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ARGENTINA

WATER AND SANITATION PROGRAM FOR SMALL COMMUNITIES II (PROAS II)

(AR-L1289)

**SECOND INDIVIDUAL LOAN OPERATION UNDER CONDITIONAL
CREDIT LINE FOR INVESTMENT PROJECTS AR-X1005**

LOAN PROPOSAL

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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.	Technical analysis
2.	Economic analysis
3.	Financial analysis
4.	Climate change analysis
5.	Analysis of the Public Utilities Policy
6.	Program Operating Regulations
7.	Projected disbursements
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ABBREVIATIONS

CCLIP	Conditional Credit Line for Investment Projects
DIA 2020	Development in the Americas: From Structures to Services (2020)
DNPRI	Dirección Nacional de Preinversión [National Pre-investment Bureau]
ENOHSA	Ente Nacional de Obras Hídricas de Saneamiento [National Water and Sanitation Works Agency]
GAF	Gerencia Administrativo Financiera [Financial Administration Management Office]
INDEC	Instituto Nacional de Estadísticas y Censos [National Statistics and Census Institute]
LIBOR	London Interbank Offered Rate
MPN	Most probable number (MPN) [fecal coliform bacteria counts]
O&M	Operation and maintenance
PCR	Project completion report
SAE	Secretaria de Asuntos Estratégicos [Secretariat for Strategic Affairs]
SIPH	Secretaria de Infraestructura y Política Hídrica [Infrastructure and Water Resources Policy Secretariat]
SNIAPyS	Sistema Nacional de Información de Agua Potable y Saneamiento [National Drinking Water and Sanitation Information System]

PROGRAM SUMMARY

ARGENTINA

WATER AND SANITATION PROGRAM FOR SMALL COMMUNITIES II (PROAS II) (AR-L1289)

SECOND INDIVIDUAL LOAN OPERATION UNDER CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS AR-X1005

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Argentine Republic			Amortization period:	23.5 years
Executing agency:			Disbursement period:	6 years
Ministry of Public Works, acting through the National Water and Sanitation Works Agency (ENOHSA)			Grace period:	7 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital): ^(d)	200 million	80	Credit fee:	^(c)
			Inspection and supervision fee:	^(c)
Local:	50 million	20	Weighted average life:	15.25 years
Total:	250 million	100	Approval currency:	U.S. dollar
Program at a Glance				
Program objective/description: The general objective of the program is to help to improve the quality of life for residents of localities with populations of less than 50,000 throughout the country by providing them with water and sanitation services. Its specific objectives are to: (i) increase access to water and sanitation services and improve the quality of those services in populations of up to 50,000 based on an approach focusing on social inclusion, a gender perspective, and resilience to climate change; (ii) reduce the pollutant load of wastewater discharged into water courses; (iii) promote the financial sustainability of water and sanitation service operators through the development of management improvement plans; and (iv) strengthen the institutional capacity of ENOHSA with a view to improving the management of water and sanitation works throughout the country.				
Special contractual conditions precedent to the first disbursement of the loan: (i) signing of an agreement between the Ministry of Public Works and ENOHSA for the transfer of resources and the execution of program activities whereby ENOHSA commits to using the resources and carrying out the activities of the program in accordance with the loan contract and program Operating Regulations; and (ii) approval by ENOHSA of the program Operating Regulations and their entry into force in accordance with a draft previously agreed upon with the Bank (paragraph 3.5).				
Special contractual conditions for execution: (i) before initiating the first procurement operation for activities designed to benefit a province, municipio, and/or operator, ENOHSA will have signed an agreement with these entities which establishes each party's obligations in regard to the execution of the relevant activities, including the obligation to comply with the Bank's standards in respect of procurement, environmental and social safeguards, prohibited practices, and all other provisions set out in the loan contract and the program Operating Regulations; (ii) prior to the delivery of works and goods to a beneficiary province, municipio, or operator, ENOHSA will have signed a transfer and operating agreement with those entities; (iii) before commissioning evaluations of the program by the Secretariat for Strategic Affairs (SAE), evidence will have been provided to the Bank that ENHOSA and the SAE have signed an agreement establishing the terms and conditions for the transfer of loan proceeds and their use by the SAE; and (iv) the period for the physical commencement of program works will be three years from the entry into force of the loan contract (paragraph 3.7). In addition, see the special contractual conditions set forth in Annex B of the environmental and social management report (required link 3).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(e)	SI ☒	PI ☒	EI ☐	
Crosscutting themes: ^(f)	GD ☒ and DI ☐	CC ☒ and ES ☒	IC ☒	

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take market conditions as well as 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 any extension of the original weighted average life 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 applicable policies.

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- ^(d) Pursuant to document AB-2990, the disbursement of loan proceeds by the Bank will be subject to the following ceilings: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months starting from the date that the loan operation is approved by the Board of Executive Directors. These restrictions may not apply if the requirements set by Bank policy regarding those restrictions have been met, provided that the borrower has been notified in writing.
- ^(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- ^(f) GD (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Small communities.** According to the National Statistics and Census Institute ([INDEC](#)), as of 2021 the country had a total population of 45.8 million. The 1,067 localities with between 2,000 and 100,000 inhabitants are home to 30% of Argentina's population (13.7 million inhabitants); 7.7% of the population is classified as rural (defined as persons residing in localities with populations of less than 2,000 or in scattered communities).
- 1.2 **Diagnostic assessment of access to water and sanitation services.** In all, 88.6%¹ [1] of the country's population has access to drinking water (89.6% of the urban population and 79% of the rural population),² and 58.6% has access to sewerage systems (64.4% of the urban population and 9.1% of the rural population).³ This means that 7.1 million people lack access to a piped water supply and 23.8 million do not have access to a public sewerage system. However these national averages conceal inequities not only between urban and rural areas, but also between regions, provinces, and cities and between large urban centers and towns with fewer than 100,000 inhabitants. On average, coverage is more limited in the northern part of the country (Norte Grande region) (83.5% for water supply services and 43.5% for sewerage systems) and in the Buenos Aires conurbation (72.1% for water supply services and 41.3% for sewerage systems). At the provincial level, the largest shortfalls in urban areas are found in the Province of Buenos Aires, where 18.8% of the population lacks access to a piped water system. The greatest shortfalls with respect to sanitation service coverage are in the northeastern and northwestern provinces, with Misiones Province and Chaco Province having the least coverage of all (28.4% and 34.9%, respectively). The fact that only between 15% and 20% of wastewater is treated in any way,⁴ in combination with the limited coverage of sewerage systems (9.2 million people use inadequate individual systems of some kind⁵), contributes to the contamination of surface water courses and aquifers [2], especially in population centers and smaller urban settlements with fewer than 100,000 inhabitants. [Recent studies](#) indicate that the country is witnessing an increasing proliferation of cyanobacteria blooms as a consequence of changes in water quality brought about by human activity. Climate change is expected to intensify the frequency and severity of these types of events, thereby heightening the vulnerability of the urban population owing to the attendant impacts on the environment and human health [3].
- 1.3 In the case of urban areas with populations between 2,000 and 100,000, which is the category of available data that best reflects the situation of the target population for this operation, coverage of drinking water supply systems is similar to the national average (90%), while coverage of sewerage systems is below the national average (52%). Approximately 2 million of the people who lack access to drinking water service and 7.2 million of those who lack access to sanitation services reside

¹ See the bibliography ([optional link 10](#)).

² The other 11.4% collect rainwater, use wells, or obtain water from surface freshwater sources.

³ In all, 41.4% of the population uses individual disposal systems such as septic tanks, cesspits, or latrines.

⁴ Federal water and sanitation plan ([Plan Federal de Agua y Saneamiento](#)).

⁵ Including septic tanks, cesspits, and holes dug in the ground.

in urban areas with populations of between 2,000 and 100,000. They thus account for 25% of urban dwellers without a piped water supply and 48% of the urban population that is not served by a public sewerage system. The poorest groups within the population are clustered in urban and periurban areas,⁶ according to Permanent Household Survey data.⁷ This is of particular importance because of the positive linkages [6] that exist among environmental quality, health,⁸ and the coverage of water and sanitation services.⁹ The availability of such services reduces the probability of contracting a waterborne disease,¹⁰ and this has a direct impact on reducing infant mortality [8]. The provinces in which this operation is to be conducted include 7 (i.e. Chaco, Misiones, Río Negro, La Pampa, Neuquén, La Rioja, and Chubut) of the 10 provinces in the country which, according to data compiled by the Ministry of Health of Argentina for 2020 [9], have the highest incidence of diarrhea (between 3,898 and 6,765 per 100,000 population).

- 1.4 Some of the factors that account for the limited level of service coverage include a failure to prioritize investments in this sector, a lack of planning for keeping pace with the growth of the population, and insufficient funding to cover maintenance and expansion requirements. All these factors have undermined the sustainability of these services¹¹ (paragraph 1.6). In addition, in most cases, current demand now outstrips the capacity of the existing infrastructure, which also suffers from shortcomings in terms of operation and maintenance (O&M).¹²
- 1.5 **Institutional framework.** The Ministry of Public Works is the national agency responsible for the water and sanitation sector. The Ministry's Infrastructure and Water Resources Policy Secretariat (SIPH) is in charge of national planning and policy for the sector and allocates its investment funding. Argentina has an estimated 1,828 service providers (hereinafter "operators") in urban localities. There are 23 provincial and 19 state operators serving 60% of the population, along with 4 private providers that serve 10% of the population. Municipalities and cooperatives make up the rest and serve the other 30% of the population. At the provincial level, the institutional structure consists of a sectoral planning agency and a regulatory body. The National Water Sanitation Works Agency (ENOHSA),

⁶ The highest concentrations of poverty are found in the Buenos Aires conurbation and the northwestern and northeastern regions of the country [4].

