

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**PROGRAM FOR INSTITUTIONAL STRENGTHENING OF THE
MINISTRY OF FINANCE**

(AR-L1247)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Javier Reyes (ICS/CAR), Project Team Leader; Juan Carlos Cortázar (ICS/CCH); Pedro Farías, Natalie Hoffman, and Melissa Gonzalez (IFD/ICS); Marisol Pinto (FMP/CAR); Teodoro Noel (FMP/CAR); Guillermo Eschoyez (LEG/CBR); Maria Elena Araneo (CSC/CAR); and Carla Bonahora and Martin Rossi (consultants).

This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

CONTENTS

PROJECT SUMMARY

I.	PROJECT DESCRIPTION AND RESULTS MONITORING	1
	A. Background, problem to be addressed, and rationale	1
	B. Objectives, components, and cost	7
	C. Key results indicators	10
II.	FINANCING STRUCTURE AND MAIN RISKS	11
	A. Financing instruments	11
	B. Environmental and social safeguard risks	12
	C. Other project risks	13
III.	IMPLEMENTATION AND MANAGEMENT PLAN	13
	A. Summary of implementation arrangements	13
	B. Summary of arrangements for monitoring results	15

ANNEXES	
Annex I	Development Effectiveness Matrix (DEM) – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

ELECTRONIC LINKS
REQUIRED
1. Project execution plan (PEP)
2. Monitoring and evaluation plan
3. Procurement plan
OPTIONAL
1. Project economic analysis
2. Economic analysis calculations
3. Itemized budget
4. Diagnostic assessment of the economic policy-making function
5. Knowledge Activities Fund (KAF) guidelines
6. Methodological note on the EPQU and EPISP indices
7. Diagnostic assessment calculations
8. Program executing agency initial assessment report
9. Program executing agency assessment report
10. Questionnaire – Institutional Capacity Assessment System (ICAS)
11. Work plan and timetable of activities
12. Safeguard Policy Filter (SPF) and Safeguard Screening Form (SSF) for project classification

ABBREVIATIONS

AGN	Auditoría General de la Nación Argentina [Office of the Auditor General of the Argentine Nation]
AWP	Annual work plan
DGAJ	Dirección General de Asuntos Jurídicos [Legal Affairs Bureau]
EPISP	Economic Policy Impact on Sector Policies Index
EPQI	Economic Policy-making Quality Indices
ICS	Institutional Capacity of the State Division
KAF	Knowledge Activities Fund
MHyFP	Ministerio de Hacienda y Finanzas Públicas [Ministry of Finance]
PEP	Project execution plan
PEU	Project execution unit
SEPA	Procurement Plan Execution System
SPEyPD	Secretaría de Política Económica y Planificación del Desarrollo [Department of Economic Policy and Development Planning]
UEPEX	Unidad Ejecutora de Préstamos Externos [External Loan Execution System]
WAL	Weighted average life

PROJECT SUMMARY

ARGENTINA PROGRAM FOR INSTITUTIONAL STRENGTHENING OF THE MINISTRY OF FINANCE (AR-L1247)

Financial Terms and Conditions				
Borrower: Argentine Republic			Flexible Financing Facility^(a)	
			Amortization period:	25 years
Executing agency: Ministry of Finance (MHyFP)			Original WAL:	14.75 years
			Disbursement period:	4 years
Source	Amount (US\$)	%	Grace period:	4.5 years
IDB (Ordinary Capital):^(b)	13 million	72.2%	Inspection and supervision fee:	^(c)
Local:	5 million	27.8%	Interest rate:	LIBOR-based
Total:	18 million	100.0%	Credit fee:	^(c)
			Currency of approval:	U.S. dollars from the Ordinary Capital
Project at a Glance				
Project objective/description: The program's general objective is to increase the influence of economic policy on medium- and long-term sector policies. The specific objectives are to: (i) improve the economic policy-making process by strengthening related technical capabilities; and (ii) improve coordination between the Ministry of Finance (MHyFP) and the sector ministries in the development of medium- and long-term sector policies.				
Special contractual conditions precedent to the first disbursement of the loan proceeds: For the first disbursement: (i) program's general coordinator will be appointed; and (ii) the project execution unit will be established as described in paragraphs 3.5 and 3.6.				
Special contractual conditions for execution: For the disbursement of resources for the following outputs: (i) Component 1, Output 2: Technical training program; (ii) Component 1, Output 4: Knowledge Activities Fund; and (iii) Component 1, Output 5: Young professionals scholarship program; the following requirements will be met: (i) evidence that the Department of Economic Policy and Development Planning (SPEyPD) has approved the corresponding Operating Regulations, with the Bank's no objection; and (ii) evidence that the corresponding management committees are in operation (see paragraph 3.7).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges:^(d)	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting issues:^(e)	GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

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

^(b) In accordance with document AB-2990, the disbursement of the Bank loan proceeds will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted in all instances from the date the loan operation is approved by the Board of Executive Directors (see paragraph 2.1).

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

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

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

I. PROJECT DESCRIPTION AND RESULTS MONITORING

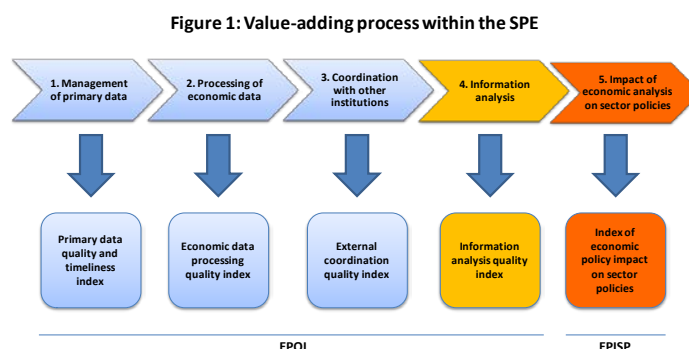
A. Background, problem to be addressed, and rationale

- 1.1 The Bank's Board of Executive Directors approved the loan proposal for the present program (loan 2615/OC-AR) on 8 November 2011, but the loan contract was not signed owing to changes in the external financing priorities of the national government at the time, whose philosophy was that such financing should be channeled into infrastructure projects. On 6 December 2012, the operation was cancelled by the Bank. The current administration, assessing that the problems to be addressed by this project had not been solved, requested reactivation of the operation to sign the loan contract. Given the time that had passed, adjustments had to be made to the loan proposal, which are presented in this document.
- 1.2 Argentina's current administration has made major changes in the country's macroeconomic management since December 2015, promoting the elimination of restrictions on capital movements and the repositioning of Argentina in the world economy, while also reducing the primary deficit so that the economy can grow with less emphasis on public spending. These changes were made because economic growth was sluggish between 2012 and 2015, averaging 1.6% a year according to Argentina's National Institute of Statistics and Censuses. Private estimates suggest that growth was even slower.
- 1.3 Even so, in this context, the administration wants to increase public investment simultaneously in several priority lines of action: (i) Zero Poverty, which includes early childhood development, education, housing, employment, social safety net, older adults, and rural areas; (ii) the integration agenda, which rethinks Argentina's international positioning; (iii) the Plan Belgrano, which promotes the development of the Norte Grande region; and (iv) uniting Argentines around improvements in democracy, judicial independence, and the fight against drug trafficking. These multisector lines of action translate into sector programs to be executed by specific ministries.
- 1.4 Although the sector ministries have begun to move ahead in developing their plans, their efforts seem to be taking little account of national economic policy parameters. Insofar as the fiscal viability of those plans depends in large part on such variables, the weak linkage between sector planning and medium- and long-term economic programming casts uncertainty on the potential success of the plans.

- 1.5 For the development and implementation of sector plans, the current administration has been restructuring federal institutions. As part of this process, the current Ministry of Finance (MHyFP) has been restructured to better serve the other agencies. Under Law 22520, implemented by Decree 438/92 and subsequent amendments, the MHyFP has broad economic policy responsibilities within the Executive, from developing economic strategies and managing the entire budget spending cycle to monitoring and managing public expenditure and investment accounts, among others (see [Diagnostic assessment of the economic policy-making function](#)).¹
- 1.6 The challenge of medium- and long-term policy programming affects every department of the MHyFP but has a particular impact on the functions of the Department of Economic Policy and Development Planning (SPEyPD), which include formulating economic programming strategies, developing macroeconomic guidelines for fiscal programming, and defining and monitoring development planning, among others. For this reason, the program focuses primarily (though not exclusively) on the SPEyPD's capabilities. The SPEyPD's objectives are defined in Decree 442/2016 and include: (i) coordinating the formulation, preparation, and proposal of strategic guidelines for economic policy programming and development planning; (ii) evaluating the economic impact of compliance with the policies, plans, and programs executed within its purview; and (iii) coordinating systematic monitoring of local and world economic conditions and periodically publishing indicators and reports to be used in evaluating the performance of the economy. The SPEyPD has four branches: (i) macroeconomic programming; (ii) economic planning; (iii) development; and (iv) international financial relations. The SPEyPD is organized around two key missions: management of macroeconomic programming through the Office of the Undersecretary for Macroeconomic Programming, and economic planning, through the Office of the Undersecretary for Economic Planning. The first is comprised of the National Directorate for Macroeconomic Policy and the National Directorate for Fiscal Policy and Revenue. The second is comprised of the National Directorate for Regional Planning and the National Directorate for Sector Planning.

