



# Board of Executive Directors

## For consideration

On or after 2 July 2019

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**Public**  
**Simultaneous Disclosure**

**To:** The Executive Directors  
**From:** The Secretary  
**Subject:** Regional. Loan proposal for the “Comprehensive Sanitation Program for the Cities of the Uruguay River Basin – Province of Entre Ríos”

**Basic Information:** Loan type .....Global Multiple Works Operation (GOM)  
Borrower ..... Province of Entre Ríos  
Guarantor..... Argentine Republic  
Amount ..... up to US\$80,000,000  
Source .....Ordinary Capital

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**Remarks:** This operation is not included in Annex III of document GN-2948, "2019 Operational Program Report" or the respective update. Therefore, the operation does not qualify for approval by No-Objection Procedure, in accordance with Part III of document GN-1838-3.

**Reference:** GN-1838-3(6/18), DR-398-18(8/18), GN-2948(2/19)



DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**REGIONAL**

**COMPREHENSIVE SANITATION PROGRAM FOR THE CITIES OF THE URUGUAY  
RIVER BASIN – PROVINCE OF ENTRE RÍOS**

**(RG-L1131)**

**LOAN PROPOSAL**

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## **ABBREVIATIONS**

|        |   |
|--------|---|
| CAFESG | Comisión Administradora para el Fondo Especial de Salto Grande<br>[Administrative Commission for the Salto Grande Special Fund] |
| CARU   | Comisión Administradora del Río Uruguay [Uruguay River Administrative<br>Commission]  |
| MPlyS  | Ministry of Planning, Infrastructure, and Services  |
| MRP    | Management and Results Plan   |
| O&M    | Operation and maintenance   |
| OSE    | Obras Sanitarias del Estado   |
| PCU    | Program coordinating unit   |
| PEU    | Provincial execution unit   |
| WSA    | Water and sanitation  |

## PROJECT SUMMARY

### REGIONAL COMPREHENSIVE SANITATION PROGRAM FOR THE CITIES OF THE URUGUAY RIVER BASIN – PROVINCE OF ENTRE RÍOS (RG-L1131)

| Financial Terms and Conditions   |                                 |                                     |  |                                     |
|--|---------------------------------|-------------------------------------|--|-------------------------------------|
| <b>Borrower:</b> Province of Entre Ríos  |                                 |                                     | <b>Flexible Financing Facility<sup>(a)</sup></b> |                                     |
| <b>Guarantor:</b> Argentine Republic   |                                 |                                     | <b>Amortization period:</b>                      | 25 years                            |
| <b>Executing agency:</b> The borrower, through the Ministry of Planning, Infrastructure, and Services (MPlyS)  |                                 |                                     | <b>Disbursement period:</b>                      | 5 years                             |
|  |                                 |                                     | <b>Grace period:</b>                             | 5.5 years <sup>(b)</sup>            |
| Source   | Amount<br>(in millions of US\$) | %                                   | <b>Interest rate:</b>                            | LIBOR-based                         |
| <b>IDB (Ordinary Capital):</b>   | 80                              | 100                                 | <b>Credit fee:</b>                               | (c)                                 |
|  |                                 |                                     | <b>Inspection and supervision fee:</b>           | (c)                                 |
| <b>Total:</b>  | 80                              | 100                                 | <b>Weighted average life:</b>                    | 15.25 years                         |
|  |                                 |                                     | <b>Approval currency:</b>                        | U.S. dollars                        |
| Project at a Glance  |                                 |                                     |  |                                     |
| <b>Project objective/description:</b> The development objective of the program is to contribute to improving the quality of life of the population in the Uruguay River basin. The general objective of the program is to contribute to improving sanitation on the banks of the Uruguay River in the cities of the province of Entre Ríos. The specific objectives are to: (i) expand coverage of sewer and wastewater treatment services and (ii) improve service management capacity.   |                                 |                                     |  |                                     |
| <b>Special contractual conditions precedent to the first disbursement of the loan:</b> (i) the formation of the program coordinating unit within the structure of the provincial execution unit, with the appointment and/or hiring of the members mentioned in paragraph 3.1; and (ii) the approval and entry into force of the <a href="#">program Operating Regulations</a> on terms previously agreed with the Bank (paragraph 3.5). In addition, see the special contractual conditions in Annex B of the environmental and social management report (ESMR) ( <a href="#">required link 3</a> ).  |                                 |                                     |  |                                     |
| <b>Special contractual conditions of execution:</b> (i) before submitting the specific projects with the program's beneficiary municipios to the Bank for its no objection, the MPlyS will sign an agreement with the respective municipio setting forth the responsibilities of the parties in project design and execution, as well as the mechanisms to transfer the works and the related operation and maintenance agreements, among other matters; and (ii) the term for the material commencement of the works included in the program will be three years as of the entry into force of the loan contract (paragraph 3.6). In addition, see the special contractual conditions in Annex B of the environmental and social management report ( <a href="#">required link 3</a> ). |                                 |                                     |  |                                     |
| <b>Exceptions to Bank policies:</b> None.  |                                 |                                     |  |                                     |
| Strategic Alignment  |                                 |                                     |  |                                     |
| <b>Challenges:<sup>(d)</sup></b>   | SI                              | <input checked="" type="checkbox"/> | PI   | <input checked="" type="checkbox"/> |
|  |                                 |                                     | EI   | <input checked="" type="checkbox"/> |
| <b>Crosscutting themes:<sup>(e)</sup></b>  | GD                              | <input checked="" type="checkbox"/> | CC   | <input checked="" type="checkbox"/> |
|  |                                 |                                     | IC   | <input checked="" type="checkbox"/> |

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

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

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

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

<sup>(e)</sup> 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 addressed, and rationale

- 1.1 **Regional and integration context.** The Uruguay River is an international watercourse and its watershed extends into the territories of Argentina, Brazil, and Uruguay, covering a total area of approximately 339,000 square kilometers (km<sup>2</sup>). Measuring 1,800 km in length, it originates in Serra do Mar (Brazil) and flows into the River Plate. Its course defines the border between Argentina and Uruguay, which extends some 495 km. The river thus forms a corridor for the integration and development of a regional space, where the neighboring border towns have shared historical and sociocultural processes and maintain economic and social interactions facilitated in part by large-scale binational works.<sup>1</sup> However, they are also tied by activities, such as tourism, mostly associated with the use of beaches for recreation and fishing, which give rise to intense interaction between border populations and the flow of people between the two countries.
- 1.2 In this regard, the river's pollution stemming from the discharge of untreated wastewater from cities in the Uruguay River basin has been a historical binational concern. To combat it, Argentina and Uruguay have been developing water-related regional integration strategies through the formation of binational and trinational watershed management bodies to address the main problems associated with the river from a social, environmental, and economic perspective of integration, driving actions to achieve universal wastewater treatment in the Argentine and Uruguayan cities that are part of the river basin.
- 1.3 Specifically, in order to coordinate quality preservation and recovery actions in the stretch of the Uruguay River shared by Argentina and Uruguay, a joint commission called the Uruguay River Administrative Commission (CARU) has been set up under the Uruguay River Statute as an institutional mechanism for the optimal and rational use of the river.<sup>2</sup> As one of the most important strategies within the framework of the statute, the CARU identified the need to implement a sanitation plan for the Uruguay River so as to mitigate the negative environmental impacts caused by discharges from cities along the river as a result of nonexistent or deficient sewer and wastewater treatment services.
- 1.4 From the Argentine Republic, the actions necessary to clean up the river have been led by the Province of Entre Ríos, which, with the technical support of the Administrative Commission for the Salto Grande Special Fund (CAFESG) and the municipios of Concordia, Gualaguaychú, Concepción del Uruguay, Colón, and San José, is developing sanitation projects in each of these cities. The related investments are expected to be financed through this program. The Eastern Republic of Uruguay has also advanced in this line under the leadership of Obras Sanitarias del Estado (OSE), Uruguay's state-owned enterprise responsible for providing water and sanitation services (WSA) in most of the country, which has

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<sup>1</sup> The binational hydroelectric power plant in Salto Grande, located at the midpoint of the Uruguay River north of the cities of Salto (Uruguay) and Concordia (Entre Ríos, Argentina), Libertador General San Martín Bridge, which links Puerto Unzué (Entre Ríos, Argentina) to Fray Bentos (Uruguay), and General Artigas Bridge, which runs between Colón (Entre Ríos, Argentina) to Paysandú (Uruguay).

<sup>2</sup> *Digesto sobre el uso y aprovechamiento del Río Uruguay [Digest on the Use of the Uruguay River]* – revised version. The forerunner to the Uruguay River Statute is the Treaty on the Limits of the Uruguay River, dated 7 April 1961.

developed an investment plan covering the cities with the largest populations on the Uruguayan side of the river.<sup>3</sup> This program would finance the sanitation actions identified from the Argentine side to comply with the binational integration agreements ([optional link 12](#)), thus complementing the actions that are already being financed with OSE's own funds from the Uruguayan side.

