



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 01-Feb-2017 | Report No: PIDISDSA19741



BASIC INFORMATION

A. Basic Project Data

Country Argentina	Project ID P159929	Project Name Integrated Habitat and Housing Project	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 12-Jan-2017	Estimated Board Date 27-Feb-2017	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Lending Instrument Investment Project Financing	Borrower(s) Republic of Argentina	Implementing Agency Secretaria de Vivienda y Habitat	

Proposed Development Objective(s)

The proposed Project's development objectives are to: (i) increase access to formal housing for eligible households; and (ii) improve living conditions for households in selected precarious urban settlements.

Components

Increased Access to Formal Housing
Integrated Habitat Improvement
Institutional Strengthening
Project Management
Front End Fee

Financing (in USD Million)

Financing Source	Amount
Borrower	6.00
IBRD-87120	200.00
Total Project Cost	206.00

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue



B. Introduction and Context

Country Context

1. **After taking office in December 2015, the new Argentine Government moved with significant speed to implement reforms.** The Government has rapidly implemented various macroeconomic reforms and initiated a program of structural reforms. These include inter alia (a) the elimination of export taxes on major crops, beef, and most industrial manufacturing products and the reduction by 5 percent of export taxes on soy; (b) unification of the exchange rate, effectively ending most foreign exchange restrictions; (c) moving from a system of discretionary to automatically provided import licenses in line with World Trade Organization procedures; (d) resolution of the dispute with holdout creditors; and (e) measures to enhance public transparency and accountability. In addition, the National Institute for Statistics launched a new inflation index and improved the overall quality of statistics. Electricity tariffs and transport fees were increased to reduce subsidies, while protecting low-income users with a social tariff. Broader efforts to reduce energy subsidies (which account for a large portion of fiscal deficit) are under way.

2. **Economic activity is estimated to have contracted in 2016, but growth is expected in 2017.** Economic activity is estimated to have contracted by 2.3 percent¹ during 2016, taking a toll on labor markets, where 92,000² formal private sector jobs were lost since October 2015 (1.5 percent of total employment). However, the economic contraction has been decelerating during the second semester of 2016 and economic growth is expected in 2017 (+2.7 percent³) on the assumption that the positive impact of recent policy changes kicks in and the global economy recovers. The median estimate for inflation for 2016 is 40 percent⁴, mostly due to currency depreciation and the reduction of energy and transport subsidies. However, inflation has decelerated since August 2016. The central government primary deficit in 2016 was in line with the target established (-4.8 percent). Fiscal consolidation in 2017 will be more gradual than originally planned due to increased social spending, including the adjustment of pension transfers.

3. **The Argentine Government has made important steps to address the key macroeconomic imbalances with the objective of creating an environment conducive to economic growth and employment creation.** Argentina offers many opportunities in a weak global environment, and there is a strong interest from foreign investors and firms. Going forward, Argentina aims to continue building a growth enabling policy framework to enhance credibility and support broad based growth and quality employment. In particular, the following policies will be important to permanently reduce inflation and put Argentina on a sustainable growth path: (a) increase public spending efficiency as well as its efficacy and reduce the fiscal deficit in line with government targets; (b) continue fostering the credibility of the Central Bank so that monetary policy can further anchor inflation expectations; (c) strengthen

¹ Source: World Bank Group. 2017. *Global Economic Prospects, January 2017 Weak Investment in Uncertain Times*. Washington, DC: World Bank. doi:10.1596/978-1-4648-1016-9.

² Source: *Ministerio de Trabajo, Empleo y Seguridad Social*

³ Source: World Bank Group. 2017. *Global Economic Prospects, January 2017 Weak Investment in Uncertain Times*. Washington, DC: World Bank. doi:10.1596/978-1-4648-1016-9.

⁴ Source: *Banco Central de la República Argentina*. 2016. *Resultados del Relevamiento de Expectativas de Mercado (REM)*, December 2016.



competitiveness and productivity through an improved business environment and investments in infrastructure and increasing competition in markets and improving the regulatory framework in sectors; (d) continue strengthening the credibility of official statistics; and (e) continue improving the provision of public goods (including transportation, health, and education) and reducing regional disparities.

4. **A decade of falling poverty and inequality trends, started to slow down in 2012 and eventually reversed in the last four years.** While the poverty rate (measured at \$4-a-day) had more than halved between 2006 and 2013 –from 24 to 10.8 percent, by the second quarter of 2016, 13.2 percent of Argentines were poor (measured at \$4-a-day). Similarly, extreme poverty (measured at \$2.5-a-day) had fallen to 4.4 percent in 2013 but then reached 5.1 percent of the total population in 2016. Income inequality, which had fallen from a high level of 0.48 of the Gini coefficient to 0.42 by 2012, also increased, albeit mildly, and now stands at 0.43. These recent trends are the result of a decline in real income of the bottom forty percent of the population (and to a larger extent than for the rest of the population). Until 2012, incomes of the bottom forty grew twice as fast as for the population as a whole. After having suspended poverty measurement in 2014, Argentina’s National Statistics Office (INDEC) resumed measuring and publishing poverty data in September 2016. According to the new national poverty line, 32.2 percent of Argentina’s population lives in poverty today.

