



Concept Environmental and Social Review Summary Concept Stage (**ESRS Concept Stage**)

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I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P506430	Investment Project Financing (IPF)	ATSES	2025
Operation Name	Supporting the Transition to a Sustainable Electricity Sector in Argentina		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Argentina	Argentina	LATIN AMERICA AND CARIBBEAN	Energy & Extractives
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Argentine Republic	Secretary of Energy	25-Sept-2024	27-Nov-2024
Estimated Concept Review Date	Total Project Cost		
18-Jul-2024	500,000,000.00		

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Proposed Development Objective

To support the enhancement of subsidy targeting mechanisms and the sustainability and efficiency of the Argentine electricity sector.

B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project Activities

[Description imported from the Concept Data Sheet in the Portal providing information about the key aspects and components/sub-components of the project]

This IPF project with PBCs will accompany the design, implementation, and evaluation of the reform process GoA is implementing in the electricity sector. The reform will aim for a financially sustainable electricity sector in the medium term, always ensuring to cushion the impact on



vulnerable sectors of the population. The proposed operation would seek to support, among other things, the strengthening of institutional capacities of key stakeholders, the improvement of the quality of existing information about households and individuals, the generation of new and valuable information that enhances the ability to adequately identify households, the improvement of information flow to overcome administrative barriers between institutions, or to create incentives for organizations in subnational jurisdictions to join in optimizing the subsidy targeting mechanism.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

[Description of key features relevant to the operation’s environmental and social risks and opportunities (e.g., whether the project is nationwide or regional in scope, urban/rural, in an FCV context, presence of Indigenous Peoples or other minorities, involves associated facilities, high-biodiversity settings, etc.) – Max. character limit 2,000]

This project has a national scope and will support policy reforms to enhance subsidy targeting and the sustainability and efficiency of the Argentine electricity sector. It is expected to facilitate the inclusion of vulnerable households not yet identified in the sectorial databases used at both national and provincial levels to allocate subsidies to electricity fees.

Project activities do not entail civil works, infrastructure investments or any other kind of physical interventions. Most of related impacts would be indirect and hard to attribute exclusively to project implementation. Population to be directly affected by the project (both positively and negatively) is covered by the electricity distribution network (that means, mostly urban population, but also some rural population in areas where such kind of public service is provided).

D.2 Overview of Borrower’s Institutional Capacity for Managing Environmental and Social Risks and Impacts

[Description of Borrower’s capacity (i.e., prior performance under the Safeguard Policies or ESF, experience applying E&S policies of IFIs, Environmental and social unit/staff already in place) and willingness to manage risks and impacts and of provisions planned or required to have capabilities in place, along with the needs for enhanced support to the Borrower – Max. character limit 2,000]

The Secretariat of Energy (SE) from the Ministry of Finance (MECON) will be in charge of the project execution but, it is still not clear which of the undersecretariats will have the responsibility for implementation. Some of the SE’s undersecretariats have previous experience preparing and implementing investment projects with the World Bank (mostly under the old operational safeguard policies, but also under ESF, to a limited extent). The SE has experience conducting massive public hearings as part of different reforms and tariff adjustments conducted in recent years. During preparatory meetings, the possibility to draw on E&S specialists who had already been involved in formulating and implementing WB projects has been discussed with the client and they are aware they need to be already nominated and present in the next mission in late July. Given the recent developments involving dismissals of specialists from different WB-funded projects across Argentina’s portfolio, it is hard at this stage to assess client’s capacity to establish and maintain a structure to assess and manage the ES risks and impacts of the Project in a manner consistent with the ESSs. This aspect, as well as potential capacity building



requirements, will be assessed during preparation and will be described in the appraisal documents.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

A.1 Environmental Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]

The Environmental Risk Rating is deemed moderate at concept stage. There is a very low probability of the project causing serious effects to the environment. Project-related direct risks and impacts identified at concept stage are low or minimal in magnitude, predictable and reversible. However, a few indirect environmental risks and impacts have been identified at concept stage, related to the eventual induction of a transition, at the household level, towards other cheaper energy sources for heating and cooking, stemming from the reduction of subsidies to electricity fees. They are, in principle, deemed not to be significant and would occur once project implementation is well advanced. Further assessment of such impacts is required to determine their likelihood and relevance. If relevant, the results of such deeper assessment might lead to a re-classification of project’s environmental risk during the course of the project.

