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PROJECT PERFORMANCE ASSESSMENT REPORT

ARGENTINA

SECOND PROVINCIAL DEVELOPMENT PROJECT
(LOAN 3877-AR)

July 1, 2007

Sector, Thematic and Global Evaluation
Independent Evaluation Group (World Bank)

Currency Equivalents (annual averages)

Currency Unit = Argentine Peso

Year	US$	Peso		Year	US$	Peso
1994	1.00	1.00		2001	1.00	1.00
1995	1.00	1.00		2002	1.00	3.06
1996	1.00	1.00		2003	1.00	2.90
1997	1.00	1.00		2004	1.00	2.92
1998	1.00	1.00		2005	1.00	2.90
1999	1.00	1.00		2006	1.00	3.08
2000	1.00	1.00		2007 (04/20)	1.00	3.09

Abbreviations and Acronyms

CAS	Country Assistance Strategy
CEU	Central Executing Unit
CEPAL	U.N. Economic Commission for Latin America *(Comisión Económica para América Latina)*
CNRF	National Fiscal Responsibility Council *(Consejo Nacional de Responsabilidad Fiscal)*
DPE	(provincial) Statistical Department *(Dirección de Estadística)*
ERR	Economic Rate of Return
FAIP	Financial Action and Investment Plan
GDP	Gross Domestic Product
IADB	Inter-American Development Bank
ICR	Implementation Completion Report
ID	Institutional Development
IEG	Independent Evaluation Group
IEGWB	Independent Evaluation Group (World Bank)
INDEC	National Statistical Institute *(Instituto Nacional de Estadística y Censos)*
MDP	Municipal Development Project
MDP-I	First Municipal Development Project (Ln2920)
MDP-II	Second Municipal Development Project (Ln3860)
MOE	Ministry of Economy
MOI	Ministry of Interior
PDP-I	First Provincial Development Project (Ln3280)
PDP-II	Second Provincial Development Project (Ln.3877)
PEU	Provincial Executing Unit
PPAR	Project Performance Assessment Report
QAG	Quality Assurance Group
SAL	Structural Adjustment Loan
SAR	Staff Appraisal Report
TA	Technical Assistance
SIAP	Integrated Personnel Administration System *(Sistema Integrado de Administración Publica)*
UEC	Central Executing Unit - at MOI *(Unidad Ejecutor Central)*
UEP	Provincial Executing Unit *(Unidad Ejecutor Provincial)*

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Government: January 1 – December 31

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IEGWB Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEGWB annually assesses about 25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEGWB staff examine project files and other documents, interview operational staff, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

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This report was prepared by Roy Gilbert, who assessed the project in December 2006. Romayne Pereira provided administrative support.

Principal Ratings

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	Modest	Modest	———
Risk to Development Outcome	———	———	Negligible
Sustainability***	Likely	Likely	———
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.
**As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.
***As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

Key Staff Responsible

Project	*Task Manager/ Leader*	*Division Chief/ Sector Director*	*Country Director*
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Preface

This is a Project Performance Assessment Report (PPAR) for the Argentina: Second Provincial Development Project (Ln3877-AR), for which the World Bank approved a loan in an amount of US$225 million equivalent on December 5, 1995. The loan was closed on June 30, 2005, three years later than planned, when US$1.1 million equivalent was cancelled.

The report is based on a review of project documents, including the Implementation Completion Report, Staff Appraisal Report, Memorandum to the President, legal documents and project files, and on discussions held with Bank staff involved in the projects. An IEG mission visited Argentina in December 2006 to review project results and met with national and local officials and project staff. The IEG mission made field visits to three provinces, Misiones, Salta, and Tierra del Fuego, to examine the results of the project at the provincial level. IEG gratefully acknowledges the courtesies and attention freely given by these interlocutors in Argentina.

This project was chosen for assessment in part to serve as an input into IEG's ongoing work on decentralization.

Following standard IEG procedures, copies of the draft PPAR were sent to government officials and agencies for their review and comments. Detailed comments received from Argentina's Ministry of the Interior have been taken into account explicitly in the report and their full text is attached as Annex C.

Summary

Argentina is one of the most decentralized countries in the world. Its 23 provinces have big responsibilities and a large degree of autonomy within a three tiered federal system. Taking fiscal reform to the provincial level, the Second Provincial Development Project (PDP-II) reviewed here was approved as a follow-on operation to its earlier PDP-I namesake. It was also part of a stack of some US$3.5 billion Bank lending to Argentina in support of macroeconomic stabilization and reform. But stability was short-lived. The 1991 Convertibility Plan, with its 1:1 parity of the Argentine peso and US dollar ended in 2001-2002 in one of the country's worst social, political and economic crises. PDP-II not only survived, but sustained some ongoing development effectiveness.

The objectives of PDP-II were to: (a) support provinces' public sector reform; (b) strengthen provinces' capacity to plan and manage investment programs; and (c) provide financing for institutional development (ID) and physical investments that promote economic growth. To achieve them, PDP-II included three components: (i) institutional development—revenue administration, financial management, property cadastres etc; (ii) physical investment—roads, drainage, water supply, sanitation, judiciary, schools and health, and (iii) project administration.

Overall, project objectives and design were ***substantially relevant***. The second objective was the most relevant for focusing upon generating fiscal current account surpluses—a readily monitorable indicator of reform. The third objective was the least relevant, for simply providing finance cannot itself constitute a legitimate development result; nor did it make clear which investments would best stimulate provincial economic development. The first, overall, objective was substantially relevant in offering the project at a time when Argentina was embarking on reform at the provincial level. Project design was modestly relevant. Its basic concept came from successful municipal development projects (MDP) elsewhere, but PDP-II did not articulate the link between the project's ID progress and its infrastructure as clearly as MDPs that rewarded successful ID by providing infrastructure finance.

Project start up was slow. Formalities of signing loan and participatory agreements took time. By completion, PDP-II had spent US$127.8 million on institutional development projects, making it one of the largest technical assistance efforts supported by the Bank. The project helped provinces better manage their finances and human resources, especially through setting up local area computer networks. PDP-II also helped expand property cadastres in 21 provinces, doubling the area covered in Salta province, for instance.

PDP-II physical investments amounted to US$154.3 million in a disparate array of 18 large works in the judicial sector, hospitals, roads and education in 11 provinces. Those visited by the IEG mission in Salta ("City of Justice") and Misiones (roads and bridges) were completed to a high standard and were being properly maintained. Other investments included five hospitals and a major school rehabilitation program. How all these investments related to their respective sector's strategy was not evident. Nor was their relationship (and that of ID spending) to promoting the provincial economic development that PDP-II intended.

Project monitoring and evaluation (M&E) was weak. The M&E design focused exclusively upon standard ratios of financial analysis, some of which were beyond the control of the provinces. Even those within the provinces' purview lacked baseline data and target values. What were missing were indicators to measure progress with structural reform, institutional capacity and economic development. IEG therefore rates M&E as ***negligible***.

The project did succeed in supporting reform in Argentina at the provincial level. Just to participate in the project Provinces had to demonstrate fiscal and financial probity. That 21 out of the country's 23 provinces participated attests to engagement in reform. Actual *progress* with reform, which has been uneven across provinces, was beyond the scope of PDP-II, however.

As for generating current account fiscal surpluses for the province, it is not easy to discern PDP-II's impact. This surplus improved for all provinces over the 1995-2005 period of project implementation, even for those that participated less in PDP-II. On the negative side, indebtedness increased sharply, again for all provinces. Still, there is evidence at the micro level of project interventions in improving tax administration and extending property cadastres. In hindsight, even these modest achievements are notable for a project that not only survived the 2001-2002 crisis, but continued to deliver results afterwards.

PDP-II did increase financing for institutional development and physical investments, as intended, but money alone is not necessarily relevant for development. Nor could PDP-II spending that amounted to only 0.5 percent of provincial investment over the 1996-2005 period significantly promote provincial economic development by itself. PDP-II investments were not chosen (or monitored) for their impact upon provincial economies. Looking at economic growth across provinces over this period, IEG could not find evidence of a significant project impact.

On balance, the outcome of this worthwhile project is rated **moderately satisfactory**; it succeeded in supporting reform at the provincial level, but efficacy in building provincial financial capacity and promoting provincial economic development was modest. The **risk to development outcomes** is rated **negligible** since backing off from provincial reform—even if actual progress may continue to be uneven—is very unlikely in Argentina. **Bank performance** is rated **moderately satisfactory**, given shortcomings in project design and the poor M&E system. **Borrower performance** is rated **satisfactory** owing to effective implementation of the project at the provincial and federal levels, even through and beyond the crisis years of 2001-2002.

The project experience of PDP-II confirms the following IEG lessons, applicable to all countries, not just to those with federal systems like Argentina's:

- Leaving a menu of possible infrastructure sub-projects too open can lead to demands for specialist advice from disparate sectors that can be difficult to meet.
- If infrastructure investments are to promote subnational economic development, their likely impacts should be made explicit through performance targets and indicators. More research is needed to better understand investments that best secure such impacts.

- Project design should shy away from including objectives that purport a result that is not commensurate with the scale and scope of an operation, or not measurable.
- Comparing outcomes in provinces (or in other subnational jurisdictions) that received project assistance with outcomes in those that did not can be a sound approach to evaluation. But it requires rigorous statistical testing when comparing means of outcome indicators. Where standard deviations are large, an apparent difference of means can be statistically insignificant.

Vinod Thomas
Director-General
Evaluation

1. Background and Context

1.1 As far as governance and fiscal matters are concerned, Argentina is one of the most decentralized countries in the world. The Inter-American Bank (IADB) found that, among eight countries studied[1], Argentina had the greatest depth of fiscal decentralization measured by share of resources and the means of collecting and distributing them (IADB 1997). The country's 23 provinces are still responsible for about one third of the country's public sector expenditure and enjoy considerable autonomy. Their power is enshrined in the 1994 Constitution, as it has been since the first three-tier federal charter of 1853. By default, the present Constitution (1994 II.121) hands to provinces all powers and functions not specifically assigned to the federal level—namely national defense, foreign affairs, international trade, and interprovincial communications and telecommunications. The third federal tier, made up of 2,157 municipalities and communes, is recognized by the Constitution, but only as an extension of the provincial level itself. Decentralization started earlier and went further than in most other countries in Latin America.

