



The World Bank

BUENOS AIRES WATER SUPPLY AND SANITATION FOR VULNERABLE AREAS PROGRAM (Program-for-Results)
(P172689)

Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 13-Aug-2020 | Report No:

**BASIC INFORMATION****A. Basic Program Data**

Country Argentina	Project ID P172689	Parent Project ID (if any)	Program Name BUENOS AIRES WATER SUPPLY AND SANITATION FOR VULNERABLE AREAS PROGRAM (Program- for-Results)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 15-Dec-2020	Estimated Board Date 25-Feb-2021	Does this operation have an IPF component? No
Financing Instrument Program-for-Results Financing	Borrower(s) Argentine Republic	Implementing Agency AYSA	Practice Area (Lead) Water

Proposed Program Development Objective(s)

The Program Development Objectives are to increase access to improved water and sanitation services with focus on vulnerable areas of Buenos Aires, and improve AySA's efficiency and capacity to respond to emergency needs

COST & FINANCING**SUMMARY (USD Millions)**

Government program Cost	8,631.00
Total Operation Cost	400.00
Total Program Cost	399.40
Other Cost	0.60
Total Financing	400.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	250.00
---	--------



World Bank Lending	250.00
Total Government Contribution	79.00
Total Non-World Bank Group and Non-Client Government Financing	71.00
Multilateral and Bilateral Financing (Concessional)	71.00

Concept Review Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **The COVID-19 outbreak has hit the Argentine economy at a moment of significant macroeconomic imbalances and a highly uncertain outlook.** The Gross Domestic Product (GDP) fell 2.1 percent in 2019 and further contracted 4.8 percent in the first quarter of 2020 (quarter on quarter, seasonally adjusted), even though the impacts of the COVID-19 pandemic only affected the end of this period. According to the latest official estimates, one in every three Argentines living in the main urban areas is poor, and one in every twelve is extremely poor.
2. **In the Buenos Aires Metropolitan Area (AMBA), which is ground zero of the COVID-19 pandemic in Argentina, low income neighborhoods are being hardest hit by the sanitary and economic crisis.** There are three main factors driving the high vulnerability of the estimated 1.6 million poor living in AMBA's 1,300 slums: (i) crowded living conditions; (ii) high dependence on informal economic activities which undermine compliance with lockdown policies; and (iii) lack of access to basic water supply and sanitation (WSS) which are key to preventing transmission of the virus. An ongoing World Bank study also shows that over 30 percent of these neighborhoods are located in flood-prone areas, rendering existing informal and often unsafe WSS systems even more prone to failure.

Sectoral (or multi-sectoral) and Institutional Context of the Program

Sector Performance Challenges

3. **Argentina faces a considerable gap in access to piped water, sewerage and wastewater treatment.** An estimated 7.5 million inhabitants (17 percent of the population) lack access to improved piped water systems, and 21 million (48 percent) are not connected to sewerage networks. The level of wastewater treatment is about 20%. An ongoing study by the World Bank identifies significant economic impacts of water and sanitation service gaps, including harm to health and education—the essentials of Argentina's human capital¹.

¹ Argentina Water Security Assessment. Working Paper (World Bank, 2020)



