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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF

THIRD NATIONAL COMMUNICATION TO THE UNITED NATIONS
FRAMEWORK CONVENTION ON CLIMATE CHANGE PROJECT
GLOBAL ENVIRONMENT FACILITY GRANT (TF-098640)

Approved by the Board on February 1, 2011

TO THE

ARGENTINE REPUBLIC

December 19, 2014

Environment and Natural Resources Global Practice
Argentina, Paraguay and Uruguay Country Management Unit
Latin America and the Caribbean Region

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ABBREVIATIONS AND ACRONYMS

BUR	Biennial Update Report
COP	Conference of the Parties
FY	Fiscal Year
GEF	Global Environment Facility
GEO	Global Environmental Objective
GHG	Greenhouse gas
PIU	Project Implementation Unit
P&M	Policies and Measures
SAyDS	Secretariat of Environment and Sustainable Development (<i>Secretaría de Ambiente y Desarrollo Sustentable</i>)
SEPA	Procurement Plan Execution System (<i>Sistema de Ejecución de Planes de Adquisiciones</i>)
TNC	Third National Communication
ToR	Terms of Reference
UNFCCC	United Nations Framework Convention on Climate Change
V&A	Vulnerability and Adaptation
WB	World Bank

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ARGENTINA
THIRD NATIONAL COMMUNICATION TO THE UNITED NATIONS
FRAMEWORK CONVENTION ON CLIMATE CHANGE PROJECT

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ARGENTINA
THIRD NATIONAL COMMUNICATION TO THE UNITED NATIONS
FRAMEWORK CONVENTION ON CLIMATE CHANGE PROJECT

RESTRUCTURING PAPER

A. SUMMARY

This project restructuring covers a second extension of the grant's closing date of an additional seven and half (7.5) months, from November 13, 2014 to June 30, 2015, to (i) finalize ongoing studies under component 1 and 2 on climate mitigation and adaptation, (ii) prepare a basic Biennial Update Report (BUR) of the Argentine Republic to the United Nations Framework Convention on Climate Change (UNFCCC), and (iii) conduct related dissemination work and provincial level workshops on related capacity building. The proposed restructuring includes reallocation of funds between disbursement categories and the components, as well as a revision of the results framework. Said revision reduces the number of targeted adaptation studies and excludes the final studies on mitigation and adaptation policies and measures (P&M). Further, it improves measuring of intermediate results. The reductions reflect that the project will not be able to complete key contributions to P&M and integration of climate change priorities into the Recipient's development strategies and relevant sector programs. However, the project will undertake all efforts to produce a final report on the project results that could be presented to the UNFCCC.

B. PROJECT STATUS

The project was approved in February 2011, but became effective only in July 2012; just 10 months before the original closing date. After reaching effectiveness, the project took additional six months to start implementation. The first project extension of 18 months was granted in February 2013, after which getting ministerial approval of the first major contract further slowed down implementation. As of November 11, 2014, the project has disbursed US\$800,000 (33 percent of the total grant) and executed US\$528,948 (22 percent), and has commitments for an additional US\$614,450 (25 percent).

The Project Implementation Unit (PIU) consists of a team of qualified and dedicated technical consultants hired with grant funds and complemented by members of Secretariat of Environment and Sustainable Development (SAyDS) staff, who are in charge of the political liaison and provide technical and administrative/red-tape support. In June, 2013, the project implementation was upgraded from moderately unsatisfactory to moderately satisfactory, and said rating got improved to satisfactory in September, 2014. This improvement was due to the following key results: 1) the major climate modeling study and related database were ready for use by the sectoral vulnerability and adaptation (V&A) studies; 2) the four sectoral greenhouse gas (GHG) inventories and mitigation studies had been advancing well; 3) the terms of reference (ToRs) had been finalized for the V&A studies and their procurement processes advanced to the point feasible within the framework of the November 2014 closing date; and 4) capacity building and communication activities have created an increasing interest in and demand

for project results, particularly at the provincial level, and key stakeholders have continued active participation in reviewing and contributing to project documents.