1.2 The Second Provincial Development Project (PDP-II) reviewed here was more than just a follow-on operation to its namesake First Provincial Development Project (PDP-I – 1991-98, rated Satisfactory by IEG). It was part of a stack of US$3.5 billion Bank lending to Argentina through more than twelve operations in the 1990s to support ongoing reforms (details in Annex A). They included large-scale Bank support for provincial operations in key sectors covered by PDP-II too, notably health (Ln3931) and secondary education (Ln3794). Shortly after PDP-II's approval in 1995, the Bank also began to support provincial reforms through structural adjustments loans (SALs), each one for a specific province or specific provincial theme such as banking or pension reform. Although large, these loans and PDP-II's own US$304 million investment must be seen against the scale of provincial economies themselves. The largest, Buenos Aires Province, has a GDP of US$62 billion, with annual gross investment of US$10 billion. Even a small province, such as Misiones, has GDP of US$2.4 billion and gross investment of US$389 million. PDP-II would clearly have to succeed by the *quality* of its investments, rather than the *quantity*.

1.3 Bank support for reform also extended to the third tier of Argentina's federation through the Argentina: Second Municipal Development Project – MDP-II (Ln3860). But PDP-II's Staff Appraisal Report (SAR) and Implementation Completion (ICR) make only passing reference to MDP-II. There should be some connection between PDP-II and MDP-II as in most provinces both were implemented by a single Provincial Executing Unit (PEU). Furthermore, municipalities are part of their respective province under the constitution. But there was a surprising lack of synergy between two operations that, in hindsight, might have been only one. As the Region noted, however, Bank team efforts to coordinate activities between the two projects were made difficult as implementing agencies at the national level, the Ministry of Interior (MOI) for PDP-II and the Ministry of Economy (MOE) for MDP-II, were different.

[1] The countries were: Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Peru, and Venezuela.

1.4 As PDP-II started, Argentina was already consolidating macroeconomic stability and reform beginning with the 1991 Convertibility Plan that had conquered hyper inflation and later fixed the Argentine peso exchange rate to the US dollar at 1:1. It was appropriate to use PDP-II (and later SALs) to help public sector fiscal stability and reform to reach down to the important provincial level too. In Argentina, as in other Latin American countries such as Brazil and Colombia by the mid 1990s, national level reform had made good progress, but reform had yet to penetrate lower levels of government (Jones 2000). But macro stability itself was short-lived in Argentina. Soaring public debt and runaway public expenditures—fuelled in part by provinces themselves—forced drastic spending cuts that led to street protests and a run on the banks in 2001, when national GDP fell by 4.4 percent. By year's end, an IMF bailout of US$39.7 billion, the largest to date, secured among other things an agreement by provincial governors to freeze spending. This was not enough to prevent the sharp devaluation of the peso and default on foreign debt the following year. Thus, 2002 saw GDP fall by a further 10.9 percent as Argentina endured one of its worst social, political and economic crises in recent history. This PPAR is not just about PDP-II's survival through this, but also about its ongoing development effectiveness afterward.

2. Objectives and Design

Box 1. Summary of Project Objectives and Components

Argentina Second Provincial Development Project (Ln.3877)	
Objectives	**Components** ***(with costs in US million)***
To support the Provinces in undertaking their own public sector reform programs that are consistent with the national reform program. To assist the Provinces in implementing appropriate financial management reforms to generate current account surpluses and to strengthen their capacity to plan, program, finance, execute and monitor investment programs that are economically efficient, financial sustainable, institutionally manageable and environmentally sound. To provide financing for institutional development and physical investments that will promote provincial economic development. **Final cost:** US$303.9 m (95% of appraisal estimate) **Actual financing:** 74% Bank; 26% Provincial Governments	Institutional development—incl: revenue administration systems; cadastres; integrated project evaluation; financial management and control; training; studies of privatizations—all at both national and provincial levels (appraisal cost US$113.3m./actual cost US$127.8m.). Physical investment—incl: maintenance programs; rehabilitation of existing works and completion of unfinished works, covering roads, drainage, water supply and sanitation, schools and health posts—not eligible for financing under other Bank-financed projects (appraisal cost US$181.7m./actual cost US$154.3m.). Project administration (appraisal cost US$26.0m./actual cost US$21.8m.).

2.1 The overall project objective, as reported by the Loan Agreement, was well formulated for PDP-II to serve as an instrument for bringing public sector reforms to the provincial level. Subsequent SALs may have pre-empted PDP-II as the Bank's reform instrument of choice, but PDP-II clearly set the stage. It also guided subsequent SALs towards those provinces most in need of and most willing to reform, even if the PDP-II: SAL link was not formalized or acknowledged. Nevertheless, PDP-II's overall objective was and remains ***substantially relevant*** today to Argentina's and the Bank's priority for a sound provincial public sector, as it was in the mid-1990s. These priorities are clearly laid out in the country assistance strategies (CAS) of 1995 (p. 33) and also of 2006 (p. 1). As formulated in the staff appraisal report (SAR) this objective was somewhat less relevant, with its greater emphasis upon simply providing more financial resources for provincial investments. Evidently, the provision of more funds cannot itself be a development objective. The IEG mission heard criticisms by federal officials in Argentina that the objective was unduly ambitious for a single operation aimed at all the provinces at once, plus the federal capital of Buenos Aires.

2.2 The second objective was ***highly relevant*** for its focus upon generating fiscal current account surpluses at the provincial level—a good reform indicator readily monitorable during implementation. This surplus (or deficit) was simply measured as the difference between total provincial current revenues (excluding discretionary grants) and total current expenditures (SAR p.9). This objective also made clear that PDP-II intended to help provinces achieve better quality investment programs.

2.3 The third objective was only ***modestly relevant***. Providing financing by itself cannot be a development result. Moreover, PDP-II did not spell out what institutional development (ID) and physical investments would best help provincial economic development, nor what indicators would measure it. Thus, the objective and project design provided no guidance to the type of investment to help a province achieve an undoubtedly worthwhile goal. Without clearer guidance, PDP-II encountered difficulties in selecting investments, providing specialist support to supervise them, and aligning them with sectoral priorities; all important issues in the evaluation of this project. Inconsistencies were evident in a design that specified that PDP-II would not finance sub-projects eligible for funding under other projects, implying that PDP-II's sub-projects would be only of second order priority, and perhaps unrelated to sector strategies traced by those other projects. PDP-II's design was also contradictory when it recused itself from supporting sectoral reforms and yet insisted that all its investments would fit Bank sector strategies. To support such strategies, aimed at sectoral reforms among other things, then PDP-II itself has to be an explicit instrument of reform. A positive (or negative) list of eligible physical investments, if nothing more as a first step, might have been brought sectoral more clarity to the project design. In its comments on this PPAR, the Borrower indeed confirmed that sectoral development itself was not an objective foreseen in the design of the project.

2.4 IEG considers the project design itself was ***modestly relevant*** for achieving PDP-II's declared objectives. Its strengths lay in its fully engaging provinces, requiring them to commit to reform through a PDP-II specific Financial Action and Investment Plan (FAIP) and contribute substantial counterpart funding. These aspects drew from positive Bank experiences with municipal development projects (MDPs); a debt to earlier MDPs in Brazil (and Argentina itself) that the SAR (pp. 31-33) explicitly acknowledges. PDP-II funding would be on-lent by the federal government to provinces who would demonstrate their credit worthiness through generating current surpluses and minimizing debt service ratios. Weaknesses of the design included a less clear relationship between PDP-II's ID progress and physical investments. An MDP operation typically provided the latter as a reward for the former. Also, as already mentioned, the design did not make clear what physical investments PDP-II expected to make. This indeterminate nature of the project design was exacerbated by somewhat oblique references in the SAR (p.8) to its "demand-driven" and "time-slice" features—when there had been no assessment of demand, nor a conception of programmatic loan (normally associated with a "time-slice"). In its comments on the PPAR, the Region notes that this lack of focus made the operation difficult to supervise and very difficult to monitor and evaluate.

2.5 Considering the positive and negative aspects, IEG rates the relevance of PDP-II's objectives and design as ***substantially relevant***. At the same time, due recognition should be given to the informed risk-taking that lay behind the decision by the Bank and Argentina to go ahead with this operation when the country faced profound change and uncertainty. There was no separate quality-at-entry by the Quality Assurance Group (QAG) for this operation.

3. Implementation and Costs

3.1 Project start up was slow, owing to delays in the signing the Loan Agreement with the Bank and in preparing the subsidiary loan agreements with participating provinces. As they sought the support from their own political representatives, provinces themselves were slow in ratifying subsidiary loan and participation agreements with the federal government and in formally adopting PDP-II's operations manual. At the provincial level, delays are more difficult to understand since provinces had only to replicate the implementation arrangements of PDP-I. Most of them had only, for instance, to properly gear up and staff their existing provincial executing units (UEPs) rather than create them from scratch. Once underway, implementation was brisk, though. Remarkably, given the onset of crisis, 88 percent of the loan was disbursed by the original June 2002 closing date. To help the provinces emerge from the 2001-2002 crisis, and to complete all physical investments, loan closing was extended by three years.

3.2 By completion, PDP-II had spent US$127.8 million on its ID component through 104 ID sub-projects in 21 provinces, making this one of the biggest ever single project investments in technical assistance supported by the Bank anywhere. Two thirds was spent on consulting services—through more than 120 contracts—and training and one third on goods, mostly computer equipment. PDP-II helped provinces better manage their finances principally through improved information flows across departments of provincial government via modern computer networks. The project financed both the network servers and desktop computers, even stabilizing the power supply where necessary to ensure the correct functioning of the network. The IEG mission was able to verify that they were fully operational during the mission's inspection of them in Misiones and Salta. In Tierra del Fuego province that had not benefited from this support by PDP-II, the older local area network serving the provincial administration was in a more precarious condition. In provinces where they were modernized by PDP-II, local area networks also helped human resource management. This was part of the Argentina's Integrated Personnel Administration System *(SIAP - Sistema Integrado de Administracion de Personal)*, extended to all departments of the provincial government in Misiones for instance http://www.siap.misiones.gov.ar/, as the IEG mission could see during its field visits there. Better information flows ensured better control over personnel expenditures by provinces. On the other hand, provincial staff told IEG that they appreciated the more reliable and punctual salary and benefit payments that the systems improved by the project ensured. PDP-II also spent US$5.0 million on training, some of it at the postgraduate level in financial systems in Buenos Aires.

