

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE
SOCIAL AND URBAN INTEGRATION PROGRAM IN THE PROVINCE OF
BUENOS AIRES
(AR-O0012)**

**FIRST INDIVIDUAL OPERATION UNDER THE CCLIP,
SOCIAL AND URBAN INTEGRATION PROGRAM IN GREATER BUENOS AIRES
(AR-L1288)**

LOAN PROPOSAL

This document was prepared by the project team consisting of: Martín Soulier Faure (CSD/HUD), Project Team Leader; Verónica Adler (CSD/HUD), Alternate Team Leader; Francisca Rojas, Catarina Mastellaró, Beatriz González, Mariana Poskus, Dianela Avila, Paloma Acevedo, and Jessica Guzman (CSD/HUD); Gustavo Gonnelli and Jorge Oyamada (INE/WSA); Julieta Abad and Lynn Scholl (INE/TSP); Jennifer Doherty (CSD/CCS); Javier Reyes (IFD/ICS); Mariel Sabra (MIF/CAR); Claudia Vázquez (SCL/LMK); Andrea Monje (GDI/CAR); María Castro-Muñoz and Milagros Aimé (VPS/ESG); Analía La Rosa and Roberto Laguado (VPC/FMP); Viviana Maya (LEG/SGO); Cecilia Ares (CSC/CAR); Ana María Cuesta (SPD/SDV); and Andrés Juan, Guadalupe Rojo, Fabian Schwartzer, Carolina Conde, Francisco García Faure, Ramiro De Marco, and Horacio Seillant (consultants).

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REQUIRED LINKS	
1.	Multiyear Execution Plan / Annual Work Plan
2.	Monitoring and Evaluation Plan
3.	Environmental and Social Management Report
4.	Procurement Plan

OPTIONAL LINKS	
1.	Economic analysis
2.	Assessment of compliance with the Public Utilities Policy
3.	Technical analysis of the sample
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5.	Bibliographic references
6.	Assessment of compliance with the CCLIP policy
7.	Draft program Operating Regulations
8.	Climate change accounting annex
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ABBREVIATIONS

CABA	Ciudad Autónoma de Buenos Aires [Autonomous City of Buenos Aires]
CCLIP	Conditional credit line for investment projects
DPOMyFB	Dirección Provincial de Organismos Multilaterales y Financiamiento Bilateral del Ministerio de Economía [Provincial Directorate of Multilateral Agencies and Bilateral Financing]
ESMR	Environmental and Social Management Report
GBA	Greater Buenos Aires
IBRD	International Bank for Reconstruction and Development
ICAS	Institutional Capacity Assessment System
IDB	Inter-American Development Bank
MlySP	Ministry of Infrastructure and Public Services
MJGM	Ministerio de Jefatura de Gabinete de Ministros [Cabinet Office]
OPISU	Organismo Provincial de Integración Social y Urbana [Provincial Agency for Social and Urban Integration]
PBA	Province of Buenos Aires
PROMEBA	Programa de Mejoramiento de Barrios [Neighborhood Improvement Program]
RENABAP	Relevamiento Nacional de Barrios Populares [National Survey of Working-Class Neighborhoods]
RPPVAP	Registro Público Provincial de Villas y Asentamientos Precarios [Public Provincial Register of Shantytowns and Informal Neighborhoods]

PROJECT SUMMARY

ARGENTINA CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP) FOR THE SOCIAL AND URBAN INTEGRATION PROGRAM IN THE PROVINCE OF BUENOS AIRES (AR-O0012) FIRST INDIVIDUAL OPERATION UNDER THE CCLIP, SOCIAL AND URBAN INTEGRATION PROGRAM IN GREATER BUENOS AIRES (AR-L1288)

Financial Terms and Conditions					
Borrower: Province of Buenos Aires (PBA)				Flexible Financing Facility^(a)	
				Amortization period:	25 years
Guarantor: Argentine Republic				Disbursement period:	4 years
				Grace period:	5.5 years ^(b)
Executing agency: Cabinet Office (MJGM) through the Provincial Agency for Social and Urban Integration (OPISU)				Interest rate:	LIBOR-based
				Credit fee:	(c)
Source	CCLIP amount (US\$)	First operation amount (US\$)	%	Inspection and supervision fee:	
IDB (Ordinary Capital)	400 million	100 million	90	(c)	
Local	44.5 million	11.15 million	10	Original WAL:	15.25 years
Total	444.5 million	111.15 million	100	Approval currency:	U.S. dollars
Project at a Glance					
<p>Project objective/description: The general objective of the CCLIP and its first operation is to improve living conditions in shantytowns, informal neighborhoods, and housing complexes in the Province of Buenos Aires through social and urban integration interventions. The specific objectives of the first operation are to: (i) strengthen and support local and provincial governments in the planning, management, and execution of comprehensive informal neighborhood intervention and regularization projects; (ii) improve access to and facilitate the use of basic utilities, resilient urban infrastructure, public spaces, community facilities, and government services for the residents of these neighborhoods, thereby integrating them into the municipal urban fabric; and (iii) strengthen social capital, increase opportunities for social, labor, and productive community development, and improve habitability and tenure conditions.</p>					
<p>Special contractual conditions precedent to the first disbursement of the loan: Provide evidence of the entry into effect of the program Operating Regulations and respective annexes, in accordance with the terms previously agreed upon with the Bank (paragraph 3.3). In addition, the borrower will fulfill the special contractual conditions precedent to the first disbursement set forth in the Environmental and Social Management Report (ESMR) – Annex B.</p>					
<p>Special contractual conditions of execution: Provide evidence, to the Bank's satisfaction, of the following: (i) for the execution of Component II, the entry into effect of an agreement between the Provincial Agency for Social and Urban Integration (OPISU) and the Ministry of Infrastructure and Public Services (MlySP); and (ii) for the execution of the works required to provide the services specified in Component II, the entry into effect of agreements signed by OPISU and the provider(s) of these services (paragraph 1.20) (paragraph 3.3). In addition, the borrower will comply with the special contractual conditions of execution set out in the Environmental and Social Management Report (ESMR) – Annex B.</p>					
<p>Exceptions to Bank policies: A waiver to the provisions of paragraph 1.19(i), (ii), and (iii) of the CCLIP policy (document GN-2246-9) is requested with respect to OPISU, which does not have previous experience executing programs with international organizations since it was only recently created to head the urban development of low-income neighborhoods in the PBA (paragraph 2.1).</p>					
Strategic Alignment					
Challenges:^(d)		SI <input checked="" type="checkbox"/>	PI <input type="checkbox"/>	EI <input type="checkbox"/>	
Crosscutting themes:^(e)		GD <input checked="" type="checkbox"/>	CC <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes in 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.

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

^(c) The credit fee and the 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 relevant 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. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 The Province of Buenos Aires (PBA) is Argentina's largest and most populated province. According to census data,¹ one third of the country's population (15.6 million) lives in this province, with two thirds of these concentrated in the 24 municipios of Greater Buenos Aires (GBA), which is part of the nation's main urban agglomeration.² There is some type of housing deficit for 26% of the 4.7 million households in the PBA, most of which (72%) are in GBA, where 392,000 families (13.4%) are affected by a quantitative deficit and 960,000 (32.7%) by a qualitative deficit.³ [2] The GBA figures are higher than the national quantitative and qualitative housing deficit averages (10.3% and 28.6%, respectively).
- 1.2 According to data from the 2015 Registro Público Provincial de Villas y Asentamientos Precarios [Public Provincial Register of Shantytowns and Informal Neighborhoods] (RPPVAP),⁴ households in the PBA with a housing deficit are concentrated in 1,579 informal or vulnerable neighborhoods where approximately 418,000 families have no land tenure security and poor access to public utilities. Under Provincial Law 14,449, the Fair Housing Act, informal or vulnerable neighborhoods in the PBA are primarily classified as: (i) shantytowns, which refers to the high-density occupation of public or private lands with an irregular urban layout, housing built with makeshift materials, high population density, little or no green spaces, and self-provided infrastructure; and (ii) informal neighborhoods, which refers to the occupation of areas with more regular layouts and lower density, typically in periurban areas.⁵ In the GBA, 328,000 of these households are clustered in 965 informal neighborhoods (317 shantytowns, 470 informal neighborhoods, 178 housing complexes, and other types of housing).
- 1.3 The Provincial Agency for Social and Urban Integration (OPISU) has established the following typologies for the purpose of defining criteria for informal neighborhood regularization interventions:

¹ 2010 census.

² The Buenos Aires Metropolitan Area (AMBA) is comprised of the Autonomous City of Buenos Aires (CABA) and the surrounding 24 municipios, referred to as Greater Buenos Aires or the Buenos Aires Conurbation. (See [optional link 5](#), Bibliographic References [1]).

³ A quantitative deficit is the unmet demand for housing from the formation of new households, households that live in the same dwelling, and households in dwellings that need to be replaced. A qualitative deficit refers to dwellings that are either made of poor materials or lack basic utilities [3].

⁴ Created in connection with Provincial Law 14,449, the Fair Housing Act.

⁵ The Government of the PBA has also identified more complex variants, including large low-income housing complexes constructed by the State up to the 1980s, which now have obsolete infrastructure.