¹ The MHyFP is organized into four departments, which are responsible for: (i) the formulation and monitoring of economic policy (SPEyPD); (ii) financial and debt management (Finance Department); (iii) budget, treasury, and accounting systems (Treasury Department); and (iv) the management of legal and administrative processes (Legal and Administrative Department).

- 1.7 Most of the SPEyPD's work involves compiling, processing, and analyzing economic data. The resulting knowledge goes into databases, reports, and documents that are provided to economic and other government authorities or are published for reference purposes. The SPEyPD's substantive output therefore consists of expert knowledge that, expressed in the form of policy recommendations or findings, constitutes an input for decision-making processes. The intangible nature of this output makes it methodologically difficult to design a project to improve the quality of the knowledge inputs provided by the MHyFP. The IDB's Institutional Capacity of the State Division (ICS) has therefore developed a methodology for creating impact and outcome indicators geared to the specific nature of the processes being targeted by this program ([Knowledge Activities Fund \(KAF\) guidelines](#)).

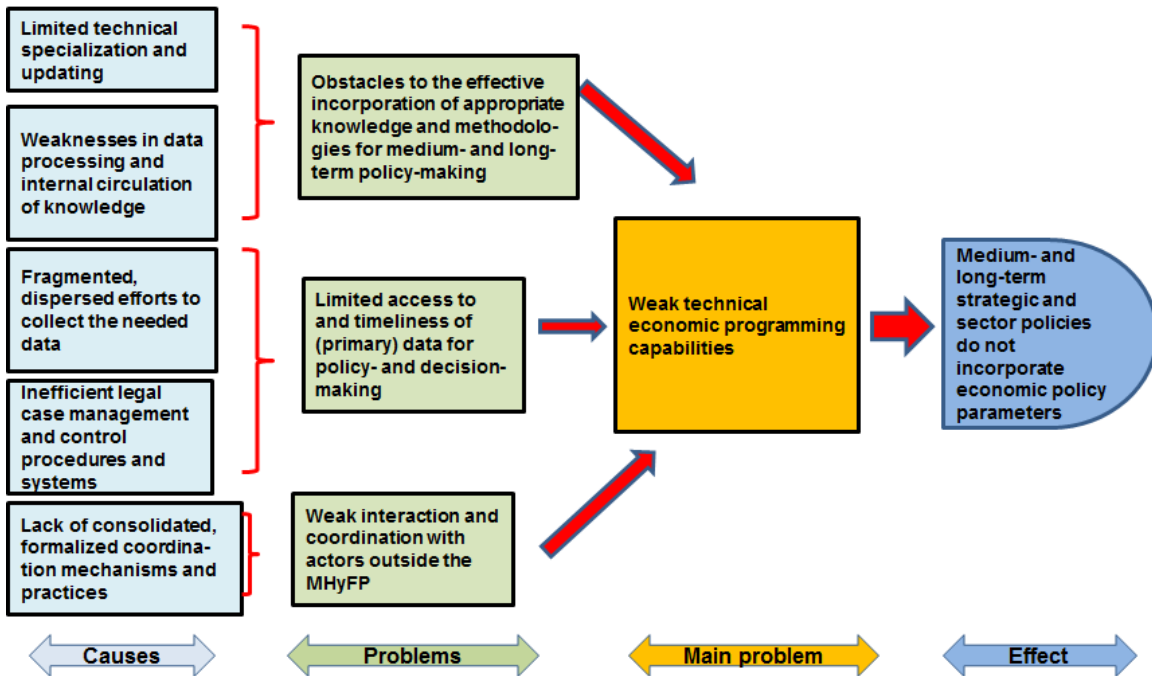


- input for decision-making processes. The intangible nature of this output makes it methodologically difficult to design a project to improve the quality of the knowledge inputs provided by the MHyFP. The IDB's Institutional Capacity of the State Division (ICS) has therefore developed a methodology for creating impact and outcome indicators geared to the specific nature of the processes being targeted by this program ([Knowledge Activities Fund \(KAF\) guidelines](#)).
- 1.8 Under this methodology, the Economic Policy-making Quality Indices (EPQIs) are measured for all the technical units of the SPEyPD, to obtain evidence regarding the expert knowledge generation process referred to above, allowing for an aggregate approach to the problem. These indices correspond to the links in the value chain within the SPEyPD (see Figure 1), reflecting the collection, processing, and coordination process preparatory to information analysis, i.e., generation of the findings and/or recommendations that guide economic policy decision-making. The Economic Policy Impact on Sector Policies (EPISP) index, in turn, gauges how the findings of the economic analyses performed by the SPEyPD are absorbed by the ministries in charge of sector policies and how they influence those policies.²
- 1.9 **The problem to be addressed and its causes.** The minimal influence that medium- and long-term economic programming is having on the development of sector policies of a similar scope is due largely to inadequate technical capabilities (relating to information analysis for the purpose of developing economic policy recommendations) and insufficient interagency coordination by the MHyFP. Other crosscutting factors within Argentina's executive branch, such as difficulties with personnel selection and retention (leading to high staff turnover, for instance), are also recognized as influencing the problem in question. Given their scale and crosscutting nature (they apply to the civil service as a whole), however, they cannot be addressed with a specific program such as this, although some outputs will help to lessen their potential impact on the MHyFP. Figure 2 summarizes the

² The steps followed in this methodology were: (i) construction of indicators for each value-adding subprocess (22 for the EPQI and 7 for the EPISP index); (ii) establishment of a (qualitative) scale for each indicator; (iii) development of tools (questionnaires); (iv) administration of the questionnaires by a mixed panel of experts from inside and outside the unit or agency being observed; and (v) computation of the composite indices (see Figure 1). This type of methodology has been utilized by the Bank in the civil service area and was applied to establish indicators and targets in projects 1622/OC-CH and 1772/OC-UR. A similar methodology is currently being used in operation 1588/OC-AR.

analysis of the causes of this problem. Drawing upon the EPQI indices (see paragraph 1.5) and other diagnostic information (see [Diagnostic assessment of the economic policy-making function](#)), the evidence relating to the central problem and its causes is analyzed below.

Figure 2: Cause-and-effect analysis of the central problem



1.10 First, as regards the weakness of technical capabilities for economic programming, the EPQI (which assesses availability and use of tools and methodologies for complex economic analysis, as well as the quality attributes of the documents and information resulting from this analysis) yielded an average value of 4.66 points for the SPEyPD overall out of a possible 10 (10 indicating full availability and frequent use of effective analysis tools and methodologies). This score reflects an intermediate level of development in terms of technical capabilities for information analysis and development of policy recommendations. Two causal factors are associated with these weak technical capabilities:

- a. Obstacles to the effective incorporation of appropriate knowledge and methodologies for policy-making. These obstacles are: (i) limited specialization and updating in fields of knowledge relating to economic policy and the proper toolsets for modeling and design; and (ii) weak internal circulation of the knowledge generated within the SPEyPD. With regard to the first obstacle, only 46.2%³ of SPEyPD employees with university training

³ This figure is taken from the training survey conducted in 2011. The functional structure of the SPEyPD has not been consolidated since the changeover of administration. Changes in staffing are still expected

studied at the postgraduate level, and only 26%⁴ of professional staff have attended specialized courses on relevant topics or tools. With regard to the second obstacle, the SPEyPD has no policies or rules for knowledge management (generation, storage, and circulation), procedures for appropriating external expert knowledge, or a shared information repository.