- 1.5 **Diagnostic assessment of problems relating to water and sanitation services.** According to data from the 2010 census,<sup>4</sup> in Argentina 84.4% of inhabitants have access to network water and 58.4% to sewer services. With a population of 1.3 million inhabitants,<sup>5</sup> coverage of urban network water in the province of Entre Ríos is 90% while sewer service coverage is 69.8%.<sup>6</sup> This is above the national average as a result of an increase in investments in water and sanitation in recent years. However, wastewater treatment has not kept pace with this growth in networks and household connections. Although there are no reliable statistics on the level of wastewater treatment in the country, nationwide it is estimated that it is between 15% and 20% of the water collected. In the case of the province of Entre Ríos, the main cities located on the banks of the Uruguay River (Concordia, Colón, Concepción del Uruguay, San José, and Gualeguaychú), the population of which totals approximately 390,000 inhabitants, discharge their untreated or deficiently treated wastewater,<sup>7</sup> which contributes to an increase in greenhouse gas emissions and negatively impacts climate change mitigation measures ([required link 4](#)). The low levels of wastewater treatment coverage are mainly attributed to the lack of prioritization and investment planning to support population growth and the insufficient allocation of resources to meet expansion needs and to operate and maintain existing infrastructure, which is generally overloaded.<sup>8</sup> From the Uruguayan side, OSE has completed construction of two plants (in the cities of Artigas and Fray Bentos), has one under construction (in the city of Salto), and has four projected (Paysandú, Fray Bentos stage II, Mercedes, and Nueva Palmira). Financed thus far with OSE's own funds, this plan should manage to clean up a large portion of the municipal discharges on the Uruguayan side of the watershed.
- 1.6 **Institutional framework of the sector.** The lead agency for the water and sanitation sector at national level is the Ministry of the Interior, Public Works, and Housing through the Secretariat of Water Infrastructure and Policy,<sup>9</sup> which sets the national policies, plans these services, and channels the financial resources

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<sup>3</sup> Artigas, Bella Unión, Salto, Paysandú, Fray Bentos, Mercedes, and Palmira together have a population of over 315,000 (2011 census, Uruguayan National Statistics Institute).

<sup>4</sup> 2010 National Population and Housing Census, Argentine National Statistics and Census Institute.

<sup>5</sup> Argentine National Statistics and Census Institute projection to 2018.

<sup>6</sup> In the cities of Concordia and Gualeguaychú, sewer service coverage is 80% and 95%, respectively; however, the hydraulic capacity of several of the systems' main collectors and pump stations are frequently overloaded.

<sup>7</sup> Concordia does not have any type of treatment, while Gualeguaychú, Colón, Concepción, and San José have treatment plants whose input flows have exceeded those established in their designs. It is estimated that an approximate total of only 25% of collected wastewater is treated in these five cities.

<sup>8</sup> Analyzed as part of the sample of this operation, the wastewater treatment plant in the city of Gualeguaychú is an example of the state of this type of infrastructure ([optional link 1](#)).

<sup>9</sup> Created by Decree 174/2018 of 5 March, placing the former Office of the Undersecretary of Water Resources under the Ministry of the Interior, Public Works, and Housing.

allocated to the sector for investments and current expenditures. In the province of Entre Ríos, sector planning and governance is performed by the Ministry of Planning, Infrastructure, and Services (MPlyS) through the Secretariat of Public Works and Services; regulatory functions are discharged by the Provincial Department of Sanitation Works, which has a limited capacity. The provision of water and sewer services is decentralized in 122 operators of three types: municipios (73), cooperatives (48), and neighborhood consortiums (1).

- 1.7 **Management of services.** In the province of Entre Ríos, the majority of water and sanitation service providers face challenges in their financial, commercial, and operational areas, especially to modernize their management and governance processes, increase micrometering rates,<sup>10</sup> reduce their levels of nonrevenue water,<sup>11</sup> maintain progressive and sustained investment in infrastructure, cover at least their operation and maintenance (O&M) costs with rates, and build the capacity of their staff.<sup>12</sup> This affects the financial position of the operators, as indicated by the limited coverage of operating costs with rate-based revenue (Concordia 87% and Gualeguaychú 67%), which generally require subsidies from municipal governments to cover operating deficits.
- 1.8 **Social inclusion considerations.** In Latin America, women represent more than 60% of the workforce in the service sector but only 19.7% in the water sector;<sup>13</sup> this underrepresentation is also reflected in decision-making positions. From the viewpoint of users, the inclusion of women in the consultation and planning processes ensures the sustainability of project outcomes. In addition, there are significant benefits to including a gender approach in the delivery and management of water and sanitation services. In this regard, the operation will incorporate a gender approach by strengthening operators and municipios both internally and externally through the preparation of a gender strategy that includes an action plan with the formation of a gender unit or working group, the incorporation of criteria promoting gender equity in internal regulations, changes in infrastructure for the needs of women and persons with disabilities, the participation of women from local organizations in the decision-making spaces of the execution units, and the integration of women in decision-making and technical areas. The design and construction of the infrastructure to be financed by the operation will include adequate conditions for access, reach, handling, and use, regardless of a person's body size, posture, or mobility.
- 1.9 **Climate change.** In Argentina, 95% of the emissions from the waste sector are methane and nitrous oxide emissions resulting from domestic/commercial and industrial wastewater. Against this backdrop, one of the mitigation options indicated in the Argentine Republic's Third National Communication is the adoption of management and improvement strategies for wastewater treatment at the different scales of municipios throughout the country. The interventions of this

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<sup>10</sup> In the sample cities, between 0% and 18%.

<sup>11</sup> At national level, nonrevenue water ranges from 17% to 59% (National Potable Water and Sanitation Plan). The lack of micrometering prevents the sample cities from even having a baseline.

<sup>12</sup> Recent Sanitation Dynamics, 2016-2023 Entre Ríos Sanitation Infrastructure Plan.

<sup>13</sup> <https://publications.iadb.org/bitstream/handle/11319/7700/Tiene-genero-el-agua.pdf?sequence=1&isAllowed=y>.

operation will reduce greenhouse gas emissions by an estimated 4,582 MT CO<sub>2e</sub> per year ([optional link 11](#)).

- 1.10 In addition, Argentina is vulnerable to the impacts of climate change, ranking among the ten most vulnerable emerging economies, and its population suffers the greatest per capita losses due to natural disasters. One of the main risks is flooding, which is linked to the El Niño-Southern Oscillation phenomenon; this phenomenon and the intensity of extreme events are expected to increase as a result of climate change. As regards the Uruguay River, projections with respect to the 1990-1999 period indicate a 33% increase in flow for the 2016-2026 period and a 57% increase for the 2091-2100 period. Therefore, the designs for facilities to be built on the river's banks should incorporate measures to adapt to the new conditions driven by climate change (paragraph 1.21).
- 1.11 **Rationale and proposed interventions.** The main sector challenges in the province of Entre Ríos are focused on increasing the coverage and improving the quality of the sewer service and, in particular, wastewater treatment,<sup>14</sup> thereby reducing inequity in access, fostering improvement in the urban environmental quality of the cities on the Uruguay River, and improving the management of operators (institutional structure, strategic planning, collection levels, good O&M practices, and rates that enable cost recovery). In this regard, in order to resolve the sector's problem and improve the quality of the Uruguay River's international waters, this operation proposes financing for sanitation projects in the main cities along the river, which will enable the removal of more than 6,600 tons/year of organic matter from the wastewater discharged into the river, including actions to improve the operational and management capacities of the service operators. In addition to social inclusion considerations (paragraph 1.8), the operation will promote local economic development opportunities through training sessions to provide alternatives for the management and sustainable use of stabilized sludge from treatment plants. This will be performed within the framework of the Sustainable Entre Ríos program carried out by the Secretariat of the Environment of the Government of Entre Ríos and will be provided to the population engaging in production activities in the area.<sup>15</sup> The effectiveness of the proposed interventions has been demonstrated in several studies of interventions carried out in similar contexts.<sup>16</sup>
- 1.12 **The Bank's sector knowledge.** This program takes advantage of the lessons learned from comprehensive support operations for improved water and sanitation services at national level, including interventions for smaller communities

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<sup>14</sup> The focus of the program is to treat domestic wastewater; this is the main need, since Gualeguaychú has an independent treatment system for the industrial park, while in Concordia there is only one industry that makes a negligible contribution to the system.

<sup>15</sup> Examples of possible actions are the use of fertilizer and compost at municipal nurseries (communal, cooperative, etc.), afforestation programs for urban land, compensatory afforestation for works, urban landscaping, soil enrichment, and fertilization of forestry plantations, etc.

<sup>16</sup> Numerous studies in the literature demonstrate the effectiveness of the technologies proposed for the treatment of wastewater discharged to receiving water bodies, such as Von Sperling M., "Urban wastewater treatment in Brazil", Technical Note IDB-TN-970, Water and Sanitation Division, IDB, August 2016 ([link](#)) and Nolasco N., "Desarrollo de proyectos MDL en plantas de tratamiento de aguas residuales" ["Development of CDM projects at wastewater treatment plants"], Technical Note 116, Water and Sanitation Division, IDB, 2010 ([link](#)).

(1895/OC-AR - AR-X1005), for urban centers (AR-X1017), for the provinces covered by the Belgrano Plan (2776/OC-AR and 4312/OC-AR), for the Reconquista River basin (3256/OC-AR), and for the Buenos Aires Metropolitan Area (AR-X1013, AR-O0004, and 4268/OC-AR). In addition, it is also aligned with the support for the modernization of the water and sanitation sector (ATN/OC-15932-AR), on which the preparation of Management and Results Plans (MRP) ([optional link 10](#)) are based, including the Concepción and Gualeguaychú operators. These programs address the country's problems in relation to water and sanitation services and services to strengthen businesses for proper management. In Argentina, the Bank has been developing several of its knowledge tools, such as AquaRating (at operators such as AySA, Aguas del Norte, and OSSE),<sup>17</sup> which provides a comprehensive analysis of service providers' management capacities, and HydroBID,<sup>18</sup> which supports providers in modeling water resources that serve as a source of water supply for the population.

