



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 26-Jun-2019 | Report No: PIDA27041



BASIC INFORMATION

A. Basic Project Data

Country Argentina	Project ID P170329	Project Name Supporting the Electricity Social Tariff Transition in the Buenos Aires Province	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 04-Jul-2019	Estimated Board Date 30-Aug-2019	Practice Area (Lead) Social Protection & Jobs
Financing Instrument Investment Project Financing	Borrower(s) Province of Buenos Aires	Implementing Agency Provincial Directorate of of Multilateral and Bilateral Financing	

Proposed Development Objective(s)

Support the transition of the electricity social tariff scheme from federal to PBA level, while strengthening the institutional capacity of the PBA to implement ST delivery

Components

Institutional capacity building on Social Tariff implementation and Energy Efficiency
Social Tariff Scheme Financing
Project Management Unit, Monitoring and Evaluation

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	150.00
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Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

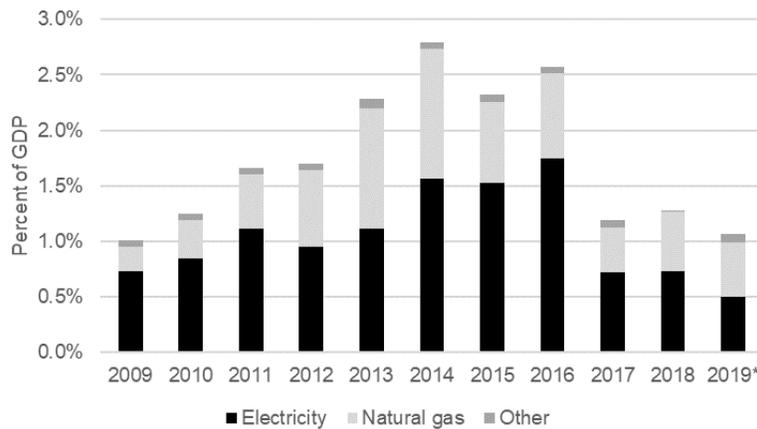
- 1. The current macroeconomic context in Argentina is characterized by marked financial volatility emerging from a combination of domestic and external factors.** Since taking office in December 2015, the Government has implemented structural reforms to eliminate distortions in the economy. Given the ambition of the reform program, and to maintain the social consensus needed to ensure sustainability over time, the Government adopted a gradual approach to these reforms, which included fiscal and monetary adjustments. Among these adjustments was the gradual reduction of global subsidies for public services such as electricity, gas and transport, while implementing and improving the design of social tariffs (ST) to target the poorest households. Despite these reforms and the gradual approach to implementing them, the slow decline of the fiscal deficit and slower than anticipated pace of disinflation, combined with a tightening of global financial conditions, has put stress on the Argentine economy since early 2018.
- 2. The Government's reform agenda has been supported by several multilateral institutions. In June 2018 the IMF approved a Stand-by Agreement (SBA) for US\$50 billion.** The World Bank prepared a set of operations, both Development Policy and Investment Project Financing, which were part of a broader package prepared with international partners, including the Inter-American Development Bank (IADB), and the Development Bank for Latin America (CAF). The World Bank (WB) program focuses on supporting the Government's reform agenda to lay the foundations for growth and protect the most vulnerable, and is complementary and fully consistent with the IMF-supported program. The WB program explicitly established an agreed social safety net spending floor and allows some well-targeted social assistance transfer programs to expand if needed.
- 3. After a relatively calm period following the first SBA with the IMF, Argentine assets came under renewed pressure in the second half of August 2018.** The Government's ability to tap into capital markets in 2019 became a growing concern. In this context, in October 2018 the Government revised the SBA by putting in place modifications both in the fiscal and monetary program, and the SBA total amount was resized to US\$56.3 billion. Government accelerated the fiscal consolidation, with a commitment to achieve a primary balance in 2019 and a primary surplus in 2020; and shifted the new monetary regime. Preliminary results have been positive: the Government reached its fiscal target for 2018 (2.7 percent of GDP primary deficit).
- 4. Economic activity suffered a 2.5 percent contraction in 2018 triggered by the impact of the financial turmoil and the strong drought. Inflation increased, driven by a sharp adjustment in the exchange rate, reaching 47.7 percent in 2018, the highest since 1991.** Nominal wages could not keep up with inflation and



