

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

**Report No.:** PIDISDSC16720

**Date Prepared/Updated:** 16-Feb-2016

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Argentina	<b>Project ID:</b>	P158791
		<b>Parent Project ID (if any):</b>	
<b>Project Name:</b>	Children and Youth Protection Project (P158791)		
<b>Region:</b>	LATIN AMERICA AND CARIBBEAN		
<b>Estimated Appraisal Date:</b>	09-May-2016	<b>Estimated Board Date:</b>	07-Jul-2016
<b>Practice Area (Lead):</b>	Social Protection & Labor	<b>Lending Instrument:</b>	Investment Project Financing
<b>Sector(s):</b>	Other social services (100%)		
<b>Theme(s):</b>	Social Safety Nets/Social Assistance & Social Care Services (100%)		
<b>Borrower(s):</b>	Republic of Argentina		
<b>Implementing Agency:</b>	ANSES - Administracion Nacional de la Seguridad Social, Ministerio de Desarrollo Social		
<b>Financing (in USD Million)</b>			
	<b>Financing Source</b>		<b>Amount</b>
	Borrower		0.00
	International Bank for Reconstruction and Development		600.00
	Total Project Cost		600.00
<b>Environmental Category:</b>	C - Not Required		
<b>Concept Review Decision:</b>	Track II - The review did authorize the preparation to continue		
<b>Is this a Repeater project?</b>	No		
<b>Other Decision (as needed):</b>			

**B. Introduction and Context**

## Country Context

Argentina had presidential elections in late 2015 and the new administration plans to introduce important policy and institutional changes. The country needs a sound macroeconomic program and a growth enabling policy framework, with the implementation of selected measures upfront, to build credibility, enable reentry to capital markets, and support medium term broad-based growth and quality employment creation. Part of this program implies committing to a sustainable fiscal policy and the modernization of the monetary system. The unification of the exchange rate and more flexibility in nominal exchange rate determination will support competitiveness and reduce relative price distortions. The removal of restrictions on imports and capital flows will improve firms' ability to access technology, innovate, and expand productive capacities. Restoring the credibility of statistics will be important for gaining market confidence and designing appropriate economic policies based on robust data. In addition, a successful and timely resolution to holdouts on good terms for Argentina would be key to allow the country to restore access to capital markets.

The new administration has moved with significant speed to implement core reforms in its first days. After taking office on December 10, 2015 the new administration eliminated export taxes on major crops and beef, and reduced those on soy by 5 percentage points. Export taxes on most industrial manufacturing exports have also been eliminated, including automobiles, textiles, metals and toys. The Government has unified the exchange rate, effectively ended most foreign exchange restrictions, and has moved from a discretionary system to one where import licenses are provided automatically, in line with WTO procedures. The Minister of Energy has announced a realignment of electricity tariffs to take place during the first quarter of 2016 in order to reduce total subsidies while protecting the poor. In INDEC (National Statistics Office), new staff has been appointed and a revision of inflation, economic activity, and poverty statistics is under way. In this context, the Administration declared an emergency in the statistics field, INDEC has therefore been exempted from publishing statistics until a more credible methodology to measure inflation is adopted. The publication of more credible statistics is expected in about 3 to 4 months.

Economic growth is expected to stagnate in 2016, which would put additional pressure on the labor market. Policy uncertainty, a deteriorated business environment, and worsening external conditions slowed down economic growth in 2015 and exacerbated the country's existing macroeconomic imbalances. GDP growth for 2015 is estimated at about 0.5 percent and it was supported mostly by consumption, especially by the public sector. Fiscal deficit showed substantial deterioration and was estimated to be between 7 percent and 8 percent in 2015, almost doubling the level of 2014. The trade balance kept deteriorating in 2015 due to an overvalued exchange rate and worsening external conditions (e.g., economic contraction in Brazil, slowdown in China, and lower commodity prices). With lack of access to international capital markets, the growing fiscal deficit was partly financed with monetary emission, and inflation rose to 29 percent in 2015, according to private sector estimates. Within this context, 2016 is expected to be a year of negative economic growth, where much needed adjustment is likely to initially slow economic activity. The need for fiscal consolidation would imply a reduction of both public consumption and public investments.