Despite slower than expected implementation, the project remains technically sound and strategic. Even when the remaining implementation period will not be sufficient to conduct most of the planned adaptation studies, the participatory process applied to prepare the respective ToRs in collaboration with the related Government agencies will facilitate development of future studies in key sectors under the National Climate Change Strategy.

C. PROPOSED CHANGES

Development Objectives/Results

- **Results framework**

The results framework is revised to reduce the targeted adaptation studies and exclude the final studies on mitigation and adaptation P&M. Further, the revision will improve measuring of intermediate results indicators. The revised intermediate result indicators focus on tracking the advance of the studies and key stakeholders' participation in contributing to their development. Overall, though work-intensive and time-wise challenging, promoting active participation of key sectoral stakeholders is considered crucial and worth the effort, as at the end the aim is to develop feasible proposals of P&M for mitigation and adaptation. The revised results framework is presented in Annex I and will be reflected in the project's Operational Manual.

Financing

- **Grant Closing Date(s)**

The second project extension of seven and half (7.5) months, from November 13, 2014 to June 30, 2015, is needed to allow the project to (i) finalize ongoing studies under component 1 and 2 on climate mitigation and adaptation, (ii) prepare a basic Biennial Update Report (BUR) of the Argentine Republic to the UNFCCC, in time for the UN Climate Change Conference (COP21) to be held in Paris, France in December 2015, and (iii) conduct related dissemination work and provincial level workshops on related capacity building.

Even with the second closing date extension, progress towards reaching the GEO will remain moderately unsatisfactory, as most of the V&A studies, the final study on mitigation and adaptation P&M, and key training and dissemination activities cannot be implemented. Consequently, the project will not be able to complete key contributions to P&M and integration of climate change priorities into the Recipient's development strategies and relevant sector programs. However, the project will undertake all efforts to produce a final report on the project results that could be presented to the UNFCCC. Whether the Government will submit a reduced version of its originally planned TNC to COP21 will depend on its discretion.

After an exceptionally slow start-up and beyond an overly ambitious initial implementation period of two years, expeditious project implementation has been challenged due to (i) complex procurement processes; (ii) need to sequence studies as the results of the first climate modeling study provides the basis for the sectoral V&A studies and adaptation P&M, and the sectoral GHG inventories and related studies provide the basis for the mitigation P&M; and (iii) time-demanding institutional collaboration needed to collect inputs for and build ownership of the project results. In addition, the PIU suffered of lack of capacity in procuring consultant services, and administrative procedures within the SAyDS have slowed down implementation.

Currently, the PIU has been strengthened through lessons learnt and counts with a full-time procurement assistant with earlier experience on a World Bank project. Once extended and able to sign new contracts, the project is set to follow a carefully prepared implementation plan to allow achievement of the above referred results. The SAyDS authorities are aware of the project's critical need to advance promptly, and related coordination meetings have been and will be organized as needed.

The below table resumes the status of the project's closing dates.

TF	Status	Original Closing Date	Current Closing Date	Proposed Closing Date
TF-98640	Effective	31-May-2013	13-Nov-2014	30-Jun-2015

- **Reallocations**

During project implementation, the PIU has faced less need for procuring goods or covering operating costs than originally projected. Instead, said savings are needed to cover additional consultant services to cover the additional implementation period and a couple of amended and additional consultant services that have been incorporated under component 1. The latter contribute to preparing the basic BUR of the Argentine Republic to the UNFCCC; a responsibility for all Non-Annex I (developing country) Parties to the UNFCCC since late 2011. Said consultant services are fully aligned with the project objective and synergistic with the four ongoing sectoral GHG inventory/mitigation studies.

The following table presents the applicable categories of expenditure as per the Grant Agreement, including their current and proposed budget allocations.