private consumption suffered. Heightened uncertainty and lower demand affected investment, which decreased 5.8 percent in 2018. Poverty and extreme poverty increased in 2018, the former reaching 32 percent of the population in the main urban areas according to the latest official estimates (second semester of 2018), close to the level of early 2016.¹ Uptick in inflation figures early in 2019 and concerns around political risk due to upcoming presidential elections brought renewed pressure on the exchange rate and sovereign spreads, erasing much of the late 2018 gains by end-March 2019. The Central Bank responded to renewed volatility with a stronger monetary stance and the announcement of discretionary interventions in exchange rate markets, a policy shift endorsed by the IMF. Volatility in financial markets has decreased since the announcement.

- 5. **In the fiscal consolidation process subsidies have been more than halved -representing a substantial fiscal reform, and a Fiscal Pact with provinces in 2017 aimed at rebalancing the distribution of revenues.** Fiscal spending on energy, gas and transport subsidies decreased from 4.9 percent of GDP in 2014 to 2.2 percent of GDP in 2018. Most of the adjustment came from lower energy subsidies, which decreased from 2.6 percent of GDP in 2016 to 1.2 percent in 2018. Electricity subsidies alone declined from 1.7 percent of GDP in 2016 to 0.7 percent in 2018 (Figure 1). This was achieved through a stepwise increase in tariff rates, applied to both households and firms. With this adjustment, the subsidy component in the price of electricity was reduced from around 85 percent to about 20 percent from 2015 to 2019.² The reduction in utilities subsidies was arguably the strongest structural reform made by the administration over the past several years. In addition, federal spending adjustment came from a shift from federal government to provinces of intra-provincial transport subsidies and the electricity social tariff, and a sizable cut in public investment and non-automatic transfer to provinces.

Figure 1: Energy subsidies



Source: Own elaboration based on information from Secretaría de Energía. Note: *estimated

- 6. **The fiscal Pact aimed to normalize fiscal relationships between the federal government and the provinces and to promote fiscal responsibility.**³ The revenue-sharing system in place at that time had resulted in an

¹ INDEC's Poverty and Extreme Poverty Incidence Press Report.

² See Annex 2

³ [Law No. 27.469, Consenso Fiscal.](#)



erosion of resources to the Province of Buenos Aires (PBA), where the largest share of the Argentinean population (39 percent) and the urban poor households (52 percent) live. An addendum to the Fiscal Pact signed at the end of 2018, transferred several responsibilities to the provinces, including the regulatory authority and the financing of social tariffs for residential electricity, starting in 2019. Around one-third beneficiaries of the electricity ST (1.4 million users) reside in the PBA.

7. **In this context, ST transition from federal to subnational level has preserved its key role among the set of programs to ameliorate energy prices impacts on households' consumption while dealing with the fiscal consolidation process.** This ST transition posits challenges to provinces on both the institutional and information sides. Full financial and management responsibilities imply regulatory settings, information flows, and developed monitoring working together to take the most advantage of ST according to short and medium-term social priorities. PBA assumed full financial responsibilities with fragmented regulatory settings, partial competencies on information flow, and lack of institutional capacity to set up ST monitoring scheme.
8. **Buenos Aires is among the four jurisdictions that rely less on central government resources -its own revenues represent more than 70 percent of net recurrent revenues.** However, the province has an unbalanced relation with the federal governments in fiscal terms. PBA receives around 20 percent of federal shared taxes while contributing more than 33 percent to national GDP. On the expenditure side, Buenos Aires Province has one of the lowest shares of capital expenditure (infrastructure), while more than 80 percent of its net expenditure is on personnel (60 percent) and pensions (23 percent). In coming years, the PBA faces significant fiscal challenges, given the commitment to gradually reduce distortive sales taxes and additional fiscal pressures arising from new expenditure responsibilities (economic subsidies).