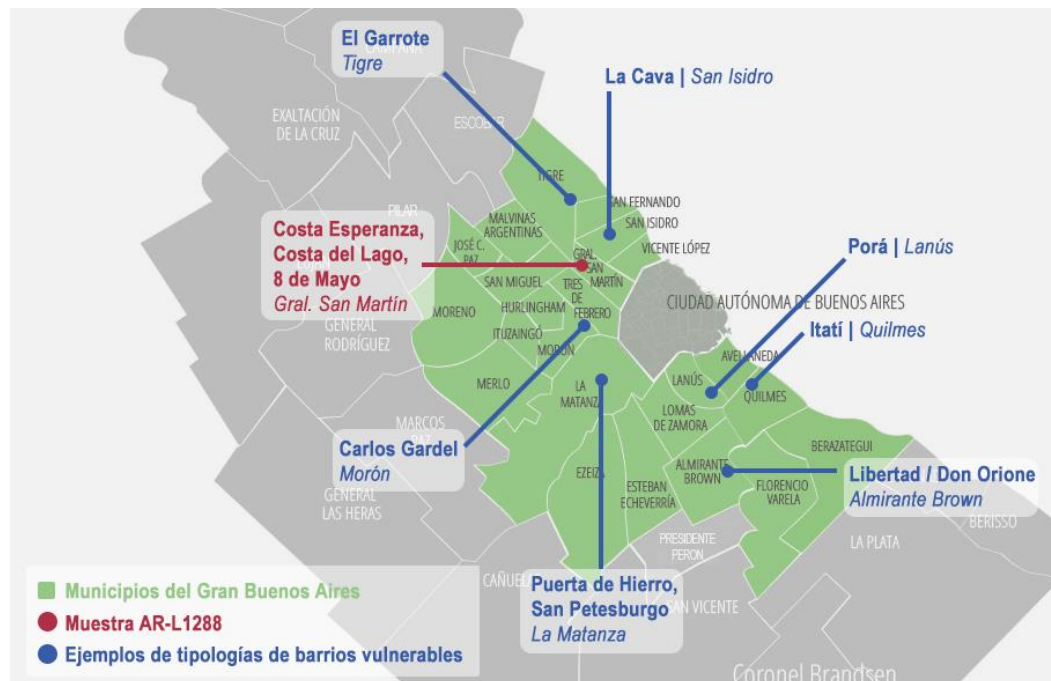
Table 1. Types of vulnerable neighborhoods in Greater Buenos Aires

Neighborhood type	Scale (families)	Location	Morphology	Examples (name, municipio)
Mega	>3,000		Shantytown and/or settlement in the urban area (200 to 400 residents per hectare)	La Cava, San Isidro (*) Costa Esperanza/ Costa del Lago/8 de mayo, San Martín (*) Itatí, Quilmes
Medium/ small	<750	First and second rings of GBA	Shantytown	Porá, Lanús (*) El Garrote, Tigre Puerta de Hierro/ San Petersburgo, La Matanza
Outlying	~1,000	Third ring of GBA	Settlement in periurban area	Libertad/Don Orione, Almirante Brown (*)
Housing complex (80 in GBA)	~3,000		Large collective housing complexes with degraded infrastructure networks	Carlos Gardel, Morón

(*) Neighborhoods prioritized for this operation. Source: OPISU.

1.4 Map 1 shows the location of GBA’s 24 municipios (the geographic scope of this first individual operation) and the vulnerable neighborhoods prioritized by OPISU as examples of the different types of neighborhoods mentioned above.

Map 1. Geographic scope of operation AR-L1288



Source: Prepared by the authors based on the [Metropolitan Observatory](#).

- 1.5 Thirty-two percent (32%) of low-income neighborhoods⁶ in GBA have formal access to electricity, 11% have formal access to drinking water, and 3% have sewerage service. The vulnerable neighborhoods in GBA surveyed by the RPPVAP have problems with garbage collection (49% have no regular service), public lighting (55% with no lighting), paved roads (44% unpaved), and storm drainage (48% without coverage). For example, conditions in neighborhoods without adequate lighting or good sidewalks are less safe for women, children, and the elderly, limiting their mobility and access [4]. Only 7% and 9% of these neighborhoods have childcare facilities and health clinics, respectively; only 30% of them have a bus stop within their boundaries, and 76% are more than one kilometer from a train station, which makes it difficult to get to jobs, health care services, and schools. In the Costa Esperanza neighborhood (one of this operation's samples) in the district of San Martin, 30.6% of households were affected by respiratory diseases in the past year, 15.4% had skin or eye problems, and 14.4% suffered from diarrhea and/or parasitosis.⁷
- 1.6 Environmental conditions are also critical: a sample of 274 informal neighborhoods surveyed by Techo in 2016 expands the assessment, since it shows that 42% of the neighborhoods experience flooding at least once a year due to the lack of basic infrastructure or their location below the levels considered appropriate for residential use, 64% do not have public wooded areas, and 21% are located less than 100 meters from a dump [5]. In the social area, RENABAP found that only 18% of adults in neighborhoods in the PBA had a formal job (called "en blanco" employment in Argentina⁸) and 23% are unemployed. Although there are community development organizations in 65% of the neighborhoods, only 17% of the neighborhoods have community facilities (such as sports facilities, schools, or daycare centers) and only 13.8% have a public square or park, which makes it more difficult for neighbors to associate and connect with each other, leading to poor social cohesion. According to Techo, the biggest problem for people living in GBA settlements is: (i) the lack of access to services (30.2%); (ii) lack of safety (18%); (iii) lack of paved roads (14.4%); (iv) the consumption of drugs, alcohol, and/or tobacco (9.9%); and (v) inadequate public lighting (5.2%). In the same survey, two thirds of the population said that the police "always" come into the neighborhood, 23.4% said they "sometimes" do, and 10.2% said they "never" do. Only 1.3% of the neighborhoods has a functioning police station.
- 1.7 Informal urban development processes are the result of the formal market's insufficient response to the increased demand for housing, especially in low-income segments. Argentine households in the two lowest quintiles of the population face financial and income-related constraints if they want to purchase, remodel, and/or rent quality housing. Credit access is impeded by: (i) poor development of the mortgage loan market; (ii) income volatility of workers living in uncertain or informal conditions; and (iii) limited availability of collateral for low-income families. Therefore, building their own homes [self-construction] is the

⁶ The 2018 National Survey of Low-Income Neighborhoods (RENABAP) defines a low-income neighborhood as one with at least eight clustered or contiguous households, where more than half of the population does not have a property title or regular access to at least two of the three basic utilities (running water, metered electricity, and/or sewerage).

⁷ Universidad Nacional de Avellaneda (UNDAV), 2012.

⁸ In other words, they work in accordance with labor laws in a [registered job](#).

- generally how people who are not served by the formal market gain access to housing. In addition, the municipios do not have the budget or land-use planning and management tools required to anticipate or meet the demand for basic infrastructure created by self-construction,⁹ or to guide the development of their land, which leads to uncontrolled growth and high rates of informality [19]. Furthermore, many municipios do not have trained human resources, the required information, or the technological tools needed to analyze and monitor territorial dynamics [20].
- 1.8 **Gender considerations.** Argentina has relatively high levels of informal land tenure,¹⁰ a situation that disproportionately affects women. The low percentage of women with paid work is related to the high burden of household chores, which translates into less financial independence and difficulty accessing the formal housing market.¹¹ According to data from the 2013 Annual Urban Household Survey, the percentage of women doing unpaid domestic work in the PBA is 88% versus 59% for men. According to the RENABAP, 61% of women in GBA are heads of household (i.e., they financially support the household). However, worldwide women account for only 20% of property owners [6]. Insecure land tenure increases dependence on men, which can discourage women from leaving violent relationships for fear of having nowhere to live [7]. In terms of gender violence, the eight municipios in the GBA prioritized by OPISU have high rates of calls to the “144” line.¹²
- 1.9 **Climate change considerations.** Due to their geographic location, socioeconomic conditions, and infrastructure shortage, the residents of informal neighborhoods are more highly exposed and vulnerable to the effects of climate change [8]. In Argentina, during the period from 1960 to 2010, the average temperature increased by about 0.5°C, and precipitation increased in most of the country (especially the eastern part), and there were twice the typical number of days with heat waves [21]. The heat wave that occurred in GBA from December 2013 to January 2014 caused 500 deaths [22]. Seven percent of the population (1.1 million inhabitants in 19% of the country) are at risk of flooding in the PBA, and nearly 50% of the population has a high rate of social vulnerability [23]. To increase resilience, Argentina is implementing local climate change adaptation plans as part of its [Nationally Determined Contribution](#), which is a key planning tool for identifying threats and proposing resilient design and construction solutions in the areas most likely to be affected.
- 1.10 **Legislation.** In 2012, the PBA enacted [Law 14,449, the Fair Housing Act](#) to promote decent, sustainable housing, thereby addressing the needs of the most vulnerable population. This law aims to facilitate the management of housing

⁹ Municipios in Argentina only execute 13.2% of the total consolidated public expenditure, which is insufficient to cover 86% of the costs of providing basic services [7].

¹⁰ Of households in the two lowest income quintiles, 9.3% have informal tenure, which is more than Brazil (4.3%), Chile (1.7%), and Paraguay (2.3%) [8].

¹¹ Of couples in the lowest income quintiles in Argentina, 38% of spouses do not have their own income, and only 27% of women are in the labor market, compared to 46% of men [9].

¹² “144” is a free line to call to receive support and counseling in gender violence situations. The number of calls per 10,000 women was categorized as high in five of the eight neighborhoods prioritized by OPISU and average in the other three (OPISU, 2017 data).

projects, urban development, and regularization processes in informal neighborhoods, and specifies that the law's enforcement is the joint responsibility of the PBA and the municipios. On 1 January 2018, the [Provincial Law on Ministries, No. 14,989](#) created OPISU as an autonomous public agency under the Cabinet Office, making it responsible for implementing the provisions of Article 27 of Law 14,449 to pursue comprehensive regularization processes in informal neighborhoods, i.e. "the set of actions that progressively, comprehensively, and in a participatory manner include the construction, improvement, and expansion of dwellings, social facilities and infrastructure, access to services, the treatment of public open spaces, the elimination of any urban obstacles that may exist, improvements in accessibility and connectivity, environmental sanitation and mitigation, lot resizing, and property regularization."