- 1.13 **Lessons learned.** In preparing this program, lessons learned identified in the evaluation and execution of other similar operations in Argentina (paragraph 1.12) and in the region (in accordance with the Water and Sanitation Sector Framework Document, document GN-2781-3) were taken into account, including notably: (i) ensuring adequate coordination between the executing agencies, service providers, and other institutions related to the works (municipal or environmental permits) enables a timely start and compliance with the works schedule; to this end, during program execution, agreements will be signed between the stakeholders involved to establish the respective responsibilities; (ii) strengthening the executing agency's capacities, by incorporating technicians with experience in project supervision and execution, for which the program has analyzed the institutional capacity and earmarked resources for the financing thereof (paragraphs 1.22, 2.8, and 2.11); and (iii) ensuring the timely execution of the component relating to the improved management of services and project preparation, to which end all beneficiary operators are expected to have their respective MRPs in place prior to the commencement of works.
- 1.14 **Government strategy.** In 2016, the national government approved the National Drinking Water and Sanitation Plan ([National Drinking Water and Sanitation Plan](#)) ([optional link 12](#)), laying the groundwork for the development of the sector with the goal of reaching 100% coverage in drinking water and 75% coverage in sewer service in the country's urban areas in 2019.<sup>19</sup> It also establishes a component to promote the financial sustainability of water and sanitation operators as a strategy to free up resources that are currently used to cover operating deficits and to channel them into investments to expand services. In this regard, with a view to creating sustainable and efficient services, the Government of Argentina is cofinancing investment in infrastructure with the MRPs of the operators implemented in parallel in the provinces and operators that commit to meeting the annual management targets established in these plans. At the same time, the Government of the Province of Entre Ríos is promoting the Entre Ríos Sanitation

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<sup>17</sup> <http://aquarating.org/>.

<sup>18</sup> <http://sp.hydrobidlac.org/>.

<sup>19</sup> The National Drinking Water and Sanitation Plan estimates that 40% of the target will be met by 2016-2019.

Infrastructure Plan ([PISER](#)),<sup>20</sup> which seeks to organize access to services in a programmatic manner and prioritizes the Uruguay River Sanitation Plan through the construction of wastewater treatment plants and the expansion and rehabilitation of sewage collectors in the municipios along the Uruguay River. This operation is aligned with both plans and their respective components, and it also contributes to CARU's mandate to preserve and recover the quality of the Uruguay River on the stretch shared by Argentina and Uruguay.

- 1.15 **Strategic alignment.** The operation is aligned with the IDB Group Country Strategy with Argentina 2016-2019 (document GN-2870-1), since it contributes to the strategic area of “poverty and inequality reduction,” which include objectives for improving “habitat and access to basic services” in low-income regions. The operation is also consistent with the IDB Country Strategy with Uruguay 2016-2020 (document GN-2836), which includes under its strategic pillar of “equity and social inclusion” a priority area including expanded sanitation coverage, and under its crosscutting area of “climate change” considers the development of plans for the sustainable management of natural resources. The program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and is aligned with the following development challenges: (i) social inclusion and equality, through expanded access to sanitation; (ii) productivity and innovation, through the improvement of urban conditions and the quality of infrastructure, which will promote activities contributing to economic growth; and (iii) economic integration, as it will contribute to improving water quality in a regional watershed. The program is also aligned with the crosscutting areas of: (i) institutional capacity and the rule of law, since activities are financed to improve the management capacity of water and sanitation service providers and to improve sector governance; (ii) gender and diversity, since the program will encourage the incorporation of a gender approach at service providers, thus expanding the possibilities for women to access employment and the consideration of the needs of the women using the service; and (iii) climate change and environmental sustainability, since it will make it possible to reduce greenhouse gas emissions by 4,582 MT CO<sub>2</sub>e per year by financing systems for collecting, treating, and disposing of wastewater. In the operation, 51.96% of the IDB resources are invested in climate change mitigation and adaptation activities, according to the joint methodology of the multilateral development banks for tracking climate finance ([optional link 3](#)). These resources contribute to the IDB Group target of increasing financing for climate-related projects to 30% of total approvals by the end of 2020.
- 1.16 In addition, by supporting the implementation of the regional agreement, the program will contribute to the Corporate Results Framework 2016-2019 (document GN-2727-6) through the indicators relating to “households with new or upgraded access to sanitation” and “households whose wastewater is treated” and through the indicators supporting transnational and crossborder projects. Lastly, it is aligned with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), particularly with the priority area for action to “support the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life,” and is consistent with the dimensions of success and lines of action of the Water and

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<sup>20</sup> 2016-2023 Entre Ríos Sanitation Infrastructure Plan.

Sanitation Sector Framework Document (document GN-2781-8) relating to achieving universal access, improved service quality, and social and environmental sustainability, and with the Decentralization and Subnational Governments Sector Framework Document (document GN-2813-8), due to its contribution to the effective and efficient fulfillment of the province's water and sanitation competencies.

- 1.17 Lastly, the program is aligned with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), particularly with the priority area for action to “support the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life,” and includes measures in line with the general framework for sustainable infrastructure regarding the four dimensions of sustainability:<sup>21</sup> (i) economic and financial, such as the implementation of measures for local economic development through the management and sustainable use of stabilized sludge and the provision of services to local communities, and the inclusion of measures to maintain the works throughout their useful life; (ii) environmental, including the promotion of proper management of the risks and impacts of water and soil pollution, as well as the sustainable use of water sources; (iii) social, given the focus on promoting gender equality, the economic empowerment of women, and the involvement of all stakeholders in the project cycle, especially in decision-making processes; and (iv) institutional, by strengthening institutional capacities for service management.
- 1.18 **Consistency with the Public Utilities Policy (document GN-2716-6).** This program and the national and provincial objectives are consistent with the principles of the Public Utilities Policy (document GN-2716-6) and meet the conditions of financial sustainability and economic evaluation thereof, since Ente Descentralizado de Obras Sanitarias, which provides water and sanitation services in Concordia and is part of the sample, will cover its O&M costs with the funds to be received from the Municipality of Concordia on a transparent and periodic basis; in turn, it will evaluate the possibility of starting to charge rates based on service quality. Through the Department of Sanitation Works, the operator in the municipio of Gualeguaychú currently covers its O&M costs through a combination of rate revenue and other current revenue from this municipio (paragraphs 2.13 and 2.12). In addition, the works to be financed through the program are socioeconomically viable (paragraph 2.10). The eligibility conditions for the projects will include commitments to ensure compliance with the conditions of this policy, including the commitment to implement actions enabling the service providers' operational self-sustainability in the medium term (paragraph 2.3). In the province of Entre Ríos there is adequate institutional organization (policy formulation, regulation, and service provision) (paragraph 1.6); however, this program will strengthen specific areas (paragraph 1.21 and 2.12). It should be noted that, in addition to fostering access, the program seeks the environmental sustainability of both the projects and the environment ([optional link 5](#)).

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<sup>21</sup> Technical Note IDB-TN-01388 ([link](#)).

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

- 1.19 **Objectives.** The development objective of the program is to contribute to improving the quality of life of the population in the Uruguay River basin. The general objective of the program is to contribute to improving sanitation on the banks of the Uruguay River in the cities of the province of Entre Ríos. The specific objectives are to: (i) expand coverage of sewer and wastewater treatment services and (ii) improve service management capacity. The following components are provided in order to achieve the objectives:
- 1.20 **Component 1: Infrastructure works (US\$72.5 million).** This component finances the execution of new works and the rehabilitation, optimization, and expansion of collection systems (including household connections), the treatment and disposal of sewage effluents, as well as the remediation of environmental liabilities associated with the facilities that will be retired.
- 1.21 **Component 2: Improved management of services and project preparation (US\$4.3 million).** This component aims to strengthen the management of the provincial sector bodies linked to the planning and regulation of water and sanitation services and providers in beneficiary cities through the implementation of the MRPs, which include cost and rate studies, plans to improve the organizational structure, a diagnostic assessment and gender strategy for each municipio, the development of micrometering and bulk water metering plans and the reduction of nonrevenue water, management and O&M training for the systems to be built, training for the use of stabilized sludge, the preparation and implementation of household connection plans, the preparation of studies of alternatives, the development of master plans and executive projects that will include the analysis and definition of climate change mitigation and/or adaptation measures for each municipio.
- 1.22 **Program management (US\$3.2 million).** Expenses relating to program administration, works supervision and inspection, evaluation, and external audit will also be financed.

**C. Key results indicators**

- 1.23 The Results Matrix (see Annex II) includes the program's outputs and outcomes. Table I-1 presents the key indicators.

