

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**BARRIO IMPROVEMENT PROGRAM
(AR-L1119)**

**SECOND INDIVIDUAL OPERATION UNDER THE
CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS
(CCLIP)
(AR-X1004)**

LOAN PROPOSAL

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CONTENTS

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	1
A.	Background, problems addressed, and rationale	1
B.	Objectives, components, and cost.....	5
C.	Key results indicators.....	7
II.	FINANCING STRUCTURE AND RISKS	8
A.	Financing instruments	8
B.	Environmental and social safeguard risks	8
C.	Fiduciary considerations	9
D.	Other special considerations and risks.....	9
III.	IMPLEMENTATION AND ACTION PLAN	11
A.	Summary of the execution mechanism.....	11
B.	Summary of monitoring and evaluation arrangements	13

ANNEXES	
PRINTED ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) - Summary
Annex II	Results matrix
Annex III	Fiduciary agreements and requirements

ELECTRONIC LINKS	
REQUIRED	
1.	Annual work plan (AWP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36283667
2.	Monitoring and evaluation arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36285844
3.	Procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36283995
4.	Environmental and Social Management Report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36273662
OPTIONAL	
1.	Economic assessment http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36283673
2.	Final evaluation of the Barrio Improvement Program http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36261716
3.	Operating Regulations http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36287560
4.	Safeguard Screening Form for classification of projects http://idbdocs.iadb.org/wsdocs/getdocument.aspx?DOCNUM=36307241

ABBREVIATIONS

AWP	Annual work plan
CCLIP	Conditional Credit Line for Investment Projects
INDEC	Instituto Nacional de Estadísticas y Censos [National Statistics and Census Institute]
LMS	Loan Management System
MEU	Municipal executing unit
NCU	National Coordination Unit
PEU	Provincial executing unit
PROMEBA	Programa de Mejoramiento de Barrios [Barrio Improvement Program]
SDUV	Subsecretaría de Desarrollo Urbano y Vivienda [Urban Development and Housing Division]
SEPA	Procurement Plan Execution System
UBN	Unmet basic needs
UEPEX	Unidades eectoras de préstamos externos [Executing units of external loans]

PROJECT SUMMARY

ARGENTINA BARRIO IMPROVEMENT PROGRAM (AR-L1119)

SECOND INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) (AR-L1004)

Financial terms and conditions ¹				
Borrower: The Argentine Republic			Amortization period:	25 years
Executing agency: Urban Development and Housing Division (SDUV) of the Public Works Department of the Ministry of Federal Planning, Public Investments, and Services			Grace period:	5 years
			Disbursement period:	5 years
Source	Amount (US\$ million)	%	Inspection and supervision fee:	*
IDB (Ordinary Capital)	400	90	Interest rate:	LIBOR-based
Local	45	10	Credit fee:	
Total	445	100	Currency:	U.S. dollars from the Single Currency Facility of the Ordinary Capital
Project at a Glance				
<p>Objective: The objective of this operation is to improve the habitability of households located in shantytowns and unregulated settlements in the country. This proposed second individual operation is framed by the CCLIP, which aims to improve the quality of life and contribute to the urban and social inclusion of Argentine households in the poorest segments of the population. The overall target of the CCLIP is to reach approximately 250,000 households throughout the country, and the target of this second operation is to reach 69,000 households.</p> <p>Special contractual clauses: Conditions precedent to the first disbursement: (i) evidence of implementation of the Operating Regulations for the program by the executing agency (paragraph 3.2); and (ii) evidence of activation of the system for executing units of external loans (UEPEX) (paragraph 2.4).</p> <p>Special condition for execution: A special execution condition precedent to the first transfer of resources to each of the program's subexecuting units will be the entry into force of the framework participation agreement between the executing agency and each subexecuting unit, under the terms agreed upon with the Bank (paragraph 3.4).</p>				
Exceptions to Bank policies: None				
Project consistent with country strategy: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
Project qualifies as: SEQ <input type="checkbox"/> PTI <input checked="" type="checkbox"/> Sector <input checked="" type="checkbox"/> Geographic <input type="checkbox"/> Headcount <input type="checkbox"/>				

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problems addressed, and rationale

- 1.1 Argentina is one of the most urbanized countries in Latin America. According to estimates by the United Nations Human Settlements Programme, in 2010 more than 90% of Argentina's 40 million people lived in population centers of more than 2,000 inhabitants. The country's land settlement pattern has favored the concentration of inhabitants in major urban areas, including Greater Buenos Aires, which, with 13 million inhabitants, is one of the 10 largest metropolitan areas in the world. Large cities have also developed in the provinces as a result of the expansion of urbanized areas into the municipios surrounding the cities of Córdoba, Mendoza, Rosario, and Tucumán, primarily. Along with Buenos Aires, these population centers account for 50% of the country's urban population.
- 1.2 Argentina is contending with quantitative and qualitative deficits related to the provision of housing services, which stems from growth in demand not paralleled by corresponding growth in supply in the formal housing market. The quantitative deficit, defined as the demand arising from a combination of new households, households whose dwellings need to be completely replaced, and families that share housing, totals 871,000 households, or 8.6% of existing households. As for the qualitative deficit, some 1.5 million households, or 15.6% of total households, are affected, meaning that their dwellings are built with substandard materials.¹
- 1.3 The housing deficit is correlated with income distribution, internal migration, and migration from neighboring countries to urban centers, and is concentrated in urban fringe areas (limited access to public services). More specifically, 70% of the poor in Argentina live in urban areas. The economic crisis at the end of last century had a negative impact on employment and on the quality of life of vulnerable urban groups, simultaneously accelerating rural-urban migration and producing internal displacements within the cities to disadvantaged neighborhoods (limited public services). Falling incomes and the move toward urban centers were not accompanied by sufficient growth in supply (private or public), which gave rise to informal settlement solutions characterized by substandard housing without access to basic services.² Moreover, these informal solutions exacerbated the problems associated with obtaining property titles in urban areas.
- 1.4 The absence of public services, especially in informal neighborhoods, is due mainly to the limited availability of fiscal revenue—own revenue and revenue from provincial and national transfers—that the provinces and municipios have for expanding the coverage and quality of the public services under their responsibility.

¹ IDB, 2011: A Study of the Housing Sectors and Housing Policies in Argentina, Chile and Colombia.

² Residential segregation is accompanied by inequitable access to public services in general, especially basic sanitation and urban infrastructure. In effect, the coverage gaps in access to water, sanitation, and natural gas between the two lowest quintiles and the two highest quintiles average 8, 17, and 25 percentage points, respectively, in the country's 32 main urban centers (INDEC, Continuous Household Survey, IV quarter 2009).

Moreover, informal neighborhoods lack recreational areas, community centers, and social services, which are supplementary services necessary for improving the habitability of households in the neighborhoods. These factors, added to the precarious land tenure status of the properties on which they live, discourage shantytown and settlement residents from making investments to improve the quality of their dwellings.