⁷ The coverage of the public water system amounts to 73% in communities with unmet basic needs but rises to 85% for settlements that do not exhibit unmet basic needs. The situation is much the same in the case of sewerage service coverage, which totals 31.2% in settlements with unmet basic needs but 56.3% in communities where basic needs are being met [5].

⁸ An [experimental impact assessment conducted by IDB in small communities in Bolivia](#) has found that water and sanitation projects reduced the incidence of diarrhea among persons between 6 and 17 years of age by 10 percentage points.

⁹ As noted in the 2020 edition of the Bank's flagship publication [Development in the Americas: From Structures to Services](#) (DIA 2020), in order to close the existing gaps in access, reduce inequalities, and ensure that potential benefits are realized, in addition to investing in infrastructure, services must be of a satisfactory quality, and steps need to be taken to ensure that users make proper use of the existing infrastructure.

¹⁰ A study in Argentina found that the lack of sewerage services increases the chances of contracting a waterborne disease by between 11% and 24% [7].

¹¹ As discussed in [DIA 2020](#), the sustainability of these utilities depends not only on the infrastructure itself but also on how they are managed and regulated.

¹² Plan Federal de Agua y Saneamiento.

a decentralized national government agency that falls under the jurisdiction of the SIPH, organizes, administers, and executes investment programs in line with national policies on this sector throughout the country.

- 1.6 **Service management in localities with populations under 50,000.** An [IDB study](#) of the operational and financial status of 33 operators found that, in addition to the need to expand their coverage, most of the operators are also facing challenges in their efforts to increase micro-metering (38%), reduce the amount of nonrevenue water (estimated at between 40% and 45%),¹³ increase rate collection (66%, on average),¹⁴ ensure that rates cover O&M costs (70%, on average),¹⁵ and upskill their staff. These factors erode the operators' financial situation, which then has to be shored up by subsidies from the corresponding provincial and/or municipal governments to cover their operating deficits. Most of the operators lack strategic plans and are in need of support to help them strengthen their financial management capacity and autonomy.
- 1.7 **Challenges and opportunities for water and sanitation services in coping with the COVID-19 crisis.** The pandemic has brought the major challenges faced by water and sanitation utilities to the fore and has magnified some of them: operating inefficiencies, the poor quality of assets and service, insufficient maintenance, obsolete rate pricing and management systems, and a lack of planning that has led to underinvestment and a failure to adapt investments to the risks posed by climate change and natural disasters, and to the need to reduce the economy's carbon intensity. At the same time, given the strategic importance of water and sanitation utilities in coping with the pandemic, most of the countries have classified them as essential services in helping to manage and control the health emergency.
- 1.8 **Job creation.** In the coming months, infrastructure construction projects can create thousands of jobs, both directly and indirectly, and their proper O&M holds out an even greater potential. In the 2020 edition of its flagship publication [Development in the Americas: From Structures to Services](#) (DIA 2020), the Bank estimates that approximately 30,000 jobs could be created either directly or indirectly in Latin America and the Caribbean for every US\$1 billion invested in infrastructure projects [10]. In the United States, it is estimated that between 10 and 20 jobs are created for every US\$1 million of investment in traditional water and sanitation service infrastructure. In addition, the Bureau of Economic Analysis of the United States Department of Commerce estimates that each new job in this sector indirectly creates 3.7 more jobs in that country's economy [11].
- 1.9 **Technological modernization and digitalization.** In order to provide better service, the supporting infrastructure needs to be managed more efficiently, and process digitalization by operators, along with innovation and the adoption of new

¹³ A benchmarking study by the Association of Water and Sanitation Regulatory Agencies of the Americas (ADERASA) of a representative sample of Latin American operators found average levels of micro-metering and of nonrevenue water of 78% and 42%, respectively.

¹⁴ According to a [World Bank report](#), levels under 70% are regarded as being inefficient.

¹⁵ In order for operators to cover their O&M costs with operating revenues, this indicator should be at least 100%. Anything under that is interpreted as indicating that operating revenues fall short of what is needed to cover operating expenses and that injections of external funds will therefore be needed.

technologies,¹⁶ has a pivotal role to play in this regard. Investment in digitalization and automation enhances the efficiency of service delivery ([DIA 2020](#)) and of rate collection. This latter process is one that many companies in the region, especially the smaller ones (the type that will be beneficiaries of this program), have had trouble with because they lack online billing and digital payment systems.¹⁷ Digitalization is also needed to improve project management in the sector. An assessment of the public procurement system used by the Ministry of Public Works¹⁸ (including ENOHSA) found that one of the main improvements that was called for was the implementation of a full-life-cycle management system covering all stages of operations, and particularly the contract execution stage, in order to streamline repricing procedures, which can give rise to protracted delays, and payments against interim progress certificates, which entail a financial cost for contractors.

- 1.10 **Gender.** Gender gaps in the region's water and sanitation sector persist in terms of both decision-making by the sector and women's participation in the labor market, despite women's leading role in the administration of water resources in food preparation in the home, hygiene and cleaning, and the care of family members. In Argentina, even though women have, on average, more years of schooling, as of 2019 they were less likely (by a differential of 20%) to have a job than their male counterparts. This gap has widened further with the advent of the COVID-19 pandemic, which drove down the female employment rate (along with the male employment rate) from 43.9% to 39.4% between the third quarter of 2019 and the third quarter of 2020 [12]. The sectoral distribution of female employment is related to the types of jobs traditionally thought of as "feminine" in such areas as domestic service and education. Women are underrepresented in the more productive sectors, such as public electricity, gas, and water utilities and construction, where they account for only 18.2% (electricity, gas, and water) and 3.5% (construction) of the workforce and hold less than 20% and 4.3%, respectively, of the senior positions [12]. Furthermore, the existence of a 25% gross gender pay gap is closely associated with the occupational and vertical segregation of women in the labor market [13]. The situation is compounded by the gender bias and cultural barriers faced by women seeking to enter male-dominated sectors. Nevertheless, the water and sanitation sector and the construction industry hold out an important opportunity for promoting and restoring women's participation in the labor market.
- 1.11 **Climate change.** Argentina's socioeconomic conditions and its orographic, climatic, and geographic characteristics make it vulnerable to the impacts of climate change, and adaptation to climate change is therefore a high priority line

¹⁶ As discussed in [DIA 2020](#), the digitalization of infrastructure services can boost economic growth (increasing GDP by an estimated 5.7%, on average, in Latin America and the Caribbean) and benefit the poorer segments of the population by lowering the rates charged for services, since the poor spend a larger percentage of their income (14.1%) than their wealthier counterparts (less than 11%) on such services.

¹⁷ Given the possibility that the COVID-19 pandemic may continue to be a factor, businesses should look at ways of further automating their processes and using emerging technologies to keep client contact and employees' exposure to a minimum.

¹⁸ This study was based on an exercise led by the Ministry of Public Works in 2020 involving the application of the Methodology for Assessing Procurement Systems (MAPS).

of action for building the resilience of its water and sanitation infrastructure. Nationwide, average annual temperatures rose between 1960 and 2010 and, in some parts of Patagonia,¹⁹ temperatures have risen as much as a full degree Celsius. Historical series also indicate that the amount of precipitation rose in almost all parts of the country during that same period, with the largest increases being seen in the east and in some semiarid zones. The fact that precipitation levels have declined in the Patagonian Andes and particularly in the area of Cuyo, is an important consideration in the planning and design of reliable drinking water supply systems capable of providing continuous service. Moreover, heavy rainfall (or snowfall) has increased both in frequency and in intensity throughout the country and especially in the humid coastal regions.²⁰ These changes in rainfall intensity must be taken into account in order to protect water and sanitation infrastructure from flood damage. Projections derived from climate change models point to a definite upward trend in average temperatures throughout the country and a continuation of observed trends in precipitation (dry areas will become more arid and wet zones will receive even more precipitation). The urban wastewater and solid waste subsectors account for approximately 5% of the country's greenhouse gas emissions.²¹ The 35 adaptive actions listed in Argentina's second nationally determined contribution include the following measures for the water and sanitation sector: (i) increase the resilience of industrial hubs and parks to climate events; (ii) undertake the integrated management of the country's water resources to ensure the availability, sustainable use, and quality of those resources for a variety of human and natural uses in the presence of climate change impacts; and (iii) promote environmental education and culture by sensitizing people and raising their awareness of climate change impacts, risks, and vulnerabilities as a basis for an effective public policy on adaptation measures.

- 1.12 Rationale and proposed actions.** The main program activities will focus on increasing the coverage, quality, continuity, and resilience²² of water and sanitation services while reducing inequities in access (promoting service connections, especially in the case of the sewerage network) and improving operator management practices (strategic planning, payment collection, good O&M practices, and setting rates at levels that cover costs) in order to support the systems' sustainability²³ and to narrow gender gaps²⁴ in the case of operators, in particular, and in the sector as a whole, in general. In order to resolve this issue and given the sector's estimated US\$4.7 billion in [investment requirements](#), the government has placed priority on expanding the coverage of water and sanitation services in localities with populations of less than 50,000. This effort will include the implementation of management improvement plans (paragraph 1.35) for

¹⁹ The water supply projects of Junín de los Andes and Dina Huapi are located in this zone.

²⁰ Including in Villaguay and Diamante, which are located in Entre Ríos Province.

²¹ Argentina has undertaken to ensure that its emissions do not exceed 359 million tons of carbon dioxide equivalent by 2030 ([Second Nationally Determined Contribution](#) (Spanish only)).

²² As stated in the 2020 edition of [DIA 2020](#), in order to achieve resilience, a supportive regulatory framework will be needed to promote sustainable infrastructure improvements through adaptation, mitigation, and the use of natural infrastructure.

²³ In line with the new paradigm for water resource management outlined in [DIA 2020](#).

²⁴ International experience indicates that water and sanitation projects are more effective and sustainable when women are involved in their design and operation [14].

operators that will incorporate considerations of inclusion, gender, job creation, and capacity-building at the local level (paragraph 1.21) and of digital transformation (paragraph 1.22).

