

**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED
SAFEGUARDS DATA SHEET (PID/ISDS)**

Appraisal Stage

Report No.: 112150

Date Prepared/Updated: 09-Jan-2017

I. BASIC INFORMATION

A. Basic Project Data

Country:	Argentina	Project ID:	P159901
		Parent Project ID :	N/A
Project Name:	Argentina FODER Renewable Energy Fund Guarantee		
Region:	Latin America and the Caribbean		
Estimated Appraisal Date:	23-Jan-2017	Estimated Board Date:	16-Feb-2017
Practice Area (Lead):	Energy & Extractives	Lending Instrument:	IBRD Guarantee
Borrower(s)	Government of Argentina		
Implementing Agency	Ministry of Energy and Mining		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			NO
Financing (in USD Million)			
Financing Source			Amount (US\$ million)
<i>RenovAr Program – Rounds 1 and 1.5 (2,424 MW)</i>			
Estimated Project Cost ¹			3,224
Estimated Private Equity @ 35 percent			1,128
Estimated Debt @ 65 percent			2,096
<i>of which commercial borrowing</i>			1,397
<i>of which Development Finance Institutions & Export Credit Agencies</i>			699
Security package:			
(i) Estimated FODER On-going Payments 12-month liquidity account			400
(ii) Estimated FODER Termination coverage			1700
<i>RenovAr Rounds 1 and 1.5 directly benefiting from the IBRD guarantee (1,033 MW)</i>			
Estimated Project Cost			1,374
Estimated Private Equity @ 35 percent			481
Estimated Debt @ 65 percent			893
<i>of which commercial borrowing</i>			595
<i>of which Development Finance Institutions and Export Credit Agencies</i>			298

¹ Estimated based on an average investment of US\$1.33 million per MW.

Security package:	
(i) Estimated FODER On-going Payments 12-month liquidity account	170
(ii) Estimated FODER Termination coverage	724
Of which backed by IBRD guarantee	480
Environmental Category	FI
Decision	To go ahead with project appraisal
Other Decision (as needed)	
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?	No
Is this a Repeater project?	No
Is this a Transferred project? (Will not be disclosed)	No

B. Introduction and Context

Country Context

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.

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 percent² during 2016, taking a toll on labor markets, where 92,000³ 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 percent⁴)

² 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.

³ Source: Ministerio de Trabajo, Empleo y Seguridad Social

⁴ 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.

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 percent,⁵ 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.

The Argentine Government has started 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 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.

This proposed renewable energy guarantee is a core and strategic element of the integrated World Bank Group's support for Argentina at a pivotal time. First, it aims to reestablish private investor confidence into Argentina following a period in which domestic and foreign investors met significant operating difficulties. Second, the proposed Project leverages IBRD capital through a guarantee which itself has a multiplier effect as it contributes to mobilize US\$3.2bn overall investment into the Argentine renewable energy sector. Third, it supports Argentina in a strategic shift in its energy matrix towards renewable energy, carrying 100 percent of climate co-benefits and being a major contributor for the country to achieve its Nationally Determined Contribution targets under the United National Framework Convention on Climate Change (UNFCCC). Lastly, it is built on a very close coordination between IBRD (provisioning the guarantee) and IFC (providing key support to Government in developing standardized legal documents for RenovAr auctions as well as actively evaluating providing equity or debt to several private investment projects).

Sectoral and Institutional Context

Argentina is one of the largest and most developed power markets in Latin America. With total electricity demand of approximately 126 Terawatt hours (TWh) per year, Argentina is

⁵ Source: Banco Central de la República Argentina. 2016. *Resultados del Relevamiento de Expectativas de Mercado (REM)*, December 2016.

the third largest power market in the region after Brazil and Mexico. Roughly 41 percent of demand is driven by the 40 million residential customers (98 percent of Argentinians have access to electricity), 30 percent by industrial users and 28 percent by commercial consumers. Fairly well-developed policies, regulations, and institutions govern the sector⁶, which has been opened to private investment and competition since 1992. Private companies are the main operators in all subsectors, operating through licenses and concessions. Out of 80 mostly privately-owned generators, the 20 largest operate 80 percent of total installed capacity (33 GW). However, the progress toward adopting clean sources of energy is yet to take place. Installed capacity is 60 percent thermal,⁷ 34 percent hydro, 5 percent nuclear, and 1 percent wind. Solar represents only 8 MW (0.02 percent).

The Argentina power sector is vertically unbundled into generation, transmission, and distribution businesses with competitive forces expected to play a key role in generation. Generation businesses, dominated by private operators but with public or mixed operators also participating, operate through licenses in a competitive environment. Generators are subjected to the scheduling and dispatch rules set out in the respective regulations and managed by *Compañía Administradora del Mercado Mayorista Eléctrico Sociedad Anónima* (CAMMESA). As the wholesale energy market administrator, CAMMESA coordinates dispatch operations, determines wholesale prices, administers the economic transactions in the national interconnected system (*Sistema Argentino de Interconexión*, SADI), and acts as Governmental off-taker in certain power purchase agreements (PPAs).⁸ Transmission and distribution businesses, also dominated by private providers, operate under public concessions.

Since its creation, the wholesale power market as well as electricity concessions have witnessed radical adjustments and became dependent on government transfers. Initially set up in 1992, the wholesale power market was expected to function as a competitive market, fully indexed in the US dollar. However, macroeconomic and market conditions in the aftermath of the 2001 economic crisis made full indexation to the US dollar unsustainable. The GoA adopted a National Emergency Law (No. 25561) in January 2002 that abrogated the fixed parity between the peso and the US dollar, allowed the peso to float on the exchange markets, removed the dollar indexation stipulated in licenses and concessions, and authorized renegotiation of licenses and concessions without constraining it to the prevailing regulatory frameworks⁹. Those reversals substantially increased the risk perception of investing in Argentina.¹⁰ In addition, tariffs for residential consumers were practically frozen from 2002 to

⁶ Argentina followed Chile (in 1982) as one of the first countries in Latin America to initiate power sector reforms in 1992. Subsequently, a variety of power sector reforms with different features were carried out in Peru (1993), Colombia (1994), and Brazil (1995).

⁷ Thermal technologies' breakdown is 49 percent combined cycle, 24 percent steam turbines, 22 percent gas turbines, and 6 percent diesel.

⁸ In recent years, the mechanism applied for remunerating the electricity generation led CAMMESA to accrue debt with power generators. In some cases, debt was collected through the pledging of funds for the construction of new generation plants; approximately 1,700 MW were installed under this mechanism.

⁹ Law 25561 has been extended several times with the last extension set until December 31, 2017 (Law 27.200)

¹⁰ Infrastructure investors filed 39 cases against Argentinian government to the International Centre for Settlement of Investment Disputes (ICSID).

2015 despite high inflation, exchange rate variation, and investment needs.¹¹ Investment in generation became limited and at times forced by the government (e.g. through the requirement for power generators to reinvest profits). Also, government contributions and ad hoc arrangements became key to manage the cost increases in generation and mitigate their impact on end users. By 2015, the government transfers covered 70 percent of the average cost of energy supply while users covered the remaining 30 percent. The current administration is working on creating an environment attractive for private investment.

