The governance of financial assistance in the infrastructure sector in Argentina

International aid flows

Public Management Program

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1. Project Objectives

Official financial aid and development assistance from states with “low intensity democracies”\(^1\) could be linked, in many receiving countries, with the expansion of political patronage, the reduction of transparency, higher political repression, governance failures, and even instances of corruption.

In many cases, such financial mechanisms manage to bypass regulations established around selection mechanisms for public investment projects, public procurement processes, sectoral regulatory frameworks and public accountancy.

Subsequently, infrastructure projects financed by these mechanisms tend to be linked to public procurement procedures that are not entirely transparent, often lacking bidding processes as well as economic feasibility and environmental impact studies.

This study will aim to shed new light on how financial aid flows from States with “low intensity democracies” can affect economic, political and social outcomes in Argentina, in order to draw conclusions that allow for the proposal of improvements with regards to the documented problems.

In order to accomplish such aims, this study will research and document possible “administration failures” tied to financial aid and investment on infrastructure sponsored by the aforementioned States, focusing on how such financial aid flows can affect the application of good governance practices in Argentina.

After analyzing the most recent investment processes in Argentina, those stemming from the People’s Republic of China, the Russian Federation, and the Bolivarian Republic of Venezuela stand out and will be the sole focus of this study.

To this purpose, and considering that investment and public procurement processes require a set of rules and parameters for their management in order for the State to fulfill its inherent tasks in the most appropriate manner while managing to attain a transparent and efficient administration, it is important to highlight that the agreements between the Argentine Republic and foreign States are currently excluded from the legal framework that regulates public procurement.

For instance, the Framework Agreement on Economic and Investment Cooperation, signed by the People’s Republic of China, with regards to infrastructure, allows for the direct awarding of projects, thus omitting the public bidding process as a procedure for the procurement of public works.

This study will include, on one hand, an analysis and brief summary of the current legislation surrounding public procurement and the execution of public investment projects from the State. On the other hand, it will examine the international agreements and contracts signed by the Republic of Argentina and its foreign counterparts in reference to the selected infrastructure projects.

Once this examination is attained, it will proceed to identify the deviations from the legislation in force in the execution and financing of the selected projects.

Subsequently, this study will analyze international recommendations on public procurement, with a special emphasis on those suggested by the Organization for Economic Cooperation and Development (OECD), an international cooperation organism to which the Republic of Argentina has presented a formal membership application, observing once again what was carried out in the execution and financing of the projects that were selected for analysis.

With the aim of systematizing the analysis, the cases selected for analysis were examined using common comparative parameters established from the following questions:

✓ What is the institution of origin in the country that gives financial aid?

✓ What is the receiving institution?
✓ In what form is this financial assistance given?
✓ Is the official purpose of this financial assistance publicly known?
✓ Can specific transactions be verified?
✓ Is this aid directed to a particular geographic area in the recipient country?
✓ If this aid was requested by the receiving country, through which process was it requested?
✓ If there manipulation of state-owned enterprises?
✓ Are there violations of local labor regulations and standards?
✓ Are there violations of procurement laws?
✓ Is there weakening of parliamentary oversight and appropriations processes, civil society monitoring processes?
✓ Are there policy decisions by Argentina that directly benefit a particular donor?

Furthermore, it will include several interviews of current and past public officials that have intervened in the design of the normative frameworks in force and in the planning and implementation of the contracts of the selected projects.

2. Administrative Context

Brief characterization of the Argentine federal system

The Argentine Republic is a Federal state constituted by 23 Provinces and an autonomous city, Buenos Aires.

The federal government system is based on the division of power between the federal government and the provincial governments, with the provinces retaining all the power that is not delegated by the National Constitution to the Federal Government.

The Executive Power is executed by a citizen with the title "President of the Nation". The President is elected for a period of four years through direct popular vote and has the possibility of being re-elected for a single consecutive term. He is accompanied by the Vice President (elected for the same period and with the same modality as the President), the head of the Cabinet of Ministers and the ministers.

The Congress of the Nation is in charge of the Legislative and is composed of two chambers, one with Deputies of the Nation and another with Senators.

The Chamber of Senators is composed of three senators per province and three for the city of Buenos Aires, elected directly and jointly for six years, renewable by thirds every two years, with two seats corresponding to the political party with the majority of votes and the remaining corresponding to the party that follows.

The Chamber of Deputies (with 257 members elected directly for four years and re-eligible, renewable by half every biennium).

The Judicial Power corresponds to the Supreme Court of Justice of the Argentine Nation and the lower courts, which are responsible for administering justice in the federal jurisdiction.

2 Casa Rosada, https://www.casarosada.gob.ar/nuestro-pais/organizacion
The inhabitants of each province and of the city of Buenos Aires choose their governors and legislators by direct suffrage; likewise, the provincial states organize and sustain their administration of Justice.

Each Province has legislative powers in the terms established in their respective Constitutions in which they expressly manifest their adhesion to the Republic.

The executive power of each province is exercised by the Governor-elect for the inhabitants of the Province; one of its attributes is to enforce the Constitution and the laws of the Nation.

The provincial legislative power is exercised by the corresponding provincial Legislature that can be unicameral or bicameral.

In turn, each Province is divided into Departments, except in the case of the Province of Buenos Aires where they receive the denomination of “partido”. Each department is in turn divided into districts and these into localities. The localities are administratively classified mainly according to the number of inhabitants. The nature, composition and powers of the government of each locality depend on its rank, establishing itself in the different constitutions, the classification criteria, and the forms of government.

3. Normative Framework in Argentina on Public Investment and Procurement³

Public procurement procedures require a set of rules and parameters for their management in order for the State to fulfil its inherent tasks in the most appropriate manner while managing to attain a transparent and efficient administration of public funds.

The basic norms that regulate the subject are:

- Delegated Decree Nº 1023/2001 (National Procurement Regime)
- Decree Nº 436/2000 (Regulation for the Acquisition, Disposal and the Recruitment of National Goods and Services)
- Law N°13.064 (Public Works)
- Law N° 24.156 (Law for the Financial Administration and Control Systems in the National Public Sector)
- Law Nº 24.354 (National System for Public Investment)
- Law N° 25.188 (Ethics in the Public Sector)
- Law N° 25.551 (Argentinian Employment)
- Decree Nº 1818/2006 (Electronic System for Public Procurement)
- Decree Nº 1545/1994 (Creation of the National Bureau for Procurement. Missions and Functions)

Purchase agreements, supply, services, locations, procurement with purchasing options, barter transactions, as well as concessions for the use of public and private goods by the State that hold jurisdictions and entities comprised in their application scope and in all contracts not specifically excluded, can be found within the legal framework. Contracts and concessions for public works, concessions for public services, and licenses are also comprised.

Excluded, in turn, are public employment contracts, petty cash purchases, contracts signed with foreign states, with international public law entities, with multilateral credit institutions, those that

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³ Acquisitions and Public Procurement: Tools for Transparency in Management. Anticorruption Office (OA)
carry out financing with funds originating from such organisms either completely or partially, as well as those comprised in public credit operations.

The application of the public procurement regime is mandatory for procurement procedures that belong to the jurisdictions and entities comprised in subparagraph a) of Article 8 of Law No. 24.156 of Financial Administration and its amendments.

On this regard, the National Public Administration’s Procurement System applies to the central administrative body, decentralized organisms, national universities and the Armed and Security Forces.

Its scope of application does not reach, in turn, provinces, municipalities, nor other organisms that rely on a specific regime. State-owned societies and enterprises, trust funds with government participation, and financial entities of the national public sector are also excluded.

Although Public Procurement must be the general rule, the normative framework foresees exceptions in cases of urgency, exclusivity, artistic and scientific works, procurement between organisms such as universities, or for equipment repairs.

By means of Law N° 24.354, the National System of Public Investment was created. This system consists of the set of principles, organization, norms, procedures, and information necessary for the formulation and governance of the National Plan for Public Investment, as well as the permanent updating of an inventory of public investment projects with varying degrees of formulation and analysis. Such projects are incorporated to a Bank of Project Investment, which enables the registration of information most relevant to the projects and their monitoring and control.

The selection procedures for projects foresees a set of rules and parameters – good practices— for their management and with the purpose of thoroughly fulfilling the aims of the State while simultaneously attaining an adequate administration of public funds, all within the framework of outmost transparency, efficiency, effectiveness and economics.

It is important to highlight the importance of public procurement as an instrument of the State to achieve its inherent objectives. Whereby, public procurement is a fundamental pillar of strategic governance and the provision of services. Well managed public procurement systems can contribute to the efficiency of the public sector and to the attainment of important secondary political objectives, including environmental protection, innovation, employment creation and the development of small and medium-scale enterprises.

Therefore, it is imperative that the State buys a good or procures a service with the least amount possible of available resources, in an efficient and effective manner, and in an environment of social control drawing from publicity and access to information on government actions.

4. Environmental Framework

The Argentine State has the obligation to guarantee the balance of the environment, designing state policies that protect it and that seek to avoid the contamination of soil, water and air, accepting the commitment to preserve and ensure the environment in optimal conditions.

Although Argentina currently does not have an Environmental Code, the country has been in charge of taking the necessary measures, through its national laws and the ratification of international treaties, to preserve the ecosystem and recompose the damage in case it was caused, generating harmony between human activity and the natural environment, recognizing the right of every citizen to live in an environment suitable for human development.

First, Article 41 of the National Constitution establishes that "All inhabitants enjoy the right to a healthy, balanced environment, suitable for human development and for productive activities to
meet present needs without compromising those of future generations; and have the need of preserving it. Environmental damage will generate the obligation of reconstructing, as established by law. The authorities will provide the protection of this right, the rational use of natural resources, the preservation of the natural and cultural heritage, biological diversity, and environmental information and education ..."

The National Constitution also establishes that the Nation must dictate the norms that contain the minimum budgets of protection, while the provinces must dictate the necessary ones to complement them, without altering the local jurisdictions.

The General Environmental Law (No. 25.675) defines "collective" or "public" environmental damage as any relevant alteration that negatively modifies the environment, its resources, the balance of ecosystems, or collective assets or values.

This norm exhaustively establishes the objectives that must be fulfilled at a national level with the aim of caring and preserving the ecosystem:

- Ensuring the preservation, conservation, recovery and improvement of the quality of environmental resources
- Promoting the improvement of life quality for present and future generations
- Promoting the rational and sustainable use of natural resources
- Maintaining the balance and dynamics of ecological systems
- Ensuring the conservation of biological diversity
- Preventing the harmful or dangerous effects that anthropic activities generate on the environment to enable the ecological, economic and social sustainability of development
- Promoting changes in social values and behaviors that enable sustainable development through environmental education
- Establishing adequate procedures and mechanisms for the minimization of environmental risks, for the prevention and mitigation of environmental emergencies and for the reconstitution of damages caused by environmental pollution, among others
- Establishing the legal obligation to conduct environmental impact studies whatever the type of activity carried out by individuals in order to control compliance with the state's environmental duty

5. Control Bodies

The Law on Financial Administration and Control Systems of the National Public Sector (Law 24.156), in article 116, created the General Audit Office (AGN), an external control entity of the national public sector, dependent on the National Congress.

Some of its competencies include the external control of budgetary, economic, financial, patrimonial, and legal management, as well as the opinion on the financial accounting statements of the central administration, decentralized agencies, companies and state companies, regulatory entities of public services, and the private entities adjudicating privatization processes, regarding the obligations arising from the respective contracts.

Some of the General Audit Office’s (AGN) functions include:

- Monitoring the use of State resources
- Examining and issuing opinions on the financial accounting statements of the national administration bodies
- Controlling the application of the resources coming from public credit operations. Auditing and issuing an opinion on the financial statements of the Central Bank of the Republic of Argentina
- Performing special examinations of acts and contracts of economic significance
- Auditing and issuing an opinion on the report and the financial statements of companies and companies of the State
- Verifying that the bodies of the Administration maintain the patrimonial registry of their public officials

The Law on Financial Administration and Control Systems of the National Public Sector (Law 24.156), in article 116, creates the General Office of the Comptroller (SIGEN), the internal control body of the National Executive Power.

The General Office of the Comptroller is an entity with its own legal status and administrative and financial autarky, dependent on the President of the Nation. Some of its competencies include the internal control of the jurisdictions that compose the National Executive Power and the decentralized organisms and companies and societies of the State that depend on it, their work methods and procedures, guidelines and organic structure.

Some of the General Office of the Comptroller’s (SIGEN) function include:

- Dictating and applying internal control standards, which must be coordinated with the General Audit Office (AGN)
- Issuing and supervising the application, by corresponding units, of the internal audit standards.
- Monitoring compliance with accounting standards, issued by the General Audit Office.
- Supervising the proper functioning of the internal control system, facilitating the development of the activities of the General Audit Office.
- Approving the annual work plans of the internal audit units, guiding and supervising their execution and results.
- Checking the implementation, on behalf of the controlled agencies, of the observations and recommendations made by the internal audit units, agreed with the respective parties responsible.
- Bringing to the attention of the President of the Nation the acts that have been carried out or that are estimated to cause significant damage to the public patrimony.

6. OECD Recommendations

The Recommendation of the Council on Public Procurement, put together by the Organization for Economic Cooperation and Development (OECD), intends to ensure the strategic and holistic use of public procurement, promoting public expenditure efficiency through the adequate allocation of public funds and the abatement of inefficiency and corruption.

Drawing from the Recommendations, the following guidelines are worth considering:

- Adequate degree of transparency of the public procurement system in all stages of the procurement cycle, ensuring the visibility of the flow of public funds, allowing free access to all relevant information, and promoting a fair and equitable treatment of all stakeholders and potential suppliers.
- High standards of integrity for all stakeholders in the procurement cycle, attained through the expansion of the standards embodied in codes of conduct, general public sector integrity tools, training programs for the procurement workforce, and anti-corruption programs for suppliers.
Equitable access to procurement opportunities for all potential competitors

Adequate evaluation of the use of public procurement as a method of pursuing secondary policy objectives

Transparent and effective stakeholder participation by providing opportunities for direct involvement and promoting transparent and regular dialogues with suppliers and business associations

Efficiency throughout the public procurement cycle, simplifying the system and its institutional framework, creating and utilizing tools to reduce duplication and achieve greater value for money

Harnessing the use of digital technology through the implementation of e-procurement solutions throughout the procurement cycle

Procurement personnel with the capacity to continually deliver value for money efficiently and effectively, presented with attractive and competitive career options whilst promoting collaborative approaches with third parties

Periodic and consistent evaluation of the results of the public procurement process, from individual procurements to the system as a whole

Risk management strategies for mapping, detection, and mitigation threats throughout the public procurement cycle

Oversight and control mechanisms to support accountability throughout the public procurement cycle, including the handling of complaints and sanctions and the coordination of both internal and external audits

Integration of public procurement into the overall public finance management, budgeting and services delivery processes

7. Argentina’s OECD Accession Progress

The countries that make up the OECD stand out for being governed under democratic governance systems, with institutional quality and the way in which public policies are carried out being the main requirements required to aspire to be part of this select group.

Since the change of government, Argentina has indicated its intention to join this organization as a member.

For this purpose, the position of Representative to the Organization for Economic Cooperation and Development (OECD) was created within the Ministry of Finance, which will have the following duties:

- Assisting and advising in everything related to the Republic of Argentina’s OECD accession process
- Coordinating the participation of technical experts of the ministerial jurisdiction in the Technical Committees of the OECD
- Articulating relations with other members and representatives of Government agencies of the Republic of Argentina before the OECD

OECD, [http://www.oecd.org/newsroom/argentina-refuerza-su-cooperacion-con-la-oecd-a-traves-de-un-nuevo-plan-de-accion.htm](http://www.oecd.org/newsroom/argentina-refuerza-su-cooperacion-con-la-oecd-a-traves-de-un-nuevo-plan-de-accion.htm)
Articulating relations and activities with non-governmental entities and organizations tending to communicate the strategic importance of the Republic of Argentina’s OECD accession

In April 2017, the Government of the Republic of Argentina formally presented before the Council of Ambassadors of the organization the "Argentina & OECD Action Plan 2016-2017" with the aim of reaffirming the country’s willingness to accede to it as a participating member. This Plan is a document that was developed collaboratively by the General Secretariat of the OECD and the 35 member countries. It is made up of a set of 16 public policies organized in three work axes: increasing the presence in the Technical Committees of the OECD, adopting the organization’s key instruments and developing different technical studies on public policies with priority.

The Action Plan consists of 16 public policy areas that will support key priority reforms: economic policies, statistics, competition, investment, public and multilevel governance, the modernization of the State, federalism, regional development, the fight against corruption, education and skill capacitation, and the digital economy.

During the implementation of the Action Plan, the OECD will conduct a series of studies on different areas of public policy of the Argentine economy, which will provide specific recommendations based on OECD best practices.

8. Analysis of Selected Projects

8.1. General Context

During the last decade, Argentina’s conflicts with its creditors with regards to the payment of its sovereign debt led to the country’s financial isolation on an international level, a situation that got aggravated when its access to financing through global capital markets was interrupted.

This was a crucial factor that drove Argentina to reach out to countries like China and Russia, in search of financing for larger infrastructure projects and Venezuela, circumstantially and with the aim of securing its energy supply.

In fact, the Argentinian government opted for cultivating and establishing close economic ties with centralized regimes, driven by States like China and Russia, with strong geopolitical interests towards international expansion, instead of attaining such goals with transnational corporations whose strategic investment decisions are based solely on the expectations of maximizing their benefits.

The diplomatic ties between Argentina and China intensified while at the same time the financial isolation, a result of the prosecution of the claims from international investors and sovereign debt holders in default, was on the rise.

Although the first “Economic Cooperation Agreement between the Government of the Republic of Argentina and the Government of the People’s Republic of China” dates back to the year 1980, starting from 2004 with the signing of the “Memorandum of Understanding on Investment” opened up a new phase in their bilateral relations.

The first guidelines were reflected in the “Memorandum of Understanding on Railway Activities Cooperation” which set the bases for the realization of the first contracts for equipment supply of Chinese origin.