- 1.13 **Evaluation of the first program under the Conditional Credit Line for Investment Projects (CCLIP).** CCLIP AR-X1005 was structured to accommodate the financing of three individual loan operations for a total of US\$360 million over a 15-year period (starting from 6 April 2008) with the aim of improving living conditions for residents of localities with populations of less than 50,000 by providing access to water and sanitation services. The first operation under the CCLIP (loan 1895/OC-AR for US\$120 million and US\$30 million in local counterpart funding) was a multiple-works program that was approved by the Bank in September 2007 and completed in June 2019, at which time 90% of the loan proceeds had been executed. The program funded 7 drinking water and 20 sanitation projects which provided 42,391 households with drinking water connections and 32,138 households with sewerage system hook-ups. According to the [project completion report](#), the main factors responsible for delays in execution were due to: (i) implementation arrangements that transferred resources to the provinces and a complex accountability system used to justify expenditures and replenish the revolving fund; (ii) a financing and subsidy matrix that entailed protracted approval processes on the part of provincial legislatures; and (iii) the lack of an up-to-date portfolio of projects (paragraph 2.5). With a view to streamlining execution, ENOHSA decided to simplify payment processes (paragraph **Error! Reference source not found.**) and modify the financing and subsidy matrix, which are measures it will continue to implement over the course of this operation. Despite the delays in execution, the program met with substantial success in producing the expected results in terms of the expansion of water and sanitation service coverage; however, it was largely unsuccessful in bringing about the expected improvements in management performance. The present operation is therefore addressing the main issues that interfered with the achievement of those expected outcomes.
- 1.14 **Sector knowledge.** This program will continue the line of work pursued under the preceding CCLIP operation (AR-X1005/1895/OC-AR) (paragraph 1.13). It is associated with a Bank strategy for providing comprehensive support for the improvement of water and sanitation services in Argentina that provides for operations in urban centers (AR-X1017) and the Buenos Aires Metropolitan Region (AR-X1013 and AR-O0004), in the Reconquista watershed (3256/OC-AR) and the Uruguay River watershed (4822/OC-RG), and in the provinces covered by the Belgrano Plan (2776/OC-AR and 4312/OC-AR). It also draws on technical cooperation for the modernization of the water and sanitation sector (ATN/OC-15932-AR) which has supported the preparation of management improvement programs for the main water and sewerage service providers and the National Drinking Water and Sanitation Information System (SNIAPyS).
- 1.15 **Lessons learned.** This program incorporates lessons learned from the first operation and from the evaluation of other similar operations in Argentina (paragraph 1.14) and elsewhere in the region ([Water and Sanitation Sector Framework](#)). Some of the main lessons refer to the importance of: (i) ensuring the timely execution of the component on strengthening (all beneficiary operators will therefore have and be expected to implement a management improvement

- program during the execution of the works, along with a decentralized execution plan so that the relevant provinces and municipios will be able to arrange for the implementation of the corresponding priority activities) (paragraphs 1.27, 1.34, and 3.4); (ii) putting together a project portfolio during the early years of the operation in order to expedite resource commitments (steps will therefore be taken to strengthen ENOHSA's preinvestment team and to make use of innovative contract mechanisms, such as framework contracts) (paragraphs 3.3 and 1.22); (iii) promoting the actual installation of sewerage system connections, which are usually below projected levels (specific plans will therefore be designed for encouraging the participation of women, and steps will be taken to build local capacity for implementing this activity) (paragraphs 1.27 and 1.21); (iv) strengthening capacity for supervising the works (support will therefore be provided for the implementation of a system for digitalizing inspection procedures, including the corresponding payment streams (approval of certificates and repricings)) (paragraph 1.22); and (v) ensuring proper O&M of the investments (provision will therefore be made for building operators' capacity by including at least one year of O&M in the contracts for the works, along with training for future operators) (paragraph 1.31).
- 1.16 **Strategy of the Argentine government.** The program is in line with the Federal Water and Sanitation Plan of the Ministry of Public Works, as it will contribute to the expansion of water and sanitation service coverage in the country and to the improvement of service quality and operator management. It is also aligned with the Ministry of Public Works' plan ([Plan Argentina Hace](#)) to promote the implementation of small and medium-sized works in all parts of the country in order to spur the economy, create local jobs while maintaining gender parity, and uphold the right to access to water and sanitation services.
- 1.17 **The Bank's country strategy with Argentina.** The program is aligned with the IDB country strategy with Argentina 2016-2019 (document GN-2870-1)²⁵ in the priority area of poverty and inequality reduction, one of whose strategic objectives is habitat improvement and the expansion of access to basic services in low-income regions. The program focuses on improving access to water and sanitation services in urban communities with populations of less than 50,000, which will have a knock-on effect by improving the population's health and well-being (paragraph 1.3), with priority being placed on projects having the greatest social and economic impact (paragraph 2.6).
- 1.18 **Strategic alignment.** The CCLIP and this second operation are consistent with the Second Update to the Institutional Strategy 2020-2024 (document AB-3190-2) and are directly aligned with the following development challenges: (i) social exclusion and inequality (since they finance actions that will enhance equity in access to water and sanitation services in areas that have high poverty rates and very limited access to public services) (paragraph 1.2); and (ii) low productivity and innovation (since they use innovative technologies for the digitalization of operators' commercial and operational systems and of the contract management and monitoring system used by ENOHSA) (paragraph 1.22). They are also aligned with the crosscutting themes of: (i) gender equality (as they will promote and

²⁵ Pursuant to recommendations made by the Office of Evaluation and Oversight and at the request of the government, the strategy for 2016-2019 has been extended through 30 June 2021.

increase opportunities for women's participation in the workforce in the water and sanitation sector); (ii) institutional capacity and the rule of law (as they will strengthen the institutional capacity of ENOHSA for improving its management performance and operators' institutional capacity for promoting the sustainability of these investments through the implementation of the activities provided for in Component 2) (paragraph 1.27); and (iii) climate change and environmental sustainability (as they will include measures for building the climate resilience of water and sanitation infrastructure, for promoting institution-strengthening in the area of climate change, and for helping to reduce emissions (paragraph 1.20) and pollutant loads (paragraph 1.3) by investing in wastewater collection, treatment, and disposal systems. For further information on this subject, see [optional link 4](#). In line with the [joint methodology employed by the multilateral development banks](#), 51.44% of the operation's resources will be invested in climate change mitigation and adaptation activities. Accordingly, these resources will contribute to the achievement of the IDB Group goal of increasing climate finance to 30% of approvals in 2021.

- 1.19 The program figures in the 2021 Operational Program Report (document GN-3034) and will contribute to the IDB Group Corporate Results Framework 2020-2023 (document GN-2727-12) as measured by the *Households with improved access to water and sanitation* indicator. It is also aligned with the Sustainable Infrastructure for Competitiveness and Inclusive Growth Strategy (document GN-2710-5), specifically with the priority area "Support the construction and maintenance of socially and environmentally sustainable infrastructure, thus enhancing quality of life," and with the dimensions of success and lines of action of the Water and Sanitation Sector Framework Document (document GN-2781-8) aimed at achieving universal access while improving service quality and ensuring social and environmental sustainability. In addition, it is in keeping with the lines of action for the infrastructure sector included in the Gender Action Plan for Operations 2020-2021 (document GN-2531-19), as it will support the strengthening of capacities and opportunities for women to gain access to nontraditional forms of employment and the development of in-house gender strategies for public enterprises.
- 1.20 **Climate change.** The program will contribute to the actions identified in the country's second nationally determined contribution (paragraph 1.11) relating to climate change adaptation and mitigation by financing measures for increasing the climate resilience of infrastructure exposed to hydrometeorological threats (to be included in the detailed designs and master plans) and drinking water infrastructure in arid zones and the preparation of contingency plans for dealing with disaster and climate change risks. The program will also make it possible to reduce greenhouse gas emissions attributable to wastewater collection, treatment, and disposal systems and will help to reduce the amount of nonrevenue water and frivolous consumption through the installation of macro- and micro-meters. It will fund training in climate change issues for ENHOSA staff and operators designed to: (i) sensitize the participants and increase their knowledge about the impacts of climate change and the associated risks; (ii) facilitate the inclusion of resilience-enhancing climate change considerations into the design of infrastructure exposed to hydroclimatic threats; and (iii) identify actions that can help to reduce greenhouse gas emissions in water and sanitation projects ([optional link 4](#)).

- 1.21 **Inclusion, gender, and job creation.** The program will help to close gender gaps by promoting women's participation in the water and sanitation sector workforce and in related construction projects. It will work with ENOHSA and operators to develop and implement gender action plans²⁶ aimed at encouraging participation in the labor force, professional growth, and the retention of women employees in these organizations (paragraph 1.10). With regard to job creation and local development, the works contracts will include requirements and incentives for the recruitment of women as key members of contractors' core teams and of local labor. Plans will be developed for training members of the local population for roles in the construction, operation, and maintenance of these systems while promoting the participation of women,²⁷ opening up entrepreneurial opportunities for vulnerable households headed by women and/or single parents in activities related to the installation of residential connections and the preventive and corrective maintenance of sanitary facilities in the home (paragraph 1.8). The program will take steps to ensure that the facilities it finances will be accessible for persons with disabilities in accordance with Argentine law. These requirements will be stipulated in the works contracts.
- 1.22 **Digitalization and innovation.** A technological infrastructure improvement plan for ENOHSA will reinforce its oversight system, which will be supplemented with an online platform for the digitalization of its supervisory procedures that will include a module for the approval of certificates and repricings. A unit price database will also be introduced (and fed into the Ministry of Public Works' [MapaInversiones](#) investment map) in order to make its contract management more transparent and effective while cutting down transaction costs and times (paragraph 1.9). The management improvement plans will promote the digitalization of commercial (invoicing, collections, and dealings with users) and operating systems (network digitalization, automation, and so forth) to increase efficiency. A new approach based on framework agreements will be used to contract the design work. This innovative approach results in efficiency gains by reducing time frames and making design contracts more flexible. Such contracts are a fundamental component of multiple-works programs, since all the projects that are not part of the sample have to be designed.
- 1.23 **Fulfilment of eligibility requirements for the second operation under the CCLIP.** The program meets the requirements for individual operations under the CCLIP instrument (document GN-2446-4):²⁸ (i) it deals with the sector covered by the CCLIP; (ii) it is included in the 2021 Operational Program (paragraph 1.19); (iii) the executing agency—ENOHSA—is the same one that implemented the preceding operation, its performance has not deteriorated (paragraph 3.3), it is an integral and sustainable part of the lead agency for the sector (the Ministry of Public

²⁶ These plans will be designed to foster diversity and a culture of opportunity and equity that will help companies to close their gender gaps and move toward greater equality [15]. Companies with a gender-balanced workforce increase their profits by up to 20% [16].

