

Public Disclosure Authorized

Integrated Fiduciary Systems Assessment

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ARGENTINE REPUBLIC: IMPROVING INCLUSION IN SECONDARY AND HIGHER EDUCATION PROGRAM (P168911)

The World Bank



April 2019

1. Conclusion

1.1 Reasonable Assurance

1. The Procurement and Financial Management (FM) systems' capacity and performance, with the implementation of the proposed mitigating measures and agreed actions to strengthen the systems (which are reflected in the Program Action Plan, PAP), are adequate to provide reasonable assurance that the Program funds will be used for the intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability.

1.2 Risk Assessment

2. The overall integrated fiduciary risk rating is considered Moderate. The key fiduciary risks to the development outcomes of the Project that underpin the Moderate risk rating are as follows: (i) unfamiliarity of the Borrower with the Program for Results (PforR) Instrument; (ii) special conditions included in the Standard bidding documents for goods, non-consulting and consulting services that do not indicate any thresholds in order to determine the weight of quality and cost bids for the total score; (iii) some inadequacies in contract management; and (iv) the risk of awarding a contract to a suspended or debarred firm or individual suspended by the Bank.

3. The proposed systems-and capacity-strengthening and/or mitigation measures, to address the above risks include the following: (i) close implementation support to be provided by the Bank's fiduciary teams, coupled with the preparation of a Project Operations Manual (POM); (ii) the implementing agency, with the assistance of the requesting areas, shall determine the maximum thresholds related to quality (technical) and cost (financial) weight in the special conditions included in the bidding documents; (iii) preparation of a manual, as a reference document for all staff involved in contract management and the training of relevant people accordingly; (iv) the *Dirección de Contrataciones* will indicate in the evaluation reports - in writing - the eligibility verification carried out and on June 30th of each year, the implementing agency will send to the Bank, the list of contracts awarded to firms and individuals; and (v) the external auditors' Terms of Reference (TOR) will include a requirement to review Program expenditure for such ineligible contracts.

1.3 Procurement Exclusions

4. There are no potential high-value contracts identified under the Program at this moment. The proposed Program is not expected to finance any contract at or above prevailing Operations Procurement Review Committee (OPRC) thresholds, which at the time of the assessment were at minimum US\$75 million for goods, information technology and non-consulting services and US\$30 million for consulting services.

2. Scope

5. The scope of the proposed Project will be to support a subset of Government Programs from 2019 to 2023, clustered around two results areas under a PforR Operation (US\$300 million) and a Technical Assistance Operation (US\$40.1 million), that would use the IPF instrument. The total cost of the activities under the Project is estimated at about US\$1.133 billion, of which US\$341 million would be financed through a Bank loan.

6. The PforR's operating and investment budget totals US\$1.093 billion, out of which US\$300 million (27.44%) will be funded by the Bank. The scope of the PforR Program supports two Results Areas selected as priorities by the Ministry of Education, Culture, Science and Technology's (*Ministerio de Educación,*

Cultura, Ciencia y Tecnología, MECCyT) to foster access and completion at the secondary and higher education levels and to strengthen the student, teacher and institutional evaluation systems in the education sector. To reach these objectives, MECCyT is implementing two programs, which together conform the PforR Program: (i) the PROGRESAR Scholarship program for 18 to 24-year-olds; and (ii) the APRENDER student learning assessment system and the ENSEÑAR teacher training evaluation for recent graduates.

7. Results Area 1. PROGRESAR¹ Scholarships (IBRD: US\$290 million, Total: US\$1,080 million). This Results Area would finance the provision of education scholarships to beneficiaries, reimbursing approximately 23 percent of the total program spending over the proposed Project duration.

8. Results Area 2. Supporting the implementation of the national standardized student learning assessment APRENDER,² the teacher evaluation ENSEÑAR³ and the evaluation required to students applying to scholarships for teacher training (IBRD: US\$10 million, Total: US\$13.0 million). The Operation would support the annual census-based evaluations for the period 2020-2023. This Results Area also includes the evaluation of teachers-to-be in their last year, before graduation (through the ENSEÑAR evaluation; optative for teachers, and that has already been conducted once in 2017).

9. The main implementing agency of the Project would be the MECCyT, through its National Directorate for Educational Scholarships (*Dirección Nacional de Becas Educativas*, DNB), under the MECCyT. This Directorate would be responsible for coordination of the Project, for fiduciary aspects (including operational and procurement plans), technical and operational decision-making, and for M&E. Within the MECCyT, Project activities would be carried out by three separate technical units, as follows: (i) the Secretariat for Educational Management (*Secretaría de Gestión Educativa*, SGE) would be responsible for all activities related to ASISTIRÉ; (ii) the DNB would be responsible for implementation of activities related to the PROGRESAR scholarships; and (iii) the Secretariat of Education Evaluation

¹ PROGRESAR was established in 2014 as subsidy transfer to foster access and completion at all education levels for students aged 18-24 that belonged to the poorest households. The program was managed by the National Administration of Social Security (*Administración Nacional de la Seguridad Social*, ANSES) and was conceived as a continuation of the AUH, which covers up to 17-year-olds. 80 percent of the monthly transfer was contingent on age and income, and 20 percent on regular attendance to a public education institution at any level. By 2017, the program reached 1 million beneficiaries, but monitoring of eligibility and attendance was carried out poorly. In 2018, the program was transferred to the MECCyT and was modified from a transfer to a scholarship program - PROGRESAR Scholarships- and significant improvements of the program have been introduced over the last two years. The main objectives of these changes were to align benefits with education outcomes, to promote more inclusion and merit-based benefits, and to close the gap between education and labor markets by promoting strategic careers in higher education. The program offers four types of scholarships that focus on i) overaged students completing primary and/or secondary education; and ii) students accessing and completing higher education.

² APRENDER was established in 2016, together with the SEE, to obtain and to disseminate timely and quality information to better understand student learning, via a census-based standardized student learning assessment for primary (6th/7th grade) and secondary students (grade 5th/6th) to : (i) measure trends in the quality of education over time; (ii) use the information to design strategies focused on improving quality; and (iii) share the results with provincial authorities, school principals, and the public to report on performance. The results are reported at the national, provincial and school levels and the SEE has actively adopted several strategies for the widespread dissemination of the results of APRENDER. They have done that both through a password-access online platform that provides each school with a tailored report analyzing the results in comparative perspective, and through an open online platform that allows for basic statistical analysis, disaggregated to the provincial level. Since 2016 APRENDER has increased coverage of schools (from 88 to 95 percent) and of students within those schools (71 to 78.7 percent).

³ ENSEÑAR is an evaluation system for teacher training institutes. In 2017, the SEE launched ENSEÑAR to assess teacher training institutes' quality through a student content knowledge assessment and a toolkit for self-institutional assessment. The SEE plans to improve the tools to assess the teacher training institutes and generate reports based on the findings from ENSEÑAR, including strategies for improvement, to advise teacher training institutes and to advance towards a quality accreditation process based on relevant international experiences.

(*Secretaría de Evaluación Educativa, SEE*) would carry out the APRENDER assessment and all other evaluations and/or assessments under the Project. The DNB would coordinate and oversee Project activities among these technical units to ensure proper implementation and would be the Bank's main technical counterpart. The Ministry of Finance (*Ministerio de Hacienda, MH*) would be the other Project executor, with clear roles and responsibilities, differentiated between the MECCyT and MH.

10. Pursuant to the World Bank's (Bank) Policy and Directive for Program for Results Financing, the Bank's fiduciary team, comprising FM and procurement specialists, conducted an integrated Fiduciary Systems Assessment (FSA) of the Federal fiduciary systems and entities involved in the Program. The overall objective of the FSA was to determine whether the fiduciary systems of the Program provide reasonable assurance that the Program financing proceeds will be used with due attention to the principles of economy, efficiency, effectiveness, transparency and accountability.

3. Review of the Public Financial Management Cycle

3.1 Planning and Budgeting

3.1.1 Adequacy of Budgets

11. The Project will follow the Federal budget cycle and process. The formal budget process in Argentina consists of four stages. The first stage entails the formulation of the Executive's budget proposal, and the second involves the congressional discussion of the proposal and approval of the budget law. In the third stage, the proposal is implemented, and in the fourth, the execution of the budget is evaluated and controlled.

12. In a nutshell, during the formulation stage, medium-term ceilings on budget aggregates and ministry/agency expenditures will be proposed by the National Budget Office (*Oficina Nacional de Presupuesto, ONP*) and approved by the Head of the Cabinet, and the ministries/agencies will then prepare their preliminary draft budgets on that basis. The MECCyT's, budget unit acts as the focal point for preparation of the budget documentation to be sent for ONP review. Consequently, there is due process between the implementing agency and the ONP for negotiating the annual budget. The MECCyT's detailed planning and budgeting activities encompass the following: (a) planning and providing assistance to the various budget sector units; (b) analysis and adjustment of proposed programs with priorities and budget availabilities, and (c) consolidation and preparation of the final budget documentation. Staff are familiar with the budget cycle and respective rules and regulations. The ONP, the ruling authority of the budget process, then evaluates the *anteproyectos* (preliminary projects) prepared by the ministries/agencies and puts together the aggregate proposal. The budget is prepared using institutional, program, functional, source of financing, and economic classifications, amongst others.

13. The Executive must submit the annual budget⁴ to the National Congress for its approval before September 15, when the approval stage begins. The National Congress then evaluates the proposal through the *Comisión de Presupuesto y Hacienda* (Budget Committee) of both chambers and can summon members of the Executive to discuss the issues it finds relevant. The National Congress is empowered to

⁴ Argentina's score of 50 on the 2017 Open Budget Index is lower than its score in 2015 as Argentina has decreased the availability of budget information by reducing the information provided in the Executive's Budget Proposal and has failed to make progress in producing and publishing a Mid-Year Review or Citizens Budget online in a timely manner and publishing a Pre-Budget Statement that only contains minimal budget information. Argentina's score of 13 out of 100, indicates that it also provides few opportunities for the public to engage in the budget process. This is higher than the global average score of 12.

approve or reject the budget proposal, to introduce modifications, and to remove articles. After the National Congress approves the budget, the Executive can introduce line item vetoes.