3.3 PDP-II technical assistance (TA) provided substantial support to expand the coverage of property cadastres in 13 provinces. These generated increased property tax revenues, reaped by municipalities in some provinces but by provincial administration itself in others. The IEG mission was impressed by the project efforts in Salta to satellite image the entire province at a 1:100,000 scale, down to detailed 1:1000 scale mapping of key urban areas. A geodesic network of 100 markers throughout the province ensured the most accurate mapping in this province's long history. To complement the mapping, PDP-II provided TA and training in property valuation. Local officials in Salta told IEG that what they call "fiscal" valuations, are approaching, but still short of full market values. Whatever the limitations, the cadastre progress in a province like Salta that drew considerable benefit from the project stands in contrast to the precarious conditions of the old paper document driven approach in a province like Tierra del Fuego that did not likewise benefit.[2]Today, Salta's is readily accessible (to authorized users by password kindly loaned to IEG by the provincial authorities during the mission) on the web. To deal with public inquiries about the cadastre, property tax, or any other provincial business, Salta, as well as Cordoba and Santa Fe, introduced one stop windows called *mesas de partes* in Argentina, where the public could make direct contact with the respective provinces.

3.4 Physical investments by PDP-II amounted to US$154.3 million, and resulting in a disparate array of 18 large works across different sectors in 11 provinces. The six largest works, each costing more than US$10 million, included the "Justice City" court complex in Salta, hospitals in Cordoba, Santa Fe and Formosa, school rehabilitation in the capital Buenos Aires and road investments in Misiones.

3.5 Salta's Justice City complex was a singular PDP-II sub-project. It involved the rapid construction in just 14 months of a 50,000 m2 four storey building with associated infrastructure on a green-field site some seven kilometers to the west of Salta city center. The IEG mission visit to the complex came just twelve months after it began operating. The premises were built to a high standard to accommodate for the first time under one roof all provincial courts. These had been scattered across 23 often poorly equipped locations before. That dispersion had disrupted court proceedings and the efficiency of due process. Local officials also claim that, with its closed circuit television (CCTV) cameras throughout, the computer controlled air conditioning, fire prevention and utility services, that the Justice City is the first "intelligent" building in Salta. The "computerization" of justice in one place eased information flows. These included self service computer terminals for the public to follow the progress of cases and a revamped Internet page www.justiciasalta.gov.ar/. Whether these translated into productivity gains, such as quicker court decisions, is still unknown without the necessary before and after-

[2] In its comments on the PPAR, the Borrower considers this and other references to Tierra del Fuego Province to be correct, the Borrower does not consider the experience of the province to be relevant for evaluation, as it did not implement a number of sub-projects foreseen under PDP-II. For IEG, the relevance of the province's experience derives precisely from its not fully benefiting from the project. It thereby provides a counterfactual experience to compare with other provinces that participated more intensely with PDP-II.

project data. Today, some 10,000 people circulate through a building each day where 2,100 people work. Its rather distant location from Salta city, that is nevertheless accessible by car and public transport, might seem to make justice seem remote from the residents of Salta city at least. On the other hand, this sub-project did enable PDP-II unexpectedly to contribute to judicial reform efforts in Salta. It was made possible through the specialized professional input that the Bank was able to mobilize, much to the liking of the provincial authorities.

3.6 Among sectors, PDP-II made most physical investment in health. Altogether it spent US$69.2 million on building three new hospitals in Santa Fe, Cordoba, and Formosa, and rehabilitating two others in the provinces of Rio Negro and Santiago del Estero. The IEG mission did not visit these hospitals, but learned from project reports that all are reported to be functioning today, although the hospital in Formosa began functioning only in 2005, five years after construction was completed. In its comments on this PPAR, the Borrower reported that construction delays actually meant that work on this hospital was completed in 2002, but delivery of necessary equipment and difficulties in recruiting the technical and professional staff for the complex services planned contributed to its delayed entry into operation which is currently at 80 percent of its capacity. Performance indicators for these hospitals reported in the ICR vary enormously. For instance, the hospital in Cordoba attended 94,233 inpatients while that in Formosa only 1,343 inpatients, even though the costs were similar, at around US$20 million for each hospital. Whatever the actual level of service provided, it is still unclear how why hospital investments were chosen by these particular provinces and how they related to sector priorities determined by the parallel Provincial Health Development Project (Ln3931), rated unsatisfactory by IEG.

3.7 PDP-II invested US$21.2 million in education sub-projects, 85 percent of which went to building and rehabilitating 257 schools in Buenos Aires province, mostly around the capital city itself. Bank reports indicate that these investments were coordinated with the parallel Bank financed Decentralization of Secondary Education Project (Ln3794), rated satisfactory by IEG, but the actual mechanisms of coordination were not clear. According to Borrower comments, PDP-II financed schools for which there was not funding under Ln3794. The remaining 15 percent of PDP-II's was spent on a similar but smaller sub-project in Misiones for 17 schools.

3.8 Also in Misiones PDP-II made its largest road investment of US$15.4 million in road surface and bridge rehabilitation. The works inspected by the IEG mission—paving of major access roads in the provincial capital Posadas and strengthening two bridges on major highways in the north of the province—were all completed to a high standard, well maintained and intensely used.

3.9 Bank supervision was intense. All IEG mission interlocutors confirmed their interactions from time to time with Bank supervision missions fielded either from Washington DC or Buenos Aires. PDP-II's Borrower team at the MOI in Buenos Aires was also proactive during implementation. Provincial officials mentioned that both teams were involved in helping to find solutions to implementation difficulties. International Competitive Bidding (ICB), used a lot in PDP-II, proved to be a challenge for provinces during implementation, however. Provincial staff in Salta and Misiones told IEG that they could have done with more advice on ICB, especially since they felt that ICB itself was imposed upon them top-down. This comment was also reserved for other project norms such as the project operations manual.[3] IEG notes that procurement specialists were fielded within supervision missions, but perhaps more could be done to provide systematic training in procurement at central locations in Buenos Aires for officials of diverse projects across the country. Nevertheless, provincial officials affirmed that local team moral was high in their respective provinces. In Misiones, the local team was proud that they were able complete most of PDP-II implementation work without having to rely too much on external consultants as they had in the past. In Salta, the local team was also proud that it had been able too successfully negotiate a new loan with the Inter-American Development Bank (IADB) without once having to hire consultants.

3.10 Although PDP-II financed much ID support and physical infrastructure during the nine years of its implementation, it remains unclear why particular investments were chosen. The resulting disparate collection of PDP-II interventions cannot constitute a strategy for stimulating provincial development as intended. The 11 provinces that did not use PDP-II funding for physical investments, evidently were not uninterested in promoting their own economic development. Across sectors, it remains unclear why only three provinces chose to invest in education. Although PDP-II left an array of useful physical interventions, it did not constitute an obvious strategy for promoting provincial economic development to which PDP-II had pledged its support.

4. Monitoring and Evaluation

4.1 The project's M&E design was very weak. The SAR (p. 71) refers to the use of "standard performance indicators" to facilitate the assessment of the project impact. In fact, these were 25 ratios of a province's fiscal performance, ranging from own:total revenues, capital:current expenditures, and total debt:transfers (SAR p. 74). As noted in the ICR, some of these ratios, such as those involving transfers, were dependent upon the federal government, and beyond the control of the provinces (ICR p.7). Furthermore, the M&E design did not provide baseline data or targets for these ratios. IEG agrees with the ICR assessment that the project's monitoring indicators were not adequate (ICR p.7), and that the project's inadequate provisions for monitoring did not permit ready comparisons of actual results with planned achievements (ICR p. 39). While recognizing these shortcomings, the ICR did not attempt to retrofit a logframe to assess the performance of this project. Also, PDP-II required more than just financial ratios to monitor the achievement of its objectives. It also needed indicators of structural reform, institutional capacity and economic development.

4.2 Even the limited set of financial ratios was not fully monitored during implementation. An important exception was a province's current account surplus. But

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[3] In its comments on the PPAR, the Borrower correctly points out, and IEG agrees, that ICB and other requirements were not randomly imposed, but indeed contractual conditions of PDP-II. Contracts above agreed ceiling required ICB as per the project's legal agreements. Nevertheless, the IEG mission did hear several interlocutors in the provinces say how they did not feel that they had been party to these contractual conditions.

this was more than just a performance indicator; it was a criterion of eligibility to participate in the project. In discussions with the IEG mission in Buenos Aires, staff of MOI's central executing unit (UEC) confirmed that PDP-II was implemented without effective monitoring of performance indicators. Despite the recognition of the initial shortcomings, there was not a concerted effort later to retrofit indicators to measure outcomes, something that can be reasonably be done at least until a project's mid term. As a result of this, M&E was not effectively deployed for PDP-II, nor could any results be fed back into subsequent operations. The project team made important efforts during implementation to develop outcome indicators, but with little success, in part because of the lack of baseline data. For these reasons, IEG rates the M&E of this project as ***negligible***.

5. A Broader Issue: Re-centralization.

5.1 Some analysts believed that decentralization in Argentina had gone too far in the 1980s and early 1990s, since the authority and autonomy invested in its provinces had hampered federal authorities' pursuit of macro-economic policy and adoption of national policies for key sectors. Fiscal profligacy of Argentina's provinces has been cited as one cause of the country's meltdown in 2001, and as a contributing factor to earlier crises. Out of control provincial expenditures in some sectors, notably education, led to tightening by the federal government (Eaton 2006). Information, too, was excessively decentralized. Prior to PDP-II, several provinces were reluctant to share financial and economic data with federal authorities, according to the Bank's appraisal team. Even today, Argentina's National Statistical Office, (INDEC *Instituto Nacional de Estadistica y Censos*) that publishes the national accounts among other things, does not report GDP and other statistics at the provincial level. This is the result of federal policy adopted by INDEC of "normative centralization and executive decentralization". In this evaluation, IEG was able to benefit from data assembled by CEPAL's (The U.N. Economic Commission for Latin America) ongoing technical cooperation with MOE to monitor the economies and finances of Argentina's provinces.