The current administration has started to implement measures to ensure that tariffs reflect generation, transmission and distribution costs, aimed to ensure an adequate provision of electricity services. In January 2016, the GoA published two resolutions (6/2016 and 7/2016) which updated pass-through mechanisms, putting tariffs on the path to reflect actual costs¹². These resolutions also required the National Regulatory Agency (*Ente Nacional Regulador de la Electricidad*, ENRE) to gradually update the VAD charges for EDENOR and EDESUR¹³ and undertake an integrated rate review for EDENOR and EDESUR by December 2016. The resolutions increased tariffs starting February 1, 2016 with wholesale market prices instantly increased to roughly 140 per cent while some industrial, commercial or industrial tariffs increased as much as 673 per cent overnight.¹⁴ To offset the impacts of such measures, the GoA also created a new, reduced “social tariff” for roughly 2 million of the poorest citizens of Argentina, and launched new energy efficiency incentives for residential customers aimed to induce energy saving. GoA also published resolution 196/2016 in September, requiring ENRE to undertake an integrated rate review for transmission concessionaires by December 2017.

Argentina is not fully taking advantage of its abundant clean energy resources to displace fossil fuel generation and help meet increasing demand. Although hydroelectricity accounts for over one-third of the energy mix, Argentina only uses 20 percent of its hydro generation potential, estimated at 45GW. In the case of wind, at least 6 GW could theoretically be developed in the medium-term (wind resources are world class, especially in the southern Patagonia region where capacity factors exceed 45 percent). Solar resources are abundant, with the finest resources in the northwestern region (at least 11 of Argentina’s 23 provinces have over 5 kWh/m² of solar irradiation on average per year). In addition, the country is already one of the fourth largest producers of biofuels in the world.¹⁵ However, as of 2012, less than 10 percent of total final energy consumed came from non-conventional renewable sources, lower than most countries in the region.

Previous attempts of GoA to increase renewable energy generation produced limited results. Law No. 25019 of 1998 introduced 15-year feed-in-tariffs (“*primas*”) and fiscal benefits to

¹¹ For example, in the case of the Greater Buenos Aires area (one-third of the country’s population) tariffs were frozen (in Argentine peso terms) between 2002 and 2008, only minor increases were allowed for medium and large residential clients. In the Metropolitan Areas of Buenos Aires, tariffs remain unchanged for over ten years.

¹² Argentina’s energy subsidies were the third highest in the region. In addition to their large fiscal impact (3.9 percent of Gross Domestic Product (GDP)) (IMF, 2015), they were unevenly distributed. Their elimination should greatly benefit the country’s current accounts and trade balances, as well as incentivize energy conservation.

¹³ Distribution companies covering the greater Buenos Aires area.

¹⁴ The Supreme Court partially suspended the increases taking effect until public consultation process were to be followed.

¹⁵ US National Renewable Energy Laboratory (NREL) - <http://www.nrel.gov/docs/fy13osti/56792.pdf>

promote generation from renewable sources and created a renewable energy trust fund to secure their funding. The scheme failed to take off due to the 2001 crisis. Law No. 26190 of 2006 established a regime to promote renewable energy generation (*Régimen de Fomento Nacional para el uso de Fuentes Renovables de Energía destinada a la Producción de Energía Eléctrica*) also based on 15-year feed-in-tariffs (“*primas*”), fiscal incentives, and a renewable energy trust fund to secure their funding. Law No. 26190 declared the production of electricity from renewable sources a national interest and set the goal of at least 8 percent of domestic electricity demand to be satisfied by renewable sources (wind, biomass, small-scale hydro, tidal, geothermal, and solar photovoltaic) by 2016. No project was undertaken under this scheme as the renewable energy trust fund never became operational. In 2009, the GoA launched the Program for the Generation of Electricity through Renewable Sources (*Programa para la Generación Renovable*, GENREN), which mandated ENARSA¹⁶ to execute public tenders for 1GW of renewable energy capacity. Under GENREN, ENARSA awarded 895 MW to projects with sizes of up to 50 MW, granting tariffs fixed in US dollars and above the prices prevailing in the wholesale market. Funding for higher renewable tariffs was to come from a charge levied on electricity distribution and wholesale companies. Only about 15 percent of the projects awarded (130 MW of wind capacity and 7 MW of solar photovoltaic (PV)) were installed with financing coming from local banks and sponsors. Later efforts through CAMMESA (in 2011) only led to the installation of 31.8 MW, which again were financed by local banks or equity providers. Despite all these efforts, only 1.8 percent of generation is currently from renewable sources. Most renewable projects found difficulties raising financing due to the limited funding capacity of local sources and the lack of access to external financing. International financiers were reluctant to provide long term financing due to unfavorable macroeconomic conditions and the energy sector fundamentals in Argentina (see paragraph 7).

The new administration in Argentina is now restarting efforts to promote renewable energy by implementing the renewable energy Law 27191 of 2015, which has created a development fund (FODER). The law overhauls the regulatory framework created by Law 26190 of 2006 and seeks to: (a) create competitive and transparent market rules and contract mechanisms; (b) diversify the energy matrix by requiring the use of different clean energy technologies; (c) incentivize local and regional development; (d) establish mandatory pass-through of PPAs costs to consumers; (e) create fiscal incentives for independent power producers (IPPs) and local supply chains, among others. This new law has set mandatory renewable energy targets of 8 percent of overall electricity consumption by the end of 2017, and 20 percent by 2025. Argentina would need to construct roughly 10,400 MW in the next nine years – about 1,200 MW per year – to achieve the 2025 target. Furthermore, the new law created the Fund for the Development of Renewable Energy (*Fondo para el Desarrollo de Energías Renovables* or FODER) to facilitate the financing for renewable projects, and thus mitigate liquidity and country risks and overcome a major shortcoming of previous programs. FODER is already set up to provide guarantees as well as direct financing (debt or equity) and other financial instruments as required, a key difference from previous attempts. FODER will be funded mainly by: (a) resources from the national budget, equal or higher to 50 percent of the savings

¹⁶ In 2004 the Federal Government created *Energía Argentina S.A.* (ENARSA, Law No. 25943) with the purpose of carrying out on its own or in association with private companies the exploration and production of oil and natural gas as well as industrialization, transport and trade of oil, natural gas and electricity.

achieved by switching from fossil fuels to renewables; (b) specific taxes to energy demand; and (c) revenues from the issuance of trust securities by the Fund's trustee. MEM, as the implementing entity of Law 27191, defines FODER's financial instruments and funding needs. In 2016, FODER was capitalized with approximately US\$408 million (US\$395 million for payment guarantees and the remaining to cover fee payments and FODER general costs). A total of US\$240 million have already been committed for calendar year 2017. The "*Banco de Inversión y Comercio Exterior*" (Investment and Foreign Trade Bank - BICE) was appointed trustee of FODER ("Trustee") by the same law, and carries-out day-to-day fiduciary activities in accordance with FODER Trust Agreement signed with MEM.