- 1.5 Informal neighborhoods in Argentina can be classified into two types:
 - a. **Shantytowns (*villas*):** Most shantytowns or *villas* have been erected on illegally occupied public or private land and have seen increasing in-fill over time, resulting in irregular subdivisions and urban layouts with few streets, a dense network of haphazard alleyways, a scarcity of public spaces, and high population density. Their location within cities is generally convenient, with ready access to centers of production and consumption. Despite the foregoing, they lack some basic services, and dwellings are makeshift.
 - b. **Unregulated settlements:** These usually have a regular and planned layout and are generally the result of collectively organized illegal occupations (or of occupants who acquired their lots illegally in the informal market). For the most part they are situated on public and private lands for which there is not much demand in the formal market. The principal deficits are basic and social services.
- 1.6 More specifically, according to the registry of informal neighborhoods compiled by the Urban Development and Housing Division (SDUV), there are 718 shantytowns and unregulated settlements in the country, home to more than 390,000 families (or 3.6% of Argentine households). Their inhabitants have limited access to urban benefits, and are the most vulnerable group, at serious risk for social exclusion. The information collected by the SDUV on the shantytowns and unregulated settlements indicates that the average unmet basic needs (UBN) index is 87%, with service coverage rates of 38% for water, 15% for sewerage, 16% for natural gas, and 37% for public lighting. Furthermore, 43% have legal possession of their lots,³ while only 9% have property titles.⁴ Urban facilities, community centers, and social services are also inadequate in these areas.
- 1.7 In short, although informal neighborhoods in Argentina face a multitude of problems, an important factor that warrants immediate and sustained attention over time is to improve the habitability⁵ of households in shantytowns and unregulated settlements. This means expanding infrastructure, facilities, and basic and environmental sanitation to improve the coverage and quality of municipal public services. For these investments to be sustainable over time, they should be

³ Defined as the administrative process of registering the sales agreement for the lot at the municipio or at the office of the Instituto Provincial de la Vivienda [Provincial Housing Institute].

⁴ Defined as the title deed notarized by a public notary in the National Property Registry.

⁵ Habitability includes both physical housing conditions and the surrounding environment.

accompanied by land tenure legalization and support for strengthening human and social capital so that the residents have incentives for maintaining the infrastructure investments made by the public sector.

- 1.8 **Experience and lessons learned.** The region has more than 25 years of rich and diverse experience with programs to solve the problems of unregulated settlements. In Argentina, experience with urban issues was gained through the Integrated Development Program for Large Urban Areas in the Argentine Interior – GAU (1068/OC-AR), the Barrio Improvement Program – PROMEBA I (940/OC-AR), and the Rosario Habitat Program (1307/OC-AR). These experiences, including that of PROMEBA, have been documented in Bank publications⁶ and other literature. The most important lessons learned about interventions in neighborhoods are: (i) when interventions are designed and implemented with community participation they are more effective; (ii) physical and social integration of neighborhoods into the city helps residents feel more integrated into society, as citizens with all the corresponding rights and obligations; (iii) greater accessibility for these neighborhoods increases job opportunities and access to other public services; (iv) the availability of basic infrastructure (water, electricity, sewerage, natural gas) impacts health and UBN indicators, and contributes to a better quality of life for this population; (v) interventions that support community organizations promote harmonious relations among neighbors and strengthen social capital in these communities; and (vi) regularization of land tenure provides legal security and increases property values.
- 1.9 These lessons were used for the design and execution of the first individual operation under the CCLIP (1842/OC-AR), which made it possible to maintain an efficient rate of execution and to satisfactorily achieve the proposed targets and outcomes (see paragraph 1.11). For this operation, the experience gained from the first stage recommends the following: (i) efforts to improve coordination between the participating institutions should be intensified through agreements signed in advance with the companies and institutions responsible for operating and maintaining the works; (ii) municipios should play a stronger direct role as the primary parties responsible for the design, execution, and monitoring of investments; (iii) the emphasis should be maintained on providing training and technical assistance to the municipal executing units (MEU) and the provincial executing units (PEU) before proceeding to implement projects, as well as general activities to foster the exchange of good practices and experiences between the subexecuting units; and (iv) post-works support should be strengthened to ensure proper operation and maintenance of the new public services.
- 1.10 **Rationale.** The interventions of the second individual operation under the CCLIP were designed taking into account the SDUV strategy to put greater emphasis on serving the most vulnerable sectors of the population by providing comprehensive

⁶ For example, IDB, 2009. “Construir Ciudades. Mejoramiento de barrios y calidad de vida urbana. [Building Cities. Improving neighborhoods and the quality of urban life],” Eduardo Rojas, editor (see [electronic link](#)).

solutions to housing problems through the regularization of shantytowns and settlements. This comprehensive approach consists of meeting both the need for physical infrastructure and the need for social services in each neighborhood (shantytown or settlement), based on a plan agreed upon with the community, a recommended practice from earlier experiences to implement projects in disadvantaged neighborhoods. This operation aims to provide water, sewer, and drainage services, access roads, public lighting, and public spaces, along with actions to grant land ownership. The projects were formulated with funds from loan 1842/OC, which financed the preparation of the comprehensive final project designs.⁷ This strategy is supplemented by the government-financed federal programs *Mejor Vivir* [Better Living]⁸ and *Construcción de Viviendas* [Building Homes], as well as provincial urban and housing development programs. In addition, under the SDUV's strategy, the program has a key role in implementing a comprehensive, crosscutting methodology for designing and implementing regularization projects, taking urban, legal, social, and environmental considerations into account. The strategy aims to tap the experience and lessons learned from earlier operations, with regard to coordinating efforts between different institutional stakeholders, neighborhood organizations, and residents. With this approach, the SDUV expects to make more efficient use of federal program capacities and resources.

- 1.11 The first individual operation under the CCLIP is being executed successfully. As at 30 June 2011, US\$292 million (75% of the financing) had been disbursed, and US\$378 million was committed (97% of the total loan amount). The program is satisfactorily achieving its targets and outcomes. A total portfolio of 145 projects and 62,956 beneficiaries are receiving support. Of the total portfolio, 63 projects have been completed, 72 are in execution, and 10 are in the final bidding phase. In addition, it has been confirmed that the executing agency has met the program eligibility criteria to the satisfaction of the Bank.
- 1.12 The preparatory work for this operation included an external evaluation of the outcomes and impact of the program in execution (the first CCLIP operation). A comparative approach was used, using the baseline indicators and the information compiled through the comprehensive post-works project evaluation documents for each intervention under loan 1842/OC-AR. The methodology combined family surveys, individual and group interviews, focus groups, and on-site observation. A description of the principal findings of this evaluation follows:
- 1.13 **Global outcomes and impact indices.** All neighborhoods benefitting from PROMEBA have registered positive outcomes and impacts. With reference to

⁷ These preinvestment studies produce projects through the detailed design stage with community participation; they include infrastructure works and social assistance actions.

⁸ The program *Mejor Vivir* is one of the federal housing programs launched in 2003. Its objective is to complete and/or expand/repair the home of any family group that needs to complete and/or improve their current dwelling, in cases where they initiated the construction of their sole dwelling with their own efforts and do not have access to conventional forms of credit.

poverty levels, measured by the UBN index, in 68% of the cases the percentage was reduced by at least 30%. The UBN was reduced in all regions to almost half, with the general average falling from 87% to 51%. The health level, measured according to the morbidity rate, also improved by at least 15% in 76% of the projects. The residential satisfaction index, measured by access to and quality of services, improved on average by 35%, which exceeds the target.

- 1.14 The program achieved 97% of the target related to regularizing the layout of the neighborhoods. The percentage of regularized lots rose from 57% to almost 100%. Legal possession of lots rose from 43% to 74% (although the 90% target set for the program was only achieved in 50% of the neighborhoods). The expected target that 60% of the households would obtain property titles was only achieved in 26% of the neighborhoods. On average, 36% of the households obtained property titles, as compared with the initial situation of only 9%. The gap is primarily attributed to the amount of time it takes to complete the legal transactions, which exceeds the program execution period. Consequently, titling actions that are still pending will continue to receive support under the next tranche of the program.
- 1.15 In terms of infrastructure, the program provided 89% of the neighborhoods with 100% of the planned public infrastructure (water and sewer services, drainage, access roads, public lighting, and public spaces) and urban and community facilities (generally multipurpose rooms). The urban infrastructure index rose from 32% to 99%, and the urban and community facilities index rose from 18% to 96%. Environmental risks in the neighborhoods (floods and landslides) were fully resolved. The expected environmental health improvements (connection of the homes to water, sewer, and garbage removal systems) were confirmed in 87% of the projects.
- 1.16 The rationale for the second individual operation under the CCLIP is based on the Argentine government's decision to continue the actions financed by PROMESA, given its social and urban impact. The government considers these actions to be an effective way to target public spending to the needs of population segments that have been bypassed historically by urban and housing policies, and to do so with the participation of provincial and municipal governments.
- 1.17 This operation is aligned with: (i) the Bank's country strategy with Argentina (2004-2008), updated for the 2009-2011 period, with regard to improving the quality of life of the population with unmet housing needs; and (ii) the objectives of the Ninth General Capital Increase to reduce poverty (measured by urban UBN) and to improve the quality of life and equity (measured in terms of the increase in the number of poor households with access to water and sanitation services, reducing the basic infrastructure and social services deficits in poor areas).