5.2 These problems, together with the initial success of macroeconomic stabilization through the 1991 Convertibility Plan, led the federal government to draw power and fiscal responsibility back from the provinces—in other words to re-centralize. Service delivery responsibilities would themselves remain decentralized, but would observe nationally observed standards of efficacy and efficiency. Moves to re-centralize during the late 1990s were not pursued in Argentina only. They occurred in Brazil, too, through that country's draconian Fiscal Responsibility Law of 2000 (Eaton 2006). Beyond Latin America, re-centralization was also under way in China, where a centralized tax system was introduced for the first time in 1994 (Ahmad 2003). In another more extreme case of re-centralization, Russia clawed back powers and responsibilities that had been decentralized to such an extent that some constituent units of the Russian Federation even declared independence and refused to remit taxes to the center (Treisman 1999). In the less dramatic situation of Argentina, PDP-II can be understood as an instrument of re-centralization. In its comments on the PPAR, the Borrower makes clear that it does not consider that PDP-II was intended to serve as an instrument of re-centralization, nor were its actions—such as encouraging provincial revenue generation—in keeping with such a purpose. IEG's assessment, however, is based upon the actual increased involvement of the federal government in provincial development affairs brought by the project. It does not imply any criticism of PDP-II. For the PPAR, whether the objectives were or not achieved is more important than the approach adopted, namely decentralization or recentralization. PDP-II offered financial resources and substantial technical assistance in return for a province's commitment to reform on federal and Bank terms—a commitment that improved macroeconomic stability and sector performance, while chipping away a little at a province's autonomy and freedom of action.

5.3 PDP-II did this by being part of agreements between nearly all provincial governments and the federal authorities to tighten fiscal performance at the provincial level. Since provinces willingly entered into these agreements, their constitutional authority and autonomy were not formally undermined. Nevertheless, their agreement to meet fiscal targets of generating current account surpluses, for instance, in order to participate in PDP-II, applied a break to decentralization, setting re-centralization in motion. Also, for some sectoral interventions, such as the judiciary, roads, hospitals and education, provinces agreed to abide by standards set at a higher level, involving a multilateral bank. Also through the PDP-II experience, provinces agreed to share more information with the federal government through the project UEC. Without imposing direct central control upon activities clearly conducted more efficiently at the subnational level, a modest re-centralization may help make subnational programs more efficient and transparent, even PDP-II made only modest progress in this regard.

6. Outcomes by Objective

SUPPORTING PROVINCES' REFORMS

6.1 Project efficacy in achieving this objective was ***substantial***. Just by participating in PDP-II a province acknowledged that it was in need to reform. Each participating province had to report a current account fiscal surplus and to manage debt service within tight financing parameters. The fact that 22 out of 23 of Argentina's provinces, where 98.6 percent of nation's population lives, signed on to PDP-II attests to the project's success in engaging them in a dialogue about their own reform programs. IEG's assessment is based upon the support the project gave to the provincial reform programs. It is not about the progress of the provincial reforms programs themselves, which varied considerably across provinces.

6.2 When considering PDP-II's provincial level impacts, it is important to note the presence of other players in the reform agenda and the large scale of provincial economies and finances themselves. Other reform efforts were underway through provincial SALs financed by the World Bank itself and also large scale funding by the Inter-American Development Bank (IADB). Moreover, PDP-II expenditures, although large by Bank standards, were equivalent to just 0.5 percent of all investment made by Argentina's provinces over the 1996-2005 project period. Across provinces, the highest PDP-II share was 1.7 percent in Salta (Annex Table A.1). The PDP-II ICR is correct to conclude that "it is not possible to establish direct causal links between the project investments and the public sector performance of the participating provinces during the life of the project" (ICR p. 8).

GENERATING FISCAL SURPLUSES AND CAPACITY BUILDING

6.3 Efficacy in achieving this objective was ***modest***, with stronger results in capacity building than in generating fiscal surpluses. Data show (Annex Table A.3) a significant improvement in provincial performance overall in generating current account surpluses, rising from 3.2 percent before the project in 1995 to 17.3 percent after the project in 2005. But these gains have been enjoyed by nearly all provinces, not just those most closely engaged with PDP-II. Also, it should be noted that 1995 was an election year, in which provincial expenditures have been found to be notably higher (and surpluses lower) than in other years (Jones 2000 p. 330). The weakest performance of all was by the second most important PDP-II client, the Province of Buenos Aires. But how can one reasonably expect a project investment of US$35.1 million over a ten year period to have an impact on fiscal performance of a province whose economy generates US$62.2 billion GDP and invested US$702 million per annum? The ICR reported that provinces adopting PDP-II tax modernization programs improved their own tax collection (expressed by the own revenues share of total revenues) than other provinces did. But as the ICR itself correctly points out, the denominator in this ratio, total revenues, is not fully under the control of the provincial authorities. IEG reviewed the result reported by the ICR that PDP-II tax package provinces collected a higher share of taxes due than others. IEG found that the very high standard deviations of the tax effort across the two groups of provinces meant that the differences reported by the ICR were not statistically significant. Furthermore, the ICR analysis used unweighted means that gave unwarranted prominence to very small provinces. Unweighted means also diminish the importance of Buenos Aires Province that accounts for one third of the country's economy and population. The ICR asked the right evaluation questions, the project team made an important effort in trying to measure project impacts, but did not adopt a rigorous approach that would help get the right evaluation answers.

6.4 Meantime, another important financial indicator shows a worrisome result in the provinces. Their total debt rose from US$13.9 billion equivalent in 1995 to US$27.2 billion equivalent by 2005; this even with the drastic peso:dollar devaluation over this period. In these circumstances a 96% increase in real US dollar terms was a very sharp one in itself, especially for economies that grew by only 25 percent over the same period. The rapid growth of provincial debt in the 1990s led the federal government to make a debt exchange agreement with them in 2001, effectively bailing them out as the Convertibility Plan collapsed in crisis (Asensio 2006, p.369).

6.5 As an investment loan dispensing technical assistance support, PDP-II served as an effective channel for introducing specific skills, knowledge and techniques demanded by reforming provinces. A policy loan may have similar leverage for reform, but does not necessarily provide the necessary tools. Thus, PDP-II had helped many provinces improve their capacity to manage their finances as well as plan and implement investment programs. Thanks to the project, the provinces of Salta, Misiones and San Luis went so far as to hire private firms to manage their tax administrations. Officials from the provinces of Misiones told the IEG mission that they benefited from performance based management, while not losing control of the tax administration itself. They said the biggest capacity gain came through the adoption of the Integrated System of Provincial Administration (SIAP – *Sistema Integrado de Administración Provincial*). During its field visit, IEG saw the local area computer networks applying SIAP fully functioning and being used by a range of departments across the provincial administration, not only in the provincial capital Posadas, but also in field offices in the interior too. Before the project, accounting was done by hand. It had often led to incorrect (and slow) payments to suppliers and provincial staff. Centralized computer systems were much faster and more accurate according to the staff of Misiones Province.

6.6 Officials in Salta told IEG that cadastre updating and broadening through PDP-II had resulted in doubling the area covered and a 40 percent increase in the tax base (whose benefits will mostly accrue to municipal authorities in that province). Today, the web-based system of Salta's cadastre is working well. Given direct access to it by the provincial authorities, the IEG mission was able to verify the ease with which it allows provincial and municipal managers to track properties and their fiscal values, as well as the status of property tax due. Another 20 provinces implemented cadastral updates thanks to PDP-II, but to lesser degrees, depending upon the extent to which cadastral authority had been delegated by the respective province to its municipalities. This delegation varies considerably across provinces in Argentina. In Salta, responsibility for the cadastre, but not for revenue collection that remains largely with municipalities.

6.7 While the overall result may have been modest, we should not underestimate the resilience of PDP-II in not only surviving the 2001-2002 crisis, but continuing to deliver results afterward.

6.8 If sub-projects were not chosen for provincial economic development reasons, then it is not clear how the disparate group of PDP-II physical investments emerged. Evidently the half of PDP-II's participating provinces that made no physical investments through PDP-II was not disinterested in economic development. Across sectors, it is not clear why PDP-II made education investments in only three provinces, and investment in the judicial sector in only one. Within one sector, health, we do not know why PDP-II invested only in building and rehabilitating hospitals, when primary and preventative health care is a more typical priority. Thus, while most of the individual investments, including those inspected by the IEG mission, were reportedly performing well, a program strategy to impact provincial economic development through sectoral support was missing.

MORE FINANCING FOR INSTITUTIONAL DEVELOPMENT AND PHYSICAL INVESTMENTS

6.9 Efficacy is rated as ***modest***. PDP-II did indeed provide additional financing for 127.8 million in ID plus US154.3 million for 18 physical investments in 11 provinces. But as noted earlier in this PPAR, providing more finance alone cannot be an objective of an operation. PDP-II expected these investments to promote the economic development of the province that hosted them, but it is difficult, if not impossible, to assess whether this happened. PDP-II investments were a small share of all provincial investments. Only in three of them, Salta, Misiones and Formosa, did overall PDP-II spending exceed 1.0 percent of all investment by the province over the 1996-2005 period (Annex Table A.1). Nor were PDP-II investments chosen, it seems, to be most likely to stimulate provincial economic development. IEG could find no evidence that the economic growth of provinces receiving most PDP-II investment was significantly higher than those that received little (Annex Tables A.1 and A.2). There is a link between the political make up of the a province and its participation in PDP-II investment however. The governors of the five provinces with most PDP-II investment (56.3 percent of the total – Salta, Buenos Aires, Misiones, Santa Fe and Formosa) all belonged to same political party as the President of Argentina during the 1995-2005 period. This is not to infer any favoritism on the part of PDP-II. It simply confirms the findings of research showing that subnational reform in Argentina has been driven in part by loyalties owed by provincial governors to a President of the same party (Jones 2000). In its comments on the PPAR, the Borrower notes that, since the political leanings of Argentina's Presidents varied during this period, no direct correlation between a province's politics and funding received can be established.