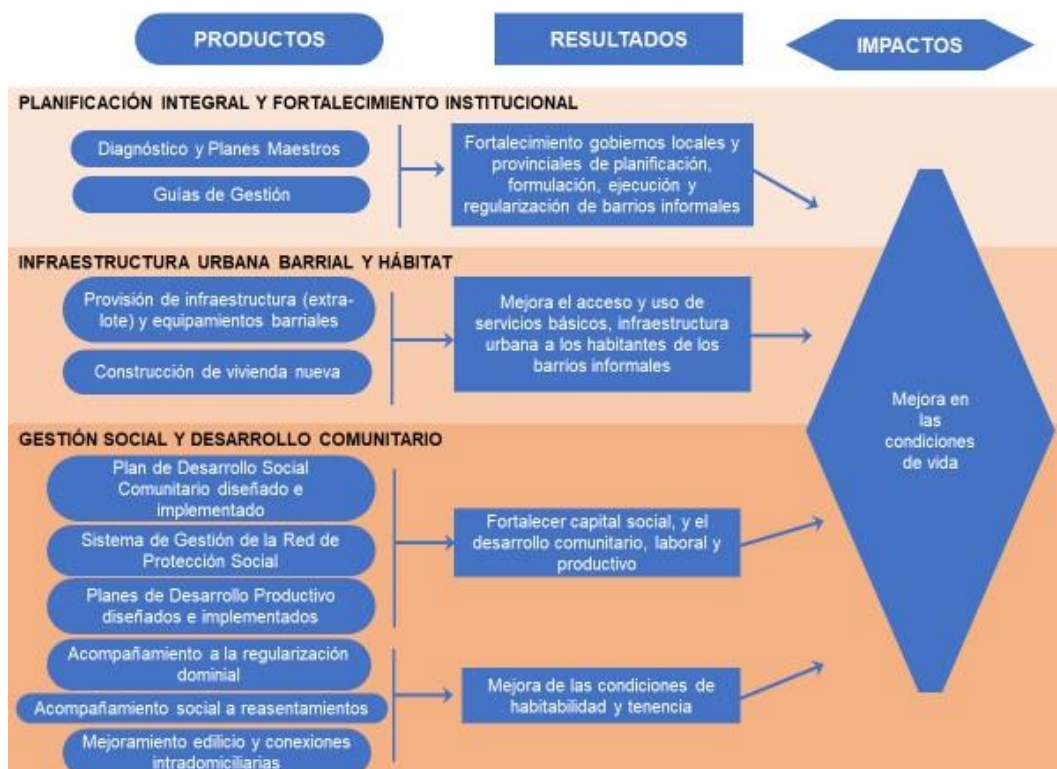
- 1.11 **Rationale and methodology.** A CCLIP is the most appropriate instrument for supporting the PBA government's medium-term strategic objectives of improving the quality of life in shantytowns, informal neighborhoods, and housing complexes in the PBA, since it facilitates the implementation of current legislation and provides a technical framework for ongoing work over time, which makes it possible to support the entire process from the initial launch in the neighborhood to the timely granting of title and financial resources. The proposed CCLIP will support the formulation of regularization and social and urban integration strategies in informal neighborhoods, so that quality basic and social services can be provided. The strategy specifies that the CCLIP and any operations under it will gradually and comprehensively address the needs of the different types of neighborhoods that represent the surveyed demand, leading to comprehensive public policies related to the urban and social management of vulnerable neighborhoods, which could be expanded throughout the province.
- 1.12 The first program under the CCLIP, which has been proposed as a multiple works operation with physically similar but independent projects, will make it possible to survey and systematize good practices for addressing the identified problems, incorporate the lessons learned from past experiences, and recommend adjustments to the way subsequent operations work. This first operation will finance the design (master plan) of at least four comprehensive projects to regularize informal neighborhoods and resulting interventions in at least two of them, in order to support the development of intervention strategies that are appropriate for each type of neighborhood identified in Table 1.¹³ In this way, the program will build the PBA's capacity to: (i) implement a management model that coordinates all relevant actors, including ministries, municipios, metropolitan agencies, civil society, and the private sector;¹⁴ (ii) identify and crosscheck social inclusion and productive development policies, taking into account the specific needs of women; and (iii) implement climate-resilient urban design strategies that also promote gender equality. Based on the intervention criteria to be developed through this program for each type of neighborhood, OPISU will scale its activities

¹³ To this end, these lessons learned will be complemented by other lessons from the interventions carried out by OPISU in the other priority vulnerable neighborhoods.

¹⁴ OPISU will work with civil society and the private sector in order to strengthen the activities under Component III "Social Management and Community Development," including community management boards and productive development projects.

to address the regularization of informal neighborhoods throughout the PBA. Figure 1 reflects the theory of change that supports the program's logic.

Figure 1. Theory of Change



- 1.13 The comprehensive nature of the intervention is also supported by the international evidence reflected in the Urban Development and Housing Sector Framework Document,¹⁵ based on principles for the development of the sector's policies and programs: (i) multisectoral interventions with territorial integrity, designed as a function of the specific characteristics of a territory; (ii) sustainable and effective interventions, considering their short- and long-term impact on the society, environment, public finances, and urban governance; and (iii) interventions focused on the citizenry, improving quality of life and inclusion in the productive activities of urban households, particularly the most vulnerable households. It also maintains that assessments with no causal attribution of neighborhood improvement programs are positive in terms of access to and coverage of basic services, health, education, satisfaction with living conditions and safety, and property valuation.
- 1.14 There is little rigorous evidence on the effectiveness of neighborhood improvement programs; however, evidence does exist showing the effectiveness of certain partial aspects of neighborhood improvement interventions on residents' quality of life. For example, an impact assessment in Argentina found that water supply

¹⁵ Some surveys are mentioned in the [Urban Development and Housing Sector Framework](#).

improvements led to an 8% reduction of infant mortality [10]; studies in Mexico [11] and Brazil [12] showed that street paving improves home investments and employment outcomes and improves residents' quality of life; well-designed and maintained public green spaces have environmental benefits [12], improve physical and mental health [13], increase municipal tax revenues [14], and reduce the likelihood of young people becoming involved in risky activities [15]. In terms of the effects of property titling, evidence in Argentina [16] and Peru [17] shows that it increases investment in housing, the education of children, and access to credit markets, which is especially important when the title is in a woman's name, since it is a key factor in promoting gender equality.¹⁶

- 1.15 One of the main challenges of this comprehensive methodology has to do with the possibility that the programs will encourage informal urban development, since they increase the expected benefits of encroaching on government-owned lands (Abramo, 2003). In general, comprehensive urban infrastructure projects are remedial programs that do not directly affect the causes of the problem, but rather seek to alleviate existing conditions and should be combined with other policies aimed at preventing the development of settlements.¹⁷
- 1.16 **Lessons learned.** The design of the CCLIP and its first operation incorporates the lessons learned from executing Bank-supported operations in Argentina and other countries of Latin America and the Caribbean. The program makes headway on the strategies for on-site reurbanization of informal settlements that have been implemented in Argentina since 1997 through the Neighborhood Improvement Programs (PROMEBA: AR-X1004; AR-0262; 1307/OC-AR; 1842/OC-AR) which include: (i) the provision of urban infrastructure, community facilities, and environmental sanitation; (ii) the regularization of land tenure; and (iii) community development [3.13]. The current program specifically incorporates the lessons learned during the execution of the PROMEBA operations in terms of: (i) proposing phased interventions in large areas, in order to effectively use the available annual budget, work with the community to implement the required cultural changes and approaches, and make use of medium-term lending instruments like the CCLIP to develop the projects required for future stages or new interventions; (ii) the need to reduce title processing times, through ongoing social approaches and support provided in conjunction with the municipios, and reaching agreements with the provincial organizations involved in the process; and (iii) increase resident confidence and participation in neighborhood integration processes, through high-impact physical launch strategies in the area, including the execution of reliable projects prior to the final designing of the master plans. The lessons learned from the PROMEBA programs also include ensuring the sustainability of interventions that encourage participatory processes and involve the municipios in project development and management.
- 1.17 In 2017 the Urban Integration and Social and Educational Inclusion Program in the Autonomous City of Buenos Aires (AR-L1260; 4303/OC-AR) added the following to

¹⁶ Female property owners feel more empowered to leave abusive relationships and domestic violence situations and facilitates their access to credit [18].

¹⁷ Although not included in this first operation, the possibility remains open to include in future operations under this CCLIP activities aimed at addressing what leads to the creation of settlements, such as pilot projects to improve low-income housing supply and demand.

the PROMEBA strategies: housing improvement activities to more effectively address the housing deficit and the development of labor productivity strategies to give residents of informal neighborhoods access to the benefits of urban economies. This program incorporates the following lessons learned from that experience: (i) the need to conduct a thorough and detailed assessment of the conditions of each dwelling in the neighborhood; (ii) the possibility of capitalizing on the population's self-construction abilities (especially foreigners) through strategies to supply materials and give them payment options in exchange for providing services; and (iii) job placement strategies with urban environment activities and training and the introduction of new technologies to formalize activities.

- 1.18 This first operation will also build knowledge regarding the development of strategic urban design projects that will be resilient to climate change and adapted to each type of neighborhood and its respective environmental and habitability problems and will also use multilevel partnership strategies (community-municipio-province) to establish participatory planning processes and strengthen the gender perspective. OPISU is also incorporating the lessons learned from the execution of the Metropolitan Buenos Aires Urban Transformation Project (an operation of the International Bank for Reconstruction and Development–IBRD-8707-AR¹⁸) which targets the social and urban integration of the first neighborhood prioritized by the PBA (Carlos Gardel, in Morón). The organization in charge of executing this operation, the participating parties, and management tools all benefitted from this earlier experience.
- 1.19 **Strategic alignment.** This program is consistent with the Update to the Institutional Strategy 2010-2020 (document AB-3008) and the Corporate Results Framework 2016-2019 (document GN-2727-6) through the challenge of Social Inclusion and Equality, by reducing the housing deficit and increasing access to urban services for all segments of the population. It is also aligned with the crosscutting issues of: (i) Gender Equality and Diversity, by developing safe public spaces and land titling processes; (ii) Climate Change: 40.9% of this operation's resources are invested in climate change mitigation and adaptation activities, based on the [Joint MDB methodology for tracking climate finance](#), contributing to the IDB Group's target of increasing the financing of climate change-related projects to 30% of all approvals by the end of 2020; and (iii) Institutional Capacity and Rule of Law, through the strengthening activities included in Component I. It is also aligned with the Integrated Strategy for Climate Change Adaptation and Mitigation, and Sustainable and Renewable Energy (document GN-2609-1) and the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2). In addition, it is consistent with the Urban Development and Housing Sector Framework Document (document GN-2732-6) in accordance with the provisions of paragraph 1.13, the Climate Change Sector Framework Document (document GN-2835-8; [optional link 8](#)), the Gender and Diversity Sector Framework Document (document GN-2800-8) by supporting actions specifically aimed at empowering women, and the Country Strategy with Argentina 2016-2019 (document GN-2870-1) by contributing to the priority of reducing poverty and inequality, as well as the strategic objective of improving housing and access to basic services, especially for lower-income

¹⁸ Approved by the Board of Executive Directors in February 2017 and in effect since March 2018.

regions such as the Buenos Aires Conurbation. The first operation is included in the 2019 Operational Program Report (document GN-2948).

- 1.20 **Compliance with the Public Utilities Policy (document GN-2716-6).** Based on the analysis that was conducted ([optional link 2](#)), the program meets the policy's financial sustainability and economic evaluation conditions and is consistent with its principles. To ensure the sustainability of the investment, a special contractual condition for execution of the service delivery works described in Component II is that the PBA will sign agreements with the provider(s) of such services¹⁹ to: (i) ensure that the provider will be responsible for their maintenance; (ii) guarantee the quality of the service based on existing regulatory standards; and (iii) agree on the rate charged to cover operating and maintenance costs and the depreciation of the infrastructure constructed under this program. The providers will participate as of the initial design phase and will indicate their approval of the works to be carried out through feasibility reports. It should be noted that the providers have a rate system that includes different rates for the services, to ensure that they are affordable for the socioeconomically vulnerable population. Payment of reduced rates for low-income customers for electricity, water and sewerage and the municipal rate for lighting, sweeping, and cleaning services should be less than 5% of the incomes of those in the poorest quintile (2.3%).