Sectoral and Institutional Context

9. **Since 2002, the government has used a wide range of subsidies to protect households and to support specific sectors of the economy.** When the current administration took office at the end of 2015, public policy tools included transfers to the private sector; revenue-related support measures (e.g., tax exemptions and deductions); and programs aimed at supporting specific regions (e.g., Patagonia, Tierra del Fuego, and La Rioja), sectors (e.g., mining), and policy objectives (e.g., supporting Small and Medium sized Enterprises, youth entrepreneurship, and R&D).
10. **Energy subsidies have played a critical role in protecting poor households from rising inflation in Argentina, but their cost has increased rapidly since their introduction.** The emergency arrangements introduced in 2002 succeeded in freezing energy tariffs while maintaining the provision of public services. This was important after the 2001-02 crisis to protect the purchasing power of the poor.⁴ However, the cost of this subsidy quickly increased due to a rise in international energy prices, internal inflation, and the increasing demand of subsidized energy in the context of a fast-growing economy.
11. **The fast growth of energy subsidies (together with other subsidies) has been a key driver behind the growth of public expenditures and constituted a large share of federal government spending by 2016.** Subsidies have contributed to the rise in public expenditures since 2007 and represented the second largest component of current expenditures, after social security, in 2016. Energy subsidies increased from 0.4

⁴ Lombardi et al (2014).



percent of GDP in 2005 to 2.6 percent of GDP in 2016.⁵ These distortions resulted in electricity bills reflecting less than 10 percent of production costs in 2014.

12. **Most of Argentina’s electricity and gas subsidies have benefitted middle- and upper-income households as well as non-residential consumers.** While the original objective was to offset the negative effects of rising prices on low-income households’ purchasing power, subsidies have been distributed across all income groups, with non-poor households receiving the largest share. As a result, 23 percent of electricity and 37 percent of network gas subsidies went to the richest quintile while only 16.8 percent of electricity and 8 percent of network gas subsidies were accrued by the poorest quintile.⁶
13. **In this context, the current administration made reducing energy subsidies while protecting the most vulnerable a priority in its effort to reduce fiscal costs and lessen the detrimental effects of subsidies on the sustainability and efficiency of the energy sector.** In early 2016, the government implemented measures toward a gradual convergence of tariffs to the costs of generation, transmission and distribution of electricity for residential, commercial and industrial users. At the same time, the Government implemented a new social tariff⁷ to protect poor and vulnerable households from upcoming tariff increases. The ST offers electricity generation cost discounts for specific residential users as well as community-based organizations. A few months after implementation, more than 20 percent of households were covered by the ST. Despite the success in quickly and effectively enrolling beneficiaries in the ST (a large majority were automatically enrolled), important challenges remain in covering the target population due to issues in design (eligibility criteria and information used) and implementation (constraints to identify beneficiaries due to lack of information).

Electricity Social Tariff at the Federal Level

14. **Authorities declared the the energy system in emergency in December 2015, implementing reforms to reduce upstream subsidies to the electricity sector. In February 2016 the federal government implemented the electricity ST to residential users.** The electricity tariff for grid-connected users has three components: the wholesale cost of electricity (the wholesale market is administered by CAMMESA - Compañía Administradora del Mercado Mayorista Eléctrico SA); the transmission cost; and the distribution cost. In addition, national, provincial and municipal taxes and fees are included.⁸ Users pay distribution companies, distribution companies pay to transporters and to CAMMESA, and CAMMESA pays to electricity generators. The ST implemented in 2016 focused on the first component, subsidizing 100 percent of the generation cost up to 150 kilowatts (kWh) and 50 percent of the following 150 kWh consumed per user per month. The subsidy did not cover the other components of the electricity cost invoiced to customers (i.e., transport and distribution). Neither did the subsidy go through the distribution companies, who only receive payments from users. If these users were assigned the Social Tariff, then they would pay a reduced amount to the distribution company, and the distribution company then would pay the corresponding reduced amount to CAMMESA, while the federal government would pay the subsidy directly to CAMMESA.

⁵ World Bank (2018), *Argentina Public Expenditure Review*, Washington DC

⁶ Lakner, Lugo, Puig, Salinardi and Viveros (2015). “The incidence of Subsidies to Residential Public Services in Argentina: the subsidy system in 2014 and some alternatives”, working paper No. 201, CEDLAS.