6.10 Efficiency in achieving this objective was *modest* overall. Good results, yielding economic rates of return (ERRs) in the 26-38 percent range from road investments (that accounted for only 10 percent of PDP-II's physical investments) were offset by poor results of a new hospital little used and another that only opened its doors five years after construction was complete. In other cases, such as judiciary sub-projects, efficiency is difficult to assess accurately with the data that is presently available.

7. Ratings

7.1 On balance, the overall outcome of the PDP-II project is rated ***Moderately Satisfactory***, making it a useful and worthwhile operation for strengthening provinces in Argentina. It achieved its objective of supporting provincial reform; but there were some shortcomings in generating the expected provincial fiscal surpluses and achieving the intended provincial economic development, neither result being strongly influenced by the project itself. Overall **relevance** of the project objectives and design is rated **Substantial**; stronger with the priority given to supporting reform and capacity building, while weaker with the unrealistic intent of a relatively small operation impacting provincial economic development. **Efficacy**, is rated ***Modest*** with the shortcomings just mentioned offset by greater success in supporting reform—read *support* and not *achieve* reform. **Efficiency** is rated ***Modest*** too, since PDP-II incurred a large expenditure for relatively modest gains. The **Risk to Development Outcomes** is rated as ***Negligible***; whatever the political and economic circumstances of the country, commitment to reform at the provincial level is irreversible (even if actual progress may be uneven). IEG ranks **Bank Performance** as ***Moderately Satisfactory***, less than fully so for the unevenly formulated project design and intent, and the poor M&E set up; Bank performance improved during supervision as it responded flexibly to the disparate sectoral demands provinces placed upon PDP-II. **Borrower Performance** is rated ***Satisfactory*** particularly for having secured the project through the 2001-2002 crisis, even using PDP-II as an instrument of recovery from it.

8. Findings and Lessons

The project experience of PDP-II confirms the following IEG lessons, applicable to all countries, not just to those with federal systems like Argentina's:

- Leaving a menu of possible infrastructure sub-projects too open can lead to demands for specialist advice from disparate sectors that can be difficult to meet.
- If infrastructure investments are to promote subnational economic development, their likely impacts should be made explicit through performance targets and indicators. More research is needed to better understand investments that best secure such impacts.
- Project design should shy away from including objectives that purport a result that is not commensurate with the scale and scope of an operation, or not measurable.
- Comparing outcomes in provinces (or in other subnational jurisdictions) that received project assistance with outcomes in those that did not can be a sound approach to evaluation. But it requires rigorous statistical testing when comparing means of outcome indicators. Where standard deviations are large, an apparent difference of means can be statistically insignificant.

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Annex A. Basic Data Sheet

ARGENTINA: SECOND PROVINCIAL DEVELOPMENT PROJECT (LOAN 3877-AR)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	321.0	303.90	94%
Loan amount	225.0	223.9	99%
Cofinancing	-	-	-
Cancellation	-	1.1	-

Cumulative Estimated and Actual Disbursements *(amounts in US$ million)*

	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05
Appraisal estimate (US$M)	12	25	46	82	130	181	225	225	225	225
Actual (US$M)	0	3.5	21.9	81.1	133.3	178.8	198.2	205.3	213.9	223.8
Actual as % of appraisal	0	14.0%	47.6%	98.9%	102.5%	98.8%	88.1%	91.2%	85.1%	99.5%
Date of final disbursement: Planned June 30, 2002; Actual										

Project Dates

	Original	Actual
Negotiations	03/07/1995	03/07/1995
Board approval	05/04/1995	05/04/1995
Signing	12/05/1995	12/05/1995
Effectiveness	06/27/1995	06/27/1996
Closing date	06/30/2002	06/30/2005

Staff Inputs (staff weeks)

Stage of Project Cycle	*Actual Latest Estimate*	
	No. Staff weeks	*US$('000)*
Identification/Preparation	34.2	70.6
Appraisal/Negotiation	22.6	54.7
Supervision	308.8	775.1
ICR	15.3*	45.4
Total	380.9	945.8

*Bank Staff estimate

Mission Data

	Date	*No. of persons*	*Specializations represented*	*Performance Rating Imple.Prog.*	*Performance Rating Dev.Objective*
Identification/ Preparation	08/10/1994	5	TASK TEAM LEADER (1); CONSULTANT (1); OPERATIONS ANALYST (1); INSTITUTIONAL DEVELOP. (1); FINANCIAL SPECIALIST (1)		
Appraisal/ Negotiation	12/12/1994	6	TASK TEAM LEADER (1); CONSULTANT (1); OPERATIONS ANALYST (1); PROCUREMENT (1); INSTITUTIONAL DEVELOP.(1); FINANCIAL SPECIALIST (1)		
Supervision	03/05/1996	4	CONSULTANT (2); URBAN DEVELOP(1); OPERATIONS ANALYST (1)	S	S
	07/12/1996	4	CONSULTANT (2); OPERATIONS ANALYST (1); PROCUREMENT (1)	U	S
	02/26/1997	2	TASK MANAGER (1); CONSULTANT (1)	U	U
	09/26/1997	5	MISSION LEADER (1); GIS SPECIALIST (1); INSTITUTIONAL DEVELOP. (1); URBAN SPECIALIST (1); ENGINEER (1)	S	U
	05/08/1998	4	MISSION LEADER (1); FINANCIAL SPECIALIST (2); GIS SPECIALIST (1)	S	U

	06/18/1999	7	TASK MANAGER (1); FINANCIAL ADMINISTRATOR (1); PROCUREMENT (1); URBAN (1); PUBLIC SECTOR (1); WORKS (1); JUDICIAL REFORM (1)	S	S
	06/18/1999	6	TASK MANAGER (1); FINANCIAL MANAGEMENT (1); JUDICIAL REFORM (2); COMMUNITY SAFETY (1); PUBLIC SECTOR (1)	HS	S
	09/30/2000	5	TASK TEAM LEADER (1); CONSULTANT (1); JUDICIAL REFORM (1); FISCAL REFORM (1); JUDICIAL REFORM (1)	HS	S
	03/01/2001	2	TM AND MISSION LEADER (1); OPERATIONS ANALYST (1)	HS	S
	12/17/2001	7	TASK MANAGER (1); PROCUREMENT (2); JUDICIAL REFORM (1); CADASTRE (1); FINANCIAL ADMINISTR.(1); PUBLIC SECTOR REFORM (1)	HS	S
	08/30/2002	4	TASK MANAGER (1); JUDICIAL POWER (1); OPERATIONS (1); URBAN (1)	U	S
	02/25/2003	4	TASK MANAGER (1); OPERATIONS (1); PUBLIC SECTOR SPECIALIST (1); FINANCIAL MANAGEMENT (1)	S	S
	10/24/2003	5	TASK MANAGER (1); OPERATIONS (1); PROCUREMENT (1); FINANCIAL MANAGEMENT (1); PUBLIC SECTOR SPEC. (1)	S	S
	10/24/2003	5	TASK MANAGER (1); OPERATIONS (1); PS SPECIALIST (1); FINANCIAL MANAGEMENT (1); CIVIL WORKS (1)	S	S
ICR	05/15/2005	4	TASK MANAGER (1), OPERATIONS ANALYST(1), PS SPECIALIST (1), IT SPECIALIST(1)	S	S

Other Project Data

CONTEMPORANEOUS AND FOLLOW-ON OPERATIONS IN ARGENTINA

Operation:	*Loan no.*	*Amount (US$ million)*	*Board date (FY)*	IEG outcome rating
Provincial Reform Loan	3836	300	1995	Highly Sat
Decentralization of Secondary Education	3971	166	1996	Unsat
Provincial Bank Privatization	3878	500	1995	Ongoing
Provincial Health Sector Development	3931	77.8	1996	Unsat
Provincial Roads	4093	300	1997	Mod Sat
Provincial Agricultural Development	4150	121	1997	Ongoing
First Provincial Pension Reform	4116	300	1997	Highly Sat
Provincial Reform Tucuman	4221	100	1998	Mod Sat
Provincial Reform Salta	4219	75	1998	Sat
Provincial Reform San Juan	4220	35	1998	Unsat
Provincial Reform Rio Negro	4218	50	1998	Unsat
Provincial Reform Catamarca	4578	70.7	2000	
Provincial Reform Cordoba	4585	303	2000	Mod Unsat
Provincial Reform Santa Fe	4634	300	2001	
Federal Provincial Fiscal Relations		400	2002	Mod Sat

Annex B. Data on Argentina's Provinces

Table A.1 Second Provincial Development Project (PDP-II) - Spending by Province

	Population	PDP-II Expenditures (in US$ millions)			(in US$)	PDP- II Expenditure as share of all
Province	(millions)	Inst. Dev.	Physical	Total	Total/cap	Provincial Investment 1996-2005
Salta	**1.2**	**20.8**	**14.6**	**35.3**	**29.6**	**1.7%**
Buenos Aires	**14.3**	**10.9**	**24.1**	**35.1**	**2.5**	**0.5%**
Misiones	**1.1**	**11.6**	**20.4**	**32.1**	**30.2**	**1.1%**
Santa Fe	**3.1**	**5.0**	**24.1**	**29.1**	**9.4**	**0.7%**
Formosa	**0.5**	**3.5**	**23.7**	**27.3**	**51.1**	**1.3%**
Cordoba	3.2	6.0	17.7	23.7	7.4	0.7%
Neuquen	0.5	19.7	1.3	20.9	39.9	0.7%
Corrientes	1.0	7.4	8.4	15.8	15.8	0.7%
Santiago Del Estero	0.9	2.4	12.2	14.6	16.9	0.6%
Entre Rios	1.2	12.8	1.4	14.2	11.6	0.8%
Rio Negro	0.6	1.1	5.1	6.1	10.6	0.4%
San Juan	0.7	5.4	-	5.4	8.2	0.5%
Tucuman	1.4	4.8	-	4.8	3.3	0.2%
Jujuy	0.7	4.5	-	4.5	6.7	0.3%
Chubut	0.4	3.0	1.4	4.4	9.9	0.2%
La Rioja	0.3	4.0	-	4.0	12.3	0.4%
San Luis	0.4	1.7	-	1.7	4.2	0.1%
Munic. Buenos Aires	2.7	1.6	-	1.6	0.6	0.0%
Santa Cruz	0.2	1.3	-	1.3	6.1	0.0%
Mendoza	1.7	0.1	-	0.1	0.1	0.0%
Catamarca	0.4	0.1	-	0.1	0.2	0.0%
Tierra Del Fuego	0.1	0.0	-	0.0	0.3	0.0%
Chaco	1.1	-	-	-	0.0	0.0%
La Pampa	0.3	-	-	-	0.0	0.0%
Total Argentina:	**37.9**	**127.8**	**154.3**	**282.1**	**7.44**	0.5%

Source: Project documentation; CEPAL, MOE. Note: Provinces are in descending order PDP- II expenditures. Provinces in bold text are those where PDP- II invested more than US$25 million.

