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Report No: PAD5432

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$450 MILLION

TO THE

ARGENTINE REPUBLIC

FOR A

STRENGTHENING FOOD PROGRAMS FOR VULNERABLE POPULATIONS

August 1, 2023

Social Protection & Jobs Global Practice
Latin America and Caribbean Region

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CURRENCY EQUIVALENTS
Exchange Rate Effective July 14, 2023

Currency Unit = AR\$

AR\$271 = US\$1

FISCAL YEAR
January 1 - December 31

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ABBREVIATIONS AND ACRONYMS

ANSES	National Social Security Administration <i>(Administración Nacional de la Seguridad Social)</i>
AUH	Universal Child Allowance <i>(Asignación Universal por Hijo)</i>
BIU	Business Intelligence Unit
BNA	Argentine National Bank <i>(Banco de la Nación Argentina)</i>
CKP	Community Kitchens Program
CPF	Country Partnership Framework
CSO	Civil Society Organization
DFIL	Disbursement and Financial Information Letter
DGPEyCI	General Directorate of Special Projects and International Cooperation
DNSA	National Directorate of Food Security <i>(Dirección Nacional de Seguridad Alimentaria)</i>
e-SIDIF	National Integrated Budget and Accounting System <i>(Sistema Integrado de Información Financiera)</i>
E&S	Environmental and Social
EEPs	Eligible Expenditures Program
EFF	Extended Fund Facility
ESCP	Environmental and Social Commitment Plan
ESA	Environmental and Social Assessment
ESRS	Environmental and Social Review Summary
FBP	Food Benefit Program <i>(Prestación Alimentar)</i>
FCP	Feed the Community Program <i>(Alimentar Comunidad)</i>
FM	Financial Management
FOPAR	Social Investment Participatory Fund <i>(Fondo Participativo de Inclusión Social)</i>
GBV	Gender-based Violence
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GM	Grievance Mechanism
GRS	Grievance Redress Service
ICRW	International Center for Research on Women
IFRs	Interim Financial Reports
IMF	International Monetary Fund
INDEC	National Institute of Statistics <i>(Instituto Nacional de Estadística y Censos)</i>
IPF	Investment Project Financing

IRR	Internal Rate of Return
MDS	Ministry of Social Development (<i>Ministerio de Desarrollo Social</i>)
NDC	Nationally Determined Contribution
PBC	Performance Base Conditions
PDO	Project Development Objective
PLR	Performance and Learning Review
POM	Project Operational Manual
PPSD	Project Procurement Strategy for Development
RENACOM	National Registry of Community Kitchens (<i>Registro Nacional de Comedores</i>)
SAPS	Secretariat of Articulation for Social Policy (<i>Secretaría de Articulación de Política Social</i>)
SGA	Secretariat of Management and Administration (<i>Secretaría de Gestión Administrativa</i>)
SEP	Stakeholders Engagement Plan
SICOI	Integrated Institutional Communications System (<i>Sistema Integrado de Comunicación Institucional</i>)
SISO	Secretariat of Social Inclusion (<i>Secretaría de Inclusión Social</i>)
SOEs	Statements of Expenditures
SP	Social Protection
TOR	Terms of Reference
UNDP	United Nations Development Program



TABLE OF CONTENTS

DATASHEET	1
I. STRATEGIC CONTEXT	6
A. Country Context.....	6
B. Sectoral and Institutional Context	7
C. Relevance to Higher Level Objectives.....	10
II. PROJECT DESCRIPTION	11
A. Project Development Objective	11
B. Project Components	11
C. Project Beneficiaries	14
D. Results Chain	15
E. Rationale for Bank Involvement and Role of Partners	16
F. Lessons Learned and Reflected in the Project Design	17
III. IMPLEMENTATION ARRANGEMENTS.....	17
A. Institutional and Implementation Arrangements	17
B. Results Monitoring and Evaluation Arrangements.....	19
C. Sustainability.....	20
IV. PROJECT APPRAISAL SUMMARY	20
A. Technical, Economic and Financial Analysis (if applicable)	20
B. Fiduciary.....	22
C. Legal Operational Policies.....	23
D. Environmental and Social	23
V. GRIEVANCE REDRESS SERVICES.....	26
VI. KEY RISKS	27
VII. RESULTS FRAMEWORK AND MONITORING.....	29
ANNEX 1: Implementation Arrangements and Support Plan.....	42
ANNEX 2: PROJECT CONTRIBUTIONS TO CLIMATE CHANGE ADAPTATION AND MITIGATION	50
ANNEX 3: ADDITIONAL INFORMATION	55



DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Argentina	Strengthening Food Programs for Vulnerable Populations	
Project ID	Financing Instrument	Environmental and Social Risk Classification
P180092	Investment Project Financing	Moderate

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach (MPA)	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input checked="" type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made Disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Enhanced Implementation Support (HEIS)

Expected Approval Date	Expected Closing Date
22-Aug-2023	30-Jun-2028

Bank/IFC Collaboration

No

Proposed Development Objective(s)

The development objective of the project is to improve the effectiveness and traceability of food programs implemented by the Ministry of Social Development.

Components

Component Name	Cost (US\$, millions)
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Improve food programs managed by MDS	10.00
Decentralized Feed the Community Program	86.00
Food Benefit Program financing	352.87

Organizations

Borrower: Argentine Republic
 Implementing Agency: Ministry of Social Development

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	450.00
Total Financing	450.00
of which IBRD/IDA	450.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	450.00
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Expected Disbursements (in US\$, Millions)

WB Fiscal Year	2024	2025	2026	2027	2028
Annual	167.00	75.00	82.00	67.00	59.00
Cumulative	167.00	242.00	324.00	391.00	450.00

INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Jobs

Contributing Practice Areas



Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● Moderate
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Moderate
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● Substantial
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● Moderate
9. Other	
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

Legal Covenants

Sections and Description

Section I C.1 of Schedule 2 to the Loan Agreement. | Description: For purposes of providing any Feeding Assistance under Part 2 of the Project, the Borrower, through MDS, shall enter into an agreement (the Pre-paid Credit Card Agreement) with the Selected Institution, under terms and conditions acceptable to the Bank, which shall include, inter alia, the obligation of the Selected Institution to:

- (a) set up a reporting mechanism for purposes of verifying the data and other evidence supporting the achievement of PBC#3 and PBC#4, as applicable, and in accordance with the Verification Protocol; and
- (b) ensure that the pre-paid credit cards extended to the Participating CSOs are exclusively used in food retail stores, checking that they are only used to procure food.