B. Objectives, components, and cost

- 1.21 The general objective of the CCLIP and its first operation is to help improve living conditions in shantytowns, informal neighborhoods, and housing complexes in the Province of Buenos Aires (PBA) through social and urban integration interventions. The specific objectives of the first operation are to: (i) strengthen and support local and provincial governments in the planning, management, and execution of comprehensive informal neighborhood intervention and regularization projects; (ii) improve access to and facilitate the use of basic utilities, resilient urban infrastructure, public spaces, community facilities, and government services for the residents of these neighborhoods, integrating them into the municipal urban fabric; and (iii) strengthen social capital, increase opportunities for social, labor, and productive community development, and improve habitability and tenure conditions.
- 1.22 **Beneficiaries.** The beneficiaries of this first operation will be approximately 23,600 people living in the eligible neighborhoods according to the stipulated criteria.²⁰
- 1.23 **Component I. Comprehensive planning and institutional strengthening (IDB US\$1,858,500; Local US\$1,141,500).** This component will support the planning and formulation of comprehensive projects to regularize informal neighborhoods and strengthen the institutions involved in implementing them. To this end, it will finance: (i) studies to survey and assess social housing and environmental conditions in the program's eligible neighborhoods, including cadastral analysis for property regularization and potential relocation purposes;

¹⁹ AySA provides water and sanitation service in the CABA and 26 districts in the Buenos Aires Conurbation. Electricity service in GBA is provided by EDESUR (south) and EDENOR (northwest).

²⁰ This first operation is expected to focus on at least four neighborhoods in GBA.

(ii) comprehensive urban assessments and formulation of master plans; and
(iii) information tools for project analysis and management.

- 1.24 **Component II. Urban infrastructure and habitat (IDB US\$57,220,000; Local US\$5,780,000).** This component will support processes to improve living conditions in the neighborhoods through the development of sustainable urban infrastructure, environmental sanitation, community facilities, and new housing constructed as a result of relocation processes. To this end, it will finance: (i) the development of urban infrastructure that is resilient to climate change, including public water and sanitation services, storm drainage, and access to electricity; (ii) the construction of public spaces and safe green areas for all; the paving of roads and pedestrian walkways and public lighting; (iii) environmental sanitation and mitigation activities, including solid waste management; (iv) the construction of community facilities such as educational, healthcare, sports and child care facilities; (v) the construction of new housing projects, including energy efficient technologies; and (vi) detailed designs and bidding processes in accordance with the contents of [optional link 8](#).
- 1.25 **Component III. Social management and community development (IDB US\$35,671,500; Local US\$3,978,500).** This component will support the participatory processes related to the planning and management of comprehensive neighborhood regularization projects and community and productive development activities based on the different needs of women and men in the neighborhoods. To this end, it will finance: (i) the social management of relocated households, including housing solution management,²¹ and the overall improvement of dwellings with in-house service connections;²² (ii) the participatory activities that support the planning and execution of comprehensive interventions; (iii) community social development plans and social and productive development plans;²³ and community initiative projects; (iv) property regularization support, prioritizing property titled in a woman's name; and (v) training that includes gender and climate change considerations.
- 1.26 **Project management and monitoring (IDB US\$5,250,000; Local US\$250,000).** The program will finance the operating, equipment, and management expenses of the executing agency, including its environmental and social management team, as well as consulting services for the administration, monitoring, and evaluation of the project and program audit services.

C. Key results indicators

- 1.27 **Expected outcomes.** The main outcomes will be: (i) increased installed capacity in comprehensive assessment and planning, which will be reflected by the number of comprehensive plans formulated by OPISU in neighborhoods that are not

²¹ The possibility of using existing functional units in the neighborhood and areas adjacent to the households to be resettled has been considered.

²² These will include energy efficiency measures in accordance with [optional link 8](#).

²³ Some of the productive strategies being developed are: (i) strengthening of economic units with the promotion of new enterprises, productive units and their ecosystem based on gender considerations, including trainings and improved access to markets; (ii) development of collaborative environments for working with the private sector, including specific training activities and partnering with companies, chambers, and organizations that improve job placement; and (iii) better consumption conditions, including innovative financial inclusion (blockchain) activities.

included in this operation; (ii) the formal, continuous use of the urban infrastructure constructed (water, sanitation, drainage), satisfaction with public spaces and community facilities, and improvement of environmental conditions; (iii) enhanced social capital in the targeted neighborhoods, as reflected by better relationships with neighbors, greater community participation, more productive development; and (iv) land tenure security, as reflected by more investment in housing improvements. The operation's impact on living conditions will be measured through: (i) fewer health problems as a result of the improvements made by the program; and (ii) the residents' improved perception of safety from a gender perspective. The indicators and their projected values can be found in Annex II.

- 1.28 **Economic viability.** A cost-benefit analysis of the projects was conducted on a representative sample ([optional link 1](#)), based on a comparison of incremental costs and benefits, at economic prices, in situations with and without the project. The quantification of benefits relied on the hedonistic pricing model²⁴ to estimate the increase in property values stemming from the increased value of the property's attributes due to program interventions [24]. The estimation of benefits relied on the theory that an improvement in a neighborhood's urban infrastructure conditions will result in an increase in the price of land, a change reflected by an improved quality of life of the beneficiary families. The analysis resulted in a positive net present value equivalent to US\$4.7 million for the entire sample, using an annual discount rate of 12%, an evaluation horizon of 20 years, and an economic internal rate of return of 26.3%. The sensitivity analysis showed that the program reasonably resists potential variations in the term, as well as in cost and benefit projections.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Analysis of the CCLIP and compliance with the policy ([optional link 6](#)).** As stated in paragraphs 1.11 and 1.12 above, a CCLIP is the most appropriate instrument to support the PBA government's ongoing efforts, by contributing to the enforcement of the Argentine Fair Housing Act. A sector CCLIP for up to US\$400 million with a 10-year execution period has been proposed. The proposed amount and term are justified by the PBA's estimated available budget, the quantification of the targeted universe, the technical nature of the interventions, from the beginning of the process to the awarding of property titles, and the expected gradual increase in OPISU's execution capacity. However, because the agency was only recently created, it does not fulfill some of the requirements stipulated in paragraph 1.19 of the document "Proposal for Changes to the Conditional Credit Line for Investment Projects (CCLIP): Strengthening the Multisector Approach" (document GN-2246-9; CCLIP policy) because: (i) it has not completed a similar project within the last five years; (ii) there is no previous project with overall execution performance or compliance with the conditions of the loan contract; and (iii) it does not have a solid track record of satisfactory performance in the execution of a previous project. Therefore, in order to act as executing

²⁴ The analysis used a hedonistic equation based on field work that included 267 surveys conducted in 14 settlements in three districts of Greater Buenos Aires, which was prepared for the project "Comprehensive Management Plan for the Reconquista River Basin," IDB, Halcrow, March 2013.

- agency, a waiver of the provisions of paragraph 1.19(i), (ii), and (iii) of the CCLIP policy will be requested. Examples of other waivers include those granted for the Agua Negra Pass International Construction Program (RG-L1116; 4338/OC-RG) and the Bogotá Metro Line 1 Program (CO-L1234; 4572/OC-CO).
- 2.2 It is important to note that: (i) the enforcement of the Fair Housing Act requires technical and operational coordination between the different areas of government, which supports the decision embodied in Provincial Law 14,989 creating OPISU under the authority of the Cabinet Office, as the entity responsible for achieving the law's objectives; (ii) the executing agency is currently implementing a similar project and expects to capitalize on this experience and its execution capacity before this program begins;²⁵ (iii) the executing agency will be supported by the Ministry of Infrastructure and Public Services and the Ministry of Economy, which have extensive previous experience executing projects with multilateral financing;²⁶ and (iv) the overall performance in the execution of these projects has been satisfactory and has complied with all contractual and fiduciary conditions.
- 2.3 In addition, the CCLIP and its first operation fulfill other criteria in the CCLIP policy, as follows: (i) the urban development sector is included in the Country Strategy with Argentina (document GN-2870-1), and the CCLIP is consistent with the strategic objective of habitat improvement and access to basic services, especially in low-income regions such as GBA; (ii) it is included in the 2019 Operational Program Report (document GN-2948); (iii) the executing agency is an integral and sustainable part of the institution that manages the sector and was specifically charged with implementing the Fair Housing Act; and (iv) the institutional assessment of the executing agency was satisfactory. Regarding this last point, the institutional capacity assessment evaluated the executing agency's capacities in programming and organization, the execution of programmed and organized activities, and oversight, based on the Institutional Capacity Assessment System (ICAS) methodology, which identifies the strengths and weaknesses of administrative and technical systems, as well as complementary systems such as internal and external control. After agreeing on certain arrangements regarding the organization of execution activities, OPISU's institutional capacity was found to have a medium level of development and medium risk.²⁷ The main proposed mitigation measures included: (i) the availability of the program Operating Regulations prior to beginning execution activities; (ii) preparation of a multiyear execution plan, an annual work plan, and a procurement plan; (iii) finalizing the appointment of the executing agency's key personnel (OPISU already has around 150 employees); and (iv) improving the internal control system and reflecting these improvements in OPISU's operations manual and the Operating Regulations.

²⁵ In 2018, OPISU began execution of the Metropolitan Buenos Aires Urban Transformation Project (IBRD 8707-AR); Component II of that project aims to improve the housing situation of households in the Presidente Sarmiento Housing Complex in the Municipio of Morón.

²⁶ The Ministry of Economy and MlySP both have significant experience executing loans with multilateral organizations. In the last 20 years, the Ministry of Economy has executed more than US\$1.2 billion in loans with multilateral lending institutions, and MlySP has been responsible for the technical execution of infrastructure works in programs totaling more than US\$800 million ([optional link 6](#)).

²⁷ On a scale of 1 (low risk) to 4 (high risk), OPISU was rated 2.

- 2.4 **First operation under the CCLIP.** The first proposed operation under the CCLIP will be structured as a multiple works program funded by the Bank's Ordinary Capital in the amount of US\$100 million, with a disbursement period of four years. The execution modality is warranted given that the operation will finance several physically similar but independent projects, based on the eligibility criteria specified in paragraph 2.6. During the preparation of this operation, a sample of 15 projects representative of the type of investments that will be executed was identified. The total cost of these projects is US\$34.7 million or 31.2% of the total amount of the first operation ([optional link 3](#)).
- 2.5 **Cost and financing.** The total cost of the first individual operation under the CCLIP will be US\$111.15 million, with US\$100 million contributed by the Bank and US\$11.15 million by the local counterpart.