Sectoral and Institutional Context

5. **Argentina’s housing deficit increased during the last decade and the sector has been dominated by limited provision of public housing.** Around 230,000 households are formed every year, yet the formal market is only able to produce an estimated 190,000 housing units annually. As a result, every year, the deficit (which already affects 29 percent of total households), continues to increase. Almost two thirds of this deficit is qualitative (units built with precarious materials, without access to basic services and/or without tenure security), yet the quantitative deficit (households living in overcrowding conditions, or in unrecoverable dwellings) has been increasing at a higher rate in recent years (44 percent) mostly due to lack of access to housing finance. High nominal interest rates inhibited the provision of long term housing finance from the private sector (even for middle-income households) as inflation-indexed lending was unavailable until recently. As a consequence, the value of mortgages as a proportion of GDP has steadily declined (from 4 percent in the early 2000s to 0.6 percent in 2015)⁵ and only 12 percent of bank transactions are related to housing finance. The result has been a stagnant housing sector dominated by a limited provision of public housing (directly or through the provision of subsidized housing finance from public banks) which has limited access and affordability⁶.

6. **The housing deficit combined with domestic and international migration to urban centers has led to the proliferation of informal settlement with limited access to basic services.** Approximately 18 percent of the population in the country lives in informal settlements (“*villas*” and “*asentamientos urbanos*”) and 24 percent of these settlements are less than 10 years old. This trend contrasts with many other countries in the Region, which have managed to increase housing supply and contain the proliferation of informal settlements. In 2010, 1 in 4 households in these areas lacked access to the

⁵ National Statistics and Census Institute (*Instituto Nacional de Estadística y Censos*, INDEC), 2016

⁶ Recent studies have suggested that under current market conditions only 10 to 20 percent of the population would have access to housing through traditional financing.



water network, and 1 in 2 households lacked access to both water and sanitation networks. In addition, the likelihood of not having waste collection services is 5 times higher for residents in informal settlements and 40% of households in these settlements are less than three blocks away from an open dumpsite⁷.

7. **The low socio-economic indicators and lack of social services in informal settlements is a major barrier to inclusive growth.** On average, only one third of adults aged 25 in informal settlements have completed high school, compared to three quarters nationally. Unemployment and underemployment are common and job opportunities are often limited to informal sector jobs. In addition, infant mortality is 25% higher than the national average; violent death of teenagers is three times the national average and the incidence of tuberculosis is four times the national average. Although the needs are high, households living in precarious urban settlements lack social and community services, including health care, day care for children, green areas, schools, recreational activities and community centers. This lack of access to services reinforces the vicious cycle of poverty and inequality, leads to social divisions, and prevents households to be fully included in the formal economy.

8. **The National Housing and Habitat Plan (*Plan Nacional de Vivienda y Hábitat*) contains a two pronged strategy to increase access to housing and reduce the proliferation of informal settlements.** The recently launched Plan includes a US\$ 6.4 billion investment program to be implemented between 2016 and 2019, which aims to provide over a 1 million housing interventions by 2019 (tackling both quantitative and qualitative deficits). The Plan, to be implemented by the Secretariat of Housing and Habitat (*Secretaría de Vivienda y Hábitat, SVH*) of the Ministry of Interior, Public Works and Housing (*Ministerio del Interior, Obras Públicas y Vivienda, MIOPV*) includes a new program to increase access to affordable formal housing to address the unmet demand for housing that causes the growth of informal settlements (*the flow*); and specific programs to improve the living conditions of those currently living in precarious settlements (*the stock*). The proposed Project will support these two initiatives through providing financing for the following programs:

9. **The Housing Solution Program (*Programa Solucion Casa Propia, SCPP*), represents a policy shift from public housing provision into a more sustainable system which leverages private sector financing and household savings.** Before 2016, the most important national government housing program, Argentina's Bicentenary Credit Program (Pro.Cre.Ar), focused on government-led supply of housing units and interest rate subsidies for housing acquisition or construction. Pro.Cre.Ar. has been phased out⁸; instead, a demand-side up-front subsidy program was introduced, with the World Bank's technical assistance. The new scheme, to be operated by the Under Secretariat of Urban Development and Housing (*Subsecretaria de Desarrollo Urbano y Vivienda, SSDUV*), will provide a lump-sum subsidy linked to a mortgage loan from the open market to eligible households to improve affordability for the purchase of a housing unit. The new SCPP, builds upon the recent legal introduction of indexed lending, which enables the provision of mortgage loans with lower real interest rates, making the repayment more feasible for many.⁹ The Bank's support to the new Program is important by contributing technical

⁷ Building Clean and Inclusive Cities in Argentina, World Bank, 2016.

⁸ For details on Pro.Cre.Ar see Box A1-1 in Annex 1.

⁹ Law S-976/16, August 2016. With nominal interest rate loans priced around 25 percent, nominal mortgages are today unaffordable for many households. The amortization schedule for real interest rate lending maintains



capacity and lessons learned from international experiences, as well as to provide credibility to the SCPP in the medium term.

10. **Under the National Housing and Habitat Plan, investment programs in precarious settlements will be consolidated, mainstreamed into the Under Secretariat for Habitat and Human Development (*Subsecretaría de Hábitat y Desarrollo Humano, SSHDH*)’s priorities and functions and scaled up.** There have been a variety of programs¹⁰ in Argentina using multi-lateral and federal funding sources to support investments in precarious urban settlements. As part of the National Housing and Habitat Plan, the SSHDH is seeking to consolidate these programs and build on their successes by aligning the SSHDH’s institutional priorities and functions to deliver better results with significantly higher levels of investment. The number of interventions per year will be increased by an order of magnitude; methodologies for investment development and design used in these programs have been adjusted and applied more systematically; and a reorganization has taken place in the SSHDH to include in their core functions, task related to the management of these investments. The SSHDH plans to roll out this new institutional structure over next two years.