Conditions



Type Effectiveness	Financing source IBRD/IDA	Description Section 4.01 (a) of the Loan Agreement. (a) The Borrower, through MDS, has adopted the Project Operational Manual in form and substance acceptable to the Bank.
Type Effectiveness	Financing source IBRD/IDA	Description Section 4.01 (b) of the Loan Agreement. (b) The Borrower, through MDS, has signed the Pre-paid Credit Card Agreement with the Selected Institution in form and substance acceptable to the Bank.



I. STRATEGIC CONTEXT

A. Country Context

1. **With a gross domestic product (GDP) of US\$632 billion, Argentina was the third-largest economy in Latin America in 2022.** The country has 2.8 million square kilometers, and its population of about 46 million inhabitants^[1] is highly urbanized, with 92 percent living in cities. The Buenos Aires Metropolitan Area alone constitutes 30 percent of the national population and generates more than 40 percent of Argentina's GDP. Argentina is a federal state. Hence, its 23 provinces and the Autonomous City of Buenos Aires preserve their autonomy under the national government.
2. **The middle class has historically been large and strong, with social indicators generally above the regional average; however, persistent social inequalities, economic volatility, and underinvestment have limited the country's development.** The rate of urban poverty reached 39.2 percent in the second semester of 2022, and 8.1 percent of Argentines live in extreme poverty. Childhood poverty, for those under 15 years old, is at 54.2 percent. The high frequency of economic crises in recent decades—the economy has been in recession during 21 of the past 50 years—has resulted in an average annual growth rate of 1.9 percent, well below the world average of 3.1 percent and the regional average of 2.9 percent. Decades of underinvestment have led to sizeable gaps in capital stock relative to comparable countries, although capital spending as a percentage of GDP has improved in recent years. Such a volatile macroeconomic environment has hindered the country's ability to reduce poverty rates and infrastructure deficit and increase incomes.
3. **The economy recovered from the Coronavirus Disease (COVID) crisis at a fast pace, reaching pre-pandemic activity levels by mid-2021.** Argentina's economy grew by 10.7 percent in 2021 and 5.0 percent in 2022, the largest increase in GDP since the 2010-2011 biennium, after the global financial crisis. Higher commodity prices and trading partners' growth, notably Brazil's, combined with public investment led to a robust growth recovery in 2021 and the beginning of 2022.
4. **Since 2022, however, increasing macro imbalances, external shocks and the impact of a historic drought started to slow down the pace of GDP growth and increase inflation.** Inflation rates more than doubled, from an annual headline inflation rate of 50.7 percent in January 2022 to 115.6 percent in June 2023 (YoY), affecting real income. The increase in food prices has been greater, going from 50.5 percent in January 2022 to 116.9 percent (YoY) in June 2023. Economic activity started to slow down and remained virtually stagnated since mid-2022, before falling in April 2023 (-1.9 percent MoM) as a direct consequence of the severe drought in agricultural production.
5. **In March 2022, Argentine authorities reached an agreement with the International Monetary Fund (IMF), on an Extended Fund Facility (EFF) program for a period of 30 months and an amount of US\$45 billion, to address the economy's macroeconomic imbalances and set the basis for sustainable growth.** This amount covers the remaining obligations under the 2018 SBA (US\$40.5 billion) and provided a small net financing support for reserves accumulation (US\$4.5 billion). The program sets a gradual fiscal consolidation path toward a zero primary deficit in 2025 (from 3 percent in 2021 to 2.5 percent of GDP in 2022, 1.9 percent in 2023, and 0.9 percent in 2024), a reduction of monetary financing of the deficit (eliminated by 2024), and the framework for monetary policy involving positive real interest rates, as part of a strategy to fight inflation. A staff-level agreement on the fourth review under Argentina's 30-month EFF arrangement was approved by the IMF Executive Board in March 2023, granting Argentina access to about US\$5.3 billion (SDR 4.0 billion).
6. **Despite meeting all the performance criteria under the IMF EFF by end-2022, Argentina's macro-fiscal situation remains challenging.** According to the IMF statement, more prudent macroeconomic management in the second half

^[1] <https://www.censo.gob.ar>



of 2022 supported stability and helped secure program targets through end-2022 with some margin. Nevertheless, capital controls and deficit monetization continue to cause a large gap between the official and parallel exchange rates and limit foreign reserve accumulation. Inflation accelerated to historically high levels denting purchasing power. Moreover, the severe drought that strongly affected agricultural production in 2023 reduced exports and fiscal revenues while limiting the Central Bank's ability to accumulate international reserves.

7. **In this context, the government is increasing efforts toward a gradual macroeconomic stabilization program that contains a broad set of economic policies.** To reduce the monetary financing of the fiscal deficit and the associated persistent and high inflation, the government has adopted measures to reduce the cost of subsidies and improve their targeting. Increase in public investment¹ is expected to partially offset these subsidies, especially in the costly energy sector. In addition, it is taking steps to improve the ability of the customs administration to supervise and control the over-invoicing of trade and other related distortions. In addition to addressing the urgent need for reserve accumulation, these measures should help pave the way for the eventual easing of foreign exchange controls.

8. **Finally, there are gender gaps in earnings and agency among women, which are the majority of the beneficiaries of the food programs supported by the project.** Women informal workers earn 34 percent less than men. Additionally, women are overrepresented in the poorest segments as 65.8 percent of the individuals in the first decile of income distribution are women. They also carry out almost three times more unpaid care work than men, which decreases their time available to pursue economic opportunities. Women represent 92 percent of existing beneficiaries of food programs in Argentina. There is currently no data to estimate the programs' coverage of people with disabilities, or barriers to access that they may be experiencing.