The signed contracts corresponded to the acquisition of locomotives and wagons for the urban service of the San Martin Railway, long distance trains and formations for the “A” Line of the Buenos
Aires subway system, and its execution was conditional on the financing of the aforementioned operations on behalf of the Chinese banks.

While a renovation of the railway material in Argentina was necessary after years of divestment, such purchases were questioned for not having complied with all the associated requirements of public investment projects and for not having used public bidding for their procurement processes.

In spite of the criticism, the preference for Chinese railway material was upheld and contracts for the supply of new formations of the urban services for the lines Mitre, Sarmiento, and Belgrano Sur emerged, all attained through direct procurement.

This was consistent with China’s decision to improve the bilateral relation in 2014, when Argentina became one of the five Latin-American countries in having a comprehensive strategic partnership with China.

The “Framework Agreement for Economic and Investment Cooperation Between the Government of the Republic of Argentina and the People’s Republic of China”\footnote{Law 27.122. See agreement in annex: http://servicios.infoleg.gob.ar/infolegInternet/anexos/240000-244999/243833/norma.htm} was signed on the 18th of July 2014 and was ratified by the National Congress through the sanction of Law 27. 122 on the 25th of February 2015.

All details of this partnership have not been made public in Argentina. However, such alliances tend to include cooperation in the areas of defense, science and technology, agriculture, culture and education, health and medical sciences, environment, forestry and natural resources, nuclear and aerospace energy.

It is necessary to highlight that Article 5 in the “Framework Agreement,” in reference to the cooperation with regards to infrastructure, states that acquisitions in the context of projects in the Argentinian public sector could take place through direct procurement, as long as they are subject to concessional financing from the Chinese and as long as the bidding is done under advantageous conditions in terms of quality and price.

The three main projects that will be financed with Chinese funds are the following:

- Rehabilitation of Railway Infrastructure for the Belgrano Cargas Network
- Two Hydroelectric Power Plants on the Santa Cruz River
- Two nuclear plants

In particular, the Belgrano Cargas Railway Network is fundamental for Argentina’s economy, since it will considerably improve the logistical costs of the transportation of its food production to the ports. The plan includes the complete renovation of 1.626 kilometers of train tracks and 120 bridges.

The hydroelectric power plant project on the Santa Cruz River consists of the construction of two dams and central hydroelectric pathways (1300 MW) located on the Santa Cruz River with the aim of generating electric energy, and since its inception it has been subjected to numerous interrogations regarding its economic priority against other energy projects and the lack of compliance on environmental requirements.

There have also been strides in the construction of two nuclear plants, a sector in which Argentina possesses an ample trajectory. The fourth nuclear energy plant of 745 MW would make use of heavy water and natural uranium, while Chinese technology would provide the fifth nuclear plant, with a capacity of 1150 MW, with light water and enriched uranium. Given the high capital costs that the aforementioned projects entail, it is expected for Chinese banks to finance at least 85% of the works.
In the last months of Cristina Kirchner’s mandate, more than thirty agreements and memoranda were signed between both nations. Some of these agreements were very controversial, in particular a fifty-year concession for the construction and operation of a space installation in the Western side of the country, the first Chinese installation of its kind in the southern hemisphere. Until that moment, the People’s Republic of China had already used loans of approximately 20 billion dollars\(^6\) to finance the aforementioned set of large-scale infrastructure projects.

The agreements signed by the previous administration foresee a cross default clause in the contract signed with the Chinese Bank of Investment to secure the financing of the hydroelectric dams on the Santa Cruz River, limiting significantly the maneuvering capacity of Macri’s administration to revise the conditions of such agreements, which involved loans of up to 4.7 billion dollars.

It is with this perspective that, during President Macri’s official visit to Beijing on May 2017, both presidents signed new agreements, and some older ones were ratified as well. China proves to be willing to grant loans and finance investment, and will continue being a key player in the development of infrastructure in Argentina.

In this sense, Decree 338/2017, which regulates the “concessional financing” in terms of Article 5 of the “Framework Agreement on Cooperation,” under the following conditions:

- Grace period equivalent at least to the project’s material execution period
- Interest rate with a discount of at least 25% in terms of the interest rate of public shares issued by the Republic of Argentina on similar duration
- Repayment term of at least 10 years starting from the grace period’s expiration date

If the financing is granted by more than one Chinese banking entity, the conditions of the “concessional financing” will be evaluated in their entirety, regardless of whether one of the components of the financing cannot meet the aforementioned conditions on its own accord.

Likewise, the project must be included in the “China - Argentina Five-Year Integrated Plan for Infrastructure Cooperation (2017-2021)\(^7\):

**List of Infrastructure Cooperation Projects with Priority**

- Rehabilitation of freight railway system (San Martín Line)
- Rehabilitation of freight railway system (Roca Line)
- Rehabilitation of freight railway system (Mitre Line)
- Rehabilitation of freight railway system (Urquiza Line)
- Rehabilitation of freight railway system (Belgrano Line)
- Railway rolling stock for passenger railway system
- Nuclear Plants IV and V
- Photovoltaic Energy Plant “Caucharí”
- Hydroelectric Plant "El Tambolar"
- Hydroelectric Plant "Chihuído"
- Hydroelectric Plant "Potrero del Clavillo"
- Wind Farm "Cerro Arauco"
- Hydroelectric Plant "Los Blancos"
- Dredging on the Salado River Basin

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Electrical transmission of Santa Cruz River Dams
Zárate Energy Hub (electricity generation plants fed by gas)

Although there is ample consensus within the Argentinian political class in perceiving China as a partner with the capacity and willingness to finance and build key infrastructure projects needed for the country, including railway networks, hydroelectric dams or nuclear plants, President Macri’s administration started to implement mechanisms of Public-Private Partnerships (PPP) for the execution of large infrastructure projects.

The PPP mechanism is expected to channel an ambitious public works plan that will develop in the upcoming years and that will imply investment equivalent to 17 points of the Gross Domestic Product (GNP).

During the second ministerial forum between China and the Community of Latin American and Caribbean States (CELAC), which took place in Santiago de Chile at the beginning of January 2018, the Republic of China reinforced its links with Latin America. In this sense, the regional block decided to back up the Chinese “Silk Road” initiative through a special declaration, a megaproject of global interconnection designed by the Chinese president, Xi Jinxing, who has put on the table thousands of millions of dollars to be invested in infrastructure to improve the connectivity.

Critical voices see in this initiative the willingness from Beijing to increase its influence over other developing nations through investment that “almost always require the import of Chinese labor force, bulky loans, an unsustainable debt, and a disregard for human rights and intellectual property.”

As with the Chinese case, when Argentina had problems to obtain loans in the international capital markets, Russia was recognized as an alternative financial source.

Argentina and Russia reached their highest point of investment and commercial exchange towards the end of the 1970s and the beginning of the following decade, when Argentina became one of the main food providers of the then-Soviet Union. The USSR provided and financed equipment for electrical plants and transportation material. During the 1980s, many agreements were signed for the construction of dams and the electrification of railway networks, which were cut short with the collapse of the Soviet Union and the hyper-inflationary outbreak in Argentina.

Two decades later, starting from 2009, the relations began to intensify again with the signing of the “Action Plan for the Development of a Comprehensive Strategic Partnership between The Republic of Argentina and the Russian Federation.”

However, even after signing numerous bilateral agreements and announcing several large-scale investment projects, very few have materialized at present.

The main agreements endorsed correspond to the transportation and energy sectors, in which Russia relies on proven experience and a dominant role on an international level.

Specifically in the area of nuclear energy, both parties noted their mutual interest in the collective development of construction projects of new nuclear power plants in Argentina with Russian technology.

In the year 2014, the Argentinian government used public bidding to procure the construction of the Chihuido I Multipurpose Hydroelectric Development, which includes a hydroelectric plant of 637 MW in the Neuquén Province, to a conglomerate linked to the Russian company Inter-RAO, provider of the turbines and electromechanical equipment. Further ahead, in 2017, Macri’s administration

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8 El País Newspaper, “China carga contra EE UU por las críticas sobre su estrategia en Latinoamérica”, 03/02/2018, [https://elpais.com/internacional/2018/02/03/actualidad/1517634217_948258.html](https://elpais.com/internacional/2018/02/03/actualidad/1517634217_948258.html)
managed to arrive at a financing agreement with the Russian Development Bank (Vnesheconombank), which places the realization of the project in a phase of uncertainty.

The case of Venezuela shows vast differences with the observations on China and Russia, since the South American country has never been considered a regional power, in spite of its powerful oil industry. Even in a period of high oil prices and multiple announcements of execution and financing of regional infrastructure projects, these have never surpassed previous execution stages.

As part of the “Comprehensive Cooperation Agreement”⁹, signed in 2004, a trade system mechanism was established, through which Venezuela committed itself to providing Fuel Oil and Gasoil to the Republic of Argentina, in exchange of the purchase of products of Argentinian origin.

By that date, the Republic of Argentina was starting to experience the scarcity of natural gas, due to the stagnation of its production, and Fuel Oil was used as alternative fuel for its thermal power plants for electricity generation.

In a period of high oil prices derived on an international level, Venezuela used its great capacity as energy resources provider as an instrument to increase its political influence in the region, while Argentina benefitted with the promotion of the export of industrial and agricultural products.

The realization of this agreement was subject to much questioning with regards to the price and quality of the fuel provided by PDVSA, the Venezuelan state-owned oil company, and the lack of transparency in the selection system of the Argentinian exporting companies.

After the first agreement, numerous agreements have been signed relative to energy infrastructure projects, many of which have been ruled out due to the deterioration of Venezuela’s financing capacity and the changing political position of the Argentinian government.

As a starting point of the research work, it has been carried out an exhaustive compilation of the main energy and transport infrastructure carried out by the public sector, in different stages of progress (completed, ongoing, in negotiation)

Based on the analysis of this selection, the following infrastructure projects with official financing from countries with "low intensity democracies" have been identified as the focus of the present study:

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>SECTOR</th>
<th>PROJECT</th>
<th>SUBPROJECT</th>
<th>STATUS</th>
<th>AMOUNT (millions USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Transportation</td>
<td>Acquisition of Railway Material</td>
<td>San Martin Line (Urban Service)</td>
<td>Completed</td>
<td>134</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Long Distance Services</td>
<td>Completed</td>
<td>321</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buenos Aires Subways “A Line”</td>
<td>Completed</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Mitre and Sarmiento Lines (Urban Service)</td>
<td>Completed</td>
<td>684</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Belgrano Sur Line (Urban Service)</td>
<td>Completed</td>
<td>81</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Roca Line (Urban Service)</td>
<td>Completed</td>
<td>354</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Roca Line (Urban Service)</td>
<td>In negotiation</td>
<td>317</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rehabilitation of Belgrano Cargas Railway</td>
<td>-</td>
<td>2,471</td>
</tr>
<tr>
<td></td>
<td>Energy</td>
<td></td>
<td>Hydroelectric Dams in Santa Cruz</td>
<td>-</td>
<td>4,714</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nuclear Plants IV and V</td>
<td>-</td>
<td>14,000</td>
</tr>
</tbody>
</table>

Figure 1: List of selected projects, arranged by sector and by amount (millions of dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>Sector</th>
<th>Project Description</th>
<th>Status</th>
<th>Amount (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>Energy</td>
<td>Caucharí Solar Park</td>
<td>In negotiation</td>
<td>390</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chihuido I Multipurpose Hydroelectric Development</td>
<td>In negotiation</td>
<td>1,840</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nuclear Plant VI</td>
<td>In negotiation</td>
<td>5,000(^{10})</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Energy</td>
<td>Acquisition of Fuel Oil for Electricity Generation</td>
<td>Completed</td>
<td>2,000(^{11})</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TOTAL 32,406</td>
</tr>
</tbody>
</table>

Of all eight total projects analyzed, six correspond to the energy sector and two to the transportation sector. With regards to the total amount of investment, 86% was directed to the energy sector while the remaining 14% was directed to the transportation sector.

Figure 2: List of selected projects, arranged by donor country and amount (in millions of dollars)

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Of all selected projects, five relate to China, two to Russia, and one to Venezuela. Analyzing the total amount destined for each respective project (32.4 billion dollars), it can be noted that 73% corresponds to projects faced by China, while the remaining 22% and 7% belonged to Russia and Venezuela, respectively.

It is also necessary to note the weight of the fourth and fifth nuclear plants, since they represent almost 60% of the total amount of the projects developed with the Asian country.

China leads not only in terms of quantity and amount spent on the promoted projects, but also in their degree of completion, since most are either completed or ongoing. The picture looks different for the projects signed with Russia, which have yet to surpass the negotiation stage.

In March 2008, the national government presented the First Progress of the Strategic Territorial Plan (STP), a result of the joint work done by provinces with regards to the Model for Desired National Territory and the investments on infrastructure and equipment considered strategic for its construction.

The second volume was published in 2011, known as “Territory and Infrastructure”\(^{12}\), and resulted, through the application of homogenous methodology, in a portfolio of investment projects weighted according to their territorial impact on a provincial and national level.

\(^{12}\) Strategic Territorial Plan, Volume II, “Territory and Infrastructure”
Although most of the selected projects in this study are included in the STP, their priority order will be verified as established by the STP in terms of other infrastructure projects.

9. Projects with the People’s Republic of China

9.1. PROJECT: ACQUISITION OF RAILWAY MATERIAL

This project contemplates the purchase of railway material for passenger services that was materialized after the implementation of the "Memorandum of Understanding on Cooperation in Railway Activities" signed in 2004 between the Ministry of Commerce of the People's Republic of China and the Ministry of Planning Federal of the Argentine Republic, in which it was agreed to support and promote the participation of companies from both countries in the improvement of the railway system.

These purchases can be grouped into two distinct periods, the first corresponding to purchases made by the former Ministry of Transportation (then dependent on the former Ministry of Federal Planning) and the second to those operations carried out by the former Ministry of the Interior and Transport.

During the first period, the purchases correspond to railway equipment destined to the urban service of the San Martín Railway, long distance services and the Buenos Aires subway. Each of the commercial contracts for the acquisition of railway equipment was conditioned, in its execution, to financing by Chinese banks that integrated the proposals of the supplier companies.

The second round of acquisitions of railway material to China corresponds to those faced by the former Ministry of the Interior and Transport starting in 2012, in the context of a strong social commotion caused by the railway accident of the Once station.

These operations were executed with great speed, through direct contracting, arguing the need to quickly renew the railway equipment and were not subject to financing by Chinese banking institutions.

The acquisitions of rolling stock were destined for the renewal of the urban service of the Miter, Roca, Sarmiento and Belgrano Sur lines.

9.1.1. Comparative Variables

What is the institution of origin in the country that gives financial aid?

Financial assistance is granted by the following Chinese financial institutions:

- The Export-Import Bank of China (EXIMBANK)
- China Development Bank Corporation
- China CITIC Bank Corporation Limited (CITIC)
- China Construction Bank Corporation Limited

What is the receiving institution?

The commercial contracts for the supply of railway material were subscribed between the Chinese suppliers and the Argentine counterpart (Ministry of Transportation, Ministry of the Interior and Transport, Ministry of Transport)
The institution receiving the funds is the Ministry of Economy and Public Finance, representing the Argentine Republic.

**In what form is this financial assistance given?**

In the case of the purchases of rolling stock, each of the commercial contracts for the acquisition of railway equipment was conditioned, in its execution, to financing by Chinese banks that integrated the proposals of the supplier companies.

Financial assistance is granted under export buyer credits, where Chinese financial institutions finance 85% of the commercial contract:

- Buyer Credit Loan Agreement
- Term loan Facility Agreement

**Is the official purpose of this financial assistance publicly known?**

The purpose of financial assistance is the financing of commercial contracts for the acquisition of railway equipment.

**Can specific transactions be verified?**

The following is a brief summary of the most relevant commercial and financial aspects of each operation:

**SAN MARTIN LINE (URBAN SERVICE):**

The contracts for the purchase of rolling stock for the urban service of the San Martín Line, and their corresponding addenda, were approved by decrees 91/2008 and 119/2010.

Initially, the Ministry of Transportation (dependent on the former MINPLAN) and China South Locomotive and Rolling Stock Corporation Ltd. (CSR) agreed on two contracts aimed at the acquisition of 24 locomotives and 160 passenger cars, spare parts and tools, technical documentation, technical services and technical training necessary for the commissioning, operation, and maintenance of the equipment.

These contracts were modified by successive addenda, which determined prices of USD 85,173,677 (CIF Puerto de Buenos Aires)\(^{13}\) for the provision of passenger cars and USD 48,742,316 (CIF Puerto de Buenos Aires). The contracts were signed ad referendum of financing agreements between the Ministry of Economy and Public Finance (MECON) and The Export-Import Bank of China (EXIMBANK), which aim to finance 85% of commercial contracts.

<table>
<thead>
<tr>
<th><strong>COMMERCIAL CONTRACT</strong></th>
<th>Seller</th>
<th>China South Locomotive and Rolling Stock Co. Ltd. (CSR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Buyer</strong></td>
<td></td>
<td>Transportation Secretariat</td>
</tr>
<tr>
<td><strong>Item</strong></td>
<td></td>
<td>▪ 160 Passenger Cars</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ 24 Locomotives</td>
</tr>
</tbody>
</table>

\(^{13}\) CIF: In accordance with International Commercial Terms (INCOTERMS), denominated CIF (Cost, Insurance and Freight) at a price that includes the merchandise placed on the destination port with paid freight and insurance cover.
### FINANCING AGREEMENT

<table>
<thead>
<tr>
<th>Awarding</th>
<th>Direct</th>
</tr>
</thead>
</table>
| Amount   | ▪ Passenger Cars: USD 85,173,677 (CIF)  
           ▪ Locomotives: USD 48,742,316 (CIF) |

<table>
<thead>
<tr>
<th>Lender</th>
<th>The Export-Import Bank of China (EXIMBANK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>Ministry of Economy and Public Finance</td>
</tr>
<tr>
<td>Type of Agreement</td>
<td>Buyer credit loan agreement</td>
</tr>
<tr>
<td>Loan Amount</td>
<td>85% of the commercial contract</td>
</tr>
<tr>
<td>Interest Rate (Annual)</td>
<td>Libor + 2.8%</td>
</tr>
<tr>
<td>Term</td>
<td>8 years</td>
</tr>
</tbody>
</table>

Addenda V of the contract for the provision of passenger cars, dated 10/17/2012, occurs after the transfer of the Ministry of Transportation from MINPLAN to the Ministry of Interior and Transport, and increased the price of the contract in USD 10,129,224, amount that is excluded from financing.