Going forward, less expansionary monetary and fiscal policies are needed to address the country's macroeconomic imbalances. Curbing inflation is key to restoring confidence and reigniting growth. The Central Bank has already stated that its main focus in 2016 will be on inflation and promised to slow down monetary emission. This will require reducing significantly the

monetization of the fiscal deficit. Given the current lack of access to capital markets, a significant fiscal consolidation would be needed to achieve this objective. Restoring access to external finance would allow a more gradual fiscal consolidation. Improving spending efficiency in key social sectors and infrastructure will be critical to avoid major cuts in public spending and protect pro-poor expenditures. During the transition to a more stable macroeconomic environment, short-term adjustments could have negative impacts on consumption, and the poor and vulnerable could face the greatest risks because they lack instruments and resources to hedge against potential shocks. Therefore, the new administration would need to carefully design policies in order to limit negative impacts on the poor and preserve important social milestones attained during the past years.

Inflation, which is already high, will further increase as a result of the devaluation of the exchange rate, reducing purchasing power of wages and cash transfer programs, with a likely positive effect on poverty. Moreover, both inflation and exchange rate depreciation are likely to have a negative impact on private consumption. Private investments are expected to increase substantially, but this will take some time. In summary, it is likely that a stagnant economy will prevail during 2016, and taking into account the deterioration of external conditions, may experience a mild contraction.

### **Sectoral and Institutional Context**

Today, the social protection system in Argentina is better prepared than ever before to cushion the social effects of inflation and pressures on the labor market. Coverage has expanded to nearly universal figures among the elderly (95 percent of people older than 65 years of age receiving a pension), and children (2/3 of children in the left tail of the income distribution receive a benefit from any of the family allowance programs). The amount of the benefit of both programs is updated twice a year, based on a mobility index tied to social security contributions and fiscal revenues. The effect on poverty and income distribution has been noticeable. In fact, from 2004 to 2013, events related to the labor market (employment and labor income) explain 60 percent of the poverty reduction, but their relative importance began to decline in 2008 in the context of slower growth of the economy, employment and household income. Between 2008 and 2013, poverty continued to decline but at a much slower rate. At this stage, non-labor income, consisting mainly of benefits from income transfer programs, accounts for more than half of this decline.

A core pillar of social protection in Argentina is the non-contributory family allowance program Asignación Universal por Hijo (AUH), launched in 2009, resulting in a transformative process in the sector. The major economic crisis of 2002 revealed the limited ability of the country's social protection system to counteract the social consequences of poverty and unequal income distribution, as the truncated Welfare State model was based exclusively on programs with contributory funding. The institutional response to the crisis was to significantly expand income transfer programs with non-contributory and pseudo-contributory funding and eligibility. The Government designed and implemented important social programs, such as the Heads of Households program, the pension moratorium, and the Universal Child Allowance Program (AUH). ANSES, the Social Security Administration became a key player in this process due to its capacity to ensure transparency in the eligibility of beneficiaries, avoiding program overlapping, using accountable payment mechanisms nationwide relatively fast with little or no difficulties in the process. Social protection in Argentina has moved towards an integrated and coordinated system of income transfer programs and policies, which contributed to the reduction of poverty and improvement of income distribution, by expanding coverage and public social spending. ANSES runs both the Pension system and the Family Allowance (FA) system, including the AUH program, a cash transfer program designed to promote the use of universal services like health

and education among children aged 0-18.