- b. Weaknesses in terms of: (i) quality, access, and timeliness of data (mainly primary data) for policy- and decision-making; and (ii) data processing at the SPEyPD. Regarding the first weakness, the SPEyPD's units scored an average of 6.92 on the primary data quality and timeliness index (which rates how timely, up-to-date, relevant, and sound the data are), reflecting an intermediate quality of primary data. Factors contributing to this situation are fragmented efforts to gather the needed information, with mechanisms for requesting and receiving information not sufficiently institutionalized, as well as the SPEyPD's limited access to external databases. Regarding the second weakness, the SPEyPD's units scored an average of 4.88 (out of 10) on the economic data processing quality index (which rates the capture, organization, and storage of basic data), revealing an intermediate level of processing quality. Deserving special mention are access to, and the quality of, information relating to the State's contingent liabilities. The way in which lawsuits involving the State are resolved can potentially have a very significant impact on fiscal accounts. Consequently, having reliable, current information on the developments in and prospects concerning those lawsuits is an essential requirement for economic programming. The MHyFP has little information of that type regarding the potential liabilities associated with court cases in which it is involved. The explanation for this lies in limited institutional monitoring and systematic processes in the actions taken by attorneys in the Legal Affairs Bureau (DGAJ), which reports to the MHyFP, together with less than optimum use of information systems that provide timely updates on the status, progress, and likely outcome of current court cases. As a result of these weaknesses, the percentage of cases decided in the MHyFP's favor—a proxy for the success rate—is 57.1% for the entire DGAJ, just 41.9% for the Administrative Dispute Directorate, and 65.5% for the Directorate of Legal Affairs for Liquidated Entities and Entities in the Liquidation Process.⁵

so the measurement will be updated in December 2016.

⁴ This figure is taken from the training survey conducted in 2011. The functional structure of the SPEyPD has not been consolidated since the changeover of administration. Changes in staffing are still expected so the measurement will be updated in December 2016.

⁵ The DGAJ reports to the MHyFP's Legal and Administrative Department and provides advisory services for the ministry and acts as its legal representative, i.e., it is responsible for coordinating and supervising legal representation of the State in cases to which the MHyFP or its agencies are party. Information on legal decisions: About 260,528 rulings are on file, with approximately 121,000 classified and bound and the remainder in box files. During 2016, 2,648 new cases were decided. In 2015, there were 8,273 rulings, and about 6,245 in 2014. Information on administrative cases: According to the Ministry's COMDOC system installed for general case tracking, in 2015, 28,701 cases were pending in the sector, and thus far in 2016 the figure is 8,409. As a result, the exact whereabouts of a case in the DGAJ's procedural itinerary is often not known, and very old cases (some more than 10 years old) remain active in the registration system for tracking purposes, but no information is available on which administrative unit received them.

- 1.11 Second, regarding insufficient coordination with external (sector) agencies, the score on the external coordination quality index (which rates various facets of interaction between the SPEyPD and agencies outside the MHyFP) averaged 6.51 points out of a possible 10, indicating an intermediate level of development in terms of institutional capabilities for interagency coordination as well. The diagnostic assessment (see [Diagnostic assessment of the economic policy-making function](#)) found that weaknesses in interagency coordination were rooted in the lack of institutionalized coordination mechanisms (only one SPEyPD unit has formally approved mechanisms for communication and information flows with agencies outside the MHyFP); the absence of clear incentives for sector agencies to coordinate with the MHyFP; and deficiencies in the MHyFP's own work and supervision processes. Regarding the last point, the diagnostic assessment indicates that neither coordination-related work processes nor mechanisms for monitoring information- and knowledge-sharing with outside agencies are properly identified and described at the SPEyPD. Both situations hinder external as well as internal coordination.
- 1.12 **Rationale and intervention strategy.** The (adverse) impact of the central problem lies in the fact that the various sector ministries do not incorporate economic policy assumptions, priorities, and parameters deriving from the MHyFP's analysis efforts into their medium- and long-term plans, which significantly undermines the plans' fiscal viability and sustainability and thereby jeopardizes their effectiveness. The EPISP index⁶ (which gauges the extent to which the sector ministries absorb the knowledge and information offered by the SPEyPD as well as the quality of the technical cooperation relationship) was calculated in 2011 for four sector ministries (Planning, Science and Technology, Labor, and Agriculture).⁷ The two items in the EPISP index that specifically refer to the ultimate impact of economic policy parameters on medium- or long-term sector plans yielded an average score of 3.25⁸ points (of a maximum of 10), indicating a low impact (Annex II).⁹ Also, none of the four sector plans in effect (employment, territorial development, science and agrifood, and agroindustry) directly referenced macroeconomic information provided by the SPEyPD. Nevertheless, as shown in the preceding paragraphs, there is potential for improvement in the quality of the technical work and coordination capacity of the SPEyPD, which if realized, would help significantly to mitigate the adverse impact in question. The program seeks to tap that potential with a strategy based on: (i) knowledge and information management (to improve the process of knowledge generation); and (ii) strengthening of interagency

⁶ This indicator will be updated in December 2016, since until that time the agencies outside the MHyFP are in the process of organizational and staffing changes.

⁷ Decree 13/2015 amends the Ministries Act to establish new names and reallocate responsibilities. The new names of the four ministries are: Ministry of the Interior, Public Works, and Housing; Ministry of Science, Technology, and Productive Innovation; Ministry of Labor, Employment, and Social Security; and Ministry of Agroindustry.

⁸ This indicator will be updated in the first year of the project, since until that time the agencies outside the MHyFP are in the process of organizational and staffing changes.

⁹ Item 3 (inclusion in sector plans of information provided by the SPEyPD and its relevance) and item 6 (influence of the SPEyPD's input on sector analysis and diagnostics).

coordination (with outputs that will help create positive incentives to encourage effective coordination—see paragraph 1.16).¹⁰

- 1.13 The outcomes of this strategy will be: (i) a stronger economic policy-making process (as a consequence of the improvements relating to knowledge and information management);¹¹ and (ii) improved coordination between the MHyFP and the sector ministries in the development of medium- and long-term policies. The expected impact is that economic policy will have a greater influence on the formulation of sector policies, with the latter incorporating macroeconomic policy parameters.¹² The program will directly benefit the relevant departments of the MHyFP (chiefly the SPEyPD) and the agencies involved in the targeted sectors. The population as a whole will benefit indirectly.
- 1.14 **Strategic alignment of the Bank and the country.** The program is consistent with the IDB's country strategy with Argentina 2012-2015 (document GN-2687), which identifies national public management as a dialogue area. It is not included in the programming for this year. The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (document AB-3008) and aligned with the development challenge of productivity and innovation, through: (i) improvement in the government's economic policy-making technical capabilities; and (ii) better coordination between the MHyFP and the sector ministries in terms of medium- and long-term sector policies. The program is also aligned with the crosscutting area of institutional capacity and rule of law, through: (i) improvement in the MHyFP's technical capabilities for setting national economic policy and guiding sector policies. The program will also contribute to the Corporate Results Framework (CRF) 2016-2019 (document GN-2727-6), through: the number of government agencies benefitting from projects to strengthen technological and administrative tools to improve the public service.

B. Objectives, components, and cost

- 1.15 The program's general objective is to increase the influence of economic policy on medium- and long-term sector policies. The specific objectives are to: (i) improve the economic policy-making process by strengthening related technical capabilities; and (ii) improve coordination between the MHyFP and the sector ministries in the development of medium- and long-term sector policies. The program will have four components. Table 1 illustrates how the components, problems to be addressed (see paragraphs 1.8 to 1.11), and expected outcomes (see paragraph 1.12) of each line of action line up. It also shows the outputs that the program will produce under each component.

¹⁰ The coordination projects under component 4 are expected to include additional incentives linked to the budget management of the ministries in question.

¹¹ This outcome is based on two intermediate outcomes: (i) economic policy-making will incorporate appropriate knowledge and methodologies for medium- and long-range planning; and (ii) economic policy-making will use information of sufficient quality and timeliness.

¹² Macroeconomic policy parameters are the indicators or variables determined periodically by the MHyFP for use in macroeconomic projections and in economic policy decisions in general.

