions of subloans granted, number and amount of investment;

- (c) distribution ranked by city size of the subloans granted, number and amount of investment;
- (d) description of studies and analyses made with the technical assistance funds, with a breakdown of costs and results;
- (e) number and amount of projects identified, projects analyzed and in process of analysis, projects approved or in process of approval year by year since the start of the program.
- (f) analysis of performance of contractual clauses by the subborrowers, with particular emphasis on performance of public utility rate policies and invoicing based on metered consumption;
- (g) summary of the experience and results of the ex-post evaluations made of the specific projects financed as of the date of presentation;
- (h) delivery of a representative sample of project evaluations effected by OPUD in accordance with the methodology previously agreed upon between the Executing Agency and the Bank.

7.03 The emphasis in the report should be on interpretation of the information relating to the items listed in the preceding paragraph in light of the country's urban development objectives.