B. Objectives, components, and cost

- 1.18 The objective of this operation is to improve the habitability of households located in shantytowns and unregulated settlements in the country. This proposed second individual operation is framed by the CCLIP, which aims to improve the quality of

life and contribute to the urban and social inclusion of Argentine households in the poorest segments of the population. The overall target of the CCLIP is to reach approximately 250,000 households throughout the country. This second operation is designed to reach 69,000 new families in 70 shantytowns and unregulated settlements.

- 1.19 The program has five components, which are described below (full detailed descriptions of each component can be found in the Operating Regulations, see [electronic link](#)):
- 1.20 **Component I. Legalization of land tenure (US\$2.9 million).** In order to address the deficit of property titles and provide land tenure security, this component will finance consulting services as well as the procurement of other services for conducting legal studies and property surveys, marking boundaries, officially registering new lots, processing physical and legal regularization, and delivering property titles to beneficiaries.
- 1.21 **Component II. Provision of infrastructure, facilities, and environmental sanitation (US\$390.2 million).** In order to improve the coverage of basic and assistance services in disadvantaged neighborhoods, this component will finance physical works to provide: (i) sanitary infrastructure (water and sewer systems); (ii) electric power; (iii) stormwater drainage infrastructure; (iv) natural gas distribution; (v) access roads; (vi) pedestrian network; (vii) urban community facilities, (viii) green spaces; and (ix) environmental mitigation works. Consulting services will be also financed for the formulation of the complete detailed designs. (See paragraphs 2.10 and 2.11 for the neighborhood eligibility and ranking criteria.)
- 1.22 **Component III. Expansion of human and social capital (US\$29.2 million).** In order to strengthen grassroots community organizations and formally integrate them into the city, field teams will be contracted to provide advisory services to the communities for environmental, zoning, and legal support, and social support for: (i) management of neighborhood initiatives; (ii) coordination of the community with government agencies; and (iii) strengthening of neighborhood activities that foster social and urban integration. The component will also finance: (i) the organization of participatory workshops; (ii) training on the administration and management of community resources; and (iii) advisory services for legally establishing the grassroots organizations.
- 1.23 In addition, in order to make the work on the ground effective and generate community support, this component will finance activities to contain and prevent risks to vulnerable groups, such as mothers who are heads of household, children, and youth, through the following lines of action: (i) activities to prevent family violence and addiction, and to promote preventive health principles; (ii) recreational, sports, and cultural activities; (iii) training, mainly for youth and women, to improve their employability; and (iv) solid waste management projects

for trash pickers. The component will also finance assistance and works for community initiative projects.⁹

- 1.24 **Component IV. Strengthening of management capacity (US\$11.4 million).** In order to strengthen the performance of the supervision and management teams of the executing units and the municipios, this component will finance: (i) information technology support, computer equipment, and software for program management; (ii) training activities for the National Coordination Unit (NCU), the PEUs, and the MEUs; (iii) dissemination and coordination of the program with national, provincial, and municipal agencies; (iv) creation and strengthening of new PEUs and MEUs; (v) actions to accelerate land transfers from the national and provincial governments for housing development purposes; and (vi) training fund for NCU, PEU, and MEU personnel.
- 1.25 **Component V. Management and administration (US\$11.2 million).** This includes NCU operating expenses, equipment, and management, as well as specific consulting services needed by the NCU, external audits, and consulting services for the evaluations.

Table 1.1: Cost and financing (US\$000)

Categories	Bank	Local	Total	%
1. Legalization of land tenure	2,634	293	2,927	0.7
2. Provision of infrastructure, facilities, and environmental sanitation	351,158	39,018	390,176	87.6
3. Expansion of human and social capital	26,322	2,924	29,246	6.6
4. Strengthening of management capacity	10,269	1,141	11,410	2.6
5. Management and administration	9,617	1,624	11,241	2.5
Total	400,000	45,000	445,000	100
%	89.9	10.1	100	

- 1.26 The proposed loan will be made to the Argentine Republic with Ordinary Capital resources. This program is the second individual operation under the CCLIP, for a total of US\$445 million, of which US\$400 million will be provided by the Bank, and US\$45 million will be provided by the local counterpart. See the cost table (Table 1.1).

C. Key results indicators

- 1.27 Program impact will be evaluated in accordance with the improved habitability of residents in shantytowns and unregulated settlements. To this end, two factors of the UBN index will be used as proxies: (i) inadequate housing; and (ii) overcrowding. The principal outcome indicators include: (i) percentage of families with property titles; (ii) percentage of neighborhoods with multipurpose rooms and basic services that function satisfactorily; and (iii) percentage of

⁹ Small-scale production activities requested by the community.

households that participate in community activities. The indicators and their projected values are presented in detail in the results matrix for this operation (Annex II).

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 **Program resources and disbursement schedule.** The total cost of the program is US\$445 million, 90% of which will be financed by the Bank with resources from the Ordinary Capital, and 10% of which will be contributed by the local counterpart. The planned execution period is five years from the effective date of the loan contract. The disbursement schedule follows.

Table 2.1: Disbursement schedule (US\$ million)

Source of financing/year	1	2	3	4	5	TOTAL
IDB	65.50	88.10	104.10	104.10	38.20	400
Local	7.25	9.80	11.60	11.60	4.75	45
Annual total	72.75	97.90	115.70	115.70	42.95	445
%	16.3	22.0	26.0	26.0	9.7	100

B. Environmental and social safeguard risks

- 2.2 An environmental evaluation of the program was performed with the NCU of PROMEBA. The report includes an evaluation of the environmental procedures implemented during execution of the first individual CCLIP operation. The evaluation reported satisfactory fulfillment of the program's environmental and social procedures, and the resolution of all situations, such as landslide and flood areas, that posed environmental risk. It is recommended that the procedures already specified in the Operating Regulations for loan 1842/OC-AR for designing the supervision, control, and environmental monitoring routines for environmental management, as well as the resettlement guidelines, should continue to be used. Expected adverse impacts will be temporary and moderate, and will be limited primarily to the execution of works. Relocations—if any—will take place mainly within the intervened neighborhoods themselves.¹⁰ The program provides for the implementation of the relevant impact mitigation measures, described in the Environmental and Social Management Report ([electronic link](#)). The program complies with the Bank's Environment and Safeguards Compliance Policy (OP-703) and its Involuntary Resettlement Policy (OP-710). This program has been classified as a category "B" operation.

¹⁰ It is anticipated that a maximum of 15% of families will be relocated per intervened neighborhood.

C. Fiduciary considerations

- 2.3 The Urban Development and Housing Division (SDUV), which is the executing agency of the program, has created a National Coordination Unit (NCU) within its administrative structure for the purpose of managing the PROMEBA program. The NCU, which was created in 1997, has a structure that is consistent with the Bank's requirements and it is currently implementing a plan to support the administration of projects by decentralized units.
- 2.4 **Financial management.** The loan proceeds may be disbursed in the form of advances, reimbursements, and/or direct payments.¹¹ In the case of advances, disbursements will be based on a financial plan¹² covering up to 180 days. The system for executing units of external loans (UEPEX) will be used, both at the central level and at the level of subexecuting units, which will improve the efficiency and effectiveness of financial management. **Evidence of activation of the UEPEX system will be a special contractual condition precedent to the first disbursement.**
- 2.5 **Procurement.** The procurement plan will be managed through the online system known as the Procurement Plan Execution System (SEPA).
- 2.6 Works, goods, and consulting services will be procured in accordance with the "Policies for the procurement of works and goods financed by the IDB" (document GN-2349-9) and the "Policies for selection and contracting of consultants financed by the IDB" (document GN-2350-9), both of March 2011, as well as with the provisions of the loan contract and the fiduciary agreements and requirements (Annex III).
- 2.7 **Advance procurements and retroactive financing.** There are no expenses that can be charged retroactively to the loan or recognized against the local counterpart contribution.