Table 1: Lines of Action

Lines of action (components)	Problems addressed	Expected outputs	Associated outcomes
1. Knowledge management	Weak technical capabilities: obstacles to the effective incorporation of appropriate knowledge and methodologies for economic policy-making	<ul style="list-style-type: none"> ▪ SPEyPD knowledge management policies ▪ Technical training program for staff ▪ Virtual knowledge environment ▪ Knowledge Activities Fund ▪ Young professionals scholarship program 	Stronger technical capabilities for economic policy-making
2. Information management	Weak technical capabilities: limited access to and timeliness of information for policy- and decision-making (also relating to the management of court cases involving the MHyFP)	<ul style="list-style-type: none"> ▪ SPEyPD information management policies ▪ SPEyPD data repository ▪ Upgrades to MHyFP information systems 	
3. Contingent liability and case management		<ul style="list-style-type: none"> ▪ Reengineering of legal consultation processes ▪ Reengineering of trial management processes ▪ Legal case management system ▪ Case-file management system ▪ Legal training plan for the DGAJ 	
4. Institutional coordination and alignment	Insufficient coordination with outside agencies, specifically sector agencies	<ul style="list-style-type: none"> ▪ Coordination projects with selected sectors ▪ Training plan for sector agencies ▪ Projects to improve the MHyFP's internal management 	Improved coordination between the MHyFP and sector ministries

1.16 **Component 1. Knowledge management.** This component seeks to improve the technical quality of the knowledge generation process at the SPEyPD, with a focus on the tools used in policy planning and analysis and in acquiring the needed specialized knowledge. The following activities are planned: (i) development of SPEyPD knowledge management policies; (ii) implementation of a technical training program in relevant areas for professional staff (postgraduate and refresher courses), to be run by a management committee consisting of SPEyPD staff; (iii) development and implementation of a virtual knowledge environment for providing access to relevant information and for sharing the findings of reports and studies; (iv) creation of a Knowledge Activities Fund (KAF) to fund activities, expert technical advisory services, and studies related directly to SPEyPD priorities, to be run by a management committee consisting of SPEyPD managers (see [Methodological note on the EPQU and EPISP indices](#)); and (v) implementation of a scholarship program for young professionals (outside the MHyFP), to encourage

their involvement in economic policy-making and introduce them to the MHyFP's technical work, with the program managed by the same committee referenced under point (ii).¹³ As a condition for implementation of, and disbursement of Bank resources for, activities (ii), (iv), and (v), the SPEyPD will approve the corresponding Operating Regulations with the Bank's no objection, and the corresponding management committees will be in operation. The Operating Regulations will contain at least, (a) for implementation of the technical training program: (i) selection criteria for programs; (ii) selection criteria for program beneficiaries; (iii) frequency of monitoring of program implementation; (iv) methodology for evaluation of program outcomes; and (b) for implementation of the young professionals scholarship program: (i) selection process for beneficiaries; (ii) selection criteria for scholarship beneficiaries; (iii) frequency of monitoring of beneficiary academic performance; (iv) methodology for individual evaluation of beneficiaries; and (v) cancellation criteria for beneficiary scholarships. The expected outputs of the component's activities are described in Table 1.

- 1.17 **Component 2. Information management.** This component aims to improve the availability, access, and circulation of information in and between the SPEyPD's units, thereby improving the inputs provided for decision-making. The following activities are planned: (i) development and approval of SPEyPD information management policies and procedures; (ii) design and implementation of a shared data repository to link the databases run by the different SPEyPD units; and (iii) upgrades of other MHyFP information management systems involved in the processing of information for economic policy-making and the MHyFP's external loan execution system (UEPEX), etc.). The expected outputs of these activities are described in Table 2.
- 1.18 **Component 3. Contingent liability and case management.** This component's actions and outputs will enable the MHyFP to have reliable, current information on the contingent liabilities associated with lawsuits involving the State through more effective tracking and more efficient management of the suits in which the MHyFP is directly involved, which will reduce the number of cases handled by the DGAJ. Information useful for economic programming will thus be generated on contingent liabilities and their fiscal impact and on lawsuits and the related case files (rulings). The following activities are planned: (i) improvement in the quality of information on liabilities by reengineering trial management processes; (ii) improvement in the quality of information by reengineering legal consultation processes; (iii) design and implementation of a legal case management system that allows for effective control and monitoring of how cases are managed, providing timely, high-quality information on liabilities, the system will also use modern simulation methodologies to calculate the probabilities of success for each of the court cases being decided in the government's favor; (iv) design and implementation of a system for case-file

¹³ The purpose of this action is to strengthen technical capabilities for economic programming by involving (at least temporarily) academically high-performing young professionals in the work of the SPEyPD's different units. This will also serve to form a group of professionals interested in remaining involved in economic policy-making in the future, whether at the MHyFP or at other national or subnational agencies. To strengthen their interest, the proposed action provides not only a scholarship but also a stipend that will enable recipients to work at least half-time at the SPEyPD (or in related units at one of the four sector ministries with which it will be coordinating under component 4), while they are completing their postgraduate studies.

tracking within the DGAJ; and (v) implementation of a legal training plan for DGAJ staff. The expected outputs of these activities are described in Table 2.

- 1.19 **Component 4. Institutional coordination and alignment.** This component seeks to create tools and incentives for improved coordination between the MHyFP and outside (sector) agencies, so that economic policy will exert a stronger influence on sector policy-making. To encourage such coordination, the component will also include actions to improve the MHyFP's work processes and monitoring of internal outputs. The following activities are planned: (i) design and execution of policy coordination projects involving the SPEyPD and the ministries in charge of the selected policy sectors (under the projects, collaboration activities between the MHyFP and the four sector ministries will focus on the development of strategic sector plans that not only effectively incorporate economic policy parameters but also draw on the knowledge and information generated by the SPEyPD);¹⁴ (ii) implementation of a training plan for staff from the selected sector agencies, to lay the groundwork for better understanding and improved technical dialogue between those agencies and the MHyFP, and to create incentives to cooperate with the MHyFP; and (iii) design and execution of projects to improve the MHyFP's internal management (with regard to defining coordination-related work processes and mechanisms for oversight of information-sharing with other departments or agencies). In order to generate an effective learning process and ensure that the SPEyPD acquires coordination capacities through the program, it has been decided that activities (i) and (ii) will target four sector policies: territorial development, science and technology, agrifood and agroindustry, and employment. These sector policies were selected because efforts have already been made in the first three cases to prepare a medium-term plan, and in the fourth case, there is a significant impact on social inclusion policies, which are a government priority. The learnings generated by these four experiences may be expanded to other sectors either during or after program execution. An Economic Policy Impact on Sector Policies (EPISP) index baseline will be calculated for each of these areas,¹⁵ following the methodology described in the [Methodological note on the EPQI and EPISP indices](#). The outputs resulting from the component's activities are described in Table 2.

C. Key results indicators

- 1.20 Two impact indicators will be used: (i) the number of sector plans that incorporate economic policy parameters; and (ii) the value of two items in the EPISP index that are directly related to the impact of the economic policy parameters on the

¹⁴ The projects will include the following: (i) generation of knowledge (studies, dissemination seminars) regarding the economic facets of the sector policies in question; (ii) improvement of economic and sector data processing (identification of the type of economic and sector data needed by the MHyFP and the ministry in question, review and improvement of computation methods, establishment of quality and data aggregation standards, establishment of procedures for communicating information, development of appropriate economic analysis methods for sector data); (iii) awareness-raising among government authorities (as to the results of the economic and sector analysis and the decisions based thereon, which take the form of sector plans); and (iv) assistance from the MHyFP with decision-making regarding medium- and long-term sector policies (i.e., with the formulation of the sector plans).

¹⁵ A 2011 baseline has been set for the four entities. When each specific coordination project is approved, the index will be recalculated so that the baseline reflects the situation at the exact time when each project begins.

selected sector policies. For outcomes, the EPQI indices relating to the quality of analysis and the quality of external coordination will be applied. For the intermediate outcomes, the EPQI indices relating to the quality of data processing and to the quality of primary data will be used, along with another set of indicators described in the results matrix (see Annex II).

- 1.21 A cost-benefit analysis confirms that the program has high social returns. Even in the most conservative scenarios, the program remains cost effective. In the baseline scenario, the cost-benefit ratio is US\$1.62 for each dollar invested, with a social internal rate of return of 33%, which exceeds the Bank's standard rate of 12%.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation will be financed by an investment loan for specific projects. Of the total cost of US\$18 million, the Bank will finance US\$13 million (72.2%) with Ordinary Capital resources, and the remaining US\$5 million (27.8%) will be covered by the local counterpart contribution. As established in document AB-2990 "Enhancing Safeguards at the Inter-American Development Bank," disbursement of the loan proceeds will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted from the date the loan operation is approved by the Board of Executive Directors. These restrictions may be inapplicable, depending on compliance with the Bank policy requirements for such restrictions, provided that the borrower has been given advance notice in writing.
- 2.2 Table 2 presents a breakdown of program costs by component and by output ([Itemized budget](#)). Although the program places strong emphasis on technical assistance activities, many of the activities included under Components 2 and 3 are investment activities for the development of information systems and supporting technology (26.8% of the total program budget is allocated to these activities). Table 3 presents the tentative disbursement schedule. The loan disbursement period has been estimated as four years, running from the effective date of the loan contract.