**Table I-1 – Key indicators**

| <b>Outcome indicator</b>   | <b>Unit of measure</b> | <b>Baseline</b> | <b>Target</b> |
|--|------------------------|-----------------|---------------|
| Effective flow rate of treated wastewater  | m <sup>3</sup> /sec    | 0.22            | 1.27          |
| Amount of organic matter removed from discharges into the Uruguay River            | BOD (ton/year)         | 1,388           | 8,010         |
| Households with improved sewer service in program intervention cities              | Households             | 40,492          | 97,725        |
| Households whose sewage effluents are treated in the program's intervention cities | Households             | 24,117          | 97,725        |
| Operators incorporating gender equity approach in their practices and policies     | Operator               | 0               | 2             |

- 1.24 **Characterization of beneficiaries.** The main beneficiaries will be the inhabitants of the cities of Concordia, Gualeguaychú, San José, Colón, and Concepción del Uruguay, where the sewer and wastewater treatment systems will be expanded for an estimated 390,000 inhabitants; however, the program's main benefit relates to an improvement in urban environmental quality, especially in terms of the sanitary conditions on the stretch of the Uruguay River shared by Argentina and Uruguay.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 **Type and financing structure.** This operation is structured as a multiple works program, since it will finance multiple projects, each made up of physically similar groups of work, whose feasibility does not depend on the execution of other projects and whose size does not justify Bank financing on an individual basis. For preparation, a representative sample has been analyzed, which will also enable an early start to execution. The total cost of the program is US\$80 million, which will be financed with an investment loan drawn on the Ordinary Capital. The consolidated budget by component and source of financing is shown in Table II-1. With a five-year disbursement period, consistent with the multiyear execution plan ([required link 2](#)), the program will meet the demands prioritized by the executing agency and will be governed by the program Operating Regulations (paragraph 3.3). The material commencement of program works is planned to take place within the first two years following the entry into force of the loan contract. The disbursement schedule is presented in Table II-2 ([optional link 7](#)).

Table II-1 – Program cost (in millions of U.S. dollars)

| Component  | IDB       | Total     | %          |
|--|-----------|-----------|------------|
| <b>Component 1 - Infrastructure works</b>                                    |           |           |            |
| 1.1 Direct costs of the works  | 72.5      | 72.5      | 90.63      |
| <b>Component 2 - Improved management of services and project preparation</b> |           |           |            |
| 2.1 Support for the management of services                                   | 3.8       | 3.8       | 4.75       |
| 2.2 Preparation of studies and projects                                      | 0.5       | 0.5       | 0.62       |
| <b>Program management</b>  |           |           |            |
| 3.1 Program administration   | 2.8       | 2.8       | 3.5        |
| 3.2 Audits and evaluations   | 0.4       | 0.4       | 0.5        |
| <b>TOTAL</b>   | <b>80</b> | <b>80</b> | <b>100</b> |

Table II-2 – Disbursement schedule (in millions of U.S. dollars)

| Source/year  | 1    | 2     | 3    | 4     | 5     | Total |
|--------------|------|-------|------|-------|-------|-------|
| IDB          | 20.0 | 15.0  | 25.0 | 15.0  | 5.0   | 80.0  |
| cumulative % | 25   | 43.75 | 75   | 93.75 | 100.0 | 100.0 |

- 2.2 **Representative sample.** In order to determine program viability and streamline execution upon approval, a sample of projects representative of the type of works proposed was analyzed. These projects are: (i) the Concordia sanitation system

and (ii) the Gualeguaychú sanitation system. Representing 48% of the total amount of the program, the projects in the sample meet the eligibility criteria established for the operation and respond to the need to improve the sewer and wastewater treatment services in these cities, thus contributing to the regional integration strategy relating to the cleanup of the Uruguay River. As explained in paragraphs 2.9 to 2.13, the projects are technically, institutionally, financially, economically, and socioenvironmentally feasible.

- 2.3 **Eligibility and prioritization criteria.** The following criteria used to select the sample will be applied as part of the program Operating Regulations to determine the eligibility of the other projects to be funded: (i) populations of the province of Entre Ríos located in the Uruguay River basin; (ii) existence of a legally established service provider; (iii) commitment from the provincial and municipal authorities that the service providers, if other than the municipio, will be responsible for the O&M of the program-financed works; (iv) commitment from the provincial and municipal authorities and/or the service providers to allocate sufficient budgetary resources for proper O&M of the works to be financed and to secure medium-term coverage of O&M costs; (v) commitment to have an approved MRP in place prior to commencement of the works and to implement it during program execution; (vi) projects will be economically, technically (including climate change), financially, and institutionally viable; and (vii) compliance with the social and environmental requirements of the program's environmental and social management framework. Projects will be prioritized based on: (i) impact on the quality of the Uruguay River and (ii) deficits in the quality and coverage of sanitation services.
- 2.4 **Basket of projects.** On a preliminary basis and following the process of identifying the projects in the sample, there are similar investment needs in sanitation in the municipios of Colón, San José, and Concepción in Uruguay, which are all cities along the Uruguay River that discharge their untreated or deficiently treated effluents into the river. These projects could be financed by this operation once the corresponding projects have been submitted and their technical, economic, and socioenvironmental feasibility has been verified.

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

- 2.5 Pursuant to the Environment and Safeguards Compliance Policy (Operational Policy OP-703), the program has been classified as a category B operation since the construction of new works and the rehabilitation, optimization, and expansion of sewage effluent collection, treatment, and disposal systems to be executed under the program will cause negative localized, short-term impacts and socioenvironmental risks, which can be managed with standard mitigation measures for this type of infrastructure and activity. The main socioenvironmental risks and negative impacts include: the generation of sludge and odors from the operation of treatment plants and pumping stations; the generation of solid waste; risks of soil and groundwater contamination due to accidental spills or improper management of solid waste from the works; temporary impacts on the road network and blockage of those neighboring the worksite due to trenching and interference by the works with established uses; and the risk of workplace accidents. The program will not cause a physical displacement of the population and does not have the potential to convert or significantly degrade natural habitats

or critical cultural sites, which are exclusionary criteria for the program. Under the Disaster Risk Management Policy (Operational Policy OP-704), the operation is classified as a Type 1 moderate operation since it is executed in an area prone to flood risk.

- 2.6 A medium risk associated with the execution unit's lack of capacity for the socioenvironmental supervision of the works has been identified. As a mitigation measure, it was agreed to contract or appoint environmental and social specialists for the program coordinating unit (PCU) and CAFESG to support inspection during the construction phase and for operators during the operation phase. During program preparation, the following documents were drawn up: two environmental and social impact assessments with the related environmental and social management plans for the projects in the representative sample and an environmental and social management framework for future projects. In accordance with the guidelines for Directive B6 of the Operational Policy OP-703, a consultation event was held for each project in the sample: on 8 May in Concordia and 10 May in Gualeguaychú. See the details of the consultations in section 4 of the environmental and social management report.

### **C. Fiduciary risks**

- 2.7 The risk analysis exercise identified a medium risk associated with the lack of experience in the Bank's procurement procedures that could lead to delays in program execution and difficulty in supervising O&M contracts. The mitigation measures are as follows: (i) formalize monitoring mechanisms or procedures in line with the commitments and objectives of the plans and programs; (ii) review and improve fiduciary processes to make them more streamlined; (iii) strengthen the provincial execution unit (PEU) through the creation of a PCU with procurement and finance specialists and targeted training in these areas; (iv) update and/or develop relevant manuals for proper functioning; and (v) implement contractual provisions with design, construction, and O&M and strengthen the CAFESG team to discharge its contract management and supervision function.

### **D. Other risks and special considerations**

- 2.8 In addition, the following medium-level risks were identified: (i) development: (a) delays in the commencement of works due to external factors that push back program execution, for which coordination is planned with the municipios to obtain environmental permits, works authorizations, and land availability; (b) shortcomings in the projects could lead to increased costs during the execution of works, for which the implementation of contracts establishing sole responsibility is expected where the contractor will be responsible for the design, construction, and operation of the plants, as well as supervision and inspection arrangements that assure the quality and timeliness of the works; and (c) delays in the execution of the components for service management improvement due to difficulties in defining the scope and priorities of the MRP and to resistance to the proposed improvements and changes; to mitigate this, the active participation and involvement of the municipios and service providers is expected in the implementation of the MRPs and workshops on change management, good practices, and successful experiences in the sector; (ii) public management and governance: program implementation could be delayed if there is a change of provincial and municipal authorities that modifies the priorities in the

- implementation thereof; in the event that the provincial authorities change, sufficient information will be provided to the new authorities on the program, emphasizing the importance of contributing to the cleanup of the Uruguay River for the cities in the basin; and (iii) macroeconomic and fiscal sustainability: delays or stoppages in the works could arise due to the economic-financial imbalance of contracts owing to macroeconomic variations; the bidding documents will include measures to mitigate these variations in the execution of works.
- 2.9 **Technical viability.** In order to determine the program's technical viability, the works included in the two projects making up the representative sample were evaluated: (i) sewage system and effluent treatment in the city of Concordia and (ii) sewage system and effluent treatment in the city of Gualeguaychú. Based on this analysis and on visits to the construction sites, it was concluded that the projects meet the program objectives and the two cities' needs in terms of the scale and characteristics of the proposed works ([optional link 1](#)). It was further noted that the designs were based on a medium- and long-term vision for both cities and that generally accepted engineering principles and practices were followed. The solutions proposed also resulted from a comparative analysis of technologically appropriate and effective alternatives. For nonsample projects, the program Operating Regulations will establish eligibility criteria, guidelines for formulation, and review and approval procedures. In addition, the physical facilities, equipment, and other components to be built or procured are planned to be operated and maintained in an appropriate manner, taking into account the plans to improve the operational management of the providers of the program-financed services.
- 2.10 **Economic viability.** A cost-benefit analysis was performed on the projects in the sample (the expansion and improvement of the wastewater treatment plant and expansion of the sewer networks in the city of Gualeguaychú, and the construction of a wastewater treatment plant and expansion of the sewer networks in the city of Concordia). The projects are socioeconomically viable with economic internal rates of return of 37.1% y 39.5% for Gualeguaychú and 14.2% and 14.3% for Concordia; using a 12% discount rate, the net present values are US\$9.4 million and US\$580,000 and US\$2.8 million and US\$180,000, respectively. The evaluations were supplemented by corresponding sensitivity analyses that demonstrate the robustness of the results. For nonevaluated projects, a cost-benefit analysis will be carried out, and only projects with an economic internal rate of return above 12% may be financed by the program ([optional link 2](#)).
- 2.11 **Institutional viability.** Since the institutional capacity was assessed for approval of operation 4688/OC-RG (Development and Integration Program of the Salto Grande Region), which resulted in a medium level of institutional development and medium risk, it was observed that the execution capacities of the PEU of the MPlyS remain stable and have been strengthened.
- 2.12 **Sustainability of the investments.** The financial analysis of the operators in the Gualeguaychú (Department of Sanitation Works) and Concordia (Ente Descentralizado de Obras Sanitarias) sample was performed using Bank-prepared financial projections based on their operational and financial information. In both cases, financial projections indicate that operational self-sustainability can be achieved in the medium term with the implementation of actions for improvements

such as adjustments in wastewater treatment rates and improved efficiencies in collection, human resources, and energy consumption. The actions prioritized in the MRPs will be implemented using the resources of Component 2 of the program. The projects' eligibility conditions will include commitments to implement actions that will enable the operational self-sustainability of the service providers in the medium term ([optional link 4](#)).

