DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

PROGRAM TO SUPPORT INTEGRATED DEVELOPMENT OF THE TOURISM SECTOR IN THE PROVINCE OF SALTA

(AR-0292)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Jorge Febres and Hector Salazar (SC1), Team Leaders; Antonio Almagro (EN1); Ricardo Gazel (VPO); José Seligmann-Silva (OD1); Mario Durán (FI1); Paula Giraldez (LEG); Maximiliano Marques (SC1); Normando Birolo (CAR); Claudete Camarano (CAR); Nora Clichevsky (consultant); Juan Antonio Zapata (consultant); and Oriana Bonfim (SC1).

CONTENTS

MAPS
EXECUTIVE SUMMARY

I. FRAME OF REFERENCE 1

A. Province of Salta: General features 1
B. The provincial economy and social conditions 1
C. Province of Salta production development initiatives 2
D. Province of Salta fiscal performance: 1995-2002 4
E. Federal-provincial fiscal relations: Situation of the Province of Salta 5
F. The state of essential infrastructure for production sector expansion 6
G. Strategy and rationale for the Bank's participation 7
H. Lessons learned 8
I. Conceptualization of the program 10

II. THE PROGRAM 12

A. Objectives 12
B. Description 12
1. Support for tourism sector development 12
2. Improvement of essential social infrastructure 14
3. Strengthening of provincial fiscal management 15
C. Cost and financing 16
D. Financing of the program 18

III. PROGRAM IMPLEMENTATION 19

A. Borrower, guarantor, and executing agency 19
B. Program implementation and administration 20
1. Tourism development support subprogram 20
2. Essential social infrastructure subprogram 21
3. Fiscal management strengthening subprogram 22
4. Annual work plans 22
5. Operation of program-funded systems 22
C. Environmental and social impacts and considerations 23
1. Environmental and social management plan 23
2. Environmental management arrangements for the program 24
3. Approval and public release of key environmental documentation 24
D. Implementation period and disbursement timetable 25
E. Monitoring and evaluation 25
1. Reports and supervision 25
2. Handling of program funds 26
3. Accounting, internal control, and audits 26

4. Ex post evaluation 27
F. Procurement 27
G. Recognition and retroactive financing of expenditures 28

IV. VIABILITY, BENEFITS, AND RISKS 29

A. Technical feasibility 29
B. Institutional viability 29
C. Financial and fiscal viability 30
D. Economic viability 32
1. Economic rate of return of the projects 32
2. Poverty targeting and social equity classification 34
E. Environmental and social viability 34
1. Positive impacts 34
2. Adverse impacts 35
F. Benefits 35
G. Risks 36

ANNEXES

Annex I Logical framework
Annex II Procurement plan

BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

English:
http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata

Spanish:
http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata

ABBREVIATIONS

DGR	Province of Salta Revenue Directorate
DVS	Province of Salta Roads Directorate
EIRR	economic internal rate of return
ESIA	environmental and social impact assessment
ESMP	environmental and social management plan
GDP	gross domestic product
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
INDEC	Instituto Nacional de Estadísticas y Censos [National Statistics and Census Bureau]
NPV	net present value
PEU	program executing unit
PROMEBA	Barrio Improvement and Sites-and-Services Program
SECTUR	Tourism Secretariat
SEMADES	Province of Salta Environment and Sustainable Development Secretariat
SFI	Province of Salta International Finance Secretariat
UGA	Environmental Management Unit
WTP	willingness to pay

ARGENTINA

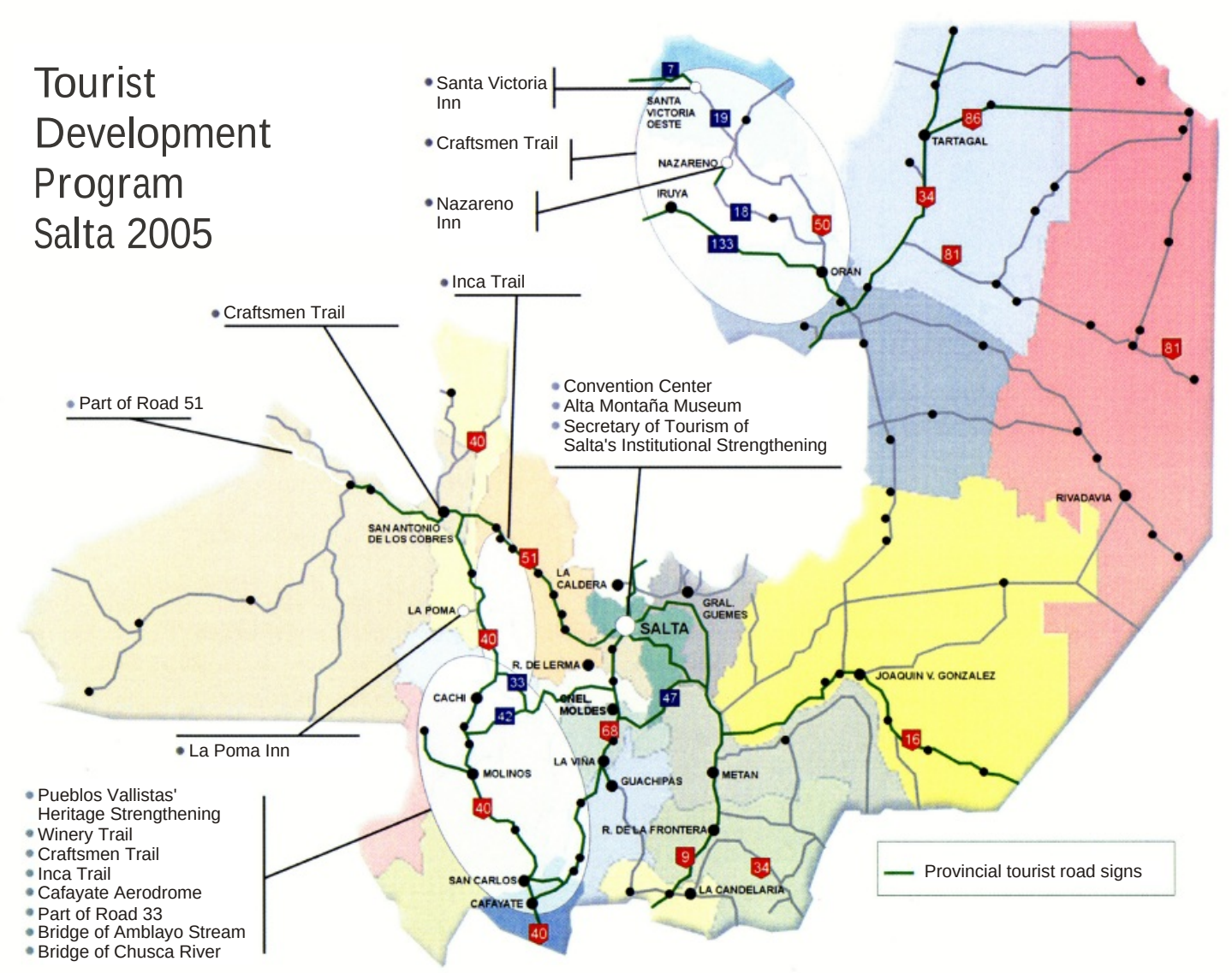
Program to Support Integrated Development of the Tourism Sector in the Province of Salta (AR-0292)

This map, prepared by the Inter-American Development Bank, has not been approved by any competent authority and its inclusion in the loan document has the exclusive objective of indicating the area of influence of the project proposed for financing.

ITS/GSV (05/03)

ARGENTINA

Program to Support Integrated Development of the Tourism Sector in the Province of Salta (AR-0292)



This map, prepared by the Inter-American Development Bank, has not been approved by any competent authority and its inclusionin the loan document has the exclusive objective of indicating the area of influence of the project proposed for financing.

ITS/GSV (05/03)

INTER-AMERICAN DEVELOPMENT BANK
Regional Operations Support Office
Operational Information Unit

ARGENTINA

IDB LOANS

APPROVED AS OF MARCH 31, 2003

	US$Thousand	Percent
TOTAL APPROVED	**18,678,201**	
DISBURSED	14,786,422	79.2%
UNDISBURSED BALANCE	3,891,779	20.8%
CANCELLATIONS	1,931,221	10.3%
PRINCIPAL COLLECTED	6,086,062	32.6%
APPROVED BY FUND		
ORDINARY CAPITAL	17,984,304	96.3%
FUND FOR SPECIAL OPERATIONS	644,906	3.5%
OTHER FUNDS	48,992	0.3%
OUSTANDING DEBT BALANCE	**8,700,360**	
ORDINARY CAPITAL	8,553,099	98.3%
FUND FOR SPECIAL OPERATIONS	145,883	1.7%
OTHER FUNDS	1,378	0.0%
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	842,551	4.5%
INDUSTRY, TOURISM, SCIENCE TECHNOLOGY	827,553	4.4%
ENERGY	1,841,957	9.9%
TRANSPORTATION AND COMMUNICATIONS	986,190	5.3%
EDUCATION	1,251,350	6.7%
HEALTH AND SANITATION	1,423,282	7.6%
ENVIRONMENT	31,125	0.2%
URBAN DEVELOPMENT	1,009,025	5.4%
SOCIAL INVESTMENT AND MICROENTERPRISE	2,688,223	14.4%
REFORM _PUBLIC SECTOR MODERNIZATION	7,468,936	40.0%
EXPORT FINANCING	219,865	1.2%
PREINVESTMENT AND OTHER	88,143	0.5%

**** Net of cancellations with monetary adjustments and export financing loan collections.***

IDB

Inter-American Development Bank
Regional Operations Support Office
Operational Information Unit

Argentina

Tentative Lending Program

2003

Project Number	Project Name	IDB US$ Millions	Status
AR0295	Social Protection and Reduction of the Impact of the Crisis	1,500.0	APPROVED
AR0292	Salta Province: Support to Productive Development Program	32.0	
AR0279	Rio Negro Province Productive Modernization.	60.0	
AR0296	Social Protection and Reduction of the Impact of the Crisis II	1,000.0	
	Total - A : 4 Projects	**2,592.0**	
	TOTAL 2003 : 4 Projects	**2,592.0**	

2004

Project Number	Project Name	IDB US$ Millions	Status
AR0232	Strategy Design at the National and Provincial Levels	20.0	
AR0294	Support to San Luis Province	50.0	
AR0267	Tourism Development	25.0	
AR0241	Agro Competitiveness (PROCOM)	75.0	
AR0290	Financial Sector Program II	500.0	
	Total - A : 5 Projects	**670.0**	
AR0264	AFIP Strengthening II Stage	95.0	
AR0285	Buenos Aires City Subway Phase I	150.0	
AR0247	Public Safety: Violence Prevention	100.0	
AR0274	National Housing Program	100.0	
	Total - B : 4 Projects	**445.0**	
	TOTAL - 2004 : 9 Projects	**1,115.0**	
	Total Private Sector 2003 - 2004	**0.0**	
	Total Regular Program 2003 - 2004	**3,707.0**	

*** Private Sector Project**

INTER-AMERICAN DEVELOPMENT BANK
Regional Operations Support Office
Operational Information Unit

ARGENTINA

STATUS OF LOANS IN EXECUTION AS OF MARCH 31, 2003

(Amounts in US$ thousands)

APPROVAL PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED *	AMOUNT DISBURSED	% DISBURSED
REGULAR PROGRAM				
Before 1997	10	1,778,801	1,496,342	84.12%
1997 - 1998	7	1,021,500	436,545	42.74%
1999 - 2000	8	757,500	104,946	13.85%
2001 - 2002	5	1,645,000	657,683	39.98%
2003	7	2,425,000	1,058,872	43.66%
TOTAL	37	$7,627,801	$3,754,388	49.22%

PROGRAM TO SUPPORT INTEGRATED DEVELOPMENT OF THE TOURISM SECTOR IN THE PROVINCE OF SALTA

(AR-0292)

EXECUTIVE SUMMARY

Borrower:	Province of Salta	
Guarantor:	Argentine Nation	
Executing agency:	Government of the Province of Salta, through its International Finance Secretariat	
Amount and source:	IDB (OC):	US$34.1 million
	Local:	US$22.6 million
	Total:	US$56,7 million
Financial terms and conditions:	Amortization period:	25 years
	Term for physical initiation of work:	4 years
	Disbursement period:	5 years (maximum) 3 years (minimum)
	Grace period:	5 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, Single Currency Facility

Objectives: The program's objective is to contribute to the development of the province of Salta's production sectors, spurring expansion of the tourism sector as a key engine of economic development, improving the province's social infrastructure, and strengthening provincial fiscal management in order to capitalize on the anticipated upturn in economic activity and thereby assure that Salta will have sufficient resources to sustain production over time.

Description: Activities to be funded to achieve the operation's objectives are grouped into the following subprograms.

1. Support for tourism sector development (US$23.7 million): The object of this subprogram is to make the robust growth in Salta's tourism industry in recent years sustainable, by strengthening

institutional capacity for tourism promotion and tourist services, improving tourism infrastructure, and restoring the province's historic and cultural heritage. This subprogram has three components: (i) institution-strengthening; (ii) tourism infrastructure (including transportation infrastructure), and (iii) historical and cultural heritage preservation.

2. Improvement of essential social infrastructure (US$10.1 million): This subprogram will help develop Salta's tourist industry by improving essential social infrastructure in the province, to remedy deficiencies in core utility services and improve the quality of life of a sizable segment of the population. Its three components deal with: (i) sewage disposal; (ii) urban drainage, and (iii) solid waste management.

3. Strengthening of provincial fiscal management (US$10.1 million): This subprogram's objectives are to help increase the Province's fiscal revenues and optimize the management of provincial spending. Its three components are: (i) improvement of tax collection management; (ii) improvement of land-use management (cadastres), and (iii) strengthening of financial management.