⁷ [Resolution No. 7/2016](#).

⁸ Therefore, electricity tariffs at user level vary by distribution company.



15. **Eligibility criteria for the ST were defined by the Ministry of Energy, with inputs from the National Council of Social Policies (CNCPS).** Eligible users included retirees, pensioners, beneficiaries of non-contributory pensions, salaried or self-employed workers with income below two minimum wages, beneficiaries of social programs, low productivity self-employed workers registered under the “*monotributo social*”⁹ scheme, war veterans, domestic workers, beneficiaries of unemployment insurance, persons with disabilities and electricity-dependent persons. Users who have more than one property, a car newer than ten years, a plane or a luxury boat are excluded. Vulnerable populations living in slums areas of the Conurbano (in Greater Buenos Aires) are usually covered freely through community meters under a separate scheme, Convenio Marco, governed by agreements between the regulatory agency and electricity providers.
16. **Three federal agencies were involved in designing and implementing the ST.** The Ministry of Energy defined the eligibility criteria and the subsidy amount (Resolution No. 6/2016, Resolution No. 122/2018); the electricity regulatory agency (Ente Nacional de Regulación de la Energía Eléctrica -ENRE) supervised implementation; and the CNCPS verified users’ eligibility through its database (Sistema de Identificación Nacional Tributario y Social -SINTyS). In addition, ENRE intermediated between the service provider companies (distributors) and SINTyS, exchanging the information on electricity users’ and their socioeconomic attributes. SINTyS combined different administrative data sources to verify eligibility conditions and classify users into three groups: (i) those who qualify for the ST, (ii) those who do not qualify for the ST; and (iii) users who cannot be assessed for ST eligibility due to the lack of information to verify the inclusion criteria. ENRE sent the resulting list of eligible users to the distributors, who in turn applied the ST to the corresponding electricity bills.
17. **The eligibility criteria had weaknesses.**¹⁰ First, the criteria for inclusion and exclusion result in the incorporation of some non-vulnerable households and the exclusion of some vulnerable ones. They include some groups such as formal workers and pensioners earning close to two minimum wages that are not among the most vulnerable, and neither did the criteria include low-income users who are informal workers or unemployed not entitled to social programs. Second, the criteria are formulated on an individual -instead of a household- basis, and therefore are not able to identify the vulnerability conditions accurately. As the identification mechanism (listing of service holders) does not incorporate information about all individuals residing at the same address, the eligibility conditions are verified only for the formal service holder. This information constraint translates into exclusion errors when the household member who qualifies for the ST is not the holder of the service; and into inclusion errors when other family members would be ineligible under the established criteria.
18. **There were also challenges to applying the eligibility criteria effectively.** The administrative records needed for verifying conditions are dispersed among different governmental agencies and government levels, making access and updates difficult. When SINTyS is not able to tap into these data sources in a timely and complete manner, there are difficulties in screening users and determining their eligibility. This is the case of tax information and property registries in charge of provinces. In addition, as previously noted, holders of electricity bills might not be the users. This could be due to owners’ records not being updated,

⁹ Simplified income tax regime, for small independents workers with very low income.

¹⁰ During 2017, the World Bank provided technical assistance to Jefatura de Gabinete de Ministros (JGM), as part of the government’s efforts to reassess the effectiveness of the ST in protecting vulnerable families. The analysis resulting highlighted the existence of potential targeting errors. See Annex 2 for a short description of the recommendations.



a recent change in the property ownership, or residents not owning their homes (i.e., they are tenants).