²⁷ Most of the men working in construction are trained informally on the job by their fellow workers rather than receiving formal training. Gender bias and discrimination prevent women from gaining access to this type of informal training [17].

²⁸ The CCLIP, AR-X1005, was approved by the Board of Executive Directors on 5 September 2007 by Resolution DE-87/07. The provisions of the policy on the CCLIP lending instrument are set forth in document GN-2246-4 apply.

Works) (paragraph 1.5), and it has been implementing the monitoring and evaluation tools agreed upon with the Bank (paragraphs 3.12 and 3.13); and (iv) ENOHSA's performance in executing the first operation, which achieved its development objectives, has been satisfactory, and it has complied with the contractual conditions of the preceding loan and the Bank's fiduciary policies (paragraph 1.13).

1.24 Compliance with the Bank's Public Utilities Policy (document GN-2716-6).

The program and the relevant national objectives are in keeping with the principles of the Bank's Public Utilities Policy and fulfill its financial sustainability and economic evaluation conditions. The operators of the sample have been covering their O&M costs through a combination of rate revenues and transfers that they receive in a transparent, regular manner from their provincial or municipal governments (paragraph 1.34). In addition, funding is provided under Component 2 for specific measures for improving the operators' financial sustainability, and the works to be financed are socioeconomically viable (paragraph 1.322). The relevant eligibility criteria (paragraph 2.6) are established for projects that are not part of the sample in order to ensure the fulfillment of the conditions of this policy ([optional link 5](#)).

B. Objectives, components, and cost

1.25 Objectives. The general objective of the program is to help to improve the quality of life for residents of localities with populations of less than 50,000 throughout the country by providing them with water and sanitation services. Its specific objectives are to: (i) increase access to water and sanitation services and improve the quality of those services in populations of up to 50,000 based on an approach focusing on social inclusion, a gender perspective, and resilience to climate change; (ii) reduce the pollutant load of wastewater discharged into water courses; (iii) promote the financial sustainability of water and sanitation service operators through the development of management improvement plans; and (iv) strengthen the institutional capacity of ENOHSA with a view to improving the management of water and sanitation works throughout the country.

1.26 Component 1. Water and sanitation works (US\$222 million: [IDB: US\$186 million; Local: US\$36 million]). This component will finance: (i) drinking water systems, including the refurbishment and construction of catchment structures, headrace tunnels or canals, water purification plants, reserve tanks, distribution networks, and macro- and micro-meters; (ii) sanitation systems, including the refurbishment and construction of sewer lines and networks, pumping stations, treatment plants, and disposal sites; and (iii) feasibility studies, master plans, and complete technical documentation that will include measures for adapting to hydroclimatic risks and funding for the inspection of the works.

1.27 Component 2. Institution-strengthening (US\$11.5 million from IDB). This component will finance the implementation of high-priority activities in the management improvement plans (paragraph 1.35) for the beneficiary operators, including: cost and rate studies; plans for improving their organizational structures; the development and implementation of their gender action plans for promoting women's participation in the workforce, their professional growth, and their retention in these organizations; measures for improving their commercial, financial, and information systems; the implementation of micro- and macro-

metering plans and plans for reducing the amount of nonrevenue water; training in system management, operation, and maintenance; plans for the installation of residential connections; and skills training for women as a means of opening up entrepreneurial opportunities in the sector for vulnerable families headed by women and/or single parents. This component will also finance capacity-building measures for ENOHSA in the areas of management, administration, supervision, works inspection, and implementation of its gender action plan.

- 1.28 **Program administration and management (US\$16.5 million [IDB: US\$2.5 million; Local: US\$14 million]).** This category includes administration and supervisory expenses, the cost of evaluations and external audits of the program, and the financial costs covered by local counterpart funds. In addition, it includes resources for the subcomponent on comprehensive evaluations that will be overseen by the SAE (paragraph 3.14).

C. Key results indicators

- 1.29 The program outputs, outcomes, and impacts are set out in the results matrix. Table I-2 presents the key indicators.

Table I-2. Key indicators

Outcome indicator	Unit of measurement	Baseline	Target
Households with improved drinking water service in areas served by the program	Households	0	45,357
Households newly provided with effective access to drinking water service in areas served by the program			3,621
Households with improved sewerage service in areas served by the program			93,828
Households newly provided with effective access to sewerage systems in areas served by the program			41,874

- 1.30 **Benefits and beneficiaries.** The program will benefit approximately 184,000 households by providing them with access to water and sewerage systems, thus bringing about improvements in the environment and resulting in more healthful conditions. The operators will also benefit from the resulting improvements in their service management capacity, and ENOHSA will benefit thanks to its enhanced management and oversight capacity.

D. Other key issues

- 1.31 **Technical viability.** The results of the evaluation of the sample projects ([optional link 1](#)) indicate that they addressed the identified needs appropriately, that the designs were based on a medium- and long-term horizon and on widely accepted engineering principles, and that the solutions were the outcome of an appropriate analysis of the available options. The works contracts are to provide for a minimum of one year of O&M, during which time the future operators will receive training.
- 1.32 **Economic viability.** A cost-benefit analysis of the representative sample was conducted (paragraph 0) in which the benefits and costs in the presence and the absence of the program were compared. The evaluations determined that the operation is viable, as its internal rates of return (IRRs) are above 12%. The

sensitivity analysis indicates that the IRRs are stable even under modifications of key variables ([optional link 2](#)). An analysis of the projects that were not evaluated (paragraph 2.5) will be carried out using evaluation methodologies accepted by the Bank; only projects that prove to be socioeconomically viable will be financed (paragraph 2.6).

- 1.33 **Affordability.** Calculations based on the rates charged by operators in the sample and the special social rate offered for vulnerable groups indicate that the monthly bill for water and sewerage service is equal to less than 5% of the beneficiary population's household income ([optional link 2](#)).
- 1.34 **Sustainability of the investments.** A financial analysis of the eight operators in the sample was conducted on the basis of the relevant operational and financial information. Three of these operators are covering their operating costs with their rate revenues, although just barely, while the other five are covering their costs with a combination of rate revenues and subsidies regularly provided by their provincial or municipal governments in a transparent manner. The challenges faced by these operators are reflected in other management indicators as well (e.g. low levels of collections and micro-metering).²⁹
- 1.35 The management improvement plans are strategic planning documents designed to build operators' management capacity and assist them to achieve appropriate levels of efficiency, quality, and sustainability. They include management indicators for use over the next five years that will serve as inputs for the National Drinking Water and Sanitation Information System (SNIAPyS) (paragraph 1.13). The plans will be overseen by ENHOSA, the SIPH, and the Bank to ensure that quality standards are maintained. The funds for Component 2 will be used to implement the priority actions³⁰ identified in each improvement plan for all operators in the program.³¹ Eligibility requirements have been established (paragraph 2.6) to ensure operator support for the sustainability of the investments ([optional link 3](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality and financial structure.** This second operation under CCLIP AR-X1005 is structured as a multiple-works program because it will finance physically similar but independent projects that the Bank would not be able to assist individually. The disbursement period has been set at six years in view of the challenges involved in its execution, the project cycle, and the experience gained during the preceding operation. This period is consistent with the multiyear execution plan ([required link 1](#)).

²⁹ The average indices for collections and micro-metering of the eight operators in the sample are 64% and 38%, respectively.

³⁰ In line with the best practices of water and sanitation service operators outlined in [DIA 2020](#).

³¹ The management improvement plans for the sample operators will be prepared using nonreimbursable funds. The preparation of the other management improvement plans will be funded by Component 2.

- 2.2 **Cost.** The program will have a total cost of US\$250 million, of which US\$200 million will be financed by the Bank from its Ordinary Capital and US\$50 million will be financed with local counterpart funds. The consolidated budget is shown in Table I-1.

Table I-1. Program costs (US\$ millions)

Categories	IDB	Local	Total	% of total
Component 1. Water and sanitation works	186.0	36.0	222.0	88.8
1.1 Direct costs	180.0	32.0	212.0	84.8
1.2 Inspection	1.0	4.0	5.0	2.0
1.3. Studies and plans	5.0	0.0	5.0	2.0
Component 2. Institution-strengthening	11.5	0.0	11.5	4.60
2.1 Management support for operators	10.0	0.0	10.0	4.0
2.2 Strengthening of ENOHSA	1.5	0.0	1.5	0.6
3. Administration and financial costs	2.5	14.0	16.5	6.6
3.1. Administration and supervision	1.0	4.0	5.0	2.0
3.2 Comprehensive evaluations	1.0	0.0	1.0	0.4
3.3 Audits	0.5	0.0	0.5	0.2
3.4 Interest and fees	0.0	10.0	10.0	4.0
Total	200.0	50.0	250.0	100.0

- 2.3 Pursuant to document AB-2990, the disbursements of loan funds by the Bank will be subject to the following ceilings: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months starting from the date that the loan operation is approved by the Board of Executive Directors. These restrictions may not apply if the requirements set by Bank policy regarding those restrictions have been met, provided that the borrower has been notified in writing. These restrictions have been taken into consideration in the scheduling of disbursements shown in Table II-1 ([optional link 7](#)).