B. Sectoral and Institutional Context

9. **The social protection (SP) system in Argentina represents 11 percent of the GDP in 2021 and it is implemented in an unbalanced fashion by the national and sub-national governments.** Pensions account for the largest share of the social protection system, with about eight percent of GDP. Another sub-system, targeted at the first stage of the life cycle, provides almost universal coverage to children under 18 years of age with several family allowance programs, including the Universal Child Allowance² (AUH) program, which spends about 1.2 percent of GDP. Other programs target the working age population through employment and unemployment insurance programs and vulnerable households using a heterogeneous set of programs. This last subset of programs that include food assistance programs represents 0.48 percent of GDP in 2022 (see Figure A3-1 included in Annex 3).

10. **The social protection system comprises a series of cash transfer programs that help reduce poverty rates in Argentina.** The coverage gaps on both ends of the life cycle are relatively small, as shown in Figure A3-3 (see Annex 3). Nevertheless, most expenditures focus on the elderly, which explains the lower poverty rates in age-group 65 and older (Figure A3-4 included in Annex 3). Poverty and extreme poverty rates are the highest among younger cohorts but would be even higher in the absence of these programs Figure A3-3 schematically shows the incomplete expansion of the Food Benefit Program (FBP) called *Prestación Alimentar*, which overlaps with the AUH program that also supports households with children aged 15-17. Figure A3-4 shows that the poverty-reducing effect of these programs for the age group 15-19 is much smaller than the observed for younger age groups where the FBP fully overlaps with the AUH program.

11. **As inflation accelerates, the loss of purchasing power becomes more evident, even considering social protection**

¹ Such as the President Nestor Kirchner Gas Pipeline.

² Most of the social protection response to the COVID-19 pandemic and the lockdown measures was structured around AUH. This document refers to AUH but this also includes other related programs such as AUE (Universal Pregnancy Allowance), AUHD (Universal Disable Children Allowance) and non-contributory pension (mother with more than 7 children).



benefits, which underlies the relevance of the indexation mechanisms. Pensions and family allowance³ are adjusted frequently according to a pre-established formula but still lost 22 percent in purchasing power between January 2020 and May 2023. Other social protection programs with discretionary increases result in even higher losses. As an example, over the same period, the minimum wage⁴ lost seven percent (see Figure A3-55 included in Annex 3).

12. Despite its strong social protection system with almost universal coverage on both ends of the lifecycle, the government launched a number of one-time payments (“bonos”) to reduce the impact of external shocks such as the pandemic, droughts, and Russia’s invasion of Ukraine on inflation and losses in the purchasing power of households in 2022. During the COVID pandemic, social protection programs expanded through temporary programs in the form of one-time payments to top-up benefits of existing programs, and coverage expansion through temporary programs to reach households not covered by existing programs. Despite the quarterly benefit adjustments in 2022, pension and family allowance program beneficiaries received discretionary one-time payments to keep pace with inflation. Similarly, as experienced in 2020, with the economic slowdown due to the pandemic and lockdown measures, demand for food assistance increased.

13. Argentina’s food assistance policy (*Política Alimentaria*) comprises a series of programs implemented by the Ministry of Social Development (MDS) with unequal coverage and budget allocations (see Table A3-1 included in Annex 3). The FBP is the largest and fastest-growing food assistance program. It was launched as the *Tarjeta Alimentar* (Food Card) program in late 2019 as a cash transfer to final beneficiaries through an independent pre-paid credit card, restricted to food purchase, with a variable benefit amount depending on the number of children in the household.⁵ This flagship program of the current administration underwent two major design improvements that expanded its coverage and updated the benefit amount. Originally, the FBP targeted households with children below 6 years old that benefited from AUH. Following the strict lockdown, the coverage was expanded to households receiving AUH benefits with children under 15. Unlike AUH, the FBP did not include an indexation mechanism to periodically update the benefit amount. The benefit amount was first increased in April 2021 to compensate for losses in purchasing power over the previous 17 months. The FBP amount was again raised in April 2022, November 2022, and April 2023, by 50, 40 and 35 percent, respectively.

14. A set of indirect food assistance programs run by MDS are implemented through civil society organizations or provincial governments. The largest indirect food program is the Community Kitchens Program (CKP), *Programa de Comedores Comunitarios*, implemented through civil society organizations and community kitchens⁶ with little traceability at the individual level. Following the approach of natural disaster response programs, the MDS procures, stores, and distributes staple food prepared as meals to be consumed at the centers or taken away to eat at home or elsewhere. The CKP was introduced during the hyperinflationary period in the late eighties and expanded during the economic and social crisis of 2001. Community kitchens are mostly located in poor urban neighborhoods, often vulnerable to climate impacts as well. Given their altruistic and inclusive nature, access to the kitchens is not restricted to the most at-risk individuals or households that are not reached by other social protection programs. As a result, the

³ The family allowance programs run by ANSES cover 70 percent of all children younger than 18 years of age. These family allowance programs consist of a series of contributory and non-contributory programs that cover the children of formal salaried workers, those of Unemployment Insurance (UI) beneficiaries, and pensioners. A fourth non-contributory family allowance program covers the children of the unemployed or informal workers. The latter is the AUH and it is similar in design to a conditional cash transfer program with co-responsibilities on health and education.

⁴ The *Potenciar Trabajo* program run by MDS pays half the minimum wages to 1.3 million beneficiaries. The calculations of the purchasing power losses do not take into account the temporary bonuses paid, for example, to pensioners.

⁵ Unlike the Food Card program, FBP benefits can be cashed out at ATMs as it uses the same pre-paid credit card as the AUH program, not restricted to food purchases. In this document, the FBP refers to a program implemented by MDS that provides direct cash transfer and not as a direct food assistance program as was the case for its antecessor, the Food Card program.

⁶ Most CSOs are created spontaneously by neighbors, faith-based or politically oriented people to help vulnerable communities during deep economic crises. Beyond community kitchens, CSOs often provide other critical services in the communities, such as nurseries, small healthcare centers or shelters for victims of domestic violence; and several of them are currently running more than one community kitchen. The FCP will provide a single and independent pre-paid credit card to each CSO to procure food for community kitchens serving the local population.



program is self-targeted and without a reliable mechanism to trace attendance at the individual level.⁷ The overall demand for the program is self-regulated according to the economic situation, household purchasing power and food availability at the community kitchen. Prior to the COVID pandemic, most community kitchens processed food and prepared meals to be consumed at the dining centers or taken away home. The excess demand and shortage of volunteers during the lockdown resulted in the distribution of food boxes to beneficiaries. In principle, the composition of those food boxes was determined by MDS, but in practice, community organizations distributed boxes of dry staple food based on availability, demand, frequency of reposition. In terms of expenditures, the budget allocated to the CKP is more stable than the FBP, and increased from 0.02 to 0.05 percent of GDP between 2019 and 2022 (See Figures A3-6 and A3-7, in Annex 3).