The Bank's country and sector strategy:

In Argentina's current economic circumstances the priority focuses of Bank support are actions to: (i) make policy reforms sustainable; (ii) protect social spending, and (iii) revitalize the economy by way of loans to make the productive sectors more competitive and expedite the implementation of reforms (primarily fiscal reforms) in the provinces. The program proposed here fits with those action focuses.

Coordination with other official development organizations:

The Salta provincial government has experience in executing operations similar to the one proposed here, having successfully implemented a program to modernize the health and education sectors and bolster its public finances with support from a US$75 million loan (4219-AR) from the International Bank for Reconstruction and Development (IBRD). The Province also is participating in the IBRD's Second Provincial Development Project (loan 3877-AR) which will fund part of the fiscal management subprogram of the operation proposed here (see paragraph 3.13 of the proposal which follows). In the near term the Province will be receiving a US$500,000 technical cooperation grant approved by the European Union, likewise targeting the tourism industry, and other funding for the sector from the European Community and the French government (paragraphs 1.23 and 1.24).

Environmental and social review:

To make certain the program would be environmentally and socially viable, environmental and social impact assessments (ESIAs) were prepared for the different components, and a strategic environmental assessment was done of the program.

The program's chief environmental benefits would be in the form of: (i) curtailing of rainy-season flooding in the city of Salta; (ii) proper solid waste disposal in municipalities outside the provincial capital; (iii) traffic improvements in the province; and (iv) better conservation of the province's landscape and historical and cultural heritage by training the beneficiaries in the tourist routes, addressing such issues as environmental protection and security. However, the program's strongest positive impacts would be on the social side, in the form of rising income and employment as visitor numbers increase.

For the most part the program's adverse environmental impacts would be associated with the implementation phase of projects requiring construction of one kind or another. These potential impacts are: (i) drainage alterations and habitat fragmentation; (ii) accidents during the construction phase; (iii) gas and noise emissions; (iv) generation of rubble and other debris; and (v) effects on vegetation. These potential adverse impacts are small in scale, temporary, and localized, and can easily be averted or controlled with the mitigation measures described in each works project's management plan. From a social standpoint, the program's main adverse environmental effects have to do with the same increase in visitors that was termed a positive impact above—the concern here being the carrying capacity of the different areas outside the provincial capital in which projects are planned. When deciding on mitigation measures, very conservative "visitor load" estimates were used for the tourist routes and the historical and cultural heritage conservation projects as far as the use of the different projects is concerned. Those carrying capacities will be reassessed over the course of the program.

The ESIAs for the program include the respective environmental and social management plans, setting out the environmental and social impact mitigation measures identified as being necessary during construction and at the operating stage.

The project ESIAs and the strategic environmental assessment were released to the public on 3 January 2003 and forwarded to the Bank's Public Information Center on 14 January 2003.

Benefits:

The program's prime benefit will be to propel production and social progress in the province of Salta by developing its tourism sector. One of the expected benefits of planned improvements in the province's

fiscal management is sustainable expansion and operation of the necessary infrastructure. Specifically, the program aims to make Salta's tourism sector more competitive, for instance by improving the stock of provincial tourist attractions and facilities and making it easier for visitors to reach them (transportation infrastructure) and improving essential social infrastructure to remedy shortcomings that are keeping Salta from realizing its full potential as a tourist destination. A growing and more competitive tourist industry will create new jobs, directly fueling the revival of economic activity in the province.

In the near term, strengthening the Province of Salta's fiscal management capacity will boost provincially generated tax revenues and optimize spending, enabling the Province to further improve what is already a fairly sound fiscal situation and honor its fiscal pledges to the national government under the country's economic program agreed with the IMF.

Risks: The program's chief risk is the possibility that the municipal governments, which share with the provincial government responsibility for tourism, social-sector, and fiscal management, might not do enough to make the program's gains sustainable. To address that eventuality, the Bank and the Province have agreed that a condition for work to begin on a project that will benefit a municipality is that the municipality must have signed an agreement with the provincial government setting out the municipality's commitments and responsibilities, which will vary depending on the kinds of projects. In these agreements the municipal governments will pledge, inter alia, to properly maintain the equipment, tourism facilities, social infrastructure, and restored historic heritage sites and structures, as applicable, and to keep their cadastres current. Each agreement, countersigned by the respective municipality's town council, will stipulate that if the municipal government fails to satisfy provisions of the agreement, the Province may elect to perform the activities in question and reduce the municipality's tax revenue shareout accordingly.

Special contractual conditions: *Conditions precedent to the first disbursement*. In addition to the standard contract clauses, the executing agency must: (i) demonstrate that the program executing unit has been set up and its personnel formally appointed or hired, in accordance with terms of reference agreed upon with the Bank (paragraph 3.2); (ii) submit models of the interagency cooperation and technical assistance agreements, on terms agreed upon with the Bank; the content of these agreements will be replicated in the individual agreements eventually signed with the program beneficiaries (paragraph 3.9); (iii) present the work plan for year 1 of the program (paragraph 3.15); and (iv) demonstrate that two

bank accounts have been opened in the program's name for exclusive use of the province's International Finance Secretariat to channel the loan proceeds and counterpart funds (paragraph 3.27).

Conditions precedent to calling for bids for the transportation infrastructure subcomponent of the tourism subprogram: In addition to the standard contractual conditions precedent to construction tendering, it must be demonstrated that a cooperation agreement has been entered into among the Salta provincial government, the Salta Roads Directorate, and the National Roads Directorate (paragraph 3.10).

Other special implementation features: (i) a midterm evaluation (paragraph 3.26); (ii) an ex post evaluation (paragraph 3.30); (iii) recognition and retroactive financing of expenditures (paragraphs 3.35 and 3.36), and (iv) disbursements based on attainment of fiscal targets (paragraph 4.12).

Poverty-targeting and social sector classification: This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth General Increase in Resources (document AB-1704). The operation also qualifies as a poverty-targeted investment (PTI). The borrowing country will be using part of the 10 percentage points in additional financing (paragraph 4.23).

Exceptions to Bank policy: None.

Procurement: The Bank's procedures must be followed for the procurement of all goods and the selection and contracting of all services for the program. Thresholds at which international competitive bidding will become mandatory are US$350,000 equivalent for goods, US$5 million equivalent for construction contracts, and US$200,000 equivalent for consulting services. Annex II contains the program's procurement plan.

Consultants will be engaged following the Bank's standard consultant contracting procedures and those set out in document GN-1679-3. For purposes of this program, if consultant-firm selection is based on the quality and price method, the relative weight of price as an evaluation criterion may not exceed 30%; the weight of the offer's technical or quality element must be at least 70%.

Once twelve months have passed since the first disbursement of program funds and provided it is demonstrated that goods and services procurement and contracting have followed Bank policies, practices, and procedures, the Bank may, upon receipt of a reasoned

request from the executing agency, consider the possibility of ex post reviews of such procurement and contracting (paragraph 3.33).

I. FRAME OF REFERENCE

A. Province of Salta: General features

1.1 The province of Salta in northwestern Argentina covers an area of 155,488 square kilometers (5.6% of the nation's territory). It shares borders with six Argentine provinces and three countries—Chile, Bolivia, and Paraguay. Its 23 counties (*departamentos)* with their 59 municipalities are home to a population of about 1,079,000 (2.9% of the country total), with an average density of 7 persons per square kilometer. The province's urbanization rate is 78%. Salta is its largest city, with a population of 480,000.

B. The provincial economy and social conditions

1.2 The province's gross output in 2001 stood at US$4.1 billion, approaching US$4,000 per capita. Since 1990, provincial output has risen 2.8% annually, on average, outpacing the national economy's 1.8% annual growth average. Per capita provincial output averages 52.7% of national per capita GDP.[1] The province contributes 1.5%, on average, of the nation's output.

1.3 Salta's exports make up roughly 10% of its overall output. Brazil is the prime purchaser (30% of total export sales) followed by Bolivia and the United States, each with a 9.6% share of the total. In 2001, 16.4% of the province's economically active population was unemployed.

1.4 One of Argentina's least developed provinces, Salta is among the provinces experiencing the most serious social problems, as the following comparison with the national averages illustrates.

Table I-1. Social indicators: Province of Salta compared to national average

Indicator	Salta	National
Birth rate (per 1,000 women of childbearing age)	24.6	19.4
Child mortality rate (per 1,000 live births)	21.2	18.8
Life expectancy at birth (years)	69	72
Illiteracy rate (percentage of total over-10 population)	4.0	2.6
Population density (persons/km^2)	6.9	11.7
Residents per dwelling	4.9	3.8
Percentage of households with unmet basic needs	33.9	16.5
Percentage of dwellings without access to public water system	17.1	n.d.
Human Development Index (0-1)	0.836 (rank: 18th of 24 provinces)	0.884

Sources: Ministry of Health, Ministry of Culture and Education, INDEC.

[1] This stronger growth performance did not translate into commensurate increases in per capita output in the province, nor did it narrow the gap with average national GDP, because Salta's 1991-2001 population growth rate of 24.6% was over double the 11.1% national rate during that period.

C. Province of Salta production development initiatives

1.5 The 1999-2003 Social and Production Development Plan being implemented by the Salta provincial government is designed to spur economic growth in the province, with an emphasis on job creation and more equitable income distribution. The plan's priority is to advance production sectors that can satisfy the most pressing needs of the different parts of the province, make the most of their productive potential, and address their socioeconomic needs.

1.6 The tourism industry has a significant role to play here, as one of the sectors targeted to revitalize the province's production apparatus and as a potential heavy contributor to the treasury. Tourism development has come in for priority attention because of Salta's comparative advantages in this sector, as evidenced for instance by the indicators in Table 1-2 that compare increases in selected Salta tourism indicators with national growth numbers, and by the figures in Table 1-3 on the sector's potential economic impact.

Table I-2. Indicators of tourism sector potential: 1997-2000

Indicator	Salta	National
Increase in hotel numbers	71%	5%
Increase in number of rooms	47%	8%

Source: Fundación de Investigaciones Económicas Latinoamericanas (FIEL). Tourism: Special Industry Report No. 58, December 2001.

Table I-3. Potential economic impact of tourism in Salta

- ✓ Every peso in direct visitor spending generates 70 additional centavos indirectly for the province's economy.
- ✓ For every two direct jobs created in the tourist industry one indirect job is created in some other segment of the provincial economy.
- ✓ For every 31,900 pesos spent by visitors one additional job is created in the tourism sector and half an additional job elsewhere in the economy.
- ✓ For every 100 pesos a visitor spends in Salta the provincial government takes in 2 to 3.5 pesos directly in tax revenues. This refers strictly to direct provincial taxes, not counting indirect benefits captured via the urban property tax, indirect employee spending on taxes, tourism-related businesses, central government transfers as the province's economy picks up, etc.

Source: IDB compilation from statistics in INDEC: *Argentina. Input-Output Matrix*, 1997.

1.7 Though tourism's aggregate share of overall provincial output is still modest (4% in 2001, equivalent to 40% of Salta's export revenues that year) it has tremendous growth potential. The forecast for the tourist industry is for very healthy growth over the next four years, even before the benefits of the program proposed here are factored in. Underpinning these expectations are the prospects for tourism expansion in Argentina generally, these being tied in turn to the anticipated effects of modifying the exchange rate system, which has made Argentina one of the most accessible destinations for travelers in the region and from other parts of the world (Table 1-4). According to 2002 performance estimates, for instance, the tourism

sector appears to have succeeded in reversing the previous year's US$1.3 billion tourism-account deficit, registering a US$600 million surplus instead.[2]

1.8 Against this backdrop, in 2000 the provincial government completed the first phase of the Provincial Tourism Development Plan launched in 1996, which has been supporting implementation of the Social and Production Development Plan. The tourism plan's twin pillars were promotion (the strategy priority here being participation in Argentine and international fairs and exhibitions and marketing of the province as a conference and convention venue) and preservation of the province's cultural and historic heritage (training and awareness-raising programs were begun at the municipal level; laws were improved). Institutional moves included the creation of the Tourism Secretariat as a development and regulatory agency, demand development activities (e.g. partnering with the private sector to publicize the province's tourism resources and potential[3]), and improvements in tourist facilities (e.g. new hotels, restaurants, and travel agencies—mostly privately funded—and access road improvements).

Table I-4. Province of Salta. Tourism profile and growth prospects

Main attractions: Salta offers visitors an array of climates and landscapes with a wealth of natural attractions such as canyons, ravines, forests, accessible volcanoes, underground rivers, and valleys. The province's priceless cultural and archeological heritage includes a network of villages with nineteenth-century architecture, old churches and colonial haciendas, squares, and settlements. Another major tourist draw are monuments of the Inca culture such as Salta's Inca trails, with many stretches in an excellent state of conservation.

Reason for trip: Current breakdown of arrivals in the province by reason for visit: 81% tourism (20% of arrivals are from outside Argentina, predominantly from Europe), 15% traveling on business or to attend a convention; 4% visiting family and friends.

Tourism growth forecasts: Forecasts for medium-range growth in Salta tourist arrivals are premised on two effects of the peso devaluation. First, the devaluation has made it more expensive for Argentinians to travel abroad, creating a substitution effect whereby Argentinians (mostly Buenos Aires residents) who used to travel outside the country now take trips within Argentina. Second, the devaluation means lower dollar prices for foreign tourists and a concomitant sharp rise in demand on their part. Overall, growth in Salta tourism is not expected to cut into tourist numbers in other Argentine provinces. Recent statistics bear this out, even with the falloff in tourism in the wake of the events of September 11, 2001 and difficulties within Argentina that reflected unfavorably on its image abroad (by virtue of broadcasts of scenes of public unrest, for instance). In 2002, Argentina received approximately 15% more foreign visitors than in 2001. According to federal Tourism Secretariat estimates, Argentina is one of the world's fastest-growing tourist destinations: it still accounts for a modest share of world tourist arrivals and is not yet a saturated destination. The Argentine Tourist Board, for its part, reports that international tourist arrivals between 1 January and 14 February 2003 were up 42.6% over the same period in 2002. Domestic tourism increased more than international tourism. According to the Economy Ministry, in January 2003 alone some 6.4 million people visited 15 of Argentina's leading tourist destinations—a 46.9% increase over January 2002.