### LONG DISTANCE SERVICES

The contract for the purchase of rolling stock for long distance passenger services was approved by Decree 2154/2010. This contract was concluded on 12/30/2009 between China Northern Locomotive and Rolling Stock Industry (Group) Co. Ltd. “CNR” and the Ministry of Transportation, which was dependent at that time on the Ministry of Planning (MINPLAN), and had them aim of providing 20 locomotives and 220 passenger cars, including spare parts, tools, technical documentation, technical services and technical training necessary for the commissioning, operation and maintenance of the cars. The price was agreed in the amount of USD 321,473,200 (CIF Puerto de Buenos Aires).

Subsequently, through the 06/05/2010 Addenda I, of the original technical characteristics of the locomotives were modified, but without producing a variation in the quantities or prices previously agreed.

### COMMERCIAL CONTRACT

<table>
<thead>
<tr>
<th>Seller</th>
<th>China Northern Locomotive and Rolling Stock Industry (Group) Co. Ltd. (CNR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td>Transportation Secretariat</td>
</tr>
</tbody>
</table>
| Item   | ▪ 220 passenger cars  
          ▪ 20 locomotives                                                   |
| Awarding | Direct                                                                 |
| Amount | USD 321,473,200 (CIF)                                                   |

### FINANCING AGREEMENT

| Lender | China Development Bank Corporation  
         China CITIC Bank Corporation Limited (CITIC) |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>Ministry of Economy and Public Finance</td>
</tr>
<tr>
<td>Type of Agreement</td>
<td>Term loan facility agreement</td>
</tr>
<tr>
<td>Loan Amount</td>
<td>Financing of 85% of the commercial contract</td>
</tr>
<tr>
<td>Interest Rate (Annual)</td>
<td>Libor + 3.15%</td>
</tr>
</tbody>
</table>
BUENOS AIRES SUBWAY LINE “A”

For the purpose of acquiring rolling stock for the subway service of the City of Buenos Aires, a "Framework Agreement" was signed between the Ministry of Transportation (MINPLAN) and the company CITIC International Cooperation Co. Ltd. and successive complementary contracts tending to its realization, which were approved by decrees 118/2010 and 1607/2011.

The framework agreement foresaw the purchase of 279 passenger cars for the subway system of the City of Buenos Aires for a total amount of USD 653,800,000 (CIF Buenos Aires), where the possibility of partial deliveries through complementary agreements was agreed, subjecting its validity to the subscription of the respective financing agreements.

Of the three complementary contracts concluded and approved, only the first was executed, as a result of the lack of payment of advances and the subsequent transfer of subway services to the Government of the City of Buenos Aires.

The first complementary agreement consisted in the acquisition of 45 passenger cars destined for Line "A", spare parts and tools, technical documentation, technical services and training for the commissioning, operation and maintenance of aforementioned. The total price agreed was USD 99,963,000 (CIF Buenos Aires), with 85% financing from the banks China Construction Bank Corporation Limited and China CITIC Bank Corporation Limited (CITIC).

<table>
<thead>
<tr>
<th>COMMERCIAL CONTRACT</th>
<th>Seller</th>
<th>CITIC International Cooperation Co. Ltd. (CITIC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td>Transportation Secretariat</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>45 passenger cars</td>
<td></td>
</tr>
<tr>
<td>Awarding</td>
<td>Direct</td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>USD 99,963,000 (CIF)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FINANCING AGREEMENT</th>
<th>Lender</th>
<th>China Construction Bank Corporation Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>China CITIC Bank Corporation Limited (CITIC)</td>
<td></td>
</tr>
<tr>
<td>Borrower</td>
<td>Ministry of Economy and Public Finance</td>
<td></td>
</tr>
<tr>
<td>Type of Agreement</td>
<td>Term loan facility agreement</td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td>Financing of 85% of the commercial contract</td>
<td></td>
</tr>
<tr>
<td>Interest Rate (Annual)</td>
<td>Libor + 3.15%</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>7 years</td>
<td></td>
</tr>
</tbody>
</table>

MITRE AND SARMIENTO LINES (URBAN SERVICE)

On January 9, 2013, the contract for the supply of Multiple Electric Units (MEUs), spare parts, tools, technical documentation, technical services and technical training for the Miter and Sarmiento
railways was signed between the Ministry of the Interior and Transport and the People’s Republic of China’s state-owned company CSR Qingdao Sifang Co., which was ratified by Decree 9/2013.

### COMMERCIAL CONTRACT

<table>
<thead>
<tr>
<th>Seller</th>
<th>CSR Qingdao Sifang Co. Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td>Ministry of Interior and Transport</td>
</tr>
<tr>
<td>Item</td>
<td>Multiple Electric Units (MEUs):</td>
</tr>
<tr>
<td></td>
<td>▪ Sarmiento Line: 25 formations (9 carriages in each one)</td>
</tr>
<tr>
<td></td>
<td>▪ Mitre Line: 30 formations (6 carriages in each one)</td>
</tr>
<tr>
<td>Awarding</td>
<td>Direct</td>
</tr>
<tr>
<td>Amount</td>
<td>USD 546,750,000 (CIF)</td>
</tr>
</tbody>
</table>

On July 17, 2013, the contract for the design, supply and engineering for the installation, supervision and management of the installation and commissioning of the base signaling system for the Mitre and Sarmiento railways, signed between the Ministry of Interior and Transportation and the state company of the People’s Republic of China China Railway Signal & Communication Corporation Limited, ratified by the Administrative Decision 727/2013 of the Chief of Cabinet.

### COMMERCIAL CONTRACT

<table>
<thead>
<tr>
<th>Seller</th>
<th>China Railway Signal &amp; Communication Co. Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td>Ministry of Interior and Transport</td>
</tr>
<tr>
<td>Item</td>
<td>Base signalling system for the Mitre and Sarmiento Lines</td>
</tr>
<tr>
<td>Awarding</td>
<td>Direct</td>
</tr>
<tr>
<td>Amount</td>
<td>USD 53,424,940 (CIF)</td>
</tr>
</tbody>
</table>

On May 23, 2014, the contract between the Ministry of the Interior and Transport and CSR Sifang Hong Kong Company Limited was signed, ratified by the Administrative Decision 860/2014 (Head of Cabinet), for the design, supply and delivery of the towing cars, the spare parts, consumable elements and test equipment, the provision of the supervision of the commissioning of the towing cars and the supply and delivery of the technical documentation for the Sarmiento and Mitre Lines.

### COMMERCIAL CONTRACT

<table>
<thead>
<tr>
<th>Seller</th>
<th>CSR Sifang Hong Kong Company Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td>Ministry of Interior and Transport</td>
</tr>
<tr>
<td>Item</td>
<td>6 motor carriages</td>
</tr>
<tr>
<td>Awarding</td>
<td>Direct</td>
</tr>
<tr>
<td>Amount</td>
<td>USD 83,751,698 (CIF)</td>
</tr>
</tbody>
</table>
On November 1, 2013, the contract for the supply of multiple diesel units (MDUs), spare parts, tools, technical documentation, technical service and technical training for the Belgrano Sur Railway between the Ministry of the Interior and Transport and the Chinese state firm CNR Import & Export Corporation Limited (CNR) was signed, ratified by Administrative Decision 16/2014 (Chief of Cabinet).

<table>
<thead>
<tr>
<th>COMMERCIAL CONTRACT</th>
<th>Seller</th>
<th>CNR Import &amp; Export Corporation Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td></td>
<td>Ministry of Interior and Transport</td>
</tr>
<tr>
<td>Item</td>
<td>27 MDU formations (3 carriages in each one)</td>
<td></td>
</tr>
<tr>
<td>Awarding</td>
<td>Direct</td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>USD 80,960,800 (CIF)</td>
<td></td>
</tr>
</tbody>
</table>

ROCA LINE (URBAN SERVICE)

On 23 May 2013, the contract for the supply of railway equipment, spare parts, tools, technical documentation, technical service and technical training for the Roca Railway between the Ministry of the Interior and Transport and CSR Qingdao Sifang Co., Ltd. was signed, ratified by Administrative Decision 584/2013 (Chief of Cabinet).

<table>
<thead>
<tr>
<th>COMMERCIAL CONTRACT</th>
<th>Seller</th>
<th>CSR Qingdao Sifang Co. Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td></td>
<td>Ministry of Interior and Transport</td>
</tr>
<tr>
<td>Item</td>
<td>Multiple Electric Units (MEUs):</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ 44 formations (3 carriages in each one)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ 42 formations (4 carriages in each one)</td>
<td></td>
</tr>
<tr>
<td>Awarding</td>
<td>Direct</td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>USD 354,300,000 (CIF)</td>
<td></td>
</tr>
</tbody>
</table>

In the following case there is continuity in the current management. Through Resolution 1382-E/2017 of the Ministry of Transport, a contract for the renewal of the oldest urban service formations of the Roca Line is in the process of being awarded by direct procurement, based on the fact that cars must be provided only and exclusively by the same manufacturer CSR Qingdao Sifang Co. Ltd., supplier of the first stage of the renovation.

<table>
<thead>
<tr>
<th>LIST OF TERMS AND CONDITIONS</th>
<th>Seller</th>
<th>CSR Qingdao Sifang Co. Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyer</td>
<td>Ministry of Interior and Transport</td>
<td></td>
</tr>
<tr>
<td>Item</td>
<td>200 carriages of rolling electric stock</td>
<td></td>
</tr>
<tr>
<td>Awarding</td>
<td>Direct</td>
<td></td>
</tr>
<tr>
<td>Budget</td>
<td>USD 316,534,750</td>
<td></td>
</tr>
</tbody>
</table>
According to the Bidding Terms and Conditions, the firm CSR Qingdao Sifang Co. Ltd must present a Letter of Intent on Financing, signed by a lender, in which the financing proposal for the present contract is attached.

Is this aid directed to a particular geographic area in the recipient country?

According to the information gathered in the elaboration of this research project, no discretion has been observed in the granting of financial assistance to a particular geographical area.

If this was requested by the receiving country, through which process?

The financial assistance was agreed upon under the “Memorandum of Understanding on Cooperation in Railway Activities,” signed in 2004 between the Ministry of Commerce of the People’s Republic of China and the Ministry of Federal Planning of the Argentine Republic, in which it was agreed upon to support and promote the participation of companies from both countries in the improvement of the railway system.

Subsequently, in 2010 the "Agreement on Infrastructure Construction Cooperation in the Communications Sector"14 was signed between the Government of the Republic of Argentina and the Government of the People's Republic of China, where the parties agreed to promote and facilitate the companies and financial entities of both countries cooperating in projects related to railway infrastructure, the provision of rolling stock, operation or logistics services or infrastructure. The agreement presents a list of transport projects that includes the provision of locomotives and passenger cars for the San Martín Railway, locomotives and rolling stock for intercity passenger services and subway carriages.

Is there manipulation of state-owned enterprises in Argentina?

In the current state of progress of the present study, no manipulation of Argentine state-owned companies has been detected within the framework of the acquisition of railway material, since their participation in the implementation of said project is not verified. For this reason, a finished response cannot be given at this time.

Are there violations of local labor regulations and standards?

According to the information gathered during the elaboration of this research project, there have been observations of violations of local labor regulations and standards in the framework of the acquisition of railway material. The project in question contemplates the acquisition of railway material manufactured in China and does not foresee the execution of Chinese labor in the Republic of Argentina.

Are there violations of procurement laws in Argentina?

The main question regards the fact that there were no instances where the acquisition of rolling stock was made through a prior public tender.

Following the signing in 2004 of the “Memorandum of Understanding on Cooperation in Railway Activities” and the subsequent creation of the “Argentine Chinese Railway and Infrastructure Working Group,” the parties agreed that the cooperation priority was to promote and enable companies and financial entities from both countries to cooperate in projects related to railway infrastructure, the provision of rolling stock, operation or logistics services or infrastructure.

The meetings of this working group resulted in the signing of commercial and financial contracts between the Argentine government and Chinese companies.

14 Agreement on Infrastructure Construction Cooperation in the Communication Sector
In the absence of a call for international public bidding, the participation of numerous national or foreign companies interested in offering railway material in same or better conditions of price, quality and financing was excluded.

The agreements for the acquisition of long-distance trains, the San Martín Line and the subway network were analyzed by the General Audit Office (AGN)\textsuperscript{15}, which detected the following irregularities:

- Failure to comply with the provisions regarding the Public Investment regime, not verifying feasibility reports or technical qualification reports on the purchases made.
- The treatment granted to loans related to the procurement of rolling stock, and its inclusion in the Priority Investment Program (PIP), allowed for these debts not to be included in the balance sheet of the National Budget and avoids the evaluations provided for in the Public Investment Law. In this way, the economic result of the fiscal year is distorted and deficiencies in budget programming have become apparent.
- The generalized use of Payment Orders without Budget Imputation in the payments corresponding to Advances, Insurance Premiums and Commissions.
- The acquisition of 220 carriages and 20 long-distance locomotives was completed without establishing a specific railway operation plan in advance.
- The inexistence of a comprehensive project for the commissioning of the new material acquired for the former San Martín Line, manifested in the lack of coordination between the provision of rolling stock and the conclusion of the necessary infrastructure adjustments, resulted in the underutilization of the trains.
- The reasonableness analyses of prices paid for the rolling stock to the Chinese companies CNR and CSR are partial and include values taken as reference without their due support.
- The studies prior to the contract with CITIC for the purchase of subway cars did not include a price analysis. In subsequent contracts with the same supplier, the prices that were agreed upon were 21% lower.
- The payments of commitment commissions to CSR, CITIC and CNR were higher than originally estimated.
- In the negotiation of the trains of the San Martín Line, the intervention of a representative without legal attributions and in evident opposition of interests was observed.
- In the case of Minister Randazzo (Minister of the Interior and Transport), there is no norm that expressly endorses the competence of his ministry for the V Addenda that was signed with the company CSR by San Martin trains.

\textsuperscript{15} General Audit Office (AGN), Report on Audit Regarding the Purchase of Railway Material from the People’s Republic of China, \url{http://www.agn.gov.ar/files/informes/2015_089info_0.pdf}
Is there weakening of (or subversion of) parliamentary oversight and appropriations processes, civil society monitoring processes?

Negotiations of commercial and financial contracts were carried out between Argentine authorities and Chinese authorities and companies, in the framework of the meetings of the "Chinese Railway and Infrastructure Working Group". When public bidding processes were not carried out, civil society was deprived of knowing the purpose and conditions of the contracts, prior to the awarding and signing of the aforementioned, as is the case with the publication of the bidding conditions and conditions in the call for a public tender.

Are there policy decisions by Argentina that directly benefit a particular donor?

According to the information gathered in the elaboration of this research project, no government policies have been detected that might benefit a particular financial assistance donor country.

9.2. PROJECT: REHABILITATION OF BELGRANO CARGAS RAILWAY

9.2.1. Brief Project Description

The rehabilitation of the Belgrano Cargas Railroad represents a central tool to achieve general economic policy objectives and in particular for regional development, through the increase of the total capacity of the national cargo transportation system, allowing the connection between production centers with ports and collection and consumption centers, this being a key factor in the performance and growth of the provincial economies for the placement of their products.

On March 11, 2010, the contractual agreement was signed for the rehabilitation project of the Belgrano Cargas Railway between the former Transport Secretariat, formerly dependent on the Ministry of Federal Planning, and the state company China National Machinery & Equipment Import & Export Corporation. This initial agreement was modified by successive addenda, this time by the Ministry of the Interior and Transport and then by the Ministry of Transport.

In turn, the execution of said contract was subordinated to the signing of the financing agreement signed between the former Ministry of Economy and Public Finance and the banking entities China Development Bank Corporation (CDB), and Industrial And Commercial Bank of China Limited (ICBC), through which 85% of the commercial contract is financed.

The contract amount is USD 2,470,548,040, and includes a complete renovation of 1,626km of tracks and 120 bridges, as well as the acquisition of rolling stock and equipment, according to the following information:

- Steel rails: 164,669 ton
- Railway ties
- Locomotives: 107
- Freight carriages: 3500
- Parts for carriages and spare parts
- Heavy machinery
- Large-scale maintenance machinery
- Tools for workshops
- Execution of works
9.2.2. Comparative Variables

**What is the institution of origin in the country that gives financial aid?**

The financial assistance was granted by the following Chinese banking institutions:

- China Development Bank Corporation (CDB)
- Industrial and Commercial Bank of China Limited (ICBC)

**What is the receiving institution?**

The commercial contract and its respective addenda were signed between the China Machinery Engineering Corporation (CMEC) and the corresponding Argentine counterpart (Transport Secretariat, Ministry of Interior and Transport, Ministry of Transport)

The institution receiving the funds is the **Ministry of Economy and Public Finance, representing the Republic of Argentina**.

**In what form is this financial assistance given?**

The execution of the commercial contract was subordinated to the signature of the financing agreement signed between the former Ministry of Economy and Public Finance and the Chinese banking entities China Development Bank Corporation (CDB) and Industrial And Commercial Bank of China Limited (ICBC), under an export buyer credit, under which Chinese financial institutions finance 85% of the commercial contract:

- Buyer credit facility agreement

**Is the official purpose of this financial assistance publicly known?**

The purpose of the financial assistance is the financing of the contract for the rehabilitation of the Belgrano Cargas Railway.

**Can specific transactions be verified?**

Through the Economic Cooperation Agreement signed in Beijing on June 7, 1980, between the Argentine Republic and the People’s Republic of China, the parties committed to stimulating economic cooperation in various areas, including Railway Activity.