14. During the next stage, the implementation stage, the Executive distributes the expenditure authorizations among the line ministries and introduces modifications. The ONP prepares quarterly Physical and Financial Monitoring Reports of the National Administration, as required by the Financial Administration Law (LAF) of 1992, revised in 2006. The legislature provides adequate oversight during the planning stage of the budget cycle, but only weak oversight during the implementation stage of the budget cycle, as the legislature is not consulted prior to the government shifting funds between administrative units⁵ specified in the Enacted Budget, spending unanticipated revenue, or reducing spending due to revenue shortfalls.

15. Budget execution is recorded in the Federal Government's Integrated Financial Management Information System (*Sistema Integrado de Información Financiera, or e-SIDIF*) which began operations in 1993. It has been improved in phases, and now provides capabilities for modern treasury management, including features to record and control commitments, process payments, account for cash and accrual transactions, and prepare financial statements. e-SIDIF is used by all Central government budget entities. e-SIDIF is also linked to the Debt Management and Information System (SIGADE). The MH which manages e-SIDIF, controls and verifies budget execution. e-SIDIF uses comprehensive expenditure classifications where expenditures can be classified and reported by institution, category, financing source, economic use, programs, and function. e-SIDIF also has modern Business Intelligence tools for the manipulation of data and generation of custom reports. Greater flexibility/disaggregation in the Chart of Accounts has also resulted in an improvement in the automatic registration of transactions and facilitated comparisons of accounting to budget data, with the system capable of recording multi-currency accounting entries. e-SIDIF also has an automated bank reconciliation, that facilitates the task of reconciling information between bank statements and the accounting records, to guarantee the reliability, accuracy and completeness of the accounting records. Integrations between the e-SIDIF system and the transversal systems ComprAR, ContrarAR, LOYS, GAT has also contributed to greater transparency.

16. During the final stage, the evaluation and control stage, the National Congress—through the Government Supreme Audit Institution (*Auditoría General de la Nación, AGN*)—performs ex post controls regarding budget implementation and must evaluate and approve the *Cuenta de Inversión* (the annual budget execution report and financial statements elaborated by the Executive). The AGN provides adequate budget oversight. Under the law, it has full discretion to undertake audits as it sees fit. Moreover, the head of the institution is appointed by the legislature and cannot be removed without legislative approval, which bolsters its independence. Finally, the AGN is provided with sufficient resources to fulfill its mandate.

17. In addition, Argentina did not have a functioning Independent Fiscal Institution (IFI) before December 21, 2016, when the *Oficina de Presupuesto del Congreso* (Congressional Budget Office, CBO) was created by Law 27.343 as an important source of independent, nonpartisan budget information. As part of the IMF Stand-by-Arrangement (SBA), the Argentine government has undertaken to adequately resource and staff the CBO, so that it can effectively: (i) evaluate budgetary and macroeconomic forecasts (including those contained in the annual budget and mid-year budget report); (ii) provide independent costing to the National Congress of new policy initiatives; and (iii) assess the government's fiscal plans,

⁵ This risk will be monitored during supervision missions, to ensure there is adequate budget allocated to implement the Program.

including the annual budget. There would also be a comprehensive examination of the CBO's design features to ensure that it is fully able to achieve the government's desired objectives.

18. All the Program (and Project) budgeting transactions will be processed through e-SIDIF (and UEPEX) by the respective executing agencies.

19. Review of the budget structure and classification-Program Budget Composition by Program/Activity and Expenditure Categories

Component 1: Support Key Government Programs (PforR)													
		FY 2019						FY2020-2023		FY2019-2023		FY2019-2023	
Detailed Budget Line	Category of Expenditure based on Economic Classification	Results Area 1: PROGRESAR Scholarships			Results Area 2: National Student and Teacher Evaluation Systems			Total Year 1 (FY19 Budget) - ARS	Total Year 1 (FY19 Budget) - USD	Total Years 2,3,4,5 (Estimated ARS)	Total Duration of Program (Estimated ARS)	Total Duration of Program (Estimated USD)	
		Results Area #1 "Organización de Becas Educativas- PROGRESAR" Programa 49 - Actividad 40	Results Area #1 "Organización de Becas Compromiso Docente" Programa 49 - Actividad 43	Results Area #1 "Organización de Becas Socioeducativas" Programa 49 - Actividad 02	Results Area #2 "APRENDER Y ENSEÑAR "Evaluación Educativa" Programa 32 - Actividad 3	Results Area #2 "APRENDER Y ENSEÑAR "Acciones Complementarias para el Fortalecimiento de la Evaluación Educativa- PROMER II "							
49.0.0.40.3.4.11.5.1.3	Transfers Grants / Transferencias al Sector Privado para Financiar Gastos Corrientes - Becas	\$ 9,480,616,767.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,480,616,767.00	USD 232,653,172.20	\$ 33,203,100,000.17	\$ 42,683,716,767.17	USD 1,047,453,172.20	
49.0.0.43.3.4.11.5.1.3	Transfers Grants / Transferencias al Sector Privado para Financiar Gastos Corrientes - Becas	\$ -	\$ 300,000,002.00	\$ -	\$ -	\$ -	\$ -	\$ 300,000,002.00	USD 7,346,827.80	\$ 1,026,900,000.01	\$ 1,326,900,002.01	USD 32,546,827.80	
32.0.0.3.3.4.11.1.1.1	Gastos en Personal - Personal Permanente - Retribución del cargo	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 13,831,977.00	\$ 13,831,977.00	USD 339,435.02	
32.0.0.3.3.4.11.1.1.3	Gastos en Personal -Personal Permanente - Retribuciones que no hacen al cargo	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 7,858,686.00	\$ 7,858,686.00	USD 192,851.19	
32.0.0.3.3.4.11.1.1.4	Gastos en Personal -Personal Permanente - Sueldo Anual Complementario	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 1,807,555.00	\$ 1,807,555.00	USD 44,357.18	
32.0.0.3.3.4.11.1.1.6	Gastos en Personal -Personal Permanente - Contribuciones Patronales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 5,874,553.00	\$ 5,874,553.00	USD 144,160.81	
32.0.0.3.3.4.11.1.3.1	Gastos en Personal - Servicios Extraordinarios - Retribuciones extraordinarias	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 525,907.00	\$ 525,907.00	USD 12,905.69	
32.0.0.3.3.4.11.1.3.2	Gastos en Personal - Servicios Extraordinarios - Sueldo Anual Complementario	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 43,825.00	\$ 43,825.00	USD 1,075.46	
32.0.0.3.3.4.11.1.3.3	Gastos en Personal - Servicios Extraordinarios - Contribuciones Patronales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 139,584.00	\$ 139,584.00	USD 3,425.37	
32.0.0.3.3.4.11.1.8.1	Gastos en Personal - Personal Contratado - Retribuciones por Contrato	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 5,139,279.00	\$ 5,139,279.00	USD 126,117.28	
32.0.0.3.3.4.11.1.8.2	Gastos en Personal - Personal Contratado - Adicionales al Contrato	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	USD 0.00	\$ 1,597,265.00	\$ 1,597,265.00	USD 39,196.69	
32.0.0.3.3.4.11.1.8.3	Gastos en Personal - Personal Contratado - Sueldo Anual Complementario	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 561,379	\$ 561,379	\$ 13,776	
32.0.0.3.3.4.11.1.8.5	Gastos en Personal - Personal Contratado - Contribuciones Patronales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,824,479	\$ 1,824,479	\$ 44,772	
32.0.0.3.3.4.11.2	Bienes de Consumo	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,821,896	\$ 1,821,896	\$ 44,709	
32.0.0.3.3.4.11.3.1	Servicios Básicos	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,360,000	\$ 20,360,000	\$ 499,632	
32.0.0.3.3.4.11.3.4	Servicios Técnicos y Profesionales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,734,375	\$ 338,734,375	\$ 8,312,500	
32.0.0.3.3.4.11.3.5	Servicios Comerciales y Financieros	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,863,615	\$ 60,863,615	\$ 1,493,586	
32.0.0.3.3.4.11.3.7	Pasajes y viáticos	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,501,250	\$ 5,501,250	\$ 135,000	
32.0.0.3.3.4.11.3.9	Otros Servicios	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,511,250	\$ 49,511,250	\$ 1,215,000	
32.0.0.3.3.4.11.4.3.6	Equipos para computación	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,753,125	\$ 13,753,125	\$ 337,500	
Total		\$ 9,480,616,767	\$ 300,000,002	\$ -	\$ -	\$ -	\$ -	\$ 9,780,616,769	\$ 240,000,000	\$ 34,759,750,000	\$ 44,540,366,769	\$ 1,093,000,000	

Adherence of the budgeted Program expenditure and its execution to the Government's priorities-

Budget vis-à-vis Actual Expenditures, 2016-18-Results Area #1-PROGRESAR

	FY 16	FY 17	FY 18
Actual Expenditure (million AR\$)	7,780	8,156	9,978
Original Budget (million AR\$)	8,196	8,758	9,998
Budget Outturn	94.9%	93.1%	99.7%

Budget vis-à-vis Actual Expenditures, 2016-18-Results Area #2-APRENDER and ENSEÑAR

	FY 16	FY 17	FY 18
Actual Expenditure (million AR\$)	232	294	258
Original Budget (million AR\$)	292	367	388
Budget Outturn	79.4%	80.1%	66.4%

20. Assessment of the Program's financial sustainability and funding predictability-The Program's budget is realistic, prepared with due regard to the Argentina's Government's policy, and implemented in an orderly and predictable manner. There is a reasonable expectation that the required resources will be appropriated in the financial years when required.