Table 2: Program Budget

Cost categories	Bank	Local contribution	Total	%
Component 1. Knowledge management	6,982,000	366,000	7,348,000	40.8
1P1. Knowledge management policies	32,400	24,000	56,400	
1P2. Technical training program for staff	1,320,400	48,000	1,368,400	
1P3. Virtual knowledge system	82,400	180,000	262,400	
1P4. Knowledge Activities Fund (KAF)	4,726,400	114,000	4,840,400	
1P5. Young professionals scholarship program	820,400	0	820,400	
Component 2. Information management	1,152,600	1,937,400	3,090,000	17.2
2P1. Information management policies	90,500	24,000	114,500	
2P2. SPEyPD shared data repository	1,016,600	428,000	1,444,600	
2P3. Upgraded MHyFP information systems	45,500	1,485,400	1,530,900	
Component 3. Management of contingent liabilities	1,590,000	1,117,500	2,707,500	15.0
3P1. Reengineering of trial management processes	40,500	196,000	236,500	
3P2. Reengineering of legal consultation processes	40,500	172,000	212,500	
3P3. Legal case management system	1,428,000	182,500	1,610,500	
3P4. DGAJ internal case-file management system	0	238,000	238,000	
3P5. Legal training plan for the DGAJ	81,000	329,000	410,000	
Component 4. Institutional coordination and alignment	3,089,000	48,000	3,137,000	17.4
4P1. Coordination projects with selected sectors	2,111,000	0	2,111,000	
4P2. Training plan for sector agencies	569,500	48,000	617,500	
4P3. Projects to improve the MHyFP's internal management	408,500	0	408,500	
Program management	0	1,176,000	1,176,000	6.5
Monitoring and evaluation	186,400	0	186,400	1.0
Audits	0	30,000	30,000	0.2
Contingencies	0	325,100	325,100	1.8
Total	13,000,000	5,000,000	18,000,000	100
%	72.2	27.8	100.0	

Table 3: Tentative Disbursement Schedule

	Year 1	Year 2	Year 3	Year 4	Total
IDB	1,949,500	1,932,250	2,607,100	6,511,150	13,000,000
Yearly %	15%	15%	20%	50%	100%

B. Environmental and social safeguard risks

- 2.3 Given the nature of the program and the institution-strengthening and systems-development activities it entails (consulting services, training, and equipment), which do not involve works or actions with adverse environmental or social

impacts, the program has been classified as category “C,” under the Environment and Safeguards Compliance Policy (Operational Policy OP-703). Consequently, preparation of an environmental strategy for the program is not deemed necessary.

C. Other project risks

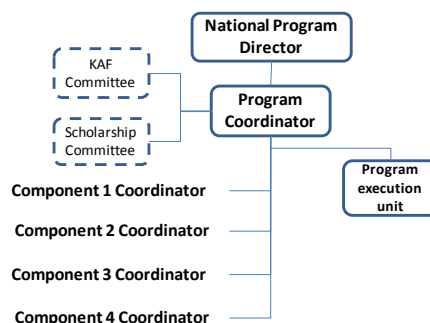
- 2.4 An analysis of program risks conducted with MHyFP authorities and officials using the Bank’s methodology, and subsequently updated, indicates that the program carries medium risk. Three risks stand out. First is the risk that the strengthening activities will not be sustainable over time, so activities to disseminate and raise awareness of the content and outcomes of the program will be necessary at the most senior levels of the MHyFP. Second is the risk that procurements may not be eligible; to counter this risk, the manuals of procedures must be updated, staff trained, and the beneficiary provided with ongoing support. Lastly, counterpart resources and budgetary leeway for Bank financing may not be available in a timely fashion; to mitigate this risk, the importance of providing funds on time should be impressed upon the authorities.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Argentine Republic, and the executing agency will be the Ministry of Finance (MHyFP), acting through the Department of Economic Policy and Development Planning (SPEyPD).
- 3.2 The [project execution plan \(PEP\)](#) was developed for the operation’s entire execution period of 48 months.
- 3.3 Strategic management of the program will be the responsibility of the SPEyPD, which will serve the role of National Program Director. The national director will: (i) make decisions regarding general program implementation, supervising the achievement of its objectives; and (ii) appoint a program general coordinator. The program general coordinator will be responsible for the program’s technical and administrative management. His/her main duties will include to: (i) direct program implementation; (ii) represent the program and serve as liaison with the Bank; (iii) appoint coordinators for each of the components and direct their work; (iv) approve updates to the operational documents (including the PEP, AWP, and procurement plan); (v) prepare the procurement plan and send it to the Bank for approval; (vi) deliver six-monthly progress reports to the Bank; and (vii) direct the activities of the PEU. The program general coordinator will be a member of the KAF management committee and the scholarship committee.
- 3.4 Each component will have a technical coordinator, who will: (i) propose a component annual work plan consistent with the PEP to the program general

Figure 4: Program Implementation



- coordinator; (ii) propose terms of reference for hiring consultants to the program coordinator; (iii) supervise compliance with the terms of reference and the technical quality and results of consulting services; and (iv) together with the PEU, schedule any necessary procurements. The terms of reference for hiring the component coordinators will require the Bank's no objection.
- 3.5 The PEU will be headed by the program general coordinator and will assist the component coordinators in carrying out the necessary administrative and financial tasks. Its responsibilities include to: (i) open and maintain separate, specific bank accounts for managing the loan proceeds and the local counterpart funds; (ii) manage the allocation of counterpart funds; (iii) process disbursement requests; (iv) keep accounting, financial, and administrative records for the program; (v) keep a system for contract administration and for filing supporting documentation for expenditures; (vi) prepare program financial statements for subsequent audit by an independent auditing firm or public accounting firm acceptable to the Bank; (vii) manage processes to procure goods and contract consultants together with the component coordinators; and (viii) issue payments for consulting services and goods. The PEU will include a financial specialist, a procurement specialist, and four technical assistants to help manage the components.
- 3.6 **Special contractual conditions precedent to the first disbursement of the loan proceeds. For the first disbursement: (i) program's general coordinator will be appointed; and (ii) the PEU will be established as described in paragraph 3.5.**
- 3.7 **Special contractual conditions for program execution.** For the disbursement of resources for the following outputs: (i) Component 1, Output 2: Technical training program; (ii) Component 1, Output 2: Knowledge Activities Fund (KAF); and (iii) Component 1, Output 5: Young professionals scholarship program, the following requirements will be met: (i) evidence that the SPEyPD has approved the corresponding Operating Regulations, with the Bank's no objection; and (ii) evidence that the corresponding management committees are in operation (see paragraph 1.13).
- 3.8 **Fiduciary agreements and requirements.** The main fiduciary measures to be applied to the proposed operation were agreed upon and are described in the Annex III on Fiduciary Agreements and Requirements. They mainly concern: (i) the exchange rate to be used; (ii) audits; (iii) procurement methods and thresholds (as stipulated in the Policies for the Procurement of Works and Goods financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9), both approved in March 2011; (iv) all procurements will be included in the procurement plan approved by the Bank through the Procurement Plan Execution System (SEPA) or a system determined by the Bank, and the methods and ranges established in it, as described in Annex III; and (v) the financial supervision plan.
- 3.9 **Recognition of expenditures, retroactive financing, and advance procurement.** The Bank may recognize up to US\$1,950,000 (15% of the proposed loan), and up to US\$250,000 against the local contribution (5% of the estimated local contribution), for eligible expenditures incurred by the borrower prior to the loan approval date for the contracting of consultants, training, and/or

procurement of equipment, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 19 February 2016 (the date of the government's request to prioritize the previous operation 2615/OC-AR (AR-L1124) in an aide-mémoire on 2016 programming), but in no case will expenditures be included if incurred more than 18 months prior to the loan approval date.