Beyond the long term effects of the AUH program on human capital accumulation within the poorest households, this program has become the cornerstone of social safety nets in providing just-in-time response to the negative welfare shocks in household income resulting from inflation and pressures on the labor market. As of 2016, in Argentina there are 13 million children aged 18 or less. The FA system comprise three main programs and covers 8 million people in this age group, absorbing 1.3 percent of GDP. Until 2009, the FA system was structured on a contributory scheme for formal workers in the private sector that covered 3,5 million children, and a pseudo-contributory scheme for public sector employees, paying benefits to an additional 1 million children. The launching of the AUH program in 2009 extended the coverage of the FA system in 3,5 million to children of unemployed or informal workers, concentrated on the left tail of the income distribution. Thus, the FA system covers 8 of the 13 million children under 18, leaving 5 million uncovered, most of them (approximately 4 million) not meeting the eligibility conditions (household income above the qualifying threshold for private sector formal workers); or included in the Income Tax system in the case households on the right tail of the income distribution; or living in households with formal self-employed parents, etc. However, there is approximately 1 million children that are excluded from the eligibility process, due to poorly recorded information in ANSES databases. Most of them (around 800,000 are on the administrative records but only one of their parents is linked to his/her Social Security ID (CUIL). Since the eligibility condition cross checks the formality condition of both parents, these children are excluded from the process, and the benefit of the AUH program in case they may result eligible.

Protecting the expenditures of the AUH program and expanding its coverage would be key in cushioning the short term effects of a negative welfare shock among the most needed, but would also provide continuity to long term goals such as breaking the intergenerational cycle of poverty or improving the productivity of the labor force. Firstly, the AUH program has created synergies with other important improvements in human development in Argentina such as the Plan Nacer/ Sumar, originally aimed at reducing child mortality. This program was supported by a WB project and fostered vaccination and pregnancy controls through an innovative output-based scheme. Secondly, unfortunately there are no rigorous impact evaluations available of the effect of AUH on school attendance or performance. Nevertheless, the dropout rate in Argentina is larger among youth aged 16-18 years, with much higher incidence among poor those living in poor households (see AR Education policy notes). Thirdly, AUH is largely concentrated on the first four deciles of the per capita income distribution and statistical simulations without behavior assumptions show that it reduced poverty by 13 percent, a considerable impact and larger than that of similar programs in Latin America (Gasparini and Cruces, 2013). Moreover the reduction in poverty was greater for the younger age groups. Finally, although the AUH has been a flagship program of the previous administration, its social impact and wide social and political support ensured not only its continuation, but also its expansion and further improvements. This program is fully aligned with the current administration's strategy in social protection, and has been publicly announced during the presidential campaign period as a salient feature of the political platform.

In light of the forecast increase in inflation and unemployment, the new administration is preparing a package of policy reforms to cushion the effects on poverty. Thresholds to qualify to the contributory FA scheme will be moved upward to allow for a coverage expansion among those in the middle deciles of the income distribution. Regulation has been modified to remove inequalities between the contributory FA scheme and the AUH program, and to allow for faster and smoother transition between these schemes, which was thought to act as an automatic income

stabilizer or last resort income program (targeted on families with children). A coverage expansion to children of self-employed has also been announced. Two additional benefit/programs have been recently launched to complement the AUH program, and to allow unemployed and low-income informal workers to enjoy similar benefit to formal workers: pregnancy allowance and educational support for children aged 6-18.

Although the social protection system has made noticeable improvements with ANSES playing an increasingly central role, there is still a relatively large coverage gap affecting the AUH program. Closing the coverage gap of the million children excluded from the eligibility process (thus AUH) implies a new challenge for social protection institutions which goes beyond fine-tuning current legislation. A joint outreach effort between ANSES and the Ministry of Social Development is needed to include those children into the system, allowing them to fight current poverty, and creating incentives to accumulate human capital and break the intergenerational poverty cycle. The role of the Ministry of Social Development is key to complement in the field, the work carried out by ANSES to determine eligibility, process payments and control compliance of the conditionalities of the programs. Although little information is available on the profile of those children excluded from AUH's eligibility process, it is expected that this group is would be over-represented among vulnerable segments of the population, thus their inclusion would have a strong impact in reducing extreme poverty.