15. The Community Approach, *Abordaje Comunitario*, which started under the 2002 World Bank-financed project that supported the Social Investment Participatory Fund (FOPAR)⁸ remains in place on a smaller scale and is supported by the United Nations Development Programme (UNDP). This program is implemented through cash transfers to bank accounts of pre-screened Civil Society Organizations (CSO) for the exclusive purpose of buying food⁹. Besides financing food expenditures, this program also supports the cost of kitchen supplies and equipment such as utensils, ovens, or fridges. This labor-intensive indirect food program has nutritional standards, implemented through negative lists of food items (low nutrition content), verified when reconciling expenditures and receipts and usually done manually. This program has positive outcomes for gender equality, with 90 percent of community kitchens run by women.

16. Finally, the School Kitchen Program, *Comedores Escolares*, is a relatively low-scale initiative that transfers resources to provincial governments to complement programs implemented at the subnational level. Unlike social protection, health and education programs are not run by the national government, as they were decentralized to the provinces with the constitutional reform in 1994. Although MDS still runs a budget line to support the School Kitchens program as part of the National Food Policy, the contribution is relatively marginal to the volume of resources invested by the provinces running public sector schools. In March 2023, the government launched the Feed the Community Program (FCP) or *Alimentar Comunidad*,¹⁰ that aims at modernizing and improving transparency of decentralized mechanisms, some of which have been facing challenges with the growing demand at community kitchens.

17. The implementation of the CKP is seriously challenged by the indirect effect of inflation. A significant amount of the budget allocated to the CKP (68 percent) was not executed¹¹, unlike other food assistance programs. By November 2022, less than half of the budget was executed. Many bidding processes in 2021 and 2022 were not awarded or canceled, sometimes with fines, due to the four to six-month lag time between the presentation of bids and the final payment. While food prices increased significantly in this period, the procurement process is regulated by strict reference prices. Consequently, community kitchens have experienced a significant reduction in the availability of staple food to serve the communities.

18. This Project aims to improve the design of the FBP and the FCP, thus strengthening the overall food assistance program by introducing a new decentralized food assistance program that will progressively replace the outdated and inflation-incompatible food procurement used by the CKP. The introduction of digital means of payment and

⁷ CSOs usually sign a Memorandum of Understanding with MDS to participate in the CKP that include, among others, the requirement to report a list of “regular” beneficiaries that dine or pick up meals at the center. The list is not verified by MDS or updated during the validity of the MoU, which usually is twelve months.

⁸ Fourth Social Protection Project, AR-4398, approved in 1998

⁹ A proportion of these transfers can be used to buy cleaning products, which is also promoted by training courses, to ensure hygiene and food safety standards at the community kitchens.

¹⁰ MDS Resolution 230/2023 created *Alimentar Comunidad* on February 22 and published it in the Official Gazette on March 8, 2023.

¹¹ Given the declared economic emergency, the budget line MDS-26 that finance food programs, cannot be reallocated to finance other MDS activities, and can only be re-allocated within these set of food assistance programs. The closing budget figures are normally-redistribute spreading the under-execution figures across other food assistance programs. In 2022, this reallocation reduced the under-execution from 63 percent in November, to 20 percent in December. Other programs increased their under-execution figures to 50 percent, accordingly.



other IT improvements will improve the transparency of the food assistance policy- making its expenditure traceable. Regarding the FBP, the government would introduce an instrument to periodically update the FBP benefit amount and avoid losses in purchasing power, and also would expand the coverage to children aged 15 to 17 years old under the AUH program to avoid potential disincentives to the health and education co-responsibilities, an age range at which the school drop-out rates are even higher.¹² Additionally, the government would improve the effectiveness and transparency of the CKP which is currently under-executed due to inflation-incompatible mechanisms and low levels of accountability. The introduction of a decentralized procurement approach through pre-paid credit cards will expedite the budget execution and will improve resource allocation across community kitchens over time by exploiting information-based bottom-up criteria that will result from the use of these digital payment tools. Finally, this new approach will gather the information at the individual level (e.g., through national ID), improving the traceability and transparency of food assistance programs and allowing the integration of these programs with the rest of the social protection system in Argentina. The specific description of the approach and the project is explained in detail below.

C. Relevance to Higher Level Objectives

19. **The proposed Project is aligned with World Bank’s FY19-22 Country Partnership Framework (CPF) for the Argentine Republic discussed by the Executive Directors on April 25, 2019, and updated by the Performance and Learning Review (PLR) noted on May 31st, 2022.**¹³ The proposed Project objective is specifically aligned with Focus Area 2, on strengthening service delivery to protect the poor and vulnerable through improving the coverage, defending the purchasing power of benefits, and introducing traceability to the expenditure of selected food assistance programs implemented by the government through MDS (Objective 5 “Improving the human capital of vulnerable population”).

20. **In addition, the proposed project is aligned with Argentina’s Country Climate and Development Report (CCDR).** The report highlights the relevance of human capital interventions to protect population against climate change and transition risks and identifies social protection systems as efficient tools for protecting these populations. The project will provide income-support to the most vulnerable families at critical times, helping them cope with food insecurity and other climate-related impacts. The CCDR also highlights the co-benefits associated to transport decarbonization. In this sense, the project will contribute to this strategy through improving the efficiency of logistic activities through reducing the negative carbon footprint derived from the current distribution of centrally procured food.

21. **Finally, the proposed project will support the country in meeting its Nationally Determined Contribution (NDC) and the National Adaptation Plan and Long-term Strategy.** After ratifying the Paris Agreement in September 2016 (Law No. 27270), Argentina submitted its first nationally determined contribution (NDC1) in November of the same year and its second (NDC2) in December 2020, revised in November 2021. The project’s activities are consistent with its climate strategies, and therefore Paris-Aligned for mitigation and adaptation (see Section IV below for additional information). By targeting the most vulnerable populations, the Project is also aligned with the Bank’s Green, Resilient and Inclusive Development approach.