C. Project Development Objective

The Project Development Objective (PDO) is to: (i) increase access to formal housing for middle income households; and (ii) improve living conditions for households in selected precarious urban settlements.

Key Results

11. The Project will directly benefit: (i) an estimated 3,000 middle-income households with access to formal housing; and (ii) an estimated 18,000 households in selected precarious settlements with improved living conditions.

12. Component 1 will target households with formal income between 2 and 4 Minimum Wages (MW¹¹), which currently cannot access a housing unit. Component 2 will support households (typically below 2 MW) living in precarious settlements. A characterization of the expected segments of the population that can benefit from the Project is presented in the below Figure 1 and in more details in the Table A1-1 included in Annex 1.

D. Project Description

13. The Project will support the implementation of the Government’s National Plan for Housing and

constant real payments, whereas nominal loans maintain constant nominal payments. This difference leads to greater affordability in the early years of the loan.

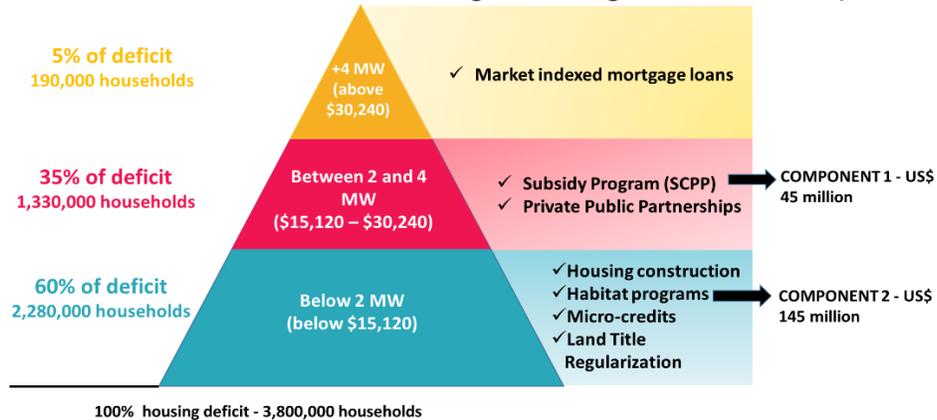
¹⁰ These programs include the National Neighborhood Improvement Program (PROMEBA I, II and III); the Social Development Program in Border areas of the Northeast and Northwest (PROSOFA I and II), the Program for Housing and Basic Infrastructure Improvement (PROMHIB), and the Potable Water, Social Help and Basic Sanitation (PROPASA) and Rosario Habitat. The PROMEBA program in particular has used Inter-American Development Bank (IADB) financing to provide US\$852 million in financing for neighborhood improvement and cumulatively benefitting 200,000 people.

¹¹ The Minimum Wage refers to the *Salario Minimo Vital y Movil*, which is currently AR\$8,060. The income bracket is between US\$991 and US\$1,983.



Habitat, which aims to advance policies to increase access to affordable formal housing (Component 1), thereby preventing the creation or expansion of slums; and improve the living conditions in existing precarious urban settlements (Component 2),. A schematic diagram of how Components 1 and 2 are framed under the GOA’s Plan is included in Figure 1 below. A detailed Project description is included in Annex 1.

Figure 1: Overview of the Government’s Integral Housing and Habitat Plan (2016-2019)



14. **Component 1: Increased access to formal housing (US\$ 45 million, 100 percent IBRD financing).** This component will support the roll-out of the first nation-wide demand-driven housing subsidy program, the *Solucion Casa Propia* Program (SCPP). To improve affordability to purchase a housing unit, the SCPP finances an up-front subsidy for eligible households earning between 2 and 4 MW. The SCPP follows the ABC scheme (*Ahorro, Bono, Credito* or Saving, Subsidy and Mortgage) where beneficiary households receive an upfront subsidy to supplement their savings, and a mortgage loan from a financial institution (public or private).

15. To be eligible for support, participants must be formally-employed, earn between 2 and 4 MW, and not be homeowners. Applicants must also have been in the same job for at least one year, and have a good credit score. To reduce the risk of fraud, facilitate cross-referencing, and increase synergies with other poverty alleviation programs, the eligibility criteria were designed in coordination with the Social Security Administration (*Administración Nacional de Seguridad Social, ANSES*), the Central Bank (BCRA), and the Internal Revenues Administration (*Administracion Federal de Ingresos Publicos, AFIP*). A scoring system was created to prioritize eligible households, given the limited funds and elevated demand. The scoring is performed based on socio-economic criteria including: applicant’s age; demographic characteristics of the household (e.g. number of children); members of the household with a disability; social benefits received¹²; and whether the person has previously applied to the Program.