### **Relationship to CAS/CPS/CPF**

This Project is in line with the overall objectives of the World Bank Group's twin goals of alleviating poverty and boosting shared prosperity and would contribute to the goal of increasing the asset availability of households and people, as defined in the Country Partnership Strategy (CPS) 2015-2018 (Report 81361-AR) discussed by the Board on September 9, 2014. The CPS report states that the Bank will phase out its support to direct income transfer programs for the poor, unless an urgent need arises. This project would constitute a continuation of the Bank's support to income transfer programs in Argentina, albeit for a limited time period. The income transfer component is envisioned to be fully disbursed within two years. The team assess that the project presents an urgent need given that the ongoing economic reforms and the negative economic growth forecasts for 2016, which will likely result in inflation and additional pressures on the labor market. In this context the Government's plan to secure, expand and reform the AUH program becomes a vital pillar for protecting the poor.

Moreover, this Project will continue the long term contribution that the Bank has made to social protection policies in Argentina. This Project is also consistent with the goals of previous projects implemented by ANSES and the Ministry of Labor Basic Protection I and II Additional Financing Projects (AF) - (P115183 and P120622, respectively), aimed at '....supporting the Government's strategy to reform the Family Allowances program that provides income transfers to families of lower income formal sector workers'. The AF supported the expansion of the Family Allowance policy to lower income informal workers, and unemployed families through the AUH program. Finally, supporting income transfer programs targeted to the poor which are conditional on demands from the health and education sector makes this operation consistent and complementary with other Bank operations. In particular AUH is closely linked to WB's output-based operation Plan Nacer/Sumar and rural education projects.

## **C. Proposed Development Objective(s)**

### **Proposed Development Objective(s) (From PCN)**

The PDO of this operation is to improve the targeting and coverage of Argentina's social protection programs that provide benefits to children and youth.

### **Key Results (From PCN)**

1- Number of children under 18 years old that have been registered at ANSES' ADP data base and are receiving a family allowance benefit from ANSES or are excluded due to reasons indicated in the legislation (in thousands).

2- Number of child allowances paid to beneficiaries of the non-contributory Social Protection Universal Child Allowance program (in thousands).

3- Number of pregnancy allowances paid to beneficiaries the non-contributory Social Protection Pregnancy Allowance program (in thousands).

4- Number of annual school support allowances paid to beneficiaries of the Social Protection Universal Child Allowance program (in thousands).

## **D. Concept Description**

This Project would support the improvement of the social protection system in Argentina by providing effective coverage for the Family Allowances program to children and youth. In particular, this Project will support closing the coverage gaps of the quasi-universal AUH program aimed at providing protection to children and youth through cash transfers and investments in human capital in health and education. Although the program has eligibility requirements, all qualifying children and youth are allowed to participate without budgetary restrictions or quotas. Nevertheless, there are still coverage gaps which are affecting those in greatest need.

The proposed lending instrument is an investment project financing loan (IPF) that would include a component to finance grants through a scheme of disbursement link indicators (DLIs), and a technical assistance component which may be operationalized through output-based disbursing instruments. The lifetime of the Project is expected to be 5 years.

At the concept note stage, the Project is expected to comprise three components:

Component 1: Support the consolidation of Family Allowance programs (US\$ 450M). This Component aims to finance grants to eligible beneficiaries of the non-contributory Family Allowance programs AUH and APE (Pregnancy Allowance Program). These programs are targeted to the children of unemployed and low-income informal workers, and to pregnant women who are unemployed or low-income informal workers, respectively. The grants would only finance the monthly child benefit of the AUH program, the yearly school support linked to AUH, and the benefits paid to pregnant women in the APE program. These benefits would be paid through direct deposits to the beneficiaries' individual bank accounts. This Component would use DLIs to trigger four disbursements, at approximately six months intervals over the first 2 years of the lifetime of the Project.