To achieve GoA's clean energy goals, the Ministry of Energy and Mines (MEM) established the RenovAr program (the "Program"). The Program seeks to increase the amount of renewable generation capacity developed by private investment through auctions to purchase renewable energy generation from private sector led IPPs. Under the RenovAr Program, CAMMESA, or the institution to that end assigned by the National Government, will be the off-taker and signatory of the corresponding PPAs when awarded to the proposed IPPs. In July 2016, CAMMESA issued the first Request for Proposals under the Program (RenovAr Round 1) for 1,000 MW of clean energy capacity under 20-year PPAs. In October 2016, CAMMESA issued Round 1.5 for 1,680 MW of wind and solar energy capacity under 20-year PPAs for unsuccessful bidders of Round 1 to take advantage of strong investor interest in RenovAr (see Section III "Project Description"). For RenovAr Rounds 1 and 1.5, MEM has focused FODER on providing guarantees to both national and foreign investors in order to entice them to enter the Argentina renewable energy market. Thus, the primary financial instruments developed under FODER have been Payment Guarantees to be implemented through escrow accounts (the *Cuenta de Garantía* and its sub-accounts) that are designed to cover: (i) ongoing PPA payments (i.e. liquidity support), and (ii) payment obligations emerging from the rights held by the IPPs to sell their project to FODER if specific macroeconomic or sector risks materialize – a classic termination coverage sought by the private sector in emerging markets ("the Put Option").

While the risk mitigation instruments provided by the GoA were welcomed by potential financiers, market sounding exercises indicated that they would not be sufficient to attract the required levels of financing to achieve the objectives of the RenovAr Program. Financiers expressed cautious interest in undertaking renewable projects given (i) their concerns with Argentina's track record in the last 15 years of significant policy reversal and non-compliance with contractual undertakings (i.e. political risk), and (ii) their lack of recent experience financing energy sector projects in Argentina. To enhance the likelihood of a successful RenovAr Program, the GoA requested an IBRD guarantee to backstop critical aspects of GoA's Payment Guarantees (see paragraphs 36-38). IBRD's support of the Program throughout preparation and private sector outreach helped improve its credibility and attractiveness.

Renewable energies are a major component of the National Determined Contribution (NDC) presented by the Government of Argentina to the UNFCCC. The revised version of Argentina's NDC, published in November 2016, set the unconditional GHG emission reductions target to 18 percent, and the overall target (conditional plus unconditional) to 37

per cent by 2030. Overall, energy has been identified as one of the main sectors to help GoA achieve its ambitious NDC commitments.

C. Proposed Development Objective(s)

Development Objective(s)

The project development objective is to increase electricity generation capacity from renewable energy sources through private investment in the energy sector

Key Results

Progress towards achieving the PDO will be measured by monitoring the following indicators

- Generation capacity of renewable energy (other than hydropower) constructed under the Project (MW)
- Generation capacity of wind energy constructed (MW)
- Generation capacity of solar energy constructed (MW)
- Generation capacity of mini-hydro energy constructed (MW)
- Generation capacity of biogas and biomass energy constructed (MW)
- Private capital mobilized (million US\$)
- GHG emissions avoided (million tCO₂)

The proposed Project beneficiaries will be mostly private and public institutions and the consumer. The IBRD guarantee would directly benefit FODER and eligible IPPs that opted for the IBRD guarantee by backstopping GoA's obligation to fund FODER in circumstances where FODER has to purchase private sub-projects under the RenovAr Program. Indirect beneficiaries are as follows: (a) financiers of eligible sub-projects under the RenovAr Program will have increased certainty of payment; (b) current and future grid-connected customers will benefit from a cleaner and enhanced electricity provision; (c) SADI (national system) and CAMMESA (dispatcher) would benefit from a clean and indigenous power supply at competitive prices, which would reduce the use of mostly imported and expensive fossil fuels; and (d) the GoA – and particularly MEM – would be able to reach its renewable energy targets by helping attract private capital and increasing electricity supply, and to meet its climate change mitigation commitments.

D. Project Description

The RenovAr Program

On September 24, 2015 Argentina's parliament approved a new renewable energy law (Law No. 27191, 2015), which calls for the nation to increase the share of renewable energy from 1.8 percent to 8 percent in 2017 and 20 percent in 2025. To implement the proposed scale up of renewable energy proposed under the law, through private sector investment in the sector, on May 18, 2016, GoA announced the initiation of a large-scale renewable energy program – RenovAr (the "Program").

To better understand private sector's investor and financier's appetite, MEM led market sounding exercises with investor roadshows in the USA, Europe and in Argentina with potential developers, equity providers, commercial banks, Development Finance Institutions (DFIs) and Export Credit Agencies (ECAs).

The WBG supported GoA to size the program, based on estimated needs and financing available, and develop standardized legal documents for RenovAr auctions. The IBRD and IFC teams reviewed all key Program documents and provided feedback to GoA based on international experience in similar programs, with a particular focus on ensuring a fair and balanced project risk allocation between the private and public sector, with an objective of minimizing the public sector financing/support and to ensure a market success of the program. The Bank also supported GoA, as needed, to expand its reach to the global private sector investor base.

Feedback from market sounding were clear in cautious interest by the renewable energy investor base. Concerns related to the lack of Argentina's track record with supporting financial obligations, contractual undertakings, and financing of such infrastructure projects. The World Bank's presence in these roadshow and backing of the Program through the guarantee reassured investors on the strength of the Program and its likelihood to materialize, unlike previous attempts.

To ensure a market success of the Program, GoA requested World Bank's assistance in developing a risk mitigation package in support of its renewable energy objectives. While the support provided by the GoA was welcomed by investors, it was also clear that the Bank would need to provide credit enhancement to the structure proposed by GoA. The GoA therefore requested an IBRD guarantee to backstop key risks in the government support structure developed for the private sector – such risks were primarily with regards to Argentina's lack of track record regarding consistent policy application.

A best-practice transparent auction process was designed by GoA, with direct support from the WBG, and the complimentary GoA and IBRD package of guarantees, mitigating key risks, was formally offered to the market as part of the bidding package (on August 8, 2016 for the IBRD term sheet). In the design of the overall auction process the WBG played a core role in providing technical and legal support. MEM offered bidders the opportunity to request clarifications regarding the underlying risk allocation in proposed project documents, the bidding process, and the proposed IBRD guarantee.

RenovAr had a strong investor interest and better than expected results in Round 1. In July 2016, CAMMESA issued the first Request for Proposals under the Program for 1,000 MW of clean energy capacity under 20-year PPAs. This first round of RenovAr received 123 offers, with an aggregate installed capacity of 6,343 MW (more than 6 times the amount requested), covering 20 out of 23 provinces. On October 7 and 14, 2016 a total of 29 sub-projects were awarded with an average price of 6.13 US¢/kWh and a total of 1,142 MW (which accounts for 2.9 percent of the national consumption). The average offer price was lower than the 2015 average generation price of 7.05 US¢/kWh.