Current Category of Expenditure	Allocation		Disbursement % (Type Total)	
	Current	Proposed	Current	Proposed
GOODS	98,000.00	19,000.00	100.00	100.00
CONSULTANTS SERVICES	1,514,209.00	1,710,209.00	100.00	100.00
NON-CONSULTANTS SERVICES	400,000.00	400,000.00	100.00	100.00
TRAINING	250,000.00	250,000.00	100.00	100.00
OPERATING COSTS	177,000.00	60,000.00	100.00	100.00
Total:	2,439,209.00	2,439,209.00		

- Disbursement Estimates**

The project has suffered major delays that have affected its originally estimated disbursements as explained under the section on Change in Grant Closing Date(s). The original disbursement estimates and the revised estimates under the proposed second project extension are presented in the following table:

Fiscal Year	Current (USD)	Proposed (USD)
2011	200,000.00	0.00
2012	1,739,209.00	200,000.00
2013	500,000.00	300,000.00
2014	0.00	700,000.00
2015	0.00	1,239,209.00
Total	2,439,209.00	2,439,209.00

Components

- Components and Costs**

Additional grant funding is proposed for component 1 in order to cover costs of preparing the Argentine BUR presented under the previous section: As the Non-Annex 1 countries are expected to submit their first BURs to the UNFCCC by December 2014, and the requested content is fully aligned with the ongoing mitigation studies, the Government of Argentina opted for incorporating the preparation of a basic BUR under the project. This requires extending the contracts on the four sectoral GHG inventories/mitigation studies and contracting of four minor consultant services; these processes are under way. Further, additional grant funding is proposed for component 4 on project management, taken the

cumulative additional implementation period of 25.5 months from the original closing date. The revised amount for the project management is 8.6 percent of the grant.

Regarding the need to decrease funding for components 2 and 3, an important part is absorbed by the “additional resources” that the project has gained during its active implementation period due to beneficial exchange rates between the US\$ and ARS. The exchange rates have had the most beneficial impact under component 3 that finances printing of final reports and dissemination activities whose value is not tight to the US\$. Overall, the greatest challenge the project has faced since its inception has been the limited implementation period rather than available funding.

The following table presents the project components as per the Project Appraisal Document, including their original/current and proposed budget allocations. The numbers include a total of US\$615,764 of the government in-kind counterpart funding allocated across the components. The counterpart amount and allocations remain unchanged.

Current Component Name	Proposed Component Name	Current Cost (US\$)	Proposed Cost (US\$)	Action
Harnessing National Potential for Climate Change Mitigation		665,913.00	746,116.00	Revised
Strengthening the National Adaptation Agenda		1,163,372.00	1,075,412.00	Revised
Institutional Strengthening, Capacity Building and Information Management		1,093,646.00	998,499.00	Revised
Project Management		132,042.00	234,946.00	Revised
	Total	3,054,973.00	3,054,973.00	

Other Change(s)

- Implementation Schedule**

Please see under Change in Grant Closing Date(s).

ANNEX 1: RESULTS FRAMEWORK

Project Name:	AR Third National Communication UNFCCC (P116974)		Project Stage:	Restructuring	Status:	DRAFT
Team Leader:	Tuuli Johanna Bernardini	Requesting Unit:	LCC7C	Created by: Tuuli Johanna Bernardini on 30-Aug-2013		
Product Line:	Global Environment Project	Responsible Unit:	GENDR	Modified by: Tuuli Johanna Bernardini on 17-Dec-2014		
Country:	Argentina	Approval FY: 2011				
Region:	LATIN AMERICA AND CARIBBEAN	Lending Instrument:	Specific Investment Loan (GEF grant)			

Global Environmental Objectives

Global Environmental Objective (from Project Appraisal Document):