Table 2. Cost and financing (US\$)

Components	Bank	Local	Total	%
Component I. Comprehensive planning and institutional strengthening	1,858,500	1,141,500	3,000,000	2.7
Surveys, cadastral analysis, diagnostic assessments, and information tools	688,500	1,011,500	1,700,000	1.5
Master plans	1,170,000	130,000	1,300,000	1.2
Component II. Urban infrastructure and habitat	57,220,000	5,780,000	63,000,000	56.7
Final projects, bidding documents, and works inspection	4,700,000	-	4,700,000	4.2
Habitat and infrastructure works	52,520,000	5,780,000	58,300,000	52.5
Component III. Social management and community development	35,671,500	3,978,500	39,650,000	35.7
Management of resettlements, housing solutions, and regularization of property ownership	21,096,000	2,344,000	23,440,000	21.1
Household connections	10,260,000	1,140,000	11,400,000	10.3
Community strengthening and productive development	4,315,500	494,500	4,810,000	4.3
Project management and monitoring	5,250,000	250,000	5,500,000	4.9
Total	100,000,000	11,150,000	111,150,000	100

- 2.6 **Eligibility criteria.** The neighborhoods to be financed by this operation will primarily be those where the vulnerable low socioeconomic population lives. To be eligible, these neighborhoods must meet the following requirements: (i) be identified and surveyed in the RPPVAP;²⁸ (ii) be located in one of the 24 districts of GBA; (iii) have a minimum of 50 housing units; (iv) not be located in ecological reserves, environmental preservation areas, or archeological heritage sites. In addition, they cannot be exposed to the risk of natural disasters or be in areas with irreversible levels of soil, water, or air pollution or other environmental liabilities; and (v) they can be regularized mostly in the same place where they are currently

²⁸ Or be subsequently identified in an official directive that falls within OPISU's sphere of competence.

situated. The projects' eligibility will be determined by the executing agency based on a report that must include an analysis of the different requirements and include, when necessary, consultations with the specific areas of government competent in each subject matter. The Bank's statement of no objection will be required. Program-financed works must be executed in eligible neighborhoods, be part of a comprehensive plan with a positive socioeconomic evaluation, and meet the environmental and social requirements in the Environmental and Social Management Framework. The development of the criteria and eligibility declaration method will be specified in the program Operating Regulations.

- 2.7 **Disbursement schedule.** Taking into consideration the desire to request the recognition of expenditures from activities that have already begun, the execution period for this project is four years from the date the loan contract is signed. The disbursement schedule is as follows:

Table 3. Disbursement schedule (US\$)

Financing	Year 1 (*)	Year 2	Year 3	Year 4	Total
IDB	\$23,910,000	\$27,776,000	\$14,911,000	\$33,406,000	100.00
Local	\$4,950,000	\$1,365,000	\$1,287,000	\$3,546,000	11.15
Total	\$28,860,000	\$29,141,000	\$16,198,000	\$36,952,000	111.15
% IDB	23.91%	27.78%	14.91%	33.41%	100%
% Local	44.39%	12.24%	11.54%	31.80%	100%

(*) Includes retroactive expenses and/or recognition of expenditures.

B. Environmental and social risks

- 2.8 The first operation under the CCLIP has been classified as a category "B" operation, in accordance with the Bank's Environment and Safeguards Compliance Policy. The applicable policies are: the Environment and Safeguards Compliance Policy (OP-703); Disaster Risk Management Policy (OP-704); Involuntary Resettlement Policy (OP-710); Gender Equality in Development (OP-761); and Access to Information Policy (OP-102).
- 2.9 The program is expected to have mostly positive impacts. However, given the population's level of informality and vulnerability, there may be some negative impacts that need to be mitigated. An environmental and social impact assessment of the sample of projects in the neighborhoods of Costa Esperanza, Costa del Lago, and 8 de Mayo in the Municipio of General San Martín was prepared, which included: (i) paving and sidewalks; (ii) Parque Escuela Costa Esperanza: a 30-hectare park and community facilities (a daycare nursery, a health center, a multisport center, a youth center, and a police station); (iii) revitalization and improvement of the Zanjón Güemes Linear Park; (iv) neighborhood infrastructure for the management of urban solid waste (temporary waste disposal facilities); (v) housing improvement: pilot project on in-house water connections; and (vi) Plaza Mercedes Sosa.
- 2.10 The sample shows that the program's main social impact relates to resettlement caused by the paving and sidewalks project, which focuses on one area and affects a small number of families (nine, in principle). To mitigate this impact, a resettlement plan has been formulated that includes mitigation measures to

ensure that affected households can remain in the same or a similar location after the project. The affected families were consulted about this plan and the proposed mitigation measures. Any resettlements stemming from projects that are announced after the program is declared eligible must respect the terms of a category “B” project and comply with the environmental and social provisions included in the loan contract and the program Operating Regulations.

- 2.11 The expected adverse environmental impacts relate to construction activities: movement and operation of vehicles, machinery, influx of labor, generation of waste, excavation and movement of soil, and handling of materials. The [Environmental and Social Impact Assessment](#) includes a detailed analysis of potential impacts and risks, with specific information on their proper management found in the Environmental and Social Management Plan.
- 2.12 The consultation process included two public consultations with the community on the Environmental and Social Impact Assessment, and the resettlement plan consultation with the population that would be directly affected. The main issues discussed were the scope of the project, coordination between current sewerage works and future pavement projects, specific flooding problems due to land grade, maintenance and garbage collection. People were informed that the consultation processes would continue as the work progresses. The program’s future projects will follow the guidelines established in the Environmental and Social Management Framework and the Involuntary Resettlement Framework. These documents were [published](#) in September 2018 and updated in May 2019.
- 2.13 OPISU will also carry out activities to promote social and productive integration, which will be designed by the social services office and management team associated with the social-productive area and executed by its local team. This will help coordinate actions in the area with the municipio and establish connections with neighbors and organizations.
- 2.14 An additional exercise was conducted that resulted in the identification of certain medium social risks related to the socioeconomic context of the neighborhoods: (i) inability to pay for public utilities once they are regularized, which will be mitigated through support provided by social teams to the most vulnerable beneficiaries, to help them receive reduced rates for low-income customers and agreements with the service providers on the rates set; (ii) the community’s rejection of the project (due to a lack of information, negative effect on their livelihood, or fear of relocation, etc.), which will be mitigated by local teams working exclusively and directly in the neighborhoods, creating dissemination mechanisms and links with community leaders and organizations to promote participatory co-design processes; and (iii) increased costs due to delays in planning or relocation processes, which will be mitigated by minimizing relocations and including the participation of local teams to create ways to reach agreements, disseminate information, and build connections with the community. These local social teams will be set up to support the preparation of the program and will remain in the neighborhoods during the construction and operation phases.

C. Fiduciary risks

- 2.15 A medium fiduciary risk was identified that relates to the execution arrangements and a possible lack of coordination of activities between the different ministries, which could lead to inefficiencies in program management. The formal support of the executing agency (OPISU) to be provided by the MlySP's Works Coordination and Execution Unit (UCEPO) and the Ministry of Economy's Provincial Directorate of Multilateral Institutions and Bilateral Financing (DPOMyFB) in the Province of Buenos Aires will help mitigate exposure to this risk and keep it at a medium level (Annex III). Mitigation measures will include: (i) formalizing interagency support mechanisms through the execution of agreements, including agreements with prospective beneficiary municipios;²⁹ (ii) reviewing and improving fiduciary processes and control environment processes (including a chapter on accounting-financial matters), with any changes reflected in the Operating Regulations; (iii) verifying the addition of fiduciary staff specialized in multilateral banking projects and appointing a focal point for each subject area; (iv) offering fiduciary training to OPISU staff; and (v) updating and/or developing the pertinent manuals, ministerial resolutions, or annexes to the Operating Regulations to ensure proper functioning.

D. Other project risks

- 2.16 At the risk workshop conducted during the preparation stage, other high and medium risks were identified: (i) the lack of safety conditions for personnel working in the targeted areas; and (ii) the quality of the project's detailed designs, including the identification of environmental liabilities when the interventions are designed. To mitigate these risks, the program calls for: (i) working closely with security forces to ensure the safety of personnel working full time in the targeted neighborhoods; and (ii) strengthening the technical teams under Component I and administration activities. It is also possible that expectations regarding the outcomes of the socio-urban integration process will lead to the growth of informal dwellings in areas that are intended for other purposes or will make the planned interventions insufficient, which would impact the program's objectives and costs. To mitigate this risk, the projects will follow the protocols established in the Involuntary Resettlement Framework and the specific plans for each neighborhood, seeking to educate the beneficiaries about the use and care of public and community spaces.
- 2.17 **Sustainability of the interventions.** The sustainability of the interventions carried out in the prioritized municipios after this operation has ended will benefit from: (i) the development and strengthening of the municipal teams' assessment and comprehensive planning capacities for shantytowns and settlements in the PBA, which could be used in other informal neighborhoods with their own resources; (ii) the strengthening of the communities' social, human, and productive capital for purposes of integration with the formal city, which is expected to translate into a greater sense of ownership and willingness to take care of the works constructed by the program, with appropriate use of services; and (iii) the execution of agreements with the municipios (paragraph 2.15) and the companies that provide

²⁹ An annex to the program Operating Regulations will include a model agreement with the beneficiary municipios, to the Bank's satisfaction.

water, sanitation and electricity services (paragraph 1.20), to ensure the subsequent operation and maintenance of the works.

- 2.18 **Financial sustainability and debt capacity.** As part of the program's preparation activities, an analysis of the PBA's historical, current, and projected financial position (2013-2030) was conducted ([optional link 4](#)). It produced the following conclusions: (i) the primary fiscal balance begins to reverse the deteriorating trend starting in 2017, with positive results achieved in 2018, although the bottom line remained in the red; (ii) the inflationary process led to a decrease in constant values of current expenses in the last two years (the sharp deterioration in 2018 offset the slight increase in 2017), which is reflected in the primary balance; (iii) starting in 2017, the PBA substantially increased its share in national resources; (iv) total resources increased from 11.8% of gross geographic product (GGP) in 2010 to 14.6% in 2017 and 15% in 2018; and (v) during this period, the debt (4% with multilateral lending institutions) grew as a percentage of total revenues and GGP, its average life was shortened, and 74% is subject to foreign laws or corresponds to multilateral lending institutions, which increases the need to keep reducing future expenditure to decrease exposure to potential macroeconomic shocks. In conclusion, the historical and projected financial analyses conducted show that the PBA has the debt capacity to meet its obligations in terms of paying the program's principal and interest and providing the local contribution. It should be mentioned that the Government of Argentina, the operation's guarantor, conducts an analysis of the PBA's debt capacity before the guarantee agreement is executed.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the PBA, through the Ministry of Economy. The executing agency will be the Provincial Agency for Social and Urban Integration (OPISU), which reports to the Cabinet Office (MJGM) and will be directly responsible for the execution of Components I and III. To execute Component II, OPISU will be supported by the Ministry of Infrastructure and Public Services (MlySP), which will act as subexecuting agency through the Neighborhood Infrastructure Coordination Unit (UCIBA). The Ministry of Economy, through the DPOMyFB under the authority of the Finance Subsecretariat (SSF), will be responsible for financial administration of the program. Their interaction will be spelled out in the program Operating Regulations.
- 3.2 The executing agency will coordinate the technical considerations and will also be responsible for coordinating program execution, the management, planning, and oversight of procurement processes, interaction with the Bank, payment requests, and budget allocations from the loan in its area of competence, as well as requests for the Bank's no objection. The MlySP will support the executing agency through the different technical areas coordinated by UCIBA. The MlySP, working with the executing agency, will be responsible for executing the program's construction projects, in accordance with the terms of the loan contract and Operating Regulations.