Component 2: Institutional capacity building and closing the coverage gap of Family Allowance programs (US\$25 million). This Component aims to support the active strategy to reduce the existing coverage gap of the AUH program, and will use traditional IPF procurement and financial management procedures. The activities under this Component will be jointly and coordinately implemented by ANSES and the Ministry of Social Development. The goal of this Component will be to reach truly universal coverage by improving the administrative records of ANSES, cornerstone of the social protection system efficiency and transparency. The ultimate

goal is to increase the number of children under 18 years of age that are assessed to determine their eligibility for the AUH program. This Component will also finance technical assistance activities related to the search and follow up of potential beneficiaries, as well as pilot programs of activities targeted to children and the compliance of conditionalities. This component is expected to be implemented using output based instruments that would be introduced in the implementation arrangements of this component to promote better incentive alignment between national and subnational governments. A procurement process to acquire mobile devices to be used during the outreach process is expected, as well as consultancy contracts to develop the software to be used in the field. The final impact of the outreach process on ANSES ADP database will be used as tracer of the work carried out by the Ministry of Social Development in agreement with other local institutions.

This component is expected to be implemented over a five year period due to: a) progressive implementation of the outreach process; and b) need for capacity building at the Ministry of Social Development. With respect to the former, the outreach process is expected to be implemented in 2,200 municipalities (in 24 provinces), which may require a progressive implementation strategy. Moreover, both implementing agencies will have to make progress along the learning curve, including other institutions with lower capacity, with little experience (in some cases) in implementing national government programs (i.e. provinces, municipalities, etc.). On the latter, this component will also support the capacity building within the MDS, particularly in the area of monitoring and evaluation of social assistance policies. These activities will allow authorities to better assess the effectiveness of current policies and support reforms when necessary. Finally, this component may include (to be defined during preparation) the financing of technical assistance activities and capacity building in ANSES.

Component 3: Project Management Unit, Monitoring and Evaluation (US\$5 million). This Component will support the activities of a Project Management Unit (PMU) which will hold the fiduciary responsibilities of the Project. The PMU will also be responsible for the coordination of the activities of the implementing agencies participating in the implementation of Component 2. Although it is yet unclear where will the PMU seat, counterparts are exploring the possibility of keeping a similar institutional arrangement as in previous ABP operation, where the reporting responsibilities lied on the Ministry of Finance, and each implementing agency managed resources and procurement process independently, according to the procurement and implementation plans. This institutional arrangements will be finalized during project preparation. Monitoring and Evaluation activities of the Project will be financed through the proceeds of the loan allocated to the Project. The size of the PMU is not expected to be large given the institutional capacity of both implementing agencies. The role of SIEMPRO/MDS (Monitoring and Impact Evaluation System) will be key for the planning of the outreach process, its monitoring, as well as the impact evaluation of the AUH program.

## **II. SAFEGUARDS**

### **A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

This project would support a nationwide policy applied all over the Argentine territory

### **B. Borrower's Institutional Capacity for Safeguard Policies**

ANSES capacity is very good and has been validated during implementation of Argentina Basic Protection Project and its additional financing. The capacity at the Ministry of Social Development will be determined during project preparation.

### C. Environmental and Social Safeguards Specialists on the Team

Carlos Tomas Perez-Brito (GSU04)

Isabel Tomadin (GSURR)