Building on the success of RenovAr Round 1, the Government engaged in an additional Round

1.5 which was also successful at attracting investors. To take advantage of strong investor interest in RenovAr Round 1, in October 2016 CAMMESA issued Round 1.5 for 600 MW of wind and solar energy capacity under 20-year PPAs. This new round, which was an extension of Round 1, included only bidders that were not awarded any bids in Round 1, thus expanding Argentina's investor base, and aimed to increase renewable generation capacity in under-represented regions. Only solar and wind sub-projects that were not awarded PPAs under Round 1 were allowed to participate in Round 1.5. MEM established quotas per type of technology and region and published the applicable institutional, technical, financial and economic specifications on October 28, 2016. This round was again oversubscribed and a total of 30 sub-projects (10 wind and 20 solar) were awarded on November 25, 2016 with an installed capacity of 1,281 MW. The average awarded price is much lower than for Round 1, i.e. 5.33 US¢/kWh for wind compared to 5.94 US¢/kWh in Round 1, and 5.44 US¢/kWh for solar compared to 5.97 US¢/kWh. Projects (under both Round 1 and 1.5) are expected to reach financial closure in 2017.

The RenovAr Program, with continuous GoA commitment and IBRD support, has now set an attractive framework for private sector led investments in Argentina and in the sub-region. Commercial financiers, including Direct Foreign Investors (DFIs), are expected to play a key role in financing Round 1 and 1.5 projects. Several Export Credit Agencies (ECAs) have announced their support for such projects in Argentina and many private sector lenders are expected to follow. IFC is in discussions with a few of the project developers; it is expected that IFC will provide a debt tranche to several of them. Private sector investors and financiers are also expected to approach MIGA for its political risk insurance products as and when financing for private projects materializes.

The Project

The proposed Project supports GoA in its implementation of the RenovAr Program with an IBRD guarantee of US\$480 million. Specifically, the Project will benefit renewable energy IPPs that opted for the IBRD guarantee within Round 1 and 1.5 of the Program.

The value added of the IBRD's presence and its guarantee structure has already been demonstrated through the success of the RenovAr auction outcomes. Such outcomes would not have been possible without the presence of the IBRD guarantee program for Argentina. For RenovAr Round 1, fifteen out of the 29 awarded sub-projects have requested the IBRD guarantee with an aggregate installed capacity of 590 MW and a value of US\$295 million. For RenovAr Round 1.5, twelve out of the 30 awarded sub-projects have requested the IBRD guarantee with an aggregate installed capacity of 443 MW and for a total value of approximately US\$184.3 million. Through its guarantee approach under Round 1 and 1.5 of RenovAr, the Project helps leverage about US\$3.2 billion in renewable energy financing (6.7 times the amount of the guarantee itself).

Discussions with GoA, bidders, and lenders participating in the Program have indicated that the presence of the World Bank Group, its stamp of approval on the program as well as credit enhancement of key obligations of Argentina by its guarantee, has played a critical catalytic role in attracting the large number of bids. Without IBRD support, some developers and financiers would not have participated in the auctions, which would have reduced overall competition and the technical and financial quality of the bids. Beyond the proposed RenovAr program, the

proposed IBRD guarantee is also helping to facilitate the reentry of Argentina into the international project finance market and, thus, supporting to rebuild Argentina's track record with investors.

Project Component

The Project has one component: an IBRD guarantee in an aggregate amount of US\$480 million to backstop Government's failure to fund FODER when it has to pay a Put Price to eligible renewable energy sub-projects as a result of IPPs exercising a Put Option under their respective FODER Trust Adhesion Agreement. At the sub-project level, the guarantee is limited to a maximum of US\$500,000 per MW. The Project involves a Financial Intermediary structure conformed by BICE, in its capacity as trustee of FODER, and MEM as implementing authority of FODER.¹⁷ The IBRD guarantee indirectly mitigates country risks (including lack of payments, change in policy, convertibility, and transferability risks), and thus reduces financing costs for IPPs and risks associated with signing PPAs with CAMMESA. In the medium term, the guarantee will allow Argentina to rebuild a positive track record with investors.

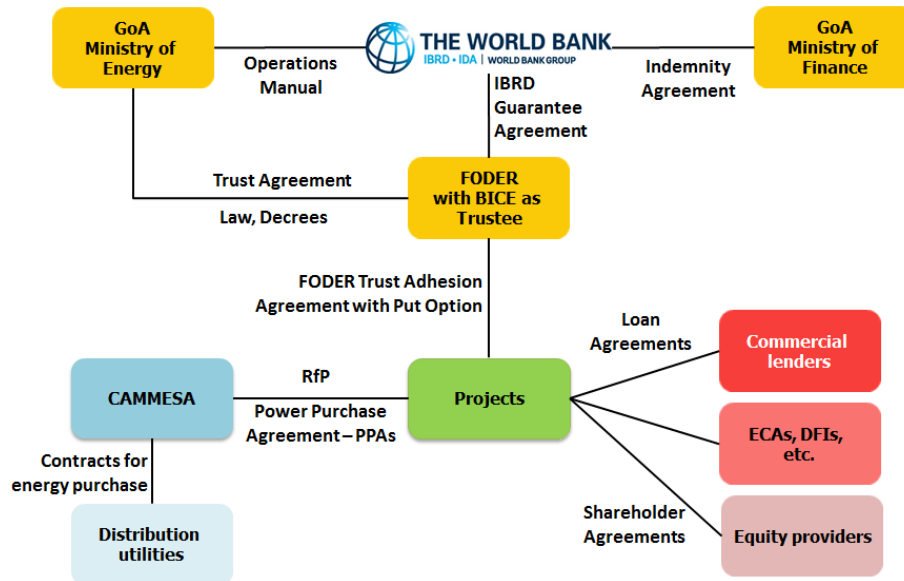
The IBRD guarantee enhances the support that FODER is providing to sub-projects under the Program and it can only be called in limited circumstances as a very last resort. FODER guarantees will cover three types of payment obligations: (i) ongoing payment obligations of CAMMESA for purchasing energy under the PPAs, (ii) government payment obligations emerging from the option to purchase eligible sub-projects, and (iii) government payment obligations emerging from the right of IPPs to sell their sub-projects to FODER (i.e. to exercise a Put Option) if specific macroeconomic or sector risks materialize. The IBRD guarantee backstops Argentina's obligation to fund FODER when FODER is required to buy out a project as a result of the exercise of a Put Option. Such guarantee benefits eligible sub-projects, and can also indirectly benefit lenders and equity investors to such eligible sub-projects. Figure 1 shows the key contractual relationships. The IBRD guarantee will be in place until the earlier of 20 years or Argentina obtaining investment grade¹⁸.