D. Other special considerations and risks

- 2.8 **Program risks.** Six risks were identified during the process to identify and analyze the program: four were assessed to be of low severity, and two of medium severity. No high-severity risks were identified. A detailed analysis can be found in the risk management matrix ([electronic link](#)). The most important risk detected is associated with weak coordination between participating actors (province, municipio, service firms, community). To mitigate this risk, the program will strengthen the participation of actors on management boards by holding 10 workshops for the members of these boards.

¹¹ IDB Disbursement Manual. III. Disbursement methods (pp. 1 and 2).

¹² For the Bank's loan, all the estimated month-to-month costs/expenditures, by investment category, for the period covered by the disbursement request; for the local counterpart and other sources, the resources they will contribute to the project during that same period (total by investment category).

- 2.9 **Technical considerations.** The available preliminary portfolio comprises 83 projects in 22 provinces for an estimated investment of US\$353 million. Of these, 13 projects have complete technical designs, meaning they are ready for the bidding process. These investments total approximately US\$76 million, or 21% of the financing anticipated under Component II. In addition, nine projects that were determined to be eligible under loan 1842/OC-AR, for a total of US\$13 million, will be included in the portfolio of the new tranche. These projects give continuity to works initiated under PROMEBA to provide infrastructure, facilities, and environmental sanitation; actions to regularize property; and infrastructure works in small border towns. The average values of the interventions, by lot and by region, as well as the mechanisms for updating the values, can be found in Annex II to the Operating Regulations for this operation.
- 2.10 **Eligibility criteria.** To be eligible, the projects should meet general technical, economic, legal, environmental, urban, and social criteria.¹³ These criteria include: (i) that they combine physical and social interventions in the territory; (ii) that relocations affect a maximum of 15% of families in each neighborhood; (iii) that at least 75% of the neighborhood population has some basic unmet needs (measured according to the UBN); (iv) that investment costs per lot do not exceed the threshold value equivalent to the average cost for the region; and (v) that legalization of land tenure is feasible.
- 2.11 **Ranking criteria.** Once a year, the NCU of the PROMEBA will issue a call for the presentation of projects. Projects will be ranked according to complexity, social and urban impact, and the amount of time needed to resolve factors that affect the land tenure situation. This includes the activation of services, resolution of environmental restrictions, and availability of land when relocation is required. The eligibility and ranking criteria are specified in Annex II to the Operating Regulations.
- 2.12 **Economic feasibility.** The economic analysis was performed using the cost-efficiency methodology, based on which cost parameters were established for the housing lots, which will be used in the eligibility analysis of the projects throughout program execution. Projects in about 70 neighborhoods in various parts of the country were analyzed (executed under loan 1842/OC-AR, the first operation under the CCLIP line), and various cost-efficient alternatives were studied for the program's physical interventions. The selection of the least-cost alternatives resulted in estimated savings of between 15% and 37% with respect to the alternatives compared. Investment thresholds for housing lots will be applied in accordance with the characteristics of each region (in addition to other parameters that will be used when interventions are of partial scope). As a result of this analysis, the maximum investment per housing lot ranges from Arg\$39,716 to Arg\$54,992 (equivalent to US\$9,687 and US\$13,413) as of April 2011, based on the geographical location of the works. Since the values are denominated in

¹³ This operation uses the same criteria as the previous operation (1842/OC-AR).

Argentine pesos, an adjustment clause was included, pegged to the performance of the Construction Cost Index reported by the National Statistics and Census Institute (INDEC). The final program evaluation will review compliance with the investment thresholds for the housing lots.

- 2.13 The interventions are expected to generate significant economic benefits for the people living in the neighborhoods targeted by the program, associated with the following: (i) improvements in the neighborhood's physical, social, and environmental setting (which will increase land and building costs, both in the neighborhoods and in the surrounding areas); (ii) shorter travel time to reach public transportation; and (iii) increased investments by owners in their dwellings. The evaluation document presents the findings of several cost-benefit evaluation exercises from similar interventions, which suggest that this program will have satisfactory rates of return.¹⁴
- 2.14 **Financial and institutional feasibility.** The NCU does not have significant institutional, technical, or financial weaknesses; human resources are well qualified and have the experience necessary to administer the operation with subexecuting units at the subnational level. The subexecuting units also have the capacity to perform the activities under their responsibility.¹⁵ The analysis of current and projected financial resources shows that program execution and the counterpart contribution are feasible since the counterpart funds will be provided by the nation itself and by the participating provinces. Framework participation agreements will be the binding instruments used to specify the local contribution commitments.

III. IMPLEMENTATION AND ACTION PLAN

A. Summary of the execution mechanism

- 3.1 The borrower will be the Argentine Republic. The executing agency will be the Urban Development and Housing Division (SDUV) of the Public Works Department of the Ministry of Federal Planning, Public Investments, and Services, through its National Coordination Unit (NCU), which will be the core entity responsible for program coordination and execution of all the components.
- 3.2 The program will be executed in a decentralized manner by the participating provinces and municipios, which will be the subexecuting units of the program. The subexecuting units will propose projects for possible financing by the program in accordance with the criteria and conditions set out in the Operating Regulations, the preliminary version of which was drafted during the preparation stage of this operation. The Operating Regulations define the responsibilities of the subexecuting units, which will be specified in the framework participation

¹⁴ See details at [electronic link](#).

¹⁵ The satisfactory findings of the audits and the technical and fiduciary evaluations performed during execution of loan 1842/OC-AR, as well as the institutional assessment, attest to the solid capacity of the executing agencies.

- agreements, through which the provincial or municipal executive branch will accept the terms and conditions of the program and of the contract that the borrower will sign with the Bank. The Operating Regulations were developed and reviewed with the national authorities and are pending approval. **A special contractual condition precedent to the first disbursement will be evidence of implementation of the Operating Regulations for the program by the executing agency.**
- 3.3 The NCU will be responsible for coordinating and implementing the different actions and interventions, for promoting communication and integration between the participating agencies, and for serving as the SDUV's direct liaison with the Bank. It will be also responsible for the financial and accounting management of the operation. The principal functions of the NCU include: (i) planning the program investments and handling budgetary coordination with the subexecuting units; (ii) evaluating the final project designs for institution-strengthening and works; (iii) developing the management and accounting systems required for physical-financial monitoring; (iv) conducting physical-financial control and preparing progress reports; (v) supporting the bidding processes for works, and for the procurement of goods and services; (vi) supporting the supervision and inspection of works; (vii) coordinating and supervising social and environmental factors; (viii) maintaining control of accounts and records, submitting disbursement requests, and rendering accounts; (ix) monitoring and coordinating fulfillment of the contractual clauses of the loan contract; (x) monitoring and evaluating the outcomes, targets, and indicators established in the results matrix; (xi) preparing and monitoring the annual work plans (AWP); (xii) preparing/supervising the terms of reference for contracting individual consultants and consulting firms; (xiii) reviewing all technical and administrative documentation related to the bidding and procurement processes; and (xiv) preparing other reports requested by the Bank.
- 3.4 In the subexecuting units, project management will be the responsibility of the PEU, or of the entities defined as management agencies of the municipios or MEU, provided the latter have the institutional and technical capacity to do so and that the executing agency has assessed the suitability of the execution mechanism. The PEUs and MEUs may be strengthened with program resources. Prior to the transfer of resources, which will be nonreimbursable, the executing agency will sign the framework participation agreement with the relevant subexecuting unit. Entry into force of the framework participation agreement between the executing agency and each subexecuting unit, under the terms agreed upon with the Bank, will be a special execution condition precedent to the first transfer of resources to each of the program's subexecuting units.
- 3.5 Bank supervision of this operation will be performed by the Fiscal and Municipal Management Division (FMM), with support, as necessary, from the technical specialists from the sector divisions (Water and Sanitation Division, Transport Division, Energy Division) at the Bank's Country Office in Argentina.

