



Board of Executive Directors

For consideration

On or after 26 October 2016

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To: The Executive Directors

From: The Secretary

Subject: Argentina. Proposal for a Conditional Credit Line for Investment Projects (CCLIP) and first individual loan under the line for the "Development Program for Metropolitan Areas Outside the Capital II"

Basic Information:

Loan type Conditional Credit Line for Investment Projects (CCLIP)

Borrower Argentine Republic

Line of Credit

Amount up to US\$240,000,000

Source Ordinary Capital

Individual Loan

Amount up to US\$80,000,000

Source Ordinary Capital

Inquiries to: Francisca Rojas (telephone Country Office in Argentina 5411-4320-1843) or Veronica Adler (telephone Country Office in Uruguay 598-2915-4330)

Remarks: This operation is not included in Annex III of document GN-2849, "2016 Operational Program Report", approved by the Board of Executive Directors on 3 March 2016. Therefore, the operation does not qualify for approval by Simplified Procedure.

Under the provisions set forth in document AB-2990, "Enhancing Macroeconomic Safeguards at the Inter-American Development Bank" (paragraph 2.4), the disbursement of Bank financing will be subject to the restrictions indicated in this loan proposal.

Reference: GN-1838-1(7/94), DR-398-17(1/15), AB-2990(5/14), AG-9/14, GN-2849(3/16), GN-2246-1(7/03), DE-58/03, GN-2246-4(12/06), DE-10/07, GN-2246-7(11/07), DE-164/07, GN-2564-3(12/11), DE-225/11

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
DEVELOPMENT PROGRAM FOR METROPOLITAN AREAS OUTSIDE
THE CAPITAL (AR-O0001)**

**DEVELOPMENT PROGRAM FOR METROPOLITAN AREAS OUTSIDE
THE CAPITAL II**

FIRST OPERATION

(AR-L1243)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Francisca Rojas (HUD/CAR), Project Team Leader; Verónica Adler (HUD/CUR); Andrés Muñoz (FMM/CBR); Robin Rajack (CSD/HUD); Viviana Alva Hart (RND/CAR); Henry Moreno (WSA/CAR); Rodrigo Serrano (ICS/CUR); Juan Manuel Leano (TSP/CAR); Maricarmen Esquivel (CSD/CCS); Luz Fernandez Garcia (CSD/CCS); Rodolfo Graham (LEG/SGO); Melissa Barandiaran (VPS/ESG); Marisol Pinto (FMP/CAR); Ana Niubo (CSC/CAR); Cecilia Ares (CSC/CAR); Sebastian Rocha (consultant); Dianela Avila and Alejandra Aguilar (CSD/HUD).

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ABBREVIATIONS

AGN	Auditoría General de la Nación [Office of the Auditor General]
AMT	Autoridad Metropolitana de Transporte [Metropolitan Transit Authority]
CCLIP	Conditional credit line for investment projects
CEU	Central Executing Unit
DAMI	Programa de Desarrollo de Areas Metropolitanas del Interior [Development Program for Metropolitan Areas Outside the Capital]
ECOM	Ente de Coordinación Metropolitana [Metropolitan Coordination Entity]
ESMF	Environmental and social management framework
ESMR	Environmental and social management report Execution System]
MIOPV	Ministry of the Interior, Public Works, and Housing
PEM	Plan de Ejecución Metropolitano [Metropolitan Execution Plan]
PEU	Provincial executing unit
POR	Program Operating Regulations
SEPA	Sistema de Ejecución de Planes de Adquisición [Procurement Plan
UEPEX	Unidades Ejecutoras de Préstamos Externos [External Loan Execution Units]
WAL	Weighted average life

PROJECT SUMMARY

ARGENTINA CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) DEVELOPMENT PROGRAM FOR METROPOLITAN AREAS OUTSIDE THE CAPITAL (AR-O0001) DEVELOPMENT PROGRAM FOR METROPOLITAN AREAS OUTSIDE THE CAPITAL II. FIRST OPERATION (AR-L1243)

Financial Terms and Conditions						
Borrower: Argentine Republic				Flexible Financing Facility^(b)		
				Amortization period:		25 years
				Original WAL:		15.25 years
				Disbursement period:		4 years
Executing agency: The borrower, acting through the Ministry of the Interior, Public Works, and Housing (MIOPV)				Grace period:		5.5 years
Source	CCLIP Amount (US\$)	First operation Amount (US\$)	%	Inspection and supervision fee:		(c)
IDB (OC):^(a)	240 million	80 million	80%	Interest rate:		LIBOR based
Local	60 million	20 million	20%	Credit fee:		(c)
Total	300 million	100 million	100%	Currency:		U.S. dollars from the Ordinary Capital
Project at a Glance						
Project objective and description: The objective of the conditional credit line for investment projects (CCLIP) is to enhance the quality of life of the population in metropolitan areas by improving urban services and infrastructure. The objective of the first individual operation is to improve public services and infrastructure in metropolitan areas that require cooperation between two or more territorial jurisdictions by: (i) fostering an understanding of the problems facing big cities and promoting agreements to prioritize actions that require coordination between municipal and provincial authorities of a metropolitan area; (ii) contributing to build the institutions necessary to deliver services and infrastructure in metropolitan areas that encompass two or more territorial jurisdictions; and (iii) financing investments in urban infrastructure and facilities to support such improvements.						
Special contractual condition precedent to the first disbursement: The executing agency will provide the Bank with evidence of entry into force of the program Operating Regulations and respective annexes, including an environmental and social management framework (ESMF), on the terms previously agreed upon with the Bank (see paragraph 3.2).						
Special contractual execution conditions: Prior to the transfer of resources to each subexecuting agency of the program: (i) the framework participation agreement must be signed between the executing agency and the respective subexecuting agency, on the terms agreed upon with the Bank; and (ii) an agreement must be signed between the jurisdictions for coordinated management of the investments and delivery of the relevant services (see paragraph 3.4).						
Exceptions to Bank policies: None						
Strategic Alignment						
Challenges:^(d)	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI	<input type="checkbox"/>
Crosscutting issues:^(e)	GD	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>	IC	<input checked="" type="checkbox"/>

^(a) The disbursement of the loan proceeds will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted in all instances from the date the loan operation is approved by the Board of Executive Directors of the Bank.

^(b) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

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

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

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

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem to be addressed, and rationale

- 1.1 Argentina is one of the most urbanized countries of Latin America. The United Nations Organization for Human Settlements (UN Habitat) estimates that in 2014 some 92% of Argentina's 40 million people were living in communities with more than 2,000 inhabitants. The pattern of land occupancy favors the concentration of inhabitants in large urban agglomerations or metropolitan areas, understood as built-up areas extending across the territory of more than one subnational jurisdiction. Argentina has 21 metropolitan areas of more than 100,000 inhabitants, accounting for nearly 60% of its population.¹
- 1.2 Argentina's metropolitan areas are characterized by a high degree of political fragmentation, where a single urban territory may have various local governments. The Buenos Aires Metropolitan Area stands out among these for its complexity and size with 13.3 million inhabitants distributed among 32 local governments.² There are other metropolitan areas that, although they have a smaller population, comprise a significant number of local governments, such as Greater Rosario, with 1.3 million inhabitants in 21 municipios, and Greater Córdoba with 1.4 million inhabitants distributed among 15 local governments. Argentina's federal structure allocates urban responsibilities to all three levels of government, resulting in the fragmentation and frequent overlap of management between the national, provincial, and municipal levels. The main dimensions of urban management that tend to be pursued with little coordination are: (i) planning and regulation of urban growth; (ii) provision of environmental protection areas and systems of greenspace; (iii) urban solid waste management; (iv) mobility and transportation; (v) watershed management; and (vi) emergency services relating to health care, natural disaster response, and citizen security.³
- 1.3 The lack of interjurisdictional coordination in urban planning and regulation favors urban sprawl, which represents an economic, social, and environmental challenge. The difficulties that the local and provincial authorities face in aligning their decisions on the siting of new dwellings, industries, and businesses can be traced to: (i) limited technical capacity for territorial management; (ii) weakness in the municipal urban development rules and regulations, particularly with respect to land management; and (iii) lack of strategic urban plans at the local and metropolitan scale. As a result, over the last 20 years the urban footprint of metropolitan areas has grown at triple the rate of demographic growth.⁴ Haphazard, low-density urban sprawl makes it difficult to establish and deliver services, generates social inequalities in quality of

¹ IDB analysis (Rojas and Medellín, 2014), based on United Nations data (2012)

² National Institute of Statistics and Censuses (INEC) (2010). A broader approach would also include the Metropolitan Region of Buenos Aires, which encompasses 40 municipios with nearly 15 million inhabitants.

³ IDB report, [Gobernanza Metropolitana en América Latina y el Caribe](#) (2015) (RG-T2653), case studies of the Buenos Aires Metropolitan Area, Rosario and Córdoba. For the case study of the Buenos Aires Metropolitan Area, see [optional electronic link 3](#), p. 71.