Table II-1. Disbursement schedule (US\$ millions)

Source/year	1	2	3	4	5	6	Total
IDB	10	45	34	42	55	14	200
Cumulative %	5	28	45	65	93	100	100
Local	4	11	9	10	12	4	50
Total	14	56	43	51	67	19	250

- 2.4 **Representative sample.** A representative sample in terms of typologies, geographic distribution, and size of locality has been identified. These interventions total US\$81.5 million (32.6% of the program total). They meet the eligibility criteria that have been established (paragraph 2.6) and made it possible to determine the viability of the program as a whole.
- 2.5 **Project portfolio.** A [portfolio of 53 projects](#) totaling approximately US\$143 million have been identified as operations that will be eligible for financing once their feasibility has been verified.

- 2.6 **Eligibility and prioritization criteria.** The following **eligibility** criteria, *inter alia*, will be provided in detail in the [program Operating Regulations](#): (i) localities with populations of under 50,000;³² (ii) the existence of a legally constituted operator; (iii) a commitment on the part of the provincial/municipal authorities to ensure that the operator will be responsible for operating and maintaining the works in question; (iv) a commitment on the part of the provincial/municipal authorities to ensure that program works are appropriately operated and maintained, as well as their commitment to develop mechanisms that will promote the financial sustainability of the operators; (v) a commitment on the part of the operator to have a management improvement plan, to secure its approval, and to implement it during the execution of the works in question; (vi) the projects must be economically, socioenvironmentally, technically, financially, and institutionally viable; (vii) projects that have been classified as category “A” on the basis of their environmental and social impacts in accordance with the Bank’s Operational Policy OP-703 will not be eligible; and (viii) fulfillment of the exclusion requirements established in the environmental and social management framework, which do not rule out interventions in areas settled by indigenous communities. In the case of such interventions, the guidelines set out in the Policy on Indigenous Peoples, Operational Policy OP-765, will apply. The projects will be **prioritized** with a view to their social and economic impact on their beneficiaries. In that connection, consideration will be given to: (i) the number of households; (ii) levels of coverage; (iii) socioeconomic conditions; (iv) the prevalence of waterborne diseases; (v) the gender perspective; (vi) local job creation; and (vii) climate change resilience.

B. Environmental and social risks

- 2.7 In accordance with the Bank’s Policy on Environment and Safeguards Compliance (Operational Policy OP-703), this second operation under the CCLIP line has been classified as a Category “B” operation because it has been found that, based on the sample that was reviewed, it could generate temporary, localized, short-term negative social and environmental impacts such as: air pollution; noise pollution; solid and liquid wastes; potential contamination of bodies of water; and a risk of workplace and traffic accidents. It has also been found that the trench-digging and installation work could have temporary impacts on the road network and neighboring properties. Accordingly, there are measures that could be taken to mitigate these impacts, primarily during the construction and/or installation of equipment. Since the program is a multiple-works operation, the sample used for the review was representative of the types of works to be financed, including water and sanitation works in eight localities that meet the eligibility requirements established for the operation (paragraph 2.6).
- 2.8 An environmental and social impact assessment has been completed for each of the projects in the sample, and each has an environmental and social management plan that includes COVID-19 protocols for the execution and operation of the works in question. This process confirmed the fact that the planned interventions and their potential impacts can be mitigated through the use of standard measures and good social and environmental practices, including the proper handling of dangerous substances. Based on these findings, an [environmental and social](#)

³² Localities that were counted as having populations under 50,000 in the 2010 census but that, according to the subsequent census, have populations that are now in excess of 50,000 may still be eligible.

[management framework](#) has been designed that sets out specific management and control measures for inclusion in the various stages involved in planning and executing the program investments. Based on the nature of the planned interventions, the program has been rated as corresponding to a moderate type 1 disaster risk scenario, mainly because of the risk of flooding. Since this will be the second operation under CCLIP AR-X1005 and is to be conducted by the same executing agency that implemented the first, an environmental and social audit of the first operation (operation AR-L1031) has served as the basis for a corrective plan of action that has been incorporated into the environmental and social management framework.

- 2.9 The program will not displace any populations or negatively affect critical natural habitats, and these factors have therefore been defined as exclusion criteria for the program. While the sample does not include any works in areas where indigenous populations are located, if the program undertakes works in such areas in the future, the Operational Policy on Indigenous Peoples (OP-765) will be followed. In that event, a sociocultural review will be carried out, and the inclusion and protection mechanisms called for by OP-765 will be put in place.
- 2.10 The [environmental and social impact assessment](#) and the [environmental and social management plan](#) for the sample projects, together with the environmental and social management framework for the program, have been posted on the websites of the Bank and the executing agency. The final versions of these documents have been updated with inputs from the report on the meaningful consultations held to that end. The initial public consultation process for six of the sample projects took place in January 2017; once the preparation of this operation was reactivated in April 2021, a new public consultation process was carried out for the aforementioned projects, together with the remaining three projects of the sample. In all, 364 representatives of the interested parties attended the in-person and virtual events held for this purpose. The main concerns raised by the participants had to do with the maintenance of the wastewater treatment plants once they became operational and the procedures for discharging wastewater into the environment as an emergency measure in the event of system breakdowns; however, there was also acceptance of these works and an awareness of the need to build them. Specifically, during the public consultation process held on the project to build the sewerage system for the town of Dina Huapi (Río Negro Province), the Independent Consultation and Investigation Mechanism (MICI) received a complaint [request] from a group of residents [requesters] of Dina Huapi, which called into question that project's compliance with the Bank's safeguard policies with respect to: (i) the quality of the public consultation process (Operational Policies OP-102 and OP-703, Directive B.6); (ii) compliance with local laws (Operational Policy OP-703, Directive B.2); (iii) the quality of the environmental and social impact studies (Operational Policy OP-703, Directive B.5); and (vi) other risk factors, including the pollution risk posed to Lake Nahuel Huapi, a protected area (Operational Policy OP-703, Directives B.9 and B.11). In response to the complaint, Bank Management: (i) provided a formal, written response to the requesters, inviting them to a meeting; (ii) on 19 May 2021, a meeting was held with the requesters to hear the motives that gave rise to the complaint and to propose alternatives in that regard; and (iii) a dialogue was initiated with ENOHSA to identify additional alternatives that could be presented to

the requesters. Section 4 of the [environmental and social management report](#) sets out what ENOHSA has done to address each of the points raised by the residents.³³ It is important to note that the consultation plan developed in 2021 includes measures for preventing the spread of COVID-19 in accordance with local regulations. The reports on this process were incorporated into all the environmental and social impact assessments and environmental and social management plans for the sample projects, and environmental management tools have been updated to address the main recommendations that were made. The public consultation process has been completed and fulfills the requirements of Operational Policy OP-703.

C. Fiduciary risks

- 2.11 The level of risk associated with the environment for project execution and the institutional environment was determined to be medium-high. If decentralized bodies do not have sufficient capacity to conduct the procurement operations delegated to them, then some of these operations may not be completed successfully. This, in turn, could result in the underexecution of Component 2. A manual on small-scale, low-risk procurement operations that includes the standard bidding documents and evaluation reports will therefore be prepared to address this issue.

D. Other risks

- 2.12 The following risks have been identified: (i) high-level risks: *executing agency* and *internal processes*: If all the projects that are potentially eligible for financing have not been approved by the third year of program execution, it will not be possible to complete them within the execution period. If this were to occur, Component 1 would be underexecuted by at least 60%. ENOHSA will therefore enter into an agreement with the National Pre-investment Bureau (DNPRI) of the Ministry of Public Works for the preparation of pre-investment studies, and the pre-investment office of ENOHSA will be strengthened in order to support the municipios in their project preparation work and expedite the review of projects undertaken by the DNPRI. In addition, a system for contracting pre-investment consulting services based on framework agreements will be put in place; and (ii) medium-to-high-level risks: *executing agency* and *human resources*: If sufficient qualified staff and resources are not available to carry out the necessary environmental, social, safety, and occupational health oversight, the projects' social and environmental requirements may not be met, thus delaying the implementation of Component 1. The ENOHSA social and environmental team will therefore be reinforced by engaging social/environmental specialists and specialists in hygiene and security to support the pre-investment phase and inspection work. In addition, training courses on the Bank's environmental and social safeguard policies will be developed for ENOHSA technical personnel, provincial and municipal officials, and operators.