- 3.6 **Audits.** During the execution period, the NCU will present audited financial statements for the program on an annual basis, pursuant to the requirements established by the Bank in its policies. To that end, it was agreed with the executing agency that an external audit firm would be hired. The audited financial statements will be presented within 120 days after the close of the fiscal year. The closing audit reports for the program will be delivered within 120 days after the last disbursement.

B. Summary of monitoring and evaluation arrangements

- 3.7 The NCU is developing a tracking and monitoring system that will provide detailed reports on outputs by project, as well as general summaries. This system will make it possible to define output and outcome indicators at the project level, as well as the associated targets for each period. At present the system has the capacity to monitor physical targets, but work is being done to integrate it with the UEPEX system so it can operate online with project financial management. To monitor fiduciary aspects, the unit will continue to use the national systems implemented previously and that were satisfactory to the Bank. All project transactions will be performed using the information system created for the UEPEX system. The required financial reports are: (i) financial execution plan for the 90 days following the request for an advance; (ii) annual audited financial statements; and (iii) other reports that may be required by the Bank. Procurements will be monitored through the SEPA, which has already been implemented.
- 3.8 Program monitoring will be based on the following instruments: the multiyear execution plan, annual work plans, progress reports, and the on-site supervision plan. This will be supplemented by regular updates of the risk mitigation matrix. The NCU will include the output and outcome indicators agreed upon in its monitoring system. Program resources have been earmarked for upgrading the monitoring system, which will be made available to the subexecuting units, and the relevant personnel will receive training.
- 3.9 The midterm and final reviews are the key milestones of the monitoring system. The NCU will prepare and deliver to the Bank a midterm progress report within 90 days after 50% of the loan proceeds have been disbursed or 30 months into the execution period, whichever occurs first. It will also send the Bank a final evaluation report that will serve as an input for the project completion report within 90 days after 90% of the loan proceeds have been disbursed. These reports will cover: (i) the financial execution results by component; (ii) the achievement of output and outcome targets, and the progress made toward achieving the expected impacts, according to the indicators in the results matrix; (iii) the degree of fulfillment of the environmental requirements for works, as established in the program environmental assessment, as well as fulfillment of operating and maintenance tasks for the completed works; (iv) the degree of fulfillment of contractual commitments; (v) a summary of the findings of all the audits performed during program execution; (vi) verification of compliance with the investment thresholds per housing lot; and (vii) a summary of the principal lessons learned.

Once accepted by the Bank, these two reports will be made available to the public on the PROMEBA and Bank websites.

- 3.10 The program will be evaluated using the reflexive method. The expected outcomes are presented in the results matrix (Annex II), the principal indicators of which were agreed upon during the preparation of the operation, including the methods and means of verification. Specific funds have been earmarked for evaluation, separate from the funds allocated for the monitoring system.
- 3.11 Since this is a multiple-works program and the beneficiary neighborhoods have not yet all been selected, the outcomes will be analyzed on the basis of a comparison keyed to the baseline values of the indicators surveyed in the files of each project (situation prior to the intervention). These indicators will subsequently be evaluated through specific evaluations, and the findings will be compiled in the comprehensive post-works project file (situation after the intervention).
- 3.12 The evaluation will also cover the performance of indicators that have longer verification periods,¹⁶ especially those related to sustainability (operation and maintenance) and the progress being made to legalize property ownership. For these indicators, the universe of projects will include projects financed under the first CCLIP loan as well as projects financed by this operation that have been completed for three years.
- 3.13 The evaluations will be performed by a consulting firm with expertise in impact assessment of development projects, under terms of reference agreed upon with the Bank. This firm will be contracted during the fourth year of execution or when 75% of the loan proceeds have been committed (see schedule in the monitoring and evaluation plan). The specific budget for evaluation activities is US\$200,000 and is included in Component V, on program administration and supervision.

¹⁶ These indicators will be used to evaluate the impact and outcomes of the CCLIP.

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Lending Program		Lending for poverty reduction and equity enhancement.		
Regional Development Goals		Incidence of waterborne diseases (per 100,000 inhabitants), (ii) Paved road coverage (Km/Km2), (iii) Percent of households with electricity, and (iv) Proportion of urban population living in dwellings with hard floor.		
Bank Output Contribution (as defined in Results Framework of IDB-9)		The intervention contributes to Banks outputs: (i) Households with new or upgraded water supply; (ii) Households with new or upgraded sanitary connections; (iii) Km of inter-urban roads build or maintained/upgraded; (iv) Number of households with new or upgraded dwellings, and (v) Municipal or other sub-national governments supported.		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix		GN-2328	Improve the quality of life of the population with unmet housing needs.	
Country Program Results Matrix		GN 2617	The project is included in the Country Program Document for 2011.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Highly Evaluable	Weight	Maximum Score
		9.1		10
3. Evidence-based Assessment & Solution		9.7	25%	10
4. Ex ante Economic Analysis		10.0	25%	10
5. Monitoring and Evaluation		6.7	25%	10
6. Risks & Mitigation Monitoring Matrix		10.0	25%	10
Overall risks rate = magnitude of risks*likelihood		Medium		
Environmental & social risk classification		B		
III. IDB's Role - Additionality				
The project relies on the use of country systems (VPC/PDP criteria)		Yes	Procurement: information system, shopping method; Financial management: budget, treasury, accounting and reporting, external audit, internal audit.	
The project uses another country system different from the ones above for implementing the program				
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment		Yes	The environmental conditions of the beneficiaries will improve.	
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project				
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan.				

The objective of this operation is to improve the living conditions of homes located in informal settlements in Argentina. There are a total of 718 informal settlements in Argentina, with more than 390 thousand families living there. This corresponds to 3.6% of the country's homes. These settlements lack adequate basic services, urban infrastructure, community centers, and social services. In addition, the families that inhabit these settlements are excluded from the benefits that cities provide and therefore are the most vulnerable groups in society and have the highest risk of social exclusion.

This operation has been categorized as highly evaluable. The problems to be addressed by the project are identified as are their orders of magnitude and the factors that generate these problems. The diagnostic is backed by empirical evidence and the proposed interventions are linked to the problems that have been identified in the diagnosis.

The results matrix has vertical logic and the impacts, outcomes and outputs are clearly presented. All the impact, outcome and output indicators are SMART. All the impact, outcome, output indicators have targets and sources of information. The baselines are not included, but the POD indicates when they will be collected. With respect to the information required for the PMR, all outputs are presented on an annual basis but the project costs are not broken-down by output.

The project was analyzed using a cost-effectiveness analysis, utilizing cost per lot as the unit of measure. A sensitivity analysis was also included. The project has a monitoring and evaluation plan that follows the DEM guidelines. The operation will be evaluated using a reflexive methodology and an ex-post cost-effectiveness analysis. A32Finally, the risk matrix presents the projects risks which are rated for magnitude and probability. Mitigation measures are presented for each risk as well as indicators to monitor its implementation.