⁴ Muzzini, E. et al., [Leveraging the Potential of Argentine Cities: A Framework for Policy Action](#), Washington, D.C.: World Bank, p. 23; [Plan Estratégico Territorial 2011: Argentina Urbana](#), Ministry of Federal Planning, Public Investment, and Services of Argentina, p. 63; Lineamientos Estratégicos Metropolitanos de Salta (2015), p. 51.

life, and takes up productive land, spilling over into environmentally sensitive and at-risk areas.⁵

- 1.4 It has been shown that sprawling cities are vulnerable to the effects of climate change: they suffer more than twice as many extreme heat events as do compact cities, as the urban “heat island” effect rises,⁶ and they create risks that entail high human and economic costs through their tendency to occupy flood-prone land, disrupting natural watercourses and the absorption of rainwater. Since 2000 there have been catastrophic floods in the metropolitan areas of Santa Fe (2003, 2007), La Plata (2013), and Buenos Aires (2000, 2001, 2010, 2011, 2015), attributed to a combination of heavier rains and urban sprawl.⁷ Economic losses from the 2003 flooding in Santa Fe reached US\$1 billion.⁸ A tally of losses from extreme events indicates that Argentina is highly vulnerable to the impacts of climate change, and it was listed as ninth among the 10 most affected countries worldwide in the year 2013.⁹
- 1.5 Another consequence of the pattern of urban sprawl is greater demand for transportation, when residential, commercial, educational, and work locations are separated by greater distances. This demand for transportation is typically met by individual automobile trips, given the challenge of providing other alternatives for mobility.¹⁰ The number of vehicles on the road in Argentina doubled between 2006 and 2015, with half of all cars registered in the City and Province of Buenos Aires.¹¹ The City of Buenos Aires estimates that the transportation sector contributes 33% to greenhouse gas emissions, including trips from the Buenos Aires Metropolitan Area.¹² In light of these trends, an important measure for climate change mitigation is to introduce more sustainable mobility solutions based on nonmotorized transportation and public transit.¹³ As in the case of urban growth (see paragraph 1.3), the coordination of public transit in metropolitan areas is also fragmented and requires the cooperation of: (i) municipios at the local level; (ii) provincial government in the case of intermunicipal services; and (iii) the federal

⁵ [Salta Sostenible](#) (2015), Action Plan of the Emerging and Sustainable Cities Initiative, IDB.

⁶ Stone, B. et al. (2010), [Urban Form and Extreme Heat Events: Are Sprawling Cities More Vulnerable to Climate Change Than Compact Cities?](#) Environmental Health Perspectives, vol. 118 (10).

⁷ Bacchiaga, J. et al. (2015), [Extreme Flood Events due to Intense Rainfall in Urban Zones: Learning of Recent Disasters in Argentina](#), E-proceedings of the Thirty-sixth IAHR World Congress. The Hague. Fernandez, L. (2015) “[Buenos Aires y el Problema de las Inundaciones en un Contexto Pampeano, Metropolitano y Rioplatense](#),” Instituto del Conurbano de la Universidad Nacional de General Sarmiento

⁸ Hardoy, J., and G. Pandiella (2009), [Urban Poverty and Vulnerability to Climate Change in Latin America](#), Environment and Urbanization, Vol. 21(1); 203-224.

⁹ [GermanWatch. Global Climate Risk Index 2015](#) (2014).

¹⁰ Other urban mobility options include public transit (bus or urban rail) and nonmotorized transportation, such as by foot or bicycle. See Banister, D. (2011), [Cities, Mobility and Climate Change](#), Journal of Transport Geography, Vol. 19:1538-1546.

¹¹ Data from the Asociación de Fábricas de Automotores (ADEFA), access via [Universidad Tecnológica Nacional, Centro Tecnológico de Transporte, Tránsito y Seguridad Vial](#) (August 2016).

¹² City of Buenos Aires, [Energy Efficiency and Climate Action](#) (August 2016).

¹³ A sustainable mobility focus has the potential to benefit women in particular. According to the origin and destination survey of the Buenos Aires Metropolitan Area in 2009, women make roughly 75% of their trips on foot or by bus. Women make more trips on foot than do men, and although both use public transit to a similar extent, women tend to travel by bus while men tend to use urban rail. See Peralta Quiros, T. et al. (2014), Gender, Travel and Job Access: Evidence from Buenos Aires, Washington, D.C.: World Bank.

government for interprovincial services. This institutional fragmentation makes it hard to implement metropolitan strategies to encourage sustainable mobility such as junctions between different modes of public transit (bus, metro, urban rail), introduction of a single fare for intermodal travel, and the promotion of transit-oriented urban development.

- 1.6 Consequently, urban fragmentation is accompanied by growing socioeconomic and territorial inequities in the delivery of urban services. In addition to the cases indicated in paragraphs 1.3 and 1.5, there are examples of piecemeal management of urban solid waste and greenspace. In the Mendoza Metropolitan Area, comprising seven municipios, the per capita generation of waste is practically the same across municipios (from 1.2 to 1.3 kg per inhabitant per day), but only the municipio of Maipú has a final disposal site and a separation plant. As a result, Maipú is the only municipio in the Mendoza Metropolitan Area with no open-air dumps.¹⁴ In terms of the provision of greenspace, according to the World Health Organization indicator, Argentine metropolitan areas tend to lag far behind the recommended 9 square meters of greenspace per capita. In the Buenos Aires Metropolitan Area, this indicator is only 3.2 square meters.¹⁵ These shortcomings in the quality of public services are a characteristic feature of Argentina's metropolitan areas, as in other countries of Latin America and the Caribbean.
- 1.7 Given their concentration of population and activities, however, metropolitan areas offer the greatest opportunities for boosting productivity and economic competitiveness, and delivering urban services efficiently. In the case of urban solid waste management, municipios can achieve economies of scale and reduce their environmental impact by coordinating transportation, recycling, and final disposal. Thus, a number of Argentine metropolitan areas, such as Tucumán, Valle Virch-Valdés in Chubut, and Buenos Aires, have adopted the institutional model of the consortium or public enterprise for integrated management of their urban wastes.¹⁶ The municipios of the Salta Metropolitan Area have succeeded in managing their public transit and nonmotorized mobility services more equitably and efficiently through creation of the Metropolitan Transport Authority (AMT).¹⁷ The Rosario Metropolitan Area, where metropolitan institutions have achieved greater maturity, is addressing the challenges of territorial planning in its 21 municipios through the Metropolitan Coordination Entity (ECOM).¹⁸ International experience with metropolitan management supports this approach. In India, cities with metropolitan

¹⁴ GIRSU Mendoza project document (2015).

¹⁵ Garay, D., and L. Fernández (2013). *Biodiversidad Urbana: Apuntes para un Sistema de Áreas Verdes en la Región Metropolitana de Buenos Aires*. Buenos Aires: Universidad Nacional de General Sarmiento.

¹⁶ The Tucumán and Chubut metropolitan areas have established public consortia. For 30 years, the Buenos Aires Metropolitan Area has had a public enterprise created by the Province and City of Buenos Aires, known as the Coordinación Ecológica Área Metropolitana Sociedad del Estado (CEAMSE).

¹⁷ The AMT manages sustainable mobility services in the municipios of the Salta Metropolitan Area, achieving greater efficiency in public transit operation (30% reduction in the kilometer/passenger indicator between 2005-2010), fostering linkages between bicycle use and public transit, and generating greater equity in the quality of infrastructure between the central area and the peripheral municipios. See "Beneficios derivados de la regionalización de la gestión sub-nacional en los aglomerados urbanos" (Annex, [optional electronic link 2](#) of loan AR-L1101).

¹⁸ Levin, M. (2015), "La relación entre el Plan Territorial, Plan Local y Proyecto Estratégico: experiencia del ECOM en el AM de Rosario," in [Políticas e Instituciones Metropolitanas](#). Buenos Aires: Ministerio del Interior y Transporte, p.149.

management mechanisms tend to outperform the national baseline in the delivery of urban services.¹⁹ In countries of the Organization for Economic Cooperation and Development (OECD), although there is a positive relationship between urban productivity and city size, cities with fragmented governance structures also tend to generate lower levels of productivity. However, in cases where there is an interjurisdictional coordination mechanism, this adverse impact of urban fragmentation on productivity declines by half.²⁰

- 1.8 **Program strategy.** The main metropolitan challenge to be addressed is the institutional one, since it requires coordination and concerted efforts among different levels of government and sector areas. This does not occur spontaneously, so program actions will proceed in four stages, in order to gradually overcome the barriers to interjurisdictional coordination in the metropolitan areas.²¹ Given a starting point where there is little public awareness of metropolitan problems and no agreement as to solutions, Stage 1 will seek to generate a vision that is shared by all jurisdictions as to the metropolitan problem to be addressed, i.e., to give metropolitan problems a “voice”. In Stage 2, the aim will be to reach political agreement among the metropolitan players as to the priorities for action, so that metropolitan problems will have “political legitimacy”. These two stages will be pursued under Component 1: Support for the governance of metropolitan areas (see paragraph 1.17). Next, recognizing that metropolitan action represents an innovative approach, the program will seek to develop technical capacity and “operational legitimacy” among the players in the metropolitan area. Stage 3 will therefore support the metropolitan areas in formulating investment projects with a metropolitan impact and designing mechanisms for coordinating their execution. Finally, in Stage 4, the metropolitan areas will execute the investments through the coordination mechanisms, to demonstrate the advantages of metropolitan management. These stages correspond to activities under Component 2: Management of metropolitan areas (see paragraph 1.18). So that specific problems can be solved within each metropolitan area, the initial approach of each metropolitan project will be sector-based, thereby simplifying the implementation of specific institutional arrangements, established locally and adapted to the different types of metropolitan area and provincial legislative frameworks.²² This sector governance will serve as the basis for developing comprehensive, multisector solutions, as the long-term objective (see [optional electronic link 3](#)).
- 1.9 **Experience with metropolitan issues.** The Bank and the Government of Argentina have shared experience in addressing metropolitan issues. In 1998, the Integrated Development Program for Large Urban Areas in the Argentine Interior (loan 1068/OC-AR) was launched as a pioneering effort in Latin America, and in 2007 support was provided for preparing strategic guidelines for the Metropolitan Region of Buenos Aires (technical cooperation operation ATN/SI-9648-AR). These

¹⁹ Ravi, S. et al. (2016), [Building Smart Cities in India](#), Washington, D.C.: Brookings Institution. p.18.