³³ Pursuant to paragraph 19(e) of the MICI Policy (MI-47-6), the complaint would not be eligible as it was presented prior to the operation's approval by the Bank's Board of Executive Directors.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Argentine Republic. The executing agency will be the Ministry of Works, acting through ENOHSA, which will be responsible for administering the loan proceeds and ensuring the timely availability of the local contribution. ENOHSA will coordinate all of the program's technical and operational activities during its implementation and monitoring. The SAE, which is attached to the Office of the President, will act as the subexecuting agency and will be responsible for the execution of the funding for comprehensive program evaluations in coordination with ENOHSA.
- 3.2 ENOHSA will be responsible for project procurement, execution, and payments and will conclude an agreement with the relevant province, municipio, or operator in each case. ENOHSA may, on a case-by-case basis and with the prior no objection of the Bank, arrange for the beneficiary province, municipio, or operator to assume responsibility, under ENOHSA oversight, for project procurement and execution, including the works and activities called for in the operators' management improvement plans, provided that these entities have previously demonstrated that they have the necessary capacity to carry out the project and that they commit to complying with the program Operating Regulations and the provisions of the loan contract (including its provisions on procurement, environmental and social safeguards, and prohibited practices). In such cases, no resources will be transferred to the provinces, municipios, or operators concerned; instead, ENOHSA will make the necessary payments by order and on behalf of those entities.
- 3.3 **Institutional analysis.** ENOHSA's institutional capacity for executing the program has been found to be satisfactory. In order to support efforts to close the gaps that have been identified, steps such as the following will be taken: (i) inclusion of a flowchart in the [program Operating Regulations](#) that sets out how the work will be coordinated with the relevant provinces, municipios, and operators and defines the response times for priority activities included in the project cycle; (ii) strengthening of the ENOHSA pre-investment office to support the preparatory work for the projects to be carried out by the relevant provinces, municipios, and operators; (iii) conclusion of agreements with DNPRI³⁴ for the preparation of the projects; (iv) definition of a model worksheet and development of a manual on procurement procedures for small-scale purchases of goods and consultant services under Component 2; and (v) reengineering of ENOHSA's main fiduciary processes. The executing agency is considered to have the capacity to disburse the necessary payments for those measures within a short time frame.
- 3.4 **Project cycle.** The project cycle consists of four different stages: (i) identification—in this phase, the province or municipio submits the projects to ENOHSA, which reviews them to determine their eligibility; (ii) preparation and eligibility—in this phase, ENOHSA, the province or municipio, and the operator reach agreement on the scope and stages of project execution, including the operator's management

³⁴ The executing agency for Multisector Pre-investment Program IV (2851/OC-AR), which will finance the design of 26 projects (paragraph 2.5).

- improvement plan, and commit to operating and maintaining the infrastructure. This process concludes with the determination of project eligibility and the signing of an agreement between ENHOSA and the province, municipio, or operator in question; (iii) execution—this phase includes the procurement of the necessary goods and services, the execution of the program activities, and the disbursement of the corresponding payments. ENOHSA will inspect or oversee the construction of the work and monitor the implementation of the management improvement plans. This phase concludes with the reception of the project works and/or services; and (iv) transfer and operation—in this phase, ENOHSA and the province or municipio, as appropriate, reach agreement on the transfer of the relevant works to the selected O&M operator. This phase concludes with the signing of a transfer and operation contract.
- 3.5 **Special contractual conditions precedent to the first disbursement of the loan: (i) conclusion of an agreement between the Ministry of Public Works and ENOHSA for the transfer of resources and the execution of program activities whereby ENOHSA commits to using the resources and carrying out the activities of the program in accordance with the loan contract and program Operating Regulations; and (ii) approval by ENOHSA of the [program Operating Regulations](#) and their entry into force in accordance with a draft previously agreed upon with the Bank.** These conditions are considered to be essential in order to ensure the proper execution and coordination of the program and the availability of detailed operating guidelines.
- 3.6 **Program Operating Regulations.** The program will be governed by the [program Operating Regulations](#), which will cover: (i) the legal and institutional framework; (ii) a detailed plan for program execution; (iii) the project cycle; (iv) eligibility and prioritization criteria; (v) project formulation guidelines; (vi) fiduciary standards and procedures; (vii) monitoring and evaluation procedures; and (viii) social and environmental management procedures, including the environmental and social management frameworks, the environmental and social management plans for the sample projects, and the corrective action plan identified during the program preparation stage.
- 3.7 **Special contractual conditions for execution:** (i) before initiating the first procurement operation for activities designed to benefit a province, municipio, and/or operator, ENOHSA will have signed an agreement with these entities which establishes each party's obligations in regard to the execution of the relevant activities, including the obligation to comply with the Bank's standards in respect of procurement, environmental and social safeguards, prohibited practices, and all other provisions set out in the loan contract and the program Operating Regulations; (ii) prior to the delivery of works and goods to a beneficiary province, municipio, or operator, ENOHSA will have signed a transfer and operating agreement with those entities; (iii) before commissioning evaluations of the program by the SAE, evidence will have been provided to the Bank that ENHOSA and the SAE have signed an agreement establishing the terms and conditions for the transfer of loan proceeds and their use by the SAE; and (iv) the period for the physical commencement of program works will be three years from the entry into force of the loan contract. The first three conditions are necessary to ensure the specification of the roles and responsibilities of the relevant provinces, municipios, and operators, along with the SAE. They include the O&M obligations for the works

and coordination arrangements. The fourth condition is intended to ensure that the program is executed within the disbursement period.

- 3.8 **Procurement.** Procurement will be conducted in accordance with the IDB Policies for the Procurement of Goods and Works (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants (document GN-2350-15), which entered into force on 1 January 2020. All procurement operations must be included and carried out pursuant to the procurement plan. The executing agency has established a procurement plan for the first 18 months of program execution ([required link 4](#)).
- 3.9 **Disbursements.** The loan proceeds may be disbursed as advances, reimbursements, and/or direct payments to suppliers. Advances will be based on projected expenditures over a period of up to 180 days. They will be governed by the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) or the guidelines in force at the time of the program's execution. After the first disbursement, all subsequent disbursements will be subject to the justification of 80% of the accumulated balances pending justification.
- 3.10 **Audits.** The executing agency will submit the program's annual audited financial statements to the Bank within 120 days following the close of the fiscal year. Audits will be conducted by an independent auditing firm acceptable to either the Bank or the Office of the Auditor General. The scope of the audits and other related considerations will be governed by the financial management guidelines (OP-273-12) or the policy that is in effect at the time of program execution.
- 3.11 **O&M.** In the first quarter of each year, starting from the year in which the first of the works is completed and continuing on until three years after the end of the disbursement period, the executing agency will submit the annual maintenance plans for program-financed works and goods and information on the O&M work that has been conducted. The obligation to prepare these reports will be incorporated into the transfer and operating contract (paragraph 3.3).

B. Summary of arrangements for monitoring results

- 3.12 **Monitoring.** A monitoring and evaluation plan for the program has been agreed upon ([required link 2](#)) that provides for the use of the [procurement plan](#), [multiyear execution plan](#), [annual work plan](#), results matrix, and [program monitoring report](#). The executing agency will forward reports semiannually on the progress made and the results achieved, along with a plan of action for the following six-month period, within 60 days after the end of each six-month period.
- 3.13 **Evaluation.** A midterm review and a final evaluation are planned. The evaluation methodology will use a before-and-after approach whereby the values at baseline for the program indicators will be compared with the values registered after the program interventions have taken place. An ex post economic evaluation will be prepared that will compare the final investment costs and O&M expenses with the benefits produced by the program.
- 3.14 In keeping with government guidelines and as a means of supplementing the program evaluations, the SAE will head up a comprehensive evaluation designed to provide strategic information on how the loan has supported the operational and financial sustainability of the installed capacity generated by the program. This

evaluation will cover eight outputs that will serve as inputs for improving implementation and complementing the monitoring and evaluation tools of the program.

Development Effectiveness Matrix		
Summary		AR-L1289
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Households with improved access to water and sanitation (#) -Jobs supported (#) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2870-1	Institutional strengthening of government Improve the habitat and access to basic services, particularly in lower-income regions
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 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		10.0
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
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. Procurement: Information System.
Non-Fiduciary	Yes	Environmental Assessment 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		

Evaluation Note: The general objective of the program is to contribute to improving the quality of life of the population in localities with less than 50,000 inhabitants throughout the national territory through the provision of potable water and sanitation services. The specific objectives are: (i) increase access levels and improve the quality of potable water and sanitation services in localities with up to 50,000 inhabitants, with a focus on social inclusion, gender, and resilience to climate change; (ii) reduce the pollutant load from wastewater discharged to receiving bodies; (iii) promote the financial sustainability of water and sanitation (W&S) operators through management improvement plans; and (iv) strengthen ENOHSA's institutional capacities to improve the management of potable water and sanitation interventions throughout the national territory.

The documentation includes a solid diagnosis: low levels of coverage for water and sanitation (W&S) are presented for targeted areas; the challenges faced by operators to manage W&S services are identified and quantified; areas for improvement to manage projects in the sector at the national level are identified; and the importance of increasing the climate resilience of the sector's infrastructure is highlighted.

To mitigate the problems identified, two components will be implemented: 1) W&S works; and 2) Institutional strengthening, focused on the operators and the Ente Nacional de Obras Hídricas de Saneamiento. The proposed solution is clearly linked to the problems identified. Empirical evidence of the effectiveness of this type of project in the region is presented. The results matrix (RM) reflects the objectives of the program and shows a solid vertical logic, and includes SMART indicators at the level of outputs, results, and impacts, with their respective baseline values, targets, and means to collect the information.

This is a global multiple works operation. Individual Cost-Benefit analyzes are carried out for 9 W&S projects, which represents a sample of more than 30% of the total amount. The main costs and benefits are appropriately identified and quantified. The assumptions made are reasonable and supported with administrative data from the projects analyzed. The 9 projects are economically viable, with internal rates of return (IRR) above 12%. Sensitivity analyzes are performed by modifying the main variables that can affect costs and benefits; these modifications do not significantly alter the IRR values.

The monitoring and evaluation plan proposes an ex post cost-benefit evaluation and a reflexive evaluation. In addition, a Comprehensive Evaluation of the program is proposed, led by the Secretaria de Asuntos Estratégicos, which will include an impact evaluation based on quasi-experimental methods.

The identified risks seem reasonable and are classified as Medium-Low (1), Medium (6), Medium-High (1), and High (1) risk. Risks include their respective mitigation actions, responsible parties, and dates or triggers.