- 2.13 **Financial evaluation of the province.** The financial capacity of the Province of Entre Ríos was evaluated on the basis of historical and projected financial analyses. Two scenarios were reviewed for the projected analysis: a scenario prepared by the Province of Entre Ríos and a more pessimistic alternative scenario. The Province of Entre Ríos has the borrowing capacity to meet the program's principal and interest payment obligations, given that the debt and debt service indicators are at reasonable levels in both scenarios ([optional link 13](#)).
- 2.14 **Innovation.** The traditional supervision arrangements for the works will be complemented by an innovative monitoring system consisting of online monitoring with fixed cameras at the worksites, complemented by drones and aerial photographs to document progress. Also, as part of the activities to strengthen the management of operators (Component 2), innovative projects are expected to be carried out for the effective management of the services, such as: (i) the use of new technologies to read meters for large consumers, using continuous remote on-line reading enabling the application of time-based rates; (ii) the updating and expansion of flow and pressure measurement systems on a continuous basis through the sectorization of networks into bulk metered areas at input and output to optimize network operation through remote controlled valves to improve service quality; and (iii) at effluent treatment plants, the use of systems to continuously monitor the quality of the treated effluent with alerts triggered when any parameter exceeds the permitted limits.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Borrower, guarantor, and executing agency.** The borrower will be the Province of Entre Ríos and the guarantor the Argentine Republic. The Argentine Republic will be the guarantor of the borrower's financial obligations in accordance with the policy on guarantees required from the borrower (document GP-104-2) for loans to subnational entities. The borrower will execute the program through the province's MPlyS, which will act through the PEU.<sup>22</sup> Within the framework of the binational agreements between Argentina and Uruguay and the CARU's coordination (paragraph 1.3), the operation-financed projects will be evaluated by the CARU to ensure that they contribute to reducing river pollution. The PEU will set up a PCU that will be responsible for the cycle of each project (paragraph 3.4) and for coordination with municipios and service providers. The PCU will be made up of a

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<sup>22</sup> The PEU was created by Decree 2084/00 of the Province of Entre Ríos. Its main functions are to coordinate, supervise, and implement the provincial programs financed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Argentine National Treasury and/or other lending or subsidy bodies, as well as the relationship between the provincial government and these bodies. Under Province of Entre Ríos Decree 3593/17, the PEU was placed under the authority of the MPlyS.

- sector coordinator and staff responsible for the following areas: (i) technical; (ii) administration, accounting, and finance; (iii) procurement; (iv) environmental and social; and (v) monitoring and evaluation. For the technical and socioenvironmental supervision and inspection of the works,<sup>23</sup> the PCU will be supported by CAFESG and the Secretariat of Public Investment and Land Development, while the fiduciary and operational processes will be channeled through the PEU line units.
- 3.2 The PCU will have, inter alia, the following functions: (i) prepare the required consolidated monitoring and evaluation reports; (ii) carry out procurement processes for works, goods, and consulting services; (iii) perform works supervision and the monitoring of program execution and evaluation; (iv) carry out the financial management of the program, which includes preparing supporting documentation for disbursement requests, accounting for the expenses incurred, and preparing the Bank-required financial reports; and (v) ensure compliance with contractual clauses and environmental and social regulations within the program.
- 3.3 **Program Operating Regulations.** The program will be governed by the program Operating Regulations, which will establish, inter alia, the following: (i) legal-institutional framework; (ii) program objectives and description; (iii) the use of resources and eligibility of investments; (iv) project cycle that will establish procedures for project preparation, eligibility criteria, and the prioritization of projects, and the execution of works; (v) procedures for socioenvironmental management, including as an annex the environmental and social management framework and environmental and social management plans of the projects in the sample; (vi) rules and procedures for the selection and procurement of works, goods, and services; (vii) rules and procedures for accounting-financial management; (viii) procedures for monitoring and evaluation; and (ix) arrangements for program execution. The model agreement between the MPlyS and the municipios will be attached as an annex to the program Operating Regulations.
- 3.4 **Project cycle.** The project cycle has four stages: (i) identification; in this stage the municipio presents the need for the project to the executing agency, which reviews the eligibility thereof. In this instance, an agreement will be signed between the MPlyS and the beneficiary municipio, which will establish, inter alia, the responsibilities of both parties in project execution, as well as the transfer mechanism of the works, commitments on operation, maintenance, and coverage of the costs associated with rates or subsidies, the participation of service providers (as appropriate) throughout the project cycle, and the timely delivery of information to the MPlyS on the indicators in the MRPs, financial statements of the service providers (paragraph 2.12), and the O&M report (paragraph 3.10); (ii) preparation and eligibility; in this stage, the MPlyS, along with the municipio and the services providers (as appropriate), agree on the stages of project execution and implementation of the MRPs and set targets for operational, commercial, financial, and institutional efficiency; (iii) execution; in this stage the MPlyS will be responsible for the procurement, execution, and payment processes. It will also approve the detailed design and inspect the construction of the works and

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<sup>23</sup> The traditional supervision arrangements for the works will be complemented by an online monitoring system with fixed cameras at the worksites, complemented by drones and aerial photographs to document progress.

- commissioning of the facilities with the support of CAFESG and, in parallel, will monitor implementation of the MRPs. With the Bank's support, the MPlyS will perform technical, fiduciary, environmental, and social strengthening measures at both the municipios and the service providers. This concludes with receipt of the procured works and/or services; and (iv) transfer and operation; in this stage the executing agency hands over the assets and, as appropriate, the obligations of the O&M contract to the municipio by signing a legal instrument setting out the terms and conditions of the transfer of the systems for the operation and management of the services.
- 3.5 **Special contractual conditions precedent to first disbursement of the loan: (i) The formation of the PCU within the structure of the PEU with the appointment and/or hiring of the members referred to in paragraph 3.1; and (ii) the approval and entry into force of the program Operating Regulations on terms previously agreed with the Bank.** These conditions are important to ensure proper program execution and coordination and to have detailed guidelines on the program's operational matters in place.
- 3.6 **Special contractual conditions of execution.** (i) Before submitting the specific projects with the program's beneficiary municipios to the Bank for its no objection, the MPlyS will sign an agreement with the respective municipio setting forth the responsibilities of the parties in project design and execution, as well as the mechanisms to transfer the works and the related operation and maintenance agreements, among other matters; and (ii) the term for the material commencement of the works included in the program will be three years as of the entry into force of the loan contract. The first condition is required to ensure that the borrower stipulates with the program beneficiary municipios the role and responsibilities of the municipios, including the obligations relating to O&M of the works, and that coordination arrangements are established between the province and the municipios; the second condition is to ensure that the program is executed within the five-year disbursement period.
- 3.7 **Procurement.** The procurement of goods, works, and consulting services will be undertaken in accordance with the policies set forth in documents GN-2349-9 and GN-2350-9. All procurement processes will be included in the procurement plan approved by the Bank through the Procurement Plan Execution System and the methods and ranges established therein, as described in the Fiduciary Agreements and Requirements (Annex III). The executing agency agreed with the Bank on a procurement plan with procurement for the first 18 months of execution ([required link 4](#)). The program will apply a new specification being developed by the Water and Sanitation Division in coordination with the Operations Financial Management and Procurement Services Office for the design-build-operate contract of the wastewater treatment plant.
- 3.8 **Advances of funds.** Advances will be governed by the Financial Management Guidelines for IDB-financed Projects (document OP-273-6) and the Fiduciary Agreements and Requirements ([Annex III](#)).
- 3.9 **Audit.** During the loan disbursement period, the executing agency will submit the program's annual audited financial statements to the Bank within 120 days following the end of the fiscal year. The audit will be conducted by a Bank-eligible independent audit firm. The determination of the scope and other related issues

will be governed by the Financial Management Guidelines for IDB-financed Projects (document OP-273-6) and the Guide for Financial Reports and Management of External Audit. Audit costs may be financed using program funds.

- 3.10 **O&M.** Through the executing agency, the borrower will submit the annual maintenance plan for operation-financed works and goods and information on the O&M process to the Bank in the first quarter of each calendar year, starting in the year in which the first program-financed works are completed and up to three years after the end of the loan disbursement period. The service providers' commitment to prepare these reports will be included in the agreement to be entered into by the MPlyS and the municipio (paragraph 3.6). If, on the basis of the Bank's inspections or the reports it receives, it is determined that maintenance is performed below acceptable levels, the borrower, through the executing agency, will take the necessary steps to ensure that the deficiencies are fully remedied.