3.1.2 Procurement Planning

21. Project Implementation Unit should gather procurement requirements from the different programs - according to annual budget allocation - and provide all necessary information to MECCyT's *Dirección de Contrataciones* (Procurement Unit) - depending on the *Dirección General de Administración y Gestión Financiera* - to elaborate Annual Procurement Plans. Office of National Procurement ("*Oficina Nacional de Contrataciones*") centralize Annual's Procurement Plans and post it in its web site or in the Electronic Procurement System named "*Comprar.ar*". At the moment, there are advances in procurement planning with estimated costs and procurement methods for the activities financed by the Program. However, there are no advances in planned dates. The detail of planning is a list of demand for goods, non-consulting and consulting services prepared by the implementing unit. This list is prepared based on the five-year plan, but the level of detail does not get into planned dates.

22. The national framework of regulations is solid and transparent and is familiar to both public officials and the private sector. Decrees N° 1.023/2001 and N° 130/2016 are the main legal texts regulating procurement in the country, they contain the set of rules of the National Procurement System ("*Régimen de Contrataciones de la Administración Nacional*"), and regulates procurement of goods, works and services.

23. The procurement framework does not distinguish between goods, non-consulting services and consulting services. The same rules apply to all. However, it is important to note that according to the

specific characteristics, the nature and complexity of the specific goods or services, the selection criteria may mainly consider non-economic factors, such as technical, scientific, artistic or other capacities.

24. Open competitive bidding is the default procurement method, as defined by Article 10 of Decree N° 130/2016. All procurement opportunities are advertised regardless of estimated cost are published at “Compr.ar” or at Office of National Procurement free-access web site and official gazette.

3.1.3 Procurement Profile of the Program

25. Procurement under the Program involves goods, consulting services, and non-consulting services:

- i. Information technology equipment for trainings;
- ii. Individual consultants;
- iii. Consulting services to improve the school reports to increase salience and usage of the reports by school principals (*‘Operativo APRENDER’* audiovisuals design; database and software development);
- iv. Non-consulting services: data processing; design, printing and distribution of publications and materials

26. These goods, consulting services and non-consulting services are not expected to have a significant adverse impact on the environment and/or affected people, as defined in the Policy and Directive on Program for Results Financing, and the resulting contracts are below the OPRC thresholds (substantial risk activities). During the implementation, the Bank will screen Program execution to ensure compliance with the PforR policy requirements.

27. Procurement is the responsibility of the MECCyT, specifically the *Dirección de Contrataciones* (Procurement Unit) - depending on the *Dirección General de Administración y Gestión Financiera* - which implements the competitive bidding processes for the Program. Its activities include preparing and issuing bidding documents, responding to bidders’ questions, and reviewing the bid evaluation reports.

28. At MECCyT, the DNB would coordinate and oversee Project activities among technical units to ensure proper implementation and would be the Bank’s main technical counterpart. The SGE would be responsible for all activities related to ASISTIRÉ; the DNB would be responsible for implementation of activities related to the PROGRESAR scholarships; and (iii) the SEE would carry out activities related to APRENDER assessment and all other evaluations and/or assessments under the Project.

3.1.4 Procurement Performance

29. In 2015 there were a total of 6 processes with a total amount of approximately US\$ 45 million (5 *Licitaciones Públicas* and 1 *Licitación Privada*) for procurement of Goods - with an average of 6.3 bids received; in the case of Non-consulting services there were 4 processes (*Licitaciones Públicas* and *Privadas*) –total amount US\$400,000, with an average of 2.75 bids received. The average evaluation period for all processes was of 46.8 days considering all processes.

30. In 2016 there were a total of 5 processes for procurement of Goods: 2 *Licitaciones Públicas* and 2 *Licitaciones Privadas*, the average number of bids received was 4.75; and 1 *Contratación directa*. The total amount was US\$556,000. For Non-consulting services there were only 2 processes (1 *Licitación Privada* and 1 *Contratación Directa*) - approximately US\$55,500-, the number of bids received in the competitive bidding was 3. The average evaluation period for all processes was of 35.5 days.

31. In 2017 there were a total of 8 processes (3 *Licitaciones Públicas* and 1 *Licitación Privada* / 4 *Contrataciones Directas*) for procurement of Goods – US\$9.6 million. The average number of bids received in competitive biddings was 8.5. For Consulting Services were 2 *Contrataciones Directas* for a total amount of US\$115,660. For Non-consulting services in a total 8 processes (6 *Licitaciones Privadas* and 2 *Contrataciones Directas*) – US\$12.5 million- the average number of bids received in competitive biddings was 3.6. The evaluation of bids for all processes took an average of 28 days.

32. In 2018 there were a total of 8 processes for procurement of Goods: 4 *Licitaciones Públicas* and 1 *Licitación Privada*, and 3 *Contrataciones Directas*, the average number of bids received in competitive biddings was 8. The total amount for goods was US\$ 564.300. In procurement of Consulting Services for the same period (3 *Concursos Públicos* and 2 *Contrataciones Directas*; total amount US\$1,925,600) the average number of bids received in competitive biddings was low, 1.75 bids. For Non-consulting services were 12 processes (7 *Licitaciones Públicas*, 1 *Concurso Público* and 4 *Contrataciones Directas*), total amount US\$10,753,900. In competitive biddings, the average number of bids received was 2.6. The average evaluation period for all processes was of 51 days.

33. The technical sectors within the MECCyT are responsible for steps in the process, including securing budget allocation, preparing TOR or technical specifications and cost estimates, providing technical opinions during bid evaluations, managing contracts, receiving goods and services, and paying suppliers and consultants.

3.2 Budget Execution

3.2.1 Treasury Management and Funds Flow

34. There are adequate arrangements for transferring Program funding from the MH to the MECCyT, to ensure funds are made available in line with implementation plans and that funds are made available in an orderly and predictable manner as further described below.

35. *The flow of funds* for the separate Programs, will be as follows:

PROGRESAR

PROGESAR Scholarships benefits are paid for 10 months (between March and December). The beneficiaries of the compulsory level and the first year of higher education, receive 80% of the amount of the scholarship. The remaining 20% is retained and will be paid the following year, once the compliance with the requirements established in Decree No. 90/2018 is certified.

Pre-payment

MECCyT maintains the database of eligible beneficiaries. Every month, it carries out the pre-payment process, by which the list of beneficiaries is generated for the respective payment period and a file is prepared in TXT format, with the personal data of the beneficiaries, the payment period and the amounts to be paid.

The said information is then sent to the National Social Security Agency (*Administración Nacional de la Seguridad Social*, ANSES) through an internal note, accompanied by the file in TXT format. Once this information is received, ANSES carries out certain validations: if it is a valid registration, if the individual

tax identification number (CUIL) exists or does not exist and if the person is deceased according to data from the People Data Administration (ADP). ANSES then updates its own PROGRESAR eligible beneficiaries' database (called Z2-PROGRESAR 2) based on the information sent by MECCyT.

Once these validations have been carried out, ANSES generates a payment file, and assigns a payment method for any first-time beneficiary. The assignment is made according to the address registered in ANSES. The possible payment options (i.e. payment agents) are: Banks (*Banco de la Nación* or others), Argentine Mail (*Correo Argentino*) *Parajes Rurales* o PIM (virtual transfer via cellphone). The non-bank payment mechanisms apply, in those cases in which, due to their geographical location, the beneficiary does not have a bank branch to which he/she can easily access.

ANSES then sends the completed payment file to its Payments Department, to perform the preliminary calculation of bank commissions/charges and informs MECCyT of the amount to be settled. This includes the amounts to be paid to the beneficiaries and the corresponding bank commissions.

Payment

MECCyT then makes any permanent updates to its database and formalizes the payment instruction with the sending of a note to the General Directorate of Administration (DGA). This generates an entry in e-SIDIF, for the MH to make the budget allocation and to release the funds to a specific account held at the *Banco de la Nación* (Account No. 3793/42 used for the PROGRESAR Scholarship Program). From this account, funds are then transferred to ANSES's account at the Central Bank of Argentina (BCRA). ANSES uses this account at the BCRA to make the payments to the beneficiaries via the payment agents' network. With a second note, MECCyT then sends the updated payment file to the Benefit Payment Department, in charge of recording the payment to the beneficiaries.

The monthly payment operation lasts approximately 40 days. In many cases, the funds are credited to the beneficiaries' specific bank accounts on day 1 of the payment operation. However, given that there are situations in which there is no direct crediting of the funds, the paying institution keeps the funds to be paid to the beneficiary, once the beneficiary formally identifies himself/herself.

Post-Payment

Once this 40-day period has expired, the monthly payment operation is considered closed. Payment agents must account for the funds received from ANSES, via the BCRA. To this end, they must present a file of payments made to beneficiaries and payments not claimed by the beneficiaries, together with a note, which has the character of a sworn statement. They must return/refund the unpaid amounts to the BCRA account from which they received the initial transfer. At that time, the BCRA checks that the required payment agents, have submitted their renditions, including information relating to the benefits paid, the commissions paid, the unpaid amounts and the commissions not paid. This process of rendition to the BCRA can take up to 10 business days, with the term being slightly longer in the case of *Correo Argentino*. The BCRA then consolidates the information received by the payment agents and sends the information to ANSES.

ANSES then performs a review of the information on the results of the payment process. Based on this information, an electronic file is generated, and a final report is sent to the MECCyT, where the summary data of the payment process is highlighted, accompanied by an annexed detailed table. Finally, ANSES instructs its Finance Area to approve the refund/return of unclaimed amounts, from which the Accounting

Area then generates a Payment Order, to transfer the funds to an account at the *Banco de la Nación* (Account No 4982/45 designated for the effective return/refund of funds).