[2] Data from the National Tourism and Sports Secretariat.

[3] One fruit of these partnerships was the choice of Salta as one of the venues for the 2001 World Youth Soccer Championship. The province also hosted the Men's World Volleyball Championship in 2002.

Table I-4. Province of Salta. Tourism profile and growth prospects

The increase in Salta visitor arrivals was proportionally higher than the nationwide increase. In 2002, tourist arrivals in the province were up 19% from 2001, systematically pushing up hotel occupancy figures in every month since April 2002. This upward trend held in the first two months of 2003, when tourist arrivals were 98% higher than in the same period in 2002. Other indicators confirm this upswing: for instance, the number of tourists visiting the Cachi Archeological Museum (a proxy for tourist arrivals in that town) climbed from 7,112 in 2001 to 12,333 in 2002. The museum's 3,450 admissions in January 2003 marked more than a 150% increase over the 1,362 logged in January 2002.

1.9 In recent years the tourist industry has received a heavy influx of private capital. According to estimates, between 1995 and 2002 private investors put over US$100 million into tourist facilities, primarily hotels, lodges and other accommodations, restaurants, travel agencies, tourist transport and other specialized services, adventure tourism and ecotourism promotion, and guided tours. In the city of Salta, for example, construction is under way on two privately funded five-star hotels—a 149-room establishment slated to open in 2004 and a 162-room facility to be inaugurated in 2005. Private money also has been complementing provincial Tourism Secretariat spending to market Salta as a tourist destination.

D. Province of Salta fiscal performance: 1995-2002

1.10 When the present provincial administration took office in 1995 the province was running overall and current deficits. The bulk of its US$583 million debt was unfunded and at short term, primarily payroll arrears and amounts outstanding to vendors and contractors.

1.11 The fruits of efforts from 1996 to 2002 to put the fiscal accounts in order were as follows: (i) a cumulative 18% increase in current revenue following the updating of the tax code and tax administration improvements; (ii) an increase in current expenditure of just 0.6%, owing largely to reductions in personnel costs;[4] and (iii) a current surplus every year. In 2002, provincially raised tax revenues climbed 34% and current expenditure declined 13%, leaving the province with overall and current surpluses. These results were achieved thanks to a series of reforms and provincial government initiatives from 1995 onward. Two highlights were the modernization of laws and regulations governing the workings of the provincial government and the privatization of various public entities. Among the major changes in legislation were a new provincial Constitution and a new fiscal accountability law; among the agencies privatized were the water and power companies and the provincial bank. However, even with these improvements, after having funded its annual capital spending plans over that interval the Province's debt stock had climbed to US$842 million by December 2000.

[4] In 2000 there were 37,564 employees on the provincial payroll, down from 40,721 in 1995. The ratio of public servants per 1,000 population thus declined from 43 to 36 over that interval.

1.12 Continuing with these steady gains, in 2001 the Province advance sale of oil and gas royalties for US$205 million. The proceeds of this sale, in combination with reduced capital expenditure that year, left the Province with an overall surplus which it used to amortize part of its debt. By July 2001 its debt stock had been lowered to US$698 million. A portion of that (US$349 million) was restructured under the terms of the February 2002 Fiscal Accord with the central government (see Table I-6). Salta's estimated debt stock at December 2002 stood at US$430 million.

1.13 Despite the complicated economic environment in the country generally and some current financial difficulties that—for one thing—have reduced transfers to the provinces by more than 13% and delayed transfer payments, the Province of Salta is forecasting a budget surplus in 2003 and expects its performance to compare favorably with the other provinces overall. Table I-5 presents Salta public-finance ratios compared with consolidated provincial figures for 1998-2002.

Table I-5. Public sector fiscal ratios: Province of Salta and consolidated provincial figures (%)

	1998		1999		2000		2001 4/		2002	
	S	P	S	P	S	P	S	P	S	P
Overall results/ Current revenue 1/	(3.5)	(6.1)	(6.1)	(13.3)	(8.5)	(10.4)	(9.4)	(21.8)	(1.4)	(5.5)
Current results/ Current revenue /2	10.5	6.9	4.6	(2.1)	4.5	(1.4)	1.4	(13.0)	(0.9)	(1.4)
Primary results/ Current revenue /3	14.4	10.6	8.9	2.5	11.8	(4.5)	9.21	(4.7)	(0.0)	(2.5)
Payroll costs / Current revenue	53.8	52.6	54.9	58.1	52.7	58.3	53.8	64.0	56.9	63.17

Sources: Federal Economy Ministry. Ministry of Finance of the Province of Salta.
S = Province of Salta. P = Consolidated provincial figure
1/ Total revenue less total expenditure.
2/ Current revenue less current expenditure.
3/ Current revenue less current expenditure excluding interest payments.
4/ Salta figures for 2001 do not include extraordinary revenues from advance royalty sales.

E. Federal-provincial fiscal relations: Situation of the Province of Salta

1.14 In January 2002, when it was unable to fulfill its financial obligations, Argentina announced a moratorium on some of its debt payments and ended the convertibility plan that had been in place since 1991. The floating exchange rate policy the country then adopted made it necessary to adjust the system and amounts of federal government transfers to the provinces and to change the original 2005 target date for balanced budgets. These changes were embodied in the 27 February 2002 fiscal

pact between the federal government and the provinces (Table I-6). On 3 May 2002 Salta became the first province to sign a formal bilateral undertaking with the federal government pursuant to the February umbrella accord, to participate in the "Provincial Government Finances Adjustment Program."

Table I-6. Agreement on Federal-Provincial Financial Relations and Terms of Federal-Provincial Tax Revenue Sharing

Key terms of the agreement:

- ✓ Eliminate the fixed minimum (Arg$1.364 billion) for revenue shareouts to the provinces; instead, adjust transfers to federal government tax receipts.
- ✓ Provincial governments will receive a 30% share of the proceeds of the financial transactions tax.
- ✓ The provinces' dollar-denominated domestic obligations will be converted at the exchange rate of Arg$1.40 pesos/US$1 and indexed. They will be refinanced by the federal government at 16 years; federal government will retain up to 15% of provinces' total revenue-sharing entitlements to service those debts.
- ✓ The provinces must reduce their budget deficits by 60% in 2002 (from the 2001 figure) and balance their budgets in 2003.
- ✓ Provincial governments require express authorization from the national Economy Ministry and/or Central Bank before arranging any new borrowing.

F. The state of essential infrastructure for production sector expansion

1.15 Working within the above-described fiscal constraints, the Province of Salta has been improving its social infrastructure and basic utility service delivery to raise the population's standard of living and lay the foundations for growth of the productive sectors.

1.16 Prior to 1998, water and sewer services in the province of Salta were provided by the Salta Water Authority, an administratively autonomous agency established under public law. In 1998 a private company, Aguas de Salta S.A., was awarded a concession to operate these services. The following table shows the changes in numbers and share of the population with access to piped water and sewer systems.

Table 1-7. Water and sewer system coverage

	July 1998			July 2002		
	Population	Accounts	Coverage %	Population	Accounts	Coverage %
Water	692,462	173,660	76	1,013,250	241,250	95
Sewerage	626,737	149,223	68	695,071	165,493	68

1.17 As for urban sanitation, a concession contract signed in 1999 put a private company in charge of waste collection and disposal, cleaning of streets and green spaces, pedestrian zone maintenance, and canal cleaning.

1.18 The Province has been improving the city of Salta's storm drainage system through capital projects funded by loan 940/OC-AR under the Barrio Improvement and

Sites-and-Services Program (PROMEBA) and also with funds of its own, since that program was broadened to take in other capital projects paid for out of the provincial budget.

1.19 The above efforts notwithstanding, the province still does not have the complete infrastructure it needs to be able to deliver the above-mentioned services properly. Specific needs are the channeling of various natural streams in the city of Salta, solid waste collection and disposal in municipalities outside the provincial capital, and sewage disposal.

G. Strategy and rationale for the Bank's participation

1.20 In Argentina's current economic circumstances, the priority focuses for Bank action are support for: (i) sustaining policy reforms; (ii) protecting social spending, and (iii) revitalizing the economy, by way of loans to make the productive sectors more competitive and expedite the institution of reforms (primarily fiscal reforms) in the provinces. The program proposed here fits with those action focuses. It also is concordant with the 27 February 2002 federal-provincial pact, which is the current frame of reference for achieving balanced budgets and sustainability of public finances across the Argentine public sector. Previous Bank operations along these lines were direct loans to support the public sector of the Provinces of Buenos Aires (loan 979/OC-AR) and Córdoba (loan 1287/OC-AR) and of the City of Buenos Aires (loan 1107/OC-AR).

1.21 The proposed operation also fits with the Bank's strategy of supporting development of subnational governments (document GN-2125), which specifies, among other priority focuses for Bank support, institution-strengthening for such governments. This entails, inter alia, support for strengthening subnational tax administration and financial management systems.

1.22 The Province of Salta also has benefited from IDB loans to Argentina to spur economic activity and improve the quality of life in Argentine provinces and municipalities, such as the above-mentioned PROMEBA program and the Municipal Social Investment Program (loan 830/OC-AR).

1.23 ***Coordination with other official development agencies***. The Salta provincial government has experience in executing operations similar to the one proposed here, having successfully implemented a program to modernize the health and education sectors and bolster its own public finances, with a US$75 million loan from the International Bank for Reconstruction and Development (IBRD). Lessons learned in the course of that program were drawn upon when designing the operation described here, as the following section will explain. The Province of Salta also is participating in the IBRD's Second Provincial Development Project (loan 3877-AR) which will be funding part of the fiscal management subprogram of the operation proposed here (paragraph 3.13).

1.24 The Province of Salta also will be receiving a US$500,000 technical cooperation grant approved by the European Union for an operation to be executed by Cooperación Europea para las Regiones y las PYMES en Argentina [European Cooperation for Argentine Regions and SMEs] (CERPYME). That agency recommended that the project target the tourism sector because of its potential as an engine of provincial growth. The European Union is also considering a possible venture capital fund of approximately US$35 million, US$8 million of which would go to the Salta tourism sector. The Province also will be taking part in a project, with approved French government funding, to promote tourism and traditional activities in provinces in northwestern Argentina (Salta, Jujuy, Catamarca, and Tucumán).

H. Lessons learned

1.25 The following lessons captured from related operations in Argentina[5] and in the region have been taken into account in the proposed program.

General

a. *Direct lending to subnational governments is important, to help develop the productive sectors and modernize the public sector.* This is particularly so in the case of Argentina, where Bank-funded activities serve also to further federal-provincial government coordination within a framework of mutually agreed undertakings and targets, primarily in the fiscal sphere.

b. *A program's success hinges above all on strong political support*. In the case of Salta, the Province successfully instituted a series of public sector reforms thanks to the combined resolute support of the current provincial administration and the provincial legislature.[6] Given the priority the provincial government has accorded to the proposed program, the same degree of support is expected to be forthcoming.

c. *An operation's implementation timeframes must be realistic, with due regard to the agencies that will be participating.* The Bank's project team has assessed, with the executing agency, the potential for delays in completing the planned

[5] Lessons documented in evaluation reports produced by the Bank's Evaluation Office on the following projects: (i) Investment Sector Loan (773/OC-AR); (ii) Public Sector Reform Program (633/OC-AR); and (iii) Provincial Banks Privatization Program (865/OC-AR), and in the project completion report for IBRD loan 4219-AR (Salta Provincial Government Reform Program). The proposed operation also captured lessons learned from the Mundo Maya Sustainable Development Program executed with IDB financial support, involving areas such as restoration of archeological and historical monuments, transportation, basic infrastructure, and microenterprise development and training.

[6] The enormous political support received—notably from the governor, legislators, and ministers—was key to the success of the Salta Provincial Government Reform Program funded by IBRD loan 4219-AR, according to the project completion report on that operation (document 20698 of 30 June 2000).

activities and is satisfied that the 54-month implementation period being proposed is realistic. As one of the core inputs for that timeframe decision, specific indicators and means of verification for monitoring each subprogram were decided upon with the authorities.

d. *It is essential that the government be directly involved in the program's management and operation.* The proposed program calls for the Salta provincial government to set up a coordination unit under the International Finance Secretariat, with the requisite organization, functions, and staff, to head up the program's implementation. The personnel who would be assigned to that unit have been actively involved in every step of the operation's design.

Tourism area

e. *Tourism development programs need to strike a balance between infrastructure investment and investments to modernize institutions designed to build local capacity to capture the benefits of increased tourism flows.* In this regard, priorities in the proposed program are to strengthen the provincial Tourism Secretariat to enhance the technical assistance supplied to municipal governments and also, indirectly, to strengthen municipal governments through a project to improve land-use management, primarily in new tourist areas (paragraph 2.27).

Infrastructure area

f. *There need to be detailed designs for infrastructure works projects or, failing these, high quality basic designs. Operators should participate in the design concept and execution.* This is a way of assuring that actual implementation costs will match budgeted costs. In the program proposed here, designs for transportation and social infrastructure works are detailed enough to provide assurances that the funds budgeted will be sufficient, with two exceptions: (i) the solid waste systems slated for funding are to be designed as part of the program; funding then will be provided for as many of these systems as the initial budget allocation allows (five are envisaged); and (ii) in the case of funding for a convention center, because it is so important to harmonize that facility's design and operation, the operator will be selected before the end of the design phase so it can be involved in the design process.