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

- 3.11 A monitoring and evaluation mechanism has been agreed, including a data collection plan, the parties responsible, and the assigned budget ([required link 2](#)). The executing agency will be responsible for monitoring and evaluating the program-financed projects, for which it may hire independent consultants. Monitoring will be conducted using the Bank's supervisory instruments, including the procurement plan, the multiyear execution plan, the annual work plan, the Results Matrix, the progress monitoring report ([optional link 8](#)), and the MRP. The executing agency will send semiannual reports on the progress made and outcomes achieved as well as an action plan for the following six-month period within 60 days of the end of each six-month period.
- 3.12 The program evaluation arrangements will include midterm and final evaluations. The proposed evaluation methodology will look at before and after scenarios, which will consist of measuring the outcome indicators of the project's baseline and, after the interventions have been implemented, comparing the measurements to verify achievement of the targets. In addition, an ex post economic evaluation will be conducted which, following the methodology applied for the ex ante evaluation, will compare the costs of the investments made, O&M costs, and project benefits, estimated as detailed in the monitoring and evaluation plan.

| Development Effectiveness Matrix  |  |   |
|---|--|---|
| Summary   |  | RG-L1131  |
| <b>I. Corporate and Country Priorities</b>  |  |   |
| <b>1. IDB Development Objectives</b>  |  | <b>Yes</b>  |
| Development Challenges & Cross-cutting Themes   | <ul style="list-style-type: none"> <li>-Social Inclusion and Equality</li> <li>-Productivity and Innovation</li> <li>-Economic Integration</li> <li>-Gender Equality and Diversity</li> <li>-Climate Change and Environmental Sustainability</li> <li>-Institutional Capacity and the Rule of Law</li> </ul> |   |
| Country Development Results Indicators  | <ul style="list-style-type: none"> <li>-Households with new or upgraded access to sanitation (#)*</li> <li>-Households with wastewater treatment (#)*</li> </ul>   |   |
| <b>2. Country Development Objectives</b>  |  | <b>Yes</b>  |
| Country Strategy Results Matrix   | GN-2870-1 y GN-2836  | Improve the habitat and access to basic services, particularly in lower income regions (AR) and Decrease the qualitative housing deficit (UR) |
| Country Program Results Matrix  |  | The intervention is not included in the 2019 Operational Program.   |
| Relevance of this project to country development challenges (If not aligned to country strategy or country program)   |  |   |
| <b>II. Development Outcomes - Evaluability</b>  |  |   |
| <b>3. Evidence-based Assessment &amp; Solution</b>  |  | <b>9.3</b>  |
| 3.1 Program Diagnosis   |  | 3.0   |
| 3.2 Proposed Interventions or Solutions   |  | 3.6   |
| 3.3 Results Matrix Quality  |  | 2.7   |
| <b>4. Ex ante Economic Analysis</b>   |  | <b>10.0</b>   |
| 4.1 Program has an ERR/NPV, or key outcomes identified for CEA  |  | 3.0   |
| 4.2 Identified and Quantified Benefits and Costs  |  | 3.0   |
| 4.3 Reasonable Assumptions  |  | 1.0   |
| 4.4 Sensitivity Analysis  |  | 2.0   |
| 4.5 Consistency with results matrix   |  | 1.0   |
| <b>5. Monitoring and Evaluation</b>   |  | <b>8.5</b>  |
| 5.1 Monitoring Mechanisms   |  | 2.5   |
| 5.2 Evaluation Plan   |  | 6.0   |
| <b>III. Risks &amp; Mitigation Monitoring Matrix</b>  |  |   |
| <b>Overall risks rate = magnitude of risks*likelihood</b>   |  | <b>Medium</b>   |
| 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   |
| <b>Environmental &amp; social risk classification</b>   |  | <b>B</b>  |
| <b>IV. IDB's Role - Additionality</b>   |  |   |
| <b>The project relies on the use of country systems</b>   |  |   |
| Fiduciary (VPC/FMP Criteria)  | Yes  | Financial Management: Budget, Accounting and Reporting.<br>Procurement: Information System.   |
| Non-Fiduciary   |  |   |
| <b>The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:</b>                            |  |   |
| <b>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</b> |  |   |

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

The general objective of the Program is to contribute to improve the sanitation of the coasts of the Uruguay River in the cities of the province of Entre Ríos. The specific objectives are: (i) to expand the coverage of sewage drains and the treatment of wastewater; and (ii) improve the capacity of service management.

The documentation presents a good diagnosis which describes the shortcomings, on the Argentine side, in relation to sewerage coverage, the low levels of wastewater treatment, and the challenges faced by the providers of water and sanitation services. This is described within the regional context.

To mitigate the problems identified, the Program will implement two components: Infrastructure works; and Improvement of the management of services and preparation of projects. The proposed solution is linked to the problems and needs identified. Relevant evidence is presented about the effectiveness of this type of programs. The results matrix reflects the objectives of the program and shows a good vertical logic. For the most part, the result indicators are SMART. The results and product indicators have their respective baseline values, targets, and means to collect the information.

The operation is conceived as an investment loan under the multiple-works modality. A Cost-Benefit analysis is performed for a sample that represents 48% of the total amount of the Program. The costs and benefits are identified and quantified in an appropriate manner. Assumptions made are reasonable and supported with comparative data from similar contexts. The analysis yields an economic rate of return (ERR) of 14.2% -39.5%. A sensitivity analysis is performed under alternative scenarios modifying 4 main variables that may affect the costs and benefits; these modifications do not present significant alterations to the ERR.

The monitoring and evaluation plan proposes an evaluation using an ex-post cost-benefit analysis and a reflexive evaluation.

The risks identified in the risk matrix seem reasonable and are classified as Low (3) and Medium (7) risks. Risk management strategies and responsible parties are included.

## RESULTS MATRIX

|   |  |   |                      |               |               |  |  |   |   |  |
|---|--|---|----------------------|---------------|---------------|--|--|---|---|--|
| <b>Objective of the project</b>   | The development objective of the program is to contribute to improving the quality of life of the population in the Uruguay River basin. The general objective of the program is to contribute to improving sanitation on the banks of the Uruguay River in the cities of the province of Entre Ríos. The specific objectives are to: (i) expand coverage of sewer and wastewater treatment services and (ii) improve service management capacity. |   |                      |               |               |  |  |   |   |  |
| <b>Outcomes</b>   |  |   |                      |               |               |  |  |   |   |  |
| <b>Indicator</b>  | <b>Unit of measure</b>   | <b>Baseline</b>   | <b>Baseline year</b> | <b>Year 1</b> | <b>Year 2</b> | <b>Year 3</b>  | <b>Year 4</b>  | <b>Year 5</b>   | <b>End of project</b>   | <b>Comments/means of verification</b>  |
| <b>Outcome 1 - Pollutant load discharged into the Uruguay River</b>         |  |   |                      |               |               |  |  |   |   |  |
| 1.1 Effective flow rate of treated wastewater                               | m³/sec   | 0.22  | 2019                 |               |               | 0.43   | 1.09   | 1.27  | 1.27  | <p><b>Comments:</b> "Treated wastewater" is considered to be output effluent that complies with the design parameters adopted in each project considering the type of treatment (pretreatment/primary treatment and/or secondary treatment, as appropriate). The estimated flow rate for the targets will be the average daily flow rate based on the design of the works.</p> <p><b>MV:</b> Executing agency reports based on operator reports.</p>       |
| 1.2 Amount of organic matter removed from discharges into the Uruguay River | BOD (ton/year)   | 1,388   | 2019                 |               |               | 2,649  | 6,875  | 8,010   | 8,010   | <p><b>MV:</b> Executing agency reports based on operator reports.</p>  |
| <b>Outcome 2: Expanded and improved sanitation service coverage</b>         |  |   |                      |               |               |  |  |   |   |  |
| 2.1 Households with improved sewer service in program intervention cities   | Households   | 40,492<br>(40.4% coverage of total households with sewer service) | 2,019                |               |               | 55,605<br>(55.47% coverage of total households with sewer service) | 87,483<br>(87.28% coverage of total households with sewer service) | 97,725<br>(97.5% coverage of total households with sewer service) | 97,725<br>(97.5% coverage of total households with sewer service) | <p><b>Comments:</b> Rehabilitation includes reconstruction, repair, and improvement of sewer system conditions. The number of households with sewer service in the program's five cities totals 100,235.</p> <p><b>MV:</b> Semiannual progress report of the program and final evaluation report of the project; the beneficiary households of each project will be considered. It will be measured by project/works and reported on an overall basis.</p> |