4. **Peri-urban Buenos Aires hosts Argentina's largest concentration of people without access to WSS services.** Roughly 50 percent of residents without piped water (3.75 million) live in 11 districts of peri-urban Buenos Aires. Furthermore, the fact that over 9 million residents do not have sewerage, coupled with low wastewater treatment levels, poses serious environmental and public health challenges – a problem exacerbated by the high population density, particularly in low income neighborhoods of this region.
5. **Agua y Saneamientos Argentinos (AySA) is the concessionaire responsible for providing WSS services in most of the metropolitan area.** It is one of the largest WSS utilities in the world, servicing a total population of 14.4 million residents of Ciudad Autónoma de Buenos Aires (CABA) and 26 municipalities in the Province of Buenos Aires (PBA).²
6. **Average access levels in AySA's service area have decreased since it incorporated new municipalities.** The overall service access levels for AySA are 75 percent for water and 53 percent for sewerage. However, there are considerable differences among municipalities. While CABA has a coverage rate of 97.2 percent in water and 96.2 percent in sewerage, access in the PBA municipalities is below 20 percent.³ The incorporation of new municipalities since 2016 has lowered AySA's overall access rates. Moreover, whereas, the original 17 municipalities present coverage rates of 80 percent for water and 49 percent for sewerage, the recently added municipalities show considerably lower coverage rates: 40 percent for water and 23 percent for sewerage.⁴
7. **AySA faces significant financial constraints and relies heavily on government subsidies.** Although the company began to increase tariffs in 2012, following several years of frozen rates, increases remained below the rate of inflation until 2015. Despite these improvements, in 2019 revenues only cover 71 percent of operating costs (91 percent without considering amortizations). These gaps, together with new infrastructure investment needs, were financed by short-term debt and transfers from the National State (US\$450 million), equivalent to 80 percent of AySA's total.⁵
8. **AySA's operation and maintenance costs present significant opportunities for reduction.** Although AySA produces 74 percent more water than other large utilities in Latin America and the Caribbean (LAC), it also has 35 percent more network breakages, and loses 8 percent more water than its regional counterparts.⁶ AySA produces more than 550 L/person/day,⁷ compared to a regional average of 345, hinting at the need to reduce non-revenue

² The municipalities of the Province of Buenos Aires that are part of AySA's service area are: Vicente López, San Isidro, San Fernando, Tigre, San Martín, Tres de Febrero, Hurlingham, Morón, Ituzaingó, La Matanza, Ezeiza, Esteban Echeverría, Almirante Brown, Lomas de Zamora, Lanús, Avellaneda, Quilmes, Moreno, Escobar, San Miguel, José C. Paz, Presidente Perón, Merlo, Florencio Varela y Pilar.

³ According to the National Survey of Low Income (Decree 358/2017), of the more than 1,000 low-income neighborhoods (commonly referred to as slums or informal settlements) in these areas, only 153 neighborhoods (15 percent) have access to drinking water and 38 neighborhoods (4 percent) have sewer service.

⁴ Sources: Argentina Water Security Assessment, WB 2020.

⁵ Starting in 2018, AYSA presents inflation-adjusted financial statements; in order to carry out an analysis of historical evolution, the unadjusted values have been used. However, if inflation-adjusted data is used, there are no relevant changes in the percentages and amounts indicated.

⁶ Based on a set of 35 regional utilities included in benchmarking reports produced by ERAS.

⁷ PMOEM 2019-2023, Plan Director de Mejora y Mantenimiento (AySA, TOMO II)



water (NRW), estimated by AySA at 41 percent⁸ (37 percent physical losses and 4 percent commercial losses). Low micro-metering coverage also poses a challenge (23 percent vs. 83 percent in the main regional utilities).⁹ Similarly, on the sewerage front, AySA posts 361 percent more blockages and 194 percent more breakages in the network than regional comparators.¹⁰ These indicators show considerable room for reducing operating and maintenance costs.

9. **The COVID-19 crisis has increased the pressure on already fragile water sector operators, and AySA is not an exception.** Revenue dropped 30-40 percent on average in the first weeks of quarantine. Operators are responsible for delivering safe water to vulnerable unserved areas, and their staff work under threat of contracting the virus.

Relationship to CAS/CPF

10. **The proposed operation is fully aligned with the Focus Area 2 of the FY 19-22 Country Partnership Framework (CPF).**¹¹ Area 2 of the CPF focuses on addressing key institutional constraints for better governance and service delivery. Objectives 4 and 5 call for increasing transparency and improving service delivery, respectively, which are at the core of the proposed Program.
11. **The Systematic Country Diagnostic (SCD) endorses closing basic infrastructure gaps to reduce inequality.** Given that there are almost 4,000 informal settlements in the country, a more equal provision of WSS services will be key for the convergence of living standards. The proposed Program is in line with the recommendation in the SCD, concluding that Argentina will benefit from a comprehensive and strategic planning approach that covers both expansion plans and maintenance and improvement of existing infrastructure.¹²