16. The subsidy amount depends on the demographic composition of the household and house price (e.g. a smaller subsidy for higher price units), and has been calibrated to cover around 10 to 30

¹² These include most social programs implemented by ANSES, supporting: vulnerable families for each child below 18 years old and enrolled in school (*Asignacion Universal por Hijo*); unemployed or vulnerable pregnant women (*Asignacion Universal por Embarazo*); unemployed students between 18 and 24 (*Progresar*); low income families privately employed (*Sistema Unico de Asignacion Familiar*); and low income families with no access to gas services (*Plan Hogar*).



percent of the value of the house (see Table 1). The Program offers a relatively high subsidy amount (in particular compared to other countries in the Region) given: (i) the very high prices of real estate in the country, as supply has decreased in the last decade; (ii) the fact that the SCPP intends to act as a powerful incentive for banks and developers and will be operating initially in the absence of a real housing finance market for the eligible income bracket, and (iii) the high construction costs which are partially due to high building standards for affordable housing. It is expected that in the medium term, as developers and banks return to the affordable housing segment, the subsidy amount and eligibility parameters will be gradually calibrated down-market¹³.

Table 1: Subsidy amount (AR\$)

House price:	Equal or below AR\$1 million	Above AR\$1 million and equal or below AR\$1.5 million
Demographic situation		
Without dependent children	200,000	100,000
With dependent children	300,000	200,000

17. Selected beneficiaries apply for an indexed mortgage loan in one of the participating banks (currently 14 banks are participating under the Program) and select a house in the open market.¹⁴ The house should meet the subsidy program’s parameters in terms of price and quality and the bank’s requirements for mortgage origination (i.e. a third party appraisal is mandatory for mortgage financing). The subsidy is only disbursed at the time of the purchase when the deed is signed and registered. The alignment of the subsidy design with the mortgage loan product helps to ensure efficiency and reasonableness of price.

18. **Component 2: Integrated habitat improvement (US\$ 145 million, 100 percent IBRD financing).** This component will finance subproject interventions in precarious urban settlements that meet basic eligibility criteria. These criteria are described in Table 2 below. Five urban agglomerations (Greater San Miguel de Tucumán, Greater Cordoba, Greater Mendoza, San Salvador de Jujuy - Palpalá and Mar del Plata-Batán) have been initially selected as areas for intervention. These were chosen on the basis of: (i) ensuring the inclusion of lower income provinces and municipalities in the North consistent with the CPS’s strategic goal of increasing financial flows to these areas; (ii) allowing a diverse geographic distribution so as to provide a representative sample of agglomerations in the country and ensure that benefits reach a diversity of regions; and (iii) helping facilitate execution by using implementing agencies with experience under PROMEBBA or with other Multi-lateral lending Projects.

19. The geographical scope of Component 2 may be expanded to include subprojects in more of the 31 main urban agglomerations in the country and for this purpose it is expected that between 5 and 10 additional provincial or municipal executing agencies may be included in the program. These could be added provided there is demand for eligible subprojects in eligible precarious urban settlements that are prioritized by SSHDH and upon confirming adequate capacity exists in the provincial or municipal

¹³ International experience shows that market-related housing subsidies need to start addressing the affordability gap at the margin; that is where the affordability becomes a problem (at the point where the population in that decile is not able to buy the cheapest formal house in the market). In Argentina unfortunately, currently this bracket is relatively high given high prices and in particular, the absence of long term finance.

¹⁴ More details on the recently issued indexation mechanism are included in Annex 1.



executing agency (see Annex 2 for details on the criteria and process). A list of potential subprojects is included in Annex 1.

Table 2: Eligibility Criteria for Precarious Urban Settlement Interventions

Criteria	Definition / Source
Located in an urban agglomeration	As defined by INDEC (<i>Encuesta Permanente de Hogares</i>)
Index of quality of living conditions in the settlement is lower than the average for the agglomeration.	INDEC - <i>Calidad de la Situación Habitacional</i>
Minimum size of the settlement is 200 households.	Subproject description (<i>Ficha de Subproyecto</i>)
The beneficiary population at the time of identification has an average time of residency of 4 years.	Subproject description (<i>Ficha de Subproyecto</i>)
Land where the settlement is located is Public or it can be legally subdivided and transferred to households.	As confirmed by the local land authority; to be included in the subproject description
Settlement area is included in the local territorial plan and land use is consistent urban development plan	As confirmed by the municipality; to be included in the Subproject Description
Settlement is located in hazard-free area or where risk can be mitigated at reasonable cost	Based on the available official hazard maps provided by the competent national or local agency

20. Each subproject will aim to transform the settlements both physically and socially, through integrated interventions to provide secure legal tenure, access to basic services, public spaces, community infrastructure, and social programs. The design and implementation of each subproject will be done in a participatory manner and with the GOA, civil society and private sector service providers, leveraging existing programs and services. This component will specifically finance the following investments:

21. *Provision of infrastructure for basic services:* The Project will finance the provision of infrastructure and technical assistance for basic services in Selected Precarious Urban Settlements, through: (i) the carrying out of the design and implementation of integrated package of works, including potable water, storm drainage, gas distribution networks and electricity connections; (ii) the carrying out of infrastructure to connect houses to the existing main water, wastewater and drainage and/or electricity networks, as the case may be;

22. *Provision of infrastructure for improved public spaces and community infrastructure:* The Project will finance the provision of infrastructure including: (i) street lighting; (ii) road and pedestrian paths; (iii) improvement of public spaces and green areas; (iv) environmental mitigation works in respect of said infrastructure; and (v) community, recreational and social service facilities;

23. *Support for Human Development Activities:* The Project will finance out the carrying out of human development activities, including: (i) activities to promote community and civil society participation in the subproject design and implementation; (ii) design and implementation of community social, economic and cultural programs (iii) establishment and startup of community centers; (iv) provision of legal and logistic support to strengthen community based organizations and community activities; and (v) the provision of support to interdisciplinary field teams.