### D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project is proposed as C category. None of the Project-supported activities are expected to lead to any adverse environmental impacts.
Natural Habitats OP/BP 4.04	No	This policy is not triggered since no impact is expected on natural habitats.
Forests OP/BP 4.36	No	This policy is not triggered given that the project will not finance activities that affect forests.
Pest Management OP 4.09	No	This policy is not triggered because the project will not finance the purchase or use of pesticides.
Physical Cultural Resources OP/BP 4.11	No	The policy is not triggered because there are no project activities that will impact the quality or management of physical cultural resources as defined under the policy.
Indigenous Peoples OP/BP 4.10	Yes	<p>This policy is triggered given that this is a project with national coverage and Indigenous Peoples as defined by OP 4.10 are present in Argentina. Indigenous Peoples are among the most vulnerable groups participating in social programs, and they could potentially benefit from project activities given the project's focus on the inclusion of vulnerable children and youth in the social programs.</p> <p>A National Indigenous Peoples Plan (NIPP) will be developed as part of the proposed Child and Youth Protection Project. It will build on the existing IPPF and IPPs under the, AR Basic Project and AF Basic Protection projects, AR Youth Employment Project, as well as on lessons learned from the Projects' implementation and from the Bank experience. The NIPP will guide national level interventions and consultations with key national indigenous peoples stakeholders, and will help the Project team to identify and address the specific barriers that IPs face in participating in social programs in Argentina. Also, it will propose actions on how to include those segments of the population already not participating due to incomplete information or absence in the administrative records of ANSES, so that the</p>



		<p>Program can reach IPs and be offered in a way that is relevant and culturally appropriate to them. ANSES and the Ministry of Social Development will present the NIPP before the members of the Indigenous Participation Council of INAI, and before other Indigenous Peoples communities in order to provide information on the Project activities, promote the participation of Indigenous communities in its implementation, and to receive suggestions. During Project implementation, the consultations and collaboration between ANSES, the Ministry of Social Development and INAI, and the Indigenous Participation Council would continue to aim at improving the efficiency and cultural appropriateness of the specific activities of the Project.</p> <p>The project will be implemented at national levels including all provinces and municipalities. For those Provinces and/or Municipalities which have been, or in the future are, identified as triggering OP 4.10, the Project will develop a NIPP specifying what programs and activities will be implemented in those regions as part of the overall project design. If ANSES and/or the Ministry of Social Development sign agreements with Provinces and Municipalities for the implementation of a Project's component, the NIPP will be an integral part of those agreements only in those cases identified as triggering OP 4.10 even if activities are carry out by private firms.</p> <p>The proposed Project will also prepare a broader social assessment to identify other vulnerable groups, such as women and rural populations, Also, the Project will include gender disaggregated as well citizen engagement indicators.</p>
Involuntary Resettlement OP/ BP 4.12	No	This policy is not triggered given that the project will not require land acquisition that would result in the impacts covered under OP 412.
Safety of Dams OP/BP 4.37	No	This policy is not triggered as the project will not finance any dams nor rely on the operations of existing dams.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered since the project will not finance activities that impact international waterways as defined by the policy.

Projects in Disputed Areas OP/ BP 7.60	No	This policy is not triggered given that the project will not finance activities in disputed areas as defined by the policy.
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## E. Safeguard Preparation Plan

### 1. Tentative target date for preparing the PAD Stage ISDS

08-Jun-2016

### 2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

The safeguard-related studies will be updated given that the Bank has been supporting these programs in the past and most of the work has already been done under currently effective projects with the same implementation agencies.

Completion of Social Assessment: March 2016

Completion of NIIP: March 2016

Target date for Consultations: March 2016

Disclosure of safeguards Docs: 4/8/2016

## III. Contact point

### World Bank

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### Borrower/Client/Recipient

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### Implementing Agencies

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**IV. For more information contact:**

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**V. Approval**

Task Team Leader(s):	Name: Juan Martin Moreno, Marcela Ines Salvador	
<b><i>Approved By</i></b>		
Safeguards Advisor:	Name: Svend Jensby (SA)	Date: 19-Feb-2016
Practice Manager/ Manager:	Name: Margaret Ellen Grosh (PMGR)	Date: 08-Mar-2016
Country Director:	Name: Renato Nardello (CD)	Date: 14-Apr-2016

1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.