The IBRD guarantee will enhance FODER's creditworthiness by backstopping Put Option payments due and payable to IPPs. To mitigate risks expressed by private investors, GoA requested the World Bank to backstop certain Put Option payments that can be triggered by the following events of defaults: (a) extended non-payment by the off-taker under the PPA, (b) inconvertibility, (c) intransferability, (d) material adverse changes to FODER's operations without the subproject's prior consent, and (e) non-compliance with an arbitral award or judgement.

Figure 1: RenovAr Round 1 and 1.5 and IBRD Guarantee Contractual Relationships

¹⁷ BICE & MEM's roles in connection with FODER are contemplated in Law 27191 and its implementing regulations.

¹⁸ The IBRD guarantee is for up to 20 years, although sub-projects may request the guarantee for a shorter period.



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

Under the RenovAr Program, the MEM has launched a series of “auctions” (or Request for Proposals, RfPs) for renewable energy generation throughout the whole country. RenovAr Rounds 1 and 1.5 included 59 subprojects out of which 27 requested the WB guarantee. These subprojects are located in nine provinces in Argentina (Buenos Aires, Chubut, La Pampa, La Rioja, Mendoza, Neuquén, Río Negro, Salta, San Juan, Santa Cruz, and Santa Fe). As per renewable energy generation inherent characteristics, these subprojects are located mainly in rural or peri-urban areas. Thus, it is possible for renewable energy generation related works to be located in natural habitat zones potentially affecting forests and/or forest dependent communities, to use pesticides or herbicides needed for minor management of facilities and for access roads maintenance respectively, and to be located in known or suspected physical cultural resources zones. Nevertheless, sub-projects are of small-to-medium scale with relatively moderate, localized and site-specific negative environmental and social impacts which are non-irreversible, not significant, and that can readily be prevented or mitigated with routine/standard measures.

As a result of a preliminary screening process carried out by MEM, it was identified that some of these subprojects are in areas where Indigenous Peoples (IPs) are likely to be present. In addition, it is important to highlight that proposals will need to demonstrate land-use legal rights for sub-project specific locations, including land that may be needed for the right of way for transmission lines to the nearest connection point. It is expected that in the majority of cases land transactions will be conducted in a fully voluntary – willing buyer-willing seller – basis, but it is possible that in some cases sub-projects would require land easement and/or acquisition that might entail involuntary resettlement.

F. Environmental and Social Safeguards Specialists on the Team

Elba Lydia Gaggero (GEN04)

Lilian Pedersen (GENDR)
Santiago Scialabba (LCC7C)
Lucrecia Bertelli (GSI10)

II. IMPLEMENTATION

The Project involves a guarantee structure via a financial intermediary (FI). In practical terms, the FI consists of two entities: a) MEM in its capacity as implementing authority of FODER, and (b) BICE, in its capacity as trustee of FODER. Thus, the MEM is the implementing agency of the guarantee project, with BICE as the fiduciary agency. Technical decisions related with the renewable energy subprojects as well as the environmental and social screening and monitoring will be done by the MEM.

The energy sector in Argentina has a relatively strong and consolidated environmental legal framework. There are diverse legal instruments which define the environmental requirements for generation, transmission and distribution of energy. For example, Resolution S.E. N° 149/90 (issued by the former Secretariat of Energy, SoE) requires the presentation of a comprehensive Environmental Impact Assessment as part of the inscription process as agent of the wholesale energy market (*Mercado Eléctrico Mayorista*), i.e. generation, transmission and distribution agents. Also, Resolutions S.E. N° 15/92 and N° 153/93 provides a legal status to the Environmental Management Manual for Energy Transmission and the Environmental Management Manual for Thermal Energy Generation – 1988, respectively. In addition, the Resolution N° 555/01 (issued by ENRE on Oct 24, 2001 and ratified by SoE through Resolution S.E. N° 402/02), requires that certain (although the majority) agents of the wholesale energy market “... *elaborate and implement an Environmental Management System on a documentary basis that includes, as a minimum, the organizational structure; the planning activities; the responsibilities; the practices, procedures and processes; as well as the resources to develop, implement, review and maintain the Environmental Policy of such agents.*”

As the authority of application of the sectorial environmental legal framework, the former SoE, upgraded at present in the Ministry of Energy and Mining (MEM), has developed capacities for the environmental and social management of the diverse activities related to the sector, including the knowledge of and coordination with the different jurisdictional EIA systems given that Argentina is a federal country. MEM already has social and environmental staff, with experience including Bank's safeguards management (e.g., PERMER II, P133288). Specifically for this guarantee Project, the MEM has strengthened the Environmental and Social Unit (UAYS) of the National Directorate of Renewable Energy by adding specialized human resources (at present, the Unit counts with two environmental specialist and two social specialist), and is foreseen budget allocation to fulfill the implementing agency's obligations related to the implementation of the Environmental and Social Management Framework developed for the operation. As an FI operation, the MEM has been assessed by the Bank team as having the capacity for environmental and social management (details below).

The specific renewable energy sub-projects will be developed by private companies (i.e., private companies and sponsors will be in charge of sub-project's design,

construction/installation, and operation & maintenance, including the environmental and social assessments, assurance of legal compliance and risk management). The UAYS will also assess and identify, as pertinent, private sector company capacity needs.

III. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>The proposed Project will have a largely positive impact on the environment by promoting the supply, through private companies, of renewable energy in Argentina, thereby reducing the demand for use of fossil fuels for energy generation. In this sense, ambitious objectives have been established: mandatory renewable energy targets of 8% of electricity consumption by the end of 2017 and 20% by 2025 for all consumers. Overall, the Project will support the GoA's objectives to improve energy security, diversify the energy matrix, and reduce environmental impacts.</p> <p>OP/BP 4.01 is triggered for the Project and the Project is proposed to be classified as FI since the Project involves a guarantee structure via a financial intermediary (FI). In practical terms, the FI consists of two entities: (a) MEM in its capacity as implementing authority of FODER, and (b) BICE, in its capacity as trustee of FODER. Thus, the MEM is the implementing agency of the guarantee project, with BICE as the fiduciary agency. Technical decisions related to the renewable energy sub-projects, as well as the environmental and social screening and monitoring, will be done by the MEM.</p> <p>The Project's sub-projects involve a limited number of relatively standard/typical renewable energy generation infrastructure projects/works. These are of small-to-medium scale¹⁹ with relatively moderate, localized and site-specific negative environmental and social impacts which are non-irreversible, not significant, and that can readily be prevented or mitigated with routine/standard measures. During construction stage, potential negative environmental impacts related to renewable sub-</p>

¹⁹ Nominal power ranges in MW, by technology, are: (a) wind: from 1 to 100 MW; (b) solar photovoltaic: from 1 to 100 MW; (c) biomass: from 1 to 65 MW; (d) small-scale hydro: from 1 to 20 MW; and, (e) biogas: from 1 to 15 MW.