24. *Support to improved security of land tenure:* The component will finance the provision of legal assistance for parcel formalization, including an analysis of the applicable legal and regulatory



framework related to land tenure, and the carrying out of measurement plans, physical demarcation, cadastral incorporation of new plots and activities (including administrative support), to facilitate the physical and legal regularization of land parcels.

25. **Component 3: Institutional Strengthening. (US\$11 million, of which US\$9 million IBRD financing and US\$2 million Borrower contribution).** The objective of this component is to strengthen the institutional capacity of the Federal, Provincial and Municipal Governments in the housing, habitat and urban sectors. This component will finance the provision of support to strengthen SVH's capacity to: (a) assess and reform the existing national-level housing initiatives, through provision of technical assistance and sharing of international experiences; (b) design and implement an evaluation study for SCPP; (c) design and implement a management, operational and reporting system for federal housing programs; (d) strengthen land regularization processes, improving urban design and sustainability of basic services and improving economic, cultural and social aspects of the subprojects under component 2, and (e) strengthen capacity of national and local governments on Sub-project preparation, in line with the National Urban and Habitat Plan lead by the SSHDH.

26. **Component 4: Project Management (US\$4.5 million, of which US\$0.5 IBRD financing and US\$4 Borrower contribution)** This component will finance Project management and the monitoring and evaluation of Project results including: (a) carrying out the Project audits; (b) conducting outreach campaigns to dissemination of the Project; (c) carrying out mid-term and final impact evaluation surveys in order to evaluate the Project's impacts; (d) technical support on procurement, safeguards and financial management requirements, including the hiring of the UCN staff; and (e) Operating Costs.

E. Implementation

27. The SVH through the National Coordinating Unit (*Unidad de Coordinación Nacional*, UCN), and the technical support of the SSDUV and the SSHDH, will be responsible for Project implementation at the national level. The UCN will be in charge of implementing all fiduciary processes and will be led by an Executive Coordinator.

28. **Component 1: Increased access to housing.** The SVH, through and with technical support from the SSDUV, will be responsible for the implementation of Component 1. The SSDUV heads the Pro.Cre.Ar's Executive Committee, which defines the Program's operational rules and processes. Other members of the Committee include ANSES; the Ministry of Finance; the Ministry of Production, and the Agency for Public Goods Administration (AABE).

29. The SVH has signed two cooperation agreements to enable Project implementation:

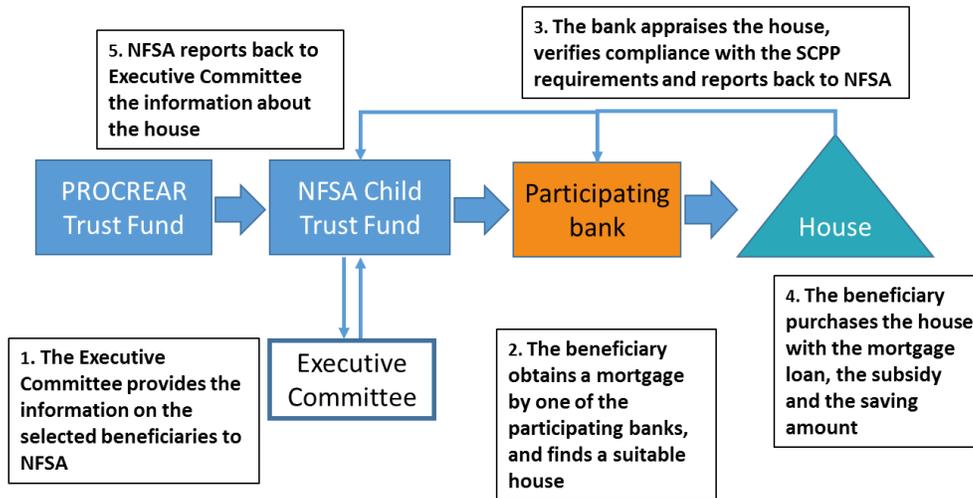
- A cooperation agreement between the SSDUV and the Executive Committee of Pro.Cre.Ar to ensure compliance with Bank obligations for the Project's funds;
- A cooperation agreement between SSDUV, the trust fund *Nación Fideicomiso* (NFSA) and the participating banks to ensure compliance with Bank anticorruption and governance norms for the Project's funds.

30. The Program will rely on the existing institutional set-up used for the Pro.Cre.Ar program, which includes a series of pass-through trust-funds to manage and disburse the funds. The SCPP will be



operated through a special-purpose trust fund (NFSA), which receives instructions from the Executive Committee (the list of beneficiaries, including all the information required to perform the verifications). NFSA as financial agent of the SCPP is responsible for the signing of cooperation agreements with all the banks participating in the Program, providing them with management systems and capacity building, and preserving and reporting to the Executive Committee all information on deeds, mortgage agreements, and disbursement issued. Participating banks, as per agreement signed, are responsible for: (i) providing all the explanatory information to the beneficiaries, and advising on the characteristics and conditions of the mortgage loan; (ii) participating in the SCPP dissemination; (iii) verifying and monitoring compliance with the eligibility criteria by the beneficiaries; and (iv) informing the NFSA and the Executive Committee when the debtor has manifested the intention of selling the property within the 3 years from purchase. Participating banks are also required to reimburse the subsidy funds to NFSA in cases where the mortgage and deed are not finalized. A map of actors and responsibilities is detailed in Table A2-1 in Annex 2. The subsidy application and award process is schematically shown in Figure 2 below.