¹² As of November 2022, the food benefit was basically equivalent to the benefit received from the AUH program. In other words, an eligible household would get double the cash amount. A family with a child that turned 15, would lose the food benefit or half the benefit compared to the previous month, even though family responsibilities don’t change until the child turns 18 years. Households with children between 15 and 17 years old receive lower cash transfer than households with younger children. The drop-out rate is higher in secondary than primary school and increases as children get closer to 18 years old.

¹³ CPF Report No. 131971-AR, PLR Report No. 170668-AR



II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

22. The project development objective is to improve the effectiveness and traceability of food programs implemented by MDS.

23. Effectiveness will be measured, first, as the ability of the direct cash transfer program to reduce extreme poverty through broader coverage of the FBP expected to overlap fully with AUH, a non-contributory family allowance program. Second, effectiveness will be measured by the capacity of the food assistance programs to hold the purchasing power of the benefits paid either directly to final beneficiaries through the FBP or indirectly provided as meals to the final beneficiaries of the FCP. Third, the expansion of the FCP will measure the effectiveness of these decentralized programs to reach final beneficiaries at community kitchens and dining centers, which have proven to be incompatible with inflation due to poor program design. Finally, the improved traceability of the decentralized food assistance programs will be measured by the number (and tracked identity) of final beneficiaries that attend the community kitchens under the FCP.

PDO Level Indicators

24. **The key results and performance indicators to measure the achievement of the project development objective (PDO) are:**

- i. The benefit purchasing power of the Food Benefit program, to measure its effectiveness in reducing extreme poverty.
- ii. The benefit purchasing power of the Feed the Community program, to measure its effectiveness in reducing extreme poverty.
- iii. Number of beneficiaries of AUH aged 15-17 years that receive a benefit from the FBP, to measure its effectiveness in reducing extreme poverty (the indicator will be reported disaggregated by gender).
- iv. Number of active pre-paid credit cards used by community kitchens through the FCP, to measure the effectiveness to execute the budget allocation of the decentralized food assistance program.
- v. Number of beneficiaries that participate in the FCP and whose identity is being tracked through digital tools, to measure the improvement in the traceability of the decentralized food assistance program (the indicator will be disaggregated by gender).

B. Project Components

25. **The proposed Project would improve the effectiveness and traceability of two food assistance programs: FBP and the FCP.** The Project will introduce an instrument to periodically update the FBP benefit amount to avoid losses in purchasing power and expand the coverage of the food benefits to households participating in the AUH program with children between 15 and 17 years of age. In this way, it will be possible to mitigate food insecurity, including climate-induced in a higher number of households, and likewise, avoid potentially conflicting disincentives with the education co-responsibility of AUH for an age group where school dropout is high. Moreover, this Project also aims to progressively replace part of the centralized procurement of staple food with a decentralized method allowing community kitchens to buy food locally, thus reducing Greenhouse Gas (GHG) emissions from transport. The benefits



of the operational model are the improvement of the nutritional content of meals based on the possibility of adding fresh food; and the reduction of the negative carbon footprint derived from the current distribution of centrally procured food. Additionally, to improve the traceability of the food programs implemented through community kitchens, the Project will finance pre-paid credit cards for community kitchens to be used exclusively for food purchases at local markets, which will more fairly allocate resources according to local food demand, rather than a previous centrally managed distribution process. To achieve this, the Project would support the following three components:

Component 1: Improve food programs managed by MDS (US\$10 million)

26. This component aims to improve and strengthen the design, capacity, and quality of Argentina’s two main food assistance programs. This component will provide technical assistance to MDS in two FBP specific areas: an instrument to update the benefit amount periodically and the extension of coverage to children aged 15 to 17 under the AUH program. The benefit updating instrument would serve as a fast response procedure by temporarily increasing the amount of the benefit for poor and vulnerable households in the wake of disasters and climate shocks.¹⁴ This will help reduce the vulnerability of households and ensure food security during crises, particularly for female-headed households. In these cases, the FBP will temporarily increase the benefits of families affected by an emergency. The same criteria will apply for per capita transfers to the community kitchens under the FCP. The increase is activated by a climate or other disaster, allowing the program to adjust the value of transfers to the affected population.¹⁵

27. Regarding the FCP, this component will support the implementation of a new decentralized food provision mechanism for community kitchens, strengthen the capacity of MDS to manage and implement the program, and enhance the capacity of participating community kitchens. This component will support the following activities:

a. **Improve the national registry of community kitchens (*Registro Nacional de Comedores: RENACOM*)** to (i) guarantee that the registry accurately identifies the institutional capacity and training needs of community kitchens, ensuring food safety standards and nutritional content; and (ii) introduce mechanisms to keep this registry up to date given the fluidity of CSO-led initiatives that are highly dependent on social and economic conditions. The improvement of the registry will also allow to better identify vulnerable areas to climate impacts to improve the targeting and deployment of benefits.

b. **Develop and launch a pre-paid credit card for the exclusive purpose of purchasing food.** This card is to be used by community kitchens for the decentralized purchase of food and to ensure timely replenishment and continuity in the flow of funds to produce meals and feed the most vulnerable, including the climate vulnerable population. Because these populations are extremely vulnerable to suffering from price spikes, it is intended to reduce their vulnerability to climate-driven food insecurity. The pre-paid credit card will also allow the government to audit the use of funds, reduce paperwork, and monitor transactions, particularly quantities and prices of goods procured.

c. **Create a Business Intelligence Unit (BIU) to manage the information and financial flows of decentralized food provision and traceability of beneficiaries and build strong data analytics capacity to process the additional information on the progressive expansion of the program.** The BIU will: (i) replace top-down criteria to distribute the funds among community kitchens with a bottom-up method to allocate budget and replenish the pre-paid credit cards according to the use of funds and demand from beneficiaries; (ii) monitor information just-in-time, drawing heat maps,

¹⁴ E.g. shocks related to extreme weather conditions affecting beneficiaries in a particular area.