Drawing from the premise that the rehabilitation of the Belgrano Cargas Railroad is a central tool to achieve general economic policy objectives, especially for regional development, the "Contractual agreement for the rehabilitation project of the Belgrano Cargas Railway” was signed on March 11, 2010 between the former Transportation Secretariat, formerly dependent on the former Ministry of Federal Planning, Public Investment and Services of the Argentine Republic, and the State China National Machinery & Equipment Import Export Corporation together with the General and Particular Conditions of the contract.

Decree 1071/2014 approved the Buyer Credit Agreement signed between the Ministry of Economy and Public Finance by the National Government and the China Development Bank Corporation (CDB) and Industrial And Commercial Bank of China Limited (ICBC), for an amount of USD 2,099,965,834.

In turn, Decree No. 868/2016 dated July 19, 2016 ratified the Belgrano Cargas Railway Project.

The following summary includes the most relevant commercial and financial aspects of the project:

<table>
<thead>
<tr>
<th>COMMERCIAL CONTRACT</th>
<th>Seller</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seller</td>
<td>China Machinery Engineering Corporation (CMEC)</td>
</tr>
<tr>
<td>Buyer</td>
<td>Ministry of Interior and Transport</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------</td>
</tr>
</tbody>
</table>
| Item  | ▪ Railway components (rails and ties)  
       ▪ Rolling stock (locomotives and carriages)  
       ▪ Heavy machinery  
       ▪ Tools for workshops  
       ▪ Execution of works |
| Awarding | Direct |
| Amount | USD 2,470,548,040 |

**FINANCING AGREEMENT**

| Lender | ▪ China Development Bank Corporation (CDB)  
       ▪ Industrial and Commercial Bank Of China Limited (ICBC) |
| Borrower | Ministry of Economy and Public Finance |
| Agreement Type | Buyer credit facility agreement |
| Loan Amount | USD 2,099,965,834 (85% of the commercial contract) |
| Interest Rate (Annual) | Libor + 3.51% |
| Term | 11 years |

*Is this aid directed to a particular geographic area in the recipient country?*

According to the information gathered in the elaboration of this research project, no discretion has been observed in the granting of financial assistance to a particular geographical area.

*If this aid was requested by the receiving country, through which process it was requested?*

Financial assistance was agreed upon under the "Memorandum of Understanding on Cooperation on Railway Activities," signed in 2004 between the Ministry of Commerce of the People’s Republic of China and the Ministry of Federal Planning of the Argentine Republic, in which both parties agreed to support and promote the participation of companies from both countries in the improvement of the railway system.

Subsequently, in 2010 the "Agreement on Infrastructure Construction Cooperation in Communication Sector " was signed between the Government of the Argentine Republic and the Government of the People’s Republic of China, where both parties agreed to promote and enable companies and financial entities of both countries to cooperate in projects related to railway infrastructure, the provision of rolling stock, operation or logistics services or infrastructure. The agreement includes a list of transport projects, including the rehabilitation of the Belgrano Cargas Railway.

*Is there manipulation of state-owned enterprises in Argentina?*

According to the information gathered during the elaboration of this research project, no manipulation of Argentine public enterprises has been detected within the framework of the rehabilitation of the Belgrano Cargas Railway, since their participation in the implementation of the aforementioned project is not verified. It is also necessary to highlight that the railway material
acquired will ultimately be transferred to the public company Trenes Argentinos for its utilization in freight services.

Are there violations of local labor regulations and standards?

According to the information gathered during the elaboration of this research project, there have been no observations of violations of local labor regulations and standards in the framework of the rehabilitation of the Belgrano Cargas Railway, since it Chinese labor in the Republic of Argentina is not foreseen.

Are there violations of procurement laws in Argentina?

The main questioning surrounds the fact that the awarding of the contract for the rehabilitation of the Belgrano Cargas Railway was not made through prior public bidding.

After the signing of the "Memorandum of Understanding on Cooperation in Railway Activities" in 2004, and the subsequent creation of the "Argentine Chinese Railway and Infrastructure Working Group", the parties agreed that the cooperation priority was to promote and enable companies and financial entities of both countries to cooperate in projects related to railway infrastructure, as well as the provision of rolling stock, operation or logistics services or infrastructure.

The meetings of this working group resulted in the signing of commercial and financial contracts between the Argentine government and Chinese companies.

When a call for international public bidding was not made, the participation of numerous national or foreign companies interested in offering railway material in same or better conditions of price, quality and financing was excluded.

Is there weakening of (or subversion of) parliamentary oversight and appropriations processes, civil society monitoring processes?

When public bidding processes were not carried out, civil society was deprived of knowing the purpose and conditions of the contracts, prior to the awarding and signing of the aforementioned, as is the case with the publication of the bidding conditions and conditions in the call for public bidding.

Are there policy decisions by Argentina that directly benefit a particular donor?

According to the information gathered in the elaboration of this research project, no policies have been detected on behalf of the Argentine Government that might benefit a particular donor country.

9.3. PROJECT: HYDROELECTRIC POWER PLANTS ON SANTA CRUZ RIVER

9.3.1. Brief Project Description

The hydroelectric power plant development on the Santa Cruz River consists of the construction of two dams and hydroelectric power plants located on the Santa Cruz River with the purpose of generating renewable electric power for the whole country. In turn, the availability of energy in the region will facilitate the development of agricultural, livestock and industrial enterprises.

The Santa Cruz River hydroelectric project involves the construction of two dams: Cóndor Cliff (Néstor Kirchner) and La Barrancosa (Gob. Cepernic). The hydroelectric power plants will have a joint installed capacity of 1310 MW, which will allow an annual average generation greater than 5,000 GW / hs.

The Condor Cliff dam will be located 130 kilometers from the town of El Calafate, and will have a power of 950 MW and a height of 70 meters. It will be composed of 5 Francis turbines with an annual generation of 3380 Gw / h. The length of the wall will be 1900 meters long and the surface of the reservoir will have 250 square kilometers.

The La Barrancosa dam will be located 170 kilometers from the city of Comandante Luis Piedra Buena, and will have an installed capacity of 360 MW and 45 meters of height. The extension of the wall will be 2700 meters long. The powerhouse will be composed of 3 Kaplan turbines and will produce 1903 Gw / h per year. The surface of the reservoir will be 200 square kilometers.

The contract for its construction is in charge of the companies Electroingeniería, China Gezhouba Group Corporation and Hidrocuyo and was awarded through an international public tender process.

The financing of the project is one of the most highlighted and questioned aspects of the project. The list of terms and conditions of the tender stipulated that the bidding consortiums had to approve a financing proposal. The financing was provided by a group of Chinese banks, led by the China Development Bank Corporation (CDB), and included a cross default clause. The intention of Macri’s administration of substantially changing the conditions for the construction of hydroelectric dams was cut short when the Chinese government made it clear that the cancellation of this project would lead to the revocation of the loan to renovate the Belgrano Railway.

It is foreseen that the funds for the repayment of the credit will come from the sale of electricity in the wholesale market. It is also necessary to emphasize that the National Government continues to be responsible for the cancellation of the credit.

9.3.2. Comparative Variables

What is the institution of origin in the country that gives financial aid?

Financial assistance is granted by the following Chinese financial institutions:

▪ China Development Bank Corporation (CDB)
▪ Industrial and Commercial Bank of China Ltd. (ICBC)
▪ Bank of China Ltd.

What is the receiving institution?

The institution receiving the funds is the Ministry of Economy and Public Finance, representing the Argentine Republic.

In what form is this financial assistance given?

The list of terms and conditions of the tender stipulated that the bidding consortiums had to approve a financing proposal. The financing was provided by a group of Chinese banks under a credit scheme where Chinese financial institutions finance 85% of the dam construction contract: Facility Agreement

Is the official purpose of this financial assistance publicly known?

The purpose of the financial assistance is the financing of the contract for the construction of dams and hydroelectric power plants on the Santa Cruz River.
Can specific transactions be verified?

During 2006, the Ministry of Federal Planning, Public Investment and Services (MINPLAN) through the Energy Secretariat, made an assessment to analyze the use of hydroelectric power in Argentina, as shown in the first recital of Decree No. 1091/2014, signed by the Ministry of Economy and Finance with the Chinese financial entities China Development Bank Corporation (CDB), Industrial and Commercial Bank of China Limited (ICBC) and Bank of China Limited.

Resolution No. 778\(^\text{17}\), dated May 4, 2012, established the character for National and International Public Bidding of the work "HYDROELECTRIC POWER PLANT DEVELOPMENT ON THE SANTA CRUZ RIVER President Dr. Néstor Carlos KIRCHNER - Gobernador Jorge CEPERNIC" , whose purpose consists of "hiring the elaboration of the Executive Project, the provision of all materials, equipment, machinery, assembly and commissioning of the aforementioned, labor, the construction of the Hydroelectric Power Plants on the Santa Cruz River, President Dr. Néstor Carlos KIRCHNER - Governor Jorge CEPERNIC; Operation and Maintenance; the financing indicated to carry out said works; in the conditions, scopes, modalities and forms that are established in the bidding documents."

By Resolution No. 517, dated August 22, 2012, the Ministry of Public Works of the Ministry of Federal Planning, Public Investment and Services, approved the bidding documents for the aforementioned work and the call for National and International Public Bidding for the procurement.

On January 9, 2013, the bidding was opened, where five proposals were received, of which 21 companies participated: 14 Argentine, two Chinese, two Brazilian, one French, one Korean and one Spanish.

Consequently, the Joint Technical Evaluation Unit (UTME), within the framework of the National and International Public Bid No. 2/2012, approved by Resolution 517/2012, produced the Appraisal Report of envelope No. 2, preselecting in order of merit, first of all, the consortium formed by ELECTROINGENIERIA SOCIEDAD ANONIMA - CHINA GEZHOUBA GROUP COMPANY LIMITED - HIDROCUYO SOCIEDAD ANONIMA. The aforementioned order of merit was based on the Net Present Value (NPV) and in accordance with the provisions of section 7.4 of the Legal, Particular, General and Complementary Terms and Conditions (PCLPGyC).

Through Resolution No. 760 dated August 20, 2013, the former MINPLAN was awarded the contract for the works "HYDROELECTRIC POWER PLANT DEVELOPMENT ON THE SANTA CRUZ RIVER President Dr. Néstor Carlos KIRCHNER - Gobernador Jorge CEPERNIC", to be executed by the National State in the Province of Santa Cruz, in a term of execution of 5 and a half years, in the amount of USD 22,925,870,000, including liens, equivalent to an approximate sum of USD 5,000,000,000.

On October 31\(^\text{18}\) of 2013, the National Government and the Transitory Union of Companies (UTE), formed by the companies ELECTROINGENIERIA SOCIEDAD ANONIMA - CHINA GEZHOUBA GROUP COMPANY LIMITED - HIDROCUYO SOCIEDAD ANONIMA, signed the Public Works Contract with the aim of executing the hydroelectric works in question, preparing the Executive Project of the Project, the Environmental Impact Study, the provision of all the materials, labor, equipment, machinery, assembly, complete construction, commissioning and its operation and maintenance for a period of 15 years.

Finally, with the purpose of financing the works, Decree No. 1091 of 2014 was approved, which processes the approval of the Credit Agreement Model that contemplates the financial conditions to carry out the public works "HYDROELECTRIC POWER PLANT DEVELOPMENT ON THE SANTA CRUZ

\(^{17}\) This norm is currently not available to the public in Infoleg nor in the Official Bulletin of the Republic of Argentina
RIVER President Dr. Néstor Carlos KIRCHNER - Gobernador Jorge CEPERNIC,” for a total amount of USD 4,714,350,000.

The following summary includes the most relevant commercial and financial aspects of the project:

<table>
<thead>
<tr>
<th></th>
<th>Tenderer</th>
<th>Unión Transitoria de Empresas (UTE):</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>▪ China Gezhouba Group</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Electroingeniería SA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>▪ Hidrocuyo SA</td>
</tr>
<tr>
<td></td>
<td>Project Owner</td>
<td>Ministry of Energy and Mining</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(formerly known as MINPLAN)</td>
</tr>
<tr>
<td>Item</td>
<td>2 hydroelectric dams (1300 MW)</td>
<td></td>
</tr>
<tr>
<td>Awarding</td>
<td>Public bidding</td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td>USD 4,714,347,111</td>
<td></td>
</tr>
</tbody>
</table>

|                      | Lender                          | China Development Bank Corporation (CDB) |
|                      |                                 | ▪ Industrial and Commercial Bank of China Ltd. (ICBC) |
|                      |                                 | ▪ Bank of China Ltd.                    |
| Borrower             | Ministry of Economy and Public Finance |
| Agreement Type       | Facility Agreement              |                                      |
| Loan Amount          | 85% of the construction contract |
| Interest Rate (Annual)| Libor + 3,8%                    |                                      |
| Term                 | 15 years                        |                                      |

Is this aid directed to a particular geographic area in the recipient country?

The project is located in the province of origin of the former President Cristina Fernández de Kirchner. In this regard, there have been questions about the priority of the construction of the Santa Cruz River dams in comparison with other hydroelectric projects in other regions of the country.

According to the National Plan for Hydroelectric Works 202518, in 2006 a preliminary assessment of a set of thirty hydroelectric power plants was made in order to arrange them in order of priority, placing the projects Cóndor Cliff (Néstor Kirchner) and La Barrancosa (Cepernic) in the positions eight and eleven of the ranking, respectively.

Subsequently, in 2009, the previous study was updated, prioritizing those projects with installed powers greater than 400 MW and which will be based on water courses with completely-national development, determining a recategorization of the projects and locating the Cóndor Cliff - La Barrancosa project in first place of priority.

If this aid was requested by the receiving country, through which process it was requested?

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The bidding conditions and bidding terms stipulated that the bidding consortiums had to approve a financing proposal, but did not require that the financing came from Chinese institutions.

**Is there manipulation of state-owned enterprises in Argentina?**

The public company Emprendimientos Energéticos Binacionales SA (EBISA) was commissioned to present the Environmental Impact Study (EIS) of the dam project on the Santa Cruz River. It has been observed that EBISA has not complied with the requirements of the Law, since at the time of presenting the environmental study, it was not registered in the Environmental Impact Study Consultants Registry, a requirement to be able to present the aforementioned study. EBISA was duly registered on July 4, 2017, approximately one month after publishing the Environmental Impact Study. This point shows that the company in charge of preparing the EIA, was not at the time empowered to carry it out, putting at risk, through its approval, the continuation of a project that could eventually cause negative impacts in the work area.

**Are there violations of local labor regulations and standards?**

According to the information gathered in the elaboration of this research project, there have been no observations of violations of local labor regulations and norms in the framework of the construction of hydroelectric dams on the Santa Cruz River. It is also necessary to highlight that in the execution of the project the participation of Chinese labor in the Argentine Republic is not foreseen.

**Are there violations of procurement laws in Argentina?**

Concerns have emerged that reveal a public procurement process of public works under the non-transparent performance of all actors that participated.

The Secretariat of Electric Energy and the Ministry of Energy and Mining, carried out a report with regards to the environmental impact study of the hydroelectric power plants on the Santa Cruz River, in accordance with the provisions on Article 2 of Law No. 23,879 on Hydraulic Works. That law, dated 1990, establishes public environmental information and citizen participation mechanisms through public hearings in the National Congress, in addition to requiring a procedure for evaluating the environmental consequences that each dam, whether national or extranational and including those already built, under construction and in the planning stages, produces or could produce in the Argentine territory. Article 2, subsection b) of the same law, in turn, requires that "the feasibility of the planned works be approved or rejected, based on the assessment of the environmental impact made."

The Argentine Association of Environmental Attorneys of Patagonia and the Forest Bank Foundation for the Sustainable Management of Natural Resources spoke in this regard, denouncing that the environmental impact assessment process and the hearing, provided for in Law No. 23,879, did not comply with the spectrum of conditions demanded in function of the position, in the terms demanded by the norm, requesting the immediate suspension of the works until the environmental impact assessment process and audiences mentioned are fulfilled.

For this purpose and in the context of case CSJ 5258/2014, the National Supreme Court of Justice gave rise to the requested precautionary measure, ensuring transparency and protection of the environment, suspending on December 21, 2016, provisionally, the works "HYDROELECTRIC POWER PLANT DEVELOPMENT ON THE SANTA CRUZ RIVER President Dr. Néstor Carlos KIRCHNER - Gobernador Jorge CEPERNIC," until the requisites foreseen by the Law on Hydraulic Works related to the process of environmental evaluation and hearing are met. The Court has been clear: "the magnitude of the project requires a deep reflection, scientifically proven, with social participation and balance of values."
As a result of these demands, and drawing from the cancellation ordered by the Highest Court, the Technical Report of the Environmental Impact Assessment (EIA) was carried out by the company Emprendimientos Energéticos Binacionales S.A. (EBISA), and submitted to the Ministry of Environment and Sustainable Development by the Ministry of Energy and Mining through Note NO-2017-11917194-APN-MEM. Consequently, the aforementioned report was sent to the Argentine National Congress to be submitted to a Public Hearing in accordance with the provisions of Article 3 of the Law on Hydraulic Works.

Likewise, Decree No. 1023/2001, which aims to accompany the State's policy on transparency and the fight against corruption, establishes in the first article of the drafting, that the Contracting System of the National Administration have as a goal that the works, goods and services be obtained with the best technology provided to the needs, at the right time and at the lowest possible cost. Some of the general principles that this law frames include: the reasonableness of the project and efficiency of the contracting; the promotion of the concurrence of interested parties and the competition between bidders; the transparency in the procedures, in a context that will be based on the publicity and dissemination of the actions facilitating society's access to the information related to the management of the State regarding contracting; the publicity and dissemination of the actions; the responsibility of agents and public officials who authorize, approve or manage bidding; and equal treatment for all interested parties and for bidders.

In line with the aforementioned, it is worth mentioning that the election of the consortium integrated by SOCIEDAD ANONIMA - CHINA GEZHOUBA GROUP COMPANY LIMITED - HIDROCUYO SOCIEDAD ANONIMA lacks reasonableness and transparency, while China Gezhouba Group Company Limited was disqualified by the World Bank for a term of 18 months. This international organization that specializes in finance, under the title Fraud and Corruption, presented an extensive list of signatures disqualified for the awarding of contracts financed by the aforementioned Bank for having violated the provisions on fraud and corruption foreseen in paragraph 1.14 of the Procurement Guidelines and paragraph 1.22 of the Guidelines on Selection of Consultants. Gezhouba received the disqualification on May 26, 2015 and is still paralyzed.