|   |            |  |       |  |  |  |  |                                       |                                       |  |
|---|------------|--|-------|--|--|--|--|---------------------------------------|---------------------------------------|--|
| 2.2 Households with sewage effluents treated in the program intervention cities                     | Households | 24,117<br>(24.06% of total households) | 2,019 |  |  | 55,302<br>(55.17% of total households) | 87,180<br>(86.98% of total households) | 97,725<br>(97.5% of total households) | 97,725<br>(97.5% of total households) | <p><b>Comments:</b> Total number of households with access to discharge their effluents to treatment plants. The baseline corresponds to the households in the project basket. The number of households in the five cities totals 113,948.</p> <p><b>MV:</b> Semiannual progress report of the program and final evaluation report of the project; the beneficiary households of each project will be considered. It will be measured by project/works and reported on an overall basis.</p> |
| <b>Outcome 3: Operational and financial performance of service providers improved</b>               |            |  |       |  |  |  |  |                                       |                                       |  |
| 3.1 Financial self-sufficiency (operating income/operating, maintenance, and administrative costs). | %          | Concordia<br>85%                       | 2,017 |  |  |  |  | 100%                                  | 100%                                  | <p><b>Comments:</b> Annual audited financial statements of operators and operators' MRPs.</p> <p><b>Observations:</b> % = (operating income/operating, maintenance, and administration costs) x 100.</p> <p><b>MV:</b> Executing agency reports. Responsible entity: Executing agency</p>  |
|   |            | Gualeguaychú<br>61%                    | 2017  |  |  |  |  | 100%                                  | 100%                                  |  |
| <b>Outcome 4: Gender approach incorporated in operators' practices</b>                              |            |  |       |  |  |  |  |                                       |                                       |  |
| 4.1 Operator incorporates gender equity approach into its practices and policies                    | 0          | Operator                               | 2018  |  |  |  |  | 2                                     | 2                                     | <p><b>MV:</b> Through the gender strategy validated and approved by the company's authorities.</p> <p><b>Responsible entity:</b> PEU</p>   |

| <b>Output indicators</b>                        |                 |                     |             |          |        |        |        |        |        |                |   |
|---|-----------------|---------------------|-------------|----------|--------|--------|--------|--------|--------|----------------|---|
| <b>Component I: Infrastructure works</b>        |                 |                     |             |          |        |        |        |        |        |                |   |
| Output  | Unit of measure | Associated outcomes | Cost (US\$) | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | End of project | Comments/means of verification  |
| 1.1 Main sewer networks built                   | Km              | 2.1                 | 18,309,378  | 0        | 0      | 17.50  | 15.30  | 12.40  | 9.62   | 54.82          | <p><b>MV:</b> Provisional acceptance certificates for works and onsite supervision reports. Internal reports.</p> |
| 1.2 Secondary sewer networks built              | Km              | 2.1                 | 3,619,399   | 0        | 12.00  | 8.00   | 6.69   | 17.35  | 15.00  | 59.04          |   |
| 1.3 Pumping stations built                      | Stations        | 2.2                 | 11,353,305  | 0        | 0      | 4.00   | 10.00  | 5.00   | 16.00  | 35.00          | <p><b>Note:</b> The works to be carried out consist largely of the rehabilitation of existing infrastructure.</p> |
| 1.4 Sewage treatment and disposal systems built | Systems         | 1.1 and 1.2         | 39,217,918  | 0        | 0      | 0      | 2.00   | 1.00   | 2.00   | 5.00           |   |

| Component 2: Improved management of services and project preparation                                |                       |                     |             |          |        |        |        |        |        |                |  |
|---|-----------------------|---------------------|-------------|----------|--------|--------|--------|--------|--------|----------------|--|
| Output  | Unit of measure       | Associated outcomes | Cost (US\$) | Baseline | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | End of project | Comments/means of verification   |
| 2.1 Implemented MRPs of the service operators   | Plans                 | 3.1                 | 2,300,000   | 0        | 0      | 1      | 1      | 1      | 2      | 5              | <b>MV:</b> Semiannual program report based on data from each provider involved.<br><b>Note:</b> The MRP of each operator will be considered "implemented" when at least two of the activities prioritized in them have been executed. Targets should be updated as the activities of the plans associated with new projects and/or providers are funded. |
| 2.2 Studies on provincial and municipal strengthening conducted                                     | Studies               |                     | 1,450,000   | 0        | 0      | 1      | 1      | 1      | 0      | 3              |  |
| <i>Updating of the Entre Ríos Sanitation Infrastructure Plan</i>                                    |                       |                     |             | 0        | 0      | 1      | 0      | 0      | 0      | 1              |  |
| <i>Analysis of regulatory framework</i>   |                       |                     |             | 0        | 0      | 0      | 1      | 0      | 0      | 1              |  |
| <i>Plan to strengthen departments (water and sanitation works)</i>                                  |                       |                     |             | 0        | 0      | 0      | 0      | 1      | 0      | 1              |  |
| 2.3 Detailed designs prepared/complementary feasibility and design studies conducted                | Projects              |                     | 500,000     | 0        | 0      | 0      | 1      | 1      | 1      | 3              | <b>MV:</b> Executing agency reports on the status of performance of the study.   |
| 2.4 Gender-based diagnostic assessment and strategy for operators prepared, validated, and approved | Diagnostic assessment | 4.1                 | 50,000      | 0        | 0      | 0      | 0      | 0      | 2      | 2              | <b>MV:</b> It is considered prepared when a diagnostic assessment and strategy document has been submitted. It is considered validated and approved by means of the certificate of agreement or document of approval by the directors of the operators.  |

## FIDUCIARY AGREEMENTS AND REQUIREMENTS

|                          |  |
|--------------------------|--|
| <b>Country:</b>          | Argentina  |
| <b>Project number:</b>   | RG-L1131   |
| <b>Name:</b>             | Comprehensive Sanitation Program for the Cities of the Uruguay River Basin – Province of Entre Ríos                                  |
| <b>Executing agency:</b> | Ministry of Planning, Infrastructure, and Services of the Province of Entre Ríos (MPlyS) through the provincial execution unit (PEU) |
| <b>Fiduciary team:</b>   | Roberto Laguado and Juan Carlos Lazo (FMP/CAR)   |

### I. EXECUTIVE SUMMARY

- 1.1 The Bank conducted an Institutional Capacity Assessment System analysis of the executing agency, which yielded a medium level of risk.
- 1.2 The borrower in the operation will be the Province of Entre Ríos and the program's executing agency will be the MPlyS, which will execute the program's activities through its technical, administrative, and operational areas in accordance with its organic structure and the functions assigned to each area by the rules in force, especially through the PEU, which will have the management, fiduciary, technical, and socioenvironmental team required by the program. The MPlyS has fiduciary experience as subexecuting agency in Bank-financed programs. Under the MPlyS of the Province of Entre Ríos, the Directorate General for Financing Public Investment has expressed its willingness to provide support by contributing its experience as executing agency. The PEU will also be strengthened through the creation of a PCU supported by a complementary and trained fiduciary team.
- 1.3 The operation does not provide for retroactive expense recognition within the framework of the project.

### II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The PEU was created through Executive Decree 2084/00 in order to unify all the ministerial execution units executing programs with national and international financing. According to Article 1 of the Organic Regulations of the PEU (Decree 3016), this unit's mission is: "To handle all matters relating to the coordination, supervision, and implementation of the provincial programs financed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Argentine National Treasury and/or other lending or subsidy agencies, as well as the relationship between the provincial government and these bodies." Article 2 provides as follows: "To design, implement, supervise, and control the execution and administration of programs with foreign and domestic financing for investment, construction, reforms, and improvements in the province of Entre Ríos."

### III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 Combined with recent experience in the execution of the Bank's operations, the Institutional Capacity Assessment System analysis conducted on the PEU of the MPlyS yields a "medium" level of risk. The risks identified are associated with the lack of experience in the Bank's procurement procedures that could lead to delays in program implementation and difficulty in supervising O&M contracts. The mitigation measures are as follows: (i) formalize monitoring mechanisms or procedures in line with the commitments and objectives of the plans and programs; (ii) review and improve fiduciary processes to make them more streamlined; (iii) strengthen the PEU through the creation of a PCU with procurement and finance specialists and targeted training in these areas; (iv) update and/or develop relevant manuals for proper functioning; and (v) implement contractual provisions with design, construction, and O&M and strengthen the CAFESG team to discharge its contract management and supervision function.

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

- 4.1 The importance of the entry into force of the program Operational Regulations to the Bank's satisfaction is underscored in view of the fiduciary issues to be strengthened as a contractual condition precedent to the first disbursement.

### V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The procurement-related fiduciary agreements and requirements set out the provisions that apply to all procurement executed under the program.

#### A. Procurement execution

- 5.2 The Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9) of April 2011 and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9) of April 2011 will be applied.
- 5.3 Among the Bank-approved country subsystems, the information system will be used.
- (i) **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services<sup>1</sup> arising under the program and subject to international competitive bidding will be procured using the Bank-issued standard bidding documents. Bids subject to national competitive bidding will be executed using the standard bidding documents agreed with the Bank. The program's sector specialist is responsible for reviewing the technical specifications for procurement during preparation of the selection processes.

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<sup>1</sup> Document GN-2349-9, paragraph 1.1: nonconsulting services are treated similarly to goods.

- (ii) **Selection and contracting of consultants.** The consulting service contracts arising under the program will be executed using the Bank-issued standard request for proposals. The program's sector specialist is responsible for reviewing the terms of reference for the contracting of consulting services.
- (iii) **Selection of individual consultants.** Consultants will be selected by taking into account their qualifications to perform the work based on competitive processes, especially processes comparing the qualifications of at least three candidates. The program's sector specialist is responsible for reviewing the terms of reference for the procurement of consulting services.