¹⁵ See Annex 2 on Project Contributions to Climate Change Adaptation and Mitigation.



detecting deviations in either price or quantities, and carrying out error and fraud controls to ensure transparency and accountability in the use of funds; and (iii) gather feedback and include criteria to distribute funds or other non-cash types of support to community kitchens and replenish and update the benefits allocated to community kitchens. The BIU is also expected to manage information associated with climate impacts to final beneficiaries, to define a temporary increase of benefits and per capita transfers when required.

d. **Deploy digital devices to track beneficiaries of community kitchens.** Devices, such as digital scanners, will be used to track records to improve the traceability of the funds used by the community kitchens until they reach the final beneficiaries of the meals and food items. This tool is also expected to contribute to: (i) the identification of those beneficiaries lacking national IDs (either physical or on record); and (ii) allow the interoperability of this program with other social protection programs. That will enable the program to improve the identification of beneficiaries with disabilities and those in most climate vulnerable locations, track their inclusion/exclusion from the program and provide outreach when needed.

e. **Evaluate a selected group of community kitchens** and test several features of the FCP, such as the use of the different digital payment and data-gathering devices through the information management system, identify shortcomings and provide recommendations to the design of the digital tools and the content and scope of the information to be collected. The first stage is expected to be completed by program effectiveness to allow for the progressive expansion of this alternative decentralized implementation of the FCP. The World Bank will provide technical assistance to both the design and implementation of the first phase. The project will support the process evaluation of the first phase for the subsequent expansion of the FCP.

f. **Enhance the capacity of community kitchens to deliver assistance.** The Project will support the improvement of the conditions of canteens participating in the FCP, including energy efficient refrigerators¹⁶, kitchen equipment, and furniture. This component may include capacity-building activities on issues identified by the leaders of the community kitchens, but also training and awareness raising on the prevention of gender-based violence, integral sex education, emergency protocols (including response to climate related shocks), economic autonomy, and other women's rights¹⁷. This assistance will be conditional on an assessment of the initial capacities of the community kitchens, as well as to satisfactory performance in the fulfillment of accountability of the use of funds and in the provision of the information on the beneficiaries' demand.

g. **Support to a series of soft components** that are necessary to fill in gaps that might be encountered during the expansion and deployment of the decentralized food provision method over the territory, especially in remote or less densely populated areas. This component will also finance activities designed to ensure that digital means of payment are not a barrier to those selling locally produced goods, such as small farmers, vegetable producers, etc.

28. **This component also aims to strengthen MDS capacity to implement food assistance programs.** This component will provide support to the General Directorate of Special Projects and International Cooperation (DGPEyCI), part of the Secretariat for Administrative Management at the MDS. This component will support the Financial Management (FM), Procurement, Environmental and Social (E&S), and monitoring and evaluation functions. The DGPEyCI has proven experience and capacity in implementing projects financed by international financial institutions, including the World Bank-financed Children and Youth Protection Project (P158791) implemented jointly with the National Social Security Administration (ANSES).

¹⁶ It is expected that during project implementation close to 25 percent of community kitchens will receive energy efficient refrigerators for an approximated total cost of USD1 million. This is expected to generate a substantial reduction in net energy consumption (up to 45 percent) through the use of the best available technology (e.g. inverter refrigerators).

¹⁷ These topics have been identified as relevant by community kitchen leaders in a survey conducted by the MDS in 2022. In all cases, they requested receiving training for the staff working in the community kitchen.



Component 2: Decentralized Feed the Community Program (US\$86 million)

29. **This component will support the decentralized implementation of the FCP and finance cash transfers to pre-paid credit cards of community kitchens to be used exclusively for food purchases.** This mechanism will replace the discretionary top-down distribution criteria with a bottom-up process that more fairly allocates resources following food demand and CSO effectiveness in catering to the community. The nutritional content of meals should improve as fresh food items will be among the eligible items. Reducing the amount of ‘dry’ food procured centrally will lower carbon emissions, as fewer items will require transportation from two MDS warehouses to the community kitchens nationwide. The decentralized purchase of food will also reduce the stock of food stored either at MDS warehouses or community kitchens, freeing resources to expedite the progressive expansion of community kitchens under this traceable method. Finally, the component is expected to increase gender equality considering that more than 90 percent of the community kitchens are run by women who will strengthen their agency through access to economic resources and technical assistance, thus strengthening their role as community leaders. The disbursements will be linked to results through Performance Based Conditions (PBC).

Component 3: Food Benefit Program financing (US\$352.875 million)

30. **This component aims to improve the design and coverage of the FBP.** A series of improvements to the program are being considered, some of which require bills to be passed as legislation. The first is the adoption of an instrument to periodically update the FBP benefit amount will protect the purchasing power of beneficiaries. A rapid response mechanism will be introduced to allow for temporary increases in benefits for poor and vulnerable households affected by climate and other disasters. This component will finance a one-time PBC, which will be authorized against the effective implementation of the benefit amount updating instrument. In addition, the government plans to expand the coverage of the program to include children aged 15 to 17 years old that receive a benefit from the AUH program. A second continuous PBC would disburse against the implementation policy reform. Disbursements will be linked to results through PBC and will disburse equivalent amounts on a quarterly schedule along the lifetime of the project. The program prioritizes women as beneficiaries expanding women’s agency and is also expected to help reduce the time they dedicate to the care of their children.¹⁸

C. Project Beneficiaries

31. **The direct and final beneficiaries of this Project are the recipients of cash transfers from the FBP, and food from the FCP.** The program beneficiaries are the households participating in the AUH with children under 15 years of age, which will extend to 17 years of age. The beneficiaries of AUH are automatically incorporated or excluded from the program on a monthly basis using data from ANSES. As of March 2023, about 3.7 million people benefited from the FBP and, with the age limit extension, it could cover an additional 550,000 people. The FBP includes residents of informal settlements that are particularly vulnerable to climate disasters.¹⁹ The main eligibility criteria to access AUH (and hence FBP) is that both parents are either informal or unemployed and earn less than the minimum wage. Receiving the AUH benefit (and thus the FBP) is conditional on complying with health and education co-

¹⁸ The expansion of the FBP to cover children between 15 and 17 will enhance the nutrition of those children, which is expected to have positive effects on their health and education. Considering that female heads of households spend three times of unpaid care work than men, these effects are expected to increase economic opportunities for women by reducing the time they will dedicate to the care of their children

¹⁹ According to the National Registry of Popular Neighborhoods (*Registro Nacional de Barrios Populares – RENABAP*), there are over a million households living in informal settlements. The vast majority of these neighborhoods are in climate vulnerable areas. For example, in La Matanza, Province of Buenos Aires, 39% of the people with high rates of social vulnerability for facing disasters live in slums and other informal settlements (*Vulnerabilidad Social, Amenazas y Riesgos Frente al Cambio Climático, CIPPEC, 2018*).