Fiscal area

g. *Crisis episodes create a reform-friendly political climate, particularly for reforms that impact the public finances.* The program described here, which was developed against a backdrop of economic recession and financial instability in Argentina, will facilitate actions and commitments to instill conditions and incentives for optimizing Salta provincial government financial management.

h. *It is important that an operation's design be underpinned by a conceptual/theoretical framework that can justify each action, to show why it is needed and to correctly sequence the program's implementation overall.* The conceptual/theoretical underpinnings of the proposed program's fiscal dimension are the guidelines of the November 2000 Federal Commitment to Growth and Fiscal Discipline and the February 2002 fiscal pact, ratified by the national legislature and numerous provincial legislatures. These agreements form a body of cohesive measures and instruments that, as one of a number of benefits, will gradually create conditions for the federal and provincial governments to come up with a new, more efficient and equitable intergovernmental relations arrangement.

i. *A program's prospects for success hinge crucially on the strength of government ownership and acceptance of the program.* The fact that the proposed program is undergirded by a formal agreement between the federal government and all the provinces augurs well for its success.

I. Conceptualization of the program

1.26 At a time of recession and financial instability in the Argentine economy,[7] Salta's tourism industry—a sphere in which the province has comparative advantages—can help revitalize the provincial economy. According to preliminary estimates by the province's Tourism Secretariat, tourism could create more than 1,580 new jobs in the next four years.

1.27 For that reason, the proposed program focuses *first and foremost* on a series of activities to develop Salta's stock of tourist attractions, with due attention to sustainable development considerations, and on improvements to essential infrastructure needed to enhance tourist transportation and access and increase the length of visitors' stay.

1.28 The transportation projects to be funded as part of this vision are key to fostering sustainable tourism development and will yield additional benefits for other sectors, notably agriculture and the mining industry. Among Salta's main draws for domestic and international visitors are stunning mountain vistas in the ascent to the Andean highlands, as witness the success of the "Train to the Clouds," one of the region's leading tourist attractions. A number of villages in the province have preserved their regional historic heritage but are located in the Andean highlands, far from major urban centers. Thus, several projects are essential to make these landscapes and villages that are so attractive to tourists more accessible year-round: pavement improvements on Routes 51 and 33; Cafayate Airfield improvements, and construction of two new bridges along the province's internationally renowned network of tourist routes.

---

[7] GDP shrank 10.9% between 2001 and 2002.

1.29 A *second focus* of the program will be to support the Province's efforts to improve essential social infrastructure for sewage treatment, storm drainage, and solid waste disposal. Though the immediate beneficiaries will be residents of the various projects' service areas, the tourism sector also stands to benefit directly from these improvements on two fronts. First, an increase in the floating population triggered by tourism is putting added pressure on infrastructure that was deficient to begin with—particularly for sewage and solid waste disposal. Second, with the requisite infrastructure in place it will be easier to market the province of Salta as a tourist destination—a task that would be far more difficult if prospective visitors associate the province with rainy-season flooding or if there are unregulated garbage dumps along tourist routes and in towns outside the provincial capital. As a final consideration, though the proposed social infrastructure projects are standalone in the sense that they do not depend on other projects to put the completed installations into service, care has been taken to include only projects that directly pursue the program's central objective: to develop the province of Salta's tourism sector.

1.30 *Lastly*, though the Salta provincial government's fiscal performance has been satisfactory (as discussed earlier), its fiscal management needs further strengthening, primarily because of the recession and financial instability in the Argentine economy overall and the provinces' new commitments as part of the process of balancing their budgets in the near term. With the support the proposed program would provide for fiscal management improvements, the Province would have more money to fully implement the program itself and also to capitalize on the upswing in economic activity that the program is expected to trigger, principally in the tourism sector, in order to generate additional resources for the long-run pursuit of this strategy.

1.31 Calculations of the program's anticipated impact are based on the province of Salta's comparative advantages over other Argentine destinations as far as tourism development potential is concerned. These advantages lie not just in Salta's tourist attractions *per se* but also in certain management elements that can be expected to make the most of the positive impacts of the ventures slated for funding in the proposed operation and enhance their sustainability prospects. Specifically, to judge from the efficiency and results of the Province of Salta's fiscal management compared to other provinces' large deficits, Salta should be able to furnish the counterpart funds required for the program's implementation as well as budget funds to sustain the investments after the program ends. Another key ingredient for successful implementation and sustainability of the program activities is the executing agency's experience, gained in administering and executing complex operations, some of which required more funding than the program proposed here. The private sector's strong support and active participation in developing Salta's tourist trade, as evidenced by its sizable investments in this sector, is yet another of the province's advantages, which should help propel its tourist industry.

II. THE PROGRAM

A. Objectives

2.1 The program's objective is to contribute to the development of the province of Salta's production sectors, spurring expansion of the tourism sector as a key engine of economic development, improving the province's social infrastructure, and strengthening provincial fiscal management in order to capitalize on the anticipated upturn in economic activity and thereby assure that Salta will have sufficient resources to sustain production over time.

B. Description

2.2 Activities to be funded to achieve the operation's objectives are grouped into the following subprograms.

1. Support for tourism sector development (US$23.7 million)

2.3 The object of this subprogram is to make the robust growth in the tourism industry in recent years sustainable by strengthening institutional capacity for tourism promotion and tourist services, improving tourism infrastructure, and restoring the province's historic and cultural heritage.

2.4 The subprogram's primary **anticipated outputs and outcomes** are, by the end of 2006: (i) approximately 1,580 new jobs and (ii) generation of Arg$4.7 million to Arg$8 million in direct taxes for the province from the tourism sector.

2.5 The program's technical files outline the rationale for the specific projects comprising this subprogram, which fit with Salta's tourism development plan. The "lesson learned" outlined in paragraph 1.25(c) having been carefully heeded, institution-strengthening activities to build capacity in the provincial Tourism Secretariat will take place before the tourism infrastructure projects are implemented.

2.6 This subprogram is divided into the following components.

a. Institution-strengthening component (US$1.2 million)

2.7 Activities slated for funding under this component will support organizational development and process reengineering in the Tourism Secretariat, training for its personnel, and its promotional work.

b. Tourism infrastructure component (US$17.6 million)

2.8 *Tourist signage* (US$0.3 million). The priority in this subcomponent is to create new tourist signage to help visitors locate tourist attractions and sites and facilities

and service areas in each locale. This new informational, directional, and identification signage will supplement road signs.

2.9 *Transportation infrastructure* (US$10.8 million). The object of this subcomponent is to enhance access to various parts of the province that are of interest to tourists. The proposed activities are pavement improvements on a provincial road and a national road, construction and rebuilding of two bridges, and improvement of an airfield.

2.10 *City of Salta Convention and Exhibition Center* (US$6.5 million). This subcomponent will fund the design and construction, with local counterpart resources, of a Convention and Exhibition Center in the city of Salta. The facility's operation will be outsourced before construction begins. This center will help the province position itself in the convention, exhibition, and conference market in Argentina and regionally.

c. Historical and cultural heritage preservation component (US$4.9 million)

2.11 *Creation of the "Artisans Tour" route* (US$0.4 million). This subcomponent will help create a theme tour route, providing technical assistance, training, and support for craft marketing and promotion.

2.12 *Creation of the "Calchaquí Valley Wine Tour" route* (US$0.2 million). The aim of this subcomponent is to create and continue building this wine-theme tourist route by funding activities to publicize the region's wines within Argentina and internationally, improve washroom facilities and outfit tasting rooms in small wineries, provide training, and develop promotional launch materials. The technical and cost criteria for selecting these wineries are in the program's technical files.

2.13 *Development of the Inca Trail* (US$0.4 million). This subcomponent's prime focus is the creation of new tourist routes along Salta's network of Inca trails network, featuring interpretation centers and trails, along with training for local human resources to assist depressed areas in northwestern Argentina whose historic and cultural heritage is in need of protection.

2.14 *Heritage preservation in Calchaquí Valley villages* (US$1.9 million). Activities in this subcomponent will restore the architectural and urban heritage of seven historic villages in Calchaquí River valleys and finance works in urban areas and dwellings of historical and cultural interest.

2.15 *Development of mountain lodges* (US$1.5 million). Three lodges will be constructed under this subcomponent, drawing on provincial counterpart funds. The villages chosen as lodge sites were selected by virtue of their immense tourist potential, with magnificent scenery, cultural resources, and infrastructure and support services in areas that are likely to boom as tourist flows increase.

2.16 *Equipment for the Mountain Museum* (US$0.5 million). This subcomponent will fund the construction and purchase of two freezer chambers to preserve and protect the Inca child mummies of Llullaillaco, considered to be the best preserved human mummies ever found (see the November 1999 issue of *National Geographic*).

2. Improvement of essential social infrastructure (US$10.1 million)

2.17 This subprogram will help develop Salta's tourist industry by improving basic social infrastructure in the province, to remedy deficiencies in key utility services and improve the quality of life of a sizable segment of the population.

2.18 The following are the primary **anticipated outputs and outcomes** of the subprogram: (i) a sewage disposal master plan; (ii) a reduction in flooding in the city of Salta—specifically, about 500 fewer people requiring evacuation every year, along with appreciable quality-of-life improvements for residents of the works projects' service areas, and (iii) proper solid waste disposal in 18 municipalities outside the provincial capital.

2.19 The program's technical files outline the rationale for the specific projects comprising this subprogram, which are grouped into three components.

a. Sewage disposal master plan development component (US$0.5 million)

2.20 Sewage collection, treatment, and disposal services in the province of Salta are currently provided under concession by the private company Aguas de Salta, a wholly domestic corporation in business since 1998. Under the terms of the concession contract, Aguas de Salta must report regularly on its capital spending plans for the expansion of those utility services, which is negotiated with the Province. Under this component of the proposed program, a master plan will be devised to set and prioritize sewage disposal investment requirements and serve as a basis for the aforementioned negotiations with the Province. The Province may elect to move ahead with some of these capital projects, taking them on directly and subsequently turning over the systems' operation and maintenance to the concessionaire.

b. Urban drainage system improvement component (US$7.1 million)

2.21 Because of deficiencies in the current drainage system, some parts of the city of Salta are flooded during the rainy season. This component is designed to improve the storm drainage system at the most problematic points.

a. *Channeling of Tinkunaku Creek in its middle and lower basin* (US$3.3 million). This project will channel sections of Tinkunaku Creek in its lower and middle basins, southeast of the city of Salta.

b. *Lengthening of the Velarde Canal* (US$3.8 million). This works project will lengthen the Velarde Canal which runs through the city. The Bank has already funded work on the final reach of this canal with PROMEBA resources.

c. Solid waste disposal system component (US$2.5 million)

2.22 Other than the city of Salta, no municipality in the province has a proper solid waste disposal system in place, resorting instead to open dumps. With nonreimbursable technical-cooperation funding for the Province of Salta Solid Waste Plan (ATN/SI-8130-AR) data on solid waste and its disposal across the province are being consolidated and missing data obtained, and a solid waste disposal master plan is being drafted. Once the outputs of that technical-cooperation project are in hand, funding will be provided under the component discussed here to produce feasibility studies and final designs and to construct the systems called for in the master plan. Specifically, the component envisages solid waste disposal improvements in 18 Salta municipalities by constructing six sanitary landfills, each of them for shared use by a consortium of municipalities; closing the current dumps in each case, and strengthening the respective municipalities to improve solid waste collection management.

3. Strengthening of provincial fiscal management (US$10.1 million)

2.23 This subprogram's objectives are to help increase provincial revenues and optimize the management of provincial spending.

2.24 The chief **anticipated outcomes and outputs** of the subprogram are: (i) an updated and broadened provincial tax base and more effective provincial and municipal tax collection management, evidenced in annual increases on the order of 15% in provincial tax intakes and 20% in municipal tax receipts; (ii) improvements in land-use management, including reassessments of all urban and rural properties in the province, and (iii) generation of 2% incremental savings annually in nonpayroll current expenditures from 2004 onward.

2.25 The program's technical files outline the rationale for the specific projects comprising this subprogram, which are grouped into the following components.

a. Improvement of tax collection management (US$2.6 million)

2.26 The main weakness of the provincial Revenue Directorate (DGR) is a lack of tools to be able to plan and efficiently perform its tax revenue intake, compliance control, and collection functions. This component of the proposed program will improve the DGR's organizational structure and optimize its operation in the areas of human resources management, tax collection management, compliance control, information systems, and customer service.

b. Improvement of land-use management in the province (US$4.3 million)

2.27 The Province of Salta has no land-use information system to enable it, among other applications, to periodically update property assessments and equip the provincial and municipal governments to manage the property tax more efficiently, for instance.[8] This component's aim is to set up an integrated land-use information system in the provincial Property Directorate with a view to improving property tax collection as well as the workings of provincial agencies concerned with land-use management, among them the Tourism Secretariat.

c. Strengthening of financial management (US$3.2 million)

2.28 The Province's financial management and control systems need to be more tightly integrated in order to optimize public spending and effect greater savings. To that end, this component will help set up an integrated financial management system featuring budget control, human resources management, automated payment, and other modules.

C. Cost and financing

2.29 The estimated total program cost is US$56.7 million. The following table presents a breakdown by expenditure item and source of funding.

[8] The Province collects the rural property tax (49% of the total provincial property tax); the municipalities collect the urban property tax (51% of the total).