B. Summary of arrangements for monitoring results

- 3.10 Monitoring of program execution will focus on: (i) the completion of scheduled activities; and (ii) the achievement of output and outcome indicators (see Annex II). The PEU will have a monitoring and evaluation specialist. The MHyFP and the Bank agree that the Results Matrix, the AWP, the PEP, project monitoring reports, and all the specific agreements relating to data collection tools as reflected in the [monitoring and evaluation plan](#) will be used regularly to monitor the operation.
- 3.11 Data for monitoring of the Results Matrix indicators will come from: (i) monitoring of the Economic Policy-making Quality Indices (EPQI): with the same methodology used to establish the baseline (see paragraph 1.7), two EPQI measurements will be taken, yielding information on outcome indicators 1 and 2 and intermediate outcome indicators 1.1 and 2.1; (ii) a training survey: keeping the methodology applied for the diagnostic assessment used in the design, a questionnaire will be administered to obtain information on indicators 1.2 and 1.3; (iii) monitoring of the EPISP index, applied to the component 4 coordination projects (see paragraph 1.18) by a panel of experts according to the established methodology; (iv) the legal case tracking system, which will provide information for the monitoring of indicator 2.3; and (v) six-monthly status reports, which will provide information on outcome indicator 2, intermediate outcome indicators 1.4 and 2.2, and the output indicators.
- 3.12 A midterm and a final program evaluation ([monitoring and evaluation plan](#)) will be conducted, once 50% and 90% of the resources have been disbursed, respectively. The purpose of the evaluations will be to determine the extent to which targets have been met, make recommendations, propose corrective measures, and identify lessons learned. They must address: (i) adherence to the PEP; and (ii) progress toward meeting the impact, outcome, and output targets. Consultants engaged with resources from the Bank's contribution will perform the evaluations. The terms of reference for these consulting services will require the Bank's no objection.
- 3.13 For purposes of the program evaluation as it relates to impact indicator 1, a working description of what will be considered to be "sector plans" has been developed ([monitoring and evaluation plan](#)). The final evaluation will also include an ex post cost-benefit analysis, in order to determine whether the impacts and the program costs are equal to, or less than, those set out in the ex ante economic analysis, and, in any event, whether they are less than the values estimated for the scenario without the Bank program. This will entail replicating the cost-benefit analysis model applied in the referenced study.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives		Aligned	
Development Challenges & Cross-cutting Themes		-Productivity and Innovation -Institutional Capacity and the Rule of Law	
Regional Context Indicators		-Government effectiveness (average LAC percentile)	
Country Development Results Indicators		-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)	
2. Country Strategy Development Objectives		Not Aligned	
Country Strategy Results Matrix			
Country Program Results Matrix		The intervention is not included in the 2016 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		The project is consistent with the national public management dialogue area.	
II. Development Outcomes - Evaluability		Evaluable	Weight
		7.1	10
3. Evidence-based Assessment & Solution		7.5	33.33%
3.1 Program Diagnosis		2.4	
3.2 Proposed Interventions or Solutions		2.4	
3.3 Results Matrix Quality		2.7	
4. Ex ante Economic Analysis		7.0	33.33%
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis		4.0	
4.2 Identified and Quantified Benefits		0.0	
4.3 Identified and Quantified Costs		1.5	
4.4 Reasonable Assumptions		0.0	
4.5 Sensitivity Analysis		1.5	
5. Monitoring and Evaluation		6.8	33.33%
5.1 Monitoring Mechanisms		2.5	
5.2 Evaluation Plan		4.3	
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood		Medium	
Identified risks have been rated for magnitude and likelihood		Yes	
Mitigation measures have been identified for major risks		Yes	
Mitigation measures have indicators for tracking their implementation		Yes	
Environmental & social risk classification		C	
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)		Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External control, Internal Audit. Procurement: Information System, Shopping Method.
Non-Fiduciary			
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

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

The overall objective of the program is to achieve greater impact of the economic policies into sectorial policies in the medium and long term.

The specific problems identified are that the Secretariat of Economic Policy and Development Planning of the Ministry of Treasury and Public Finance of Argentina has low technical capacity in relation to the capacity of information analysis required for the preparation of policy recommendations, and is weak at interagency interaction and coordination. This can be attributed to: i) difficulties in effectively incorporating knowledge and adequate methodologies in policy design, and ii) deficiencies in the quality, access and timeliness of the information used for policy design and decision making, and its processing. This results in sector policies that do not incorporate the required economic policy parameters.

The vertical logic of the project is clear and well specified. To quantify the causes and links with outcome measures an ad-hoc institutional quality index is developed. This index provides the basis for measuring the results of the project, and for building the logic of the proposed intervention. The project does not present adequate evidence of internal or external validity for the proposed solutions. The cost-benefit analysis conducted shows this program has a social IRR of 33%.

In general, the results matrix included in the POD contains the elements required for project monitoring. However, some indicators are not SMART. The POD includes a satisfactory monitoring and evaluation plan. The project has identified and adequately addressed the M&E and data availability required for the monitoring of the project. The project proposes an ex post cost-benefit assessment.

The rating of overall project risk is Medium.

RESULTS MATRIX

Project general objective: The program's general objective is to increase the influence of economic policy on medium- and long-term sector policies. The specific objectives are to: (i) improve the economic policy-making process by strengthening related technical capabilities; and (ii) improve coordination between the Ministry of Finance (MHyFP) and the sector ministries in the development of medium- and long-term sector policies.

EXPECTED IMPACT

Indicators	Unit of measure	Baseline		Intermediate measurements						Targets		Source/ Means of verification	Comments
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
Expected Impact: Medium- and long-term sector policies will incorporate economic policy parameters													
1. Number of sector plans that incorporate economic policy parameters (in selected sectors). ¹	Plans	0	2011		2017		2018		2019	4	2020	Sector plans: economic framework section	The use of parameters validated by the SPE will be verified. ² The baseline will be updated in December 2016.
2. Economic Policy Impact on Sector Policies (EPISP) index: value of items 3 and 6. ³	Value of items	3.25	2011		2017		2018		2019	5.75	2020	Administration of EPISP questionnaire	Index = $\sum P_i/n$, with P_i being the score on items 3 and 6, and n being the number of items. ⁴ The baseline will be updated in December 2016.

¹ The four plans included under the program are those existing when the document was prepared: (i) Territorial Development, (ii) Science and Technology, (iii) Employment, and (iv) Agrifood and Agroindustry. It was verified that preliminary versions of the first and fourth plans exist but do not incorporate economic policy parameters. No preliminary versions of the other two plans exist as yet. The baseline is therefore considered to be zero.

² See paragraph 3.9 of the Monitoring and Evaluation Plan, included as required electronic link 3 in the loan proposal.

³ The index provides a measure of how the results of the economic analysis performed by the SPEyPD are absorbed by the ministries in charge of sector policies. Consideration was given to plans that had been prepared by the following ministries: Ministry of Federal Planning, Public Investment, and Services; Ministry of Science, Technology, and Productive Innovation; Ministry of Labor, Employment, and Social Security; and Ministry of Agriculture, Livestock, and Fishing. It should be noted that Decree 13/2015 amends the Ministries Act, renaming the ministries and reassigning responsibilities. The four ministries are now called: Ministry of the Interior, Public Works, and Housing; Ministry of Science, Technology, and Productive Innovation; Ministry of Labor, Employment, and Social Security, and Ministry of Agroindustry. The final impact indicator includes only two of the items that make up the EPISP (item 3: inclusion in sector plans of information provided by the SPEyPD and its relevance; and item 6: influence of the SPEyPD's input on sector analysis and diagnostics), since they are the ones most directly related to the ultimate impact of economic policy parameters on medium- and long-range sector plans.

⁴ See the methodological note on the EPQI and EPISP indices.

EXPECTED OUTCOMES

Indicators	Unit of measure	Baseline		Intermediate measurements				Targets		Source/ Means of verification	Comments		
		Value	Year	Value	Year	Value	Year	Value	Year				
Expected Outcome 1: Strengthened technical capabilities for economic policy-making													
1. Information analysis quality index for economic policy. ⁵	Index value	4.66	2016	5.04	2017	7.06	2018		2019	8.24	2020	Administration of EPQI questionnaire ⁶	Index = $\sum P_i/n$, with P_i being the score for descriptors 11, 12, 13, 14, 19, 20, 21, and 22 on the EPQI questionnaire and n being the number of descriptors.
Expected Outcome 2: Improved coordination between the MHyFP and the sector ministries with regard to medium- and long-term sector policies													
2. External coordination quality index. ⁷	Index value	6.51	2016	7.26	2017	8.0	2018		2019	8.75	2020	Administration of EPQI questionnaire ⁸	Index = $\sum P_i/n$, with P_i being the score for descriptors 15, 16, 17, and 18 on the EPQI questionnaire and n being the number of descriptors.

⁵ The index assesses the availability and use of tools and methodologies for complex economic analysis, variable modeling capabilities, as well as the quality attributes of the documents and information resulting from analysis and verification.

⁶ See the methodological note on the EPQI and EPISP indices.

⁷ The index assesses the quality of interaction between the SPEYPD and agencies outside the MHyFP.

⁸ See the methodological note on the EPQI and EPISP indices.

Indicators	Unit of measure	Baseline		Intermediate measurements						Targets		Source/ Means of verification	Comments
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
3. Number of coordination mechanisms with the selected sectors in effective use. ⁹	Number	0	2011		2017	4	2018		2019	8	2020	Program status reports ¹⁰	The baseline will be updated in December 2016.

Intermediate Outcomes

Indicators	Unit of measure	Baseline		Intermediate measurements						Targets		Source/ Means of verification	Comments
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
Intermediate Outcome 1: Economic policy-making incorporates the appropriate knowledge and methods for medium- and long-range planning													
1.1 Economic data processing quality index. ¹¹	Index value	4.88	2016	5.30	2017	7.45	2018		2019	8.8	2020	Administration of EPQI questionnaire ¹²	Index = $\sum P_i/n$, with P_i being the score for descriptors 7, 8, 9, and 10 on the EPQI questionnaire and n being the number of descriptors.
1.2 Percentage of SPEyPD professional staff with postgraduate studies in a field relevant to their work.	Percentage	46.2	2011		2017		2018		2019	70,0	2020	Training survey	= (SPEyPD staff with postgraduate studies/all SPEyPD staff) * 100 The baseline will be updated in December 2016.