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The flow of funds will follow the normal/standard process. Payments are made in line with approved budget authorizations and limits. Payments under the two Programs can be made either, from an account controlled by the MH on the MECCyT's behalf, for payments that exceed the amount of AR\$500,000.00 each; or in cases where the payments are below this threshold, the MECCyT makes the payments from an account under its' own control. In this latter case, the MH transfers funds to the MECCyT's account every quarter, based on forecasts provided by the MECCyT.

The Federal Government uses a Single Treasury Account (STA). Treasury balances are calculated and consolidated on every business day. In 2017 the list of Financial Institutions that operate as Payment Agents of the System was expanded, incorporating 3 new banks, currently operating with a total of 38 banking entities. The deployment of the modules linked to Treasury management reached 105 organisms, representing 87.50 percent of the total.

36. Disbursement of Bank loan proceeds will be made at the request of the Borrower upon achievement of Disbursement-Linked Indicators (DLIs). Some DLIs (see DLI matrix) are scalable, thus allowing for disbursements to be proportional to the progress towards achieving the targeted DLI value. Other DLIs are not scalable, as the indicators relate to actions that are either achieved or not.

37. Verification protocols- Verification of the Prior-Results DLIs will be undertaken by individual consultants. The Borrower will then either, contract a consulting firm (to be paid from the proceeds of the IPF Operation) or a government agency (AGN or SIGEN for example), that has the capacity to provide independent verification for the remaining DLIs, to ensure credible verification of the achievement of the DLIs. The Verification Agents selected, will need to be acceptable to the Bank, and will thus be assessed by the Bank, to ensure it/they, has/have the necessary independence, experience and capacity of ensuring credible verification.

38. The MECCyT will prepare technical reports to document the status of achievement of DLIs. The technical reports will be verified by the IVA, appointed by the MECCyT, as per TOR agreed with the Bank. On validation of DLIs by an IVA, the MECCyT will communicate the achievement of DLIs and corresponding DLI values to the MH.

39. Results achievement notification-MH will notify the Bank of DLI achievement, supported by the relevant evidence and documentation. Following the Bank's review of the complete documentation, including any additional information considered necessary to confirm the achievement of the DLI results, the Bank will confirm the achievement of the DLI(s) and the level of Program financing proceeds available for disbursement against each DLI.

40. *Disbursement requests* (Withdrawal Applications) will be submitted to the Bank by the MH using the Bank's e-disbursement (Client Connection) system. A copy of the Bank's official communication, confirming the DLI achievement, should be attached to the disbursement requests.

41. Under the PforR Operation, funds will be disbursed from the Bank to the Borrower, in U.S. dollars into an account indicated by the Borrower and acceptable to the Bank, based on the achieved DLIs. An

amount of US\$70 million of the PforR operation will be disbursed on account of the DLIs met by the Borrower between the date of the Program Concept Review and the date of the Legal Agreement (Prior Results). The Operation does not intend to use the functionality of PforR Advances.

42. The Bank may decide, without formally extending the Closing Date, to disburse or approve the use of proceeds of the loan for Withdrawal Applications received within six months after the Closing Date for DLIs achieved by the Borrower before the Closing Date. Upon the Borrower's request, the Bank may decide to extend the period for receipt of such Withdrawal Applications.

43. The General Conditions state, that if after the Closing Date the Borrower fails to provide the Bank evidence satisfactory to the Bank that the withdrawn loan balance does not exceed the total amount of Program Expenditures (payments made on or after the Signing Date but before the Closing Date), the Borrower shall, upon notice from the Bank, promptly refund to the Bank such excess amount of withdrawn balances.⁶

3.2.2 Accounting and Financial Reporting

44. The *Cuenta de Inversión*, essentially the Federal Government's annual financial statements, are prepared by the National Accounting Office (*Contaduría General de la Nación*, CGN) following national financial reporting and accounting standards (cash transitioning to accrual⁷) in accordance with the requirements of Law No. 24.156 of 1992, and complementary regulations. The annual financial statements cover the central government, including social insurance funds. The AGN, which reports to the National Congress, audits the financial statements. The last accounts audited by AGN were those of 2016. The last accounts approved by the National Congress were those of 2013 (approved in October 2015). The Law No. 24.156 of 1992, also empowers the CGN to set public sector accounting standards. IPSAS have not been adopted, but CGN has begun to develop public sector accounting standards that are harmonized with accrual basis IPSAS – although there is no clear timeframe for doing so. There are written policies and procedures covering all routine accounting and related administrative activities and only authorized entities and persons, may change or establish new accounting principles, policies or procedures.

45. In addition to recording the Project's transactions in e-SIDIF, the Federal Government system specially designed for the execution of multilateral finance operations, the System of Financial Administration and Control for Agencies Executing Foreign Loans (*Sistema de Administración y Control Financiero para las Unidades Ejecutoras de Prestamos Externos*, UEPEX) will be utilized to maintain the Program's accounts, using information extracted from e-SIDIF. UEPEX provides a good ex-ante internal control framework and it is considered adequate for accounting purposes. The cash basis of accounting will be used to record the Program's transactions. UEPEX can produce financial reports and accounting and financial staff are adequately trained to use and maintain the system.

46. The e-SIDIF/UEPEX systems will be used, to generate the PforR Operation and IPF Operation annual financial statements using the cash basis, both in the currency of Argentina (Argentinian Peso-AR\$) and in United States Dollars (US\$). The MH will prepare the semesterly IFRs relating to the PforR Operation with the MECCyT responsible for the preparation of the IFR's relating to the IPF Operation. The MH will

⁶ Alternatively, in the last year of the Program, the MH in coordination with the Bank, may reconcile the audited Program Expenditure with the DLI amounts disbursed by the Bank to date, and any shortfall in the Program expenditure in relation to DLI disbursement, could be adjusted from the final DLI claim.

⁷ As per IFAC's International Public Sector Financial Accountability Index.

then submit these two different formatted IFR's, no later than 45 days after the end of each reporting period. At the end of each fiscal year, the MH will prepare the annual financial statements for the PforR Operation that will be audited. The final semester PforR Operation IFRs with accompanying notes, will serve as the PforR Operations annual financial statements. At the end of each fiscal year, the MECCyT will prepare the annual financial statements for the IPF Operation that will be audited. The final semester IPF Operation IFRs with accompanying notes, will serve as the IPF Operations annual financial statements. The MECCyT will be responsible for liaising/coordinating (and, if required, contracting) with the financial statement auditors, the audit of the PforR Operation's annual financial statements and the IPF Operation's annual financial statements, but the submission of a single combined audit report (covering both Operations) to the Bank within 6 months after the end of each fiscal year will fall under the responsibility of the MH.

3.2.3 Procurement Processes and Procedures

47. Decree N° 1.023/2001 is the main legal text regulating procurement in the country, contains the set of rules of the National Procurement System (*"Régimen de Contrataciones de la Administración Nacional"*), and regulates procurement of goods, works and services. It is important to note that according to the specific characteristics, the nature and complexity of the specific goods or services, the selection criteria may mainly consider non-economic factors, such as technical, scientific, artistic or other capacities. In these cases, procurement shall be carried out in a multiple stage process, where the quality of the bid and the cost of the goods or services in the selection of the successful bidder is taken into account. Equally important to note is the fact that there are several legal texts regulating different aspects of procurement.

48. Through Decree N° 1030/2016, Decree's N° 1.023/2001 regulation was approved (*"Reglamento del Régimen de Contrataciones de la Administración Nacional"*), in order to promote technological development, incorporate information and communication technologies, simplify procedures with the objective of facilitate and speed up interaction between National Administration and citizens, improve efficiency, quality and sustainability, fight against corruption and promote ethics and transparency. The regulation applies to procurement of goods, consulting services and non-consulting services, excluding works.

49. *Disposición 63 - E/2016* set up the standard bidding document (*"Pliego Único de Bases y Condiciones Generales"*) and the special condition's bidding document (*"Pliego de Condiciones y Bases Particulares"*) minimum requirements, inter alia, technical specifications, special clauses, estimated contract duration, bid's validity period and currency and evaluation criteria.

50. The provisions in the legal framework and procedures are based on clear and mandatory rules, and as the rest of procurement's legal framework it is available and freely accessible by the public at Office of National Procurement web site www.argentinacompra.gov.ar.

51. National procurement is executed through the Electronic Procurement System named *"Compr.ar"* www.comprar.gov.ar. The system was launched in 2016, it allows to manage national public procurement via internet and enables to monitor procedure's progress in real time. Through the system, central's administration business needs are made publicly available, firms or individuals who wish to participate are able to submit their bids, and anyone who wishes to be informed is able to access to detailed procurement's processes information (bidding opportunities and documents, amendments, bid opening records, evaluation reports, complaints, contracts award or other outcomes of the procurement process, contracts and purchase order, contract's amendments and termination).

52. Procurement Methods.

Open competitive bidding. It's the default procurement method and provides all bidders an equal opportunity to bid. There are two types of open competitive bidding: a) "*licitación pública*", in case the selection criteria mainly consider economic factors; and "*concurso público*", the selection criteria mainly consider non-economic factors, such as technical, scientific, artistic or other capacities.

Limited competitive bidding. bidders are required to be registered in the Supplier's Information System ("*Sistema de Información de Proveedores*") as a condition for submitting bids, and contract estimated cost is not above AR\$ 8 million (USD 2 million equivalent). As in the case of "open competitive bidding" there are also two types of limited competitive bidding: a) "*licitación privada*", in case selection criterion mainly considers economic factors; and "*concurso privado*", in case selection criterion mainly considers non-economic factors, such as technical, scientific, artistic or other capacities.

National / International approach. Considering market approach options, in national biddings ("*licitaciones*" and "*concursos nacionales*") only those bidders with legal address in the country, or their headquarters is located in the country, or have a local office properly registered are eligible for submitting bids; and in international biddings ("*licitaciones*" and "*concursos internacionales*") bidders whose headquarters is located abroad and do not have a local office properly registered in the country, and those eligible for national biddings are eligible for submitting bids.