		<p>projects generation and connectivity are related to civil works at project site/area, access roads, substations, distribution lines and distribution networks. These potential impacts during construction stage are basically common for all foreseen technologies under the RenovAr Program: Construction activities may lead to temporary change/loss in vegetation and natural habitat (land clearance, for example), air emissions (dust and vehicle emissions), noise related to excavation, construction and vehicle transit, transportation of materials, solid waste generation and wastewater generation from temporary building sites and worker accommodation (construction camps). During operation stages, potential impacts will depend on the different sub-projects technologies. In general terms, risks and potential adverse impacts could be, for example, on landscapes, local fauna, avifauna, indigenous plants and trees. As examples of potential impacts per technology, it can be mentioned the following: a) Wind: incidental damages on avifauna and bats (collisions); alteration of landscapes; noise; b) Solar: incidental damages on avifauna (collisions, blindness); alteration of landscapes; c) Biomass and biogas: air emissions; alteration of soil properties when utilizing forest wastes as raw material; d) Small-hydro schemes: alterations on riverine and/or aquatic ecosystems. Cumulative environmental impacts are not expected to be significant, as the project is nationwide in scope.</p> <p>An Environmental and Social Management Framework (ESMF) has been developed by MEM, which defines the environmental and social management procedures to be implemented by MEM and the individual renewable energy subprojects covered by the guarantee. The ESMF includes screening by MEM of proposed subprojects developed by private companies. The ESMF excludes the use of the Project guarantee for subprojects which could be defined as Category A under Bank policies.</p> <p>Given that subprojects will be developed by private companies (which will be in charge of subprojects' design, construction / installation, and operation & maintenance, including the environmental and social assessments, assurance of legal compliance and risk</p>
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		<p>management), and considering OP 4.01 guidelines, the instruments that better cover the type, extent, and deep of analysis and management required for these subprojects that involve the private sector are the World Bank Performance Standards for Private Sector Activities (PS1 to PS8). Thus, the ESMF requires the private sector companies to comply with Performance Standards. In addition, the use of such standards may facilitate their access to private sector financing. This implies that, in the context of this Financial Intermediary operation, the requirements of the relevant safeguard policies are best met by requiring the private awardees to comply with the PSs. The ESMF also defines supervision and reporting requirements.</p> <p>As an FI operation, the Ministry of Energy and Mining has been assessed by the Bank team as having the capacity for environmental and social management (details below); also, no Category A sub-project will be eligible for the Bank's guarantee coverage. Based on that, Bank prior review for the project-specific assessments carried out by the Environmental and Social Unit (UAYS) of the National Directorate of Renewable Energy of MEM will be done only for the first project of each technology. The rest of the processes will be monitored by the Bank based on the annual reports prepared by UAYS and the need of any additional review will be determined based on the level of compliance and/or non-compliance of the environmental and social requirements for the project. This criteria is described in the ESMF, which, in turn is part of the Operational Manual of the Project.</p>
Natural Habitats OP/BP 4.04	Yes	<p>Since rural areas are mainly targeted, it is possible for renewable energy generation related works to be located in natural habitat zones; also, there may be impacts from the wind-power investments on avifauna and bats and from small hydro on aquatic ecosystems. Therefore, OP/BP 4.04 Natural Habitats is triggered. The ESMF developed by MEM includes provisions to ensure that, as appropriate, subprojects comply with the applicable World Bank's Performance Standard (Biodiversity Conservation and Sustainable Management of Living Natural Resources; PS6).</p>
Forests OP/BP 4.36	Yes	<p>It is possible for renewable energy generation related</p>

		works to potentially affect forests and/or forest dependent communities. Therefore, OP/BP 4.36 Forests is triggered. The ESMF includes provisions to ensure that, as appropriate, sub-projects comply with the applicable World Bank's Performance Standard (Biodiversity Conservation and Sustainable Management of Living Natural Resources; PS6).
Pest Management OP 4.09	Yes	OP 4.09 Pest Management is triggered since, for example, potential use of pesticides could be needed for minor management of facilities and potential use of herbicides could be needed for access roads maintenance. The ESMF developed by MEM includes provisions to ensure that, as appropriate, sub-projects comply with the applicable World Bank's Performance Standard (Resource Efficiency and Pollution Prevention; PS3).
Physical Cultural Resources OP/BP 4.11	Yes	Since rural areas are mainly targeted, it is possible for renewable energy generation related works to be located in known or suspected physical cultural resources zones. In addition, some subprojects may involve excavations and soil movement and, therefore, there is a potential for chance finds of physical cultural resources. Thus, OP/BP 4.11 Physical Cultural Resources is triggered. The ESMF includes provisions to ensure that, as appropriate, sub-projects comply with the applicable World Bank's Performance Standard (Cultural Heritage; PS8).
Indigenous Peoples OP/BP 4.10	Yes	<p>As stated above, Round 1 of the RenovAr Program included 15 subprojects that requested the WB guarantee. These subprojects are located in nine provinces in Argentina, mainly in rural or peri-urban areas. As a result of a preliminary screening process carried out by MEM, it was identified that some of these subprojects are in areas where Indigenous Peoples (IPs) are likely to be present.</p> <p>In this context, OP/BP 4.10 Indigenous Peoples is triggered and an Indigenous People's Planning Framework (IPPF) has been prepared and consulted with the IPs representatives at the national level.</p> <p>The IPPF includes a second screening process mandatory for all awardees that have requested the IBRD Guarantee. This process consists on a formal inquiry to the National Institute of Indigenous Affairs</p>

		<p>(Istituto Nacional de Asuntos Indígenas - INAI) and the Indigenous Peoples Participation Councils (Consejos de Participación Indígena – CPIs) about the presence of Indigenous Peoples in the subproject area of influence. For those cases where Indigenous Peoples are present in the subproject area of influence, awardees must carry out free, prior and informed consultations with Indigenous Communities gaining the broad community support (and, when required, awardees will seek Free and Prior Informed Consent) and prepare an Indigenous Peoples Plan or a Community Development Plan in accordance to what is established in the IPPF.</p> <p>The IPPF has also been incorporated as part of the Environmental and Social Management Framework (ESMF) and the Operational Manual of the Project, to ensure that, as appropriate, subprojects comply with the applicable World Bank Performance Standard (Indigenous People; PS7), including with Free, Prior and Informed Consent, when required.</p>
Involuntary Resettlement OP/BP 4.12	Yes	<p>OP/BP 412 is triggered. Proposals need to demonstrate land-use legal rights for sub-project locations. Project-related land acquisition in areas with land disputes or where the ownership of land is not clear or there are unresolved claims by IPs or other groups will be excluded.</p> <p>Since renewable energy highest potential normally is strongly related to specific locations, particular premises may be needed for a sub-project, including land that may be needed for the right of way for transmission lines to the nearest connection point.</p> <p>It is expected that in the majority of cases land transactions will be conducted in a fully voluntary – willing buyer-willing seller – basis (i.e. following two operative principles: (i) informed consent and (ii) power of choice - the latter is only possible if the Project location is not fixed-). But it is likely that in some cases sub-projects would require land easement and/or acquisition that might entail resettlement as defined by OP 4.12 (loss of assets, physical displacement, or livelihood losses and/or restriction on land use). In accordance with the procedures included in the ESMF of the Project, MEM has prepared a</p>