Table A.2 Provinces' GDP for 1995 and 2005

	GDP (in US$ billions)		Annual GDP growth (%)
Province	**1995**	**2005**	**1995-2005**
Salta	**2.14**	**2.63**	**1.9%**
Buenos Aires	**49.69**	**62.18**	**2.1%**
Misiones	**1.95**	**2.58**	**2.6%**
Santa Fe	**11.55**	**14.16**	**1.9%**
Formosa	**0.84**	**0.97**	**1.2%**
Córdoba	11.35	14.23	2.1%
Neuquén	2.71	3.29	1.8%
Corrientes	1.98	2.21	1.0%
Santiago del Estero	1.32	1.65	2.0%
Entre Ríos	3.31	4.10	2.0%
Río Negro	2.12	2.71	2.2%
San Juan	1.48	1.80	1.8%
Tucumán	2.94	3.66	2.0%
Jujuy	1.34	1.55	1.4%
Chubut	1.97	2.52	2.3%
La Rioja	0.76	0.93	1.9%
San Luis	1.45	1.82	2.1%
Munic. Buenos Aires	35.33	45.56	2.3%
Santa Cruz	1.72	1.67	-0.3%
Mendoza	5.86	7.14	1.8%
Catamarca	0.73	1.21	4.8%
Tierra Del Fuego	0.93	1.07	1.3%
Chaco	1.93	2.13	0.9%
La Pampa	1.25	1.51	1.8%
Total Argentina:	**146.65**	**183.31**	**2.0%**

Source: CEPAL from official data. Note: Provinces are in descending order PDP- II expenditures. Provinces in bold text are those where PDP- II invested more than US$25 million.

Table A.3 Provinces' Financial Performance in 1995 and 2005				
	Current Account Surplus (%)		**Total Debt (in US$ millions equivalent)**	
Province	**1995**	**2005**	**1996**	**2005**
Salta	**-1.0%**	**27.9%**	**455**	**535**
Buenos Aires	**12.9%**	**0.7%**	**3,000**	**462**
Misiones	**0.6%**	**33.1%**	**489**	**981**
Santa Fe	**0.3%**	**27.6%**	**300**	**595**
Formosa	**1.2%**	**27.6%**	**567**	**793**
Cordoba	-1.9%	13.0%	912	802
Neuquen	3.7%	32.0%	192	597
Corrientes	-1.0%	15.3%	598	1,438
Santiago Del Estero	11.7%	45.0%	278	216
Entre Rios	-1.9%	18.8%	522	1,101
Rio Negro	-20.5%	9.0%	533	993
San Juan	-19.0%	41.8%	289	665
Tucuman	-7.9%	18.7%	690	1,118
Jujuy	-17.5%	9.9%	326	900
Chubut	7.7%	34.4%	271	1,015
La Rioja	3.5%	22.5%	348	294
San Luis	47.3%	72.1%	60	62
Munic.Buenos Aires	9.2%	23.0%	2,138	10,206
Santa Cruz	12.7%	59.6%	67	122
Mendoza	-7.6%	17.6%	956	1,171
Catamarca	-8.5%	33.7%	264	2,436
Tierra Del Fuego	-6.3%	7.7%	58	234
Chaco	-5.8%	20.0%	522	343
La Pampa	12.6%	35.6%	84	73
Total Argentina:	**3.2%**	**17.3%**	**13,921**	**27,153**

Source: CEPAL based upon official MOE data from its Direccion Nacional de Coodination con las Provincias. Note: Current account surplus = current revenues/current expenditures. Reported pesos debts converted to US$ at prevailing exchange rates (1:1 1996, and 1:2.9 2005)Reported pesos debts converted to US$ at prevailing exchange rates (1:1 1996, and 1:2.9 2005). Provinces are in descending order PDP- II expenditures. Provinces in bold text are those where PDP- II invested more than US$25 million.

Annex C. Borrower Comments

(Unofficial Translation)

Ministry of Interior
Central Executing Unit

Note No. 00393 07 Buenos Aires, May 29, 2007

Mr. Alain Barbu
Sector, Thematic and Global Evaluation
Independent Evaluation Group
World Bank

Ref.: Second Provincial Development Project
Loan: IBRD 3877-AR

Comments on Assessment Report

Dear Sir,

I am pleased to write you regarding the Performance Assessment Report for the project indicated above, which you sent to us with a request for comments.

Ongoing monitoring by the Central Executing Unit (*Unidad Ejecutor Central* UEC), the Provincial Executing Units *(Unidades Ejecutoras Provinciales* UEPs), and the Bank during implementation and closing of the project facilitated the timely production of the different reports on outcomes, which were submitted during supervision missions and at closing. The attached comments are based on the work produced in the context of these activities.

Very truly yours,
/s/
[Illegible]

[World Bank stamp]

Comments on the PDP-II Performance Assessment Report Prepared by the Independent Evaluation Group at the World Bank

INTRODUCTION

The comments, which are based on a reading of the report submitted for feedback from the implementing agency, are provided below.

The project is considered satisfactory in terms of the achievement of objectives, given that it facilitated significant improvement in the quality of management in those provinces which, through the project, implemented reforms in the following basic sectors: cadastres, financial administration, tax administration, and human resources. The quality of the outcomes was such that a number of these provincial projects were recognized by the Bank as models to be replicated in other provinces.
Furthermore, the impact on financial performance was acceptable in that although the project did not lead to a reversal of the situation, it did mitigate the negative effects of the crisis in those provinces where management became more effective.
With respect to the analysis of the efficiency of projects, the timing of their implementation must be taken into account, given that overvaluation of the peso had an impact on project costs. The cadastre and revenue projects yielded a satisfactory return, which was higher in the case of the former.
In broad terms, our opinion is compatible with the evaluator's; namely, that the objective of promoting the economic development of the provinces by financing institutional development and physical investments proved to be overly ambitious for the operation in question.
In this regard, the impact achieved was modest, owing not only to changes in the economic context in which the project took place, but also to factors exogenous to the project that had a major impact on this process.
In addition, the scale of the operation did not lead to an infusion of significant additional resources taking into account the aggregate output of the participating provinces, the duration of the operation, and the scope of the objective set.

For ease of reference, the comments are provided in a manner that follows the organization of documents.

<u>Paragraph 1.3</u>: The PDP-II was not prepared by the Ministry of Economy and Production of Argentina; rather, it was prepared under the purview of the Ministry of Interior, the implementing agency of the PDP-I. Pursuant to Decree 1732/92 of September 18, 1992, oversight of the Ministry of Economy's Central Executing Unit [*Unidad Ejecutora Central* UEC] was transferred to the Ministry of Interior's Secretariat for Provincial Public Sector Reform [*Secretaría de Reforma del Sector Público Provincial*]. Transfer of the UEC took place during implementation of the PDP-I, prior to the design and signing of the PDP-II. In any event, the Ministry of Economy and Production is, even currently, the borrower's representative, regardless of the entity that initiated the loan application and its implementing agency. **[corrected in PPAR text]**
Moreover, the Second Municipal Development Project (MDP-II) was designed and implemented under the purview of what was, at that time, the Secretariat for Social Development [*Secretaría de Desarrollo Social*], the implementing agency for the MDP-I and which, during implementation, became the Ministry of Federal Planning for Works and Public Services [*Ministerio de Planificación Federal de Obras y Servicios Públicos*].
The link between the two programs was established on the basis of coordination between the implementing agencies at the national level.
In addition, it should be noted that most Provincial Executing Units (UEPs) were responsible for implementation of both programs in their respective provinces, an approach that guaranteed coordination of provincial plans. In situations where two Executing Units existed in a province, both came under the

oversight of the same political entity. For example, in Buenos Aires Province, both Executing Units operated under the oversight of the Ministry of Economy, which served as General Coordinator in both instances.

Paragraph 2.3: Sectoral development was not an objective set forth in project design. As the objectives mentioned indicate, the focus of the operation was to help provinces improve management of provincial public administrations in a manner consistent with the national reform program.
The project had its own eligibility criteria, which were tied to the economic and financial sustainability of projects and to the sustaining by provinces of fiscal behavior that would minimize loan repayment risk. Notwithstanding the foregoing, if the project identified by the province was covered by a sector whose development was addressed in a project that already existed, then steps had to be taken to ascertain the conformity of the project in order to ensure that it was in line with the development objectives set forth in the project and to coordinate activities. This was the case with education projects in Buenos Aires Province, which were financed by the PDP-II when funding from the Secondary Education Decentralization Project [*Proyecto de Decentralización y Mejoramiento de la Secundaria y Desarrollo de la Educación Polimodal* PRODIMES] proved insufficient, and with the Health Sector Reform Project [*Proyecto de Reforma del Sector Salud* PRESSAL], in the case of hospitals and provincial roadways covered by road improvement projects.

Paragraph 3.1: We reiterate our comments made in paragraph 1.3 with respect to the Ministry of Interior. The delay in the inclusion of the provinces was in part linked to the processing of legislative authorization which took a long time in several instances and to the fact that many of them were implementing the PDP-I.