RESULTS MATRIX¹

Program objective:	The objective of this operation is to improve the habitability of households located in shantytowns and unregulated settlements in the country.
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Impact indicators	Baseline ²	Final target	Observations and means of verification
Percentage of inadequate dwellings in shantytowns and informal settlements covered by the program ³	Measured on the start date of the intervention in each neighborhood	30% reduction	Housing quality and overcrowding are the proxies for measuring habitability improvements.
Average rate of overcrowding in shantytowns and informal settlements covered by the program ⁴	Measured on the start date of the intervention in each neighborhood	30% reduction	Annual and final NCU reports and final evaluation (source: master project file and post-works file for each neighborhood)

¹ The basic definitions of the variables used to measure each of the indices have been incorporated into the Monitoring and Evaluation Arrangements. See the description of the indices at the end of the matrix.

² Because this is a global multiple-works program, not all the projects will be identified at the start of the operation. The baseline for each neighborhood will be measured before the corresponding interventions begin. The information will be registered in the master project file, which will be used to establish the eligibility of the operation. Exit data will be recorded in the post-works file, which is used to receive the works. Both the master project file and the post-works file are generated by the field teams directly in the participating neighborhoods.

³ The indicator is from the unmet basic needs (UBN) index used by the National Statistics and Census Institute (INDEC). *Inadequate housing* is defined as housing that does not have indoor plumbing and has an earthen floor or a floor made from a material other than ceramic or other type of tile, stone, wood, carpeting, plastic, cement, or brick.

⁴ Defined in accordance with the criteria of the UBN index. Overcrowding is defined as *housing or households with more than three people per room*. Reference is made to overcrowding per room, a figure that is calculated by dividing the total number of people in the household by the number of rooms.

INDICATORS	2011	2012	2013	2014	2015	2016	End target	Observations
COMPONENT 1. LEGALIZATION OF LAND TENURE								
Output indicators								
Number of neighborhoods with regularized urban layout ⁵	0	10	15	19	18	8	70 neighborhoods	Targets (units produced per year) Annual and final NCU reports (source: Municipal records office)
Number of neighborhood families that have supporting documentation for obtaining legal possession of their lots ⁶	Number of families on the start date of the intervention	9,974	15,246	18,959	17,584	7,518	69,300 families	Targets (units produced per year) Annual and final NCU reports. (source: master project file and post-works file)
Outcome indicators								
Percentage of neighborhood families that have property titles	Baseline: current % in the neighborhoods						Increase of 30 percentage points	This indicator will be measured for the CCLIP as a whole. Includes beneficiary lots under loan 1842/OC-AR Annual and final NCU reports, and final evaluation (source: master project file and post-works file)
COMPONENT 2. PROVISION OF INFRASTRUCTURE, FACILITIES, AND ENVIRONMENTAL SANITATION								
Output indicators								
Number of dwellings with water, sewer, gas, and electricity connections	Measured on the start date of the intervention	9,484	14,226	18,019	17,071	7,587	66,387 dwellings	Targets (units produced per year) Related to corporate target 3.2.2. Annual and final NCU reports (source: post-works file)
Number of neighborhoods with community facilities ⁷	0	9	15	19	18	8	69 neighborhoods	Targets (units produced per year) Annual and final NCU reports (source: post-works file)
Number of families resettled	0	950	1,400	1,800	1,700	760	6,610	Targets (units produced per year) Annual and final NCU reports (source: post-works file)

⁵ Neighborhood formally recorded at the municipio.

⁶ Municipal record of the lot.

⁷ Community facilities are facilities that will be used for social or community purposes, plazas, green spaces, and parks.

INDICATORS	2011	2012	2013	2014	2015	2016	End target	Observations
Outcome indicators								
% of participating neighborhoods where at least three of the basic services are operating satisfactorily (water, sewer, gas, public lighting); running water available 75% of the time; sewers connected to treatment plant; constant flow of gas; public lighting on the main street	0						100%	Annual and final NCU reports, and final evaluation (source: post-works file)
% of participating neighborhoods where community facilities are operating satisfactorily; multipurpose rooms in use at least 15 days a month; own revenue covers more than 50% of operating costs	0						75%	Annual and final NCU reports, and final evaluation. (source: post-works file)
COMPONENT 3. EXPANSION OF HUMAN AND SOCIAL CAPITAL								
Output indicators⁸								
Lines of action to provide comprehensive support and associated management, developed annually in the projects by the field teams (workshops, training courses, fairs)	47	312	540	779	613	360	2,651 lines of action	Targets (units produced per year) Annual and final NCU reports
Number of productive community initiative projects executed (training and project development: handicrafts, cooking, sewing)	0	5	9	13	5	7	39 projects	Same as above
Number of human and social capital development projects executed (risk containment activities for youths, nutrition courses, drug use prevention, recreational activities)	0	6	7	9	8	8	40 projects	Same as above

⁸ Actions eligible for financing under this component are described in the program's Operating Regulations (2.7) and include, among other things, multidisciplinary field teams to provide social, environmental, urban development, and legal support; human and social capital development projects aimed at containing and preventing risks to vulnerable groups, and the creation of networks of organizations that strengthen local development by addressing issues related to health, family violence, and addiction; recreation, sports, and cultural activities; training, especially for youth and women, to boost social inclusion; and solid waste sorting and management.

INDICATORS	2011	2012	2013	2014	2015	2016	End target	Observations
Outcome indicators								
% of households that participate in community activities	Measured at the start of the intervention						40%	Special survey ⁹ (master project file) measured as: % of households that participate in community groups. (Source: master project file and post-works file for each neighborhood) Annual and final NCU reports
% of households that work in local productive activities	Measured at the start of the intervention						20%	Special survey – master project file (source: master project file and post-works file for each neighborhood). Annual and final NCU reports
COMPONENT 4. STRENGTHENING OF MANAGEMENT CAPACITY								
Output indicators¹⁰								
Number of executing unit staff and/or social stakeholders of the program that participate in training workshops and seminars	0	800	800	800	800	800	4,000 participants	Annual and final NCU reports
Number of technical studies on urban management produced by the NCU and provincial executing units (PEUs)	0	1	1	1	1	1	5 studies	Same as above
Number of comprehensive final project designs produced by the PEUs and the municipal executing units (MEUs)	0	20	30	20	20	25	115 comprehensive final project designs	Same as above
Number of PEU management systems improved	0	15	10	0	0	0	15 improved management systems	Same as above
% slippage between the time scheduled and actual duration of the works bidding processes	34.8 ¹¹						20%	Annual and final NCU reports
% slippage between the time scheduled and the actual time involved in executing the works	31.9 ¹²						20%	Same as above

⁹ The forms that were developed under loan 1842/OC-AR will be adjusted for use in this new operation. The surveys will be developed, tested, and piloted during the first half of 2012.

¹⁰ The actions eligible for financing under the component are described in detail in the Operating Regulations for the program (2.7).

¹¹ Average % slippage in loan 1842/OC-AR projects.

¹² Average % slippage in the execution of loan 1842/OC-AR.

EXPLANATION OF THE RESULTS INDICES

Contents	Indicators	Frequency of measurement	Source of verification
Improvements in habitability conditions for the population in shantytowns and informal settlements	Two indicators will be used: (i) percentage of inadequate dwellings; and (ii) rate of overcrowding. These factors are defined according to the criteria used by INDEC in the UBN index. Overcrowding is defined as <i>housing or households with more than three people per room</i> . Reference is made to overcrowding per room, a figure that is calculated by dividing the total number of people in the household by the number of rooms. <i>Inadequate housing</i> is defined as housing that does not have indoor plumbing and has an earthen floor or a floor made from a material other than ceramic or other type of tile, stone, wood, carpeting, plastic, cement, or brick.	Start of project, end of project, and three years after completion	Special survey ¹³ (master project file and post-works file)
Families in the neighborhoods that attain legal certainty in their land tenure situations	Families with sales agreements registered at the municipio or at the offices of the Provincial Housing Institute	Start of project, end of project	Same as above
Basic services operating satisfactorily	<ol style="list-style-type: none"> 1. Running water system in service more than 75% of the time 2. Sewer system connected to treatment plant 3. Natural gas network operating 4. Public lighting operating on main thoroughfare in neighborhood 	Start of project, end of project	Same as above
Community equipment functioning	<ol style="list-style-type: none"> 1. Multipurpose room in existence (occupied more than 20 days a month, and more than 50% of operating expenses collected) 2. Existence of sports areas 3. Existence of plaza 4. Others: public park, garbage bins, bus stops, and signage 	Start of project, end of project	Same as above
Participation in community activities	<ol style="list-style-type: none"> 1. Participation in neighborhood group activities 2. Participation in government agency activities 3. Participation in NGO activities 		Same as above
Participation in local production activities	<ol style="list-style-type: none"> 1. Participation in productive community initiative projects 		Same as above
Relation between time scheduled and actual duration of bidding processes	Measurement of duration of processes	Ongoing during execution	Annual reports of the NCU
Relation between time scheduled and actual duration of the works	Measurement of duration of construction of works	Ongoing during execution	Same as above

¹³ The forms already in use for loan 1842/OC-AR will be revised for the special surveys. During the second half of 2012, the revised surveys will be pilot tested.