Table II-1. Program cost (US$000)

Expenditure item	IDB/OC	Local	Total	%
Administration	**1,295**	**409**	**1.704**	**3.0**
Executing unit	190	60	250	0.4
Works supervision	573	181	754	1.3
Audits	304	96	400	0.7
Midterm evaluation	38	12	50	0.1
Strengthening of Environment and Sustainable Development Secretariat	190	60	250	0.4
Direct costs	**22,181**	**21,751**	**43,932**	**77.5**
Support for tourism development	*11,903*	*11,792*	*23,695*	*41.8*
Institution-strengthening	928	293	1,221	2.2
Tourism infrastructure	8,400	9,153	17,553	31.0
Historical and cultural heritage preservation	2,575	2,346.0	4,921	8.7
Essential social infrastructure	*7,693*	*2,429*	*10,122*	*17.9*
Sewage disposal master plan	380	120	500	0.9
Urban drainage works	5,413	1,709	7,122	12.6
Solid waste disposal systems	1,900	600	2,500	4.4
Strengthening of fiscal management	*2,585*	*7,530*	*10,115*	*17.8*
Improvement of tax collection management	773	1,804	2,578	4.5
Improvement of land-use management	1,300	3.034	4,334	7.6
Strengthening of financial management	512	2,692	3,203	5.6
SUBTOTAL	**23,476**	**22,160**	**45,636**	**80.5**
Unallocated	**4,283**	**0**	**4,283**	**7.6**
Contingencies	4,283	0	4,283	7.6
Finance charges	**6,341**	**440**	**6,781**	**12.0**
Interest	6,000	0	6,000	10.6
Credit fee	0	440	440	0,8
Inspection and supervision	341	0	341	0.6
TOTAL	**34,100**	**22,600**	**56,700**	**100.0**
Percentage	60.0	40.0	100.0	

2.30 The "Administration" line covers the program executing unit's running costs and the following: (1) works supervision (between 2% and 5% of the cost of the infrastructure projects) to engage specific consulting services to oversee the work of construction contractors hired for the program's transportation infrastructure, mountain lodges, convention center, and storm drainage projects; (2) strengthening of the provincial Environment and Sustainable Development Secretariat (SEMADES), which entails consulting services and the purchase of specialized equipment to improve that agency's environmental monitoring work, particularly for purposes of the program activities; and (3) other administrative costs, specifically, to engage an independent private auditing firm for operational and financial audits of the program, and the cost of the midterm evaluation (paragraph 3.26).

D. Financing of the program

2.31 The Bank would fund 60% of the total program cost through an Ordinary Capital loan for the equivalent of US$34.1 million, to be disbursed in foreign currency in accordance with Bank policies. The local counterpart, covering 40% of the total cost, would be the equivalent of US$22.6 million.

2.32 The following terms and conditions would apply to the loan: (i) variable interest rate; (ii) credit fee of 0.75% of the undisbursed proceeds of the loan; (iii) inspection and supervision charge of 1% of the total loan amount; (iv) maximum disbursement period of five years (minimum of three years); (v) grace period of five years; (vi) term of four years for physical initiation of work; and (vii) amortization period of 25 years.

III. PROGRAM IMPLEMENTATION

A. Borrower, guarantor, and executing agency

3.1 The borrower for the program will be the Province of Salta. The executing agency will be the Salta provincial government's International Finance Secretariat, by way of a program executing unit (PEU) to be set up for this purpose. The Argentine Nation will be the guarantor.

3.2 PEU personnel will consist of a general manager, a finance and administration specialist, a legal advisor, and one representative of each of the following provincial agencies: Tourism Secretariat, Public Works Secretariat, Roads Directorate, Environment and Sustainable Development Secretariat, and Ministry of Finance. **As a condition precedent to the first disbursement, the executing agency must demonstrate that the PEU has been set up and its members formally appointed or hired in accordance with the terms of reference agreed upon with the Bank.**

3.3 The PEU will represent the borrower in dealings with the Bank. The following will be its core responsibilities: (i) coordinate fulfillment of conditions precedent to the first disbursement of the loan; (ii) prepare work plans and progress reports on the program; (iii) conduct procurement processes to purchase goods required for program implementation; (iv) process contract signing with consultants and contractors and authorize payments as contracts are performed; (v) handle arrangements to set up the revolving fund for the Bank's loan and secure the counterpart resources, administer the funds, account for expenditures and process replenishments of the revolving fund; (vi) keep the program's accounts and supporting documents and prepare its financial statements for subsequent audit, as well as other reports required under the program; (vii) coordinate execution of the program's components with the benefiting municipalities; (viii) ensure that the program is implemented adhering to the rules and contractual conditions agreed upon between the Bank and Argentina; (ix) decide with other international organizations or other agencies on specific activities to be carried out within the framework of the program; and (x) engage consultants who, in addition to their technical responsibilities for program implementation, will act as liaison with the municipalities and other program beneficiaries.

3.4 So that it can effectively perform its functions the PEU will receive assistance from the following Salta provincial agencies: Tourism Secretariat, Public Works Secretariat, Environment and Sustainable Development Secretariat, Ministry of Finance, and Roads Directorate. These agencies will help prepare and analyze bid documents, produce annual contract supervision reports, and supply data needed for the program's administration and oversight, including presentation of monitoring reports. However, all consultant and construction contracting and goods and services procurement for the program will be handled directly by the PEU on behalf

of the International Finance Secretariat (SFI). The PEU also will process disbursement requests with the Bank and pay contractors. The SFI will not pass on any of the program funds to the aforementioned provincial government agencies.

B. Program implementation and administration

3.5 In addition to the standard consultant and construction contracting and goods and services procurement activities, this operation features some specific provisions for individual subprograms.

1. Tourism development support subprogram

a. City of Salta Convention and Exhibition Center

3.6 A demand study was produced as part of the preparatory work for this program. Preliminary designs for the convention center have been completed, and the feasibility studies done are concordant with the designs. The final design, construction, and equipping of this facility will be tendered out as a package after the program is under way. A separate call for proposals will be organized for the center's operation; construction work may not begin until a contract has been signed with the selected operator.

b. Development of mountain lodges

3.7 Contracts to operate these lodges, to be funded with local counterpart resources, will be tendered in parallel with the startup of construction. This has been the practice adopted for other lodges in the province of Salta, for instance the provincially funded Iruya Lodge which is to be run by a private operator (request for proposals issued) and the provincially owned, privately operated Molino Lodge.

c. Other projects in the historical and cultural heritage conservation component

3.8 *Interagency cooperation and technical assistance agreements* will be signed between the Salta provincial government (represented by the Secretary for International Finance and the heads of the agencies involved in implementing these projects) and the program beneficiaries, including municipalities (represented by their mayors), private individuals, and the Church. These agreements will spell out the beneficiaries' responsibilities vis-à-vis the Province's planned actions under the program. On the municipal governments' side, the agreements will authorize the provincial Finance Ministry to debit from the municipalities' revenue-sharing entitlement such sums as may be needed to remedy substandard maintenance of any program-funded structure or facility if the municipal government in question has failed to take timely action to remedy the problem, and to debit the amount of any other outlay required to repair damage to these structures or facilities, or if an agreement is terminated for nonperformance by a municipality. Similarly, one

requirement for craft associations and owners of wineries and historic properties will be that the beneficiaries pay back to the Province the money spent on works projects if the beneficiaries transfer ownership of those assets for a valuable consideration.

3.9 The only eligible beneficiaries for activities in these projects will be those with whom a signed, valid agreement is in place. **As a condition precedent to the first disbursement, the executing agency must submit the model agreements, drafted on terms agreed upon with the Bank, the content of which is to be replicated in the individual agreements to be entered into with the program beneficiaries. This condition precedent applies also to the agreements referred to in paragraph 3.14 (fiscal management).** Before any construction contract for the program can be tendered, signature of the respective agreement must be confirmed.

d. Transportation infrastructure improvement

3.10 The Salta Roads Directorate (DVS) is an administratively autonomous agency attached to the provincial Public Works Secretariat. It is the agency tasked, by law, with the kinds of projects planned for this subcomponent, and has the institutional and technical capacity to execute them. A cooperation agreement will be entered into among the Salta provincial government, the DVS, and the National Roads Directorate to: (i) formally commit the DVS to provide technical support to the PEU for tenders for these projects and to supervise performance of the subcomponent's construction and service contracts, and (ii) inasmuch as two of the transportation projects involve work on national roadways, authorize the tender, execution, and supervision of improvement work on Route 51 and Route 40 (site of the bridge over the Chuscha River), both of which come under national jurisdiction. Signature of these agreements will be a prerequisite for tendering construction and supervision contracts for this transportation infrastructure component.

2. Essential social infrastructure subprogram

a. Improvement of urban drainage systems

3.11 The Province will operate and maintain the storm drainage structures, in accordance with the Water Code and as it has done with similar works already funded under the PROMEBA program.

b. Implementation of solid waste disposal systems

3.12 As mentioned previously, a solid waste disposal master plan is being drawn up for the province with funding provided for that purpose under nonreimbursable technical-cooperation operation ATN/SI-8130-AR. Once the master plan is ready, the program will fund feasibility studies, final designs, and construction of the systems provided for therein. Apart from the requirement that they be part of the

master plan, projects must satisfy a number of eligibility criteria to qualify for program funding. These technical, economic, socioenvironmental, institutional, and financial requirements are specified in an appendix to the terms of reference of the firm that is to develop the master plan. The respective municipalities will operate and maintain the disposal systems directly, through a consortium arrangement, and/or through outsourcing arrangements, depending on the master plan provisions and feasibility studies for each project.

3. Fiscal management strengthening subprogram

3.13 Approximately 75% of the cost of the project to modernize management of the Province's finances (one element of the fiscal administration subprogram) will be funded under the IBRD's Second Provincial Development Project (loan 3877-AR), currently in progress. The operation proposed here will fund the 25% balance. The IBRD funds will be treated as local counterpart resources for purposes of the pari passu for the proposed program, inasmuch as the immediate availability of the IBRD funds has enabled work to begin on improving the province's financial management well in advance of the approval date of the loan proposed here.

3.14 To ensure that gains achieved by the land-use management project will be sustainable, agreements will be signed with the benefiting municipalities, spelling out the penalties they will incur for failure to maintain the completed systems properly. The penalties will consist primarily of holdbacks by the provincial Finance Ministry of the municipalities' share of tax revenues.

4. Annual work plans

3.15 The roadmap for the program's activities will be an annual schedule implemented through work plans, concordant with the program's Logical Framework (Annex I). The reports produced for this purpose will contain: (a) an itemization of activities planned for the year in question; (b) quarterly objectives and targets for each group of activities, as well as compliance measurement indicators; (c) a quarterly work timetable with costs; and (d) financing needs for the period. **As a condition precedent to the first disbursement of program funds, the PEU must present the work plan for implementation year 1.** The Bank is to receive the work plans for subsequent years no later than 60 days prior to the end of the preceding calendar year. The Bank will reference these reports in monitoring the program's execution.

5. Operation of program-funded systems

3.16 The agencies enumerated above will be in charge of operating and maintaining the respective program-funded works. So that the state of repair of the works can be duly monitored, every year the borrower must provide the Bank with an operating and maintenance plan within the first calendar quarter each year for five years

following completion of the first program-funded works project. Each plan must include a report on operation and maintenance during the previous year.

C. Environmental and social impacts and considerations

3.17 An environmental and social impact assessment was prepared for each project in the program. A working environmental impact assessment produced for the convention center was based on the preliminary designs that will be used to tender out the final design, construction, and equipping of this facility in the course of the project. For activities to improve solid waste disposal, the technical cooperation operation to devise a provincial plan in this regard (ATN/SI-8130-AR) already addresses the environmental and social concerns that are to be kept in mind in designing and building the individual systems. A strategic environmental assessment done for the overall program covered the following items, inter alia: (i) legal, regulatory and institutional framework pertinent to the environmental and social impact analysis of the program; (ii) beneficial and adverse environmental impacts of the program as a whole and of each of its constituent projects; (iii) outcomes of public consultations and meetings held with communities regarding documents made available to the public; and (iv) the program's environmental and social management plan.

3.18 No land will need to be purchased or expropriated for the program projects, and no communities will need resettling. Contracts for land transfers would be needed only for the mountain lodges, two of which will be situated on what is currently private land and one on a publicly owned piece of land belonging to the county in question. Signed agreements are already in place with owners of property traversed by the Inca Trail. In every case, before calling for bids for any works project the executing agency must demonstrate that it owns the required land, and that the land is available for construction. If any residents had to be resettled or compensation was paid, the executing agency must demonstrate that Bank policies were adhered to in each instance.

1. Environmental and social management plan

3.19 An environmental and social management plan (ESMP) was devised as part of the program's strategic environmental assessment, based on environmental and social impact assessments of each of the constituent projects. The ESMP is divided into three sections: (i) environmental technical specifications for construction and operation of the various works; (ii) environmental protection and management plans to attenuate each project's indirect adverse impacts, if any; and (iii) a monitoring plan. The proposed mitigation measures mainly entail: (i) designing water supply and drainage structures that will keep flooding and erosion problems to a minimum in infrastructure works; (ii) clear signage on and in the vicinity of construction sites; (iii) adherence to gas and noise emission standards; (iv) removal and proper disposal of debris and solid waste from camps during construction and

of those same materials produced in the finished facilities once they are operational; and (v) replacement of vegetation cleared or damaged during the construction work.

3.20 As the parties in charge of construction work, contractors also are responsible for ensuring adherence to each project's environmental technical specifications and environmental protection and management plans. In order to satisfy these environmental and social requirements, contractors will need a team of professionals with expertise in environmental and social disciplines; the team's makeup will vary depending on the project's features and the activities prescribed in the respective ESMP. The cost of these measures has been built into the budget for each project. Calls for bids for a given project cannot be issued until it has been verified that the bid documents stipulate the respective mitigation measures. Construction contracts must contain a holdback clause for failure to comply with environmental requirements.