Figure 2: Schematic of the current SCPP operation



31. **Component 2: Integrated Habitat Improvement.** The SVH, through and with technical support from the SSHDH, will have overall responsibility for the component, and will execute the subprojects in a decentralized way in partnership with local provincial or municipal executing agencies (“local executing agencies”)¹⁵. A detailed description of the implementation roles is presented in Annex 2.

32. Through the UCN, and with technical support from SSHDH, the SVH will have overall responsibility for the execution of the component including preparing annual work plans; preparing procurement plans; approval of local executing agencies activities related to subproject development and execution including eligibility, design, procurement and contracting processes; transfer of funds to local executing agencies; management of the designated account and auditing; and reporting on progress and outcomes and compliance with the operations manual and in accordance with Bank

¹⁵ Local executing agencies are typically provincial or municipal housing governments, through for example the provincial housing institutes or the municipal works departments.



policies. The technical, environmental and social review and supervision of the local executing agencies' subproject activities and monitoring and evaluation will rely on the relevant sector departments within SSHDH. They will undertake the technical supervision and review during the entire subproject cycle including advising the local executing agencies in the identification and elaboration of subprojects; reviewing subproject documentation during project preparation; advising and reporting on the technical, social and environmental issues in subprojects during the execution and post-work phases; and component monitoring and evaluation.

33. SVH signs framework agreements with Provinces for the execution of subprojects. These frameworks govern the general conditions of sub-national execution. As per these agreement, UCN transfers funds to local executing units to implement subprojects. Local executing agencies will be responsible for identifying and preparing subprojects; procurement and contract supervision for the execution of the subproject works, goods and consultants; and ensuring coordination for the transfer and maintenance of the subproject infrastructure. The local executing agencies will contract a multidisciplinary field team to assist in the community outreach, supervision and execution and will form a Management Working Group comprised of the subproject stakeholders, including service providers, government institutions, NGOs and community representatives that will build consensus and provide guidance on subproject preparation and execution.

34. **Component 3: Institutional Strengthening & Component 4: Project Management.** These components will be implemented by the SVH, in close coordination and with technical inputs from the SSDUV and SSHDH.

Flow of funds

35. **Component 1** will operate through the reimbursement of funds originally pre-financed by the Government under the SCPP. These funds will be transferred from the National Treasury to the *Fideicomiso PROCREAR* and then to NFSA. NFSA will then transfer the subsidies to the commercial banks participating in the program. At the end of the cycle, SSDUV will select the eligible beneficiaries and the UCN will request the reimbursement of funds to the World Bank. These funds will be deposited into the Project's Designated Account (DA).

36. **For Components 2**, the World Bank will provide advances of funds into the DA operated by the UCN within SVH. The funds will be transferred from SVH to the local executing agencies, which will open specific bank accounts for the operation of the project in order to make payments for infrastructure, technical assistance and training.

37. **For Components 3 and 4** the Bank will provide advance of funds into the DA operated by the SVH. Under Component 3 the funds will be used directly by the SVH for technical assistance and training activities. Under Component 4 the funds will be used directly by the SVH to pay for administration activities, such as audits. A diagram describing the Project's flow of funds included in Annex 2.



F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

Activities under Component 2 will be executed in disadvantaged neighborhoods to be defined in Gran San Miguel de Tucumán, Gran Córdoba, Gran Mendoza, Mar del Plata-Batan, and San Salvador de Jujuy-Palpalá. No environmentally sensitive natural habitats or areas are present that could be directly affected by the Project interventions. No known or suspected archeological sites have neither been identified.

G. Environmental and Social Safeguards Specialists on the Team

Santiago Scialabba, Tuuli Johanna Bernardini, Carlos Alberto Molina Prieto

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>OP 4.01 is triggered since the Project activities under Component 2 will generate both negative and positive environmental and social impacts in the areas of influence in the targeted neighborhoods that will be selected during Project implementation.</p> <p>The Project will provide critical benefits to low-income inhabitants of the biggest metropolitan areas of Argentina. In particular, it aims at improving the living conditions in existing precarious urban settlements, while at the same time advancing policies to prevent creation of new ones and expanding existing precarious urban settlements, by gradually increasing access to affordable formal housing.</p> <p>The projected basic infrastructure interventions will comprise of water supply and sanitation, drainage, electricity, gas, public lighting, paved roads, and public and/or green spaces. Given the nature of these physical interventions and the type of the targeted areas, the works are expected to be small-to-medium scale with associated potential adverse environmental and social impacts. Said impacts will</p>



be limited to the site-specific areas of influence of the works and can be managed through standard mitigation measures and good practices, including careful measures for occupational and community health and safety. These impacts are not expected to be irreversible, diverse, significant or unprecedented and they are not located in environmentally sensitive areas. Consequently, the Project is considered Category B.

Since specific physical interventions (subprojects) will only be determined during Project implementation, the Secretariat for Housing and Habitat (SVH) has developed an Environmental and Social Management Framework (ESMF), aligned with both the national legislation and the World Bank Safeguards Policies, to set forth the tools and mechanisms the Project will apply for environmental and social assessment and management of the subprojects, once the same have been determined. Each subproject will have an Environmental and Social Management Plans (ESMP) consistent with the type and scale of the potential impacts.

The ESMF has been disclosed in-country and by the World Bank and consulted in four of the identified urban agglomerations as presented in further detail under item 5 below.