Rationale for Bank Engagement and Choice of Financing Instrument

12. **The Government of Argentina (GoA) has trusted the WBG as a long-term partner in helping improve complex water management issues.** WBG support to the sector has a long track record of bold interventions: From the more than 20 years of engagement in mitigating flood risks, to support in addressing the poor environmental conditions of the Matanza - Riachuelo Basin and expanding basic WSS services in low income provinces of the North. The Bank is a trusted partner in the sector, helping the government overcome technical, institutional, financial, legal and other challenges. Furthermore, knowledge gained through analytical pieces and operations has also been key to understanding sectoral challenges.
13. **The WBG's emphasis goes beyond supporting infrastructure investments,** to also encompass institutional development, environmental management, and citizen engagement, supporting the GoA on its path towards the 2030 agenda and in pursuing the Sustainable Development Goals (SDGs). In the water sector, substantial support has been provided toward achieving greater efficiency and expanding services for all in a sustainable manner.

⁸ This is an estimation by AySA, given the low macro and micro metering rates.

⁹ Micro-metered rates in main regional WSS providers: AYSA-Buenos Aires (23%), Acueducto-Bogotá (45%), IDAAN-Panamá (52%), SEDAPAL-Lima (87%), Aguas Andinas- Santiago de Chile (96%), EPMAPS-Quito (99%), SABESP-Sao Paulo (99%)

¹⁰ ERAS 2018 Report, using on 2017 data.

¹¹ Country Partnership Framework for the Argentina Republic (World Bank Group, 2019)

¹² Argentina: Escaping Crises, Sustaining Growth, Sharing Prosperity (World Bank Group, 2019)



14. **The WBG can contribute global technical expertise.** The Bank has longstanding experience in supporting utilities in low- and middle-income countries (LMICs) including through investments to increase access and improve performance, and to inform and implement reforms to their governance and enabling environments. The Water GP has committed to support this program through relevant global knowledge and by mobilizing a wide range of experts as needed. Experienced specialists from the Bank's multiple (environment, water, urban, social, procurement and legal) departments will work closely with internationally reputable technical experts to help the GoA identify practical solutions to complex technical, social, institutional and environmental challenges.
15. **The PforR was chosen as the most adequate financing instrument to pursue the expected program results given the current context.** The proposed Program is being requested at a moment when the country faces dual challenges: a weak macroeconomic situation and the threat to health and environmental conditions posed by COVID-19 in the nation's largest hotspot. These challenges demand urgent and effective solutions. The GoA recognizes the need to accelerate implementation of AySA's *Service Improvement, Expansion, Operation and Maintenance Program* (PMOEM) to expand access to water and sanitation services quickly, particularly to low income areas, and to reduce losses and, thus, operation and maintenance (O&M) costs thereby reducing AySA's dependency on government subsidies.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

16. The Program Development Objectives are to increase access to improved¹³ water and sanitation services with focus on vulnerable areas of Buenos Aires, and improve AySA's efficiency and capacity to respond emergency needs.

PDO Level Results Indicators

17. A preliminary list of Program Development Indicators has been identified to measure the achievement of the PDO.
- I. Number of households gaining access to improved water services (of which 30% live in low income areas). (Access)
 - II. Number of households gaining access to improved sanitation services (of which 20% live in low income areas). (Access)
 - III. Reduction in water losses in m³/day (operational efficiency)
 - IV. Increase in AySA's collection rate (commercial efficiency)
 - V. AySA's emergency response key activities prepared and implemented

¹³ In this context, and for water, improved means connected to AySA's water piped network. For sanitation, improved means connected to AySA's sewerage network with sewage safely transported to a functioning wastewater treatment plant.