2. Environmental management arrangements for the program

3.21 On the institutional side, the program's environmental dimension will be managed by three parties: (i) the construction supervisor, who must check that contractors are fulfilling their contractual obligations, which include implementing the environmental measures built into each project; (ii) the provincial Environment and Sustainable Development Secretariat (SEMADES), which as part of the executing unit will be in charge of environmental monitoring and compliance tracking for the program; and (iii) the program auditor, whose duties will include verifying compliance with the loan contract covenants, including the environmental provisions.

3.22 An Environmental Management Unit (UGA) to be created in SEMADES for this program will be staffed with a sanitation engineer, an agronomist, three geologists (one each specializing in soil, hydrology, and solid waste), a biologist, three university-trained natural-resources specialists, and other experts. A sociologist, an anthropologist, an archeologist, and other specialists will be engaged to work with the UGA as needed. There also is provision in the program for procurement of specialized equipment and participation in courses to train UGA personnel and build capacity that will remain in place beyond the proposed program. The US$250,000 estimated total cost of these activities is included in the program budget.

3. Approval and public release of key environmental documentation

3.23 The completed environmental and social impact assessments of each project and the program's strategic environmental assessment were made available for public review from 3 January to 13 May 2003. A public hearing was held on 14 and 15 January and a follow-up meeting on 5 March during the analysis mission. At these gatherings, questions were answered about the scope of the program, but no issue of

special note was raised. The aforementioned documents were forwarded to the Bank's Public Information Center on 14 January 2003.

D. Implementation period and disbursement timetable

3.24 The planned four-and-a-half-year implementation period is consonant with the technical and administrative resources the program executing unit (PEU) will have at its disposal, as well as with the implementation of the Social and Production Development Plan and the Province of Salta's tourism development plan. Funding will be disbursed over a period of four-and-a-half years, with the following estimated timetable:

Table III-1. Disbursement timetable by year of execution (US$000)

Funding source by subprogram	TOTAL	2003	2004	2005	2006	2007
I. Support for tourism sector development						
1. IDB	**11,903.2**	2,685.8	3,839.2	3,098.4	2,106.6	173.2
2. Local	**11,791.7**	2,119.3	4,556.1	3,339.7	1,354.1	422.5
II. Improvement of essential social infrastructure						
1. IDB	**7,692.8**	89.0	1,677.3	3,523.2	2,086.6	316.7
2. Local	**2,429.3**	0.0	628.5	1,084.5	630.8	85.5
III. Strengthening of provincial fiscal management						
1. IDB	**2,585.0**	2,427.2	157.8	0.0	0.0	0.0
2. Local	**7,530.0**	6,104.4	1,425.6	0.0	0.0	0.0
IV. Program administration						
1. IDB	**1,295.0**	403.9	403.9	187.3	150.0	149.9
2. Local	**409.0**	90.0	90.0	90.0	90.0	49.1
V. Contingencies						
1. IDB	**4,283.0**	942.2	942.2	942.2	942.2	514.1
2. Local	**0.0**	0.0	0.0	0.0	0.0	0.0
TOTAL	**49,919.0**	**14,861.8**	**13.720.6**	**12,265.3**	**7,360.3**	**1,711.0**
%	**100.0**	**29.8**	**27.5**	**24.6**	**14.7**	**3.4**

E. Monitoring and evaluation

1. Reports and supervision

3.25 The PEU is to report semiannually to the Bank on the program's implementation, within 60 days after the end of each six-month period. Each report will reference the program monitoring indicators included in the work plans (matching the Logical Framework agreed upon in advance with the Bank) for activities scheduled for the six-month period corresponding to the targets set. Also included in these reports will be copies of interagency cooperation and technical assistance

agreements for the program's implementation that were signed with program beneficiaries during the respective reporting period.

3.26 The Bank's Country Office in Argentina will supervise the program. In addition, the Bank will conduct a midterm evaluation 24 months after the program begins or when 50% of the Bank's loan proceeds have been disbursed, to update the schedule of remaining activities and, if deemed necessary, to reallocate funds among the different subprograms, components, or activities. The cost of this evaluation is included in the program cost table (US$50,000).

2. Handling of program funds

3.27 The loan and counterpart funds will be channeled through separate bank accounts in the name of the program, to be opened by the International Finance Secretariat. The PEU will use funds in these accounts to pay consultants and construction contractors and contract for goods and services included in the program. **The opening of two bank accounts in the program's name, for exclusive use by the International Finance Secretariat to channel the loan proceeds and counterpart funds, will be a condition precedent to the first disbursement.**

3. Accounting, internal control, and audits

3.28 The PEU will be responsible and accountable to the Bank for: (i) maintaining the program's accounts and financial records and operating an internal control system to manage the program funds, as prescribed in General Condition 7.01 of the loan contract; this system must be set up so as to account separately for this program's funds and funds belonging to other programs administered by the borrower; (ii) preparing and submitting to the Bank the financial statements, semiannual reports on the revolving fund, and such other financial reports as the Bank may request; (iii) submitting disbursement requests to the Bank and accounting for disbursements; and (iv) keeping proper records of supporting documents for program-funded contracts and disbursements.

3.29 The program's annual financial statements are to be submitted to the Bank within 120 days after each fiscal year-end. In addition to the annual audit reports, the PEU, on the borrower's behalf, must provide semiannual reports on the operational and financial audits of the program, within 60 days after the end of the first half of the year. Both the annual and semiannual audits will be performed by a private auditing firm acceptable to the Bank, in accordance with terms of reference approved in advance by the Bank. The audit scope will include the environmental management plan and monitoring of program indicators. The cost of these audits, which are to be conducted throughout the implementation period, will be defrayed out of the Bank's loan proceeds. The Bank's standard procedures must be followed in selecting and hiring the audit firm.

4. Ex post evaluation

3.30 After consultations with the borrower it has been decided that an ex post evaluation of the program will be conducted, funded jointly by the executing agency and the Bank. The evaluation, to be performed between months 12 and 18 counted from the date of the final disbursement, would cost an estimated US$50,000. The evaluation methodology will be similar to the methods used for the ex ante analysis, including a cost-benefit analysis, internal rate of return calculations, and other relevant socioeconomic findings. Other inputs available to the executing agency over the course of the program will be the successive progress reports, the midterm review findings, and findings of the Logical Framework indicator monitoring, all of which will enable the Bank to periodically track the program's status. The data compiled will be forwarded to the Bank in annual reports as of implementation year 1. The first report will describe in detail the system and procedures used to compile and process data that will be key inputs for the ex post evaluation of the program. The following are some of the data to be provided: (i) budgeted and actual construction costs; (ii) cost and effectiveness of the environmental impact mitigation measures; (iii) incidence of flooding in the project zone, quantified as the number of persons evacuated during the rainy season; (iv) number of households actually benefiting from systems funded under the solid waste component; (v) Province of Salta fiscal data regarding budget execution and provincial debt management; and (vi) other information as deemed necessary to accurately measure the program's impact on the province's socioeconomic development.

F. Procurement

3.31 The Bank's procedures must be followed for the procurement of all goods and the selection and contracting of all services for the program. Thresholds at which international competitive bidding will become mandatory are US$350,000 equivalent for goods, US$5 million equivalent for construction contracts, and US$200,000 equivalent for consulting services. Annex II contains the program's procurement plan.

3.32 Consultants will be engaged following the Bank's standard consultant contracting procedures and those set out in document GN-1679-3. For purposes of this program, if consultant-firm selection is based on the quality and price method, the relative weight of price as an evaluation criterion may not exceed 30%; the weight of the offer's technical or quality element must be at least 70%.

3.33 Once twelve months have passed since the first disbursement of program funds, and provided it is demonstrated that goods and services procurement and contracting have followed Bank policies, practices, and procedures, the Bank may elect, upon receipt of a reasoned request from the executing agency, to consider the possibility of ex post reviews of such procurement and contracting. If it so elects, the ex post review will be conducted, by sampling, for individual consultant contracts below

US$50,000 and consulting firm contracts below US$100,000, for equipment costing less than US$350,000 equivalent, and for construction contracts worth less than US$1 million equivalent. If the ex post review of the documentation and the procedures followed to select and hire consultants or purchase goods reveals any deviation from Bank policies, the activities in question will not be eligible for funding under the program. Furthermore, in such a scenario, the ex post method may be dropped, reverting to the ex ante review arrangement, or ex post reviews may be prescribed for other amounts.

G. Recognition and retroactive financing of expenditures

3.34 Thus far, goods and services procurement for the financial management strengthening subcomponent of the fiscal management support subprogram, which is to be funded by the Bank and the IBRD in parallel, has been governed by IBRD procurement procedures, under loan 3877-AR. The project team recommends that those procedures be accepted by the Bank and that up to US$1.8 million in expenditures incurred by the Province following those procedures be recognized as local counterpart funding, subject to verification that the procedures followed are substantially similar to the procedures prescribed in the eventual loan contract and that the expenditures were incurred during the 18 months preceding the date of approval of the loan.

3.35 Officials of the International Finance Secretariat have asked that up to US$800,000 in expenditures incurred for the financial management strengthening subcomponent be recognized against the Bank's loan. The contracting procedures followed thus far for that component have received the IBRD's nonobjection under loan 3877-AR. The project team recommends the recognition of these contract outlays, subject to verification that the procedures followed in every case are substantially similar to the procedures prescribed in the eventual loan contract and that the expenditures were incurred during the 12 months preceding the date of approval of the loan.

IV. VIABILITY, BENEFITS, AND RISKS

A. Technical feasibility

4.1 From a technical standpoint the program is considered to be feasible and justified inasmuch as it fits with the Province of Salta's strategy to expand the tourism sector as a key engine of economic development. The majority of the proposed projects have been selected for their potential to spur that growth, to endow the province with the core infrastructure it needs to attract private investment to the sector.

4.2 The works projects the program will fund present no special technical difficulties during the construction stage or for subsequent operation. Except for the convention center, for which a turnkey contract will be tendered, the works were designed in accordance with generally accepted engineering standards and principles. Sufficiently detailed engineering designs have been completed and cost estimates have been done.

4.3 The proposed implementation timetable sets out realistic timeframes for the planned activities. Due regard was given, in developing this schedule, to the time it will take for prequalification and tendering processes and to the particular features of each project.

B. Institutional viability

4.4 The program's institutional viability was analyzed by reference to the implementation capacity of the province's International Finance Secretariat (SFI) and sustainability prospects of the different projects once completed. A priority focus of the analysis was a capacity review of the agencies that would help the SFI execute the program; this is reflected in the institution-strengthening activities and projects built into the program.

4.5 Specifically, it was ascertained that the SFI does have relevant experience, gained in implementing modernization of the State sector programs with the IBRD, and that it can rely on support from other provincial government departments that have substantive experience in projects similar to the ones proposed here. Among those projects are: (i) road paving (Public Works Secretariat); (ii) construction of storm drainage systems (Public Works Secretariat through the PROMEBA program); (iii) construction of a mountain lodge and tendering out its operation to the private sector (Tourism Secretariat); and (iv) projects to improve provincial tax administration (Ministry of Finance). A small executing unit currently operating within the SFI has been satisfactorily coordinating work to prepare the program proposed here with the other Salta provincial agencies involved.

4.6 Preparations for this program have been closely coordinated with the Salta provincial government agencies that are to provide implementation support and will be responsible, as well, for individual projects' long-run sustainability. The beneficiaries, too, have had input into project design where pertinent, mainly for projects in the historical and cultural heritage preservation component. The fruit of discussions to elicit their input was a series of draft agreements, which will have to be signed before the respective works projects can begin.

4.7 The Salta Roads Directorate (DVS) is in charge of producing economic feasibility studies and final designs for the transportation infrastructure projects. Given the magnitude of the budget allocation for this work, an assessment was done of that agency's capacity to implement the projects called for in this subcomponent. The conclusion, based on its recent project implementation performance, was that the DVS does have the requisite technical capacity. In addition to effectively maintaining the roads for which it has jurisdiction, the DVS has taken on maintenance and upgrading work on sections of the national highway system that are critical transportation routes for the region's output and for tourism. As for the social infrastructure subprogram, the SFI will have support from the "My Barrios" Community Plan, an executing unit that has been implementing drainage projects in the city of Salta with PROMEBA funds (loan 940/OC-AR) and provincial government funding, as well as other barrio improvement works. The province's Environment and Sustainable Development Secretariat is being strengthened, using program funds, to equip it for its environmental monitoring responsibilities under the program.

C. Financial and fiscal viability

4.8 The analysis of the program's financial and fiscal viability focused on the Province of Salta's financial capacity to borrow from the Bank as proposed, furnish the local counterpart, and service the debt. A key piece of the analysis was confirmation that the 2003 provincial budget (Law 7,225, Article 20) authorizes the provincial Executive Branch to provide, by way of the SFI, the counterpart resources required to finance the proposed program.

4.9 According to the analysis, the two priority considerations (already being acted upon) to keep the Province's fiscal performance healthy in the coming years are: (i) the need for continuing improvements in fiscal management, given the importance of reducing the share of federal transfers and running surpluses to enable the provincial government to invest in production, and (ii) the importance of sound debt management and control in terms of sustainability and financial terms and conditions.

4.10 As another facet of the analysis, fiscal and financial projections were run in current dollars to gauge the program's impact, using a variety of baseline data and upside and downside scenarios. The three assumptions and considerations in these

financial-fiscal impact calculations were as follows: (i) an increase in provincial revenues as tourism expands and improvements in the province's taxing capacity as a result of the program; (ii) a rise in other current expenditures to defray operating and maintenance costs of program-funded facilities and installations, and payroll savings owing to improvements in the workings of government; and (iii) purely financial expenses and outlays associated with the loan and the counterpart contribution.