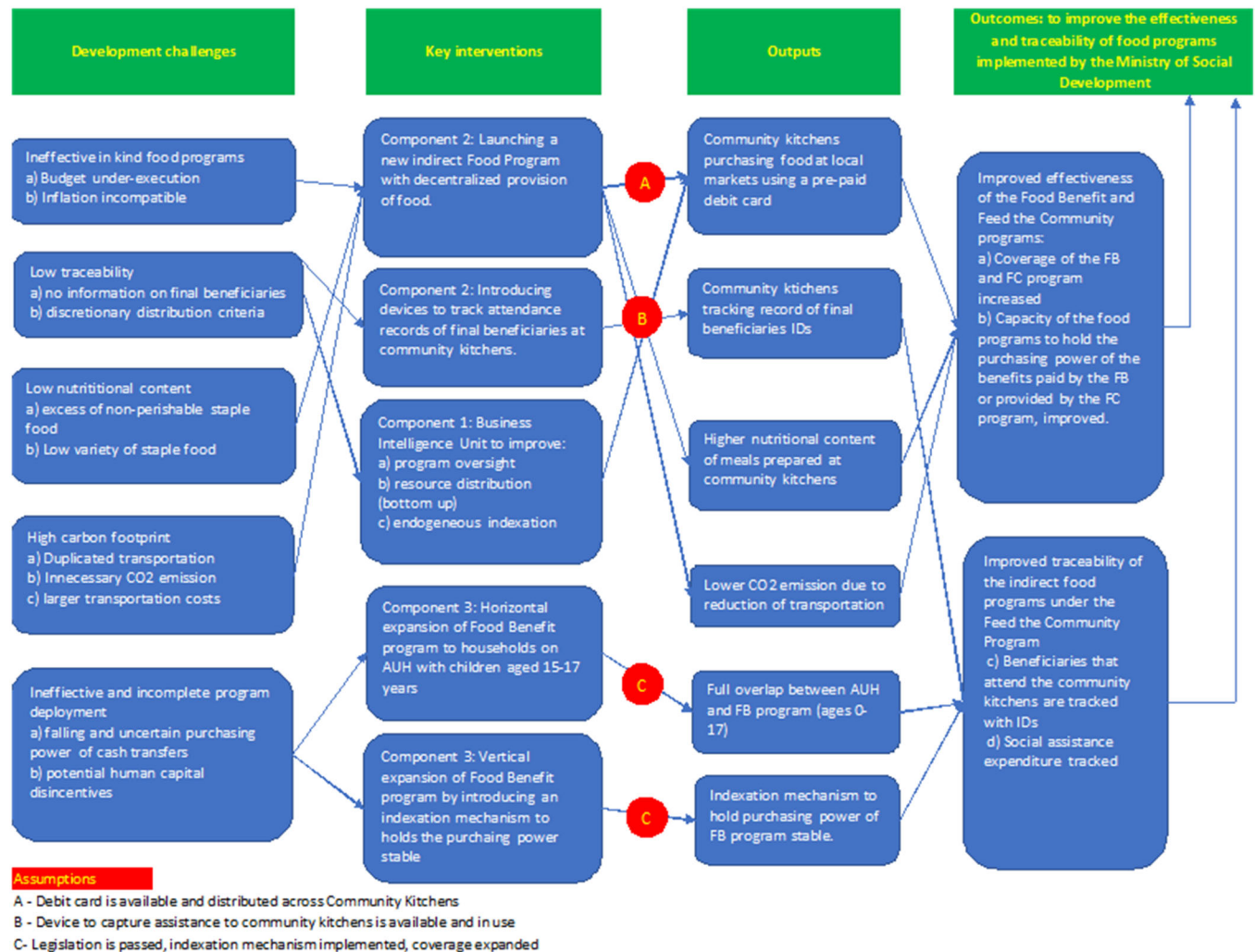
responsibilities. Regarding the beneficiaries of the FCP, there are no ex-ante eligibility criteria, and the final beneficiaries are those who eat or pick-up food at the community kitchens. Finally, MDS and the community kitchens are also considered direct (although not the ultimate) beneficiaries of the FCP as their capacity will grow in their role as organizations implementing the program.

D. Results Chain

32. This project aims at improving the effectiveness and traceability of two food assistance programs implemented by MDS: FBP and FCP. Figure 1 below draw the results chain of the project that goes from development challenges to the outcomes corresponding to the PDO. A more thorough explanation is presented in Annex III. Four development challenges have been identified: ineffective in-kind food programs, low traceability, high carbon footprint and ineffective program deployment. Five key interventions are thought to address these development challenges: A new indirect food program will be launched; it will track the attendance of final beneficiaries, program information will be processed through a Business Intelligence Unit; and finally, a horizontal and vertical expansion of the FBP is expected. These interventions will generate six outputs: Community Kitchens will conduct food purchases using a pre-paid credit card, the identity of final beneficiaries will be tracked, lower emission of CO2 is expected, full coverage overlap between AUH and the FBP and, an indexation mechanism for the FBP benefit will be in place. These outputs, based on two key assumptions, will lead to the achievement of the project's development objective.



Figure 1. Results chain: from development challenges to project outcomes



E. Rationale for Bank Involvement and Role of Partners

33. The World Bank is a long-term partner for Argentina in supporting this agenda. The Project will build on the experience of the FOPAR, partially financed by the World Bank from 1999 to 2005 through the Fourth Social Protection Project (P006058). The FOPAR Project had a “satisfactory” outcome rating since it demonstrated a positive role in building the capacity of community-based organizations and provided grants enabling community kitchens to improve the quality and expand the coverage of feeding services. In 2002, due to the severity of the economic crisis, the FOPAR was redirected towards supporting the food assistance role of the CSOs and the community kitchens they have been running. That experience constitutes the basis for implementing the CKP, now supported by UNDP.