²⁰ Ahrend, R. et al. (2014), [What Makes Cities More Productive? Evidence on the Role of Urban Governance from Five Organization for Economic Co-operation and Development \(OECD\) Countries](#), OECD Regional Development Working Papers, 2014/05.

²¹ Rojas, F (2015) “Conclusión: Un Camino Hacia la Gobernabilidad Metropolitana,” in [Políticas e Instituciones Metropolitanas](#). Buenos Aires: Ministerio del Interior y Transporte, p.171.

²² See Prud’homme, R. et al. (2004), [“Stronger Municipalities for Stronger Cities in Argentina”](#), Washington, D.C.: IDB, p. 43, for a proposal on strengthening urban management in Argentina.

experiences, together with an analysis of international best practices in managing metropolitan areas, published in the study on “Governing the Metropolis,”²³ yielded lessons drawn upon to map out the metropolitan governance strategy for the Development Program for Metropolitan Areas Outside the Capital, also known by the Spanish-language acronym, DAMI-I (loan 2499/OC-AR; AR-L1101), launched in 2012 and now in execution (US\$40 million financed by the Bank with a local contribution of US\$10 million). The objective of the DAMI-I program is to design and implement innovative approaches for managing projects and delivering services where efficient performance requires cooperation between two or more territorial jurisdictions. As indicated in paragraph 1.7, there are metropolitan areas in Argentina that have been successful in establishing sector mechanisms for metropolitan coordination. The DAMI-I program has strengthened and/or supported these and other actions in metropolitan areas. This conditional credit line for investment projects (CCLIP) will build on the gains made under DAMI-I and expand its coverage to Argentina’s 21 metropolitan areas. It bears mentioning that DAMI-I and this CCLIP are the only program with multilateral financing designed to encourage metropolitan governance, so they represent a unique opportunity to generate lessons for other countries interested in building partnership-based management capacity in their cities.

- 1.10 **Results of the DAMI-I program** ([optional electronic link 4](#)). As of August 2016, DAMI-I had committed 92% of its funds and disbursed 47% of the loan proceeds, and had achieved 85% of its execution targets. The program is operating in seven metropolitan areas, fostering metropolitan mechanisms for coordination, both horizontal (municipio with municipio) and vertical (with provinces and the federal government), through investments in demonstration projects with a metropolitan impact.²⁴ The main outcomes achieved include institutional strengthening of four pre-existing metropolitan coordination entities and the generation of four new institutional mechanisms for addressing problems of metropolitan scope.²⁵ The investments now under way apply a metropolitan approach to crosscutting issues such as management of greenspace, urban planning tools, nonmotorized mobility, citizen security, and urban solid waste. DAMI-I has successfully created conditions that make coordinated interjurisdictional action viable, based on two key factors: (i) putting metropolitan problems on the public agenda at the local level; and (ii) building trust among the players, to facilitate interjurisdictional coordination (see paragraph 1.8). These gains are creating the conditions for continuity in the development of metropolitan governance in Argentina, so that, through this CCLIP, the program can support the metropolitan entities as they mature and address more complex issues. Thus, the second stage of the program, or DAMI-II, gives priority to actions in those metropolitan areas that support technical capacity-building for the

²³ Rojas, E., J. R. Cuadrado-Roura, and J. M. Fernández (eds.) (2005), [Gobernar las Metrópolis](#), Washington, D.C.

²⁴ The seven metropolitan areas are: Valle del Río Chubut (six municipios); Mendoza (six municipios); Neuquén (four municipios); Rosario (21 municipios); Santa Fe (four municipios); Salta (eight municipios); and Tucumán (six municipios). The DAMI-I program’s website highlights the projects: <http://www.dami.uec.gov.ar/>.

²⁵ The existing entities strengthened include urban solid waste consortia (Tucumán and Chubut), the AMT of Salta, and the ECOM of Rosario. The new coordination mechanisms are: Secretaría de Áreas Metropolitanas [Department of Metropolitan Areas] and Comité de Ordenamiento Territorial Metropolitano [Committee on Metropolitan Territorial Planning] in Salta, the Unipicio of Mendoza, and the Mesa de Acuerdo para los Parques Costeros [Coastal Parks Board] of Neuquén.

formulation and management of metropolitan climate change adaptation and mitigation efforts (see paragraph 1.23).

- 1.11 **Rationale.** The delivery of urban services, the administration of urban growth, and environmental management in metropolitan areas are likely to be ineffective if handled in isolation within each jurisdiction. Integrated management of these services offers an opportunity to achieve economies of scale in public services and urban infrastructure, and to mitigate many of the negative externalities of urban development, in particular those relating to climate change. The issues identified in paragraph 1.2 demand solutions that embrace the functional urban territory as a whole, promoting efficiency, equity and urban productivity. In addition, these metropolitan solutions must, insofar as possible, take over the management of the major urban transformations that require an integrated, multisector approach. The metropolitan investments supported by this program will address multisector issues that create avenues for territorial coordination around local problems put on the agenda by local actors. By implementing and strengthening coordination mechanisms, the program will help to make their investments more effective and to address collective challenges more efficiently, such as climate change mitigation and adaptation. In requesting a loan under the CCLIP modality, the Government of Argentina is demonstrating its interest in supporting metropolitan governance and securing the necessary resources and know-how to extend the program's benefits to the country's 21 metropolitan areas over the span of 15 years.²⁶
- 1.12 **Eligibility of the CCLIP and first individual operation.** The operation meets the criteria established for processing a CCLIP (document GN-2246-7): (i) a similar operation has been implemented by the same executing agency, in this case the Multisector Preinvestment program III (1896/OC-AR; AR-L1035) executed through the Ministry of the Interior, Public Works, and Housing (MIOPV) with closing date of 7 October 2014; (ii) that loan was executed satisfactorily, having fulfilled the contractual conditions and submitted audited financial statements with clean opinions; (iii) the executing agency, the MIOPV, has had a Central Executing Unit (CEU) as part of its administrative structure since 1991 with experience in handling projects with external financing, including satisfactory execution of the DAMI-I program; and (iv) support for strengthening metropolitan governance is one of the priorities established in the country strategy with Argentina (document GN-2687). The credit line and first individual operation were included in the programming agreed upon with the Government of Argentina in the aide-mémoire on the programming agreement of 16 February 2016.²⁷ The alignment between the objectives of the CCLIP and of the first individual operation identified in paragraph 1.16 demonstrates that criterion (i) for processing the first individual operation under the CCLIP has been met.

²⁶ Significant progress was made in 2016 at the subnational level in the Province of Santa Fe, where a law on metropolitan areas was enacted ([Law 13532/2016](#)).

²⁷ The CCLIP and the first individual operation were not included in the 2016 operational program as of 9 November 2015, since that document preceded the inauguration of the new administration in Argentina on 10 December 2015. With the government changeover, the Country Department Southern Cone (CSC/CSC) reached agreement with the new authorities to continue the DAMI-I program as a CCLIP. This instrument was judged successful for implementing medium and long-term policies by the Office of Evaluation and Oversight (OVE) in its Country Program Evaluation: Argentina 2009-2015 (document [RE-491-1](#)).

- 1.13 **Strategic alignment.** The operation is consistent with the priority area of “urban sustainability and habitat improvement,” in the area of urban development, of the Bank’s country strategy with Argentina (document GN-2687), which includes the objective of supporting investment programs for cities encompassing more than one municipality. The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the development challenges of: (i) social inclusion and equality, and (ii) productivity and innovation, since the interventions seek to improve quality and equity in the delivery of public services and the provision of urban infrastructure through strengthened government agencies in the metropolitan areas, with emphasis on urban planning processes (see paragraphs 1.3 and 1.6). Additionally, the program is aligned with the crosscutting areas of: (i) climate change and environmental sustainability; and (ii) institutional capacity and the rule of law, through the institutional strengthening of metropolitan management entities with the capacity for urban sustainability actions such as the environmental remediation of coastal areas and the separation and composting of urban solid waste. The program will thus contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through: (i) support for subnational governments, and (ii) environmental protection and support for climate change adaptation measures. The program is consistent with the Urban Development and Housing Sector Framework Document (document GN-2732-2), which identifies the building of metropolitan coordination mechanisms as a line of action. In strengthening the institutions that support urban development, the program is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2). Lastly, it contributes to the development of the multisector urban infrastructure, and is thus aligned with the Sector Strategy for Competitiveness and Inclusive Growth (document GN-2710-5).
- 1.14 **Consistency with IDB policies** ([optional electronic link 5](#)). The program satisfies the financial sustainability and economic evaluation conditions of the Public Utilities Policy (document GN-2716-6), and is consistent with the principles of that policy as they relate to projects for the integrated management of urban solid waste. The integrated urban solid waste management project included in the representative sample is socially and economically viable (see paragraph 1.26). The investment costs are covered from government transfers that are allocated transparently (see paragraphs 1.23 and 1.24), to achieve greater efficiency and coverage of public services in eligible metropolitan areas. Prior to the transfer of resources, the Central Executing Unit will sign a framework participation agreement with the metropolitan entities responsible for project execution. That agreement stipulates the commitment to: (i) obtain the necessary approvals and licenses in each provincial and municipal agency; and (ii) operate and maintain the investments in accordance with the regulatory framework of the respective province and on terms consistent with Bank policies. These commitments are described in detail in the program [Operating Regulations](#).