4.11 The ultimate conclusion of this analysis of the program's expected impact on Salta's finances was that the Province could absorb the borrowing and that the operation would have a very positive financial-fiscal effect, as measured by improvements in the following ratios and indicators: (i) current saving/current revenue; (ii) debt stock/current revenue; (iii) debt service/current revenue; and (iv) overall surplus. Documentation on the financial and fiscal analysis is in the program's technical files. The analysis was presented and discussed at length during a December 2002 workshop organized by the Bank, in which SFI and provincial Finance Ministry officials took part.

4.12 The scale of the proposed operation is concordant with the Province's fiscal targets as decided on with the federal government and as envisaged in Argentina's agreement with the IMF. The loan contract for this program will call for updated estimates each year of the program's fiscal and financial impact, as well as annual updates of the relevant indicators appearing in the Logical Framework (Annex I). It will also provide that, in the event that targets are not met, the Bank may, at its discretion, adjust disbursements of the loan accordingly. The federal Economy Ministry and the Bank will monitor achievement of these targets. This provincial fiscal management monitoring approach matches arrangements in other Bank operations with Argentine provincial governments[9] and is concordant with the debt restructuring arrangement instituted by the national Economy Ministry, which ties restructuring disbursements to the periodic attainment of fiscal targets. Likewise, the monitoring arrangement is consistent with the conditions of sector loan 1341/OC-AR regarding presentation of multiyear provincial budget forecasts to the national government and quarterly fiscal target monitoring as part of the bilateral agreements between the federal government and provinces that are implementing the Provincial Government Finances Adjustment Program referred to in paragraph 1.14.

[9] The most recent being a loan to the Province of Córdoba to support modernization of the State (1287/OC-AR).

D. Economic viability

1. Economic rate of return of the projects

4.13 It was verified that the proposed works projects offer a comprehensive solution to the problems identified in each case and that their scale is in keeping with a least-cost analysis. Once the analysts had developed the rationale for the selected alternative they ran a complete cost-benefit analysis, including estimates of social returns.

a. Tourism development support component

4.14 All projects in the transportation infrastructure subcomponent yield a positive net present value (NPV) and an economic internal rate of return (EIRR) higher than the Bank's 12% cutoff rate. Specifically: the EIRR of the road paving and improvement projects is 16%; the Cafayate Airfield improvement project yielded an EIRR just under 18%, and EIRRs for the two small bridge construction projects were higher still. In each case a sensitivity analysis of the EIRR was done to measure the effect of increasing the initial investment cost and of reducing the benefits. According to those analyses, the projects remain economically viable even with significant changes in investment amount or in the magnitude of estimated benefits.

4.15 The following table summarizes the projects examined and the main indicators yielded by the economic appraisal.

Table IV-1. Transportation infrastructure projects

Transportation infrastructure project	Cost (US$)	NPV (US$)	EIRR %
Route 33 improvements	7,099,242	1,415,104	16.34
Route 51 improvements	2,957,248	509,912	15.88
Cafayate Airfield improvements	334,452	77,707	17.89
Amblayo River bridge construction	52,619	79,975	30.73
Chuscha River bridge construction	310,216	118,120	22.90

4.16 Rates of return for the convention center and mountain lodge projects are above the 12% cutoff level, with no provincial government operating subsidies. The internal rate of return for the convention center is 15.5%. Among the factors considered in calculating this rate were operating cost forecasts; expected participation only of nonresidents in convention center events, and estimated expenditures—net of VAT—of visitors attending events at the center (based on available surveys). The internal rate of return for the lodge construction projects is 14.8% based on conservative assumptions, such as: occupancy rate at the outset of only 15% and

40% maximum occupancy; room rates no higher than the prevailing tariffs in other lodges in the province, and not all the revenue generated going back into the local economy.

b. Social infrastructure subprogram

4.17 An estimated 9,992 households stand to benefit from the drainage works in the middle and lower basins of Tinkunaku Creek, and 12,245 households from the Velarde Canal project. The following table presents a breakdown of average household income in these two areas, as estimated from the surveys conducted.

Table IV-2. Distribution of average household income (Tinkunaku and Velarde)

Income bracket (Arg$/household/month)	Percentage of households in range: Tinkunaku	Percentage of households in range: Velarde
Under 150	22%	6%
150-300	32%	20%
300-450	25%	23%
450-600	12%	18%
Over 600	9%	33%

4.18 To judge from these income-distribution figures, a sizable number of Tinkunaku basin residents cannot afford the basic food basket. According to the sample used for the economic appraisal, 78.9% of households are indigent and over 90% of the population surveyed are living in poverty.[10] As for the Velarde Canal project area,[11] calculations using INDEC's basic-basket price for May 2002 found that 38.5% of households were indigent and a total of 70.2% of households were poor.

4.19 A socioeconomic appraisal performed for each project compared economic costs and benefits in with-project and without-project scenarios to come up with the project's NPV and EIRR. The following were treated as benefits: (i) quality-of-life improvements for the benefiting population when flooding becomes less frequent; this was valued by willingness to pay (WTP), ascertained using a contingent evaluation methodology; (ii) saving of public funds when the incidence of flooding falls; and (iii) value of recovering private land that will stop experiencing periodic flooding once the waterways being channeled no longer overflow their banks. Considerations on the cost side were aggregate construction costs and incremental canal cleaning and maintenance costs.

[10] A total of 341 personal surveys were conducted in areas along and in the vicinity of the canal.

[11] To ascertain the views of the people who stand to gain or lose from the project, the survey devised for its service area captured a socioeconomic and environmental picture of the area and elicited information for the subsequent direct appraisal.

4.20 The following table presents, for each of the projects, the number of benefiting households, estimated willingness to pay by household and month, and the NPV and EIRR values calculated in the analysis.

Table IV-3. Tinkunaku and Velarde canal projects

Project	Benefiting households	WTP (Arg$ per household per month)	NPV (millions of Arg$)	EIRR (%)
Tinkunaku middle and lower basin	9,992	4.9	90,788	12.17
Velarde Canal	12,245	3.1	1,024,075	14.97

4.21 The socioeconomic appraisal of program-funded projects in the solid waste systems component will be done as part of that component's implementation, once the solid waste master plan is ready.

2. Poverty targeting and social equity classification

4.22 This operation qualifies as a social equity enhancing project as described in the indicative targets for Bank activities mandated in the Eighth Replenishment report. The proposed program is, for the most part, a mix of social sector and productive sector investments, the production investments being designed to boost economic activity in a province whose key standard-of-living indicators fall considerably behind the national average. Local communities are expected to benefit the most from the program.

4.23 The operation also qualifies as a poverty targeted investment (PTI) on geographic grounds. The province of Salta's economic and social indicators are far below the country average. For instance, per capita provincial GDP is 52.7% of the national average; 33.9% of Salta households have unmet basic needs—double the 16.5% national average; 53.7% of urban households are surviving below the poverty line (41.4% nationally) and 27.5% are indigent (18% nationally); and the provincial child mortality rate of 21.2 per 1,000 live births is higher than the country average of 18.8. The borrower will be using part of the 10 percentage points in additional financing.

E. Environmental and social viability

1. Positive impacts

4.24 The program's chief environmental benefits would be in the form of: (i) curtailing of rainy-season flooding in the city of Salta; (ii) proper solid waste disposal in municipalities outside the provincial capital; (iii) traffic improvements in the province; and (iv) better preservation of the province's landscape and historical and cultural heritage through beneficiary training on tourist routes, addressing issues such as environmental protection and security. On this latter point, the planned

work in the Calchaquí Valley villages will restore structures of cultural interest that otherwise would have deteriorated beyond repair, and agreements with property owners along the Inca Trail will help preserve archeological sites.

4.25 The program's heaviest positive impacts would be on the social side, in the form of increases in income and employment as visitor numbers rise. The program is expected to boost visitor arrivals in the province by approximately 250,000 persons annually—translating into roughly US$15 million annually in revenues—and to create some 1,580 direct and indirect jobs.

2. Adverse impacts

4.26 Most of the program's adverse environmental impacts would be associated with the implementation phase of projects requiring construction of one kind or another. These potential impacts are: (i) drainage alterations and habitat fragmentation; (ii) accidents during the construction phase; (iii) gas and noise emissions; (iv) generation of rubble and other debris; and (v) effects on vegetation. These potential adverse impacts would be small in scale, temporary, and localized, and can easily be averted or controlled with the mitigation measures described in each works project's management plan.

4.27 The main potential environmental effects of the program have to do with the same increase in visitors that was classed as a positive impact above—the concern here being the carrying capacity of the different areas of the province (outside the capital) in which the projects are planned. To be accurate, a calculation of the "load" that a natural or social resource can carry needs to start from a series of baseline elements. For the specific case of this overall analysis, because of the lack of accurate records of many years of visits and use—sometimes indiscriminate and unregulated (Inca Trail and some archeological sites)—there is no immediately clear starting point.

4.28 Since there were no reliable data with which to accurately quantify the carrying capacity of the natural milieu in which the tourism component projects are to be implemented and it was impossible to produce studies in that regard during the program's development phase, very conservative "visitor load" estimates were used regarding the use of the projects comprising this program. The carrying capacities of the tourist routes and the historical and cultural heritage preservation projects will be reassessed over the course of the program.

F. Benefits

4.29 The program's prime benefit will be to propel production and social progress in the province of Salta by developing its tourism sector. One of the anticipated benefits of the planned improvements in provincial fiscal management is sustainable expansion and operation of the requisite infrastructure. Specifically, the program

would help make Salta's tourism sector more competitive, for instance by improving the stock of provincial tourist attractions and facilities and the province's core social infrastructure, in the latter case to remedy shortcomings that are keeping Salta from realizing its full potential as a tourist destination.

4.30 The planned transportation infrastructure projects will play an important role in spurring sustainable tourism sector development and helping to realize the program's anticipated benefits. With better roads, airfields, and bridges, the province's leading tourist attractions will be easier to reach year-round, so tourist flows to those destinations will increase. Other benefits of the road infrastructure improvements will be efficiency gains in mine output haulage and local commerce in the projects' service areas as transportation costs come down.

4.31 A growing and more competitive tourist industry will create new jobs, directly fueling the revival of economic activity in the province. One direct benefit of the program will be to provide for the basic sanitation needs of a sizable segment of the population. Also standing to benefit directly from the program are rural families and local communities as their craft output improves and demand for those products is developed. The program will have a significant impact as well on the conservation and restoration of the province's historical heritage, which in turn will reinforce its cultural values.

4.32 Strengthening the Province of Salta's fiscal management capacity will boost provincially generated tax revenues and optimize spending, enabling the Province to further improve what is already a fairly sound fiscal situation and honor its fiscal pledges to the national government under the country's economic program agreed with the IMF.

G. Risks

4.33 The program's chief risk is the possibility that the municipal governments, which share with the provincial government responsibility for tourism, social-sector, and fiscal management, might not do enough to make the program's gains sustainable. To address that eventuality, a condition for work to begin on a project that will benefit a municipality is that the municipality must have signed an agreement with the provincial government setting out the municipal government's undertakings and responsibilities, which will vary depending on the kind of project. In these agreements the municipal governments will pledge, inter alia, to properly maintain the equipment, tourism works and facilities, social infrastructure, and restored historic heritage sites and structures, as applicable, and to keep their cadastres current. Each agreement, to be countersigned by the respective municipality's town council, will stipulate that if the municipal government fails to satisfy provisions of the agreement, the Province may elect to perform the activities in question and reduce the municipality's tax revenue shareout accordingly.

4.34 Generally, the anticipated improvements in municipal finances as property tax receipts go up make it much less likely that a municipality would fail to adequately maintain program-funded tourism and social infrastructure, since the municipal governments will have more money for such maintenance tasks.

4.35 A condition for this program to produce the desired effects will be an improvement in the state of the Argentine economy, in the form of a slowing of GDP declines, and continued recovery in national and provincial tax intakes. Among other things, this would give the executing agency the counterpart funds required for activities to be implemented on schedule. Like other Bank operations currently in progress, among them loan 1341/OC-AR, the program proposed here includes direct capacity-building activities to boost tax receipts in the country.

4.36 The program's impacts also will be contingent on the Province of Salta's maintaining its comparative advantages over other tourist destinations, primarily in the areas of efficient administration and fiscal management. The provincial government's demonstrated strong sense of ownership of the program, the executing agency's experience with similar operations, and the support this operation itself will be providing for continued sound fiscal management mitigate against any risk on this front.

4.37 A key requirement for tourism expansion in Salta is continuing private investment in the tourist industry. Though, ultimately, private investment flows hinge directly on the macroeconomic environment at a given juncture, the program will help create incentives and an enabling environment for continued private sector support for tourism development in Salta, mainly through the ventures proposed in the tourism development support subprogram. One specific measure that will help make investments sustainable is the requirement that contracts for operation of the largest works projects slated for funding (convention center and mountain lodges) be tendered before construction work begins on these facilities.

4.38 A condition for successful execution of the social infrastructure subprogram is satisfactory preparation of the province's solid waste master plan. Directly mitigating against any risk in this respect is technical-cooperation operation ATN/SI-8130-AR, under which the provincial government is receiving support to draw up that master plan.

4.39 One risk that has to be addressed in any operation of this nature is the eventuality that the provincial legislature might be slow to approve the loan. However, no major delays are anticipated in this particular operation, given the Salta legislature's record of firm support for provincial government projects (paragraph 1.25(b)).