Is there weakening of (or subversion of) parliamentary oversight and appropriations processes, civil society monitoring processes?

According to the information gathered in the elaboration of this research project, there have been no observations of weakening of the parliamentary oversight processes and civil society monitoring processes in the framework of the execution of the hydroelectric dam project on the Santa Cruz River.

Are there policy decisions by Argentina that directly benefit a particular donor?

According to the information gathered in the elaboration of this research project, no government policies have been detected that might benefit a particular financial assistance donor country.

9.4. PROJECT: NUCLEAR PLANTS (IV AND V)\(^{19}\)

9.4.1. Brief Project Description

In May 2017, a framework contract between Nucleoeléctrica Argentina SA (NASA) and China National Nuclear Corporation (CNNC) was signed in the city of Beijing, for the construction of the fourth and fifth Argentine nuclear power plants.

The new plants will demand an investment of about 14 billion dollars, of which 85% will be financed by a Chinese loan, led by the ICBC bank, which will have a term of 20 years, with a preferential interest

rate and will have a ten-year grace period, so it would begin to pay when the first plant is in service. The terms of the loan agreement are still in the negotiation stage.

Nuclear Plant IV

The fourth plant, which will be established in the city of Lima, Buenos Aires Province, will provide 700 MW to the National Interconnected System (SIN). The technology that will be used in this installation is similar to that of the Embalse Nuclear Power Plant, of the CANDU type (Canadian) with heavy water and natural uranium, which will allow for the harnessing of the experience and resources accumulated in 30 years of operation.

The construction will require seven years of work and will demand some 5,000 jobs directly, while the jobs generated indirectly will also be added.

Nuclear Plant V

The construction of the fifth power plant will start in 2020 and will have a power of 1150 MW. It will use Chinese HPR 1000 technology with PWR design (Pressurized Water Reactor), light water and enriched uranium.

The installation of this plant will require about 4000 new direct jobs to which the labor needed for the civil infrastructure and assembly that the work will demand must be added.

As part of the negotiations for the construction of this facility, the transfer of technology, both from the reactor and from the manufacture of fuel elements, is also foreseen. This will boost the performance of the sector, especially to the suppliers of services and inputs.

9.4.2. Comparative Variables

What is the institution of origin in the country that gives financial aid?

The financial assistance will be granted by a group of Chinese financial institutions led by Industrial and Commercial Bank of China Ltd. (ICBC).

What is the receiving institution?

The institution receiving the funds will be the Ministry of Finance, representing the Republic of Argentina.

In what form is this financial assistance given?

The financial assistance will be provided in the form of a loan agreement. Its conditions are still in the negotiation stage.

Is the official purpose of this financial assistance publicly known?

The purpose of this financial assistance is the financing of the contract for the construction of the fourth and fifth nuclear power plants.

Can specific transactions be verified?

Aires, the guidelines for the construction of a pressurized tubes heavy water reactor project (Nuclear Power Plant IV with heavy water) were established.

This agreement authorized the companies designated to direct and promote the construction of the nuclear plant, and established the respective responsibilities of both parties. On the Argentine side, Nucleoeléctrica Argentina S.A. (NASA) will be responsible for the technology, construction, operation, maintenance, safety and nuclear responsibility of the project. On the Chinese side, the China National Nuclear Corporation (CNNC) will be responsible for supplying the equipment and services required by the Argentine counterpart. The financing method for the project was also established, which stipulates that 85% of all supplies and services will be financed by loans granted by financial institutions from the People’s Republic of China.


This agreement also ensures the local content of goods and services and the guarantee by the Chinese government to implement the financing, based on the direct award established in the Framework Agreement for Economic and Investment Cooperation. CNNC will send NASA an integrated proposal covering technical, commercial, pricing and financing aspects, while NASA must respond to CNNC within three months of receiving the proposal.

At the second meeting of the Permanent Binational Commission between the Argentine Republic and the People’s Republic of China in Beijing, dated May 17, 2017, both sides commended the work done through the agreements previously signed and noted the progress made in the negotiation of a commercial contracts package for both projects between NASA and CNNC, the Republic of Argentina’s Ministry of Finance, and Chinese financial institutions. Likewise, a framework contract was also signed between Nucleoeléctrica Argentina S.A. (NASA) and China National Nuclear Corporation (CNNC), which manifests the intention of both countries to sign commercial contracts before September 30, 2017 and to begin with the construction of the IV Heavy Water Nuclear Power Plant in 2017 and the V Pressurized Water Nuclear Power Plant in 2019.

The following summary includes the most relevant commercial and financial aspects of the project:

<table>
<thead>
<tr>
<th>COMMERCIAL CONTRACT (IN NEGOTIATION)</th>
<th>Contractor</th>
<th>China National Nuclear Corporation (CNNC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Owner</td>
<td>Nucleoeléctrica Argentina Sociedad Anónima (NASA)</td>
<td></td>
</tr>
</tbody>
</table>
| Item                                 | • Nuclear Plan IV (700 MW)  
• Nuclear Plant V (1150 MW) |
| Awarding                             | Direct |
| Amount (approximation)               | USD 14,000,000,000 |

<table>
<thead>
<tr>
<th>FINANCING AGREEMENT (IN AGREEMENT)</th>
<th>Lender</th>
<th>Industrial and Commercial Bank of China Ltd. (ICBC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower</td>
<td>Ministry of Finance</td>
<td></td>
</tr>
<tr>
<td>Type of Agreement</td>
<td>NDA</td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td>85% of the commercial contract</td>
<td></td>
</tr>
<tr>
<td>Interest Rate (Annual)</td>
<td>Preferential NDA</td>
<td></td>
</tr>
<tr>
<td>Term</td>
<td>20 years</td>
<td></td>
</tr>
</tbody>
</table>
Is this aid directed to a particular geographic area in the recipient country?

According to the information collected in this research project, there is no discretion in the granting of financial assistance to any particular geographical area.

If this was requested by the receiving country, through which process?

On December 21, 2010, the Republic of Argentina initiated a prequalification process to select the technologies that could be adapted to the requirements of its national electricity grid, and prequalified China's CP 1000 nuclear technology for said assignment. On June 22, 2012 it was replaced by the enriched uranium reactor and light water technology ACP 1000 (HPR 1000).

In the framework of the "Agreement on Nuclear Energy Cooperation" (2012) and the subsequent regulations, the "Joint Action Plan Between the Government of the Argentine Republic and the Government of the People’s Republic of China" was also signed, which manifests the mutual commitment to continue Chinese participation in the selection process of technological suppliers for the construction of a new nuclear power plant in Argentina. Likewise, they also indicated their interest in establishing an inter-institutional agreement between the National Atomic Energy Commission (CNEA) and the China Atomic Energy Authority (CAEA) in order to work on joint projects in a complementary way to joint work in the field of the power reactors.

As stated in the “Agreement on Nuclear Energy Cooperation between the Ministry of Federal Planning, Public Investment and Services of the Argentine Republic and China’s National Energy Administration,” signed in Buenos Aires on June 25, 2012, the China National Nuclear Corporation (CNNC) and Nucleoeléctrica Argentina SA (NASA) agreed to carry out joint studies for the realization of a new nuclear power plant and accessory facilities in Argentina, using CNNC's ACP 1000 technology, with local participation and financial structuring from Chinese financial institutions.

They also agreed on pursuing the joint development of a nuclear energy market in Latin American countries, a study of nuclear power plant emergency responses in case of accidents, and the transfer of technology to Argentina for the manufacture of nuclear fuel and supply of raw materials. To achieve such cooperation, both parties proposed establishing joint working groups, exchanges and consultations among experts, the training of human resources, and technical visits to facilities and research centers between both countries.

Likewise, the fourth and fifth nuclear power plants were included in the list of priority infrastructure cooperation projects, which forms part of the “China - Argentina Five-Year Integrated Plan for Infrastructure Cooperation (2017-2021)”. This enables acquisitions by Chinese companies through direct award, provided they are subject to concessional financing.

Is there manipulation of state-owned enterprises in Argentina?

The company Nucleoeléctrica Argentina S.A. (NASA), which belongs to the National State, is the owner of Nuclear Power Plant Projects IV and V. These projects are still in a negotiation stage, and according to the information and observations gathered in this research project, there has been no manipulation of the aforementioned public company.

Are there violations of local labor regulations and standards?

According to the information gathered in this research project, and taking into account that Nuclear Power Plant Projects IV and V are still in a negotiation stage, there have been no observations of violations of local norm and labor regulations. In turn, it is necessary to emphasize that the company Nucleoeléctrica Argentina S.A. (NASA) will be responsible for the technology, construction, operation, maintenance, safety and nuclear responsibility of the project, while China National Nuclear Corporation (CNNC) will be responsible for supplying the equipment and services required.
by the Argentine counterpart. Therefore, the participation of Chinese labor in Argentine territory is not foreseen.

Are there violations of procurement laws in Argentina?

The main line of questioning denotes that the choice of the firm China National Nuclear Corporation (CNNC) as the main supplier of the project was not made through a prior public tender, but through direct awarding. By not calling for an international public bidding process, the participation of numerous national or foreign companies interested in offering their goods and services in same or better conditions of price, quality and financing was excluded.

It should be noted that the “Framework Agreement for Economic and Investment Cooperation Between the Government of the Argentine Republic and the People’s Republic of China,” ratified by the Argentine parliament, states that acquisitions may be made to through direct award provided they are subject to concessional financing. In turn, the Nucleoelectrica Argentina S.A. (NASA) is excluded from the Contracting System of the National Public Administration and has its own hiring regime. Therefore, according to the information gathered in this research project, there have been no violations of procurement and public contracting laws.

Is there weakening of (or subversion of) parliamentary oversight and appropriations processes, civil society monitoring processes?

By not undertaking public bidding processes, civil society was deprived of knowing the purpose and conditions of the contracts, prior to the awarding and signing of the aforementioned, as is the case with the publication of the bidding terms and conditions in the call for a public tender.

Are there policy decisions by Argentina that directly benefit a particular donor?

According to the information gathered in the elaboration of this research project, there has been no government policies detected that might benefit a particular financial assistance country provider.

9.5. PROJECT: CAUCHARÍ SOLAR PARK

9.5.1. Brief Project Description

The Cauchari Solar Energy Park will have an installed capacity of 300 MW and will be built more than 4,000 meters above sea level in the Department of Susques, Jujuy Province. The total project, integrated by three stages (Cauchari Solar I, II and III), will require an investment of close to US $ 400 million and aims to become the most important clean energy generator in Latin America.

The company Jujuy Energía y Minería Sociedad del Estado (JEMSE), which belongs to the Government of the Jujuy Province, is the owner of the project. This company participated in the public tender of the "Renovar" Program, through which the guarantee of the sale of electric energy for a twenty-year period was awarded to CAMMESA, the company that manages the Argentine electricity wholesale market.

9.5.2. Comparative Variables

What is the institution of origin in the country that gives financial aid?

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The assistance is granted by The Export-Import Bank of China (EXIMBANK).

**What is the receiving institution?**

The commercial contract was signed between the firm Shanghai Electric Power Construction Co. Ltd. and the company Jujuy Energía y Minería Sociedad Del Estado (JEMSE), which belongs to the Jujuy Province.

The institution receiving the funds is the Ministry of Finance, on behalf of the Republic of Argentina. Subsequently, a loan agreement was signed between the Ministry of Interior, Public Works and Housing (representing the National State) and the Jujuy Province.

**In what form is this financial assistance given?**

The execution of the commercial contract was subordinated to the signature of the financing agreement signed between the Ministry of Finance and The Export-Import Bank of China (EXIMBANK), under the buyer credit facility agreement, where the Chinese financial institution finances 85% of the commercial contract at a preferential interest rate (3% per year).

**Is the official purpose of this financial assistance publicly known?**

The purpose of the financial assistance is the financing of the engineering, procurement, and construction contracts for the Cauchari Photovoltaic Solar Parks I, II and III.

**Can specific transactions be verified?**

On August 24, 2016, the legislature of the Jujuy Province sanctioned Law No. 5449, which authorizes the firm Jujuy Energía y Minería Sociedad del Estado (JEMSE) to execute all the legal acts and direct contracting necessary for the realization of the Cauchari Solar Park project, with the aim of accessing the concessional financing of the Export-Import Bank of China (EXIMBANK), in accordance with the provisions of the Framework Agreement for Economic and Investment Cooperation Between the Government of the Argentine Republic and the People’s Republic of China and the Complementary Agreement for Infrastructure Cooperation, approved by National Law No. 27,122.

Then, the Cauchari Solar Park project was included in the list of priority infrastructure cooperation projects, which is part of the “China-Argentina Five-Year Integrated Plan for Infrastructure Cooperation (2017-2021)”.

Subsequently, during the official visit of President Macri to China in May 2017, the “Ratification Acts of Agreements for the Construction of the Cauchari Renewable Solar Energy Plant in the Jujuy Province of the Argentine Republic” were signed.

On February 3, 2017, JEMSE, together with the Chinese firms Shanghai Electric Power Construction Co. Ltd. and Powerchina Ltd., signed the engineering, procurement and construction contracts for three 100 MW photovoltaic parks (Cauchari Solar Parks I, II and III).

By means of Decree 922/207, the loan contract model for preferential buyer credit to be signed between the Argentine Republic, represented by the Ministry of Finance and the financial institution, The Export - Import Bank of China (EXIMBANK), was approved by a amount of USD 331,500,000, destined for the financing of 85% of the contract for the execution of the "Cauchari Photovoltaic Solar Park" project.

The same decree instructs the signing of a subsidiary loan agreement between the Ministry of Interior, Public Works and Housing, as a representative of the National State and Jujuy Province,
which will carry out the administration and operational execution of the project through the company Jujuy Energía y Minería Sociedad del Estado (JEMSE).

The following summary includes the most relevant commercial and financial aspects of the project:

<table>
<thead>
<tr>
<th>COMMERCIAL CONTRACT</th>
<th></th>
</tr>
</thead>
</table>
| Contractor          | • Shanghai Electric Power Construction Co. Ltd.  
|                     | • Powerchina Ltd. |
| Project Owner       | Jujuy Energía y Minería Sociedad Del Estado (JEMSE) |
| Item                | Engineering, acquisition and construction of Caucharí Photovoltaic Solar energy Parks I, II and III |
| Awarding            | Direct |
| Amount              | USD 390,000,000 |

<table>
<thead>
<tr>
<th>FINANCING AGREEMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender</td>
<td>The Export-Import Bank of China (EXIMBANK)</td>
</tr>
<tr>
<td>Borrower</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>Type of agreement</td>
<td>Preferential buyer credit loan agreement</td>
</tr>
<tr>
<td>Loan amount</td>
<td>85% of the comercial contract</td>
</tr>
<tr>
<td>Interest Rate (annual)</td>
<td>3%</td>
</tr>
<tr>
<td>Term</td>
<td>15 years</td>
</tr>
</tbody>
</table>

Is this aid directed to a particular geographic area in the recipient country?

According to the information collected in this research project, there is no discretion in the granting of financial assistance to any particular geographical area.

If this was requested by the receiving country, through which process?

The Caucharí Solar Park project is included in the list of priority infrastructure cooperation projects, which is part of the "China-Argentina Five-Year Integrated Plan for Infrastructure Cooperation (2017-2021)".

Subsequently, during the official visit of President Macri to China in May 2017, the “Ratification Acts of Agreements for the Construction of the Caucharí Renewable Solar Energy Plant in the Jujuy Province of the Argentine Republic” were signed.

Is there manipulation of state-owned enterprises in Argentina?

The company Jujuy Energía y Minería Sociedad Del Estado (JEMSE), which belongs to the government of the Jujuy Province, is the title holder of the Parque Solar Caucharí project. This project is currently in its initial stage of execution, and according to the information and observations gathered in this research project, there is no manipulation of the aforementioned public company.

Are there violations of local labor regulations and standards?

According to the information collected in this research project, and taking into account that the Caucharí Solar Park project is in its initial stage of execution, there are no violations of local labor regulations and norms.

Are there violations of procurement laws in Argentina?
The main line of questioning denotes that the awarding of the engineering, procurement and construction contract for the Cauchari Solar Photovoltaic Parks I, II and III was not made through a previous public tender, but through direct contracting.

It should be noted that the “Framework Agreement for Economic and Investment Cooperation Between the Government of the Argentine Republic and the People’s Republic of China”, ratified by the Argentine parliament, states that acquisitions may be made through the direct awarding provided they are subject to concessional financing.

By not calling for an international public bidding process, the participation of numerous national or foreign companies interested in offering their goods and services in same or better conditions of price, quality and financing was excluded.

Is there weakening of (or subversion of) parliamentary oversight and appropriations processes, civil society monitoring processes?

By not undertaking public bidding processes, civil society was deprived of knowing the purpose and conditions of the contracts, prior to the awarding and signing of the aforementioned, as is the case with the publication of the bidding terms and conditions in the call for a public tender.

Are there policy decisions by Argentina that directly benefit a particular donor?

According to the information gathered during the elaboration of this research project, there have been no government policies detected that might benefit any country that provides financial assistance.

10. Projects with the Bolivarian Republic of Venezuela

10.1. PROJECT: ACQUISITION OF FUEL-OIL FOR ELECTRIC GENERATION

10.1.1. Brief Project Description

As part of the "Comprehensive Cooperation Agreement” signed in 2004, a mechanism of compensated exchange was established, through which Venezuela undertook to provide Fuel Oil and Gasoil to the Republic of Argentina, in exchange for the purchase of products of Argentine origin.

By that date, the Argentine Republic was beginning to experience the shortage of natural gas due to the stagnation of its production, and Fuel Oil and Gasoil were used as alternative fuels for thermal power generation plants.

In a period of high prices for oil and its derivatives at an international level, Venezuela used its large capacity to provide energy resources as an instrument to increase its political influence in the region, while Argentina benefited from the promotion of the export of agricultural and industrial products.