Single stage. *Licitaciones* or *concursos públicos* or *privados* shall be a single stage process when evaluation of bids and bidder's capacities are carried out in the same stage.

Multiple Stage process. The procurement framework does not distinguish between goods, non-consulting services and consulting services. The same rules apply to all, but according to the specific characteristics, the nature and complexity of the specific goods or services, a *Licitación* or *Concurso* (open or limited) shall be held in a multiple stage process, where the quality of the bid and the cost of the goods or services in the selection of the successful bidder is taken into account. In these cases, procurement shall be carried out in a multiple stage process. Technical and financial bids shall be submitted in separate sealed envelopes at the same time. The procurement unit shall publicly open all technical bids received by the deadline for the submission of bids at the designated place stipulated in the bidding document. Technical evaluation committee shall evaluate the bids in full conformity with the provisions and the criteria indicated in the bidding document and elaborate a pre-selection report. After the pre-selection report (technical evaluation report) is completed, pre-selected bids financial envelopes shall be opened in public. At the same time, bidder's financial envelopes whose bids did not meet the minimum qualifying technical score shall be returned unopened. The bidding document shall set the selection criteria to determine the most advantageous bid, considering two options: i) bid obtaining at least the minimum qualifying score and the lowest cost shall be awarded; or ii) bid obtaining the highest total score - obtained by weighting the quality and cost scores and adding them - shall be awarded.

Direct Selection (*Contratación Directa*) may proceed, inter alia, when according to regulations it is not possible to apply other selection method and the contract estimated cost is not above AR\$1.6 million (US\$0.4 million equivalent); to perform or purchase scientific, technical or artistic works which can be executed only by certain firm, artist or specialist; the required good or service is proprietary and obtainable only from one source and convenient substitutes are not available.

53. Procurement opportunities are advertised regardless of estimated cost at "Compr.ar" or at Office of National Procurement free-access web site. "*Licitación pública*" and "*concurso público*" are advertised in the official gazette and on "Compr.ar" website. "*Licitación privada*" and "*concurso privado*" are also

advertised on the same website and in addition, invitations are sent to at least five suppliers previously registered in the Supplier's Information System ("*Sistema de Información de Proveedores*"). Open international competitive procurement ("*licitación and concurso público internacional*") is advertised on the Office of National Procurement's website, and in UNDB on line or in the Bank's DG Market website.

54. Standard bidding documents do not indicate minimum and/or maximum thresholds in order to determine the weight of quality and cost bids for the total score. The implementing agency shall determine the technical and financial weight in the in the special conditions bidding document in a case by case basis, taking into account the complexity of the assignment and the relative importance of quality.

3.2.4 Contract Administration

55. There are controls to ensure that goods, non-consulting services and consulting services are delivered and comply with bid. Standard bidding documents and special conditions provide specific clauses regarding contract management and supplier performance. For procurement of goods samples may be requested, which are sent to the different sectors as a benchmark for verification upon delivery. For consulting services, the TOR used as technical inputs for the bidding documents provide a means of comparison with what is delivered. Quality control is performed before payment by: i) requesting area, monitors the goods or services are delivered within the stipulated time for execution of the contract; and ii) *Comisión de Recepción Definitiva* - integrated by three members who were not involved in the selection process for the contract - verifies if the goods and services comply with the technical specifications and TOR as set in the bidding document and contract.

56. When goods and services do not comply with bid technical specifications, or the consulting services do not comply with the TOR, suppliers are subject to monetary penalties and can be debarred. Contract management is performed in two stages, based on timely execution and quality control. Most of the mechanisms are related to correct supplier performance via penalties and sanctions. However, there is no formal contract management procedure so that the requesting area could prevent disputes, and if they occur, seek to resolve them amicably by mutual consultation, before following regular administrative procedures. Contract disputes are settled following administrative procedures described in Law 19.459 (*Ley de Procedimiento Administrativo*). The mechanisms are well-known to government and officials and to the private sector. For contracts that are already under implementation, a firm's first step is to file an administrative petition. Once the administrative process is finished, a lawsuit could be filed to a judicial authority.

57. The Borrower, through DNB, will collect baseline data on the performance of contract management during 2019 to monitor performance during implementation and to measure how the contract management has improved as a result of implementing the remedial actions identified in the PAP.

3.2.5 Complaint Mechanisms

58. Before the public opening of bids, firms or individual members of the public are able to submit questions and/or complaints regarding the bidding documents through Compr.ar system. Any bidder may inform to the implementing unit any fault, error or defect detected, in order to be considered during bids evaluation. After the public opening of bids, bidders are allowed to review or make copies of other bidder's bids for a two-day period. However, information provided by bidders which they have marked as confidential shall not be disclosed. During bids evaluation, information relating to the examination, clarification, evaluation, and recommendations concerning award, shall not be disclosed to bidders or other persons until the publication of the evaluation report. After the publication of the evaluation report,

anyone may complain about decisions adopted directly to the agency implementing the bidding. Any submitted complaint is solved at the contract award act. After the contract award, anyone may appeal the decisions adopted, according to the provision in Law N. 19.549 (*Ley de Procedimiento Administrativo*). Once the administrative process is finished, a lawsuit could be filed to a judicial authority. Comments, claims or complaints do not stop a procurement process. However, the implementing agency could decide to stop the process for reasons of public interest or to avoid serious damage to the individual or firm who filed de complaint.

3.2.6 Procurement Risks

59. The procurement system provides reasonable assurance that the fiduciary principles of transparency, economy, efficiency, effectiveness, and accountability will be met. It also provides an adequate mechanism to ensure fairness and guarantees the right to appeal decisions on individual bidding processes.

60. Transparency. Decree N° 1030/2016 (*“Reglamento del Régimen de Contrataciones de la Administración Nacional”*) was issued in order to promote technological development, incorporate information and communication technologies and simplify procedures and facilitate and speed up interaction between National Government and citizens. Accordingly, the Electronic Procurement System named “Compr.ar” (www.comprar.gov.ar) was launched in 2016. All competitive procurement processes are published online at Compr.ar. The system allows to manage national public procurement via internet and enables to monitor procedure’s progress in real time. National’s administration business needs are made publicly available, firms or individuals who wish to participate are able to submit their bids, and anyone who wishes to be informed is able to access to detailed procurement’s processes information. Compr.ar uses technology that guarantees neutrality, security, confidentiality and user’s identity, based on public standards that allows information backup and processes records, besides, it allows integration with other information systems.

61. Accountability. The processes and procedures supporting the implementation of procurement in Argentina assign very clear roles and responsibilities for all steps of the process. Officials (Minister, Secretary, Director, etc.) are responsible for authorizing expenditures and he or she will perform this function with the advice of specialized teams in budget and planning, procurement, bid evaluation, legal departments, financial management, etc. Each of these specialized teams is individually accountable for their specific contribution. Oversight of this operation is performed by control agencies, such as the *Auditoría Interna* and *Sindicatura General de la Nación*, which ensure compliance with legislation. For instance, the procurement system will only allow a bidding process to move forward if the required budget appropriation had been previously made in the budgetary information system. Any payment can only be made if a contract or purchase order had been duly awarded and recorded in the contract information system.

62. Fairness. The procurement legal framework in the country is solid and well known to all stakeholders. Also, there are four ways through which bidders and any citizen can voice complaints during a bidding process: before the public opening of bids, after the public opening, after the publication of the evaluation report, and after the contract award.

3.3 Internal Controls

3.3.1 Internal Controls

63. The internal control environment to be used for the Program is anchored in Argentina's legal and institutional framework. The internal controls relevant to the Program include arrangements to provide reasonable assurance that: (i) operations are conducted effectively, efficiently, and in accordance with relevant financing agreements; (ii) financial and operational reporting is reliable; (iii) applicable laws and regulations are complied with; and (iv) assets and records are safeguarded. Transactions processing will use the Federal Government's internal approval processes and systems, that provide for reasonable segregation of duties, supervision, quality control reviews and reconciliation. The processes flows appear to be well understood.

64. DNB will be responsible for overall Program coordination and implementation with the assistance of the SEE for Results Area 2 of the Program. There are specific units responsible for carrying out, managing and monitoring each of the different program variations with specific monitoring systems used for each, following detailed norms and regulations. Thus, there is adequate control over and stewardship of Program activities and funds.

65. The Program's Results Area 1 (the bulk of the Operation) is essentially a conditional cash transfer (CCT) program. CCT program's implementation experience has shown the importance of information systems that allow for efficient management of the operating cycle. Without question, CCT programs demand the intensive use of information systems to identify potential beneficiaries, determine eligibility, register new beneficiaries in the program, verify compliance with conditionalities, deliver payments, and update the list of beneficiaries. The systems for granting, monitoring compliance with eligibility criteria, and co-responsibilities for and making payment of benefits under the PROGRESAR Program were detailed, in a recently completed assessment conducted by the Inter-American Development Bank (IDB). The assessment conducted by the IDB was reviewed by the Bank and the conclusion that: (i) the systems are sufficiently robust and secure to base the rendering of accounts for the transfers; and (ii) that there are opportunities to reinforce the integrated nature of these systems, reducing the possibility of errors in the transfer of information between their respective subsystems, is concurred with. ANSES also plays a critical role in this process as a wholesale payment agent. An in-depth review of ANSES' internal controls framework was made during preparation of other Bank financed operations⁸. It was determined that the ANSES' controls are in place, are reliable and continue to operate as planned.