- 3.3 To ensure the successful execution of the program, **the special contractual condition precedent to the first disbursement of the loan will be to provide evidence of the entry into effect of the program [Operating Regulations](#) and respective annexes, in accordance with the terms previously agreed upon with the Bank.** Special contractual conditions for the execution of Component II will be to: (i) provide evidence of the entry into effect of an agreement between OPISU and the MlySP, to the Bank's satisfaction, which specifies the execution agreements entered into; and (ii) for the execution of the works required to provide services, the entry into effect of agreements signed by OPISU and the provider(s) of such services (paragraph 1.20).
- 3.4 **Financial management and procurement.** Annex III contains the fiduciary arrangements for execution. The loan will be disbursed using the advance of funds method, with the frequency of disbursements determined based on proper financial programming and consistency with other planning and financial tools such as the annual work plan and procurement plan. The Bank may disburse other advances, preferably every six months, provided at least 65% of all previously advanced funds have been substantiated. This percentage is justified based on the experience with executing operations in the PBA, where the flow of funds involves several institutions, which considerably delays the process of receiving such funds. The procurement of works and goods and the contracting of consulting services with loan proceeds will be carried out in accordance with the policies for the procurement of works and goods (document GN-2349-9) and the policies for the selection and contracting of consultants (document GN-2350-9). To achieve the objectives of Component II and III at the community and social level, community procurement processes may be used (document GN-2349-9, paragraph 3.17), which will be specified in the Operating Regulations. Facilitation services, and technical and administrative support provided by nongovernmental organizations and public or private agencies specialized in housing project management or public utility projects may be contracted.
- 3.5 **Retroactive financing and recognition of expenditures.** The Bank will retroactively finance and charge to the loan up to US\$11.7 million (11.7% of the proposed loan amount) and will recognize and charge to the local contribution up to US\$2 million (20% of the estimated local contribution amount) any eligible project expenses incurred by the borrower under Component II, provided they meet requirements substantially similar to those specified in the loan contract. These expenses will have been incurred for the execution of infrastructure works such as paving, green areas, public spaces, in-house connections, and public facilities, among others, and must have been incurred as of the project profile approval date (1 April 2019). Any expenses incurred more than 18 months before the date of the program's approval by the Bank's Board of Executive Directors may not be included.
- 3.6 **Audit.** The executing agency, with the support of the Ministry of Economy, will submit the program's audited financial statements on an annual basis, in accordance with the terms specified in the Bank's policies. These audited financial statements will be submitted 120 days after the close of each fiscal year. The audit reports at the end of the program will be submitted within 120 days after the last disbursement. The audit will be conducted by the Audit Office of the PBA provided it retains its eligibility to audit Bank-financed operations, otherwise, the audit will be

conducted by an audit firm. The determination of the scope of the audit and other related matters will follow the Financial Management Guidelines for IDB-financed Projects (document OP-273-6) and the Instructions for Financial Reports and External Audit Management. The executing agency will be responsible for contracting the audit firm.

B. Summary of arrangements for monitoring results

- 3.7 **Monitoring arrangements.** The monitoring and evaluation plan ([required link 2](#)) will monitor the execution of the program based on the targets and progress indicators defined in the results matrix. The program's monitoring system will include the results matrix, the multiyear execution plan, the annual work plans, the progress monitoring reports, the annual reports, and the on-site supervision plan, supplemented by periodic updating of the risk mitigation matrix. These tools will be used to carry out the planning, updating, and monitoring of the program's activities.
- 3.8 For financial and fiduciary monitoring, the program uses an External Loans Execution Unit (UEPEX) system, which records financial transactions and milestones. Procurement processes will be monitored based on the Procurement Plan Execution System that has already been implemented. The executing agency will upload the output and outcome indicators into its system.
- 3.9 The executing agency will submit semiannual progress status reports, which will include: (i) performance in achieving the objectives and outcomes specified in the annual work plans and progress monitoring report, including the analysis and monitoring of risks and their respective mitigation measures; (ii) procurement plan execution status; (iii) compliance with contractual clauses; (iv) implementation of environmental and social safeguards; (v) financial execution statement and respective components; and (vi) implementation status of the monitoring and evaluation plan.
- 3.10 **Arrangements for evaluating the program's outcomes.** The evaluation method will consist of (i) a quasi-experimental difference-in-differences and matching methodology for the entire CCLIP; and (ii) a reflexive comparison methodology for those indicators for which an impact evaluation cannot be conducted.

Development Effectiveness Matrix		
Summary		
I. Corporate and Country Priorities		
1. IDB Development Objectives	Yes	
Development Challenges & Cross-cutting Themes	<ul style="list-style-type: none"> -Social Inclusion and Equality -Gender Equality and Diversity -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law 	
Country Development Results Indicators	<ul style="list-style-type: none"> -Households benefitting from housing solutions (#)* -Households with new or upgraded access to drinking water (#)* -Households with new or upgraded access to sanitation (#)* -Roads built or upgraded (km)* -Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Households with wastewater treatment (#)* -Households with new or improved access to electricity supply (#)* -Subnational governments benefited by decentralization, fiscal management and institutional capacity projects (#)* 	
2. Country Development Objectives	Yes	
Country Strategy Results Matrix	GN-2870-1	Habitat improvement and access to basic services
Country Program Results Matrix	GN-2948	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		
		Evaluable
3. Evidence-based Assessment & Solution		9.5
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.5
4. Ex ante Economic Analysis		8.0
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		0.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		8.6
5.1 Monitoring Mechanisms		1.1
5.2 Evaluation Plan		7.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B
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, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Strategic Planning National System, Monitoring and Evaluation National System.
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
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	Yes	

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

The general objective of the CCLIP and its first individual operation is to contribute to improve the living conditions of the population of the villages, slums and housing complexes of the Province of Buenos Aires (PBA) through interventions of social and urban integration. The specific objectives of the first individual operation are: (i) to strengthen and support local and provincial governments in the planning, management, and execution of integral intervention projects and regularization of informal neighborhoods; (ii) improve access and facilitate the use of basic services, resilient urban infrastructure, public space, community equipment and state services for the inhabitants of the neighborhoods, integrating them into the municipal urban structure; and (iii) strengthen social capital, promote opportunities for social, labor and productive community development and improve living conditions and tenure.

The project presents a complete diagnosis; with an accurate description of the housing deficit, environmental conditions and the processes of informal urbanization of the villages, settlements and housing complexes of the PBA. The design of the project is supported by the evidence of projects carried out and evaluated in Argentina, as well as the experiences of other countries. The results indicators included in the results matrix are SMART and have means of verification.

The economic analysis of the project was carried out through a cost-benefit analysis (CBA) and focused on expected benefits related to the valuation of real estate assets of the project sample and its surroundings. The CBA used the hedonic prices rigorous methodology based on previous projects implemented in the PBA, and has an adequate sensitivity analysis. The analysis concludes that the project is economically viable, with an IRR of 26.3%, using a discount rate of 12%.

The project includes a monitoring and evaluation plan that is in line with the Bank's standards. The effectiveness of the proposed intervention will be measured according to several approaches: a difference-in-differences analysis, matching and an ex post economic analysis.

RESULTS MATRIX

Project objective:	The general objective of the CCLIP and its first operation is to improve living conditions in the shantytowns, informal neighborhoods, and housing complexes in the Province of Buenos Aires (PBA) through social and urban integration interventions.
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EXPECTED IMPACT

Indicators	Unit of measurement	Baseline ¹	Baseline Year	Final target	Means of verification	Comments ²
IMPACT 1: IMPROVED QUALITY OF LIFE						
Households with at least one member that reports currently having an acute disease	% of the beneficiary population	n.a.*	2019	-10%	OPISU - DPE ³	
Safety of residents living in informal areas	% increase	n.a.*	2019	n.a.*	OPISU - DPE	
Perception of safety of women living in informal areas	% increase	n.a.*	2019	n.a.*	Survey ⁴	

¹ Note: The abbreviation "n.a.*" indicates that there are no current data for the baseline measurements; data will be collected during the assessment of each neighborhood.

² Indicator details can be found in the [monitoring and evaluation plan](#).

³ OPISU-DPE surveys of all households in the neighborhood (census).

⁴ OPISU survey on perception to be conducted on a representative sample of the targeted neighborhoods.

EXPECTED OUTCOMES

Indicators	Unit of measurement	Baseline	Baseline year	Final target ¹	Means of verification ⁵	Comments
OUTCOME 1: Strengthen and support local and provincial governments in the planning, management and execution of comprehensive informal neighborhood intervention and regularization projects						
Number of master plans prepared by OPISU in neighborhoods that are not included in this operation	Number of comprehensive plans	n.a.*	2019	10	Report	
OUTCOME 2: Improve access to and facilitate the use of basic public utilities, resilient urban infrastructure, public spaces, community facilities, and government services for residents of the neighborhoods, thereby integrating them into the municipal urban fabric						
Dwellings in the beneficiary neighborhoods with continuous formal use of drinking water	% of dwellings	11	2019	80	OPISU - DPE	
Dwellings in the beneficiary neighborhoods that safely dispose of wastewater	% of dwellings	3	2019	60	Idem	
Dwellings in the beneficiary neighborhoods that report the existence of dumps on their block	% of dwellings	31	2019	5	Idem	
Percentage of households that report being satisfied or very satisfied with existing public spaces in the neighborhood	% of households	33	2019	43	Survey	
Percentage of households satisfied or very satisfied with their access to healthcare in the neighborhood	% of households	66	2019	76	Survey	
Households that report the existence of flooding, strong smells, and sewage spills on their block	% of households	n.a.*	2019	-10%	OPISU - DPE	
OUTCOME 3: Strengthen social capital and boost opportunities for social-community, labor, and productive development						
Percentage of households that report a good or very good relationship with their neighbors	% of households	93%	2019	97%	Survey	
Percentage of community initiative projects (CIP) satisfactorily executed, out of the total financed by the program	% CIP	0	2019	80	Report	
Percentage of productive units strengthened under the Neighborhood Productive Development Plan	% productive units	0	2019	30	Report	
Percentage of Public Safety Information System (SISC) requests that have been satisfactorily resolved	% requests per neighborhood	0	2019	80	Report	

⁵ OPISU report.