The realization of this agreement was subjected to substantial questioning regarding the price and quality of the fuels provided by PDVSA, the Venezuelan state oil company, as well as the lack of transparency in the system accountable for the selection of Argentine exporting companies.

After the first agreement, numerous agreements have been signed regarding energy infrastructure projects, which have been discarded in accordance with the deterioration of Venezuela’s financing capacity and the change in the political position of the Argentine government.

10.1.2. Comparative Variables
What is the institution of origin in the country that gives financial aid?

The financial assistance is granted by the Venezuelan state oil company Petróleos de Venezuela S.A. (PDVSA).

What is the receiving institution?

The “Comprehensive Cooperation Agreement between the Argentine Republic and the Bolivarian Republic of Venezuela” was signed by the Ministry of Federal Planning, Public Investment and Services (MINPLAN) and the Ministry of Energy and Mining.

MINPLAN subsequently rendered authority to the Energy Secretariat (SE) to coordinate and attend to the operation aimed at the acquisition of liquid fuel in the volumes and terms specified in the aforementioned agreement.

The Energy Secretariat (SE) in turn instructed the companies Compañía Administradora del Mercado Eléctrico Mayorista (CAMMESA), Energía Argentina S.A. (ENARSA) and ENARSA-PDV S.A. to sign the necessary documents with Petróleos de Venezuela S.A. (PDVSA), acting on behalf of the National State.

In what form is this financial assistance given?

The financial assistance is provided through a mechanism of compensated exchange, through which Venezuela promised to provide Fuel Oil and Gasoil to the Republic of Argentina in exchange for the purchase of products of Argentine origin.

The exchange mechanism was established under the following guidelines:

- The Bolivarian Republic of Venezuela commits to providing the Republic of Argentina with Fueloil and Gasoil, at the latter’s request and as part of the Comprehensive Cooperation Agreement.

- The state-owned Corporation for Food Supply and Agricultural Services (CASA), the Ministry of Agriculture and Land, the Venezuelan Corporation of Guayana (CVG) and the company PDVSA, of the Bolivarian Republic of Venezuela, commit to managing the purchase of products from the Argentine Republic.

- Purchases of Argentine products will be made under the criterion of reciprocity and trade balance

- With the proceeds from the sales of Gasoil and Fuel Oil, the Parties agree to create a Trust for the payment of Argentine exports to Venezuela.

The parties, in turn, agreed on the procedure to finance the purchases of liquid fuels (Fuel Oil and Gasoil) destined for the thermal generation of electric power.

The sales made by PDVSA to CAMMESA will be made according to the market value of said liquid fuels, and will be paid by CAMMESA to a trust, whose trustees will be the Bank of Social Development of the Bolivarian Republic of Venezuela (BANDES) and the Bank of Investment and Foreign Trade of the Republic of Argentina (BICE), which must be implemented by the Parties, as follows:

- After 45 days of embarking the respective fuels, in case of choosing an FOB modality, or 45 days after receipt, in case of opting for a CIF modality, CAMMESA will pay 20% of their value

- The remaining 80% will be guaranteed by CAMMESA through 12 (TWELVE) equal securities with monthly maturity.

- On these documents, a 2% annual rate on balances will be applied.

Is the official purpose of this financial assistance publicly known?
The purpose of the financial assistance is the financing of the purchases of liquid fuels (Fuel Oil and Gasoil) destined for thermal generation of electrical energy.

*Can specific transactions be verified?*

On July 12, 2000, an agreement was signed on Energy Cooperation (cooperative actions of mutual interest in energy matters) between the Bolivarian Republic of Venezuela and the Republic of Argentina, ratified by Law No. 25,786.

Subsequently, on April 6, 2004, the Comprehensive Cooperation Agreement between Argentina and Venezuela was signed by the Minister of the Ministry of Planning (MINPLAN) and the Minister of Energy and Mining from Venezuela.

The Ministry of Energy of the Republic of Argentina, dependent under MINPLAN, successively designated Compañía Administradora del Mercado Eléctrico Mayorista (CAMMESA), Energía Argentina Sociedad Anónima (ENARSA) and ENARSA PDV S.A., with the purpose of carrying out, together with Petróleos de Venezuela SA (PDVSA), the commercial operations stipulated in the agreement, on behalf of the National State.

The agreement between the National Government and PDVSA for the purchase of Fuel Oil established a maximum supply framework in 2004 of 1,200,000 tons, but only 631,715 tons were purchased.

In Addendum No. 12 of the “Comprehensive Cooperation Agreement” signed on May 8, 2008, PDVSA committed to providing all three companies (CAMMESA, ENARSA PDV and ENARSA) with a total volume of up to 10 million barrels (approximately 1.5 MMT) of Fuel Oil and 2.96 million barrels (450 Mm3) of Gasoil, at the request of each one of them.

The General Audit Office (AGN) proceeded to carry out a management audit within the scope of the Energy Secretariat (SE) for the 2004-2005 and 2009-2010 periods, as well as in the scope of the company Energía Argentina S.A. (ENARSA) for the period 2008-2010.

Meanwhile, the General Office of the Comptroller (SIGEN) carried out its own evaluation of the Fuel Oil acquisition process developed by CAMMESA, on behalf of the National Government during 2006.

Consequently, during the elaboration of this research project, only partial data was obtained regarding the transactions carried out between PDVSA and the corresponding Argentine counterpart.

**Table: Payments made to PDVSA for the purchase of Fuel Oil and Gasoil**

<table>
<thead>
<tr>
<th>BUYING COMPANY</th>
<th>YEAR</th>
<th>AMOUNT (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAMMESA</td>
<td>2004</td>
<td>82,033,779</td>
</tr>
<tr>
<td>CAMMESA</td>
<td>2005</td>
<td>98,833,176</td>
</tr>
<tr>
<td>CAMMESA</td>
<td>2006</td>
<td>270,554,581</td>
</tr>
<tr>
<td>CAMMESA</td>
<td>2009</td>
<td>200,798,735</td>
</tr>
<tr>
<td>CAMMESA</td>
<td>2010/1st trim.</td>
<td>116,343,826</td>
</tr>
<tr>
<td>ENARSA</td>
<td>2010</td>
<td>55,123,706</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>823,687,804</strong></td>
</tr>
</tbody>
</table>
The transactions identified by the AGN and SIGEN audit reports amount to more than 823 million dollars, but, as explained previously, this is only partial data.

Newspaper articles maintain that Argentina imported about five million tons of Venezuelan Fuel Oil in the period 2004-2009 for a value close to 2,000 million dollars\(^2\).

**Is this aid directed to a particular geographic area in the recipient country?**

According to the information gathered during the elaboration of this research project, there is no discretion in the granting of financial assistance to any particular geographical area.

**If this was requested by the receiving country, through which process?**

The financing mechanism was included in the “Comprehensive Cooperation Agreement between the Republic of Argentina and the Bolivarian Republic of Venezuela,” signed in 2004 between the Ministry of Federal Planning, Public Investment and Services (MINPLAN) and the Ministry of Energy and Mining.

MINPLAN subsequently rendered authority to the Energy Secretariat (SE) to coordinate and attend to the operation aimed at the acquisition of liquid fuel in the volumes and terms specified in the aforementioned agreement.

The Energy Secretariat (SE) in turn instructed the companies Compañía Administradora del Mercado Eléctrico Mayorista (CAMMESA), Energía Argentina S.A. (ENARSA) and ENARSA-PDV S.A. to sign the necessary documents with Petróleos de Venezuela S.A. (PDVSA), acting on behalf of the National State.

**Is there manipulation of state-owned enterprises in Argentina?**

The Energy Secretariat (SE) in turn instructed the companies Compañía Administradora del Mercado Eléctrico Mayorista (CAMMESA), Energía Argentina S.A. (ENARSA) and ENARSA-PDV S.A. to sign the necessary documents with Petróleos de Venezuela S.A. (PDVSA), acting on behalf of the National State.

These contracts were sent by CAMMESA to the Undersecretary of Electrical Energy, who instructed CAMMESA to accept the offer presented by PDVSA and to sign the corresponding documentation.

Based on the audits carried out by the AGN\(^2\) and the SIGEN\(^2\), there is no evidence that CAMMESA, as administrator of the Wholesale Electricity Market (MEM), intervened in the guidelines that led to the agreement. There is also no evidence of elements that justify the agreed amount of liquid fuel destined to the thermal power plants for electrical generation.

In turn, it is clear from the audit reports that the purchases of liquid fuels did not adjust to market values and that the purchasing companies (CAMMESA, ENARSA and ENARSA-PDV) were inhibited from benefiting from the comparative advantages given by the market, since no public tenders were held.

**Are there violations of local labor regulations and standards?**


\(^2\) SIGEN Report: Audit report on evaluation of Fuel Oil acquisition process
In the present state of progress of this research project, there have been no violations of local labor regulations and norms in the context of the acquisition of liquid fuels in Venezuela. For this reason, a finished response cannot be given at this point.

*Are there violations of local labor regulations and standards?*

**Absence of public bidding**

The oil company PDVSA was chosen as the main supplier without any public bidding, namely, through a direct awarding mechanism.

Article 25 of Decree 1023/2001, which regulates the General Procurement Regime of the National Administration, establishes that direct awarding as a selection procedure should only be carried out when it is not possible to apply another selection procedure, when a tender has failed after the second call, or when there are proven reasons of urgency or emergency that prevent the undertaking of another selection procedure.

Therefore, it is worth questioning the government authorities, since the corresponding bidding procedure for the purchase of fuel oil could have been carried out, awarding the acquisition to whoever delivered the product at the lowest price in the port of Buenos Aires, thus sparing the State of unnecessary expenses.

In turn, it is clear from the audit reports that the purchases of liquid fuels did not adjust to market values and that the purchasing companies (CAMMESA, ENARSA and ENARSA-PDV) were inhibited from benefiting from the comparative advantages given by the market, since no public tenders were held.

According to what has been audited by the AGN, one can observe that the premium values recorded in the contracts signed by CAMMESA with PDVSA denote premium values above those prevailing in the market.

\[
\text{TOTAL PRICE} = \text{MARKER} + \text{PRIME} = \text{PRODUCT PRICE} + \text{FREIGHT} + \text{INSURANCE}
\]

The prices of imported fuels in the market are governed by a formula price that takes the form of a binomial, where the first term is the value of the marker (value of the product in the reference market on a certain date), plus a second term (premium) that reflects the freight value from the shipment port to the destination port plus the insurance value.

<table>
<thead>
<tr>
<th>PORT</th>
<th>TOTAL PRICE (usd/bbl)</th>
<th>PRIME (usd/bbl)(value estimated by AGN)</th>
<th>Difference (usd/bbl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahía Blanca / Campana</td>
<td>New York Nº 6 1% S</td>
<td>8.49/3.80</td>
<td>4.69</td>
</tr>
<tr>
<td>Buenos Aires</td>
<td></td>
<td>8.35/3.68</td>
<td>4.69</td>
</tr>
</tbody>
</table>

It can be noted that the prize values recorded in the contracts signed by CAMMESA with PDVSA denote premium values above those prevailing in the market, as detailed in the preceding table.\(^{24}\)

**Environment**

\(^{24}\) Reference value is New York marker Nº 6 1Pct S (New York Fuel Oil with 1% of sulfur content)
The Fuel Oil produced by Venezuela had a higher sulfur content than that allowed by the Argentine regulations, and it did not meet the necessary characteristics for consumption in the domestic market, not without previously mixing it with Fuel Oil with low sulfur content. Resolution 1283/2006 of the Ministry of Energy fixed the maximum sulfur content in Fuel Oil in 0.7% as of June 1, 2008, but it was modified by subsequent Resolution 150/2008, which allowed for the continuation using a maximum content of sulfur in Fuel Oil of one percent (1%).

The National Government took it upon themselves to reforming local regulations in order to allow the importation of fuels with high levels of polluting substances.

All this leads to the conclusion that the Government has ignored local regulations, violating General Environmental Law No. 25.675, which establishes the sustainable and adequate management of the environment.

*Is there weakening of (or subversion of) parliamentary oversight and appropriations processes, civil society monitoring processes?*

Beyond what has been done by the National Audit Office (AGN), an audit entity dependent on the legislative power, there has been an active participation from parliament in the supervision of the Fuel Oil and Gasoil acquisition process from Venezuela.

In the Communication Project of the Senate of the Nation (S-3333/05), the legitimacy and decision of the government to increase the purchase volumes of Fuel Oil in 2006 has been questioned, since the administration in power made specific purchases to the Venezuelan company Petróleos de Venezuela (PDVSA) for a value higher than it would have obtained in the national market itself.

Conversely, the Chamber of Deputies of the Nation, by means of Resolution 2384-D-2008, also questioned the measures adopted by the National Government concerning the import of Fuel Oil to the Bolivarian Republic of Venezuela.

To this end, the National Congress of Argentina carried out a Bill (S-1278/11) with the repeal of Resolution SE 150/08, with foundations based on the unwise decision from the State to import a poor-quality product that generates damage to the environment and the health of the population over the decision to increase the production of such product in national soil whilst improving its quality.

*Are there policy decisions by Argentina that directly benefit a particular donor?*

According to the information gathered in this research project, there have been no government policies detected that might benefit a particular financial assistance country provider.

**11. PROJECTS WITH THE RUSSIAN FEDERATION**

**11.1. PROJECT: CHIHUIDO I MULTIPURPOSE HYDROELECTRIC DEVELOPMENT**

**11.1.1. Brief Project Description**

The Chihuido I Multipurpose Hydroelectric Development is a project that includes the construction of a dam and a hydroelectric plant of 637 MW in the Neuquén Province.

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The purpose of this development is the regulation of the Neuquén River for flood control, ensuring the provision of water for human consumption, irrigation and industrial use for populations located downstream, as well as the generation of electric power.

In 2014, the Argentinian government awarded through public tender the construction of the Chihuido I Multipurpose Hydroelectric Development to a conglomerate linked to the Russian company Inter-RAO, supplier of the turbines and electromechanical equipment. Later on, in 2017, Macri’s administration was unable to reach a financing agreement with the Russian Development Bank (Vnesheconombank), so the realization of the project is going through a phase of uncertainty.

11.1.2. Comparative Variables

What is the institution of origin in the country that gives financial aid?

The assistance was to be granted by the Russian Development Bank (Vnesheconombank), but the authorities of both parties have not been able to reach a financing agreement.

What is the receiving institution?

The institution receiving the funds was going to be the Ministry of Finance, on behalf of the Republic of Argentina.

In what form is this financial assistance given?

The list of terms and conditions of the tender stipulated that the bidding consortiums had to approve a financing proposal. Financing had been agreed to be provided by the Russian Development Bank (Vnesheconombank), which would finance 85% of the construction contract for the hydroelectric project.

Is the official purpose of this financial assistance publicly known?

The purpose of the financial assistance is the financing of the contract for the construction of the Chihuido I Multipurpose Hydroelectric Development.

Can specific transactions be verified?

By Resolution No. 5, dated January 31, 2014 of the PUBLICWORKS SECRETARIAT of the MINISTRY OF FEDERAL PLANNING, PUBLIC INVESTMENT AND SERVICES, the bidding documents for the project “CHIHUIDO I MULTIPURPOSE HYDROELECTRIC DEVELOPMENT” were approved and the call for the National and International Public Tender was issued for the contracting of the aforementioned work, identified as No. 1/2014, under the regime of Law 13,064 and Decree No. 1381, dated November 1, 2001, ratified by Law No. 26,181 and concordant and complementary norms.

Through Resolution 1550/2014 the awarding of the National and International Public Tender No. 01/2014 O.P. took place, corresponding to the project “CHIHUIDO I MULTIPURPOSE HYDROELECTRIC DEVELOPMENT” for an amount of USD 18,039,210,643, to the consortium integrated by the companies HELPORT S.A. - PANEDILE S.A.I.C.F. e I. - ISOLUX INGENIERIA S.A. - ELEPRINT S.A. - CHEDIACK S.A.I.C. - HIDROELÉCTRICA AMEGHINO S.A.

The following summary includes the most relevant commercial and financial aspects of the project:
The last step for the start-up of the project was the signing of the financing agreement that had been moved up by the Development and Foreign Trade Bank of Russia (Vnesheconombank). With the change of government authorities in Argentina, the incoming administration requested a reduction in the interest rate of the loan from 6.5% to 5.5% per year. Russian officials agreed to carry out this modification, but then, in September, the former Minister of Interior and Finance Prat-Gay made a new request to cut the interest rate to 4.5%. Faced with this intention from the Argentine government, Russia decided to return to the original terms of the loan and maintain the rate of 6.5%, generating tension with the Russian federal government, and causing the suspension of financing and the start of works.

The original financing scheme of the Chihuido hydroelectric power plant project included a 20-year term loan, with 66 months of grace, the return in half-yearly payments once the work was completed and the provision of equipment by Russian companies Inter RAO and Power Machines.

Is this aid directed to a particular geographic area in the recipient country?

According to the information gathered in this research project, there have been no observations of discretion in the granting of financial assistance to any particular geographical area.

If this was requested by the receiving country, through which process?

The bidding terms and conditions stipulated that the bidding consortiums had to approve a financing proposal, but did not require that such funding come from Russian institutions.

Is there manipulation of state-owned enterprises in Argentina?

According to the information gathered in the elaboration of this research project, no manipulation of Argentine state-owned companies has been detected within the framework of the Chihuido I Multipurpose Hydroelectric Development project, since their participation in the negotiation of the commercial and financing contracts of said project is not verified.

Are there violations of local labor regulations and standards?

According to the information gathered in this research project, and taking into account that the Chihuido I Multipurpose Hydroelectric Development project is still in a negotiation stage, there have been no observations of violations of local labor regulations and norms. It should be noted that the participation of Chinese labor in the Republic of Argentina is not foreseen.
Are there violations of procurement laws in Argentina?

According to the information collected by this research project, there have been no observations of violations of public acquisition and procurement laws in the framework of the Chihuido I Multipurpose Hydroelectric Development project.