66. All the Project's transactions will be processed within e-SIDIF and UEPEX, that enforces strict segregation of duties, controls the preparation and approval of transactions to ensure that these transactions are properly executed and recorded (i.e. different units or persons authorize the transaction and record the transaction), and guarantees the confidentiality, integrity and availability data. The four stages in the budget execution cycle: authorization (*gasto o crédito autorizado*), commitment (*compromiso*), verification (*devengado*), and payment (*pagado*) are reflected as separate stages/control points, and thereby ensure adequate segregation of duties. e-SIDIF and UEPEX contains a series of controls, which effectively limit expenditure commitments and payments to cash availability and approved budget appropriations.

⁸ Children and Youth Protection Project (P158791) Original Loan and Additional Financing.

67. All accounting and support documents are retained on a permanent basis, using a system⁹ that allows for easy retrieval for the authorized user.

68. The Project's internal control system will be documented in a Project Operational Manual (POM) that will encompass both the PforR Operation and IPF Operation. The POM will comprise descriptions, flow charts, policies, templates and forms, user-friendly tools, tips and techniques to ensure that the approval and authorization controls continue to be adequate and are properly documented and followed with adequate safeguarding of the Project's assets. The POM should be prepared by the DNB and be approved by the Bank and be maintained/updated throughout the Projects' life.

69. The Access to Public Information Law (Ley 27.275) regulates the right of access to public information. The Law, which considers "all government-held information" to be public, was approved by the National Congress in September 2016 and entered into force in September 2017. The Law provides procedures for processing information requests, covering obligations concerning disclosure, and the duty to provide data in an open format. The law also envisages sanctions – not yet determined - for those who deny access to information and determines exceptions that normally comply with international standards of freedom of information, inter alia, national security, defense and international relations; public safety; the prevention, investigation and prosecution of criminal activities; privacy and other legitimate private interests; commercial and other economic interests, be they private or public. A new Agency for Access to Public Information was created, which will operate within the Executive branch, although "with operational autonomy," according to the law. The text is broad in terms of the list of institutions legally bound to respond to requests for access to information: besides the various branches of the state, it includes companies, political parties, trade unions, universities and any private entity to which public funds have been allocated, including public service concessionaires. The Agency was created to ensure compliance with the law. Its functions include advising people who seek public information and assisting them with their request.

70. The Code of Ethics for Public Servants of the National Executive Power was approved by Law No. 25.188 of October 26, 1999 and contains the set of rules that pertain to the conduct of public servants and includes penalties to be applied for non-compliance with these standards. The code informs the principles and duties of public servants, as well as qualities of the public servants, his/her obligations toward the well-being of the population, and the prohibitions and punishments derived from the irregular service of his/her functions that recall the fundamental principles of public administration.

71. Decrees No. 201/2017 and 202/17 are additional control and transparency and integrity mechanisms in judiciary and procurement processes to avoid officials' feasible conflicts of interest. These rules incorporate additional transparency and monitoring tools in judiciary and extra judiciary processes and in any procedure in which the government awards a contract. A special and more transparent procedure is created, in cases where firms and suppliers state they have a judiciary or extra judiciary conflict with the National Government or any relationship with the President, Vice-President, Chief of Cabinet, Ministers or any official involved in procurement processes. In both cases, every file should be advertised to allow to be checked and monitored by any citizen.

3.3.2 Internal Audit

72. The Project will be subject to internal audit by the Internal Audit Units (IAUs) of all the executing Federal agencies, as well as the General Syndicate of the Nation (*Sindicatura General de la Nación*, SIGEN),

⁹ The Federal Government has also recently implemented an Electronic Document Management System (EDM).

which is the Federal Government's Internal Audit Agency, under the jurisdiction of the executive branch. SIGEN is an integral part of the Federal Government's internal control system providing the following core services: (i) assessing the adequacy and effectiveness of the internal control system (internal audit of the executive branch); (ii) supervising and coordinating the actions of the IAUs and approving their audit plans; and (iii) compliance auditing of procurement processes and contracts.

73. SIGEN can carry out its audits, after prior notification to the organizational unit being audited; it documents its findings and reports directly and continuously to the President (executive). SIGEN has unlimited right to information within the scope of their audit mandates. They have access to all premises and facilities and are authorized to conduct talks with any member of the organizational unit being audited to clarify questions.

74. SIGEN relies heavily on the use of data and the analysis of information from the sectoral and transversal systems to perform its duties; the e-SIDIF system, e-procurement portal, electronic filing system, and the open data portal are key sources of information. The Bank is actively engaging with SIGEN to: (i) provide access to the Business Intelligence Tools that the Modernization Ministry is deploying in the Administration to better analyze existing information in the several digital platforms available to allow SIGEN to effectively produce high-quality reports; and (ii) design and implement an open government plan, to publicly disseminate SIGEN's own reports, as the internal audit reports are not easily available for public consultation on SIGEN's website.

75. SIGEN has conducted an internal audit review relating to PROGRESAR¹⁰ in 2016. There were no internal audit reviews conducted for APRENDER and ENSENAR to date. To the extent that internal (or external) audit reports become available in the future relating to any of the Programs, the status of the auditors' findings and recommendations will be followed up, during supervision missions.

3.3.3 Program Governance and Anticorruption Arrangements

76. The Borrower will use the existing country systems to take all appropriate measures to prevent fraud and corruption relating to the Program. In 1999 the *Oficina Anticorrupción* (Anti-corruption Office, OA) was created (Law No. 25.233) to promote transparency in public procurement procedures, in order to seek to ensure the correct and efficient utilization of public funds. This OA provides technical assistance, elaborates and coordinates programs to fight against corruption and intervenes in procurement processes. In addition, OA elaborates and proposes preventative policies and legal reforms regarding anti-corruption matters, to improve efficiency in corruption practices prevention, investigation and sanction. The OA shall be involved in case any irregularity in firm's documentation, member's societies, etc. is found.

77. The current administration has publicly stressed that fighting corruption is at the top of the political agenda, to re-establish trust in leaders and public institutions. Since taking office in December 2015, the current administration has moved quickly, pushing through the National Congress several bills and proposing amendments to enhance current legislation to promote transparency, fight corruption and

¹⁰*Relevamiento y análisis de los procedimientos implementados y los mecanismos de control interno imperantes en la Administración Nacional de la Seguridad Social (ANSES), relativos a la operatoria de cumplimiento de las condiciones y otorgamiento de la prestación del PROGRAMA DE RESPALDO A ESTUDIANTES ARGENTINOS (PROGRESAR)* - The main findings were a lack of coordination between ANSES and the committee's setup to oversee PROGRESAR; the lack of a dedicated unit within ANSES to administer the Program; deficiencies in verifying the eligibility and performance criteria of beneficiaries under the Program; and errors in the payment process. An objective of the IPF TA operation, is to improve the functioning of the PROGRESAR Program. These deficiencies will thus be addressed as part of the Bank's support to the Program under the IPF Operation, that will be monitored during implementation.

strengthen public integrity. New or overhauled laws have been passed or are being discussed in the areas of corporate criminal liability, access to information, ethics and integrity, plea bargain and asset recovery; and accountability mechanisms have been strengthened significantly, such as those of the OA. Notably, at the time of taking office Argentina ranked 107 out of the 175 countries in Transparency International's Corruption Perceptions Index but rose 22 places to 85 in 2018. The current corruption scandals¹¹ represent both a challenge and an opportunity for further institutional reforms.

78. The Criminal Code (Law No. 11.179) establishes responsibilities, accountabilities, and penalties for officials and citizens in relation to acts of corruption. Furthermore, Law No. 27.401 establishes criminal liabilities related to bribery, traffic of influences and illicit enrichment, inter alia, for both domestic and foreign companies, state-owned or not. The Argentine Criminal Code applies to any public officer and to any individual who engages in corrupt practices with public officers. The Argentine Criminal Code defines the offenses of domestic bribery (active, passive and improper lobbying), corruption and transnational bribery. Other national sources of legislation dealing with anti-corruption are the Ethics in Public Service Act, the National Public Employment Regulation Act, the Code of Ethics in Public Service for Public Officials of the National Executive Branch, Decree No. 1162/00 (obligations of public officials or employees of reporting crimes known in the exercise of their duties) and Decree No. 1023/01 (contracting system of the public administration). The Argentine Criminal Code prohibits government officials from receiving or accepting money or other benefits/gifts in order to do or not to do something related to their duties (active bribery); and further prohibits any individual from personally, or through an intermediary, giving or offering any gift to a public officer (passive bribery).

79. In Argentina, bribery offences, whether domestic or foreign, are Federal crimes. Investigations may be initiated by a complaint made by any person to the police, public prosecutor, or judge. Allegations of corruption could be filed at the OA either by e-mail, anonymously or with protection of identity, at the *Procuraduría de Investigaciones Administrativas* or at the government agency where the offence took place. *Mecanismo de Reporte de Alto Nivel* (MRAN) is another available channel to report irregularities and acts of corruption for bidders and officials involved in infrastructure procurement processes. MRAN is a tool promoted by the Organization for Economic Cooperation and Development (OECD) and Basel Institute on Governance for preventing corruption and ethic irregularities. The aim is to provide, from the early beginning, a trustable, specific and well-known channel to companies and other interesting parties involved in procurement processes to report red flags, in terms of ethic misbehavior and briberies.

80. Public officials who become aware of the commission of a crime while performing their duties, must report it to the authorities. Enforcement authorities are legally required to commence the investigation once becoming aware of a bribery allegation. The investigation is conducted by the investigating judge or can be delegated to a public prosecutor. The Federal procedural system grants the judge the authority to direct the proceedings, and it is this judge who may take any measures appropriate for the discovery of the truth (seizures, requests for information, raids, phone tapping, etc.). Once the investigation is completed, the judge may decide whether the matter should move to the oral trial stage, in which case a separate judge or judicial panel conducts the trial until its completion. There is thus adequate institutional capacity to monitor and address governance and corruption issues. Issues of major concern are the delay in the investigation and prosecution of complex economic crime cases, the lack of resources to expedite and pursue the investigations, and the lack of judicial and prosecutorial

¹¹ In part, the revelations surrounding the “Cuadernos” scandal— which started to unfold at the beginning of August 2018, involving fraud and corruption charges of public officials and a large number of private entrepreneurs during previous administrations - are fruits of such strengthened commitment, measures and institutions.

independence. Similarly, when corruption practices involved private companies, authorities are unable to establish legal liabilities or impose sanctions to such entities, as responsibilities were easily transferred to individual employees, thus resulting in impunity situations and the prevalence of corruption systems. Until 2017, Argentina was one of the few countries, not to comply with several provisions of the United Nations Anti-Bribery Convention, including those related to corporate liabilities.