PROGRAM TO SUPPORT INTEGRATED DEVELOPMENT OF THE TOURISM SECTOR IN THE PROVINCE OF SALTA (AR-0292)

LOGICAL FRAMEWORK

NARRATIVE SUMMARY	TOURISM DEVELOPMENT SUPPORT SUBPROGRAM	ESSENTIAL INFRASTRUCTURE IMPROVEMENT SUBPROGRAM	PROVINCIAL FISCAL MANAGEMENT STRENGTHENING SUBPROGRAM
PROGRAM GOAL Contribute to the economic and social development of the province of Salta.			
PROGRAM PURPOSE Spur integrated development of the tourism sector as a key engine of economic and social development of the province of Salta, and help ensure its sustainability.			
SUBPROGRAMS COMPRISING THE PROGRAM 1. Support for tourism sector development 2. Improvement of essential social infrastructure 3. Strengthening of provincial fiscal management	**SUBPROGRAM PURPOSE** Expand tourism and increase tourist satisfaction.	**SUBPROGRAM PURPOSE** Have essential social infrastructure in place in the province for tourists and local communities.	**SUBPROGRAM PURPOSE** Increase provincial revenues and optimize provincial expenditure management.
	COMPONENTS 1. Institution-strengthening 2. Tourism infrastructure 3. Historical and cultural heritage preservation	**COMPONENTS** 1. Prepare sewage disposal master plan 2. Improve urban drainage systems 3. Implement solid waste disposal systems	**COMPONENTS** 1. Improve tax collection management 2. Improve land-use management 3. Strengthen financial management

TOURISM SECTOR DEVELOPMENT SUPPORT SUBPROGRAM			
NARRATIVE SUMMARY	**INDICATORS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
GOAL Spur integrated development of the tourism sector as a key engine of social and economic development of the province of Salta, and help ensure its sustainability.	• By late 2007 a total of 1,580 new tourist-industry jobs have been created (745 of which would be created without the program—normal growth—plus 835 created by virtue of the program).	• Provincial employment statistics and surveys of tourist-industry businesses.	• The country's economic situation improves, evidenced by a slowing in GDP declines.
PURPOSE Expand tourism and increase tourist satisfaction.	• Number of beds sold in the province's tourist lodgings rises 6% in 2006, 2007 and 2008 (baseline: 1,300,000 bed sales in 2003). • Tourist satisfaction with the province's tourism resources overall increases 5% annually (baseline: the 2002 72% satisfaction rating). Increase to be calculated from 2004 onward.	• Salta Tourism Secretariat occupancy surveys. • Opinion polls. • Market surveys on the positioning of the province's tourism products. • Number of Convention Center events and participants. • Associations' sales records. • Civil Aviation Directorate and Transportation Secretariat statistics. • Surveys of transportation users and operators. • Program implementation reports.	• The province continues to enjoy comparative advantages over other tourist destinations. • Tourism promotion campaigns continue to be well received. • Demand for events remains at or above the minimum envisaged. • Macroeconomic, tourist industry, and transportation sector performance is satisfactory.
COMPONENT 1: **Institution-strengthening**	• By the program's end at least 85% of provincial Tourism Secretariat employees have received training in strategic planning, tourism product management, customer service, languages, data management and systems, and other areas.	• Tourism Secretariat reports.	• Tourism Secretariat remains committed. • Employees remain committed to training.
COMPONENT 2: **Tourism infrastructure** **SUBCOMPONENTS:** 2.1. Tourist signage	• By the end of the program 886 signs have been posted on tourist routes.	• Civil Aviation Directorate and Transportation Secretariat records.	• Suppliers/providers adhere to delivery timetable.
2.2. Transportation infrastructure	• Two years after the program begins, 21 km of Route 51 have been paved. • Four years after the program begins, 60 km of	• Salta Roads Directorate reports.	• Suppliers/providers adhere to delivery timetable. • The Province has been able to

TOURISM SECTOR DEVELOPMENT SUPPORT SUBPROGRAM			
NARRATIVE SUMMARY	**INDICATORS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
	Route 33 have been paved and improved. • A new bridge has been built over the Amblayo River, 24 m, 3 years after the program begins. • A new bridge has been built over the Chuscha River, 28 m, 3 years after the program begins. • Three years after the start of the program, Cafayate Airfield has been improved.		furnish the counterpart funds.
2.3. City of Salta Convention and Exhibition Center	• By the end of the program the Convention Center is finished and ready for operation. • Call for proposals to contract a private operator to run the Convention Center has been successful.	• Salta Tourism Secretariat report. • Contract signed with private operator.	• Suppliers/providers adhere to delivery timetable.
COMPONENT 3: Historical and cultural preservation SUBCOMPONENTS: 3.1. Creation of "Artisans Tour" route 3.2. Creation of "Wine Tour" route 3.3. Inca Trail development 3.4. Heritage restoration/ preservation of Calchaquí Valley villages 3.5. Development of mountain lodges 3.6. Equipment for Mountain Museum	• By the end of year 4 of the program at least 1,123 individuals have received training in tourism and cultural and historic heritage topics in the project areas. • The heritage restoration work called for in the project has been completed, focusing on protected areas of the villages of Cachi, Seclantás, Molinos, San Carlos, Cafayate, and Coronel Moldes and the Inca granaries of La Poma. • By year 4 of the program, 11 crafts centers have been set up in La Puna, Prepuna, and Calchaquí Valleys in newly built and/or retrofitted premises, and properly equipped. • By the end of year 1 of the program the Wine Tour route has been set up, encompassing 13 industrial wineries and one artisanal winery throughout the Calchaquí Valley, retrofitting one winery, training winery staff, and developing promotional launch materials.	• Attendance forms and certificates provided by Tourism Secretariat (SECTUR). • Documentary report on tourist routes from Salta Architectural and Urban Heritage Preservation Department. • Survey provided by SECTUR. • Survey and report provided by SECTUR. • Surveys, acceptance certificates of works supplied by SECTUR and Public Works. • Acceptance certificates.	• Suppliers/providers adhere to delivery timetable. • Employees remain committed to training. • Project stakeholders remain committed.

TOURISM SECTOR DEVELOPMENT SUPPORT SUBPROGRAM			
NARRATIVE SUMMARY	**INDICATORS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
	• By the end of year 3 of the program the Tour of Inca archeological trails has been set up, with archeological restoration of the trails, signage, construction of an interpretive center, repairs and retrofitting of Santa Rosa de Tastil Museum as an interpretive center, construction of a hikers hostel and access improvements. • Santa Victoria West, Nazareno, and La Poma lodges completely finished in 2005.		

ESSENTIAL SOCIAL INFRASTRUCTURE IMPROVEMENT SUBPROGRAM			
NARRATIVE SUMMARY	**INDICATORS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
GOAL Spur integrated development of the tourism sector as a key engine of economic and social development of the province of Salta, and help ensure its sustainability.			
PURPOSE Have essential social infrastructure in place in the province for tourists and local communities.	• By the end of the program an effective solid waste disposal system is in service for 115,000 residents of municipalities outside the provincial capital. • By the end of the program the number of persons evacuated annually because of flooding in the program zone has been reduced from 500 to 0.	• Statistical reports on service delivery from municipalities and provincial Health Ministry. • Statistical reports from Province of Salta Civil Defense, Development Infrastructure Unit, and Municipality of Salta on numbers of persons affected by flooding.	• Those responsible for operating and maintaining the systems have the funds to do so. • There has been no significant change in the anticipated population growth patterns.
COMPONENT 1: Preparation of sewage disposal master plan	• By the end of year 3 of the program the master plan has been produced.	• Semiannual progress reports from the executing unit.	• Tendering processes are successfully completed and contracts are performed as expected.

ESSENTIAL SOCIAL INFRASTRUCTURE IMPROVEMENT SUBPROGRAM			
NARRATIVE SUMMARY	**INDICATORS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
COMPONENT 2: Improvement of urban drainage systems **SUBCOMPONENTS:** 2.1. Channeling of middle and lower Tinkunaku Creek basin 2.2. Lengthening of Velarde Canal	• Channeling work is completed. • Channeling work is completed.	• Semiannual progress reports from the executing unit.	• Tendering processes are successfully completed and contracts are performed as expected.
COMPONENT 3: Implementation of solid waste disposal systems	• By the end of the program, feasibility studies and final designs have been produced for systems provided for in the solid waste master plan. • Three sanitary landfills have been built outside the provincial capital by the end of year 3, and three more by the end of the program.	• Semiannual progress reports from the executing unit.	• Solid waste master plan is completed with support from "Province of Salta Solid Waste Master Plan" technical cooperation program (ATN/SI-8130-AR). • Tendering processes are successfully completed and contracts are performed as expected.

PROVINCIAL FISCAL MANAGEMENT STRENGTHENING SUBPROGRAM			
NARRATIVE SUMMARY	**INDICATORS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
GOAL Spur integrated development of the tourism sector as a key engine of economic and social development of the province of Salta, and help ensure its sustainability.	• Tourist industry tax receipts are up 3% in 2004, 3% in 2005, 3,5% in 2006, 3.5% in 2007.	• Proceeds of tax on tourism-related businesses.	• The country's economy improves, evidenced by a slowing of GDP declines and an increase in national tax revenues.
PURPOSE Increase provincial revenue and optimize provincial expenditure management.	The following fiscal targets have been achieved: • Current saving/current revenue: 7% in 2003, 5% in 2004, 7% in 2005, 8% in 2006, 9% in 2007. • Overall surplus (not counting privatizations) in US$ million: 0.95 in 2004, 2.2 in 2005, 11.6 in 2006,	• Finance Ministry tax revenue statistics. • Official provincial and municipal budget performance reports.	• The macroeconomic situation of the country and of the province of Salta improves. • Municipalities systematically report to the Province on their budget

PROVINCIAL FISCAL MANAGEMENT STRENGTHENING SUBPROGRAM			
NARRATIVE SUMMARY	**INDICATORS**	**MEANS OF VERIFICATION**	**ASSUMPTIONS**
	26.0 in 2007. • Debt stock/current revenue: 175% in 2003, 167% in 2004, 156% in 2005, 138% in 2006, 125% in 2007. • Debt service/current revenue: 15% in 2003, 16% in 2004, 17% in 2005, 18% in 2006, 19% in 2007.		performance. • Provincial laws required for the fiscal projects to be viable are enacted.
COMPONENT 1: Improvement of tax collection management	• Provincial tax revenue intake is up (over the previous year-end figure) 15% in 2003, 15% in 2004, 15% in 2005, 10% in 2006, 10% in 2007. • 85% of Revenue Directorate staff have received training in human resources matters, tax collection management systems and procedures, compliance control, information systems, and customer service.	• Revenue Directorate reports.	• Commitment to revamp the Revenue Directorate remains strong.
COMPONENT 2: Improvement of land-use management	• Municipal tax intakes across the province have increased (over the previous year-end figure) 20% in 2004, 15% in 2005, 10% in 2006, 10% in 2007. • City of Salta cadastre has been updated by the end of 2005. • Cadastres of all the province's municipalities have been updated by the end of the program. • By the end of the program, permanent cadastre maintenance arrangements are in place.	• Reports from Municipality of Salta.	• Required data are available to the municipalities. • The province's municipalities keep their cadastres current. • Municipalities heighten their tax revenue effort.
COMPONENT 3: Strengthening of financial management	• By the end of the program the integrated financial management system is 100% implemented. • The following incremental savings in nonpayroll current expenditure have been generated (over the previous-year figure): 2% in 2004, 2% in 2005, 2% in 2006, 2% in 2007.	• Finance Ministry reports.	• Service implementation timetable is adhered to.

PROGRAM TO SUPPORT INTEGRATED DEVELOPMENT OF THE TOURISM SECTOR IN THE PROVINCE OF SALTA (AR-0292)

PROCUREMENT PLAN

	Amount (US$000)	Procurement method and number of bid calls	Publication quarter
Strengthening of tourism sector			
Consulting services	813.6	ICB (3)	III of 2003
Equipment	102.1	LCB (1)	III of 2003
Tourist signage			
Consulting services	15.8	LCB (1)	II of 2004
Equipment	221.8	ICB (1)	II of 2004
Construction	61.6	LCB (1)	II of 2004
Transportation infrastructure			
Engineering services	409.7	LCB (5)	III of 2003
Construction	10,344.1	ICB (5)	III of 2003
Mountain lodges			
Consulting services	148.5	LCB (1)	I of 2005
Equipment	187.6	LCB (1)	I of 2005
Construction	1,196.7	LCB (3)	I of 2005
Convention Center			
Engineering services	650.0	ICB (1)	III of 2003
Construction	5,850.0	ICB (1)	III of 2003
Artisans Tour Route			
Consulting services	141.3	LCB (1)	I of 2005
Equipment	97.8	LCB (1)	I of 2005
Construction	55.3	LCB (1)	I of 2005
Wine Tour Route			
Consulting services	126.9	LCB (1)	III of 2003
Equipment	3.6	LCB (1)	III of 2003
Construction	56.0	LCB (1)	III of 2003
Inca Trail			
Consulting services	110.1	LCB (1)	I of 2004
Equipment	40.9	LCB (1)	I of 2004
Construction	119.5	LCB (1)	I of 2004
Calchaquí Valley villages			
Consulting services	11.9	LCB (1)	III of 2003
Equipment	26.0	LCB (1)	III of 2003
Construction	1,848.5	LCB (10)	III of 2003
Velarde Canal			
Consulting services	74.3	LCB (1)	IV of 2004
Construction	3,714.3	LCB (1)	IV of 2004
Tinkunaku Canal			
Consulting services	128.2	LCB (1)	I of 2004
Construction	3,205.3	LCB (1)	I of 2004
Solid waste disposal			
Engineering services	198.5	LCB (1)	III of 2004
Construction	2,301.5	LCB (5)	III of 2004

	Total cost (US$000)	Procurement method and number of bid calls	Publication quarter
Strengthening of Salta Revenue Directorate			
Consulting services	987.3	ICB (1)	II of 2003
Construction and equipment	971.7	ICB (2)	II of 2003
Strengthening of Salta Property Directorate (cadastre)			
Consulting services	361.9	ICB (1)	II of 2003
Construction and equipment	2,932.0	ICB (1)	II of 2003

ICB international competitive bidding
LCB local competitive bidding