The objective of the Project is to strengthen the information base and institutional capacity of the key members of the Steering Committee, in order to integrate climate change priorities into the Recipient's development strategies and relevant sector programs by providing financial and technical support to prepare the TNC.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Global Environmental Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Marked for Deletion	Capacity building for mainstreaming climate change mitigation and adaptation	<input type="checkbox"/>	Percentage	Value			
				Date	14-Feb-2011	20-Dec-2013	13-Nov-2014
				Comment	The survey used	Please see	At least

					in conjunction with each TNC event will include questions on respondents' capacity to take climate change considerations into account in their work prior to their involvement in the TNC activities.	progress updates under Implementation Status Overview.	satisfactory percentage (50-75%) of the survey responses collected at the TNC events confirms increased perception of capacity to understand climate change considerations and address them by concrete measures
New	The Biennial Update Report (BUR) of the Argentine Republic delivered to the Ministry of Foreign Affairs to be submitted to the UNFCCC	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	14-Feb-2011	17-Dec-2014	30-Jun-2015
				Comment	The Second National Communication was submitted to the UNFCCC in 2007	The related procurement processes are well advanced.	
Revised	Management tools and/or studies on sector-specific mitigation potential developed to evaluate and design feasible mitigation policies and	<input type="checkbox"/>	Number	Value	0.00	0.00	19.00
				Date	24-Sep-2014	17-Dec-2014	30-Jun-2015
				Comment	Studies carried out within the	15 of the targeted management tools	The list of the 19 targeted

	measures				framework of the Second National Communication (mitigation studies as of 2007)	and/or studies are being developed.	management tools and/or studies is included in Annex 1 of the December 2014 project restructuring paper.
Revised	A Climate Modeling Study and studies on sector-specific impact, vulnerability, and adaptation options developed	<input type="checkbox"/>	Number	Value	0.00	2.00	4.00
				Date	14-Feb-2011	17-Dec-2014	30-Jun-2015
				Comment	Studies carried out within the framework of the Second National Communication (adaptation studies as of 2007)	The Climate Modeling Study and related database have been finalized and disclosed.	The list of the targeted outputs is included in Annex 1 of the December 2014 project restructuring paper. 12 longer studies with demanding procurement processes will not be doable by the June 2015 closing date.

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Marked for	Enabling environment for	<input type="checkbox"/>	Yes/No	Value	Yes	Yes	Yes

Deletion	policies to mitigate climate change		Date	14-Feb-2011	20-Dec-2013	13-Nov-2014
			Comment	There is a number of ongoing mitigation related initiatives, but the baseline remains to be defined upon beginning of project implementation.	The Government counts with a Governmental Committee on Climate Change and has approved a National Climate Change Strategy.	Enabling environment for adoption of policies to mitigate climate change has been strengthened by targeted sectors (energy and transport, waste, agriculture and forestry) having access to mitigation-related information (e.g. updated and new GHG emission inventories) and feasible options and policies and measures for climate change mitigation.
Marked for Deletion	Estimated GHG intensity of the proposed mitigation policies and measures	<input type="checkbox"/>	Value			
			Date	14-Feb-2011	20-Dec-2013	13-Nov-2014
			Comment	To be generated through related TNC studies	Implementation of component 1 is at its initial stage	No specific numeric target was set for the

					under component 1.	as described under Implementation Status Overview.	GHG intensity (mitigation potential) of the proposed mitigation options, but they are to identify their estimated potential to reduce related GHG emissions.
Marked for Deletion	Enabling environment for policies to adapt to climate change	<input type="checkbox"/>	Yes/No	Value	Yes	Yes	Yes
				Date	14-Feb-2011	20-Dec-2013	13-Nov-2014
				Comment	There is a number of ongoing adaptation related initiatives, but the baseline remains to be defined upon beginning of project implementation.	The Government counts with a Governmental Committee on Climate Change and has approved a National Climate Change Strategy.	Enabling environment for adoption of policies to increase resilience to climate change has been strengthened by targeted sectors having access to new adaptation-related information: Regional Circulation Models (RCMs); climate change