81. Incidences of fraud and corruption in the program identified by public officials will immediately be reported to the DNB and to the OA, who initiates a formal investigation procedure. In the case the incidence is reported by any person directly to the OA, the OA informs the DNB and could require additional information.

82. In accordance with the Bank's Anti-Corruption guidelines for PforR operations, the Borrower needs to ensure that "any person or entity debarred or suspended by the Bank is not awarded a contract under or otherwise allowed to participate in the Program during the period of such debarment or suspension." The Borrower will implement its commitment to comply with this abovementioned requirement by: i) enforcing national rules - Article 68 and Decree No. 1030/2016 – which states that entities and individuals debarred or suspended by the Bank and/or IADB because they have been sanctioned under the Bank's fraud and corruption policy, are ineligible to be awarded a contract; ii) inclusion of clauses in the contracts stating activities within the Program boundary are carried out in accordance with the 'Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing', dated February 1, 2012 and revised July 10, 2015; and iii) indicate in the evaluation reports - in writing – that the eligibility verification has been carried out. In addition, the external auditors' TOR will include a requirement to review Program expenditure to confirm that contracts are not awarded to debarred or suspended firms. The DNB will immediately report any allegation of fraud and corruption to the Bank, through exchange of letter, and every semester (together with the IFRs) a report will be prepared containing all alleged cases, with an updated status of the respective actions taken.

3.4 Auditing

3.4.1 Program Audit

83. For purposes of the Program, the external audit will be conducted by the AGN¹² due to its mandate. The AGN is the current auditor for Federal-level projects being financed by the Bank and has the capacity to deliver a quality audit on time.

84. The AGN will follow agreed TOR acceptable to the Bank and will conduct the audit in accordance with the International Standards for Supreme Audit Institutions (ISSAIs), a framework of standards formulated by The International Organization of Supreme Audit Institutions (INTOSAI) or national auditing standards if, as determined by the Bank, these do not significantly depart from international standards.

85. The audited Program financial statements (that is, the fiscal years' last semester IFR) will also be prepared in accordance with accounting standards acceptable to the Bank (that is, IPSAS issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants or national accounting standards where, as determined by the Bank, they do not significantly depart from international standards).

¹² In the event that the AGN is not able to conduct the audit, a private auditor acceptable to the Bank will be hired to conduct the audit, to be paid for under the IPF Operation.

86. The auditors will be required to issue an opinion on the Program’s annual financial statements and produce a management letter in which any internal control weaknesses are identified, with a view to contributing to the strengthening of the control environment. The auditor’s report will be submitted to the Bank no later than six months after the end of the fiscal year. The Bank will review the audit report and will periodically determine whether the audit recommendations are satisfactorily implemented.

87. The Bank also requires that the Borrower disclose the audited Program financial statements in a manner acceptable to the Bank and following the Bank’s formal receipt of these statements from the Borrower, the Bank will also make them available to the public in accordance with *The World Bank Policy on Access to Information*.

3.5 Procurement and FM Capacity

3.5.1 Staffing Should be Adequate in Both Numbers and Experience

88. The DNB and SEE has a team of fiduciary staff (FM and procurement) and is responsible for monitoring the implementation of the Program’s integrated fiduciary aspects. Staff are professional, experienced, and knowledgeable on governmental policies and procedures, and although they have prior experience in implementing Bank IPF Operations, this will be the first PforR Operation in Argentina.

4. Program Systems and Capacity Improvements

Summary of Program Systems and Capacity Improvements

Risk	Mitigation Action	Timing	Type of Action
	Prepare Operational Manual	By Negotiations	
Special conditions included in the standard bidding documents do not indicate any thresholds in order to determine the weight of quality and cost bids for the total score.	The implementing agency (DNB), with the assistance of the requesting areas, shall determine the maximum thresholds related to quality (technical) and cost (financial) weight in the special conditions included in the bidding documents.	During implementation	PAP
Contract management: lack of contract management manual	Prepare a manual as a reference document for all staff involved in contract management and train relevant people accordingly.	During implementation	PAP
Risk that contracts will be awarded to firms and/or individuals debarred or suspended by the Bank	<i>Dirección de Contrataciones</i> will indicate in the evaluation reports - in writing - the eligibility verification carried out; On June 30th of each year, the implementing agency will send to the Bank the list of contracts awarded to firms and individuals	During implementation	PAP

Risk that contracts will be awarded to firms and/or individuals debarred or suspended by the Bank	TOR for the external auditors will include a requirement to review Program expenditures for ineligible contracts.	Annual	External Supervision
Fraud and Corruption	Promptly inform the Bank of any credible and material allegations of fraud and/or corruption regarding the Program as part of the overall Program reporting requirements.	Semiannual	PAP

5. IPF Technical Assistance (TA) Operation-FM Arrangements

89. The purpose of the IPF Operation is to strengthen the Programs' design, M&E, and the institutional capacity of the MECCyT, and thereby secure the long-term implementation sustainability of the Program.

90. The IPF Operation would consist of the following components:

- i. Subcomponent 2.1: Strengthen PROGRESAR Scholarship Program (US\$11 million): This component would include activities to: a) improve the information and management systems to monitor eligibility requirements; b) strengthen the support to scholarship beneficiaries in their education trajectories, with tailored interventions for the most vulnerable; and c) evaluate the results of the program.
- ii. Subcomponent 2.2: Support the Secretariat of Education Evaluation (SEE) (US\$ 13 million). This component would support the implementation of APRENDER.
- iii. Subcomponent 2.3: Strengthen the expansion and implementation of ASISTIRÉ (US\$14.4 million): This subcomponent will support the revamp of the design and the impact evaluation of the program, and its scale-up to several provinces in the country.
- iv. Subcomponent 2.4: Strengthen Project Management (US\$1.7 million). This component will provide support to DNB in MECCyT, to strengthen its M&E capacity and the development of a beneficiary feedback mechanism for all the components of the project.

91. The TA component's FM arrangements will rely to a large extent on the same procedures and systems of planning and budgeting, accounting, internal controls, financial reporting and auditing highlighted earlier for the PforR Operation.

92. The implementation of Subcomponent 2.2 of the IPF, would also involve the transfer of funds to Provincial authorities and decentralized implementation of certain activities. Provincial Executing Units (UEP's) already established under the Bank's previous Rural Education Improvement Project–PROMER I (P070963) and current Rural Education Improvement Project-PROMER II (P133195), will be responsible for the provincial implementation, under the coordination/supervision of DNB.

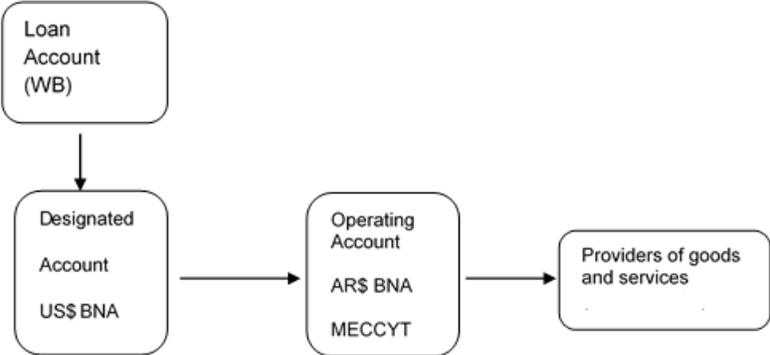
93. As the assessments previously conducted in the context of the previous Bank projects may be stale, we have opted to conduct a full assessment of a sample of UEP's¹³ (based on their relative economic size and importance) involved in the component. The key existing controls that can be highlighted include: (i) the use of UEPEX at national and provincial levels to maintain the project accounts and keep control of

¹³ The Provinces of Buenos Aires, Corrientes and Santa Fe.

the advances to the Provinces. UEPEX features allow, inter alia: (a) on-line recording and monitoring of transactions; and (b) reconciliation of advances to Provinces; (ii) creation of specific budget lines in the Provincial budget ; (iii) submission of monthly bank account reconciliations to DNB; and (iv) the advances to Provinces will continue to be made, solely to pay for eligible expenditures as incurred (or to be incurred¹⁴), with the advances required to be documented by Provinces to the DNB within a maximum period of 90 days before receiving any further advances or transfer of funds.

94. The disbursement of funds from the Bank to DNB, will be processed in accordance with Bank procedures as stipulated in the Legal Agreement and Disbursement and Financial Information Letter (DFIL). The primary disbursement method will be Advances. The Project will be also able to process Reimbursements and Direct Payments under this Operation, if required. All payments will be made using the e-SIDIF and UEPEX systems, once payment obligations have been committed and verified.

95. The following diagram indicates de flow of funds for the Advance disbursement method:



- i. The funds will be transferred to a specific (to be opened specifically for the Project) segregated bank account (DA) administered by DNB. This account will be opened at a commercial bank acceptable to the Bank (*Banco de la Nación*) as is usual for Bank operations with the Federal Government. This account will be denominated in United States Dollars (USD). Funds will be transferred from the DA to an operational bank account in local currency (AR\$) from which payments for eligible expenditures in local currency would be made by the DNB.
- ii. In the case of Subcomponent 2.2, funds will be further advanced to the UEP’s in AR\$, from the operating account, to pay for eligible expenditures as incurred (or to be incurred), with the advances required to be documented by Provinces to the DNB within a maximum period of 90 days before receiving any further advances or transfer of funds.
- iii. Payment processes will be registered in e-SIDIF and UEPEX by the DNB and UEPs and the records will be reconciled at the end of each month.
- iv. The Statement of Expenditures (SOEs) will be prepared by the DNB, with information available in e-SIDIF and UEPEX and they will be supported by the accounting records.