RESULTS MATRIX

Program objective:	The program's specific objectives are to: (i) increase access to water and sanitation services and improve the quality of those services in populations of up to 50,000 based on an approach focusing on social inclusion, a gender perspective, and resilience to climate change; (ii) reduce the pollutant load of wastewater discharged into water courses; (iii) promote the financial sustainability of water and sanitation service operators through the development of management improvement plans; and (iv) strengthen the institutional capacity of ENOHSA with a view to improving the management of water and sanitation works throughout the country. The achievement of these objectives will contribute to the attainment of the general objective, which is to help to improve the quality of life of the residents of localities with populations of less than 50,000 throughout the country by providing them with drinking water and sanitation services.
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GENERAL DEVELOPMENT OBJECTIVE

GENERAL DEVELOPMENT OBJECTIVE							
Indicator	Unit of measurement	Baseline		Expected year achieved	Target	Means of verification	Comments ¹
		Value	Year				
General development objective: To help to improve the quality of life for residents of localities with populations of less than 50,000 throughout the country by providing them with water and sanitation services.							
I.1 Prevalence of diarrheal diseases (annual averages) among the population residing in the provinces served by the program	Rate per 100,000 population	2,822	2021	2026	2,314	Surveillance bulletin (Boletín Integrado de Vigilancia) of the Ministry of Health	
I.2 Households with basic service connections (water and sewers) classified as “satisfactory” by INDEC in the provinces served by the program	Households/ Households	56%			66%	Permanent Household Survey	

¹ See the monitoring and evaluation plan for additional comments on each indicator.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measurement	Baseline		Year						End of program	Means of verification	Comments
		Value	Year	1	2	3	4	5	6			
Specific development objective 1: To increase access to drinking water and sanitation services and improve the quality of those services in localities having populations of up to 50,000 based on an approach focusing on social inclusion, a gender perspective, and resilience to climate change.												
R1: Increased and improved access to drinking water service												
1.1 Households in areas served by the program with improved drinking water service (water pressure, continuous service, water purity)	Households	0	2021	0	0	22,040	25,317	0	0	45,357	Project status report and Operators report	
1.2 Households newly provided with effective access to drinking water service in areas served by the program (plant and networks)				0	0	150	879	1,263	1,329	3,621		
1.3 Average flow volume of purified water per day in areas served by the program	Thousands of cubic meters /day	37.43		53.47	54.95	56.50	58.60	60.67	62.44	62.44	Operators report	
R2: Increased and improved access to sanitation services												
2.1 Households with improved sewerage service in areas served by the program (overflows and discharge-water quality)	Households	0	2021	0	27,072	16,308	47,709	1,332	1,407	93,828	Project status report	
2.2 Households newly provided with effective access to sewerage systems in areas served by the program (plant and networks)				0	0	6,045	31,713	2,022	2,094	41,874	Operators report	

Indicator	Unit of measurement	Baseline		Year						End of program	Means of verification	Comments	
		Value	Year	1	2	3	4	5	6				
R3: Increased local employment opportunities incorporating a gender perspective													
3.1. Temporary jobs created by the program works	Workers	0	2021	128	220	385	807	165	0	1,705	Contractors reports		
Disaggregation 1: Jobs held by local residents in areas served by the program				35%	35%	35%	35%	35%	35%	35%		35%	
Disaggregation 2: Jobs held by women				5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%		5.2%	
3.2 Women completing job skills training for employment in the water and sanitation sector	[Women/ women]	0%	2021						75%	75%	Operators report		
R4: Increased climate resilience of water and sanitation infrastructure													
4.1 Water or sanitation systems exposed to hydroclimatic risks classified as unacceptable or tolerable that have implemented at least one adaptation measure	[Systems/ systems]	0%	2021							100%	Technical construction plans documenting the inclusion of adaptation measures in the final designs	Climate-resilient water and sanitation systems are systems that are capable of anticipating, absorbing, or rebounding from swiftly or gradually occurring hydroclimatic disturbances and of adapting and undergoing transformative shifts in response to long-term tensions, changes, and uncertainties brought about by climate change. The methodology for arriving at the initial risk classification will be based on the environmental and social management framework	

Indicator	Unit of measurement	Baseline		Year						End of program	Means of verification	Comments
		Value	Year	1	2	3	4	5	6			
Specific development objective 2: To reduce the pollutant load of wastewater discharged into bodies of water												
R5: Wastewater being discharged into bodies of water has a reduced pollutant load												
5.1 Wastewater treatment plants that comply with permitted levels of biodegradable organic matter at sewerage system discharge points	Plants/plants	0%	2021							100%	Operators report and environmental authority	Compliance with levels set in applicable laws and regulations for the indicated parameter (50 milligrams /liter)
5.2 Wastewater treatment plants that comply with permitted concentrations of sedimentable solids at sewerage system discharge points										100%		Compliance with levels set in applicable laws and regulations for the indicated parameter (1 milligram/liter)
5.3 Wastewater treatment plants that comply with permitted concentrations of fecal coliforms at sewerage system discharge points										100%		Compliance with levels set in applicable laws and regulations for the indicated parameter (<2,000 MPN/100 milliliters)
Specific development objective 3: To promote the financial sustainability of water and sanitation service providers through the development of management improvement plans												
R6: Strengthening of water and sanitation operators participating in the program and increased efficiency of service delivery												
6.1 Operators are financially self-sufficient (rate revenues/O&M and administrative costs >1)	Operators/operators	38%	2019	38%	50%	63%	75%	88%	88%	88%	Operators' financial statements	Baseline for analysis of operators in the sample. A perspective based on the project completion horizon supports implementation of the management improvement plans.
6.2 Operators' annual rate collection procedures are efficient (amounts collected/amounts billed >80%)		38%		38%	50%	63%	75%	88%	88%	88%		

Indicator	Unit of measurement	Baseline		Year						End of program	Means of verification	Comments
		Value	Year	1	2	3	4	5	6			
6.3 Operators implement at least one action called for under their gender action plan		0%								50%	Operators report	
Specific development objective 4: To strengthen the institutional capacity of ENOHSA with a view to improving the management of water and sanitation works throughout the country												
R7: An increase in ENOHSA's institutional capacity												
7.1 Percentage of projects supervised by ENOHSA (design, execution, and closure) using the new management information system	Projects/projects	0%	2021							100%	ENOHSA reports	Measurement will begin once the system is operational.
7.2 Average length of time required for bidding processes for water and sanitation projects (national competitive bidding)	Calendar days	210		210	210	200	180	160	150	150		Measured as the time elapsed between the receipt of the bidding specifications by the organization's procurement office and the award of the contract
7.3 Average length of time required in water and sanitation projects for certificate issuance and payment		78		78	75	72	69	66	63	63		Measured as the time elapsed between the date on which a contractor issues an invoice and the date that invoice is paid
7.4 Measures called for under the gender action plan are implemented by ENOHSA	Actions/actions	0%								80%		

OUTPUTS

Indicators	Unit of measurement	Baseline		Year						End of program	Means of verification	Comments	
		Value	Year	1	2	3	4	5	6				
Component 1: Water and sanitation works													
I.1 Direct costs of works													
I.1.1 Water catchment, purification, and distribution systems implemented													
I.1.1.1 kms of new pipes installed	Kilometers	0	2021		127.07	94.87	12.87			234.81	Contractors reports		
I.1.1.2 kms of pipes refurbished					121.33	47.97				169.30			
I.1.1.3 New water purification plants built	Plant					3	3			6			
I.1.1.4 Water purification plants improved or expanded						3	1			4			
I.1.1.5 Short connections	Connections							100				100	
I.1.2 Wastewater collection, treatment, and disposal systems													
I.1.2.1 kms of new sewerage networks constructed	Kilometers	0	2021			528.96	528.96			1,057.92	Contractors reports		
I.1.2.2 kms of sewerage networks refurbished or expanded					34.35	73.29	25.38	1.88				134.90	
I.1.2.3 New wastewater treatment plants built	Plant						4			4			
I.1.2.4 Wastewater treatment plants refurbished or expanded						8	8	4		20			
I.1.2.5 Available residential connections	Connections				843	7,268	14,597			22,708			
I.3 Studies and plans													
I.3.1 Feasibility studies, master plans, and full technical documentation prepared	Projects	0	2021		0	4	8	4	9	25	ENOHSA reports		
I.3.1.1 Flood frequency studies taking climate change into consideration prepared for projects with risks classified as unacceptable	Studies					1	2	3		6			

Indicators	Unit of measurement	Baseline		Year						End of program	Means of verification	Comments
		Value	Year	1	2	3	4	5	6			
I.3.1.2 Infrastructure project contingency plans for disaster and climate change risks developed and implemented	Plans					1	2	3		6		
Component 2: Institution-strengthening												
II.1 Support for service management												
II.1.1 Operator management improvement plans prepared	Plans	4	2021			9	9	5		23	Operators report	
II.1.2 Operator management improvement plans implemented		0				5	4	9	5	23		
II.1.3 Operator-provided job skills training courses for women implemented	Training courses	0				5	9	5	4	23		
II.1.4 Gender action plans for operators prepared	Plans	5			3	4	5	8		20		
II.2 Strengthening of ENOHSA												
II.2.1 Information system developed for the management of progress certificate approvals and reprints	System	0	2021				1			1	ENOHSA reports	
II.2.1.1 Development of software						1				1		
II.2.1.2 Testing of beta version						1				1		
II.2.1.3 User testing						1				1		
II.2.1.4 Entry of system on stream							1			1		
II.2.2 Projects for the institutional strengthening of ENOHSA implemented	Projects	0			1	1	1			3	ENOHSA reports	

Indicators	Unit of measurement	Baseline		Year						End of program	Means of verification	Comments
		Value	Year	1	2	3	4	5	6			
II.2.2.1 Technology installed (software, hardware, and other)	Goods		2021		1					1		
II.2.2.2 Reengineered ENOHSA bidding-related procedures developed and implemented	Processes				1					1		
II.2.2.2 Reengineered ENOHSA certificate-related procedures developed and implemented	Processes					1				1		
II.2.2.2 Reengineered ENOHSA payment-related procedures developed and implemented	Processes						1			1		
II.2.3 Provision of training in the application of the guidelines for the inclusion of climate change variables	Training courses					1	2			3		
II.2.4 Development of a gender action plan for ENHOSA based on the diagnostic assessment of gender parity initiatives	Plan				1					1		