**Table 4.1 Thresholds for international bidding and shortlists comprising international consultants**

| Works                             |                              |           | Goods                             |                              |           | Consulting services                            |                         |
|-----------------------------------|------------------------------|-----------|-----------------------------------|------------------------------|-----------|--|-------------------------|
| International competitive bidding | National competitive bidding | Shopping  | International competitive bidding | National competitive bidding | Shopping  | Advertising, international consulting services | Shortlist 100% national |
| ≥ 25,000,000                      | < 25,000,000<br>≥ 350,000    | < 350,000 | ≥ 1,500,000                       | < 1,500,000<br>≥ 100,000     | < 100,000 | > 200,000                                      | ≤ 1,000,000             |

## B. Main procurement items

**Table 4.2 Type of bidding and amounts**

| Activity  | Type of bidding                   | Estimated date   | Estimated amount (US\$) |
|---|-----------------------------------|------------------|-------------------------|
| <b>Works</b>  |                                   |                  |                         |
| <i>Sanitation system, Concordia. Stage I</i>                  | International competitive bidding | 1 August 2019    | US\$29,127,721          |
| <i>Sanitation system, Concordia. Stage II</i>                 | National competitive bidding      | 1 August 2020    | US\$2,532,845           |
| <i>Sanitation system, Galeguaychú</i>                         | National competitive bidding      | 1 August 2019    | US\$7,525,483.12        |
| <i>Sanitation system, San José</i>                            | National competitive bidding      | 1 December 2019  | US\$3,159,153           |
| <i>Sanitation system, Colón</i>                               | National competitive bidding      | 1 February 2021  | US\$5,580,310           |
| <i>Sanitation system, Concepción del Uruguay</i>              | National competitive bidding      | 1 September 2020 | US\$20,926,240          |
| <b>Individual consultants</b>                                 |                                   |                  |                         |
| Consultants to support the program unit                       | 3CV                               | 15 January 2020  | US\$800,000             |
| Consultants to support the inspection of infrastructure works | 3CV                               | 15 January 2020  | US\$800,000             |
| Preparation of the San José MRP                               | 3CV                               | 1 January 2020   | US\$10,000              |
| Preparation of the Colón MRP                                  | 3CV                               | 2 January 2020   | US\$10,000              |
| Preparation of Concordia MRP                                  | 3CV                               | 3 January 2020   | US\$10,000              |

| Activity   | Type of bidding                                | Estimated date  | Estimated amount (US\$) |
|--|--|-----------------|-------------------------|
| <b>Consulting firms</b>  |  |                 |                         |
| Complementary feasibility and design studies for San José                                      | Selection based on consultants' qualifications | 1 August 2019   | US\$100,000             |
| Complementary feasibility and design studies for Colón   |  | 3 May 2020      | US\$100,000             |
| Complementary feasibility and design studies for Concepción                                    |  | 2 November 2020 | US\$100,000             |
| Studies necessary to produce detailed designs of the sanitation system, Concordia. Stage II    |  | 1 January 2020  | US\$100,000             |
| Studies necessary to produce detailed designs of the sanitation system, Gualeguaychú, Stage II |  | 1 January 2019  | US\$100,000             |

### C. Procurement supervision

- 5.4 Procurement will be supervised as indicated in the procurement plan ([required link 4](#)) on an ex ante basis in general, except as indicated in Table 4.3 for procurement to be reviewed on an ex post basis. Ex post review visits will be conducted every 12 months. Ex post review reports will include at least one physical inspection visit, selected from the procurement processes subject to ex post review.
- 5.5 The thresholds set for ex post review apply based on the fiduciary capacity for execution of the MPlyS examined during operation design and may be modified by the Bank as such capacity changes.

**Table 4.3 Thresholds for ex post review (US\$)**

| Works       | Goods     | Consulting services | Individual consulting |
|-------------|-----------|---------------------|-----------------------|
| < 5,000,000 | < 300,000 | < 200,000           | No threshold          |

### D. Special provisions

- 5.6 **Mechanisms for the prevention of prohibited practices.** Comply with document GN-2349-9 and document GN-2350-9 as regards prohibited practices (list of companies and individuals ineligible for multilateral organizations).

### E. Records and files

- 5.7 Documentation of procurement processes will be kept at the offices of the PEU-MPIyS as the party responsible for program procurement. For ex post reviews, duly ordered, classified, and updated records and files of all documentation generated by the procurement processes will be kept.

## VI. FINANCIAL MANAGEMENT

6.1 The Financial Management Guidelines for IDB-financed Projects (document OP-273-6) and the Financial Management Operational Guidelines for IDB-financed Projects (document OP-274-2) will apply.

### A. Programming and budget

6.2 The executing agency's budget has programmatic categories and other classifications by expense item (main items). Based on their economic nature, the items are current expenses, capital expenditures, and investments. Budget allocations should be anticipated to ensure the timely execution of the operation.

### B. Cash and disbursement management

6.3 Disbursements will be made on the basis of a detailed financial plan based on the program's actual liquidity needs.

6.4 The PEU will manage the bank accounts opened for the exclusive and separate management of the loan proceeds at Banco Entre Ríos. It will also be responsible for controlling the balances of special accounts in U.S. dollars on a monthly basis and reconciling the program's bank accounts.

6.5 The Bank aim to have the PEU migrate to the use of e-Disbursements, the IDB's web-based system that will allow it to electronically prepare and submit disbursement requests to the Bank. This reduces transaction costs and allows the Bank to review and process requests submitted remotely.

6.6 Advances of funds will be disbursed in accordance with the financial plan, covering a maximum of 180 days, for which accounts will be rendered when at least 80% of the advances have been spent. The disbursement request form, the status of execution, and the financial plan for the following 180 days will be used for the disbursement request. The rendering of accounts need not be accompanied by supporting documentation of expenditures or payments made, which does not imply approval by the Bank of the expenses incurred. Original supporting documentation of expenses will be available for review by the Bank upon request.

### C. Accounting records, information systems, and reporting

6.7 The PEU uses the UEPEX<sup>2</sup> as a financial administration system, which makes it possible to identify program funds as well as the sources of financing. In accordance with the Bank-approved chart of accounts, the UEPEX system records the investments in the program by category in the expenses matrix. Accounting records will be kept on a cash basis and International Financial Reporting Standards will be followed where applicable in accordance with established national criteria. The financial reports required will be as follows: (i) financial plan for up to 180 days following the request for advances; (ii) the program's audited financial statements; and (iii) other reports required by the fiduciary specialists.

6.8 For purposes of accounting for the loan proceeds, the effective exchange rate at the date of conversion of the approval currency or disbursement currency into the

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<sup>2</sup> <https://dgsiaf.mecon.gov.ar/uepex/>.

local currency of the borrower's country will be used (see paragraph (b) (i) of Article 4.10).

- 6.9 For purposes of disbursements in a currency other than the U.S. dollar and the Argentine peso: in cases of direct payment and repayment of a letter of credit guarantee, the equivalence to the loan currency will be determined based on the amount actually disbursed by the IDB.

**D. Internal control and internal auditing**

- 6.10 The delegated accountants of the province's General Accounting Office are charged with the internal audit of the PEU. Their functions cover a broad spectrum of control activities that are even broader than the internal audit since they work not only on an ex post basis, but also on financial and accounting management processes.
- 6.11 The responsibilities are regulated by Resolution 14 of the General Accounting Office of the Province of Entre Ríos, as follows: (i) intervene on a preventive basis in expenditure procedures; (ii) intervene or sign payment orders drawn on the general treasury or treasuries of the entities or jurisdictions; (iii) analyze the administrative acts affecting the budget, finances, and/or assets in the scope of the jurisdiction or entity in which they are made and make comments or observations; and (iv) perform periodic checks of transactions recorded in the budgetary and financial accounting system, verifying the related completeness and consistency with the supporting documentation.
- 6.12 Although the activities do not strictly comply with the Institutional Capacity Assessment System methodology, the internal control system does not pose any significant risks.

**E. External control: External financial audit and program reports**

- 6.13 To date, the Public Audit Office of the Province of Entre Ríos has not been validated to audit Bank-financed operations. Accordingly, in order to gain flexibility in the process of procuring the operation's audit service, the option of the various institutions eligible to audit the IDB-financed operations will be kept open. When initiating the procurement process, the executing agency will ask the Bank for a short list of institutions that may be invited to participate.

**F. Financial supervision plan**

- 6.14 The initial financial supervision plan arises from the risk and fiduciary capacity assessments conducted in accordance with the onsite and desk reviews planned for the program, which include the scope of the operational, financial, accounting, compliance, and legal actions, the related frequency and the party responsible. An annual financial inspection visit is planned. Disbursements will be reviewed on an ex post basis.

**G. Execution mechanism**

- 6.15 The MPlyS will be in charge of program execution and the activities will be executed through a PCU within the PEU. The PEU will set up a PCU that will be responsible for the cycle of each project and for coordination with municipios and service providers. The PCU will be made up of a sector coordinator and staff responsible for the following areas: (i) technical; (ii) administration, accounting, and finance; (iii) procurement; (iv) environmental and social; and (v) monitoring and evaluation. The specific responsibilities of each area will be meticulously

- specified in the program Operating Regulations ([required link 6](#)). Among other issues, they should specify the parties responsible for planning and fiduciary management issues, as well as the redesign of procurement flowcharts, financial matters (management of revolving funds, for example), and training in contracting independent audit firms.
- 6.16 It will be important to ensure support in fiduciary matters mainly from the Directorate General for Financing Public Investment and the Directorate General for Inspection and Control, which are highly experienced in executing Bank resources. This support will be clearly defined in the program Operating Regulations ([required link 6](#)).

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/18

Regional. Loan \_\_\_\_/OC-RG to the Province of Entre Ríos. Comprehensive Sanitation Program for the Cities of the Uruguay River Basin – Province of Entre Ríos

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 Province of Entre Ríos, as borrower, and with the Argentine Republic, as guarantor, for the purpose of granting the former a financing aimed at cooperating in the execution of Comprehensive Sanitation Program for the Cities of the Uruguay River Basin – Province of Entre Ríos. Such financing will be for an 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 \_\_\_\_ 2018)