B. Objectives, components, and cost

- 1.15 The objective of the conditional credit line for investment projects (CCLIP) is to enhance the quality of life of the population in metropolitan areas by improving urban services and infrastructure. The objective of the first individual operation is to improve public services and infrastructure in metropolitan areas that require cooperation between two or more territorial jurisdictions by: (i) fostering an

understanding of the problems facing big cities and promoting agreements to prioritize actions that require coordination between municipal and provincial authorities of a metropolitan area; (ii) contributing to build the institutions necessary to deliver services and infrastructure in metropolitan areas that encompass two or more territorial jurisdictions; and (iii) financing investments in urban infrastructure and facilities to support such improvements. The CCLIP and the first individual operation will finance institutional strengthening projects for metropolitan entities responsible for interjurisdictional coordination, as well as the urban infrastructure investments necessary to improve the delivery of metropolitan services, with emphasis on a comprehensive, multisector approach.

- 1.16 **Component 1. Support for the governance of metropolitan areas (US\$8.25 million).** This component will put the issue of metropolitan management on the public agenda, supporting the creation of avenues to identify metropolitan problems and priorities, share knowledge with respect to metropolitan policies, and develop the technical capacity for coordinated urban investment. It will finance: (i) diagnostic assessments of metropolitan problems; (ii) training and knowledge sharing workshops for technical staff, political officials, and civil society; (iii) technical assistance for strengthening the metropolitan approach; and (iv) dissemination of good practices for positioning and documenting experiences in metropolitan management.
- 1.17 **Component 2. Management of metropolitan areas (US\$88 million).** This component will support the implementation of metropolitan investment projects, as well as development of the necessary metropolitan coordination entities for their design, implementation, and management. As the interjurisdictional coordination mechanisms will be supported through the execution of investment projects, two subcomponents are included.
- 1.18 **Subcomponent 2.1. Institutional strengthening of metropolitan areas (US\$13.3 million),** to develop and consolidate provincial and municipal capacities to address the problems in metropolitan areas. This subcomponent will finance consulting services and the procurement of goods for: (i) design and execution of institutional development projects for metropolitan entities that manage the implementation of investments and service delivery; (ii) formulation of metropolitan strategic guidelines; (iii) preparation of sector-specific plans and programs to address the problems of metropolitan urban development; and (iv) formulation of investment projects on a metropolitan scale with an emphasis on climate change mitigation and adaptation, to be submitted for provincial or federal financing.
- 1.19 **Subcomponent 2.2. Metropolitan investments (US\$74.7 million),** to finance works that require coordinated action by two or more territorial jurisdictions. The investments are intended to promote the effective functioning of urban services that benefit the metropolitan area as a whole, such as: (i) systems of parks and public spaces; (ii) integrated management of watersheds; (iii) integrated management of urban solid waste; (iv) measures complementary to metropolitan mobility systems, including pedestrian and bicycle paths; and (v) other actions for climate change mitigation and adaptation.²⁸

²⁸ [Optional electronic link 6](#) and the [“Economic analysis”](#) include a description of the representative sample for the program.

- 1.20 **Administration, supervision, and audits (US\$3.75 million).** This line item includes the costs of operation, equipment and management through the Central Executing Unit (CEU) of the MIOPV; specific consulting services required by the CEU and consulting services for evaluations; and audit costs.
- 1.21 **Cost and financing.** The total amount of the CCLIP is US\$300 million. The IDB will finance US\$240 million of that amount, with a local contribution of US\$60 million and a tenor of 15 years. The first individual operation under the CCLIP will be for US\$100 million, with US\$80 million in Bank financing and US\$20 million as the local contribution.

Table 1: Program Cost and Financing (US\$)

Component	IDB loan	Local contribution	Total
Component 1. Support for the governance of metropolitan areas	8,000,000	250,000	8,250,000
Component 2. Management of metropolitan areas	69,000,000	19,000,000	88,000,000
2.1. Institutional strengthening of metropolitan areas	12,000,000	1,300,000	13,300,000
2.2. Metropolitan investments	57,000,000	17,700,000	74,700,000
Administration, supervision, and audits	3,000,000	750,000	3,750,000
TOTAL	80,000,000	20,000,000	100,000,000
%	80%	20%	100%

- 1.22 **Eligibility criteria.** To be eligible, metropolitan areas must have more than 100,000 inhabitants and a conurbation area exceeding the jurisdictional limits of one municipality or province. The following requirements will apply for financing projects and works on demand (Component 2): (i) the local authorities have identified and prioritized the investments in the Metropolitan Execution Plan (PEM) (see paragraph 3.2); (ii) there is a track record of operational coordination between the municipal and/or provincial players; and (iii) the projects and works are technically, economically, and environmentally viable. The criteria are described in detail in the program Operating Regulations ([optional electronic link 2](#)).²⁹
- 1.23 **Prioritization criteria.** This operation will give priority to metropolitan areas that represent new challenges for building metropolitan governance in Argentina, including: (i) metropolitan areas interested in developing climate change mitigation and adaptation strategies; (ii) metropolitan areas that have a bipolar structure extending across more than one province; (iii) the Buenos Aires Metropolitan Area, given its geographic and demographic importance; and (iv) the metropolitan areas of northern Argentina, which are the territories with the country's highest vulnerability indices ([optional electronic link 3](#)).

C. Key results indicators

- 1.24 [Annex II \(Results Matrix\)](#) includes the outputs and outcomes for each component. The program's principal outcomes will relate to the creation and strengthening of interjurisdictional arrangements for metropolitan management and the effective

²⁹ For example, the parameters established in the [Economic Evaluation Manual for Transportation Projects](#) (IDB, 2006) will be used to assess the economic viability of mobility investments.

operation of the metropolitan projects financed. The outcomes will be measured against three yardsticks: (i) prioritization of metropolitan policies through “metropolitan agendas” and the training of staff; (ii) the creation of metropolitan entities necessary for the provision of metropolitan area services and infrastructure; and (iii) the implementation of demonstration projects, through these metropolitan entities, to address shared problems such as environmental sanitation through the recycling of solid waste, and a better quality of urban life through metropolitan parks systems.

- 1.25 **Economic viability** ([optional electronic link 1](#)). A cost-benefit analysis was done on a representative sample of projects ([optional electronic link 6](#)) with an investment value equal to 31% of the total cost of the first individual operation under the CCLIP. The projects analyzed included: (i) an Environmental Center comprising a separation and composting plant in the Mendoza Metropolitan Area, together with the establishment of a consortium for the integrated management of urban solid waste serving seven municipios (US\$20.7 million), and (ii) the Metropolitan Coastal Recreation Area of the Neuquén Metropolitan Area, together with strengthening of the Coastal Parks Board, benefiting four municipios (US\$10.4 million). The cost-benefit analysis showed that the projects are economically worthwhile, yielding a positive net present value with an internal rate of return exceeding 12%. For the Mendoza environmental center, the analysis showed that it will produce a 10% increase in waste recycling by 2020. For the Neuquén Metropolitan Coastal Recreation Area project, the analysis shows that it will raise the value of real estate near the parks by 5% to 20% on average, depending on their proximity.
- 1.26 **Program beneficiaries.** The first individual operation under the CCLIP will support the seven metropolitan areas already included in the DAMI-I program, to lock in the gains already made (see paragraph 1.10), as well as pursue new challenges, specifically interprovincial management and the design of climate change mitigation and adaptation measures. At least four new metropolitan areas will also be added, employing the prioritization criteria (see paragraph 1.24), including the Buenos Aires Metropolitan Area and the metropolitan areas of northern Argentina under the Plan Belgrano. In total, the 11 beneficiary metropolitan areas will encompass 19.5 million inhabitants ([optional electronic link 3](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality and disbursement schedule.** The first individual operation under the conditional credit line for investment projects (CCLIP) will be structured as a multiple works program, since it will finance various projects that are physically similar but independent of each other, applying criteria of eligibility (see paragraph 1.23) and prioritization (see paragraph 1.24). The sample analyzed contains projects in two metropolitan areas, representing investments of US\$31 million, equivalent to 31% of total program cost (see paragraph 1.25), confirming that the program has properly gauged the demand for investments to be financed in the beneficiary metropolitan areas (see paragraph 1.26). A series of three individual operations is planned under this CCLIP. The total cost of the first individual operation is \$100 million, up to 80% of which will be financed by the Bank from its Ordinary Capital (OC) resources, and the remaining 20% will be the counterpart contribution. The time frame for

contracting the works will be three years, and the disbursement period will be four years, running from the effective date of the loan contract. These time frames are consistent with the scheduling of procurements and experience gained in implementing the Development Program for Metropolitan Areas Outside the Capital, also known by the Spanish-language acronym, DAMI-I. The disbursement schedule is presented below.

Table 2. Disbursement Schedule

Financing/Year	1	2	3	4	TOTAL
IDB (US\$ millions)	12	12	16	40	80
%	15	15	20	50	100

- 2.2 Pursuant to document AB-2990, the disbursement of OC funds by the Bank will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, running from the date the loan operation is approved by the Board of Executive Directors of the Bank. These restrictions may not apply, insofar as the requirements set by Bank policy with regard to them have been met, provided that the borrower has been notified in writing.