Natural Habitats OP/BP 4.04	No	OP 4.04 is not triggered since Project interventions will take place in urban areas where land has already been converted: the Project does not require significant conversion of natural habitats or critical natural habitats and will not impact protected areas or ecologically sensitive sites. In every case, the environmental assessment of the subprojects will address non-critical natural habitats.
Forests OP/BP 4.36	No	OP 4.36 is not triggered since Project interventions will take place in urban areas where land has already been converted: there are no forest areas nor forest-dependent communities that could be significantly converted/impacted or affected by the Project activities. The Project will neither involve any forest management activities.
Pest Management OP 4.09	Yes	OP 4.09 is triggered since diverse construction works in precarious/disadvantaged settlements may



require preparation of pest management plans, particularly to approach cleanup of rats' nests, should this be an activity within the Project as part of urban upgrade works and/or resettlement. The application of OP 4.09 is covered under the ESMF. Any use of pesticides under the Project would follow applicable good practices, including integrated pest management as relevant. The Project will not finance or allow use of pesticides of categories not permissible under OP 4.09 or by national legislation.

Physical Cultural Resources OP/BP 4.11 Yes

OP 4.11 is triggered since the Project will involve construction activities that will entail excavations, demolition, and soil movements. Thus, there is a potential for chance finds of physical cultural resources. As part of the EA processes, specific procedures to avoid impacting physical cultural resources in case of chance finds are included in the ESMF.

Indigenous Peoples OP/BP 4.10 Yes

The Project extends across the regions of the country, and indigenous peoples are present in Argentina (about 2.5 percent of the population). Argentina is a multicultural country with a notable presence of indigenous and afro-descendants populations, and the majority of these populations (close to 80 percent) live in urban areas.

OP 4.10 is triggered mainly to ensure that: (i) indigenous people groups are afforded opportunities to participate in planning that affects them; (ii) opportunities to provide such groups with culturally appropriate benefits are considered; and (iii) any project impact that adversely affects them is avoided, or otherwise minimized and mitigated.

Since specific physical interventions (subprojects) will only be determined during Project implementation, the SVH has developed an Indigenous Peoples Planning Framework (IPPF).

The main objective of that IPPF is to set forth the adequate mechanisms to make sure that information is available and accessible to guarantee free, prior and informed consultation and participation instances in a culturally appropriate manner for indigenous communities and



organizations identified during the design and implementation of the Project.

The IPPF was consulted together with the ESMF and the RPF in four of the identified urban agglomerations. The IPPF was included as an integral part of the Project’s ESMF and Operational Manual as an Annex. Consultation process was validated with representatives from the National Institute of Indigenous Affairs (INAI) who also reviewed the document and provided comments. All feedback obtained during consultations was integrated into the final version of the instrument that was published in country and through the World Bank’s external webpage on January 12, 2017.

Once the works under Component 2 have been defined, the PIU will prepare a specific Indigenous Peoples Plans (IPPs) to guide processes both in design and implementation phases of each subproject, in order to protect indigenous peoples rights while minimizing any potential negative impact, and in particular, supporting the maximization of positive ones. IPPs will be prepared, consulted and disclosed before the beginning of any Project activity.

OP 4.12 is triggered since subprojects under Component 2 may imply involuntary resettlement of direct beneficiaries and other stakeholders.

Since specific location for works under this Component have not been defined yet, the client has prepared a Resettlement Policy Framework (RPF) that would guide the preparation of specific Resettlement Action Plans (RAPs) for works that may imply involuntary resettlement.

In addition, TA activities under Component 3 on Strengthening the Secretary of Housing and Habitat and their counterparts at the local level will be consistent with the principles of OP 4.12 to avoid potential downstream impacts.

OP 4.37 is not triggered since the Project activities will not include construction or rehabilitation of dams nor other interventions which rely on the

Involuntary Resettlement OP/BP 4.12

Yes

Safety of Dams OP/BP 4.37

No



		performance of existing dams.
Projects on International Waterways OP/BP 7.50	Yes	OP 7.50 is triggered as some of the investments in water supply and sewerage networks are expected to be located in international waterways. The Project however falls under the exemption of the notification requirement to riparian countries as the Project activities involve only minor alternations to ongoing water schemes that (i) will not adversely change the quality or quantity of water flows to the other riparians; and (ii) will not be adversely affected by the other riparians' possible water use. Key Project documents include a negative list of activities not eligible for financing under the Project, including provisions to ensure consistency with the exception of the notification requirement under OP 7.50.
Projects in Disputed Areas OP/BP 7.60	No	OP 7.60 is not triggered because the Project will not be implemented in areas known to involve disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Environmental and social challenges affecting the targeted neighborhoods are plenty: (i) poor solid waste and waste water management; (ii) proneness to flooding and land instability that combine negatively with inadequate construction materials and practices; (iii) poor hygienic conditions cause odors and presence of rodents and pests; (iv) stray dogs and presence of minor livestock also challenge overall hygiene and environmental safety; (v) illegal connections to electric grid in and outside of houses generate risks of electrocution and fire; and (vi) these settlements are disproportionally affected by crime and violence.

Component 1 is considered with no environmental safeguards implications as the subsidy facilitates access to existing housing; it does not finance construction. Securing the basic health and safety (H&S) standards of the housing accessed through the Project relies on the prevailing system applied by the credit agencies to guarantee soundness and viability of the accredited investments. The SSDUV perceives no concern related with said system, and establishing additional controls would go beyond its scope and capacity of action. Component 3 on institutional strengthening provides the enabling environment for the formulation and implementation of the activities under Components 1 and 2; training and strengthening of the government teams at the central and local level.