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: ARGENTINA

Project number: AR-L1119

Name: Barrio Improvement Program (PROMEBA) III. Second tranche of Conditional Credit Line for Investment Projects (CCLIP)

Executing agency: Urban Development and Housing Division (SDUV) of the Public Works Department of the Ministry of Federal Planning, Public Investments, and Services, through the PROMEBA National Coordination Unit (NCU)

Prepared by: Gustavo Sierra (PDP/CAR), Gumersindo Velázquez (PDP/CAR), and Maximiliano Marquis (consultant)

I. EXECUTIVE SUMMARY

The project risk management method was used to evaluate fiduciary management, taking into account that the executing agency will be the Urban Development and Housing Division (SDUV) of the Public Works Department of the Ministry of Federal Planning, Public Investments, and Services, through the PROMEBA National Coordination Unit (NCU), which has experience with and the operating capacity to execute Bank-financed loans.

Based on supervision of the loans currently being executed by the NCU, fiduciary weaknesses and the inherent risks were identified and indicated in the proposed supervision plan. While country systems for fiduciary management were evaluated in the fiduciary note for the country strategy, at the executing agency level they were evaluated following the procedures mentioned in paragraph I.1. It was concluded that these systems are adequate, although they should be strengthened.

The program does not involve financing from other multilateral agencies. It does have subexecuting units, and the NCU will be responsible for consolidating the financial information.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

The fiduciary systems of the executing agency are considered to be satisfactory although they will require some strengthening measures to adapt to the Bank's formal requirements, which will be included along with the risk mitigation matrix.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

This program is the second stage of a CCLIP that is presently in execution. To analyze the program's fiduciary risks, the Bank's project risk management method was used; this involved identifying and scoring the fiduciary risk, and preparing the risk mitigation matrix for the program. The fiduciary risk of the program was determined to be low; however, individual risks with their corresponding mitigation actions were identified. No irremediable high-impact risks were detected that would prevent effective execution of the program.

IV. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF CONTRACTS

- a. **Conditions precedent to the first disbursement:** (i) evidence of the entry into effect of the program's Operating Regulations by the executing agency; and (ii) evidence of the implementation of the executing units of external loans (UEPEX) system.
- b. **Exchange rate agreement:**
 - 1. For reimbursement of expenditures: as indicated in paragraph (a) of Article 3.06 of the General Conditions, the exchange rate in effect on the first working day of the month of the payment date.
 - 2. Rendering of accounts (advances of funds): the exchange rate used to convert the funds disbursed in the currency of the operation to local currency.
 - 3. Counterpart: as indicated in paragraph (a) of Article 3.06 of the General Conditions, the exchange rate in effect on the first working day of the month of the payment date.
 - 4. Disbursements in currencies other than United States dollars and Argentine pesos: In the case of direct payments and reimbursements of letter of credit guarantees, equivalence with the loan currency will be determined in accordance with the amount actually disbursed by the IDB.

The executing agency will submit the program's annual financial statements audited by a firm of independent auditors acceptable to the Bank.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

The fiduciary agreements and requirements for procurements establish the provisions that will govern all procurements provided for under this program (for further details see electronic link: procurement plan).

1. Execution of procurements

The Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9), of March 2011, and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development

Bank (document GN-2350-9), of March 2011, will apply. In addition, it was agreed with the executing agency that the Procurement Plan Execution System (SEPA) would be used for the administration and management of procurements planning for the program.

a. Procurement of works, goods, and nonconsulting services

Contracts for program works, goods, and nonconsulting services¹ that require international competitive bidding (ICB) will use the Bank's standard bidding documents (SBD). Contracts subject to national competitive bidding (NCB) will use national bidding documents agreed upon with the Bank. The program sector specialist will be responsible for reviewing the technical specifications of the procurements during the preparation of selection processes. The procurement plan to be presented by the executing agency should identify the selection processes that will be contracted directly, and those that will require prequalification of bidders.

b. Procurements involving community participation

The processes that will involve community participation are: (i) community initiative projects: execution of works at the initiative of the community, to be implemented by the community members themselves to supplement the comprehensive final project design package; an estimated 80 such projects are envisaged; (ii) projects to strengthen human and social capital: implementation of social projects (health, training, recreation, sports, trades, etc.) with the participation of nongovernmental organizations, cooperatives, consultants, or the subexecuting unit itself, with individual consultants hired for that purpose; an estimated 80 such projects are envisaged; (iii) procurements by cooperatives: smaller works executed by cooperatives in the intervention area that supplement the comprehensive final project design package; an estimated 40 such projects are envisaged. The procurement procedures for this type of project must be approved by the Bank.

c. Selection and contracting of consultants

Consulting services required for the program will be contracted using the standard request for proposals issued by or agreed upon with the Bank. The procurement plan will indicate which selection processes will be contracted directly.

- **Selection of individual consultants:** In the cases indicated in the approved procurement plans, the contracting of individual consultants may be advertised locally or internationally in order to create a short list of qualified individuals, pursuant to document GN-2350-9, Section V, paragraphs 5.1 to 5.4. In the cases of services put out to contract, consultants will submit midterm or final reports to the executing agency, as requested. For the renewal of contracts, approval of the performance evaluation by the responsible authority, to at least the satisfactory level, will be sufficient. Evaluations will be performed once a year to facilitate approval by the corresponding authorities. The executing agency will submit to the Bank the list of consultants who are currently contracted under the first operation, in the National Coordination Unit and the subexecuting units, and who will continue working under

¹ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-9) paragraph 1.1: Nonconsulting services will be treated similarly to goods.

the new operation. Specifically it was agreed that: (i) individual consultants will be selected through competition by invitation to a short list of consultants; (ii) consultants working on the staff of the National Coordination Unit do not submit final reports; and (iii) field team consultants will submit final reports. The direct selection method may be used for individual consultants who already work for PROMEBA II and who will continue working under this operation, as well as for the cases covered by Section V, paragraph 5.4, of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9).

- a. **Training:** The procurement plan lists the procurements that apply to the program components that include training activities and that are contracted as consulting and nonconsulting services.
- b. **Recurrent costs:** The recurrent costs or operating and maintenance expenses required for program operation that may be financed with Bank resources are: tickets, per diems, travel, office maintenance, mail service, stationery and supplies, maintenance of machinery and equipment, insurance, training expenses, graphic arts, printing, publications, copies, rental equipment, and minor expenditures required for NCU operation. These will be procured in accordance with the administrative procedures set out in the program's Operating Manual, which have been reviewed and accepted by the Bank.
- c. **Advance procurements/retroactive financing:** Some projects that were declared eligible under loan 1842/OC-AR will be executed with funds from the new operation; however, there are no expenditures eligible for retroactive financing or recognition against the local counterpart contribution.
- d. **National preference:** Tenders of goods of national origin will receive a 15% price preference² in contracts requiring international competitive bidding.