Is there weakening of (or subversion of) parliamentary oversight, appropriations processes, and civil society monitoring processes?

According to the information gathered in this research project, and taking into account that the Chihuido I Multipurpose Hydroelectric Development is still in its negotiation stage, there has been no observations of weakening and subversion of parliamentary oversight, appropriation processes and civil society monitoring processes.

Are there policy decisions by Argentina that directly benefit a particular donor?

According to the information gathered in the elaboration of this research project, no policies have been detected by the Argentine government that benefit particular a donor country of financial assistance.

11.2. PROJECT: NUCLEAR PLANT VI

Since 2009, numerous agreements have been signed between Argentina and Russia concerning the field of nuclear energy. Both parties highlighted the mutual interest in the joint development of construction projects for new nuclear power plants in Argentina with Russian technology; despite this, no significant progress has been made.

The most important aspects of the agreements signed are listed in chronological order below:

▪ “Action Plan for the Development of a Comprehensive Strategic Partnership between The Republic of Argentina and the Russian Federation” signed on September 23, 2009:

Based on the agreements settled on the establishment of strategic partnership relations between Russia and Argentina, its function is to promote the interaction between both countries in the interest of universalizing the Treaty of Nuclear Non-Proliferation (NPT) and the improvement of its effectiveness, as well as the strengthening of the International Atomic Energy Agency’s (IAEA) guarantee system.

With regards to nuclear cooperation, the Action Plan proposes to carry out consultations on the possibilities of Russia's participation in the construction of the new nuclear power plant in Argentina and on bilateral cooperation in the field of nuclear power reactor design, small and medium power research, nuclear safety, equipment and material supply for atomic power plants, production and use of radioisotopes for medicine and the nuclear industry.

It also proposes to provide support to the negotiations between INVAP and "Rosatom", a Federal Unitary State Enterprise and «National Scientific Center of the Russian Federation - Institute of Scientific Research of Nuclear Reactors» on the possible participation of Russian specialists in research in the field of nuclear fuel elements and on the promotion of fuel irradiation tests (uranium silicide).

▪ “Agreement on Cooperation Guidelines for the Use of Atomic Energy for Peaceful Purposes Between the Argentine Republic’s Ministry of Federal Planning, Public Investment and Services and the State-owned Atomic Energy Company ROSATOM,” signed on April 14, 2010:
This agreement confirmed ROSATOM’s willingness to work jointly on the design and construction of nuclear power plants in Argentina and fuel supply based on VVER reactors. All joint activities between both parties of the agreement will be coordinated by the Coordination Council, whose working groups will implement the realization of the projects based on their financing, design, construction, maintenance, fuel cycle and participation in the Argentine industry. Furthermore, the continuation of a joint study of ROSATOM’s integrated offer and the technical scope of future projects is not foreseen.

- “Strategic Association for Economic and Social Development”, a joint declaration from the Russian Federation’s Minister of Foreign Relations, International Commerce and Culture and the Argentine Republic, signed on May, 24 2011 in the city of Moscow:

Both sides reiterated their interest in Russia’s participation in the construction of new nuclear reactors in Argentina, the bilateral cooperation for the realization of ROSATOM’s comprehensive proposal for the construction of nuclear power plants, the design of nuclear, energy and research reactors of small and medium power, the safety of nuclear energy, and the production and use of radioisotopes in medicine and in nuclear industries. The need to adjust the 2009 “Action Plan” was also established, in line with the new tasks of the development of bilateral cooperation that emerged in the course of its execution was also established.

Based on what was agreed in the Joint Declaration, the parties confirmed their mutual interest in considering possible cooperation schemes and the possibilities of participation of Argentine companies, as well as their interest in continuing the joint study of an integrated ROSATOM offer, the conversations and cooperation in the Working Groups, and the technical scope of future nuclear energy projects to be developed in Argentina.

On September 22, 2011, the “Implementation of the Action Plan of the Strategic Partnership between the Argentine Republic and the Russian Federation” was signed in New York.

- “10th Meeting for the Argentina-Russia Intergovernmental Commission for Economic-Trade and Scientific-Technological Cooperation”, signed on November 29 and 30, 2012:

In this meeting, the Argentinian party expressed their interest in providing the materials for the manufacture of fuel elements and for research and development activities. For this, the National Atomic Energy Commission (CNEA) agreed to submit ROSATOM with the request of an offer for the supply of Hexafluoride (UF6), specifying information pertinent to the quantity, transportation and normative framework applicable whilst awaiting a Russian response. The Argentine party also expressed their interest in exploring further cooperation areas with ROSATOM for the development of new materials applicable to the fuel cycle and nuclear reactor components.

- “Agreement between the Government of the Argentine Republic and the Government of the Russian Federation for Cooperation in the Use of Nuclear Energy for Peaceful Purposes,” signed during the bilateral meeting of President Cristina Kirchner and President Vladimir Putin on July 12, 2014:

The Russian Federation assigned the State Atomic Energy Corporation ROSATOM and the Federal Service for the Ecological, Technological and Atomic Inspection with the area related to the regulation and supervision of nuclear facilities, while the Republic of Argentina assigned the National Commission of Atomic Energy CNEA with the area related to research and development, and the Nuclear Regulatory Authority ARN and Nucleoelectrica Argentina S.A. NASA with the area related to the design, construction and operation of nuclear power plants. In this context, NASA and ROSATOM
committed to developing the design, construction, operation, and dismantling of nuclear power plants and research nuclear reactors.

- “Action Plan for the Argentina-Russia Economic-Trade Cooperation and Investments in the Framework of the Argentina-Russia Intergovernmental Commission for Economic-Trade and Scientific-Technological Cooperation for 2015-2016,” pursuant to the Joint Declaration of both countries and on the occasion of the official visit to the Russian Federation of the Argentine President:

It highlights the intention to hold consultations between CNEA and ROSATOM on the construction of a nuclear power plant of Russian design in Argentina.

Given that no significant progress has been made in the realization of the sixth nuclear power plant project, the information available during the elaboration of this research work was not sufficient to answer the comparative variables.

12. Interview Process of Relevant Actors

In addition to the compilation of public information and sectoral regulations so far exposed, there have been interviews conducted with officials and former officials who have taken part in the design of current regulations and in the planning and implementation of the contracts for the selected projects.

In this framework, interviews have been carried out with the following relevant actors in the energy and transport sector:

- Gerardo Rabinovich, P. Eng., Vice-president of the Argentinian Institute of Energy “General Mosconi” and former General Management Director of the Nation’s Ministry of Energy and Mining
- Luis Rotaeche, occupied, by selection, the Ministry of Economy’s highest professional degree, National Director for Public Investment. Sub-secretary of Planning in the Ministry of Infrastructure and the auditor of the National Entity for Railway Goods (ENABIEF). He was co-author of the “Public Investment Law” (1994) and the “Law for the Promotion of Private Sector Participation in Infrastructure Development” (2000).
- Mauricio Roitman, current president of the National Regulatory Entity for Gas (ENARGAS), former Undersecretary of Scenarios and Project Evaluation of the Ministry of Energy and Mining
- Alejandro Sicra, current General Director of Freight Transportation Planning (Ministry of Transport)

The following constitutes the main results of the interview process:

In general lines, the interviewees agree that, although most of the infrastructure projects selected in this research project respond to the need for diversification of the national energy matrix or contribute to improving the country's connectivity, the evaluation criteria of projects established in public investment procedures have not been respected for their prioritization.

In the same line, the need to reinforce the institutional framework related to the National System of Public Investment (SNIP) is restated, taking up the procedures and instruments established with its creation. Feasibility studies should prevail, in their different disciplines, where the priority and convenience will be demonstrated for each project that requires financing, guarantees or other commitments of the National Treasury will be demonstrated. In this way, a centralized system of
public investment information shall be created, which obliges us to rationalize the projects that integrate it, becoming a source of invaluable information.

Another point of convergence is the need to establish a comprehensive strategic plan, which defines objectives and gives different priorities to each infrastructure project in relation to a general sectoral policy. All the projects destined to provide services or to improve them, which commit the financial resources of the public sector, should be aligned in their priority by previous planning that not only evaluates their economic and social benefits, but also responds to the demand of be the best alternative for a single objective.

Regarding the possible governance failures generated in the implementation of the selected infrastructure projects, the interviewees do not attribute them to the characteristics of the concessional financing, but to the inherent and historical governance failures of Argentina and the countries that provide assistance. As an example, one interviewee mentions that Chinese interlocutors prioritize personal negotiation and what is agreed upon in them, in the face of respect for established regulations and procedures. He also points out that, given the change of authorities, the Chinese interlocutors showed good will for the renegotiation of certain aspects of the project and understood the need to respect the established procedures for its realization.

Most of the interviewees argue that concessional financing agreements may be advantageous for the country, so they do not consider that they should be dismissed, but they do evaluate other forms of financing.

At the same time, it is emphasized that these financing agreements were framed in a macroeconomic context of international financial isolation, without access to the traditional international capital markets as a consequence of the conflict with the Hold-Out (holders of sovereign debt, who rejected the exchange of debt). Particularly, the bilateral agreements with China, associated with concessional loans, and tied to the participation of Chinese public companies in the provision, construction, or development of the projects, was the only alternative that the previous administration had for the realization of large infrastructure projects.

In this sense, as improvements are made in different macroeconomic indicators in a sustained manner, there will be a drop in the market interest rate to which the Argentine government and companies can access. This will allow, on one hand, having other channels for the financing of large infrastructure works, and on the other hand, the improvement of the bargaining power with the Chinese counterpart, obtaining better commercial and financial conditions.

Another point in common among the professionals interviewed is the need to evaluate the realization of infrastructure projects through Public Private Participation (PPP) contracts. The new administration has overcome obstacles that existed in international credit markets, which allows other alternatives to be presented for the financing of large infrastructure projects in a different macroeconomic context.

13. Conclusions

- During the last decade, Argentina’s conflicts with its creditors for the payment of its sovereign debt financially isolated the country internationally. This was a crucial factor that prompted Argentina to approach countries such as China and Russia, in search of financing for large infrastructure projects, and circumstantially to Venezuela to ensure its energy supply

- In a macroeconomic context of international financial isolation, without access to traditional international capital markets as a consequence of the conflict with Hold-Out (holders of sovereign
debt, which rejected the debt swap), bilateral agreements with China, associated with concessional loans, and tied in turn to the participation of Chinese public companies in the provision, construction, or development of projects, was the only alternative that the previous administration had for the realization of major infrastructure works

- Although the main bilateral treaties are ratified by law by the National Congress, their subsequent implementation is outside of parliamentary monitoring and control.

- Of the total of eight projects analyzed, six correspond to the energy sector and two to the transport sector. Regarding the total amount of investments, 86% went to the energy sector, while the remaining 14% went to the transportation sector.

- Of the total amount allocated to the respective projects (32,400 million dollars), 73% corresponds to projects undertaken by China, while 22% and 7% correspond to Russia and Venezuela, respectively.

- In the projects promoted by the People's Republic of China, identified in this paper, financial assistance is granted using export credit schemes, with Chinese financial institutions financing 85% of commercial contracts.

- The credits are granted by financial institutions of the People's Republic of China to the National Government, which is responsible for the cancellation of the credits with its own funds, and no special guarantee is required for compliance. In no case analyzed, the financial assistance is granted directly to the construction companies or operators of the projects.

- In the case of the purchase of railway rolling stock, the generation of funds for the repayment of the credits by the operating company is not foreseen.

- In the cases of the dams of the Santa Cruz River or the Caucharí photovoltaic park, the sale of electricity in the Wholesale Electricity Market will provide the funds for the repayment of the credits. It is also necessary to emphasize that the National Government continues to be responsible for the cancellation of the credits.

- The local institution receiving the financial assistance is currently the Ministry of Finance, a continuation of the powers of the former Ministry of Economy and Public Finance (MECON).

- For the acquisition of liquid fuels for thermal generation from the Bolivarian Republic of Venezuela, financial assistance was implemented through a compensated exchange mechanism, through which Venezuela committed to providing Fuel Oil and Gasoil to the Republic of Argentina, in exchange of the purchase of products of Argentine origin.

- In general lines, non-compliance with the provisions regarding the Public Investment regime have been observed, not finding - in the majority of the cases surveyed - neither feasibility reports nor technical qualification reports on purchases and hiring.

- The treatment granted to the credits related to the object of this Study is included in the Priority Investment Program (PIP), which allows for the exclusion of these debts in the balance sheet of the National Budget and avoids the evaluations foreseen in the Public Investment Law. In this way,
the economic result of the fiscal year is distorted and shows deficiencies in the budget programming.

▪ Another of the main line of questioning is the lack of realization of public tenders and the awarding of commercial and financial contracts through direct contracting. In this way, civil society was deprived of knowing the aim and conditions of the contracts, prior to the awarding and signing of the aforementioned, as is the case with the publication of the bidding terms and conditions in the call to a public tender

▪ The internal and external control agencies of the National State, SIGEN and AGN, respectively, have carried out audit reports on the execution of several of the selected projects. It is necessary to highlight the active participation of the General Audit Office (AGN) in the ex post control of the execution of projects related to the purchase of railway rolling stock:

➢ In the credits related to the purchase of rolling stock, the General Audit Office verified the generalized use of Payment Orders without Budget Imputation in the payments corresponding to Advances, Insurance Premiums and Commissions

➢ The acquisition of goods and services is specified without respecting or establishing in advance a strategic planning that justifies their implementation

➢ The lack of a comprehensive project for the commissioning of the new material acquired for the former San Martín line, manifested in the lack of coordination between the provision of rolling stock and the conclusion of the necessary infrastructure adjustments, led to the underutilization of the trains

➢ Reasonability analyses of prices paid are partial and include values taken as reference without their proper support

➢ The purchase of subway cars did not include a price reasonability analysis. In subsequent contracts with the same supplier, prices that were 21% lower were agreed

➢ Payments from financial commissions were higher than originally estimated

➢ In the negotiation of the trains of the San Martín line, the intervention of a representative without legal attributions and in clear opposition of interests was verified

➢ In general terms, the negotiations of commercial and financial contracts were carried out between Argentine authorities and Chinese authorities and companies, in the framework of the meetings of the "China - Argentina bilateral Working Group"

▪ During the development of the present research work, no participation of the railway operating company has been detected in the selection of the acquired equipment.

▪ During the development of the present research work, no violations of local labor regulations or norms or human rights have been detected. At this point it is necessary to point out that in the projects identified there is no participation of chinese labor in Argentine territory.
During the gathering of information made for this research paper, no violations of local labor regulations and norms have been detected. It is necessary to emphasize that in the projects identified the participation of Chinese labor in Argentine territory is not foreseen.

The participation of public companies in different stages of the implementation and subsequent usufruct of the selected infrastructure projects is observed, in particular throughout this research paper; the importance of their role is made evident in the cases of the dams of the Santa Cruz river and in the acquisition of liquid fuels from Venezuela.

- In the case of the acquisition of Fuel Oil, the Energy Secretariat (SE) instructed Compañía Administradora del Mercado Eléctrico Mayorista S.A. (CAMMESA) so that, acting on behalf of the National Government, it signed the necessary contracts with Petróleos de Venezuela S.A. (PDVSA). In this sense, evidence has not been obtained that CAMMESA, as administrator of the Wholesale Electricity Market (MEM), intervened in the guidelines that led to the agreement. There has also not been evidence that justifies the contracted amount of liquid fuel destined for the thermal power plants of electricity generation.

- In the case of the dams on the Santa Cruz River, the public company Emprendimientos Energéticos Binacionales SA (EBISA) was in charge of presenting the Environmental Impact Study (EIA). However, it was not empowered to carry out the EIA at the time, putting at risk, through its approval, the continuation of a project that could eventually cause negative impacts in the area. The construction of the power plants has now been delegated to the new state company Integración Energética S.E, which merges the functions of the aforementioned EBISA and ENARSA (Energía Argentina S.A.).

Non-compliance with environmental regulations and procedures has been detected in the cases of the Santa Cruz River dams and in the acquisition of liquid fuels in Venezuela.

- In the project of the hydroelectric dams on the Santa Cruz River, the environmental impact assessment process and the initial public hearing did not meet the spectrum of conditions required under the terms required by current regulations. Following a judicial presentation by an N.G.O., the Supreme Court of Justice of the Nation temporarily suspended the works until the requirements of the Hydraulic Works Law related to the environmental assessment process and public hearing were carried out. Finally, giving rise to the judicial order, a Technical Report of the Environmental Impact Study (EIA) was prepared, which was sent to the National Congress to be submitted to a Public Hearing. Once these legal requirements were fulfilled, the construction of the dams resumed.

- In the purchase of Fuel Oil to Venezuela, the National Government was responsible for reforming local regulations in order to allow the importation of fuels with high levels of polluting substances, violating the General Environmental Law N° 25.675 that establishes sustainable management and adequate environment.

- In most of the infrastructure projects surveyed for this research work, no discretion has been detected in the granting of financial assistance to a particular geographical area, except for the dams on the Santa Cruz River.

- In relation to the dams of the Santa Cruz River, the project that is located in the province of origin of the former President Cristina Fernández de Kirchner, has received substantial questioning regarding the priority of the construction of these dams against other hydroelectric projects in other regions in the country.
➢ Thus, it appears that according to the National Plan for Hydroelectric Works 2025, which made a preliminary assessment and prioritization of a set of thirty hydroelectric dams, the projects Cóndor Cliff (Néstor Kirchner) and La Barrancosa (Cepernic) are located in positions eight and eleven in the ranking, respectively.

- In the case of the dams on Santa Cruz River, the selection of the building consortium, integrated by CHINA GEZHOUBA GROUP COMPANY LIMITED - HIDROCUYO SOCIEDAD ANÓNIMA, lacks rationality and transparency, while China Gezhouba Group Company Limited was inabilitated by the World Bank for an 18-month term.

- The construction of the fifth nuclear power plant, which is projected to begin in 2020 and will have a capacity of 1150 megawatts, has no definite location since the Province of Rio Negro has rejected the construction of the plant.