⁹ A coordination mechanism in effective use is: (i) a mechanism for coordination between the MHyFP and another public agency based on a specific methodology (formal opinions, meetings, formal approval, etc.); (ii) agreed on and formally approved by the MHyFP and the agency in question (by means of the appropriate procedural instrument for the level of coordination); and (iii) that has been used at least twice a year since its creation.

¹⁰ In accordance with paragraph 3.3 of the Monitoring and Evaluation Plan. The baseline was obtained from the Diagnostic Analysis of the Economic Policy-making Function.

¹¹ The index gauges the quality of the collection, organization, and storage of the information that serves as a basis for economic analysis.

¹² See the methodological note on the EPQI and EPISP indices.

Indicators	Unit of measure	Baseline		Intermediate measurements						Targets		Source/ Means of verification	Comments
		Value	Year	Value	Year	Value	Year	Value	Year	Value	Year		
1.3 Percentage of SPEyPD professional staff with specialization studies in a field relevant to their work.	Percentage	25.9	2011		2017	50.0	2018		2019	60.0	2020	Training survey	= (SPEyPD staff with specialization studies /all SPEyPD staff) * 100 The baseline will be updated in December 2016.
1.4 Number of visits by SPEyPD staff to the virtual knowledge system.	Number of visits per month	0	2011		2017		2018	150	2019	400	2020	Program status report ¹³	The baseline will be updated in December 2016.
Intermediate Outcome 2: Economic policy-making incorporates information of sufficient quality and timeliness													
2.1. Primary data quality and timeliness index. ¹⁴	Index value	6.92	2016	7.49	2017	8.25	2018		2019	9.0	2020	Administration of EPQI questionnaire ¹⁵	Index = $\sum P_i/n$, with P_i being the score for descriptors 1, 2, 3, 4, 5, and 6 on the EPQI questionnaire and n being the number of descriptors.
2.2 Number of suits filed against the State, including active, inactive, and filed, entered into the DGAJ's case tracking system.	Number of suits	97400	2016	97400	2017		2018		2019	73050	2020	DGAJ case tracking system ¹⁶	= suits filed against the State up to 2016.

¹³ In accordance with the Monitoring and Evaluation Plan. The baseline was obtained from the Diagnostic Analysis of the Economic Policy-making Function.

¹⁴ The index gauges how timely, up-to-date, relevant, and sound the primary data are that serve as a basis for economic analysis.

¹⁵ See the methodological note on the EPQI and EPISP indices.

¹⁶ Entry of a lawsuit into the DGAJ case tracking system will necessarily mean inclusion of up-to-date information on both the amount being sought and the progress of the case in the courts (legal case management).

Outputs

Output • Milestones	Unit of measure	Baseline 2016	2017	2018	2019	2020	Target 2020
Component 1: Knowledge management							
1. Knowledge management policies and processes implemented at the SPEyPD	Policy	0		1			1
2. Technical training program for MHyFP staff on economic policy issues under way	Plan	0		1			1
• Regulation approved and management committee formed	Regulation	0	1				1
3. Virtual knowledge system installed and in use	System	0		1			1
4. Knowledge activities fund (KAF) up and running	Fund	0	1				1
• Regulation approved and management committee formed	Regulation	0	1				
5. Young professionals scholarship program up and running	Program	0	1				1
• Regulation approved and management committee formed	Regulation	0	1				
Component 2: Information management							
6. Information management policies and processes implemented at the SPEyPD	Policy	0		1			1
7. Shared data repository and associated tools implemented at the SPEyPD	Tool	0			1		1
8. MHyFP information systems supporting economic policy management updated and improved	System	0		2	2		4
Component 3: Contingent liability and case management							
9. Reengineered trial management processes in place	Process	0		1			1
10. Reengineered legal consultation processes in place	Process	0		1			1
11. Legal case management system implemented and being used by the DGAJ	System	0				1	1
12. DGAJ internal case-file management system implemented and being used	System	0			1		1
13. DGAJ legal training plan approved and being implemented	Plan	0		1			1
Component 4: Institutional coordination and alignment							
14. Policy coordination projects with selected sectors implemented	Project	0	3	2			5
• Projects developed and approved	Approval	0	1				1

Output • Milestones	Unit of measure	Baseline 2016	2017	2018	2019	2020	Target 2020
15. Training plan for sector agencies with which the MHyFP is coordinating in place	Plan	0		1			1
16. Projects to improve internal management at the MHyFP completed	Project	0		2		2	4

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Argentina
Project number:	AR-L11247
Name:	Program for Institutional Strengthening of the Ministry of Finance (MHyFP)
Executing agency:	Ministry of Finance (MHyFP), acting through the Department of Economic Policy and Development Planning (SPEyPD)
Prepared by:	Brenda Alvarez (FMP/CAR) and Teodoro Noel (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 The operation's risks were reviewed following the project risk management (PRM) methodology of the Bank's Country Office in Argentina. Given the scope of the program, the Bank also assessed the institutional capacity of the Department of Economic Policy and Development Planning (SPEyPD) by applying the ICAS methodology. This evaluation covers the following systems: activities and component programming, administrative organization, personnel management, goods and services administration, financial administration, and internal and external control. The evaluation indicates that the SPEyPD's institutional capacity is satisfactory, and that the program execution risk is low.
- 1.2 The program is intended to increase the impact of economic policy on sector policies in the medium- and long-term by: (i) improving the economic policy-making process; and (ii) improving coordination between the Ministry of Finance (MHyFP) and the sector ministries in the development of medium- and long-term sector policies.
- 1.3 The program does not include financing from other multilateral agencies.

II. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 The program for Institutional Strengthening of the Ministry of Finance (MHyFP) will be executed by the SPEyPD, which was the executing agency of loan 2594/OC-AR (AR-L1134), the emergency response program to the eruption of the Puyehue Volcano.
- 2.2 The fiduciary systems used for program execution are the budget system, through the Integrated Financial Information System (SIDIF) and the information and accounting system (UEPEX).

III. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The SPEyPD has an administrative and technical operating structure that, although small, has sufficient experience and capacity to manage a loan such as

the one in preparation. Its organizational structure was approved in a Ministry of Economic Affairs resolution in 2009, it has permanent and temporary staff from the MHyFP, and turnover is low.

- 3.2 For procurement, the SPEyPD has an execution unit that will have two consultants to manage program procurement. Although the SPEyPD is undergoing a strengthening process, its execution capacity poses low risk.
- 3.3 The institutional capacity analysis of the central execution unit (CEU) using the ICAS tool indicated the following opportunities for improvement: (i) include monitoring mechanisms and procedures in the annual work plan to track compliance with the main program milestones and any divergences between the activities programmed and those executed; (ii) design budget-control mechanisms that take account of expenditures made prior to program approval and expenditures to be incurred afterwards; and (iii) conduct a detailed examination of the eligibility and quantification of expenditures that will be subject to retroactive financing.
- 3.4 Based on the risk evaluated performed using the PRM tool, the following fiduciary risks have been detected:

Institutional capacity and fiduciary risk			
Institutional capacity			Tool: ICAS
Fiduciary risk		Medium	Tool: PRM
Type of risk ¹	Risk	Rating	Mitigation measure
FM	Resources for program execution are not available in a timely manner	High	Training in financial planning and management at the start of execution of stage 2 of the program to develop metropolitan areas in the interior (DAMI II)
FM	The audited financial statements are not presented on time	Medium	Choosing the external auditor at an early stage
PRO	Procurements are not eligible	High	Training in procurement for the execution unit
PRO	Procurement and contracting processes take longer than planned	Medium	Updating the manuals of procedures

¹ FM = financial management; PRO = procurement.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

- 4.1 To streamline contract negotiation by the project team and primarily by the Legal Department, the following agreements and requirements will be included in the Special Provisions or the sole annex, as applicable, which may be updated or modified during program execution as necessary, with documentary justification and authorization from the Bank.
- 4.2 **Conditions precedent to the first disbursement:** N/A
- A. Disbursement management**
- 4.3 The executing agency will submit the program's financial plan based on guidelines agreed upon between the Bank and the country. The minimum percentage for the replenishment of advances will be 80%, since this is a decentralized program whose execution is complex (ongoing flexibility).
- 4.4 The exchange rate to be used for accounting purposes will be the rate stipulated in Article 4.10(b)(i) of the loan contract. For the purpose of determining the equivalency of expenditures incurred in local currency charged to the local contribution or for reimbursement of expenditures charged to the loan, the exchange rate will be the rate in effect on the first working day of the month of payment. In view of the limitations of the UEPEX system, for expenditures covered by IDB and by local counterpart funds, the exchange rate for converting disbursements into local currency will be used ("pesification").
- B. Financial supervision**
- 4.5 To allow for flexibility and enable the loan portfolio to be adjusted to the available auditing capacity of the Office of the Auditor General of the Argentine Nation (AGN), it is recommended that both the AGN and the independent auditors be contractually eligible to perform the program audits.
- 4.6 In addition to the disbursement reports and the annual audits, the financial plan will be the report required for financial supervision.
- 4.7 Other specific financial management requirements for projects that need to be established in the contract or agreement to be signed by the Bank: Disbursements will be made as stipulated in Articles 4.03, 4.04, 4.05, 4.06, and 4.07 of the General Conditions of the loan contract.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

- 5.1 The fiduciary agreements and requirements for procurement establish the applicable provisions for the execution of all planned procurements under the project.
- 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) and the Policies for the Selection and Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-9), both of April 2011, will apply.