Table of threshold amounts (US\$ thousands)

Works			Goods ³			Consulting services	
International competitive bidding	National competitive bidding	Shopping	International competitive bidding	National competitive bidding	Shopping	International advertising consulting services	Short list 100% national
≥ 5,000,000	<5,000,000 ≥ 350,000	< 350,000	≥ 500,000	< 500,000 ≥ 100,000	< 100,000	> 200,000	<500,000

² Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9), Appendix 2, and the loan contract.

³ Includes nonconsulting services.

Thresholds for ex post review			
Consulting services			
Works	Goods	Consulting services	Individual consultants
< 5,000,000	< 500,000	< 200,000	< 50,000

Note: The thresholds established for ex post review reflect the executing agency's fiduciary capacity for execution and may be modified by the Bank should there be a change in that capacity.

Primary procurements

Activity	Procurement method	Estimated date	Estimated amount in US\$ thousands
Goods			
Computer hardware and software	S	Sep-11	200
Works			
Infrastructure works in neighborhoods of Buenos Aires province	NCB	Sep-11	46,690 (17 contracts at an average value of US\$2.75 million)
Infrastructure works in neighborhoods of Santa Fe province	NCB	Sep-11	9,150 (3 contracts at an average value of US\$3.05 million)
Nonconsulting services			
Property measurement and subdivision in Buenos Aires province	S	Sep-11	301 (16 contracts at an average value of US\$19,000)
Property measurement and subdivision in Santa Fe province	S	Sep-11	62 (3 contracts at an average value of US\$20,000)
Firms⁴			
Audit	QCBS	Nov-11	400
Individual			
Technical team of the National Coordinating Unit	Short list	Jan-12	2,427 (77 contracts at an average value of US\$31,000)

2. Procurement supervision

Procurements will be subject to ex post review. Ex post review visits will be made to six jurisdictions every 12 months. Ex post review reports will include at least one physical inspection,⁵ selected from among the procurement processes requiring ex post review. It is important to note that no less than 10% of the contracts reviewed will be inspected physically during the course of the program.

3. Records and files

The executing agency will keep a standardized central filing system with the relevant procedures. Program reports will be prepared and filed in accordance with the formats or procedures agreed upon with the Bank. The originals will be filed by the unit that conducts the bid; the executing agency will file the originals of its procurements, as well as the copies of decentralized procurements, maintaining a master file at the Bank's disposal.

⁴ In the case of consulting services, this means that the short list will comprise firms of different nationalities. See the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9).

⁵ The inspections will verify the existence of the procurements, and the sector specialist will be responsible for verifying quality and compliance with specifications.

VI. FINANCIAL MANAGEMENT

1. Programming and budget

The core legal foundation of the budget process is Law 24,156, which is regulated by Decree 1,344/07. The National Budget Office is the lead agency for the country's public budget system, and annually prepares the public sector's consolidated budget. The national budget has programmatic categories and other classifications, by item of expenditure (subheadings). They are: personnel costs, consumer goods, nonpersonnel services, fixed assets, transfers, financial assets, debt service and reduction of other liabilities, and other expenses. By economic function, the categories are current expenditures, capital expenditures, and financial applications. Internal sources of financing can be the national treasury, own resources, specific allocations, and internal transfers. External financing is made up of external transfers and external loans. Difficulties are not anticipated in the areas of budget management, timeliness of the local counterpart contribution, or delays that might affect execution. Both the operation that is currently in execution and the new operation have been included in the national budget. There are no special agreements for the programming and budget of the program.

2. Accounting and reporting systems

The executing agency will use the executing units of external loans (UEPEX) system as its **financial management system**. Accounting records will be cash-based and will observe the International Financial Reporting Standards, when applicable in accordance with national criteria. The following financial reports will be required: (i) financial management plan for up to 180 days after the request for an advance; (ii) annual audited financial statements; and (iii) other reports as required by the fiduciary specialists.

3. Disbursements and cash flow

The funds requested from the Bank in the form of advances will be deposited in a special operating account set up in pesos for the exclusive use of the program. This account will be used for paying program expenditures and for investments, as planned, or for transferring funds to the subexecuting units. The executing units should ensure strict and effective control of the use of advance funds by means of mechanisms that allow them to confirm and reconcile the balances in their records with those for the same charges in the Bank's records (LMS1 report).

The advance disbursement method will be used. The justification of eligible expenditures related to advances received should be submitted when at least 80% of the advance has been used, or when there is a special need for funds in accordance with the financial plan, covering a maximum of 90 days, that is to be submitted along with each request for an advance. These accounts will be presented and accepted by the Bank before the borrower or executing agency can receive another advance of funds.⁶ The exchange rate agreed to was described in point IV (b) of this report. The following will be required for disbursement requests: the disbursement request form, the execution status, and the financial plan for the

⁶ Disbursement Guide. Point 24.

next 90 days. The financial management specialist may request additional information, such as: (i) a list of commitments; and (ii) estimated physical-financial progress reports for the program. The frequency and period of time to be covered by the advance will not exceed 90 days. The accounting for advances should be submitted to the Bank along with the following information: (i) disbursement request form with certifications; (ii) program execution status; (iii) reconciliation of Bank resources; (iv) a statement of payments; and (v) other reports that demonstrate the program's progress. While it is not necessary for the accounting to include supporting documentation for the expenditures or payments, this does not signify Bank approval of the expenditures. The original supporting documentation for expenditures should be kept available for the Bank's review whenever it so requests. The conditions precedent to the first disbursement are described in section IV of this report.

The e-disbursement modality will be used. This is the Bank's online system that allows the executing agency to prepare and send disbursement requests electronically to the Bank, which reduces transaction costs and enables remote review and processing by the Bank of the requests.

4. Internal control and internal audit

The national body responsible for internal control is the Comptroller General of the Nation. The internal audit of each executing agency is performed by the Internal Audit Unit. That unit reports directly to the minister, and is responsible for performing audits and making recommendations in accordance with the authority conferred under Law 24,156 (Law on Financial Management and Control Systems, 30 September 1992). The Ministry of Federal Planning's Internal Audit Unit will perform the program's internal audits.

5. External control and reports

The national external control system is managed by the Office of the Auditor General of the Nation, which reports to the National Congress and supports it in overseeing the status of public sector accounts; it has performed several external audits of Bank-financed projects. Nonetheless, given the background and complexity of this program, it has been agreed that, with regard to Article 7.03 of the General Conditions, the program's financial statements will be presented after being duly audited by a firm of independent public accountants acceptable to the Bank during the execution period. In addition to the annual audit report, the executing agency should present financial and operational audit reports as at 30 June of each year, within 60 days after the close of the semiannual period, in accordance with the terms of reference previously agreed upon with the Bank. The firm will be contracted in accordance with the relevant Bank policies, and the corresponding costs may be charged to the loan.

6. Financial supervision plan

The initial financial supervision plan was based on the risk and fiduciary capacity assessments carried out in accordance with the on-site and "desk" reviews planned for the program. It includes the scope of operational, financial, and accounting actions, compliance and legality, frequency, and responsible parties.

VII. EXECUTION MECHANISM

The program currently in execution is being implemented by the Urban Development and Housing Division (SDUV) of the Public Works Department of the Ministry of Federal Planning, Public Investments, and Services, within which the National Coordination Unit (NCU) was created. The NCU has an executive coordination structure that oversees the different project teams, which are divided by region: Greater Buenos Aires; Centro/Cuyo; northeastern Argentina; northwestern Argentina, and Patagonia. For their part, each project team comprises the following areas: urban design and works, environment, social, legal, project team management, and project evaluation and monitoring. In addition, the NCU has the following support areas: strengthening of management capacity, financial accounting, administration, and strategic planning and evaluation. Since program execution is decentralized, provincial executing units (PEU) and municipal executing units (MEU) were created to handle contracting and payments. The new program will use the same execution arrangement.