A.2 Social Risk Rating

Moderate

[Summary of key factors contributing to risk rating, in accordance with the ES Directive and the Technical Note on Screening and Risk Classification under the ESF – Max. character limit 2,000]

The Social Risk Rating is moderate at concept stage. The project aims at sheltering the poor from electricity tariff increases while advancing an efficient use of fiscal resources. The project will develop new mechanisms that appropriately target the vulnerable population by consolidating the national registry to access energy subsidies (RASE), developing national capacities for data collection and verification, and improving the existing registries at provincial levels, correcting existing inclusion or exclusion errors (i.e. including households that currently do not benefit from subsidies and should, while excluding those who do benefit from subsidies and should not). The project will support the establishment of a robust grievance and redress mechanism to provide beneficiaries channels for effective feedback. The Project will also ensure that tariff reforms can be effective, efficient and avoid negative impacts on vulnerable households. Despite the expected benefits from the project, the substantial modifications to the subsidy program may cause discontent among certain individuals and businesses. Therefore, it is crucial to implement communication strategies that are inclusive and timely to ensure all stakeholders are well-informed and can adapt to the changes effectively.



[Summary of key factors contributing to risk rating. This attribute is only for the internal version of the download document and not a part of the disclosable version - Max. character limit 2,000]

B. Relevance of Standards and Policies at Concept Stage

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant. Project activities do not entail civil works or physical interventions. At concept stage, no activities have the potential of harming people or environment and there are no significant, complex and/or large E&S risks or impacts. All risk and impacts identified are deemed predictable and can be easily mitigated. The project is designed to benefit vulnerable groups by addressing exclusion errors. The substantial modifications to the subsidy program may cause discontent among certain individuals and businesses, necessitating effective, inclusive communication to facilitate adjustment. Minor indirect environmental risks and impacts have been identified (related to shifts to alternative energy due to the increased tariffs perceived), but are not significant and would occur once project implementation is well advanced. This would merit further assessment unless project design is adapted to avoid or minimize them.

ESS10 - Stakeholder Engagement and Information Disclosure

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant. Consultations will be carried out during preparation and the Project will use the Borrower's Framework. The ESCP will include specific actions that may be necessary to ensure material consistency with ESS 10, such as measures to carry out the stakeholder engagement process in a culturally appropriate, inclusive and timely manner. This will be further elaborated at appraisal. Besides the aspects already considered in the Borrower's Framework in this regard, the Project design specifically aims at supporting the adaptation of the existing (as part of the borrower's framework) grievance and redress mechanism to provide beneficiaries channels for effectively sharing their project-related feedback. It will also include behavior change communication campaigns to support better use of energy and achieve savings to counter any further potential negative impacts from the reduction of subsidies, and to "close the loop" by including their feedback in the process.

ESS2 - Labor and Working Conditions

Relevant

[Optional Explanation - Max. character limit 1,000]



This standard is relevant. The Project will be implemented by a small number of public servants and direct and contracted workers (e.g., consultants to support project activities implemented by the PIU and consulting firms to provide specific services). Activities under this project are not expected to have any negative impacts related to labor and working conditions. According to the assessment for Project P178067, Argentina's legal framework largely aligns with ESS2 requirements. The main gap identified is that such framework does not require providing documentation regarding terms and conditions of employment to workers. However, given that Argentina recently passed new legislation regarding labor, an assessment will be carried out before appraisal to confirm that borrower's framework continue being materially consistent with ESS2. If so, project labor risks are expected to be managed using Borrower's framework and any specific additional measures will be detailed in the ESCP.

ESS3 - Resource Efficiency and Pollution Prevention and Management

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant. According to the project concept note, it is expected to induce a reduction of GHG emissions (through reduced electricity generation and enhanced energy use). The project economic analysis to be conducted by appraisal would quantify impact on GHG emissions reductions associated to the project implementation, which would contribute to the gross GHG emissions required under ESS3, providing such estimation is technically and financially feasible. There is some risk that reducing the access from some groups to subsidies might force them to increase their use of other cheaper energy sources for heating and cooking (such as burning fuelwood, waste, kerosene or diesel). The increased use of "dirtier" energy sources might lead to GHG emissions, indoor air pollution and, thus, to an increased risk of respiratory diseases. Further assessment of these risks will be addressed as described in the Overview of Required Environmental and Social Risk Management Activities.

ESS4 - Community Health and Safety

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant. The risk that reduced subsidies indirectly induce the increased use of alternative energy sources for heating and cooking might have implications on health (e.g., increased exposure to hazardous wastes and outdoor air pollution) which will be addressed as described in the Overview of Required Environmental and Social Risk Management Activities.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

Not Currently Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is not currently relevant. The outcome of E&S screening did not identify any potential risks and/or impacts relevant to ESS5. Activities to be financed by the Project will



neither require land acquisition, nor restrictions on land or involuntary resettlement as defined under this Standard.

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant. There is some risk that reducing subsidies might force some groups to an increased use of other cheaper energy sources derived from living natural resources for heating and cooking (such as firewood, charcoal or peat). If not properly managed, such increased use of living natural resources might cause habitat degradation. At concept stage, it is not clear if such eventual effects could, in practice, be univocally attributed to project activities. Different approaches to further assess such eventual effects (qualitatively or quantitatively) will be explored during project preparation and, if deemed technically and financially feasible, such assessment would be conducted as described in the Overview of Required Environmental and Social Risk Management Activities.

ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is relevant since Argentina is a multicultural country with a notable presence of indigenous people (accounting for accounts for 2.9% of its citizens at the national level). Moreover, the project will benefit indigenous peoples' households. While no significant negative impacts on indigenous peoples are anticipated—given the project's objective to enhance the distribution of subsidies to vulnerable families— project implementation must ensure that communication and participation is done in a culturally appropriate and timely manner. This will be specified in the ESCP.

ESS8 - Cultural Heritage

Not Currently Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is not currently relevant. The E&S screening at concept stage did not identify any potential risks and/or impacts relevant to ESS8.

ESS9 - Financial Intermediaries

Not Currently Relevant

[Optional Explanation - Max. character limit 1,000]

This standard is not currently relevant. The Project will not involve the use of Financial Intermediaries.

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B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways

No

OP 7.60 Operations in Disputed Areas

No

B.3 Other Salient Features

Use of Borrower Framework

In Part

[Optional explanation – Max. character limit 1,000]

Reliance on the BF is considered for ESS1, ESS2 and ESS10. This will be further assessed during project preparation and confirmed at appraisal. Regarding ESS1, specific parts of BF (the procedure to conduct ESAs established by Resolutions 434/19 and 475/2020 from the former National Environment and Sustainable Development Ministry, <https://www.argentina.gob.ar/ambiente/desarrollo-sostenible/evaluacion-ambiental/evaluacion-ambiental-estrategica>) might be used for the purpose of assessing the indirect risks associated to the eventual transition, at the household level, towards cheaper and dirtier energy sources for heating and cooking, stemming from the reduction of access to subsidies to electricity fees. When it comes to ESS2, Argentina's legal framework is mostly in line with the principles of such standard. ESCP will include any additional action that may be needed to fill any gap and meet the WB's ESS.

Use of Common Approach

No

[Optional Explanation including list of possible financing partners – Max. character limit 1,000]

B.4 Summary of Assessment of Environmental and Social Risks and Impacts

[Description provided will not be disclosed but will flow as a one time flow to the Concept Stage PID – Max. character limit 5,000]

The overall environmental and social risk is classified as moderate at concept stage. The project is not expected to have negative social impacts since it specifically aims at sheltering the poor from electricity tariff increases while advancing an efficient use of fiscal resources. In doing so, the project will develop communication strategies as well as mechanisms aiming at properly targeting vulnerable populations. The project also involves the development of specific mechanisms for sheltering the poor from external volatility or climate risks over generation costs. For these reasons is that the Project is expected to mainly deploy the Borrower's Framework to manage social risks and impacts. Relevant social management measures (such as ensuring that the stakeholder engagement process is inclusive) will be either embedded in the project design or incorporated in the project's ESCP.

There is a very low probability of the project causing serious effects to the environment. Project-related risks and impacts identified at concept stage are low or minimal in magnitude, predictable and reversible. However, some indirect risks have been identified related to the eventual induction

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of a transition, at the household level, towards other cheaper energy sources for heating and cooking (such as wastes, firewood, charcoal, coal, kerosene or diesel), stemming from the reduced access of some groups to subsidies to electricity fees. Such transition might have implications in terms of living natural resources exploitation and habitats degradation, GHG emissions, individual and public health, which merit further assessment (if technically and financially feasible). As such risks would occur once project implementation is well advanced, such assessment might be conducted during the first stages of project implementation (e.g., as part of the planned tariff reform sustainability and impact analysis). As such indirect risks and impacts are, in principle, deemed low this might become an opportunity to use and strengthen parts of Borrower’s Framework to cope with ESF requirements on environmental assessment.

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?

[Description of expectations in terms of documents to be prepared to assess and manage the project’s environmental and social risks and by when (i.e., prior to Effectiveness, or during implementation), highlighted features of ESA documents, other project documents where environmental and social measures are to be included, and the related due diligence process planned to be carried out by the World Bank, including sources of information for the due diligence - Max. character limit 3,000]

The appraisal stage Environmental and Social Review Summary as well as the draft project Environmental and Social Commitment Plan and a draft Stakeholders Engagement Plan will be prepared and disclosed prior to appraisal. A negotiated version of the ESCP will be disclosed after negotiations.

If deemed technically and financially feasible during project preparation, a Strategic Environmental Assessment would be developed during the first 2 years of project implementation to assess the indirect risks associated to the eventual transition towards cheaper and dirtier energy sources for heating and cooking, stemming from the reduction of subsidies to electricity fees. For that purpose, the guidelines established by Resolutions 434/19 and 475/2020 from the former National Environment and Sustainable Development Ministry might be used.

III. CONTACT POINT

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