- The Government of Argentina has formally submitted the application for the admission to the Organization for Economic Cooperation and Development (OECD), as a participating member. Within the framework of this process, the OECD will conduct a series of studies on different areas of public policy of the Argentine economy, including public procurement, which will provide specific recommendations based on the best practices of the institution.

14. Recommendations

✓ Adopting the recommendations of the Organization for Economic Cooperation and Development’s (OECD) Council on Government Procurement, which intend to ensure that public procurement is carried out from a comprehensive and strategic approach, promoting greater efficiency in public spending through the adequate allocation of public resources and the mitigation of inefficiency and corruption. In this way, it will be possible to increase the credibility in local institutions, becoming an attraction for foreign investment, showing a seal of quality that guarantees the way in which the country is inserted in the global order.

✓ Submitting to the agreements and treaties signed by the Republic of Argentina and foreign States to the National Congress’ parliamentary monitoring and control.

✓ Strengthening the institutional framework related to the National System of Public Investment (SNIP), taking up the procedures and instruments established with its creation. The National System of Public Investment was established to rationalize public investment and avoid the squandering of large public resources in non-priority projects and for the development of the country. In turn, in the Public Investment Projects Bank (BAPIN), the different departments of the public administration were obliged to present the content of their public investment projects, in all the stages of their advancement, as well as the studies both completed or in progress. Feasibility studies should prevail, in their different disciplines, demonstrating the priority and convenience of each project that requires financing, guarantees or other commitments of the National Treasury. In this way, a centralized system of public investment information can be created, which obliges us to rationalize the projects that integrated it and becoming a source of invaluable information.
✓ Strengthening compliance with local environmental regulations and evaluating their adaptation to the best international standards in the matter, to carry out the large infrastructure projects under a sustainable development scheme, guaranteeing the protection of the health of the population and the environment of the areas affected by these projects.

✓ Advancing with the implementation of policies that favor long-term macroeconomic stability. As improvements are made in different macroeconomic indicators in a sustained manner, there will be a drop in the market interest rate to which the public sector and Argentine companies access. This will allow, on one hand, for other channels for the financing of large infrastructure works to be made available, and on the other hand, for the improvement of the negotiating power of the National State against the counterpart, obtaining better commercial and financial conditions. The new insertion of Argentina in the world, and its re-entry into the international financial system will enable the opening of financing alternatives in the market where fund providers compete against each other to achieve the best option, both in regards to terms and rates. In this context, China shall become another participant in a competitive process.

✓ Establishing a strategic plan that defines objectives and that gives different priorities to each infrastructure project in relation to a general sectoral policy. All the projects destined to provide services or to improve them, which comprise the financial resources of the public sector, should be aligned in their priority by previous planning that not only evaluates their economic and social benefits, but also responds to the demand of being the best alternative for a single objective. The fulfillment of these objectives requires monetary and material efforts, which cannot be carried out simultaneously. It is here where the strategic plan intervenes, orders the stages and magnitudes of its fulfillment

✓ Evaluating the realization of infrastructure projects through the signing of Public Private Participation (PPP) contracts. The new administration has overcome obstacles that existed in international credit markets, which allows other alternatives to be presented for the financing of large infrastructure work in a different macroeconomic context.

15. Future lines of research.

The following lines of research are proposed for a next stage of this research work:

✓ Research of the treatment of bilateral treaties between States in the public procurement frameworks of the countries of the region.

✓ Research of the institutional framework and good practices for the implementation of Public Private Partnerships (PPP) in infrastructure projects.
Identification of strengths and weaknesses of the mechanism of Public Private Partnership (PPP), and its comparison with the financing of infrastructure through bilateral concessional loans.

Research of public tenders carried out under Public Private Partnership (PPP) schemes in Argentina and their comparison with good practices guidelines and against projects executed through bilateral concessional loans (result of this research project).

Identification of governance failures in the design and implementation of Public Private Partnership (PPP) schemes and public policy recommendations for their mitigation and remediation.

ANNEX 1: INTERVIEWS

**INTERVIEWEE:** Gerardo Rabinovich, P. Eng.

**PLACE AND DATE:** March 13, 2018

**QUESTIONS**

1. **Do you consider that the projects financed by China correspond to the country's priorities in terms of energy infrastructure? (Projects: Santa Cruz River dams, nuclear power plants, Caucharí solar park)**

The energy projects within the framework of the financing agreements with the People’s Republic of China: the hydroelectric power plants in Santa Cruz River and the fourth and fifth nuclear power plants did not respect the evaluation criteria of projects that establish good practices and that are partially overturned by the Public Investment Law No. 24,354, sanctioned in 1994 and used very seldom, particularly in decision-making processes in the energy sector.

Although both projects answer to the need for diversification of the national energy matrix, increasing the participation of hydroelectric and nuclear sources and replacing fossil fuels, since our country lacks an indicative energy plan, decisions are made that are not governed by technical, economic and environmental rationality, but by the political necessity of the moment, resulting in very damaging outcomes since having scarce information and without complete feasibility studies, they produce the known lock-in effect, a classic in the energy sector where once long-term investments with high-intensity capital have been implemented, they displace other options that, in a context of greater rationality, could have been better.

The case of the Caucharí Solar Park differs in that although the National State has taken a concessional loan from China exclusively for this project, it has had to participate in a competitive tender, and having won by presenting the best prices, it has had to demonstrate to its financiers the quality of the resource it employs and the ability to recover the investment within the term determined by the purchasing contract at the prices offered, leaving a return to the owners, in this case the Jujuy Province.

2. **Do you consider that governance failures were generated in the implementation of the projects financed by China?**

There is a clear governance failure since the moment that the energy sector projects mentioned before, both hydroelectric and nuclear, failed to have the corresponding studies of technical, economic, financial and environmental impact to ensure their real viability, which could have been reduced with a medium-term study spanning 10 years, that would have avoided embarrassing situations that could have been avoided.
3. Do you consider that there are risks or disadvantages for Argentina when using concessional financing offered by China?

Energy projects are highly intensive in capital; their completion requires long periods of maturation and construction, and have a lifespan that in many cases exceeds 50 years. The decision on their execution, in particular with public funds, without a prior maturing process, generates the risks and uncertainties mentioned above. To date, the price at which the energy produced will be sold at both hydroelectric and nuclear power plants is still unknown. Then one can begin to ask questions, such as: How will they be inserted in a new reconstituted electricity market? Will their construction reduce the cost of producing electricity in Argentina in the long term? What will be the cost of the transmission system associated for the evacuation of its production towards consumption centers? Will it be possible to recover the costs of the investment in a reasonable period of time?

The risk and the disadvantages are not derived from the characteristics of the concessional financing offered by China, but from Argentina’s own governance failures when making the decision to build new plants without a long-term vision and without sufficient previous studies to support this decision.

4. Given the high capital requirements of energy infrastructure projects, regardless of financing by China, do you consider that there are viable alternatives for financing and execution?

The new insertion of Argentina in the world, and its re-entry into the international financial system allows opening financing alternatives in a market where providers of funds compete with each other to achieve the best option, both in terms of time and rates.

China should be a participant in this competitive process and if its conditions are the best, then the capital from this source ought to be welcome because they will promote the competitiveness of our economy. Bilateral agreements generally reflect a power relationship between both parties, and in China’s case, it clearly does not benefit Argentina.

If these bilateral agreements also apply to projects with a low maturity level, the risks to the economy are enormous because their impact will be long-term and will make the country less competitive.
INTERVIEWEE: Alejandro Sicra, General Director of Freight Transportation Planning (Ministry of Transport)

PLACE AND DATE: Buenos Aires, 03/20/2018

QUESTIONS

1. Do you consider that the projects financed by China correspond to the country’s priorities in terms of transportation infrastructure? (Projects: Railway material renovation for the urban, long distance and Belgrano Cargas lines).

The Belgrano line is being executed with Chinese financing through CMEC (Chinese company), working as an intermediary of Chinese financing. The current loan is worth 2.4 million dollars, and it expects to allocate half of the financing for the restoration of rolling material and the other half for works.

In relation to the priority of these works, although they were agreed by the previous administration, they can still be considered a priority, since they serve historically neglected areas of the country and therefore, they can be understood and ranked using a social evaluation criterion.

However, if the analysis was made only economic terms, there are other brokers that would have greater potential demand and repayment ability for the investment made, but as already mentioned, the Belgrano Cargas caters disadvantaged areas where the rehabilitation of the rail connection has a strong regional impact. In addition, the distance to the ports and the cost associated to logistics seems to be a relevant limitation at the time of the definition of productive projects in the project’s region of influence.

2. Is there a comprehensive transportation plan that frames the priority ranking of these projects?

In terms of transport, there are sectoral plans, consisting of a road plan and a rail plan. The work of the Belgrano Cargas is framed within the latter.

3. Do you consider that governance failures were generated in the implementation of the projects financed by China?

The projects are executed in stages, part of their implementation was started under the previous administration, and a relevant part is currently being implemented today.

In general terms, I do not consider the existence of any governance failures related to the of decision-making processes and the Public Sector contracting rules, beyond the obligations of contract compliance, which require the purchase of a percentage of Chinese components. In this sense, the Chinese component can be fulfilled through the provision of material railway, or by awarding the works in the proportions provided for in the contracts.

4. Do you consider that there are risks or disadvantages for Argentina when using the concessional financing offered by China?

In general, concessional loans have strong advantages in terms of financial cost, regardless of their origin. Chinese loans in particular, in my opinion, do not present an associated risk different from other loans, beyond their misuse in projects with insufficient priority ranking or with deficient basic studies, but this appears as a risk associated with any type of financing.
In this sense, Chinese financing appeared in a macroeconomic context of international isolation, without access to traditional international capital markets as a consequence of the conflict with Holds Outs (sovereign debt holders who rejected the debt exchange). In this context, bilateral agreements with China, associated with credits concessions, tied in turn to the participation of Chinese public companies in the provision, construction, or development of the projects, was the only window of opportunity that was found by the previous administration.

In summary, I do not see any risk associated with the origin of the financing, but rather with the use of the financing itself and with macroeconomic aspects that go beyond the scope of this interview.

5. **Given high capital requirements for infrastructure projects, regardless of financing from China, do you consider that there are viable alternatives for their financing and execution?**

As we mentioned at the time of its signing, the Chinese financing appeared as a low cost option to finance traditional public works, and beyond the loans of the multilateral credit agencies (WB - IDB - CAF - FONPLATA), limited in scope.

The new administration overcame the obstacles that existed in the international credit markets, which allows other alternatives to be presented, such as the financing of infrastructure projects through Private Public Participation contracts, which appear as a new alternative in a different macroeconomic context.
INTerviewee: Mauricio Roitman, current president of the National Regulatory Entity for Gas (ENARGAS), former Undersecretary of Scenarios and Project Evaluation of the Ministry of Energy and Mining

PLACE AND DATE: Buenos Aires, 02/16/2018

QUESTIONS

1. Do you consider that the projects financed by China correspond to the country’s priorities in terms of energy infrastructure? (Projects: Santa Cruz River dams, nuclear power plants, Caucharí solar park)

The interviewee intervened only in the evaluation of Santa Cruz River dams. In his opinion, this project was ranked amongst those with high priority in terms of hydroelectric works, although he could not affirm that it had the highest priority ranking. Nonetheless, drawing from the current management, its development was continued due to the high degree of progress achieved with regards to its design, procurement process, financing agreement, and previous studies. In spite of this, a comprehensive readjustment of the project took place to comply with current environmental regulations. Cancelling the project would have resulted not only in the loss of economic, technical and human resources already invested so far, but also in the creation of conflict by not fulfilling the commercial and financial contracts previously signed.

2. Do you consider that governance failures were generated in the implementation of the projects financed by China?

The interviewee maintains that the previous administration had a very lax way of interpreting the current legislation, which was reflected in the course of action of former officials and the way they negotiated. Drawing from a personal experience, he adds that Chinese interlocutors prioritize personal negotiation and whatever is agreed within those negotiations, against the respect of the regulations and established procedures. He also points out that with regards to the change of authorities, the Chinese interlocutors showed good will for the renegotiation of certain aspects of the project and understood the need to respect the procedures established for its realization.

3. Given the high capital requirements of energy infrastructure projects, regardless of financing by China, do you consider that there are viable alternatives for financing and execution?

The interviewee maintains that some financing agreements with China can be advantageous for the country, considers that we should not reject them, but that we should evaluate other forms of financing. As improvements are made in different macroeconomic indicators in a sustained manner, there will be a drop in the market interest rate to which the government and Argentine companies access. This will, on the one hand, enable other channels for the financing of large infrastructure works. On the other hand, it will improve the bargaining power against the Chinese counterpart and obtain better commercial and financial conditions.

He also adds that the concretion of road works through the Public Private Participation (PPP) regime is currently being implemented, and its application in the energy sector is being evaluated.
INTERVIEWEE: Luis Rotaeche, former National Director for Public Investment for the Ministry of Finance

PLACE AND DATE: Buenos Aires, 04/03/2018

QUESTIONS

1. What is the National System of Public Investments (SNIP)? What is the Public Investment Projects Bank (BAPIN)? What is its purpose?

The National System of Public Investment (SNIP), created by Law 24,354 of the year 1994, was established to rationalize public investment and thus avoid so many blunders committed in the past, where large public resources had been squandered on projects that did not have priority, and in many cases much is even worse since they did not make any sense for the development of the country.

Different elements constituted this SNIP: a) The normative substantive base constituted by the aforementioned Public Investment Law, still in force; b) the "National Directorate of Public Investment and Project Financing (DNIPyFP)" coordinator and promoter of SNIP; and c) the feasibility studies, in their different disciplines, that shall be approved by the SNIP, where the priority and convenience of each project that would require financing, guarantees or other commitments of the National Treasury will be demonstrated.

The DNIPyFP, in addition to having the mandate of approving the studies of projects, recommended priorities of inclusion of these in the multi-year plan that this National Directorate had to prepare and had to be presented to the National Congress for its approval, together with the "National Budget".

The DNIPyFP was also responsible for studying and proposing work methodologies to define the viabilities of the projects, as well as other complementary aspects such as social or account prices, sectoral studies and others.

As part of this SNIP, a Public Investment Projects Bank was established in the DNIPyFP, called BAPIN, where the different departments were obliged to present the content of their public investment projects, in all stages of their advancement, and the studies that were completed or in progress. This created a centralized system of public investment information that required rationalizing the projects that integrated it and became a source of invaluable information.

Considering that very often in the country the investment projects have very little feasibility analysis and that carrying out these studies was and must be very difficult for most or almost all sectors, the "Preinvestment Fund," known as "UNPRE," was established to subsidize the different departments of the State the feasibility studies of public investment projects.

A fund called FOSSIP was also established, with financing from the World Bank, to institutionally reinforce the planning areas and those for project studies of all different sectors of the State that showed serious weaknesses.

The DNIPyFP also had, as corresponded to its responsibility on public investment, a role, later suppressed, in the approval of the projects, and the contents, which would be subject to financing by international organizations, which was managed and perhaps are still currently managed outside the country’s planning context.

On the other hand, it was foreseen that the National Director presiding over the DNIPyFP would be chosen by a selection process, which fostered strong professionalism throughout the process of evaluation and prioritization of public investment projects and gave independence to this distribution. However, all its national directors have been appointed by higher authorities without any contest, with the sole exception of the first case that was chosen by contest and thus fulfilled its five-year mandate.
The Public Investment Law, as previously mentioned, is in force, but the SNIP has been dismantled and thus rendered useless. Over the years, in these precarious institutional conditions, some new directives have been issued for the presentation of projects before the DNIP that seem to be aimed more towards alleviating or eliminating the feasibility studies requirement for the Law on Public Investment.

2. **What are the main requirements that a public investment project must meet to be included in the BAPIN?**

The aforementioned requirements for public investment projects are foreseen to be able to integrate them to financing, guarantees or other responsibilities of the National Treasury. On the other hand, and having said that, all public investment projects, in whatever state they might be found, should be registered, including, in the BAPIN.

3. **Do you consider that in the implementation of the infrastructure projects financed by China, the procedures established regarding the evaluation of public investment projects were complied with?**

Due to the dismemberment and lack of independence indicated by the SNIP, it seems almost impossible that with this tool one can now condition or demand some rationality for public investment projects financed by the R. of China. And the larger the projects are, the more likely that they have strong political support and in many cases, much more often than you can believe, no technical-economic-environmental rationality. The feasibility studies of these projects and the respective debate could, however, substantially improve them, minimizing errors.

4. **Do you consider that the projects financed by China correspond to the country’s priorities in terms of infrastructure? (Projects: renovation of railway lines, urban lines, long distance and Belgrano Cargas, Santa Cruz river dams, nuclear power plants)**

I do not know sectoral and feasibility studies that support investments for the railway sector, which makes it difficult for me to comment on this.

Hydroelectric power plants on the Santa Cruz River were improved with changes in their design in the last two years, so it is possible for these, which do not seem to have had a high level of priority originally, to become one of the few alternatives that the country has in great hydroelectricity with some technical, economic, environmental, financial, bidding maturity, etc. to build soon.

Nuclear power plants, which do not seem to have any feasibility studies, unless they have been made known, as would be obligatory by the Law on Public Investment and by the Law on Public Information, present elements that allow us to suppose that they would constitute a very serious strategic error for the country: The costs that have transcended, within the prevailing secrecy and current global experiences with global nuclear energy, suggest that they would be much higher than those disclosed, although they are already very expensive with regards to competitive energy sources. With the aggravating circumstance that nuclear power plants have an extreme rigidity to vary the electricity generation regime that they contribute to the system, which prevents this system from taking advantage of energies that have marginal short-term costs that are practically void when they are available.

In addition, they would be the third and perhaps even the fourth plants, after Atucha I and II, which are built a few hundred kilometers from the macrocephalic city of Buenos Aires, with 12, 14 or more million inhabitants, so the smallest accident could have apocalyptic consequences. Without forgetting that even open societies, like France and Japan, without speaking of Ukraine, USSR and Russia, hid the very serious consequences of the nuclear accidents that occurred with such events.

There are no insurances about the risks of nuclear accidents because it would be impossible to solve them, which is why they are assumed, without any forecast of damage, by the State and / or by us citizens.
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