D. Program Description

PforR Program Boundary

18. **The proposed Program is intended to support the implementation of both AySA's 2019-2023 PMOEM and its next version in the period 2023-2027.** The PMOEM is by default AySA's masterplan. It is renewed every five years and is rooted in a longer-term strategy underlying the expansion of WSS services by 2046. The ongoing 2019-2023 PMOEM comprises three plans: (i) the *Improvement and Expansion Master Plan*, which prioritizes increasing newly included municipalities' service levels to those of the rest of the concession area, extending sewerage networks to those areas already served by water networks and inclusion of stand-alone service as primary works are completed; (ii) the *Improvement and Maintenance Plan*, which currently focuses on increasing water network efficiency through network rehabilitation, demand management through installation of consumption meters and sectorization, and energy efficiency through infrastructure rehabilitation and replacement; and (iii) the *Operations Master Plan*, which seeks to increase the efficiency of internal processes through systems upgrades and integration and improved transparency via the implementation of improved public and stakeholder communications campaigns and increased access to information. The PMOEM also includes operational expenses associated with the implementation of these programs.
19. The proposed Program would support implementation of the PMOEM by: (i) expanding access to WSS services and improving quality, including rehabilitation and upgrades of primary infrastructure (wastewater treatment plants, trunk pipes or pumping stations) and building household (HH) connections ; (ii) improving the operational efficiency of the water networks; and (iii) streamlining internal processes, upgrading commercial management systems and promoting transparency.

	AySA's PMOEM (the program)	Program supported by the PforR (PforR Program)	Reasons for non-alignment
Objective	<i>Rational planning of the necessary interventions to expand and improve WSS services, and increase AySA's operational efficiency and transparency</i>	<i>The Program Development Objective is to increase access to improved¹⁴ water and sanitation services in selected vulnerable areas of Buenos Aires, and improve AySA's efficiency and capacity to respond to water supply and sanitation emergency needs.</i>	<i>The Program will not support the construction of large infrastructure included in the PMOEM (i.e. large underground aqueducts), nor operational expenditures included in the PMOEM</i>

¹⁴ In this context, and for water, improved means connected to AySA's water piped network. For sanitation, improved means connected to AySA's sewerage network with sewage safely transported to a functioning wastewater treatment plant.



Duration	2019-2023 & 2023-2027	2021-2026	<i>The activities supported by the Program in this PMOEM will be also included in the next one 2023-2027</i>
Geographic coverage	<i>CABA and 26 municipalities of PBA (service area)</i>	<i>In sub-program 1, the Program supports activities in 14 municipalities of AySA's concession area.¹⁵ In sub-programs 2 and 3, there is no geographic restriction. For sub-program 2, the Program supports only activities related to the upgrade of water infrastructure (excluding wastewater infrastructure), for sub-program 3, the Program supports only activities related to operational/commercial management efficiency</i>	<i>Restriction to areas where AySA has requested for support.</i>
Results areas	<i>Sub programs 1-3 (US\$ 3,164M, US\$1,060M, and US\$326M respectively). Operational costs account for US\$4,081</i>	<i>Results Areas 1-3 will support 7%, 14% and 8% of PMOEM's Sub-programs 1-3 respectively</i>	
Overall Financing	<i>US\$ 8,631 Million</i>	<i>US\$ 399 Million (of which US\$250 Million from the WB, or 63% of the Program)</i>	

20. **Beneficiaries.** The number of direct beneficiaries is estimated to total roughly 620,000 people, of which 120,000 will benefit from new HH sewerage (80,000) and water supply (40,000) connections. The remaining 500,000 will benefit from the expansion of primary infrastructure (treatment plants, pumping stations and new main trunk pipes). On the other hand, the entire population served by AySA will benefit indirectly from improvements in AySA's services, although these interventions will provide additional direct benefits to specific areas where networks will be rehabilitated.

¹⁵Almirante Brown, Avellaneda, Esteban Echeverría, Ezeiza, Hurlingham, La Matanza, Lomas de Zamora, Morón, San Martín, Florencio Varela, Quilmes, Tigre, Escobar y Tres de Febrero.



21. The Program will be structured around three Results Areas:

RA I - Expansion of WSS services, with a focus on the most vulnerable areas

22. The objective to expand WSS services will be achieved through two main types of interventions: (i) promoting “last mile connectivity” through the construction of intrahousehold connections in low-income neighborhoods; and (ii) upgrading primary WSS infrastructure that will allow the expansion of service coverage in different localities of the service area.

RA II – Improve AySA’s efficiency

23. Program activities under this results area will aim to (i) improve AySA’s operational efficiency through the reduction of water losses and energy consumption in treatment processes, which will likewise contribute to a reduction of GHG emissions; and (ii) increase AySA’s commercial management efficiency which will translate into an increase in the bill collection ratio.