- 5.3 The information system will be used, which is one of the country subsystems approved by the Bank.
- a. **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services² under the program that are subject to international competitive bidding (ICB) will be executed using the standard bidding documents issued by the Bank. Bidding processes subject to national competitive bidding (NCB) will be conducted using country bidding documents agreed upon with the Bank. The review of technical procurement specifications during the preparation of selection processes is the responsibility of the program's sector specialist. No direct contracting is anticipated.
 - b. **Selection and contracting of consultants.** Contracts for consulting services under the program will be executed using the standard request for proposals issued by or agreed upon with the Bank. The review of the terms of reference for contracting consulting services is the responsibility of the program's sector specialist. No single-source selection is anticipated.
 - c. **Selection of individual consultants.** The selection of individual consultants be based on a comparison of the qualifications of at least three candidates, as established in document GN-2350-9, section V, paragraphs 5.1 to 5.4. Approval by the program general coordinator of a performance evaluation showing at least satisfactory results will be sufficient for the purposes of renewing the service contracts of the consultants working in the PEU. The executing agency will provide the Bank with a list of consultants who are performing tasks and will continue to work on project activities. The single-source selection procedure may be applied in these cases, in accordance with Section V, paragraph 5.4(a), of the aforementioned policies. The review of the terms of reference for contracting consulting services is the responsibility of the program's sector specialist.
 - d. **Recognition of expenditures, retroactive financing, and advance procurement.** The Bank may retroactively finance up to US\$1,950,000 (15% of the proposed loan amount) against the loan proceeds, and recognize up to US\$250,000 against the local contribution (5% of the estimated local contribution), for eligible expenditures incurred by the borrower prior to the loan approval date for the contracting of consultants, training, and/or procurement of equipment, provided that requirements substantially similar to those established in the loan contract have been met. Such expenditures will have been incurred on or after 19 February 2016 (the date of the government's request to prioritize the previous operation 2615/OC-AR (AR-L1124) in an aide-mémoire on 2016 programming), but in no case will expenditures be included if incurred more than 18 months prior to the loan approval date.
 - e. **Other.** The program will also finance: (i) a scholarship program for young postgraduate-level professionals and specialization studies and courses as

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

part of the Knowledge Management Component that will be administered through a committee (see paragraph 1.15 of the proposal for operation development).

5.4 Table of threshold amounts for international bidding and short list with international participation (US\$)

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

5.5 Main procurements

Activity	Type of bidding	Estimated date	Estimated amount (\$US)
Goods			
Data repository. Hardware	NCB	August 2019	447,600
Data repository. Software	NCB	August 2019	400,000
Upgrade of information systems for SPEyPD management. Hardware	NCB	January 2019	375,000
Integrated case management system. Purchase of licenses	NCB	June 2019	350,000
SPEyPD internal management tools. Development of a tracking system for SPEyPD deadlines and outputs. Software	NCB	August 2018	200,000
Nonconsulting services			
File digitization	NCB	January 2017	353,000
Legal training plan for DGAJ staff. Training	PC	July 2018	281,000
Consulting services			
Data repository. Development of databases and implementation of ICT	QCBS	July 2018	288,000
Integrated case management system. System design and implementation	QCBS	July 2018	360,000
Internal case management system. Evaluation, design and implementation	QCBS	July 2018	132,000

B. Procurement supervision

5.6 Procurements will be subject to ex ante supervision, except for price comparison and individual consultants, which will be subject to ex post review. Ex post review visits will be completed 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. At least 10% of the reviewed contracts will be subject to physical inspection during the program.

Thresholds for ex post review

Price comparison	Individual consultants
< 100,000	< 50,000

Note: The thresholds for ex post review are applied on the basis of the executing agency's fiduciary execution capacity and may be modified by the Bank to the extent that such capacity changes.

C. Special provisions

- 5.7 **Measures to reduce the likelihood of corruption:** See the provisions of documents GN-2349-9 and GN-2350-9 concerning prohibited practices (lists of businesses and individuals ineligible to work with multilateral agencies).

D. Records and files

- 5.8 The procurement documentation will be kept at the offices of the DNV, which is in charge of program procurements. Properly ordered, classified, and updated records and files containing all documentation generated by the procurement and contracting processes will be kept for the ex post reviews.

VI. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

A. Programming and budget

- 6.1 The SPEyPD is responsible for formulating and programming the annual budgets and will perform all procedures conducive to consolidation of those budgets for approval.
- 6.2 As the need arises to increase or reallocate budget items, the central execution unit will request modifications and be responsible for obtaining their approval. Budget credits will be delivered through quarterly commitment quotas and monthly payments, which are assigned by the National Budget Office of the MHyFP.
- 6.3 No difficulties are anticipated with timely provision of the local counterpart or systemic delays that would affect execution.

B. Treasury and disbursement management

- 6.4 The National Treasury transfers the local counterpart funds to the SPEyPD, into an account opened by the program to be used exclusively for this loan, as a program cofinanced by the Bank.
- 6.5 Disbursements will be made in accordance with a detailed financial plan, the format of which has been agreed upon with the authorities of the MHyFP and the Chief of Cabinet.

C. Accounting, information systems, and reports

- 6.6 The CEU will use UEPEX as the financial management system. Accounting will be on a cash basis, and International Financial Reporting Standards (IFRS) will be followed, where applicable, in accordance with national rules. The financial reports required will be: (i) financial execution plan for up to 180 days after requests for advances; (ii) annual financial statements, audited as stipulated in article 7.03(a) of the General Conditions of the loan contract; and (iii) other reports required by the fiduciary specialists.

D. Internal control and internal audit

- 6.7 The national internal control agency is the Sindicatura General de la Nación [General Accounting Office] (SIGEN). Internal auditing of each executing agency is performed through an internal audit unit. The units report directly to the minister and are responsible for performing the audits and making recommendations, as mandated by Law 24156 (Financial Administration Act).

E. External control: External financial audits and project reports

- 6.8 In 2011, the Bank completed a diagnostic assessment of the government auditing practices of the AGN, which was performed in accordance with Bank guidelines to determine the extent to which public financial management systems were developed. The assessment concluded by validating the AGN as an auditor of Bank projects.
- 6.9 The AGN reports to, and assists, the National Congress in controlling public sector accounts. Its creation and operation is regulated in Title VII, Chapter I, of Law 24156 on Financial Administration and External Control Systems. The law specifies that the AGN has separate legal status and operational independence, and it is therefore also financially independent. Its assets consist of all those allocated to it by the State, those previously belonging to the Tribunal de Cuentas de la Nación [Audit Court of the Nation] (TCN), and those transferred from awards in legal cases.
- 6.10 However, in October 2014, based on the record for timely presentation of audited financial statements in recent years, it was agreed with the government to cut back the AGN's portfolio to match its actual capacity for compliance.
- 6.11 To allow for flexibility and enable the loan portfolio to be adjusted to the AGN's available auditing capacity, it is recommended that both the AGN and the independent auditors be contractually eligible to perform the program audits.

F. Project financial supervision³

- 6.12 The initial financial supervision plan arises from risk and fiduciary capacity assessments that were based on the onsite and desk reviews planned for the program, and includes the full range of operational, financial/accounting, compliance and legality, frequency, and accountability activities.

³ See the "Operational Guidelines for Financial Management of IDB-financed Projects" (document OP-273-6), Annex I, Application of financial management principles and requirements, Requirement 4, Financial supervision.

6.13 In addition to the disbursement reports and the annual audits, the financial plan will be the report required for financial supervision.

G. Execution arrangement

6.14 The program execution arrangement is set forth in detail in the draft Operating Regulations and in the proposal for operation development.

6.15 **Other financial management agreements and requirements.** None.