¹⁴ Certain types of expenditures are approved ex-ante by the DNB

96. The proposed Fixed Ceiling for the DA will be US\$2,500,000. The Minimum Application Size (MAS) for Direct Payment and Reimbursement Withdrawal Applications will be USD 500,000 equivalent. The frequency for the presentation of eligible expenditures paid from the DA, is at least once every six months.

97. The DNB will report on the use of Advances and process Reimbursement requests, through Withdrawal Applications supported by Statement of Expenditures (SOEs) specified in the DFIL.¹⁵ Direct payments will be documented by Records. The DNB will sign off on the Withdrawal Applications documenting expenditures, based only on actual expenditures, ensuring that the Loan proceeds were exclusively used for eligible expenditures. The Project will also have a six-month Grace Period to document expenditures incurred before the Closing Date.

98. The General Conditions require the Borrower to retain all records (contracts, orders, invoices, bills, receipts, and other documents) evidencing eligible expenditures and to enable the Bank's representative to examine such records. They also require the records to be retained for at least one year following receipt by the Bank of the final audited financial statement required in accordance with the Legal Agreement or two years after the Closing Date, whichever is later. Borrowers are responsible for ensuring that document retention beyond the period required by the Legal Agreement complies with their government's regulations.

99. Category of expenditures and financing percentages:

Category (including Disbursement Linked Indicator, as applicable)	Amount of the Loan Allocated to DLRs (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes, except for any taxes levied for financial transactions)
(9) Goods, non-consulting services, consulting services, Training and Operating Costs for the Project	40,147,500	100%
(10) Front-end Fee	852,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with: (i) Section 2.05 (b) of the Program General Conditions; and (ii) Section 2.07 (b) of the Project General Conditions
(11) Interest Rate Cap or Interest Rate Collar premium		Amount due pursuant to: (i) Section 4.05 (c) of the Program General Conditions; and (ii) Section 4.05 (c) of the Project General Conditions
TOTAL	341,000,000	

100. The e-SIDIF/UEPEX systems will be used, to generate the PforR Operation and IPF Operation annual financial statements using the cash basis, both in the currency of Argentina (Argentinian Peso-AR\$) and in United States Dollars (US\$). The MH will prepare the semesterly IFRs relating to the PforR Operation with the MECCyT responsible for the preparation of the IFR's relating to the IPF Operation. The MH will then submit these two different formatted IFR's, no later than 45 days after the end of each reporting period. At the end of each fiscal year, the MH will prepare the annual financial statements for the PforR Operation that will be audited. The final semester PforR Operation IFRs with accompanying notes, will

¹⁵ In case of advances, a Designated Account Activity statement will also be required.

serve as the PforR Operations annual financial statements. At the end of each fiscal year, the MECCyT will prepare the annual financial statements for the IPF Operation that will be audited. The final semester IPF Operation IFRs with accompanying notes, will serve as the IPF Operations annual financial statements. The MECCyT will be responsible for liaising/coordinating (and if required contracting) with the financial statement auditors, the audit of the PforR Operation's annual financial statements and the IPF Operation's annual financial statements, but the submission of a single combined audit report (covering both Operations) to the Bank within 6 months after the end of each fiscal year will fall under the responsibility of the MH.

101. The following reports for the IPF Operation will be required to be included in the semesterly IFRs:
- i. IFR 1 –Sources and Uses of Funds by Disbursement Category (period to date, year-to-date, Project-to-date) showing budgeted amounts versus actual expenditures, (i.e., documented expenditures), including a variance analysis;
 - ii. IFR 2 –Uses of Funds by Project Component (period to date, year-to-date, Project-to-date) showing budgeted amounts versus actual expenditures, (i.e., documented expenditures), including a variance analysis; and
 - iii. IFR 3 – DA bank reconciliation and accompanying bank statements.

102. Borrower Actions to Prevent and Combat Fraud and Corruption in connection with the Use of Loan Proceeds. In furtherance of the above-stated purpose and general principles, the Borrower will:

- i. take all appropriate measures to prevent Fraud and Corruption in connection with the use of Loan proceeds, including (but not limited to) (i) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the Loan are used only for the purposes for which the Loan was granted, and (ii) ensuring that all of its representatives involved with the project, and all recipients of Loan proceeds with which it enters into an agreement related to the Project, receive a copy of the Bank's IPF Anti-Corruption Guidelines and are made aware of its contents;
- ii. immediately report to the Bank any allegations of Fraud and Corruption in connection with the use of Loan proceeds that come to its attention;
- iii. if the Bank determines that any person or entity referred to in (a) above has engaged in Fraud and Corruption in connection with the use of Loan proceeds, take timely and appropriate action, satisfactory to the Bank, to address such practices when they occur;
- iv. include such provisions in its agreements with each recipient of Loan proceeds as the Bank may require giving full effect to the Bank's IPF Anti-Corruption Guidelines;
- v. cooperate fully with representatives of the Bank in any investigation into allegations of Fraud and Corruption in connection with the use of Loan proceeds; and
- vi. if the Bank declares any recipient of Loan proceeds ineligible take all necessary and appropriate action to give full effect to such declaration.

6. IPF Technical Assistance (TA) Operation-Procurement Arrangements

103. The MECCyT will conduct procurement using the Bank's 'Procurement Regulations for IPF Borrowers', dated July 1, 2016, revised November 2017 and August 2018, and the provisions stipulated in the Legal Agreement, for the supply of goods, non-consulting and consulting services. At the national level, the MECCyT, through the National Directorate for Educational Scholarships (*Dirección Nacional de Becas Educativas*, DNB (Project Implementation Unit), would be responsible for carrying out procurement activities, as well as for monitoring and supervising the fiduciary arrangements at the provincial level,

which also have structures in place to carry out procurement activities and are currently carrying out procurement activities under 8452-AR 'Second Rural Education Improvement Project' (P133195).

104. A procurement capacity assessment over the PIU was carried by the Bank. The assessment reviewed mainly the organizational structure for implementing the Project, and the experience of the existing procurement staff. The identified staff is integrated by two specialists with experience in managing the Banks' and Inter-American Development Banks' projects and they are familiar with handling procurement processes for low cost and complexity related to consulting services and non-consulting services, the identified staff has less experience on managing international open competitive processes and more complex processes.

105. Based on the specific needs identified to take the responsibility for the procurement function under this Project, the following actions are recommended to reduce risk and facilitate project implementation: i) the Operation Manual will include a detailed description of the roles and responsibilities of the PIU and its interaction with the Technical Units that spells out technical, administrative and contract management tasks and responsibilities of each of them; ii) the PIU procurement specialist and technical staff should attend procurement training within six month of Loan approval; iv) the Bank's procurement team will closely assist the PIU during project implementation, in particular for more complex activities.

106. Goods to be procured under the IPF will include, among others, information technology equipment to improve support to digital systems, tablets with connectivity, and materials for trainings.

107. Consulting services to be procured under the IPF will include: (a) study to improve the information and management systems to monitor eligibility requirements through the strengthening of the information and evaluation system; (b) study of the estimation of the PROGRESAR scholarships' coverage, and develop a prioritization strategy for selecting beneficiaries; (c) diagnosis of the main non-financial barriers students face to progress in their studies and graduate; (d) develop tools for students to close critical cognitive and non-cognitive skills gaps; (e) institutional strengthening for the provincial evaluation units; (f) technical assistance for: (i) analysis of school performance in technical schools; (ii) analysis of the supply of primary and secondary schools; (iii) analysis of the social characteristics of the students and their distribution in the clusters in order to characterize homogenous / heterogeneous schools; (iv) analysis of the pedagogical conditions that affect learning; (f) improve the precision of the EWS, this includes enriching the data used to identify students at risk and developing a more accurate algorithm; (g) strengthen the delivery and evidence-based content of ASISTIRÉ interventions through the support the development of specific modules tackling barriers in the dropout prevention toolkit; (h) development and piloting of a cell phone app (ASISTIRÉ Familia) for parents; (i) impact and process evaluation of the revamped version of the program.

108. Non-consulting services to be procured under the IPF will include, among others, data processing; design, printing and distribution of publications and materials.

109. Individual Consultants to be procured under the IPF will include several consultants' profiles for *Mesa de Ayuda* and the technical team, several consultants' profiles for SEE and provinces, project managers, coordinators, trainers, data analysts, local project coordinators and facilitators.

110. A Project Procurement Strategy for Development (PPSD) and a draft Procurement Plan for the first 18 months of project implementation which provides the basis for the procurement processes is been developed. The PPSD and the plan is expected to be agreed upon between the Borrower and the Bank before negotiations. The Procurement Plan will be updated in agreement with the Bank on an annual basis or as required to reflect the current Project implementation needs.

6. Implementation Support

111. The proposed fiduciary implementation support includes the following:
- i. Reviewing the implementation progress, focusing on the achievement of the Program results and implementation of the Action Plan;
 - ii. Monitoring the performance of fiduciary systems and audit reports, including implementation of the PAP and application of the PforR ACG;
 - iii. Monitoring the PforR financial statement reporting process and assisting the client as necessary;
 - iv. Monitoring changes in fiduciary risks of the Program and, as relevant, compliance with the fiduciary provisions of legal covenants;
 - v. Reviewing the Program implementation with the sector team to assess the timeliness and adequacy of the Program funds appropriation; and
 - vi. Continually assessing and monitoring the performance of the FM and procurement systems under the Program and providing suggestions for improvement.