19. **The electricity ST scheme is estimated to be mildly pro-poor by design, with over half of the beneficiaries belonging to the bottom 40 and less than 2 percent from the richest decile.** Within the bottom 40, over two-thirds are estimated to qualify for the ST through social programs (mostly, Universal Child Allowance - AUH), while the remaining beneficiaries receive ST due to low wage earnings (10 percent) or pensions (19 percent).¹¹ In terms of amount, it is estimated that around 53 percent of the ST are accrued by the poorest two quintiles. The average ST discount reaches around 43 percent of the electricity bill, with a higher proportion for the worse-off households. This reduction in the bill represents around 4 percent of the incomes for those families in the poorest decile, while only 0.4 percent for those in the richest decile. Women represent 70 percent of ST users in PBA. Retirees and cash transfers beneficiaries are mainly women, who together count for 72.4 percent of ST users, women represent 68 percent and 83 percent of ST users in those categories, respectively. These shares correlate with eligibility criteria biased to women and based on the fact that women are overrepresented in vulnerable households.
20. **Starting in January 2019, the regulatory and fiscal responsibilities in the energy sector were transferred from the Federal government to provinces** (Law No. 27.469, *Consenso Fiscal*). This has resulted in the provinces having to commit additional resources for the payment of social electricity tariffs and requiring additional resources for regulation of the electricity sector. Provinces have assumed this delegation through provincial laws accepting *Consenso Fiscal* and including the attached fiscal commitments in their own budgets 2019.
21. **Most provinces maintained the existing targeting scheme though with different approaches.** PBA, CABA, Santa Fe, Mendoza, Entre Ríos, Jujuy, Catamarca, and Formosa, which combined represented 70 percent of federal ST users, applied the same eligibility criteria that were implemented at the federal level. The PBA committed to maintaining the federal electricity ST scheme, and allocated 0.88 percent of its 2019 budget to finance the electricity ST. In some cases, such as Jujuy, Mendoza and Catamarca, the transition was complemented with re-surveying existing ST users and attempted to improve targeting and identification of beneficiaries. Córdoba and Chaco, where 15 percent of federal ST users lived, designed a new targeting scheme for the electricity ST, with Córdoba (11 percent of ST users) also reducing by half the amount of the subsidy provided. Misiones has made changes on how the final discount is calculated. Finally, La Pampa and Corrientes discontinued the ST. Thus, most provinces show signs of responding to the new incentives by addressing targeting and financial challenges for the ST, using the tools and information available to each one of them to complement the efforts done at the national level.

Electricity Social Tariff in PBA

22. **ST management is currently fragmented among federal and subnational institutions, as electricity regulatory competencies have not been fully transferred.** The electricity distribution in the Buenos Aires Metropolitan Area has been regulated by ENRE, but in April 2019 the Buenos Aires province and the Autonomous City of Buenos Aires (CABA) agreed to create a new agency to replace ENRE and assume regulatory competences for distribution companies in AMBA. Thus, a bi-partite regulatory agency will

¹¹ Giuliano, Lugo, Masut, Puig (2019). "Distributional Impact of a Reduction of Energy Subsidies: The recent policy reform in Argentina". Estimates for the metropolitan area of Buenos Aires only.



replace ENRE, integrated by the subnational regulatory agency (Organismo de Control de la Energía Eléctrica de la provincia de Buenos Aires -OCEBA) and CABA who will share regulatory responsibility. Until the new agency is in place, ENRE will continue acting as the distribution regulator. In the PBA there are around 6 million electricity users, 61.6 percent of them located in the Conurbano.

23. **Currently, the administration of the electricity ST in the PBA involves different federal and subnational institutions, and an integrated monitoring system is lacking.** Data to identify electricity users is collected by the subnational regulatory agency OCEBA and the federal regulatory agency ENRE (38.5 and 61.5 percent of total users, respectively). Electricity consumption data is held by distribution companies and while ENRE compiles this information for EDESUR and EDENOR, OCEBA is starting to request this information to the distribution companies. Eligibility assessment for ST is in charge of the federal agency SINTyS, who provides the list of ST users to ENRE and OCEBA. Distribution companies claim ST subsidies to OCEBA and ENRE monthly, and then OCEBA and ENRE compile and inform the Directorate of Public Services for reimbursement to CAMMESA who is the distribution companies’ provider. Figure A2.1 in Annex 2 illustrates the ST information flow.
24. **Implementation challenges to applying the eligibility criteria effectively deal with the identification of beneficiaries through the users’ registry.** Around 28 percent of electricity users (1.7 million users) are not evaluated for ST due to incomplete information. These include electricity users who have not been screened due to missing information necessary to identify them (14 percentage points), and groups of whom the inclusion criteria, as defined in regulations, are not observable (14 percentage points) -i.e. their socioeconomic status could not be assessed. The ST reaches 23.5 percent of electricity users (1.4 M). Among these ST users, 19.2 percentage points corresponds to users who automatically qualify for ST according to SINTyS records. Thus, 4.3 percentage points of electricity users qualify for ST by exceptional mechanisms, i.e. following a grievance process where regulatory agencies determine those users’ eligibility for ST or being included due to *ad hoc* assessments of vulnerability populations.