Indicators	Unit of measurement	Baseline	Baseline year	Final target ¹	Means of verification ⁵	Comments
OUTCOME 4: Improve habitability and tenure conditions						
Housing improvements from private household investments in the last year	% homes	38	2019	40	Survey	
OUTCOME 5: Electricity and water savings and energy saved by using efficient construction materials						
Electricity savings in buildings	kilowatt hours used (monthly)	n.a.*	2020	-20%	EDGE standards	
Water consumption savings in buildings	m ³ /hour used (monthly)	n.a.*	2020	-20%		
Energy savings incorporated in construction materials	MJ/m ²	n.a.*	2020	-20%		
OUTCOME 6: Gender						
Percentage of lots currently being regularized that are titled to women or have shared ownership	%	0	2019	55	Report	

OUTPUTS

Outputs	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification ⁶	Comments
Component I. Comprehensive planning and institutional strengthening										
Socio-housing surveys	Census	0	2019	2	0	2	0	4	OPISU - DPE	
Comprehensive urban assessments	Study	0	2019	1	1	2	0	4	Report	Comprehensively includes climate change
Master plans designed	Plan	0	2019	1	1	2		4	Report	
Management guidelines for replication in future interventions	Number of guidelines	0	2019	0	0	1	1	2	Report	
Component II. Urban infrastructure and habitat										
Neighborhood infrastructure intervention plan designed	Plan	0	2019	2	0	0	0	2	Report	
Neighborhood infrastructure intervention plan implemented	Plan	0	2019	0	0	0	2	2	Report	
➔ Milestone: Paved streets	Linear meters	0	2019	2,368	12,632	-	-	15,000	Final completion certificates ⁷	
➔ Milestone: Lots with water and sewerage connections installed under the program	Number of lots	0	2019	0	0	0	0	n.a*	Idem	
➔ Milestone: New or revitalized public spaces	Square meters	0	2019	5,127	38,337	-	-	43,464	Idem	Detailed designs and bidding documents include climate change specifications
➔ Milestone: New trees in public spaces	Trees planted	0	2019	320	1,680	0	0	2,000	Idem	
➔ Milestone: New LED public lighting on sidewalks	Lighting units installed	0	2019	158	843	0	0	1,001	Idem	
➔ Milestone: Disposal sites constructed	Number of formal disposal and collection sites	0	2019	0	2	0	0	2	Report	
➔ Milestone: Community facility constructed and in operation	Number of new facilities	0	2019	1	4	0	0	5	Final completion certificates	
➔ Number of dwellings constructed	Dwellings	0	2019	n.a*	n.a*	n.a*	n.a*	n.a*	Final completion certificates	

⁶ OPISU report.

⁷ Final completion certificates approved and reported by OPISU.

Outputs	Unit of measurement	Baseline	Baseline year	Year 1	Year 2	Year 3	Year 4	Final target	Means of verification ⁶	Comments
Component III. Social management and community development										
Community participation plans designed	Number of plans	0	2019	2	0	0	2	2	Report	
Community participation plans implemented	Number of plans	0	2019	0	0		2	2	Report	
Social-community development plans designed	Number of plans	0	2019	1	1	0	0	2	Report	
Social-community development plans implemented	Number of plans	0	2019	0	0	0	2	2	Report	
➔ Milestone: Increase in the number of vacant spaces in daycares and/or community daycares for children ages 0-5 years	Number of vacant spaces	0	2019	0	0	0	0	n.a*	Report	
➔ Milestone: Social protection network management system set up and functioning	SISC per neighborhood	0	2019	2	0	0	0	2	Report	
Productive development plans designed	Number of plans	0	2019	1	1	0	0	2	Report	
Productive development plans implemented	Number of plans	0	2019	0	0	0	2	2	Report	
➔ Milestone: Socio-productive workshops organized	Workshops	0	2019	4	10	20	30	64	Report	
➔ Milestone: Number of economic units strengthened	Number of units financed	0	2019	10	30	20	40	100	Report	
Number of community initiative projects financed	Number of projects	0	2019	10	10	10	10	40	Report	
Dwellings with in-house drinking water connections installed	Number of dwellings	0	2019	400	1,200	1,200	1,200	4,000	Final completion certificates	
Dwellings with in-house sewage connections installed	Number of dwellings	0	2019	200	800	1,000	1,000	3,000	Idem	
Dwellings that receive aid for construction improvements	Number of dwellings	0	2019	0	50	150	200	400	Report	
Households that receive a resettlement offer (excluding construction of new dwelling)	Number of households	0	2019	9	11	0	0	20	Report	
Lots currently being regularized	Number of lots	0	2019	0	800	1,000	1,000	2,800	Report	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Argentina
Project number:	AR-L1288
Name:	Social and Urban Integration Program in Greater Buenos Aires
Executing agency:	Provincial Agency for Social and Urban Integration (OPISU), under the authority of the Cabinet Office (MJGM)
Fiduciary team:	Roberto Laguado and Analía La Rosa (FMP/CAR)

I. EXECUTIVE SUMMARY

- 1.1 The executing agency for the program will be the Provincial Agency for Social and Urban Integration (OPISU), which reports to the Cabinet Office (MJGM). To execute Component II, OPISU will be supported by the Ministry of Infrastructure and Public Services (MlySP), which will act as subexecuting agency through the Neighborhood Integration Coordination Unit (UCIBA). The Ministry of Economy, through the Provincial Directorate of Multilateral Agencies and Bilateral Financing (DPOMyFB) under the authority of the Finance Subsecretariat (SSF), will be responsible for financial administration of the program. Their interaction will be spelled out in the program Operating Regulations.
- 1.2 The Bank analyzed the executing agency's institutional capacity to plan, execute, and implement the program, using the Institutional Capacity Assessment System (ICAS) methodology, which concluded that the agency had a "medium" level of fiduciary risk.

II. THE EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 OPISU was created by means of Law 14,449/2018 (Art. 48), as an autonomous public agency under the MJGM. Its structure and powers are set out in Decree 168/2018, which also provides for budget transfers from the MJGM to OPISU to ensure the agency's financial autonomy.
- 2.2 OPISU will be responsible for planning urban and social management policies, as well as for the formulation, implementation, and execution of programs and plans for the social and urban integration of shantytowns, informal neighborhoods, and housing complexes. As part of program execution, it will be responsible for the management, planning, and oversight of procurement processes, interactions with the Bank, payment requests, allocation of the loan resources, and requests for the Bank's no objection.

III. FIDUCIARY RISKS

- 3.1 The assessment of the executing agency's institutional capacity was based on the ICAS methodology, which identified a medium risk. This assessment and its conclusions consider challenges related to execution arrangements based on the coordination of activities between the different ministries and the recent creation of OPISU (the program's executing agency), which at the time of the assessment, was still in the process of being set up and structured. The MlySP's support, formalized through the Neighborhood Infrastructure Coordination Unit (UCIBA) and the Works Coordination and Execution Unit (UCEPO) and the support of the Ministry of Economy through the DPOMyFB for financial management activities make it possible to capitalize on the experience of these units for the benefit of OPISU and the ability to achieve the program's objectives based on fiduciary standards acceptable to the Bank. Their interactions will be spelled out in the program Operating Regulations.
- 3.2 The recommended measures to mitigate these risks are: (i) formalizing interagency support mechanisms through the execution of agreements to ensure achievement of the program's objectives; (ii) reviewing, improving, and reflecting in the Operating Regulations all fiduciary and control environment processes (including a chapter on accounting-financial matters which will describe programming and budget, treasury, accounting and information systems, disbursements and cash flow, internal control and internal audit, and external control processes), along with specific responsibilities based on the execution arrangements; (iii) verifying the addition of fiduciary staff specialized in multilateral banking projects and appointment of a focal point for each subject area; (iv) offering fiduciary training to OPISU staff; and (v) updating and/or developing the pertinent manuals, ministerial resolutions, or annexes to the program Operating Regulations to ensure proper functioning.

IV. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

- 4.1 The Bank may disburse advances provided the executing agency has substantiated at least 65% of all previously advanced funds pending substantiation. This percentage is justified based on the experience with executing operations in the PBA, where the flow of funds involves several institutions, which considerably delays the process of receiving such funds.
- 4.2 For purposes of the provisions of Article 4.10 of the loan's General Conditions, the parties agree that the applicable exchange rate will be the rate indicated in subparagraph (b) (i) of that Article.
- 4.3 The exchange rate in effect on the first business day of the month of payment will be used to determine the equivalency of expenses incurred in local currency and charged to the local contribution or the reimbursement of expenses charged to the loan.
- 4.4 For purposes of the provisions of Article 7.03 of the loan's General Conditions, the external financial audit reports and other reports needed to supervise the program's financial management are the program's audited financial statements, which will be submitted to the Bank within 120 days after the close of each fiscal

year during the original disbursement period or any extensions thereof, duly certified by Bank-eligible external audit firms. For purposes of the provisions of Article 7.03 (a) of the General Conditions, the fiscal year runs from 1 January to 31 December of each year.

- 4.5 For the execution of Component III, the possibility of offering existing functional units in the neighborhood and adjacent areas as an option to the households to be resettled has been considered. To this end, the inclusion of a transfer mechanism to provide compensation (subsidies) to purchase the units will be evaluated. If the units are included, the arrangements for providing, recognizing, and auditing these subsidies and their subsequent recognition as eligible expenses will be approved by the Bank in the Operating Regulations.

V. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

A. Procurement execution

- 5.1 The Policies for the Procurement of Goods and Works (document GN-2349-9) of April 2011 and the Policies for the Selection and Contracting of Consultants (document GN-2350-9) of April 2011 will be applied.
- (i) **Procurement of works, goods and nonconsulting services.** Contracts for works, goods, and nonconsulting services¹ 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 executed using national competitive bidding documents agreed upon with the Bank.
 - (ii) **Procurement with community participation.** To execute housing construction activities under Components II and III, procedures may be used that include community participation in procurement processes, based on a basic survey of needs, followed by the selection of small local construction firms with a geographic presence in the neighborhoods. These procedures will include: the calculation and detailed budget of interventions for each dwelling, delivery of materials, the management of labor with community participation, and certification of the functionality of the infrastructure installed and constructed, which will promote a transfer of knowledge. The small construction companies will be selected based on the quoted unit prices/rates (lowest cost) and availability. Details will be included in the Operating Regulations.
 - (iii) **Selection and contracting of consultants.** Contracts for consulting services arising under the program will be executed using the standard request for proposals issued by the Bank.
 - (iv) **Selection of individual consultants.** Individual consultants will be selected based on their qualifications to perform the work, based on competitive processes comparing the qualifications of at least three candidates.
- 5.2 The program's sector specialist will be responsible for reviewing the technical specifications.