RA III – Strengthen AySA’s capacity to respond to water supply and sanitation emergency needs

24. This RA will (i) contribute to mitigate the impacts of COVID-19’s shock on both AySA’s service area and its operations; (ii) streamline AySA’s internal and managerial processes to render it more agile in responding to shocks (epidemiological, climate related or financial) and (iii) promote transparency and citizen engagement measures in COVID-19 response activities.

Initial Environmental and Social Screening

25. The proposed Program is likely to have positive social and environmental impacts, thanks to the diverse benefits associated with the three Results Areas.

26. Through screening, it was confirmed that none of the activities in the Program falls under PforR exclusion criteria as established in the PforR Policy and considering the Bank Guidance on Program-for-Results Financing Environmental and Social Systems Assessment (issued June 28, 2019). The Program is not expected to result in adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people. Works to be financed by the Program will take place either in public land or within the premises of existing WTP/WWTP’s and no land acquisition is expected. Enhancement and affirmative measures would be included under the Program to promote its sustainability and improve its positive impacts, particularly amongst the poorest segments of the populations including vulnerable groups to benefit from the Program.

27. Further assessment of the AySA’s program environmental and social risk and impact management systems (which requires interactions with the three levels of government (federal, provincial and municipal) and the sectoral (WSS) legal and institutional systems, including any consultations involved, will be conducted during preparation of the Program and of the Environmental and Social Systems Assessment (ESSA). The ESSA will assess the adequacy of the national/provincial and corporate environment and social legal/institutional systems to manage the Program’s E&S risks and impact. The ESSA will recommend measures to address identified weaknesses and to enhance management of risks and impacts. Such measures will be identified as agreed with AYSA, the implementing ministries and agencies which will be included in the Program Action Plan (PAP). The E&S risk screening performed has considered the current and previous engagement and experience with the World Bank



through other investment finance operations. Due to limited information and engagement with AySA at the CN stage regarding specific aspects of the Program and E&S system, each assessment criteria will be assigned a risk rating during the ESSA preparation. These risk ratings will be informed by the project design, contextual risks and implementation capacities. Based on the initial information available, the overall environmental and social rating at the CN is assessed as Substantial at this initial stage. The overall risk rating will be revisited and finalized through the ESSA process. The ESSA process will be launched immediately after the feedback of the Concept Meeting is received by the team. It is expected to be completed by mid FY21-Q2 including consultation.

28. Citizen engagement and gender. The Program will strongly leverage citizen participation through virtual channels mainly focusing on improving AySA's transparency and access. This will be achieved by incorporating virtual consultation processes associated to the works and by supporting activities that lead to improvements in AySA's employee's satisfaction and efficiency through remote working, with the aim of creating virtual offices through the full digitalization of commercial procedures in AySA. This is expected to have positive social effects since it will enhance the transparency and client-oriented services. The Program is also expected to have positive impacts on gender including job creation and leadership opportunities for women in grassroots cooperatives and by possibly promoting female participation in WSS utilities. During preparation, more information will be gathered to identify gaps that can be addressed through the Program..

CONTACT POINT

World Bank

Name :	Victor Vazquez Alvarez		
Designation :	Senior Water Supply and Sanitation Specialist	Role :	Team Leader(ADM Responsible)
Telephone No :	5260+3708 /	Email :	vvazquez@worldbank.org
Name :	Jean-Martin Brault		
Designation :	Senior Water Supply and Sanitation Specialist	Role :	Team Leader
Telephone No :	1-202-458-43	Email :	jbrault@worldbank.org

Borrower/Client/Recipient

Borrower :	Argentine Republic		
Contact :		Title :	
Telephone No :		Email :	

Implementing Agencies



The World Bank

BUENOS AIRES WATER SUPPLY AND SANITATION FOR VULNERABLE AREAS PROGRAM (Program-for-Results)
(P172689)

Implementing Agency :	AYSA		
Contact :	Normando Birolo	Title :	Director
Telephone No :	63195865	Email :	nbirolo@aysa.com.ar

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>