Electricity users in PBA by access to Electricity ST

	Covered by ENRE		Covered by OCEBA					Total
	EDENOR	EDESUR	EDELAP	EDEA	EDEN	EDES	others	
Residential users	2,365,670	1,301,342	347,507	471,982	341,261	192,686	931,142	5,951,590
Users with ST	592,830	371,588	55,052	88,783	65,751	37,825	188,067	1,399,896
% ST of total users	25.1%	28.6%	19.1%	22.7%	19.9%	21.2%	22.2%	23.5%
<i>Distribution of ST users</i>								
% ST based on SINTyS	80.5%	77.2%	79.5%	79.3%	96.8%	92.3%	89.0%	81.7%
% ST included by exception of ST users	19.5%	22.8%	20.5%	20.7%	3.2%	7.7%	11.0%	18.3%
<i>% users not able to be assessed for ST by SINTyS</i>								
% unidentified of total users	15.6%	18.8%	14.5%	7.3%	6.6%	3.6%	10.9%	14.0%
% without socioeconomic information of total users	14.9%	14.8%	15.3%	12.6%	13.7%	15.6%	14.1%	14.0%

Source: ENRE and OCEBA, February 2019.

25. **The electricity ST handover from the federal to the provincial government does not include data management capabilities or specific arrangements for the transition, at least formally.** Technical knowledge, information, and data management capabilities at the federal level were not transferred. Most Provinces do not have experience in dealing with the management of the ST scheme and usually resources



committed to related activities are scarce. Institutional weakness includes a lack of integrated, transparent and equitable procedures for ST implementation.

26. **There is no discontinuity in the ST program during the transition phase, as it affects a large number of vulnerable households.** It is not feasible to suspend the program until potentially better institutional arrangements are set up, especially given the current economic context crisis. At the same time, this undefined transition opens opportunities for the provincial government to build a stronger, better designed and administered system, that would increase the efficiency and equity of the system in the mid-term.
27. **The PBA has some capacity to manage the ST scheme and represents a strong candidate to improve effective coverage of the electricity ST.** The transition positions PBA as a role model for other Provinces in managing the transition and administration of the ST. There are 1.4 million electricity users in the PBA included in the ST scheme. The annual subsidy amounts to US\$ 182 million, equivalent to 26 percent of all provincial spending on promotion and social assistance. The PBA has adequately trained and qualified staff both at the Provincial Directorates of Subsidies and Public Services and, also at OCEBA, who can handle the transition while the final institutional arrangements are defined. Advancements made by the PBA could turn into examples for other provinces to emulate, and spillover effects based on information are expected considering the potential of data sharing agreements and its integration to the broad policy making.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The development objective is to support the transition of the electricity social tariff scheme from federal to Buenos Aires provincial level, while strengthening the institutional capacity of the Buenos Aires province to implement ST delivery.

Key Results

- Institutional arrangements and regulations on ST administration approved by the provincial government
- Percentage of users with incomplete information in the database
- Percentage of ST users included via claims and *ad hoc* additional assessments mechanisms

D. Project Description

28. This Project will support the Province of Buenos Aires' authorities with the implementation and financing of the social tariff for electricity. The project will support in the short term the transition of the ST from the federal to the provincial government by strengthening the capacity of the PBA government to administer the ST, and to improve identification and monitoring of its beneficiaries. In the medium term, the developed institutional capacities will help the PBA to address major ST reforms.
29. The proposed lending instrument is a three-year investment project financing loan (IPF) that will finance the ST under a disbursement linked indicators (DLIs) component, and includes a technical assistance component that will disburse under regular procurement methods. The Project comprise three components.