The Project has been categorized as 'B' in accordance with the OP 4.01 due to impacts of works under Component 2. Overall, Component 2 will result in positive environmental impacts, including an improved urban environment, H&S conditions, and basic services in the beneficiary neighborhoods. The planned interventions will, however, include small to medium scale infrastructure with environmental impacts that are expected to be site-specific, reversible, and



easy to mitigate with standard measures. While no works will take place in environmentally sensitive areas, informal settlements by nature are often characterized by environmental and H&S risks and have a complex social context that can pose particular challenges. Focus will be placed on application of adequate precautions and measures to secure labor and community H&S.

Key Project documents include a negative list of the type of activities not eligible for financing under the Project, including generation of potential large scale, significant and/or irreversible environmental or social impacts.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
N.A.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N.A.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

Component 2 will be executed by the Secretary of Housing and Habitat (SVH) within the Ministry of Interior, Public Works and Housing. It has a strong track-record of implementing urban upgrade projects. Said experience and lessons learnt are being leveraged to optimize management of Component 2: The SVH has prepared an ESMF, IPPF, and RPF based on the long-term successful experience gained by the PROMEBA Program financed by the Inter-American Development Bank. Frameworks are used as the subprojects in selected neighborhoods will be identified and the designs prepared during Project implementation.

The SVH carried out a thorough social assessment to forecast the Project impacts and identify potential risks particularly on the poorest and other vulnerable residents of informal settlements in the Project areas. Based on the assessment and previous experience, the Project design incorporates citizen engagement and community participation instances to ensure identification and adequate addressing of issues during implementation to maximize social benefits and mitigate risks. The ESMF also guides the process of consultations and the ESMPs will identify community organizations to be supported, including those related to environmental issues and social services.

The three instruments establish the applicable criteria to manage adverse and promote positive impacts. The ESMF includes mechanisms to screen subprojects and establish the scope of the required assessments and ESMP. The ESMF identifies applicable mitigation measures (e.g., drainage works and slope stabilization) and good practices. It complies with and goes beyond the national and provincial regulations to provide value added. For environmental improvement of the targeted neighborhoods, construction or rehabilitation of parks and other public spaces will form integral parts of the interventions.

The IPPF establishes adequate mechanisms to make sure information is available and accessible to guarantee free, prior and informed consultation and participation in a culturally appropriate manner for indigenous peoples. For subprojects with Indigenous Peoples, specific IPPs will guide the design and implementation phases.

The RPF guides the preparation of specific RAPs for works that may require involuntary resettlement.

Throughout the Project implementation, the SVH at the central level and the sub-executing agencies will include qualified staff to lead the ESMF, IPPF and RPF implementation.



5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The advanced draft of the ESMF, IPPF and RPF were disclosed in-country through the SVH’s website on November 25, 2016, and the Bank-approved drafts in-country and at the Bank external website on December 5, 2016. The documents were subject to consultations with key stakeholders between December 5 and 16, 2016 in Mar del Plata, Mendoza, Córdoba, and Tucumán. The invitations were addressed to governmental actors, NGOs, representatives of Civil Society Organizations (CSOs), associations related to the theme of integral improvement of habitat, social work, indigenous communities, environment, gender, and representatives of universities. A total of 134 people participated in the consultations that didn’t imply requests to modify the three frameworks’ content. The final ESMF, IPPF and RPF incorporate a detailed summary of the consultations’ results and they were disclosed in-country and through the World Bank’s external website on January 12, 2017.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank 08-Nov-2016	Date of submission to InfoShop 05-Dec-2016	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

Argentina
25-Nov-2016

Comments

The disclosure date refers to the first advanced draft of the ESMF published in-country. The advanced draft approved by the World Bank was disclosed in-country and at the World Bank external website on December 5, 2016. The final version that includes the results of the consultations was disclosed in-country and at the World Bank external website on January 12, 2017.

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank 08-Nov-2016	Date of submission to InfoShop 05-Dec-2016
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"In country" Disclosure

Argentina
25-Nov-2016

Comments

The disclosure date refers to the first advanced draft of the RPF published in-country. The advanced draft approved by the World Bank was disclosed in-country and at the World Bank external website on December 5, 2016. The final version that includes the results of the consultations was disclosed in-country and at the World Bank external website



on January 12, 2017.

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank

Date of submission to InfoShop

07-Nov-2016

05-Dec-2016

"In country" Disclosure

Argentina

25-Nov-2016

Comments

The disclosure date refers to the first advanced draft of the IPPF published in-country. The advanced draft approved by the World Bank was disclosed in-country and at the World Bank external website on December 5, 2016. The final version that includes the results of the consultations was disclosed in-country and at the World Bank external website on January 12, 2017.

Pest Management Plan

Was the document disclosed prior to appraisal?

Date of receipt by the Bank

Date of submission to InfoShop

NA

"In country" Disclosure

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment



Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

No

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

NA

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

NA

OP/BP 4.12 - Involuntary Resettlement

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes



OP 7.50 - Projects on International Waterways

Have the other riparians been notified of the project?

NA

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

Yes

Has the RVP approved such an exception?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank's Infoshop?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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Borrower/Client/Recipient

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APPROVAL

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Approved By

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