B. Environmental and social safeguard risks

- 2.3 Under Directive B.13 of the Environment and Safeguards Compliance Policy (Operational Policy OP-703), CCLIPs are not subject to ex ante impact classification because they differ from traditional investment instruments. Nevertheless, according to the environmental and social analysis performed, the first individual operation under the CCLIP is classified as category “B,” as it could cause localized, short-term adverse environmental impacts especially during works execution, including associated social impacts, for which effective mitigation measures are available. The environmental and social impacts are expected to be positive, improving the quality of life for inhabitants of the beneficiary metropolitan areas. Projects will not be eligible for financing under this operation if they have the potential to cause significant adverse impacts and/or associated social effects, classified as category “A” under Operational Policy OP-703. The [environmental and social management report \(ESMR\)](#) summarizes the environmental and social analysis performed on the basis of the representative sample ([optional electronic link 6](#)) and identifies compliance with the Bank’s environmental and social policies, together with measures to mitigate the attendant risks. A medium risk was detected, related to the limited capacity of the Central Executing Unit (CEU) in the area of environmental and social oversight. The proposed mitigation measures are: (i) preparation of an environmental and social audit report of works projects financed under the DAMI-I program, to assess whether there are any environmental and/or social liabilities; (ii) addition of an environmental and social management framework to be included in the program Operating Regulations; (iii) establishment of a social/environmental area within the CEU for monitoring and supervision of those aspects of the program; and (iv) training workshops on environmental and social issues at the provincial executing units (PEUs).

C. Fiduciary risks

- 2.4 The Ministry of the Interior, Public Works, and Housing (MIOPV) will be the executing agency for the first individual operation under the program. The MIOPV has a Central Executing Unit (CEU) within its administrative structure, responsible for administering programs targeting provinces and municipios under agreements with multilateral lenders. The CEU was established in 1991 and has sufficient operational, technical, and human resource capacity to execute the program satisfactorily. It is currently executing two other IDB-financed programs, in addition to DAMI-I.³⁰
- 2.5 In light of experience with similar programs, and given the decentralized execution arrangement for Component 2, three medium risks have been identified: (i) inadequate planning of the time needed for procurement processes; this risk will be mitigated through training for the CEU and the PEUs in comprehensive project planning; (ii) delay in accounting for expenditures; this risk will be mitigated by measures to train the PEUs in financial administration at the start of execution of the DAMI-II program, to prepare and implement an annual program of visits by financial administration staff of the CEU to the PEUs, and to hire consultants, financed with the loan proceeds, for those PEUs without sufficient human resources to meet the program's financial administration requirements; and (iii) possible voided or failed solicitations because firms are not sufficiently representative geographically; this risk that will be mitigated by increased publicity for the processes, both locally and in international media.

D. Other project risks

- 2.6 Beyond the environmental and social safeguard risks (see paragraph 2.3) and the fiduciary risks (see paragraph 2.5), a lack of sustainability of the investments was identified as a medium risk. To mitigate this risk, the framework participation agreements will include understandings with the metropolitan entities responsible for execution, management, and maintenance of the projects to be financed and an institutional analysis of those entities by the CEU (see paragraph 3.4).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Argentine Republic. The executing agency will be the Ministry of the Interior, Public Works, and Housing (MIOPV), acting through the Central Executing Unit (CEU), which will be the central agency responsible for coordinating the program and executing Component 1: Support for the governance of metropolitan areas.
- 3.2 Component 2, Management of metropolitan areas, will be executed in a decentralized manner through the participating provinces and municipios, as program subexecuting agencies. As this is an on-demand program, the metropolitan areas will propose the projects to be financed by the program in the Metropolitan

³⁰ These are: (i) Program to Improve Municipal Management (AR-L1016, 1855/OC-AR) for US\$80 million, with a final disbursement date of 31 December 2016 and 90% of the loan proceeds disbursed; and (ii) Emergency Program for an Immediate Response to the Flooding in Argentina (AR-L1245, 3688/OC-AR) for US\$20 million, with an approval date of 2 June 2016.

Execution Plan (PEM), adhering to the criteria of eligibility (see paragraph 1.23), prioritization (see paragraph 1.24), and other conditions set in the program Operating Regulations.³¹ The program Operating Regulations will define the responsibilities of the participating metropolitan areas to be included in the framework participation agreements. **As a special contractual condition precedent to the first disbursement of the loan proceeds, the executing agency will provide the Bank with evidence of entry into force of the program Operating Regulations and respective annexes, including an environmental and social management framework (ESMF), on the terms previously agreed upon with the Bank.**

- 3.3 The CEU will be responsible for coordinating and implementing the various actions and interventions, as well as for promoting communication and integration among the metropolitan bodies involved in the program, and will serve as the MIOPV's direct interlocutor with the Bank. It will also be responsible for the operation's financial and accounting management. The main functions and structure of the CEU are detailed in the program Operating Regulations and include technical, operational, and financial coordination, programming of interventions, approval and financing of projects, and supervision of project formulation, execution, and evaluation.
- 3.4 In the metropolitan areas, project management will fall to the provincial executing units (PEUs) or other designated metropolitan management entities, provided that they have the institutional and technical capacity, the CEU has assessed the merits of the arrangement, and the Bank has expressed its agreement. The PEUs or management entities may be strengthened using program resources. Prior to the execution of Component 2 and the transfer of funds (in the form of nonreimbursable resources), the executing agency will sign a framework participation agreement with the relevant subexecuting agency. As a special contractual execution condition, prior to the transfer of resources to each subexecuting agency of the program: (i) the framework participation agreement must be signed between the executing agency and the respective subexecuting agency, on the terms agreed upon with the Bank; and (ii) an agreement must be signed between the jurisdictions for coordinated management of the investments and delivery of the relevant services.
- 3.5 **Financial management.** The loan proceeds may be disbursed as advances, reimbursements, and/or direct payments.³² In the case of advances of funds, disbursements will be based on a financial plan to cover program needs for up to six months, and the minimum percentage required to replenish the advances will be 75% (permanent flexibility), since this is a decentralized program of complex execution. The External Loan Execution Units (UEPEX) system will be used for both the CEU and the subexecuting agencies, which will financial administration make more efficient and effective. The UEPEX system is already operational.
- 3.6 **Retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$16 million (20% of the proposed loan amount under the first individual operation) in eligible expenditures incurred by the borrower prior to

³¹ The PEM is an annex to the framework participation agreement and includes the preliminary list of projects (at the idea stage) to be financed and the financing modality (DAMI, Province, Municipio), as well as the overall execution timetable. The PEM is agreed upon with the political authorities of each metropolitan area and will be approved by the CEU and the Bank.

³² IDB Disbursement Manual, March 2015, Annex III. Disbursement methods.

the date of loan approval in the categories of goods, nonconsulting services, and consulting services, provided that requirements substantially analogous to those established in the loan contract have been met. Such expenditures must have been incurred on or after 20 June 2016 (the project profile approval date), but in no case more than 18 months prior to the loan approval date. The amount of retroactive financing will be subject to the limitations on disbursements stated in paragraph 2.2 and footnote (e) of the Project Summary.

3.7 **Procurement.** The procurement plan will be managed through the Procurement Plan Execution System (SEPA). The procurement of works and goods and the contracting of consulting services will be conducted in accordance with the Policies for the Procurement of Works and Goods Financed by the IDB (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-9) of March 2011, and with the specific requirements established in the Loan Contract and Annex III, Fiduciary Agreements and Requirements.

3.8 **Audits.** During program execution, the CEU will deliver the audited annual financial statements for the program, in accordance with the requirements of Bank policies. The audited financial statements will be delivered within 120 days after the close of the fiscal year. The program's closing audit reports will be delivered within 120 days after the last disbursement. In order to maintain flexibility and be able to adjust the loan portfolio to the audit capacity of the Office of the Auditor General (AGN), both the AGN and independent firms will be contractually eligible to conduct program audits.

B. Summary of arrangements for monitoring results

3.9 **Monitoring and evaluation.** The CEU will be responsible for monitoring execution and evaluating program results ([required electronic link 3](#)). The CEU has developed a monitoring and supervision system that includes the tracking of physical and financial targets and is integrated into the UEPEX system. For monitoring fiduciary aspects, the CEU will continue to use country systems satisfactory to the Bank that have already been implemented. The required financial reports will be: (i) financial execution plan for the six months subsequent to the request for disbursements; (ii) audited annual financial statements; and (iii) other reports as required by the Bank. Procurement monitoring will be based on the SEPA system. Before the PEUs issue solicitations for the civil works, the CEU will submit the engineering studies, the social and environmental analysis and/or evaluation studies, and the final technical designs to the Bank for its no objection. The monitoring instruments include the multiyear execution plan, the annual work plan, the six-monthly reports, the Results Matrix, and the progress monitoring reports (PMR).

3.10 On the basis of terms of reference agreed upon with the Bank, the CEU will engage consulting services for the following evaluations: (i) midterm evaluation, after 30 months of eligibility, or once 50% of the resources have been disbursed, to identify any corrective action; (ii) final and ex post economic evaluation, 90 days after the date on which 90% of the loan proceeds have been disbursed.

3.11 **Multisector aspects.** The multisector execution of the DAMI-II program will require coordination and strengthening of the synergies and skills of technical staff in the various sectors of the Bank. With a view to agreement and organization of the

different technical, financial, and management capabilities, the approval of investments and the review of technical specifications will be coordinated throughout the project cycle with the corresponding specialists.³³

³³ Specifically, the assistance for the creation, development, and/or institutional strengthening of metropolitan transportation entities, as interjurisdictional venues for dialogue and consensus, will be provided under the various policies set by the Bank and led by the Transportation Division (INE/TSP), in coordination with the Urban Development and Housing Division (CSD/HUD).