Paragraph 3.2: The large size of the institutional development component was advocated by both the UEC and the provinces themselves, which were responsible for identifying and selecting projects to be submitted for financing. This was in keeping with the strategy of advancing and strengthening the reform process started in the 1980s, an approach that led to the magnitude of the investment and number of contracts. With respect to the latter, it should be noted that in addition to contracts with executing companies, project formulation and technical inspections were also funded.
An initial analysis indicates that the funds used for institutional development (ID) purposes did have a significant impact, not only from an economic/financial point of view (for example, the investment in cadastre projects was recouped during the first three years of operation, tax administration projects significantly reduced delays and enhanced efficiency from a collection standpoint even during the periods of macroeconomic crisis), but also greatly contributed to a shift in organizational culture through the application of such concepts as process-oriented management, customer service, management oversight, transparency, and dissemination of information on government actions – in the case of the aforementioned projects as well as financial administration and human resources projects). The ID component also had a great impact through the training provided to administrative personnel, which paved the way for qualitative change that could be adopted by the different administrations.

Paragraph 3.5: While the reference to Tierra del Fuego is correct, we think that this province is not relevant in terms of verifying the impact of the project in view of the fact that, despite having entered into a participation agreement, it did not implement projects using the funding envisaged. Limited technical assistance was provided at the beginning only, in order to formulate a project for modernization of the judiciary and another involving the Revenue Department. In both instances, technical assistance led to proposals which were later dropped by the provincial political authorities. It is important to bear in mind that the program financed projects that were identified and selected by the provinces, which make decisions autonomously. They merely had to meet the provincial and project eligibility criteria that were established.

<u>Paragraph 3.6</u>: With regard to the references made to the hospital in Formosa, we think that the following additional clarifications are necessary: work began in August 1997 under a performance contract for this work. It was expected to be completed in July 1999; however, work continued until end-2002, as a result of changes in the macroeconomic situation which affected contracts being executed. Procurement of equipment started in 2000, and in 2004, delivery of the last goods procured was still pending. The outfitting of this hospital was affected by this situation and also by difficulties encountered in recruiting the technical and professional staff required for such complex services. Given that this staff could not be found in the province, cooperation agreements had to be concluded with other medical entities and operations had to begin while services were gradually introduced. At the moment, it is operating at 80 percent of its installed capacity.

<u>Paragraph 3.7</u>: Schools financed in Buenos Aires Province fell under the category of projects that could not be funded under PRODIMES and were funded under the PDP-II, inasmuch as they met the required conditions. The vast majority are located in areas of Greater Buenos Aires, given that these areas have the greatest unmet demand for primary and secondary education.

<u>Paragraph 3.9</u>: The use of international competitive bidding procedures was outlined in Loan Agreement 3877-AR. This agreement stipulated that works that cost US$5 million or more and the procurement of goods in the amount of US$350,000 or more had to be obtained via an international competitive bidding process using the IBRD's procurement guidelines. Consequently, this was a contractual requirement rather than one that was randomly imposed by the project authorities or the Bank's supervision mission. With a view to facilitating the application of these procedures, several training courses were held and arrangements made for technical provincial teams to attend those courses indicated by Bank experts.

<u>Paragraph 3.10</u>: As stated earlier, the focus of the project was on strengthening the management systems of provinces in order to ***help*** improve current account performance, which would permit the financing of their investment projects in the future (see objectives outlined in the SAR). With this objective in mind, most provinces opted to implement ID projects. However, the investment projects carried out had an impact on the productive sectors, such as the improvement of roads and irrigation systems.

<u>Paragraphs 4.1 - 4.2</u>: With regard to the M&E plan, consideration should be given to the fact that at the time of project design, the inclusion of project outcomes rather than impact indicators was required. For this reason, the variables selected related to financial performance. During implementation, the Bank indicated the need to assess project impact. Provincial Executing Units were informed of this. As is borne out in the aides-mémoire related to supervision missions, the matter was addressed with the provinces on many occasions, with actions plans being agreed upon for identifying a host of indicators, redefining the baseline, and measuring results.
The office overseeing the cabinet of misters called on the UEC to conduct an impact assessment, which was carried out by hiring independent external consultants.
Furthermore, the UEC worked on this based on a project assessment and impact report that was submitted to the Bank and which we consider acceptable in light of the information provided above.

<u>Chapter 5</u>: It should be noted that the interpretation of the PDP-II as promoting a process of re-centralization is not in keeping with the actions taken in this context.

- Provincial eligibility was not contingent on meeting targets set by the Federal Government or Bank, as was the case with what were known as "adjustment" loans. A current account surplus was required in order to finance investment projects, given that this guaranteed the operation and maintenance of the investments made, thereby imbuing them with the requisite sustainability.

- As stated repeatedly, provinces had sole responsibility for project selection. They formulated their own investment plans and prioritized projects to be implemented in a manner that was completely independent of views held at the national level or by the Bank. They were provided with a funding list from which they could make their choices.

- A different interpretation of project guidelines leads to the opposite conclusion: the PDP-II strengthened the decentralization process in view of the fact that its objective of enhancing the fiscal performance of provinces reduced their reliance in the future on the random provision of State funding for both operating expenses and investment. In addition, one of the objectives of the project was to increase the proportion of local funds to an amount higher than that provided by the government treasury.

Therefore, at no time was the PDP-II intended to serve as an instrument of re-centralization.

Chapter 6: As indicated in the report, the contribution of the PDP-II was not major when compared to provincial budgets. However, the objective of improving management capacity was achieved, as was also noted. Provincial indebtedness capacity imposed limits on their participation. For this reason, the problem identified could not be tackled in a comprehensive manner, though such an approach would have produced a greater impact. Salta is the province where participation was most extensive. The improvement in management systems was not enough to neutralize or reverse the effects that other macroeconomic variables can have on provincial finances. UEC monitoring of outcomes made it possible to confirm that during periods of economic contraction, those provinces that strengthened their basic sectors fared better.

By way of clarification, it should be noted that during the 1996-2005 period, the country had several Presidents, each with his own political leanings. Consequently, no direct correlation can be established between the political leaning of a national and provincial government and the financial assistance provided. Córdoba and Río Negro are examples of this.

"Año 2007 de la Seguridad Vial"

MINISTERIO DEL INTERIOR
UNIDAD EJECUTORA CENTRAL

BUENOS AIRES, 29 MAY 2007

Nota N° № 00393 07

Ref: Segundo Programa de Desarrollo Provincial – Préstamo BIRF 3877-AR
Comentarios Informe Evaluación

Sr. Alain Barbu
División de Evaluación Temática y Global
Grupo Independiente de Evaluación
Banco Mundial

Tengo el agrado de dirigirme a Usted con relación al Informe de Evaluación del Programa de la referencia que nos hiciera llegar solicitando nuestros comentarios al mismo.

La UEC, las UEP y el Banco realizaron, durante la ejecución y a la finalización del Programa, un seguimiento regular que permitió producir los diferentes informes de resultados oportunamente entregados durante las Misiones de Supervisión y al cierre. Los comentarios que se adjuntan se basan en el producto de dichas actividades

Sin otro particular, lo saludo con mi mayor consideración.

Ing. HUGO R. POLVERINI

BANCO MUNDIAL

COMENTARIOS AL INFORME DE EVALUACION DEL PDP II REALIZADO POR EL GRUPO INDEPENDIENTE DE EVALUACION DEL BANCO MUNDIAL

INTRODUCCION:
A continuación se presentan los comentarios que surgen de la lectura del informe que fuera presentado para opinión del ejecutor.
Se considera que el Programa fue satisfactorio en el cumplimiento de los objetivos, ya que permitió mejorar significativamente la calidad de la gestión en aquellas provincias que, a través del proyecto, implementaron reformas en los sectores básicos: catastro, administración financiera, administración tributaria y recursos humanos. Tal la calidad de los productos que varios de estos proyectos provinciales fueron reconocidos por el Banco para operar como prototipos a replicar en otras provincias.
Asimismo, el impacto sobre los resultados financieros ha sido aceptable, en tanto permitió, si no revertir la situación, morigerar los efectos negativos de la crisis en las provincias que hicieron más eficiente la gestión.
En cuanto al análisis de eficiencia de los proyectos debe tomarse en cuenta el momento en que los mismos se implementaron, donde la sobrevaloración del peso incidió en los costos de los mismos. Los proyectos de catastro y rentas tuvieron un retorno satisfactorio, más que importante en los primeros.
En términos generales hay coincidencia con la opinión del evaluador, en cuanto a que el objetivo previsto de promover el desarrollo económico de las provincias a partir del financiamiento del desarrollo institucional e inversiones físicas resultó demasiado ambicioso para la operación en cuestión.
El impacto logrado en tal sentido fue modesto, no sólo por la variabilidad del escenario económico en que se desenvolvió el proyecto, sino por que variables exógenas al proyecto tienen una incidencia mayor sobre tal proceso.
Asimismo, la magnitud de la operación no inyectó recursos adicionales significativos considerando el producto agregado de las provincias participantes, el tiempo que duró la operación y la dimensión del objetivo previsto.

Para su mejor comprensión los comentarios se exhiben conforme la organización del documentos.

Párrafo 1.3: el PDP II no fue preparado por el Ministerio de Economía y Producción de la Nación, sino en el ámbito del Ministerio del Interior, ejecutor del PDP I.
En virtud del Decreto 1732/92 de fecha 18 de septiembre de 1992 se transfiere la Unidad Ejecutora Central (UEC) del Ministerio de Economía a la jurisdicción de la Secretaría de Reforma del Sector Público Provincial del Ministerio Del Interior. El traspaso de la UEC sucedió durante la implementación del PDP I, antes del diseño y firma del PDP II.
El Ministerio de Economía y Producción, en todos los casos aún hoy, es el representante del Prestatario, independientemente de quien sea el organismo que da inicio a la solicitud del préstamo y su ejecutor.
Asimismo el Programa Municipal (MDP II) se diseño y ejecutó en el ámbito de la entonces Secretaría de Desarrollo Social, ejecutor del MPD I) pasando durante su ejecución al Ministerio de Planificación Federal de Obras y Servicios Públicos.
La vinculación entre ambos programas se realizó a partir de la coordinación de los organismos ejecutores a nivel nacional.
Adicionalmente a ello, es de señalar que la mayoría de la Unidades Ejecutoras Provinciales (UEP) eran las responsables de la implementación de ambos programas en su territorio, lo que garantizaba la coordinación de los planes provinciales. En los casos que coexistían dos ejecutores en la Provincia, ambos dependían de la misma autoridad política. Por ejemplo en la Pcia de Buenos Aires ambas Unidades Ejecutoras funcionaron bajo la autoridad del Ministro de Economía que ejercía la función de Coordinador General en ambos casos.