							scenarios generated through various RCMs; and studies on impacts of past climate variability and change in the country, as well as to sectoral impact and vulnerability studies and feasible options and policies and measures for climate change adaptation.
Marked for Deletion	Estimated total losses and benefits of the proposed adaptation policies and measures	<input type="checkbox"/>	Number	Value			
				Date	14-Feb-2011	13-Dec-2013	13-Nov-2014
				Comment	To be extracted, if feasible, based on ongoing initiatives to be identified along the studies under component 2.	Please see progress updates under Implementation Status Overview.	No specific numeric target was set for the total losses and benefits of the proposed adaptation options and P&M, but they are to present an attractive cost-

							benefit ratio.
Marked for Deletion	Increased awareness on climate change concerns	<input type="checkbox"/>	Percentage	Value			
				Date	14-Feb-2011	13-Dec-2013	13-Nov-2014
				Comment	The survey used in conjunction with each TNC event will include questions on the general awareness level of the respondents prior to their involvement with the TNC.	Please see progress updates under Implementation Status Overview.	At least satisfactory percentage (50-75%) of the survey responses collected at the TNC events confirms increased understanding on climate change, and at least satisfactory amount (50-75%) of the registered teachers have approved the designed distance course on climate change.
Marked for Deletion	Timely project implementation	<input type="checkbox"/>	Percentage	Value			100.00
				Date	14-Feb-2011	13-Dec-2013	13-Nov-2014
				Comment	No meaningful baseline.	The Project Implementation	All the planned studies are

						Unit (PIU) has consolidated its staff. Overall, the PIU is complying with an action plan to speed up project implementation with a satisfactory manner. However, actual project execution remains low as the nature of the project design implies a lot of up-front work on procurement before actual execution.	expected to be initiated and delivered in a timely fashion.
New	Level of progress achieved in creating the targeted information base for climate mitigation	<input type="checkbox"/>	Percentage	Value	0.00	49.00	100.00
				Date	14-Feb-2011	17-Dec-2014	30-Jun-2015
				Comment	Studies carried out within the framework of the Second National Communication (2000 inventory of GHGs/ mitigation studies as of	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring	The methodology used to measure the result is described in Annex 1 of the December 2014 project

					2007)	paper.	restructuring paper.
New	Level of progress achieved in creating the targeted information base for climate adaptation	<input type="checkbox"/>	Percentage	Value	0.00	75.00	100.00
				Date	14-Feb-2011	17-Dec-2014	30-Jun-2015
				Comment	Studies carried out within the framework of the Second National Communication (adaptation studies as of 2007)	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.
New	Level of participation in the development of the mitigation studies by the key agencies	<input type="checkbox"/>	Number	Value	0.00	8.00	8.00
				Date	14-Feb-2011	17-Dec-2014	30-Jun-2015
				Comment	Key agencies participated in the identification of the priority topics to be addressed under the TNC mitigation component during the project design	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.

New	Level of participation in the development of the adaptation studies by the key agencies	<input type="checkbox"/>	Number	Value	0.00	7.00	7.00
				Date	14-Feb-2011	17-Dec-2014	30-Jun-2015
				Comment	Key agencies participated in the identification of the priority topics to be addressed under the TNC adaptation component during the project design	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.
New	Proportion of procurement processes initiated	<input type="checkbox"/>	Percentage	Value	0.00	76.00	100.00
				Date	14-Feb-2011	30-Sep-2014	30-Jun-2015
				Comment		The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.
New	Proportion of procurement processes completed	<input type="checkbox"/>	Percentage	Value	0.00	33.00	100.00
				Date	14-Feb-2011	30-Sep-2014	30-Jun-2015

			Comment	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.	The methodology used to measure the result is described in Annex 1 of the December 2014 project restructuring paper.
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Additional information relevant to measuring some of the indicators

GEO indicators

Indicator 2: Management tools and/or studies on sector-specific mitigation potential developed to evaluate and design feasible mitigation policies and measures

The list of the total of 19 targeted management tools and studies on mitigation is presented below:

Number	Management Tools and Studies ¹
19	<ul style="list-style-type: none"> 1. GHG Inventories – Historical series 1990-2012 – Forecasts 2013-2030 2. Emission indicators (10 per sector) 3. Provincial Index Cards (24) 4. Priority mitigation measures by sector 5. Report on adoption of the 2006 inventory methodology of the Intergovernmental Panel on Climate Change (IPCC)

¹In some cases, the management tools and studies will be based on deliverables of several consultancy services.