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: Argentina **Division:** WSA **Operation number:** AR-L1289 **Year:** 2021

Executing agency: Ministry of Public Works, acting through the National Sanitation Works Agency (ENOHSA)

Name of operation: Water and Sanitation Program for Small Communities II (PROAS II)

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

☒ Budget	☒ Reports	☒ Information system	☐ National competitive bidding
☒ Cash flow	☐ Internal control	☐ Price comparison	☐ Other
☒ Accounting	☒ External oversight	☐ Individual consultants	☐ Other

2. Fiduciary execution mechanism

☒	Special conditions	ENOHSA will bear responsibility for procurement, execution, and payment procedures. It may delegate contracting functions only to provinces, municipios, or operators under its supervision provided that their possession of sufficient fiduciary capacity has been confirmed. Only ENOHSA may have dealings with the Bank as the responsible fiduciary counterpart, however. This operation is part of CCLIP AR-X1005.
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	The fact that ENOHSA has implemented similar operations during the past five years (e.g. operations 1895/OC-AR and 2343/OC-AR, which have been completed, and 3451/OC-AR, which is ongoing) provides confirmation of the satisfactory nature of its institutional capacity. Steps will be taken to support its efforts to close the gaps that have been identified, notably by: (i) inclusion of a flowchart in the program Operating Regulations that sets out how the work will be coordinated with other entities and defines the relevant response times; (ii) strengthening of the ENOHSA pre-investment office to support the preparatory work to be carried out by the relevant provinces, municipios, and operators; (iii) conclusion of agreements with the National Pre-investment Bureau (DNPRI) for the preparation of the projects; (iv) definition of a model worksheet and development of a manual on procurement procedures for small-scale purchases of goods and consultant services under Component 2; and (v) reengineering of ENOHSA's main fiduciary processes.
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4. Fiduciary risks and mitigation actions

Area	Risk	Level of risk	Mitigation action
Procurement	If the constraints associated with the COVID-19 pandemic continue to be a factor, the attendant restrictions could prevent the submission and opening of bids and interfere with on-site supervision of works, which would delay progress on the projects.	Medium	Bidding documents will include digital support tools for receiving and opening bids online. A virtual platform for works supervision will be developed.
Financial management	If budgetary credit allocations during the first year of execution are insufficient, the startup of projects may be delayed. This, in turn, could result in under-execution of project budgets.	Medium	Steps will be taken to arrange for a budget increase.
Financial management and procurement	If decentralized bodies do not have sufficient capacity to conduct the procurement operations delegated to them, then some of these operations may not be completed successfully. This, in turn, could result in the underexecution of Component 2.	Medium-High	A manual on small-scale, low-risk procurement operations will be designed that includes the standard bidding documents and evaluation reports.

5. Applicable policies and guidelines: document GN-2349-15 and document GN-2350-15. Financial Management Guidelines for IDB-financed Projects (document OP-273-12)

6. Exceptions to policies and guidelines: None

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF CONTRACTS

Pursuant to document AB-2990, the disbursement of loan proceeds by the Bank will be subject to the following ceilings: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months starting from the date that the loan operation is approved by the Board of Executive Directors. These restrictions may not apply if the requirements set by Bank policy regarding those restrictions have been met, provided that the borrower has been notified in writing.
In accounting for the use of program resources, the exchange rate to be used will be the effective exchange rate as at the date of the conversion of the funds denominated in the currency of approval or the currency of disbursement into the local currency of the borrowing country, in accordance with subparagraph (b) (i) of Article 4.10 of the general conditions of the loan contract. In order to determine the equivalency of expenses incurred in the local currency that are chargeable against the local contribution or the reimbursement of expenditures chargeable against the loan proceeds, the agreed exchange rate will be the one in effect on the first working day of the month in which a payment is made to the contractor, supplier, or beneficiary by the borrower, executing agency, or any other natural or legal person to which the authority to issue payments has been delegated.
The program's annual audited financial statements will be submitted to the Bank within 120 days of the close of each fiscal year and will be prepared by an independent auditing firm acceptable to the Bank or the Office of the Auditor General. The final audited financial statements are to be submitted within 120 days from the date of the last program disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

☒	Bidding documents	The procurement of works, goods, and nonconsulting services and the selection and contracting of consultants will be carried out in accordance with the Bank's procurement policies (documents GN-2349-15 and GN-2350-15). The Bank's standard bidding documents and standard call for proposals will be used. For national competitive bidding and shopping exercises, the standard models used by the Bank in Argentina and the corresponding evaluation report models will be employed.						
☒	Procurement supervision	The supervision of procurement operations will be based on ex post reviews except in cases where ex ante reviews are called for and are provided for in the procurement plan. Ex post reviews will be conducted each year in accordance with the annual supervisory plan. Reports on ex post reviews will include a sample of the types of procedures subject to review. The thresholds for ex post reviews are as follows:						
		<table> <tr> <td data-bbox="475 1591 808 1627">Works</td><td data-bbox="808 1591 1133 1627">Goods/services</td><td data-bbox="1133 1591 1458 1627">Consulting services</td></tr> <tr> <td data-bbox="475 1627 808 1665">US\$10 million</td><td data-bbox="808 1627 1133 1665">US\$1.5 million</td><td data-bbox="1133 1627 1458 1665">US\$200,000</td></tr> </table>	Works	Goods/services	Consulting services	US\$10 million	US\$1.5 million	US\$200,000
Works	Goods/services	Consulting services						
US\$10 million	US\$1.5 million	US\$200,000						
☒	Records and files	The executing agency, the subexecuting agency (SAE), and the authorities to which procurement functions have been delegated are to keep records and files of supporting documentation for procurement operations, investments, and receipts for payments made out of program funds. Digital records are also to be kept for the same purposes and for review by the Bank in accordance with the program Operating Regulations.						

Main procurement items

Description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$ thousands)
Goods				
Hardware	Shopping		22 February	100
Works				
Water and sewer systems	National competitive bidding (15 rounds)		22 February	150,000
Expansion of Dina Huapi water system	Shopping		22 February	2,419
Expansion of Villaguay system	National competitive bidding		21 February	12,300
Construction of Rada Tilly wastewater treatment plant			21 April	9,178
Construction of Saladillo system			21 April	8,161
Construction of Dina Huapi system			22 February	15,940
Expansion of Junín de los Andes system			21 April	3,901
Expansion of Catriel system			21 March	4,574
Expansion of San Antonio de Areco system			21 March	15,174
Expansion of Diamante system			21 February	9,238
Firms				
Strengthening plans	Selection based on consultants' qualifications		21 March	500
Reengineering	Quality- and cost-based selection		21 March	500
Certificate and repricing management system			21 March	400

[18-month procurement plan](#)

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

☒	Programming and budget	The Financial Administration Management Office (GAF) is responsible for drawing up and programming the annual budget for ENHOSA. It also carries out all the necessary procedures for the consolidation of the annual budget prior to its approval. The GAF uses the Integrated Financial Information System to draft the national budget and budget amendments, program budget execution, execute the budget itself, and conduct general accounting procedures. When a need arises for an increase or reallocation in a given budget line, the GAF submits the request for that modification
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		and takes the necessary steps to secure its approval. Budget credits are executed in the form of quarterly commitment quotas and monthly accrual quotas that are assigned by the National Budget Office, an agency of the Ministry of the Economy, at the request of ENOHSA.
☒	Cash flow and disbursement management	Loan proceeds requested of the Bank using the advance of funds modality will be deposited in a dollar-denominated account reserved for the exclusive use of the program. The same practice as used in previous operations will be maintained, with funds being converted into pesos in the treasury single account as required by operational needs and held in a subaccount assigned to the program. A request for the acceptance of the use of country procurement systems has been submitted in regard to cash flow and disbursement management, including the aforementioned single account. The loan proceeds may be disbursed as advances, reimbursements, and/or direct payments to suppliers. Advances will be based on projected expenditures over a period of up to 180 days in accordance with the investment timetable and required cash flow. After the first disbursement, all subsequent disbursements will be subject to the justification of 80% of the accumulated balances pending justification.
☒	Accounting, information systems, and reporting	The Financial Accounting System for Externally Funded Projects (UEPEX) will be used for the operation's financial management. A cash flow accounting method will be used that is in line with International Financial Reporting Standards when applicable. The required financial reports will be: (i) a financial execution plan covering a period of 180 days; (ii) annual audited financial statements; and (iii) other reports or statements as required by the Bank.
☒	Internal control and external auditing	Internal control is carried out by the Office of the Comptroller General, whose internal audit units conduct regular internal audits of government agencies.
☒	External control and financial reports	External control is carried out by the Office of the Auditor General, whose competency to serve as the auditor of Bank projects has been validated. External auditing of the program may be conducted by an independent auditing firm acceptable to the Bank that has been selected and contracted in accordance with the terms of reference and model contract previously agreed upon by the Bank.
☒	Financial supervision	The initial supervisory plan will be based on risk assessments and evaluations of the fiduciary capacity of the executing agency. Those evaluations will be informed by in situ inspections, desk reviews, and analyses and follow-up on the results and recommendations presented in the annual financial audits.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Argentina. Loan ____/OC-AR to the Argentine Republic. Water and Sanitation Program for Small Communities II (PROAS II). Second Individual Loan Operation under the Conditional Credit Line for Investment Projects (CCLIP) (AR-X1005)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as borrower, for the purpose of granting the former a financing aimed at cooperating in the execution of the Water and Sanitation Program for Small Communities II (PROAS II), which constitutes the second individual loan operation under the Conditional Credit Line for Investment Projects (CCLIP) AR-X1005, approved on 5 of December of 2007 by Resolution DE-87/07. Such financing will be for the amount of up to US\$200,000,000, 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 _____ 2021)