		Resettlement Policy Framework (RPF). The RPF guides the preparation of site specific Resettlement Action Plans to ensure that, as required, analysis of alternatives and appropriate compensation and support to potentially affected people are incorporated into the sub-projects' design to ensure that they will comply with the applicable World Bank's Performance Standard (Land Acquisition and Involuntary Resettlement; PS5).
Safety of Dams OP/BP 4.37	Yes	The Project could support small-scale hydro run-of-river electricity generation facilities (ranging from 0.5 to 20 MW), some of which may require a small weir or pondage to provide water for the penstock; thus OP/BP 4.37 is also triggered. The ESMF developed by MEM includes provisions to ensure that renewable energy subprojects comply with the applicable World Bank's Performance Standard (Community Health, Safety and Security; PS4).
Projects on International Waterways OP/BP 7.50	No	The Projects on International Waterways Policy has not been triggered. Initial screening of pre-identified sub-projects to be considered for support are not located on waterways defined as international ones according to OP/BP 7.50.
Projects in Disputed Areas OP/BP 7.60	No	The Policy is not triggered since the Project will not be implemented in or will not affect areas known to involve disputed areas.

IV. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>No large scale, significant or irreversible potential negative impacts are anticipated for the Project. The Project's sub-projects involve a limited number of relatively standard/typical renewable energy generation infrastructure projects / works. These are of small-to-medium scale with relatively moderate, localized and site-specific negative environmental and social impacts which are non-irreversible, not significant, and that can readily be prevented or mitigated with routine/standard measures. During construction stage, potential negative environmental impacts related to renewable sub-projects generation and connectivity would be related to civil works at project site/area, access roads, substations, distribution lines and distribution networks. Construction activities may lead to temporary change/loss in vegetation and natural habitat (land clearance, for example), air emissions (dust and vehicle emissions), noise related to excavation, construction and vehicle transit, transportation of materials, solid waste generation and wastewater generation from temporary building sites and worker</p>
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accommodation (construction camps). During operation stages, potential impacts will depend on the different sub-projects technologies. In general terms, risks and potential adverse impacts could be, for example, on landscapes, local fauna, avifauna, indigenous plants and trees. As examples of potential impacts per technology, it can be mentioned the following: a) Wind: incidental damages on avifauna and bats (collisions); alteration of landscapes; noise; b) Solar: incidental damages on avifauna (collisions, blindness); alteration of landscapes; c) Biomass and biogas: air emissions; alteration of soil properties when utilizing forest wastes as raw material; d) Small-hydro schemes: alterations on riverine and/or aquatic ecosystems.

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

No long term negative impacts are anticipated. Cumulative environmental impacts are not expected to be significant, as the project is nationwide in scope.

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

Given the characteristics of the operation, analysis of alternatives of sub-project locations does not apply; sub-projects will be implemented in the awardees premises. However, recommendations on improvements of sub-project design / implementation might arise from the socio-environmental screening and assessment process included in the Project's ESMF.

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.

An Environmental and Social Management Framework (ESMF) has been developed by MEM, which defines the environmental and social management procedures to be implemented by MEM and the individual renewable energy subprojects covered by the guarantee. The ESMF includes screening by MEM of proposed subprojects developed by private companies. The ESMF excludes the use of the Project guarantee for subprojects which could be defined as Category A under Bank policies. The ESMF also defines supervision and reporting requirements.

Given that subprojects will be developed by private companies (which will be in charge of subprojects' design, construction / installation, and operation & maintenance, including the environmental and social assessments, assurance of legal compliance and risk management), and considering OP 4.01 guidelines, the instruments that better cover the type, extent, and deep of analysis and management required for these subprojects that involve the private sector are the World Bank Performance Standards for Private Sector Activities (PS1 to PS8). Thus, the ESMF requires the private sector companies to comply with Performance Standards. This implies that, in the context of this Financial Intermediary operation, the requirements of the relevant safeguard policies are best met by requiring the private awardees to comply with the PSs. In addition, the use of such standards may facilitate their access to private sector financing.

Subprojects that requested the WB guarantee under Round 1 and Round 1.5 of the RenovAr

Program are located mainly in rural or peri-urban areas and as a result of a preliminary screening process carried out by MEM, it was identified that some of these are areas where Indigenous Peoples (IPs) are likely to be present. In this context, an Indigenous People's Planning Framework (IPPF) has been prepared by MEM as part of the ESMF of the Project, to ensure that, as appropriate, subprojects comply with the applicable World Bank's Performance Standard (Indigenous People; PS7), including with Free, Prior and Informed Consent, when required.

In addition, MEM has prepared a Resettlement Policy Framework (RPF). The RPF guides the preparation of site specific Resettlement Action Plans, to ensure that, as required, analysis of alternatives and appropriate compensation and support to people potentially affected by the sub-projects are incorporated into the sub-projects' design to ensure that they will comply with the applicable World Bank's Performance Standard (Land Acquisition and Involuntary Resettlement; PS5). In this sense, it is important to highlight that proposals need to demonstrate land-use legal rights for sub-project locations and Project-related land acquisition in areas with land disputes or where the ownership of land is not clear or there are unresolved claims by IPs or other groups will be excluded. In addition, since renewable energy highest potential normally is strongly related to specific locations, particular premises may be needed for a sub-project, including land that may be needed for the right of way for transmission lines to the nearest connection point. Nevertheless, it is expected that in the majority of cases land transactions will be conducted in a fully voluntary – willing buyer-willing seller – basis (i.e. following two operative principles: (i) informed consent and (ii) power of choice - the latter is only possible if the Project location is not fixed-). But it is likely that in some cases sub-projects would require land easement and/or acquisition that might entail resettlement as defined by OP 4.12 (loss of assets, physical displacement, or livelihood losses and/or restriction on land use). For that reason, MEM prepared the RPF mentioned above.

As the authority of application of the sectorial environmental legal framework, the former Secretariat of Energy, upgraded at present in the Ministry of Energy and Mining (MEM), has developed capacities for the environmental and social management of the diverse activities related to the sector, including the knowledge of and coordination with the different jurisdictional EIA systems given that Argentina is a federal country. MEM already has social and environmental staff, with experience including Bank's safeguards management (e.g., PERMER II, P133288). Specifically for this guarantee Project, the MEM has strengthened the Environmental and Social Unit (UAYS) of the National Directorate of Renewable Energy by adding specialized human resources (at present, the Unit counts with two environmental specialists and two social specialists) and is foreseen budget allocation to fulfill the implementing agency's obligations related to the implementation of the ESMF.

The specific renewable energy sub-projects will be developed by private companies (i.e., private companies and sponsors will be in charge of sub-project's design, construction/installation, and operation & maintenance, including the environmental and social assessments, assurance of legal compliance and risk management). The UAYS will also assess and identify, as pertinent, private sector company capacity needs.