Párrafo 2.3: El desarrollo sectorial no era un objetivo previsto en el diseño del programa. Como lo expresan los objetivos señalados lo relevante de la operación consistía en apoyar a las Provincias en mejorar la gestión de la administración pública provincial, consistente con la reforma llevada a cabo a nivel nacional.
El programa tenía sus propios criterios de elegibilidad, asociados a la sustentabilidad económica y financiera de los proyectos y al mantenimiento de una conducta fiscal de las provincias que minimizara el riesgo de repago del crédito tomado.
No obstante ello, en el caso de que la inversión identificada por la Provincia correspondiera a un sector cuyo desarrollo estaba contemplado por algún programa coexistente, se requería la conformidad del mismo a fin de verificar su encuadre dentro de los objetivos de desarrollo en él previstos y coordinar las acciones. Tal fue el caso de las inversiones en educación en la Pcia de Buenos Aires, las que fueron financiadas por el PDP II cuando los fondos del PRODIMES resultaron insuficientes. Igualmente sucedió con el PRESSAL en el caso de los hospitales y Caminos Provinciales en los proyectos de mejoramiento vial.

Párrafo 3.1: Se reitera la dicho en el párrafo 1.3. en cuanto al Ministerio del Interior.
La demora en la incorporación de las provincias obedeció, en parte, a la tramitación de la autorización legislativa, que insumió tiempos prolongados en más de un caso y a que muchas de ellas estaban implementando el PDP I.

Párrafo 3.2: la gran dimensión del componente de desarrollo institucional fue propiciado tanto desde la UEC como desde las mismas provincias, en quienes recaía la responsabilidad de identificar y seleccionar los proyectos a ser presentados para su financiamiento. Esto se correspondía con la estrategia de avanzar y consolidar el proceso de reforma iniciado en los años '80. Consecuencia de ello es el monto de la inversión y la cantidad de contratos. Con respecto a esto último es de señalar que además de los contratos a firmas ejecutoras también se financiaba la formulación de proyectos y las inspecciones técnicas.
En un primer análisis puede aseverarse que los recursos destinados a tal fin (DI) han tenido un impacto significativo, no sólo desde el punto de vista económico financiero (por ejemplo: los proyectos de catastro recuperaron la inversión en los primeros tres años de operación, los proyectos de administración tributaria redujeron sensiblemente la morosidad e incrementaron la eficiencia en la recaudación aún en tiempos de crisis macroeconómica) sino que también contribuyeron fuertemente al cambio cultural de las organizaciones incorporando conceptos tales como: gestión orientada al proceso, servicio al ciudadano, control de gestión, transparencia, publicidad de los actos de gobierno etc (los proyectos mencionados así como los de administración financiera y recursos humanos). También tuvo un fuerte impacto la capacitación realizada a los planteles de personal, lo que permitió un cambio cualitativo que pudo ser apropiado por las distintas administraciones.

Párrafo 3.5: la referencia a Tierra del Fuego es correcta, no obstante consideramos que dicha provincia no resulta relevante para verificar el impacto del programa ya que, a pesar de haber firmado su convenio de participación, no ejecutó proyectos bajo el financiamiento previsto. Sólo realizó al inicio limitadas asistencias técnicas para formular un proyecto de modernización del Poder Judicial y otro de la Dirección de Rentas. Ambas asistencias técnicas resultaron en propuestas que luego las autoridades políticas provinciales desistieron de continuar. Es importante recordar que el programa financió los proyectos que identificaban y seleccionaban las Provincias, siendo estas autónomas en su decisión. Sólo debían cumplir con los criterios de elegibilidad provincial y de proyectos establecidos.

Párrafo 3.6: Respecto a las referencias la Hospital de Formosa creemos necesario realizar las siguientes aclaraciones complementarias: Los trabajos comenzaron en agosto de 1997 con el contrato de ejecución de la obra. La finalización estaba prevista para julio de 1999, no obstante la misma se prolongó hasta fines del 2002, influenciada por las variaciones macroecónomicas que impactaron en los contratos en ejecución. Las licitaciones del equipamiento comenzaron en el año 2000, estando aún pendientes en el 2004 las entregas de algunos bienes de las últimas adquisiciones realizadas. La habilitación del mismo se vio influenciada por estas circunstancias y también por dificultades en la conformación de los planteles profesionales y técnicos requeridos por la complejidad de los servicios, que no estaban disponibles en la Pcia. Ello obligó a realizar convenios de cooperación con otras entidades médicas y comenzar a operar en base a derivaciones paulatinas de los servicios. Actualmente funciona al 80% de su capacidad instalada.

Párrafo 3.7: Las escuelas financiadas en la Pcia de Buenos Aires fueron proyectos que quedaron sin financiamiento en el marco del PRODIMES y que, como reunían las condiciones requeridas, se financiaron en el PDP II. La gran mayoría tiene localización en partidos del Gran Buenos Aires por que son los que registran la mayor concentración de demanda educativa insatisfecha a nivel primario y secundario.

Párrafo 3.9: La adopción del procedimiento de Licitación Pública Internacional estaba pautada en el Convenio de Préstamo 3877-AR. Allí se establecía que las obras cuyo costo fuera de U$S 5 millones o más y las compras de bienes por U$S 350.000.- o más debían ser adquiridas mediante una Licitación Pública Internacional aplicando las Normas de Adquisiciones del BIRF. En consecuencia se trataba de un requisito contractual y no de una imposición aleatoria de las autoridades del programa o de la supervisión del Banco. A fin de facilitar la aplicación de dichos procedimientos se realizaron varios cursos de capacitación, incluyendo la facilidad de concurrencia de los equipos técnicos provinciales a los dictados por los especialistas del Banco.

Párrafo 3.10: Como ya fuera dicho precedentemente el programa focalizaba su acción en el fortalecimiento de los sistemas de gestión de las provincias a fin de ***contribuir*** a mejorar los resultados de cuenta corriente que permitieran a futuro financiar sus programas de inversión. (ver objetivos en SAR). La mayoría de las provincias optaron por ejecutar proyectos de DI en pos de tal objetivo. No obstante, los proyectos de inversión realizados tuvieron un impacto en los sectores productivos, tal el caso del mejoramiento de las redes viales y riego.

Párrafo 4.1- 4.2: Con relación al plan de monitoreo y evaluación corresponde tomar en consideración que al momento del diseño del programa no fue requerida la incorporación de indicadores de impacto, sino de resultados asociados a los proyectos. Por ello las variables seleccionadas correspondieron a la exposición de resultados financieros.
Durante la ejecución el Banco planteó la necesidad de realizar la evaluación de impacto, lo que fue comunicado a las Unidades Ejecutoras Provinciales. En reiteradas oportunidades, como puede verificarse en los Ayuda Memoria de la Misiones de Supervisión, se trató el tema con las Provincias acordando planes de acción para conformar la batería de indicadores, reconstruir la línea de base y medir los resultados.
Jefatura de Gabinete de Ministros requirió a la UEC la realización de una evaluación de impacto la que se llevó adelante mediante la contratación de consultores externos independientes.
Asimismo, la UEC realizó esfuerzos al respecto teniendo un informe de evaluación e impacto del Programa que fue entregado al banco y que consideramos aceptable dados los antecedentes mencionados.

Capítulo 5: es de señalar que la interpretación hecha sobre el proceso de recentralización propiciado por el PDP II no se corresponde con lo realizado en el mismo.

- La elegibilidad provincial no estaba condicionada a la obtención de metas fijadas por el Gobierno Federal o el banco, como pudieron serlo los préstamos denominados de "ajuste". Para el financiamiento de proyectos de inversión se requería superávit de cuenta corriente en tanto ello garantizaba la operación y mantenimiento de las inversiones realizadas, dándole la sustentabilidad necesaria.
- La selección de proyectos, como ya fuera expuesto reiteradamente, era de exclusiva responsabilidad provincial, diseñando ellas sus planes de inversión y priorizando los proyectos a ejecutar con total autonomía de la opinión nacional o del banco. Lo que se les ofrecía era un menú de financiamiento dentro del cual realizaron su elección.
- Una interpretación alternativa de lo pautado en el programa conlleva a la conclusión opuesta: el PDP II fortaleció el proceso de descentralización en tanto y en cuanto, al tener por objetivo contribuir a mejorar la performance fiscal de las provincias las independizaba a futuro de los aportes financieros aleatorios de la Nación, tanto para sus gastos operativos como para inversiones. Adicionalmente, uno de los objetivos del programa era incrementar la proporción de recursos propios por sobre los aportes del tesoro nacional.

Por tanto el PDP II no se propuso en ninguna instancia como instrumento de recentralización.

Capítulo 6: como se indica en el informe el aporte de recursos del PDP II no fue de gran magnitud comparado con los presupuestos provinciales. No obstante, el propósito de mejorar la capacidad de gestión fue alcanzado, tal como también se indica. La capacidad de endeudamiento provincial impuso limitaciones a su participación, motivo por el cual no pudieron realizar un abordaje integral de la problemática identificada, lo que hubiera tenido un impacto mayor. Salta es la provincia que realizó una intervención más completa.
La mejora en los sistemas de gestión no resulta suficiente para neutralizar o revertir los efectos que pueden tener otras variables macroeconómicas sobre las finanzas provinciales.
El seguimiento de los resultados realizado por la UEC permitió verificar que durante los períodos de retracción económica aquellas provincias que fortalecieron sus sectores básicos sufrieron un impacto menor.
A modo de aclaración durante el período 1996-2005 a nivel nacional se sucedieron varios presidentes de distinto signo político. Por tanto no puede establecerse ninguna correlación directa entre signo político de gobierno nacional y provincial y la asistencia financiera otorgada. Ejemplo de ello son Córdoba y Río Negro.