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REPORT NO.: RES26677

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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

UNLEASHING PRODUCTIVE INNOVATION PROJECT

APPROVED ON SEPTEMBER 25, 2008

TO

THE ARGENTINE REPUBLIC

FINANCE, COMPETITIVENESS AND INNOVATION

LATIN AMERICA AND CARIBBEAN

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I. BASIC DATA

Product Information

Project ID	Financing Instrument
P106752	Investment Project Financing
Original EA Category	**Current EA Category**
Partial Assessment (B)	Partial Assessment (B)
Approval Date	**Current Closing Date**
25-Sep-2008	25-Sep-2019

Organizations

Borrower	Responsible Agency
The Argentine Republic	Agencia Nacional de Promocion Cientifica y Tecnologica

Project Development Objective (PDO)

Original PDO

The Objective of the Project is to expand the Borrower's capacity to generate productive innovation in knowledge-based areas by: (a) facilitating the creation of new knowledge-based companies; (b) developing specialized human capital; (c) supporting productive research innovation activities and their technology commercialization in the areas of biotechnology, nanotechnology and information and communication technology; (d) upgrading the research infrastructure in the areas of science, technology and productive innovation; and (e) strengthening the policy framework governing science, technology, and productive innovation.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IBRD-86340	08-Jul-2016	28-Dec-2016	12-Jan-2017	25-Sep-2019	45.00	22.64	22.36
IBRD-75990	25-Sep-2008	06-Aug-2009	21-Aug-2009	31-Dec-2016	150.00	150.00	0

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

Project Status:
Progress toward achieving the PDO is currently rated as Satisfactory and Implementation Progress is currently rated as Moderately Satisfactory. Overall, the implementation of the Additional Financing (AF) loan has been satisfactory, and disbursements to date amount to 22.64 million (50% of the loan). The original loan is fully disbursed and closed. Activities related to studies, training and capacity building have either been finalized or have been contracted and are under implementation. All new calls for proposals for this AF have been issued, and subprojects that involve companies, universities and research centers supported by the loan are now all under implementation. No new calls for proposals are planned under the project.

However, the AF loan has been implemented under a challenging macroeconomic context for the country, and during the supervision mission of April 2018, the Ministry for Science, Technology and Productive Innovation (MINCYT) presented the need to extend the loan closing date to allow several important subprojects and initiatives to be fully and successfully completed.

Changes Proposed:
This restructuring proposes the extension of the loan closing date by 12 months.

Rational for Changes:
The PDO level indicator related to CONICET disclosures will not be achieved by the current closing date. This indicator has been improving over time but more slowly than originally expected, going from 0 when the AF loan was approved, to 8 in June 2017 and 10 in December 2017. The final target is 25 disclosures. More time than initially predicted is needed so that the training and capacity building activities with CONICET researchers supported by the project can translate into increases in the disclosures being brought forward by these researchers, as they learn how to commercialize the technologies they develop.

Delays in the effectiveness of the AF loan and the effects of the efforts by the National Government to reduce the fiscal deficit also led to significant delays in the disbursement of project funds to the beneficiaries. This led to the delay in the signing of agreements with beneficiaries for the implementation of many subprojects, specifically private-public research consortia subprojects, subprojects to enhance innovation among SMEs, and subprojects to support the creation of technology based start-ups.

In addition, new requirements by the Ministry of Modernization for the hiring of individual consultants by line ministries also led to significant delays in implementing technical consultancies supported by the project.

These delays are having a direct impact in the achievement of the following intermediate results indicators, which would also benefit from additional time so that expected results can be achieved:
- Intermediate Result Indicator: Percentage of Research Centers who implement tool to monitor and facilitate usage of shared research equipment (Of Centers that receive training)

- Intermediate Result Indicator: Overall additional investment catalyzed/leveraged through project activities (USD million)

Additional time would allow for consultancies related to the implementation of the tool to monitor and facilitate usage of shared research equipment to be completed, and would therefore lead to improvement of the percentage of Research Centers that implement this tool.

Given that all contracts are in place and subprojects are under implementation, additional implementation time would also ensure that more of the subprojects that involve companies, universities and research centers will reach completion and therefore will mean an increase in the amount of additional investment catalyzed by the loan.

This restructuring fully complies with the Bank Directive for Investment Project Financing, in that: (a) the Project's Development Objectives remain achievable; (b) the performance of the Borrower remains satisfactory; (c) the Bank and the Borrower have agreed on actions that will be undertaken by the Borrower to complete the Project; (d) the Project is not subject to suspension of disbursements; and (e) the Borrower does not have any outstanding audit reports nor there are audit reports which are not satisfactory to the Bank.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-75990	Closed	30-Sep-2014	30-Sep-2015, 30-Jul-2016, 31-Dec-2016, 26-Jun-2017	30-Jun-2017	30-Oct-2017
IBRD-86340	Effective	25-Sep-2018	25-Sep-2019	25-Sep-2019	25-Jan-2020