Legal Operational Policies



	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

The proposed Project will neither finance nor supports any physical intervention. No rehabilitation or construction of new infrastructure or other actions having an impact on the environment will be financed through the Project. In this sense, the overall risks and potential adverse environmental impacts are considered not significant. Furthermore, the Project would entail valuable outcomes and recommendations for decision making related to the improvement in consumption behaviors in social tariff (ST) beneficiaries' households (energy efficiency).

The social tariff was introduced to mitigate the impact of subsidy reform. Although the scheme has eligibility criteria and requirements, there are weaknesses in the current ST system, which could be affecting users in greater need and, in addition, leaving space for more efficient use of the resources. Therefore, the main social risks are associated to the potential exclusion of vulnerable people who qualify and are in most need of the social tariff. There are several feedback channels available for users to complain if they have not been included or if they have been taken out of the ST roster. The Project will support the PBA to consolidate all these channels in a single Grievance Mechanism and to establish protocols with unified criteria and procedures to assess ST inclusion by claims and ad hoc mechanisms, including a consolidated time response and reporting procedures.

Note: To view the Environmental and Social Risks and Impacts, please refer to the Appraisal Stage ESRS Document.

E. Implementation

Institutional and Implementation Arrangements

30. The Project will be implemented through the **Provincial Directorate of Multilateral and Bilateral Financing (PDMBF) and the Directorate of Subsidies (DS)**, under the general coordination of the former. Both Directorates are under the Provincial Ministry of Economy. **PDMBF** will have a PMU which will manage a designated account. The PMU will also be responsible for the implementation of activities in component 2, while DS will be responsible for the implementation of technical activities in Components 1 and 3.
31. The activities in Component 1 will require a coordinated effort with other agencies (i.e. Provincial Directorate of Public Services, OCEBA and ENRE/Bipartite agency) which are also expected to cooperate with MoE, but they will not manage proceeds from the loan. The Provincial Directorate of Public Services (DPS) at the Ministry of Infrastructure and Public Services, will provide general support to the DS for the implementation of Component 1, the responsibilities assigned to the DPS will be described in detail in the Project's Operational Manual (OM).
Subcomponent 1.2 presents challenges in terms of implementation while implies inter institutional coordination with the DS, the DPS and the distribution companies which are diverse in terms of capacity.



The collection of identification of data through these companies will follow a gradual approach and require a proven track record of its implementation.

32. Activities with OCEBA and ENRE/Bipartite Agency will be supported by data sharing agreements between those regulatory agencies and the DS. Until the DLI is met and the agreements are in place, information will continue be exchanged as explained in Annex 2 and described in the OM. The PMU is already established and will be responsible for carrying out the corresponding procurement processes and for all the financial reporting. The processes and procedures governing project implementation will be outlined in detail in the OM.
33. For Component 2, disbursements can only happen upon achievement of disbursement linked **indicators (DLIs)**. Disbursement requests will be elaborated by the PDMBF's PMU. The verification of the compliance of DLIs will apply the following criteria: a) non-scalable DLIs will be subject to PMU verification of compliance; and b) Scalable DLIs will be subject to an external entity (consulting agency or individual consultant) verification of coverage results using evidence sources, every six months, in the first two years of implementation, according to what is established in the Project's OM.
34. The PMU, in coordination with the DS and the DPS, would also be responsible for the environmental and social risk management of the Project. Accordingly, to strengthen the capacity to meet the objectives of the WBG Environmental and Social Standards, a specialist will be incorporated as liaison between areas. The detailed institutional arrangement for Project implementation will be included in the OM.

CONTACT POINT

World Bank

Marcela Ines Salvador
Sr Social Protection Specialist

Borrower/Client/Recipient

Province of Buenos Aires

Implementing Agencies



Provincial Directorate of of Multilateral and Bilateral Financing
Julian Amendolaggine
Provincial Director of Multilateral and Bilateral Financy
jamendolaggine@gmail.com

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Marcela Ines Salvador
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Approved By

Environmental and Social Standards Advisor:		
Practice Manager/Manager:		
Country Director:		