Development Effectiveness Matrix				
Summary				
I. Strategic Alignment				
1. IDB Strategic Development Objectives		Aligned		
Development Challenges & Cross-cutting Themes		-Social Inclusion and Equality -Productivity and Innovation -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law		
Regional Context Indicators				
Country Development Results Indicators		-Property value within project area of influence (% change)* -Beneficiaries of improved management and sustainable use of natural capital (#) -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)		
2. Country Strategy Development Objectives		Aligned		
Country Strategy Results Matrix		GN-2687	Strengthening of local governments	
Country Program Results Matrix		The intervention is not included in the 2016 Operational Program.		
Relevance of this project to country development challenges (If not aligned to country strategy or country program)				
II. Development Outcomes - Evaluability		Evaluable	Weight	Maximum Score
		7.5		10
3. Evidence-based Assessment & Solution		6.9	33.33%	10
3.1 Program Diagnosis		1.8		
3.2 Proposed Interventions or Solutions		2.4		
3.3 Results Matrix Quality		2.7		
4. Ex ante Economic Analysis		8.5	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0		
4.2 Identified and Quantified Benefits		1.5		
4.3 Identified and Quantified Costs		1.5		
4.4 Reasonable Assumptions		0.0		
4.5 Sensitivity Analysis		1.5		
5. Monitoring and Evaluation		7.1	33.33%	10
5.1 Monitoring Mechanisms		2.5		
5.2 Evaluation Plan		4.6		
III. Risks & Mitigation Monitoring Matrix				
Overall risks rate = magnitude of risks*likelihood		Medium		
Identified risks have been rated for magnitude and likelihood		Yes		
Mitigation measures have been identified for major risks		Yes		
Mitigation measures have indicators for tracking their implementation		Yes		
Environmental & social risk classification		B.13		
IV. IDB's Role - Additionality				
The project relies on the use of country systems				
Fiduciary (VPC/FMP Criteria)		Yes	Financial Management: Budget, Accounting and Reporting, External control. Procurement: Information System.	
Non-Fiduciary				
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:				
Gender Equality				
Labor				
Environment				
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project				
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				

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

The project is the first operation of a CCLIP whose objective is to improve the quality of life of the population in metropolitan areas by improving its services and urban infrastructure. The objective of the individual operation is to improve services and urban infrastructure in metropolitan areas that involve two or more jurisdictions.

The POD presents the problems to be addressed through the project. The factors that contribute to the problems are presented; however, there is a lack of empirical evidence to demonstrate that problems related to the poor quality of services and infrastructure in metropolitan areas are the result of fragmentation amongst jurisdictions. The interventions proposed in the POD are linked to the problems identified in the diagnosis.

The results matrix has a vertical logic. The outcomes and outputs are clearly specified, and each one has its own indicator. The output and outcome indicators have the information required for each, except one that is missing its baseline. All indicators are SMART.

The program was examined using a cost-benefit analysis applied to two types of projects: waste management and green areas. Based on the diagnosis, urban mobility is portrayed as one of the most problematic issues in metropolitan areas. It is noteworthy that a project of this nature was not included in the sample thus questioning its representativeness. A requirement of multiple work loans is that the project sample be representative; this is important to define the eligibility criteria and methodologies that will be used to determine project viability during program execution.

The economic benefits were adequately quantified and the costs reflect real resource costs to the economy. In the park project analysis, it is assumed that without the project land values are the same regardless of the distance from the park. This assumption seems unrealistic given that the park, even if in poor condition, already exists and therefore it is likely that the land values vary depending on the distance from the existing park. A sensitivity analysis was performed.

A monitoring and evaluation plan is presented. The evaluation questions presented in the plan include questions for some components as to whether the objectives related to outcome indicators of the results matrix were met. The operation will be evaluated using a reflexive methodology and an ex-post cost-benefit analysis.

RESULTS MATRIX

General objective	To enhance the quality of life of the population in metropolitan areas by improving urban services and infrastructure.
Specific objectives	To improve public services and infrastructure in metropolitan areas that require cooperation between two or more territorial jurisdictions by: (i) fostering an understanding of the problems facing big cities and promoting agreements to prioritize actions that require coordination between municipal and provincial authorities of a metropolitan area; (ii) contributing to build the institutions necessary to deliver services and infrastructure in metropolitan areas that encompass two or more territorial jurisdictions; and (iii) financing investments in urban infrastructure and facilities to support such improvements.

OUTCOMES

Indicators	Unit of measure	Baseline (2016)	Final target		Source/Mean of verification	Comments
		Value	Value	Year		
Component 1. Support for the governance of metropolitan areas						
Expected outcomes of Component 1: Fostering an understanding of the problems facing big cities and promoting agreements to prioritize actions that require coordination between municipal and provincial authorities of a metropolitan area.						
Proportion of “intendentes” ¹ in the country’s metropolitan areas who endorse a metropolitan agenda to prioritize actions in infrastructure and public services ² in the metropolitan area, involving the municipio under their jurisdiction.	Total intendentes in the metropolitan areas who endorse an agenda / Total intendentes in the country’s metropolitan areas.	20/135	40/135	2020	Approval and publication of metropolitan agendas for the metropolitan areas, verified through six-monthly reports and evaluations	The agendas reflect the political agreement and priority lines of work, coordinated between the authorities comprising the metropolitan areas. The 21 metropolitan areas of Argentina have 135 municipios.
Proportion of territorial and sector agency staff with responsibility for metropolitan problems trained in best practices for metropolitan management.	Number of staff trained / Total number of staff.	232/1550	465/1550	2020	Six-monthly report based on attendance records at training workshops	Baseline is the proportion of staff trained under the DAMI-I program. The denominator assumes an average of 10 staff for each of the 135 municipios and the 20 provinces within the country’s 21 metropolitan areas.

¹ The Intendente is the executive authority of a municipio in Argentina.

² The metropolitan agenda is a document that describes the main problems of the metropolitan area, helps raise their profile in public debate through participatory workshops and metropolitan diagnostic studies, and records agreements on the best way of solving the prioritized problems. The Intendentes endorse the agendas by signing the document.

Indicators	Unit of measure	Baseline (2016)	Final target		Source/Mean of verification	Comments
		Value	Value	Year		
Average sessions per month dealing with metropolitan management issues on the Web portal of the DAMI program.	Number of sessions per month	NA ³	8000	2020	Six-monthly report with records from the program Web portal's analytics system.	At this time, the program Web portal cannot be used to count user visits. The target comes from information on the local government's Web portal, which is similar in nature.

Component 2. Management of metropolitan areas						
Subcomponent 2.1. Institutional strengthening of the metropolitan areas						
Expected outcome of Subcomponent 2.1: Contributing to build the institutions necessary to deliver services and infrastructure in metropolitan areas that encompass two or more territorial jurisdictions						
Indicators	Unit of measure	Baseline (2016)	Final target		Source/Mean of verification	Comments
		Value	Value	Year		
Total number of metropolitan entities that provide metropolitan services and infrastructure involving two or more jurisdictions. ⁴	Metropolitan entities	14	20	2020	Act establishing the metropolitan entity.	Baseline corresponds to existing metropolitan entities in the metropolitan areas of Argentina. ⁵

³ The baseline is not available, and therefore the first update of the Web portal will add the ability to record information on the number of sessions per month in order to generate that baseline.

⁴ Metropolitan entities are the institutional mechanisms for coordination between local governments providing services and implementing investments.

⁵ Buenos Aires Metropolitan Area (CEAMSE, ACUMAR, COMIREC, AySA, AMT, Mercado Central); Córdoba Metropolitan Area (IPLAN); Rosario Metropolitan Area (ECOM, Aguas Santafecinas); Mendoza Metropolitan Area (Unicipio); Tucumán Metropolitan Area (Consortio Publico Metropolitano de RSU); Salta Metropolitan Area (AMT, Secretaría de Áreas Metropolitanas); Chubut Metropolitan Area (intermunicipal solid waste consortium Virch-Valdés).

Subcomponent 2.2. Metropolitan investments

General expected outcome: Improving delivery of metropolitan services and infrastructure requiring coordination of two or more jurisdictions

Project 1 Mendoza Metropolitan Area: Recycling and composting of urban solid waste from 7 municipios, through an Environmental Center and an urban solid waste consortium

Expected outcome – Project 1: Increased quantity of solid wastes recycled or composted in participating metropolitan areas.

Indicators	Unit of measure	Baseline (2016)	Final target		Source/Means of verification	Comments
		Value	Value	Year		
Percentage of solid waste generated in Mendoza Metropolitan Area that is recycled each year	%	2.5	5.2	2020	Source: Diagnostic study, Integrated Solid Waste Management Project of the Metropolitan Area of the Province of Mendoza (2015).	The solid waste consortium for the Mendoza Metropolitan Area will be the metropolitan entity responsible for managing the Environmental Center.
Percentage of solid waste generated in Mendoza Metropolitan Area that is composted per year.	%	3.2	8.5			
Tons of solid waste generated in Mendoza Metropolitan Area that is recycled per day	Tons/day	12	25	2020		
Tons of solid waste generated in Mendoza Metropolitan Area that is composted per day	Tons/day	16	42	2020	Means of verification: final evaluation.	

Project 2 Neuquén Metropolitan Area: Public recreational access to coastal areas in four municipios through remediation of parks

Expected outcome – Project 2: Increased real estate values in the areas of influence of the remediated parks

Indicators	Unit of measure	Baseline (2016)	Final target		Source/Mean of verification	Comments
		Value	Value	Year		
Average real estate value in urban areas of the area of influence of the remediated park.	\$/m ²	667	744	2020	Source: Economic assessment. Means of verification: final evaluation.	The area of influence is a belt three blocks wide surrounding the park. The urban area is the capital municipio of Neuquén, the suburban zone corresponds to the peripheral municipios of the Metropolitan Area: Plottier, Senillosa, and Centenario.
Average real estate value in suburban areas of the area of influence of the remediated park.	\$/m ²	72	80	2020		

Project X (to be determined by metropolitan area demand during program execution)

Expected outcome – Project X

OUTPUTS

Indicators	Unit of measure	Base-line	Intermediate measures					Final target		Source/Mean of verification	Comments
		Value	Year 1	Year 2	Year 3	Year 4	Year 5	Value	Year		
Component 1. Support for the governance of metropolitan areas											
Diagnostic assessments conducted to identify metropolitan problems.	Diagnostic assessment documents	0			2	6		8	2020	CEU approval of final report as noted in six-monthly report.	These studies will allow a clear identification of metropolitan issues.
Workshops held on metropolitan issues for technical officials and civil society members.	Workshops	0	3	2	8	20		33	2020	Six-monthly report.	The workshops address various metropolitan topics, defined according to the local priorities of each Metropolitan Area.
International seminars conducted on metropolitan issues.	Seminars	0			1	1		2	2020	Six-monthly report.	Forum for sharing and disseminating metropolitan experiences.
Updates completed to the DAMI program Web portal on metropolitan issues.	Website	0	1	1	1	1		4	2020	Updates are recorded in the six-monthly report.	The Web portal was built under the DAMI-I program to disseminate information on the program and on metropolitan issues.