¹ Document GN-2349-9 paragraph 1.1: Nonconsulting services are treated as goods.

- 5.3 Of the country subsystems approved by the Bank, the information system will be used.

Table 4.1 Threshold Amounts for ICB and International Shortlists

Works			Goods			Consulting Services	
ICB	NCB	Shopping	ICB	NCB	Shopping	International publicity	Shortlist 100% National
≥25,000,000	< 25,000,000 ≥350,000	<350,000	≥1,500,000	<1,500,000 ≥100,000	<100,000	>200,000	≤1,000,000

B. Main procurement items

Table 4.2 Type of Competitive Bidding and Amounts

Activity	Type of Competitive Bidding	Estimated Date	Estimated Amount (US\$)
NCB Priority Paving CDL, Landscaping PECE Stage 1 and PECE Policy State	NCB	To be confirmed	US\$2,589,000
NCB Roads and Walkways, CE, CDL and 8M	NCB	-	US\$17,180,000
Shopping - Temporary Disposal Facilities (2)	Shopping	-	US\$53,000
LPN Landscaping PECE Stage 2	NCB	-	US\$3,444,000
Shopping - Zanjón Güemes Linear Park (includes road crossings)	Shopping	-	US\$2,241,000
Shopping - Plaza Mercedes Sosa	Shopping	-	US\$448,000
Shopping – Daycare center PECE	Shopping	-	US\$2,033,000
Shopping – Health center PECE	Shopping	-	US\$1,797,000
Shopping – Youth center PECE	Shopping	-	US\$2,486,000
Shopping – Multisports center PECE	Shopping	-	US\$1,436,000
NCB Works Component 2 Urban Infrastructure and Housing	Multiple NCB	-	US\$30,000,000
In-house utility connections, enhancement and improvement of habitat	NCB	-	US\$11,000,000
Consulting service for inspecting construction works CC8	National SP	-	US\$758,408
Coordination team consultants	CLND	-	US\$32,500

C. Procurement supervision

- 5.4 Procurement processes will be reviewed based on the procurement plan and will generally be conducted on an ex ante basis, with the exception of processes involving the shopping method, selection of consulting firms based on qualifications, and individual consultants. Ex post review visits will take place every 12 months. At least 10% of reviewed contracts will be physically inspected during the program.
- 5.5 The thresholds for ex post review are based on OPISU's fiduciary capacity assessed during the operation's design stage and may be modified by the Bank as the agency's capacity changes.

Table 4.3 Ex post Review Thresholds (US\$)

Works	Goods	Consulting Services	Individual Consultants
<15,000,000	<900,000	<600,000	<50,000

D. Special provisions

5.6 **Mechanisms for preventing prohibited practices.** See the provisions set out in documents GN-2349-9 and GN-2350-9 regarding prohibited practices (multilateral institutions' lists of ineligible companies and individuals).

5.7 In connection with Component III and the activities involving the connection, enhancement and improvement of housing, procurement mechanisms based on community participation may be used (document GN-2349-9, paragraph 3.17) and facilitation services and technical and administrative support provided by nongovernmental organizations or public or private agencies specialized in the management of housing projects may be contracted.

E. Records and files

5.8 Documentation on procurement processes will be kept in the offices of OPISU as the entity fully responsible for the program's procurement processes. Records and files for ex post reviews will be kept properly organized, categorized, and updated.

F. Recognition of expenditures

5.9 The Bank will retroactively finance and charge to the loan up to US\$11.7 million (11.7% of the proposed loan amount) and will recognize and charge to the local contribution up to US\$2 million (20% of the estimated local contribution amount) any eligible project expenses incurred by the borrower for the activities included in Component II, provided they meet requirements substantially similar to those specified in the loan contract. These expenses will have been incurred for the execution of infrastructure works such as paving, green areas, public spaces, in-house connections, and public facilities, among others, and must have been incurred on or after the project profile approval date (1 April 2019). Any expenses incurred more than 18 months before the date of the program's approval by the Bank's Board of Executive Directors may not be included.

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 be applied.

A. Programming and budget

6.2 The executing agency's budget includes programmatic categories and other classifications organized by item of expenditure (main budget items). Depending on their financial nature, the headings may be recurring expenses, capital expenses, and financial applications. Internal sources of financing may be the provincial treasury account, use of credit, and the agency's own resources.

- 6.3 Budgetary allocations should be anticipated to ensure the execution of the program within the established time period.

B. Treasury

- 6.4 All payments will be made through the General Provincial Treasury Office (TGP) from the central administration offices or from the decentralized agencies.
- 6.5 The DPOMyFB is responsible for the monthly auditing of the balances of the account in dollars for receiving the loan proceeds and reconciling them.
- 6.6 These bank accounts are sub-accounts within the Single Treasury Account (CUT) administered by the General Provincial Treasury Office, in which the funds in pesos are authorized for payments of eligible expenditures to contracting agencies.
- 6.7 Disbursements are made based on a detailed financial plan in accordance with IDB guidelines.

C. Accounting, information systems, and reporting

- 6.8 The borrower, through the Ministry of Economy, will use the External Loans Execution Unit system (UEPEX)² as the financial administration system, to identify program funds and sources of financing. In accordance with the chart of accounts approved by the Bank, the UEPEX records investments in the program by expense matrix category. Cash accounting will be used, following the International Financial Reporting Standards, as applicable, in accordance with the established national criteria. The required financial reports will be: (i) financial plans covering up to 180 days following a request for the advance of funds; (ii) the program's audited annual financial statements; and (iii) other reports requested by the fiduciary specialists.
- 6.9 The DPOMyFB, through its Project Accounting and Project Disbursements Office, is responsible for the following activities: (i) enter accounting records on program execution in the UEPEX; (ii) prepare disbursement requests, monitor their approval and the respective deposit of funds into the Province's accounts; (iii) on a monthly basis, audit the balances of the special accounts in dollars and reconcile the program bank accounts; (iv) each month, analyze the accounting balances and issue statements on the balances and reconciled balances in pesos and dollars; (v) prepare the financial reports requested by the agencies and the Provincial Office; and (vi) prepare the loan's financial statements and present them to the external auditor for audit reporting purposes.

D. Disbursements and cash flow

- 6.10 The Financial Management Policy for IDB-financed Projects (document OP-273-6) and the Financial Management Operational Guidelines for IDB-financed Projects (document OP-274-2) will apply.
- 6.11 Loan resources requested from the Bank in the form of advances will be deposited in an account in dollars and converted to Argentine pesos based on operational requirements and deposited in an account in pesos set up exclusively for the project. Project expenses and investments will be paid out of these accounts according to the plan. The executing agency will maintain strict and effective

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

control over the use of the advanced funds, using mechanisms that will allow it to verify and reconcile the available balances in its records with the corresponding balances in the Bank's records (LMS1 Report).

- 6.12 The e-disbursements modality will be used. This is the Bank's online system that allows the executing agency to prepare and send disbursement requests electronically to the Bank, which lowers transaction costs and allows the Bank to review and process requests remotely.

E. Internal control and internal auditing

- 6.13 The Provincial Accounting Office (CGP) performs internal control duties associated with the legal and financial aspects of loan execution. For execution and payment processes, the CGP intervenes prior to making payments from the General Provincial Treasury Office. For procurement processes, it intervenes to verify legal considerations prior to any procurement processes.

F. External control: external financial auditing and program reports

- 6.14 The Audit Office (HTC) of the PBA was declared eligible by the Bank to audit IDB-financed operations. As long as the HTC retains its eligibility, it will conduct the external audit of the program, with no need for a competitive bidding process. If the external audit is not conducted by the HTC of the PBA, an independent audit firm acceptable to the Bank will be contracted.

G. Financial supervision plan

- 6.15 The financial supervision plan will be designed based on the risk and fiduciary capacity assessments carried out in accordance with the on-site and desk reviews planned for the project. It includes the scope of the operational, financial, accounting activities, compliance and legality issues, and is also based on the reports issued by the external auditors. An annual financial inspection visit is planned, but the frequency may be modified based on the project's risk evaluation. The ex post review method will be used for disbursements.

H. Execution mechanism

- 6.16 The DPOMyFB will handle the loan's financial and external audit matters. Its most important duties related to the loans are: (i) track and process requests for advance of funds in order to make payments; (ii) track and process expense reports; (iii) enter accounting records; (iv) prepare disbursement projections; (v) track and reconcile bank account balances; (vi) analyze account balances and issue reports on reconciled balances; and (vii) fulfill audit requirements.
- 6.17 Disbursements will be made in the form of advances of funds based on a financial plan covering a maximum of 180 days. These disbursements will be substantiated when at least 65% of the funds have been spent. To request funds, the disbursement request form, the execution status report, and the financial plan for the following 180 days will be submitted. The financial management specialist may request additional information, such as: (i) itemized list of commitments; and (ii) reports on the estimated physical and financial progress of the project. Substantiation of advanced funds will be submitted to the Bank with the following information: (i) disbursement request form; (ii) project status report; (iii) reconciliation of Bank resources; (iv) payment details; and (v) any other reports that help demonstrate the project's progress. The substantiation reports need not include supporting

documentation for expenses incurred and payments made, which does not imply approval by the Bank of expenditures made. The original documentation supporting the expenses will be available for review by the Bank upon request.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Argentina. Conditional Credit Line for Investment Projects (CCLIP) for the Social and Urban Integration Program in the Province of Buenos Aires (AR-O0012)

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Province of Buenos Aires, as borrower, and with the Argentine Republic, as guarantor, to establish the Conditional Credit Line for Investment Projects (CCLIP) for the Social and Urban Integration Program in the Province of Buenos Aires (AR-O0012) for an amount of up to US\$400,000,000 chargeable to the resources of the Bank's Ordinary Capital.

2. To determine that the resources allocated to the above-mentioned Conditional Credit Line for Investment Projects (CCLIP), for the Social and Urban Integration Program in the Province of Buenos Aires (AR-O0012), shall be used to finance individual loan operations in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, and DE-86/16; (b) the provisions set forth in documents GN-2246-9 and GN-2564-3; and (c) the terms and conditions included in the Loan Proposal for the corresponding individual operation.

(Adopted on ___ _____ 2019)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/19

Argentina. Loan ___/OC-AR to the Province of Buenos Aires. First Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) for the Social and Urban Integration Program in the Province of Buenos Aires (AR-O0012) for the Social and Urban Integration Program in Greater Buenos Aires (AR-L1288)

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 Buenos Aires, 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 the Social and Urban Integration Program in Greater Buenos Aires, which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) for the Social and Urban Integration Program in the Province of Buenos Aires approved on _____ 2019 by Resolution DE-___/19. Such financing will be in the amount of up to US\$100,000,000, 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 __ _____ 2019)