As an FI operation, the MEM has been assessed by the Bank team as having the capacity for

E&S management; also, no Category A sub-project will be eligible for the Bank's guarantee coverage. Based on that, Bank prior review for the project-specific assessments carried out by the Environmental and Social Unit (UAYS) of the National Directorate of Renewable Energy of MEM will be done only for the first project of each technology. The rest of the processes will be monitored by the Bank based on the annual reports prepared by UAYS and the need of any additional review will be determined based on the level of compliance and/or non-compliance of the environmental and social requirements for the project.

MEM will develop an M&E, supervision and monitoring system through which MEM will be able to compile information, request, and gather data from relevant stakeholders and produce reports as needed and committed. In particular, the system will manage to produce inter alia, annual reports that will include information on compliance and non-compliance of any action required through the triggered environmental and/or social safeguards.

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

Key stakeholders are project-affected groups and nongovernmental organizations (NGOs), particularly those groups/organizations who have interests or potential concerns about the Project. An advanced draft version of the ESMF, including the IPPF and the RPF as annexes, has been disclosed in the MEM Website and in the World Bank external Website on December 14, 2016. This documents were consulted by MEM from December 15, 2016 to January 5, 2017 involving an ample sample of institutions -state bodies, academia, private associations, and nation-wide & local-presence NGOs- identified by MEM as key stakeholders. Some of them are: i) Public Sector: Servicio Meteorológico Nacional (Mediciones del recurso solar); CNEA (Comisión Nacional de Energía Atómica. Pruebas de instalaciones de energía distribuida, convenio con IRESUD); INTI (Instituto Nacional de Tecnología Industrial); Subsecretaría de Recursos Hídricos; Autoridades de Cuenca Hídricas; Departamento Irrigación de Mendoza; Dirección de Recursos Energéticos de San Juan; Departamento Hídrico Provincial de Río Negro; EPEC (Empresa Provincial de Energía de Córdoba); PROBIOMASA; CAMMESA; INVAP (Investigación Aplicada - Sociedad del Estado, Provincia de Río Negro); ENHIDRO (Emprendimientos Hidroeléctricos Sociedad del Estado Provincial del Neuquén); ii) Academia: Universidad Nacional de la Plata (Estudios eólicos, solares e hidráulicos; Banco de pruebas Hidráulicas); Universidad Nacional de Lujan (Estudios eólicos y solares); Universidad Tecnológica Nacional (Estudios eléctricos y de ingeniería); Universidad de Cuyo (Facultad de Ingeniería); Universidad de Santiago del Estero (Estudios del recurso forestal y subproductos); Universidad de Buenos Aires (Facultad de Ingeniería); iii) Private Associations: CADER (Cámara Argentina de Energías Renovables); Cámara de Comercio Alemana (Desarrollos solares); Cámara de Generadores Eólicos; CIPIBIC (Proyectos e Ingeniería de Bienes de Capital); CREE (Centro Regional de Energía Eólica); and, iv) NGOs: Fundación Ambiente y Recursos Naturales (FARN); Fundación Vida Silvestre; Aves Argentinas; The Nature Conservancy; Fundación Avina; Red de Comunidades Rurales; Red Argentina para la Cooperación Internacional; Asociación Cultural para el Desarrollo Integral; and Fundación Gran Chaco. It is important to highlight that the last four NGOs included in the list are mainly dedicated to support vulnerable groups in rural and peri-urban areas (these groups include indigenous communities).

Feedback received during consultations has been incorporated, as appropriate, into the final version ESMF and the Project design (Note: The RenovAr Program had a first stage of broad dissemination and open public consultation of a preliminary Call of Proposals - “*pre-Pliego*”-, which took place from May 17, 2016 to July 1st, 2016. Input received was used to refine the operation’s design). The final version of the ESMF was published on the Borrower’s website and on the World Bank external website on January 16, 2017.

The IPPF and the RPF have been also published in the MEM Website and in the World Bank external Website on December 14, 2016, as stand-alone documents to facilitate access for Indigenous Peoples and any other potential affected people of communities. In the case of the IPPF, the document has been specifically consulted with the indigenous authorities at the national level from December 22, 2016 to January 5, 2017: National Institute of Indigenous Affairs (Istituto Nacional de Asuntos Indígenas - INAI) and the eight members of its Legislative Commission (who represent the provinces of Buenos Aires, Chaco, Chubut, Entre Ríos, La Pampa, Neuquén, Salta and Santiago del Estero - five of which will host renewable energy projects with IBRD Guarantee) participated in these consultations; none of these representatives had expressed any opposition to the project during the consultation period. Relevant feedback received during such consultations has been used to inform project design accordingly and incorporated, as relevant, into a revised version of the instrument, which was published on the Borrower’s website and on the World Bank external website on January 16, 2017. However, it is important to highlight that a second phase of consultation with IP representatives is foreseen: a meeting to discuss the revised IPPF is scheduled for the first week of February, 2017 as part of the regular by-monthly meetings of the Indigenous Peoples Participation Council (Consejo de Participación Indígena – CPI). Results of this new consultation will be incorporated, as appropriate, in the IPPF that in turn will be re-published.

Once awarded, private companies will undertake all the necessary risks assessments, identify and implement the mitigation measures, and develop an appropriate monitoring framework to ensure that the power plants supported under the Project are in compliance with the World Bank’s Performance Standards for Private Sector Activities.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

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:

N/A

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is

finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

The World Bank Policy on Disclosure of Information						
Have relevant safeguard policies documents been sent to the World Bank's external Website?	Yes	X	No	<input type="checkbox"/>	NA	<input type="checkbox"/>
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	X	No	<input type="checkbox"/>	NA	<input type="checkbox"/>
All Safeguard Policies						
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes	X	No	<input type="checkbox"/>	NA	<input type="checkbox"/>
Have costs related to safeguard policy measures been included in the project cost?	Yes	X	No	<input type="checkbox"/>	NA	<input type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes	X	No	<input type="checkbox"/>	NA	<input type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes	X	No	<input type="checkbox"/>	NA	<input type="checkbox"/>

V. Contact point

World Bank

Name: Lucía Spinelli
 Title: Senior Energy Specialist
 Email: lspinelli@worldbank.org

Name: Arnaud Braud
 Title: Infrastructure Finance Specialist
 Email: abraud@worldbank.org

Borrower/Client/Recipient

Name: Ministry of Treasury and Public Finance
 Contact: Martín Félix Soto
 Title: Deputy Secretary for international Financial Relations
 Email: fmsoto@mecon.gob.ar

Implementing Agencies

Name: Ministry of Energy and Mining
 Contact: Sebastián Kind
 Title: Deputy Secretary for Renewable Energy
 Email: skind@minem.gob.ar

VI. 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>

VII. Approval

Task Team Leader(s):	Name: Lucia Spinelli, Arnaud Braud	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Noreen Beg	Date: 13-Jan-2017
Practice Manager (GEEFS):	Name: Pankaj Gupta	Date: 14-Jan-2017
Practice Manager (GEE04):	Name: Antonio Barbalho	Date: 15-Jan-2017
Country Director:	Name: Jesko S. Hentschel	Date: 17-Jan-2017