Indicators	Unit of measure	Base-line	Intermediate measures					Final target		Source/Mean s of verification	Comments
		Value	Year 1	Year 2	Year 3	Year 4	Year 5	Value	Year		
Component 2. Management of metropolitan areas											
Subcomponent 2.1. Institutional strengthening of the metropolitan areas											
Institutional development projects formulated.	Projects	0		2	2	3		7	2020	Approval of the final report by the corresponding entity and the CEU, as recorded in the six-monthly report.	These define the institutional rules for efficient and sustainable delivery of metropolitan services. The projects develop a set of rules, procedures, human and financial resources needed for the institutions to operate
Strategic comprehensive metropolitan guidelines formulated.	Studies	0		1	3	5		9	2020	Approval of the final report by the corresponding entity and the CEU, as recorded in the six-monthly report.	The studies compile the views of public and private sectors, academics, civil society and the general public in order to develop a short, medium and long-term vision and the actions needed to realize it.
Metropolitan sector plans formulated.	Plans	0	2	2	4	3		11	2020	Approval of the final report by the corresponding entity and the CEU, as recorded in the six-monthly report.	Plans to address specific Metropolitan sector problems. Examples: plans relating to mobility, land use, coastal restoration.

[illegible]

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Argentina
Project number:	AR-L1243
Project name:	Development Program for Metropolitan Areas Outside the Capital II (DAMI-II)
Executing agency:	Central Executing Unit (CEU) of the Ministry of the Interior, Public Works, and Housing (MIOPV)
Prepared by:	Ana Niubó (CSC/CAR) and Marisol Pinto Bernal (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 The Development Program for Metropolitan Areas Outside the Capital II, also known by the Spanish-language acronym DAMI-II, will be executed by the Central Executing Unit (CEU) of the Ministry of the Interior, Public Works, and Housing (MIOPV).
- 1.2 The risks carried by this operation were assessed on the basis of a review of the detected at a workshop held in November 2014 on sovereign guaranteed project risk management for the Development Program for Metropolitan Areas Outside the Capital I (DAMI-I), loan 2499/OC-AR.
- 1.3 An institutional capacity assessment was not needed, since:
 - a. The Bank performed an institutional capacity assessment of the executing agency as part of the process of approval of the Emergency Program for an Immediate Response to the Flooding in Argentina (loan 3688/OC-AR). That assessment concluded that the executing agency has the operational, technical, and human resource capacity to conduct the program satisfactorily.
 - b. The CEU has experience in the execution of IDB and FONPLATA loans. IDB loans 1855/OC-AR and 2499/OC-AR are now in execution. Loan 1855/OC-AR has a final disbursement date of 29 December 2016. Loan 2499/OC-AR, Development Program for Metropolitan Areas Outside the Capital (DAMI), is the precursor of this program, and for several months will be executed in parallel with this operation.
- 1.4 The program includes no financing from other multilateral agencies.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The CEU has experience in the execution of two Bank-financed programs, mentioned in 1.3.b. The CEU is also starting execution of loan 3688/OC-AR,

approved on 2 June 2016, as well as technical cooperation operation ATN/OC-15515-AR, approved in March 2016.

- 2.2 The fiduciary systems used for executing the program are budgeting through the Integrated Financial Information System (SIDIF), and financial and accounting record-keeping through the UEPEX system, or a system eventually replacing it.
- 2.3 For the procurement of goods and services, the CEU has a procurement division and uses Bank policies for centralized purchases, and verifies their use for purchases made at the subnational level through the provincial executing units (PEUs).

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The analysis of risks (including fiduciary risks) was conducted on the basis of the review and analysis of risks identified in the DAMI-I program with the participation of executing agency staff. Based on the experience gained through execution of similar programs, and given the decentralized approach to execution of Component 2, the risk at the level of the executing agency has been rated as medium.
- 3.2 Based on these identified risks, the method of supervision applicable for financial management and procurement management has been determined. The supervision method may change during program execution based on the evaluations performed.

Institutional Capacity and Fiduciary Risk			
Institutional capacity		N/A	Tool: N/A
Fiduciary risk		Medium	Tool: Project risk management (PRM)
Type of risk ¹	Risk	Rating	Mitigation measures
FM	Delay in accounting for expenditures	Medium	Training in financial administration for the PEUs.
			Prepare and carry out an annual plan of financial administration visits to the PEUs.
FM	Poor planning of time for procurement processes	Medium	Hire consultants, financed with the loan proceeds, for those PEUs with insufficient human resources to meet the loan's financial administration requirements.
P		Medium	Training workshop for the CEU and PEUs in comprehensive project planning, with participation of the project team.
P	Voided competitive bidding processes because firms are not sufficiently representative geographically to participate in program procurement	Medium	Broad publicity of the processes, both locally and in international media.

¹ Financial Management (FM); Procurement (P).

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE CONTRACT

- 4.1 Following are the agreements and requirements to be considered as applicable in the Special Provisions or in the Sole Annex, which may be updated or amended during program execution, as applicable, and with prior documentation and authorization from the Bank.
- 4.2 **Special contractual conditions precedent to the first disbursement of the loan proceeds.** The executing agency will provide the Bank with evidence that the program Operating Regulations (POR) and annexes have entered into force.
- 4.3 **Disbursement management**
 - a. The executing agency must submit the program financial planning in accordance with the guidelines agreed upon between the Bank and the country. The minimum percentage required to replenish the advance will be 75%, since this is a decentralized program of complex execution (permanent flexibility).
 - b. The exchange rate applicable for accountability will be the rate stipulated in Article 4.10(b)(i) of the Loan Contract. To determine the equivalency of expenditures incurred in local currency, chargeable against the local contribution or the reimbursement of expenditures chargeable against the loan, the agreed exchange rate will be the rate in effect on the first business day of the month of the payment. Given the limitations of the UEPEX system, the exchange rate applied for conversion of disbursements into local currency will be used for expenditures made with IDB funds and with local counterpart funds ("pesification").
- 4.4 **Financial supervision**
 - a. In order to maintain flexibility and be able to adjust the loan portfolio to the audit capacity of the Office of the Auditor General (AGN), it is recommended that both the AGN and independent firms should be contractually eligible to conduct program audits.
 - b. The Financial Plan will be the report required for financial supervision, in addition to those required for processing disbursements and for the annual audit.
- 4.5 **Other specific requirements of project financial management,** to be established in the contract or agreement to be signed with the Bank: disbursements will be made in accordance with Articles 4.03, 4.04, 4.05, 4.06, and 4.07 of the General Conditions of the Loan Contract.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 5.1 The various types of procurement of goods, works, nonconsulting services, and consulting services executed under the program will be conducted in accordance with policy documents GN-2349-9 and GN-2350-9 of March 2011. The CEU has experience in procurement, as it is currently executing programs 1855/OC-AR and

2499/OC-AR, which comply with those policies. The contracting division of the CEU will conduct procurement processes for Component 1, and the program's technical and coordination area will be responsible for consolidating them and reporting to the IDB. Procurements under Component 2 will be handled in a decentralized manner (by the PEUs), under the supervision of the CEU. The program has a procedures manual approved by the MIOPV, showing how program procurements are conducted. The CEU will be responsible for compliance with the guidelines established in the loan contract for all program procurement activities.

- a. **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services² under the project that are subject to international competitive bidding (ICB) will be executed using the standard bidding documents (SBDs) issued by the Bank. Those subject to national competitive bidding (NCB) will be executed using country bidding documents agreed upon with the Bank. The Project Team Leader is responsible for reviewing the technical specifications of procurements during preparation of the selection processes. No direct contracting is envisaged in these categories, but any determined during the course of the program will be identified in the procurement plan with the respective justification, also noting any selection procedures requiring prequalification of bidders.
- b. **Selection and contracting of consultants.** Consulting services contracts will be included in the procurement plan and executed using the standard request for proposals (SRP) issued by the Bank. The project sector specialist will be responsible for reviewing the terms of reference for the contracting of consulting services. No single-source selection is envisaged, but any determined during the course of the program will be identified in the procurement plan with the respective justification.
 - (i) **Selection of individual consultants.** In the cases identified in the procurement plan, notices of solicitations for the contracting of individual consultants may be published locally or internationally in order to form a short list of qualified individuals, in accordance with document GN-2350-9, Section V, paragraphs 5.1 to 5.4. For the operation of the CEU, the single-source selection method may be used to contract consultants currently performing activities under contracts financed by other programs executed by the CEU.
 - (ii) **Training.** The procurement plan describes the processes relating to training components, which may be contracted as consulting services or nonconsulting services, as applicable in each case.
- c. **Recurrent expenditures.** Eligible recurrent expenses, such as those for communication, office items, advertising, per diems and travel, will be financed by the program within the annual budget approved by the Bank, and following CEU procedures, provided they do not violate the fundamental principles of competition, efficiency, and economy. These expenditures are associated with operating costs and do not include the wages of civil servants.

² Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document [GN-2349-9](#)), paragraph 1.1: Nonconsulting services are treated as goods.

- d. **Advance procurement/retroactive financing.** The Bank may retroactively finance, as a charge against the loan proceeds, up to US\$16 million (20% of the proposed loan amount under the first individual operation) in eligible expenditures incurred by the borrower prior to the date of loan approval in the categories of goods, nonconsulting services, and consulting services, provided that requirements substantially analogous to those established in the loan contract have been met. Such expenditures must have been incurred on or after 20 June 2016 (the project profile approval date), but in no case more than 18 months prior to the loan approval date. The amount of retroactive financing will be subject to the limitations on disbursements (see footnote (a) to the Project Executive Summary).
- e. **Domestic preference.** In contracts subject to international competitive bidding, a margin of preference³ equivalent to 15% of the price may be allowed in the evaluation of bids for goods originating in the country, provided the provisions of paragraphs 2.55 and 2.56 of document GN-2349-9 and its Appendix 2 are respected.
- f. **Other considerations.** There are no special provisions relating to donations, purchases of land, rights and rights of way necessary for executing the project.

1. Thresholds for International Competitive Bidding and International Short List (US\$)

Method	ICB Works	ICB Goods and nonconsulting services	International short list for consulting services
Threshold	≥ 5,000,000	≥ 500,000	≥ 500,000

2. Main procurement items

Activity	Selection method ⁴	Estimated date of solicitation/ invitation	Estimated amount US\$000
Goods			
Computer equipment and software – Arbolado Público Mendoza project [tree planting]	NCB	2018	250
Works			
CSI – Arroyo Seco	ICB	2017	5.852
CSI – Villa Gobernador Gálvez	NCB	2017	3.826
CSI – Pueblo Esther	NCB	2017	4.827
ARCM – Neuquén and Centenario	NCB	2017	4.540
ARCM – Senillosa and Plottier	NCB	2017	4.530

³ Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-9), Appendix 2, and the Loan Contract.

⁴ In the case of procurement conducted through the country system, this must be indicated in the Selection Method box.

Activity	Selection method ⁴	Estimated date of solicitation/ invitation	Estimated amount US\$000
Nonconsulting services			
Training workshops	S	2017	200
Firms			
Diagnostic assessment – Gran Posadas	CQS	2017	200
Plan TOD – AMT Buenos Aires	QCBS	2017	800
Plan Arbolado Público – UNICIPIO Mendoza	QCBS	2017	360
Individuals			
Consultants for technical assistance	3CV	2017	85

* To access the 18-month procurement plan, click [here](#).

3. Procurement supervision

- 5.2 The supervision method will be ex post for processes within the NCB thresholds for works, goods, consulting services, and nonconsulting services. Processes corresponding to ICB, single-source selection, and those that justify ex ante supervision based on their complexity or risk will be subject to ex ante review.
- 5.3 In the case of individual consultants, any contracting for more than US\$50,000 will be subject to ex ante review. For contracting below that amount, review will be on an ex post basis.
- 5.4 Ex post review will be performed every 12 months in accordance with the project supervision plan. Ex post review reports will include at least one physical inspection visit,⁵ selected from the procurement processes subject to ex post review.

Ex post review thresholds		
Works	Goods and nonconsulting services	Consulting services
< 5,000,000	< 500,000	< 500,000

Note:

- The thresholds established for ex post review are applied on the basis of the CEU's fiduciary execution capacity and may be modified by the Bank to the extent that this capacity changes.
- Procurement processes for goods for an amount less than US\$100,000 may be conducted according to the shopping method, as may works for an amount less than US\$350,000. In both cases, review will be on an ex post basis

4. Special provisions

- a. **Measures to reduce the likelihood of corruption.** Compliance with policy documents GN-2349-9 and GN-2350-9 as they relate to prohibited practices. The executing agency will also have the duty to review the list of firms and persons prohibited from participating in processes financed by the multilateral banks.

⁵ The inspection verifies the existence of procurements, leaving the sector specialist to verify quality and compliance with specifications.

- b. **Other special procedures.** Update the procurement plan according to the needs of the project and integrate it with the project planning.

5. Records and files

- 5.5 The contracting division will be responsible for maintaining the project procurement files for purchases made in the CEU, while purchases made in the PEUs or the MA management entities will be maintained in the original files in each PEU or management entity.

VI. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

A. Programming and budget

- 6.1 The executing agency's budget contains programmatic categories and other classifications by object of expenditure (sections): personnel costs, consumption goods, nonpersonnel services, capital goods, transfers, financial assets, debt service and reduction of other liabilities, and other expenses. Depending on their economic nature, the items may be current expenditures, capital expenditures, or financial applications. The internal sources of financing include the national treasury, own funds, specific allocations, and internal transfers. External financing includes external transfers and external loans.
- 6.2 The CEU is responsible for formulating and programming the annual budget for the program, and handles procedures for obtaining the funds. As the need arises for additions or reallocations of budget line items, the CEU requests the respective revisions for execution. Budgetary appropriations are executed through accrued quarterly and monthly commitment installments, which are allocated by the National Budget Office of the Ministry of Finance.
- 6.3 The counterpart funds under Component 2 may be provided by the Nation and the participating provinces, and the framework partnership agreements (CMAs) signed with the provinces participating in the program will be the binding instrument for commitments of the local contribution.
- 6.4 No problems are anticipated in terms of budgetary management, timeliness of local counterpart funds, or delays affecting execution.

B. Cash flow and management of disbursements

- 6.5 The National Treasury transfers the local counterpart funds to the CEU, crediting an account opened by the program for the exclusive use of this loan, as this is a program cofinanced with Bank funds.
- 6.6 Disbursements will be based on a detailed financial plan, the format for which has been agreed with officials of the Ministry of Finance and the Office of the Cabinet Chief.

C. Accounting, information systems, and reports

- 6.7 The CEU will use the UEPEX system as the financial management system. Accounting will be on a cash basis, following International Financial Reporting Standards (IFRS) when applicable in accordance with established national criteria. The required financial reports will be: (i) financial execution plan for up to 180 days following the request for an advance; (ii) audited annual financial statements, as

stipulated in Article 7.03(a) of the General Conditions of the Loan contract; and (iii) other reports as requested by the fiduciary specialists.

D. Internal control and internal audit

- 6.8 The national internal control body is the Sindicatura General de la Nación [General Accounting Office] (SIGEN). Internal audit of each executing agency is conducted through the Unidad de Auditoría Interna [Internal Audit Unit] (UAI). The UAI, reporting directly to the Minister, is responsible for conducting audits and making recommendations in accordance with the powers conferred under Law 24156 (Financial Administration Act).

E. External control: external financial audit and project reports

- 6.9 In 2011 the Bank concluded a diagnostic assessment of the governmental audit practices of the AGN, in accordance with the Bank's guide for determining the level of development of public financial management systems. The evaluation concluded by validating the AGN as the auditor for Bank projects.
- 6.10 The AGN reports to the National Congress and assists it in overseeing the status of the public sector accounts. Its creation and operations are regulated in Title VII, Chapter I of Law 24156, the Financial Administration Act. The AGN has its own legal personality and operational independence: it therefore has financial independence, its capital consisting of assets allocated to it by the national government, assets that formerly belonged to the Tribunal de Cuentas de la Nación [National Audit Court] (TCN), and those transferred by court order.
- 6.11 In October 2014, in light of the AGN's record of submitting audited financial statements (AFS) in recent years, agreement was reached with Argentina to reduce the AGN's portfolio in keeping with its actual performance capabilities. The audits of loans 1855/OC-AR and 2499/OC-AR are being conducted by an independent audit firm.
- 6.12 In order to retain flexibility and to adjust the loan portfolio to the capacity of the AGN, it is recommended that both the AGN and independent firms should be contractually eligible to conduct audits of the program.

F. Financial supervision of the project

- 6.13 The financial supervision plan reflects the risk and fiduciary capacity evaluations performed on the basis of onsite and desk reviews planned for the program, and includes the scope of operational, financial, and accounting activities, compliance and legality, frequency, and identification of the parties responsible.
- 6.14 In addition to the reports required for processing disbursements and the annual audit, a financial plan will be requested for the program's financial supervision.

G. Execution mechanism

The details of program execution are found in the draft operating regulations and in the program for operation development.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Argentina. Conditional Credit Line for Investment Projects (CCLIP) AR-O0001
Development Program for Metropolitan Areas outside the Capital

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Argentine Republic to establish the Conditional Credit Line for Investment Projects (CCLIP) AR-O0001, for an amount of up to US\$240,000,000 chargeable to the resources of the Ordinary Capital of the Bank, to cooperate in the execution of the Development Program for Metropolitan Areas outside the Capital.

2. To determine that the resources allocated to the above-mentioned Conditional Credit Line (CCLIP) AR-O0001 shall be used to finance individual loan operations in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07 and DE-164/07; (b) the provisions set forth in documents GN-2246-4, GN-2246-7, and GN-2564-3; and (c) the terms and conditions included in the Loan Proposal for the corresponding individual operation.

(Adopted on ____ 2016)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/16

Argentina. Loan ___/OC-AR to the Argentine Republic
Development Program for Metropolitan Areas
outside the Capital II. First Individual Operation
under the Conditional Credit Line for
Investment Projects (CCLIP)
AR-O0001

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Development Program for Metropolitan Areas outside the Capital II, which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) AR-O0001 approved on ___ 2016 by Resolution DE-___/16. Such financing will be in the amount of up to US\$80,000,000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ 2016)