-
- 6. Plan for improving each GHG inventory
 - 7. Study on renewable energy
 - 8. Study on carbon capture and storage
 - 9. Study on bio-fuels and biomass
 - 10. Study on mitigation options in the industrial sector
 - 11. Study on mitigation options in agriculture
 - 12. Study on mitigation options in raising beef and dairy cattle
 - 13. Study on changes in land use and forestry
 - 14. Sugar cane case study
 - 15. Study on mitigation options in waste/wastewater sector
 - 16. Study on mitigation options in transport sector
 - 17. Study on mitigation through improved energy efficiency
 - 18. Study on climate change related financial instruments
 - 19. Biennial Update Report (BUR) of the Argentine Republic to the UNFCCC, a simplified version
-

GEO indicator 3: A Climate Modeling Study and studies on sector-specific impact, vulnerability, and adaptation options developed

The list of the four adaptation outputs that can be concluded with the second closing date extension is presented below:

Number Studies

-
- | | |
|---|---|
| 4 | <ul style="list-style-type: none">1. Climate database: Data observed for the recent past (1960-2010) and forecast by regional and global climate models for the near future (2016-2035) and in the longer term (2081-2100)2. Report on changes in mean climate and in extreme weather events, observed in the recent past, as well as those forecast by regional and global climate models for the near future and in the longer term3. Climate change impact, opportunities and adaptation options related with labor force4. Social vulnerability, threat and risk from climate change |
|---|---|
-

Intermediate Indicators

Indicators 3.1 and 3.2: Level of participation² in the development of the mitigation/adaptation studies by the key agencies

The PIU sends each ToRs and consultancy reports for review by the project's two institutional advisory bodies: the Steering Committee (SC) and Technical Advisory Committee (TAC), and by the Federal Council of Environment (COFEMA) for provision of written comments through a specially designed template³. The comments are grouped as “editorial”, “general”, and “technical”. Reviewers are also invited to fill out their opinion on the relevance of the document content. Additionally, the SC has face to face meetings to discuss with the PIU on provided feedback and PIU responses, usually combining review of a couple of documents per meeting. For both indicators and each study, the PIU identified the key agencies within the SC and set the targets for their participation in the development of the studies per semester. Each key agency identified for a particular study that contributes at least one relevant comment directly related with the reviewed document, either in writing and/or orally during a SC meeting, qualifies for these indicators as having participated in the review in question.

Indicator 4.1: Proportion of procurement processes initiated

This indicator is constructed by comparing the number of initiated procurement processes with the number of processes expected to initiate each semester. The initiation of a process is defined as follows: in the case of goods, the date of the invitation to bidders to quote; for consulting services, the date of publication of the request for expressions of interest; and for individual consultants, the date of announcement of the position to be filled. To define the targets, all the processes covered by the SEPA (Procurement Plan Execution System) were considered, as in the SEPA in force at the time of the restructuring of the project (December 2014). While this number of processes may vary during project implementation, potential amendments are not expected to be substantial.

Indicator 4.2: Proportion of procurement processes completed

This indicator is constructed by comparing the number of completed procurement processes with the number of processes expected to complete each semester. The completion of a process is defined as the signing of any type of contract between the parties. To define the targets, all the processes covered by the SEPA were considered, as in the SEPA in force at the time of the restructuring of the project

²“Participation” is defined as a contribution with at least one relevant comment on the revised document.

³ The World Bank and specialized SAyDS departments also review and comment each document.

(December 2014). While this number of processes may vary during project implementation, potential amendments are not expected to be substantial.