34. During the 2002 economic crisis in Argentina, rising poverty rates were mainly due to high and accelerating inflation rates. Likewise, inflation rates have accelerated recently and negatively affected the effectiveness of the FBP as a cash transfer that lacks an indexation mechanism, like other social protection programs in Argentina. Moreover, inflation affects traditional in-kind food assistance programs, proving outdated and ineffective in ensuring minimum caloric consumption of people attending community kitchens.



35. **The rationale for the World Bank’s involvement is similar to 2002: provide technical and financial support to improve the food assistance programs and reduce the impacts of the economic crisis and inflation on vulnerable people.** Moreover, food assistance programs and their self-selection nature to include beneficiaries make it the perfect policy response to ensure the minimum caloric consumption of those not currently reached by the series of cash transfers that comprise the social protection system in Argentina and provide almost universal coverage to both extremes of the life cycle. Finally, the proposed improvements in program design and incorporation of information technology are crucial to replace outdated and opaque interventions with transparent mechanisms that allow traceability of final beneficiaries, as well as interoperability of the social protection system.

F. Lessons Learned and Reflected in the Project Design

36. **Three main lessons emerged from the FOPAR experience, as well as the recently closed Children and Youth Protection Project.** First, procurement arrangements must adjust to the nature of the business processes used by projects. When the FOPAR project was repurposed to fund community kitchens, it kept the request of three budgets for local purchases. Local businesses refused to issue such quotations when occasional or no orders were expected. FOPAR failed to recognize that the business processes used by community kitchens were completely different from those used for the small civil works subprojects. The main lesson learned from FOPAR was that procurement arrangements for community kitchens should conform to the business practices used for periodic purchases of goods in small quantities, while preserving the principle of economy and efficiency.

37. **Second, although necessary, it can be challenging to implement an exit strategy for interventions that support programs during a crisis.** FOPAR had difficulty implementing an exit strategy after the 2002 crisis subsided. Most community kitchens continued to demand the resources of the project, in part because FOPAR financing had crowded out previously available alternate sources and given them a reliable (and preferable) source of financing. The government also considered that FOPAR assistance had enabled some community kitchens to strengthen other activities (childcare, after-school activities, etc.) which could be a reasonable basis for further support. It is important to focus the institutional support and CSO training on keeping different funding sources open and being prepared to cut community feeding.

38. **Third, the recently closed (January 2023) Children and Youth Protection Project (US\$1.35 billion) implemented by MDS and ANSES proved that Investment Project Financing (IPF) with PBCs with disbursement schedules on a quarterly basis is preferable both for the Ministry of Finance and the World Bank team providing implementation support.** The advantages of closely monitoring the performance of the project’s key indicators largely offset the additional transaction costs associated with the processing of four disbursements per year. The design of the PBCs, as well as the simplicity and accuracy of the verification protocols provided, made disbursements predictable, which was much appreciated by the MoF and the Treasury. Moreover, the high frequency of these disbursements allowed both teams to identify better-than-expected results, which resulted in two additional financing loans to support the activities associated with closing the AUH coverage gap. This close monitoring also allowed the supervision team to provide a just-in-time response to the delays caused by the COVID-19 pandemic.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

39. **The Project will be implemented by the MDS, which supervises and manages food assistance programs.** The FBP will be executed by the National Directorate of Food Security (*Dirección Nacional de Seguridad Alimentaria* or DNSA) under the Secretary of Social Inclusion (SISO). The DNSA will be responsible for implementing the improvements in



the design and coverage of the FBP. The FCP will be implemented by a Coordination Unit to be formally created under the Secretariat for Articulation of Social Policy (*Secretaría de Articulación de Política Social* or SAPS)²⁰. The Coordination Unit will be responsible for launching and improving the FCP and will have a responsible and technical staff appointed by the MDS.

40. The Secretariat of Management and Administration (*Secretaría de Gestión Administrativa, SGA*), through the General Directorate of Special Projects and International Cooperation (DGPEyCI), will be responsible for overall administrative and fiduciary matters such as FM, procurement, and E&S risks management. DGPEyCI is the MDS's central fiduciary agency that manages external financial resources and supports all executing teams involved in project implementation. The DGPEyCI has conducted FM and procurement functions over the last six years under Component 4 of the World Bank-financed Children and Youth Protection Project (P158791). The DGPEyCI will be responsible for the overall FM aspects, including project budget formulation and execution, managing the designated account, and requesting disbursements from the Loan. It will also prepare the reporting of PBCs, document expenditures to the World Bank; maintain accounting records; prepare interim financial reports and annual financial statements required by the World Bank; and comply with external auditing arrangements. The DGPEyCI will manage procurement processes; monitor contract implementation, and process payments to suppliers and consultants.

41. The financial instrument of this project is an IPF with direct investments, PBCs and 20 percent retroactive financing. Component 1 is a traditional investment component that will transfer resources to a designated account administered by DGPEyCI. Components 2 and 3 will reimburse FBP and FCP expenditures against results linked to PBCs. Disbursements will be authorized after PBC targets have been achieved and are within the stipulated disbursement plan. The PBCs are designed as critical milestones for the achievement of the PDO and foster the adoption of more effective mechanisms to protect benefits in an inflationary context, as well as transparency to the indirect food assistance program and its integration with other social protection programs. Finally, 20 percent retroactive financing of the Loan amount becomes disbursed upon achievement of the targets set out in PBC3.

42. PBC1 is designed as independent, single disbursements, while PBC2-4 will follow a quarterly disbursement schedule, and are defined as follows:

- a. PBC1: Implementation of an instrument to periodically update the FBP benefit amount.
- b. PBC2: Number of selected beneficiaries between 15 and 17 years old participating in the FBP.
- c. PBC3: Number of active pre-paid credit cards used by selected community kitchens through the FCP.
- d. PBC4: Number of FCP beneficiaries whose identity is being tracked through digital tools.

43. Eligible expenditures. All four PBCs will reimburse eligible expenditures of the FBP and FCP programs and will disburse against evidence that targets have been met according to the disbursement schedule set forth in the Loan Agreement. The first three PBCs will reimburse expenses associated with Component 3. PBC 4 will reimburse expenses associated with Component 2. Authorization to disburse will be approved according to the verification protocol included in the Project Operational Manual (POM).

44. The first PBC will reflect the improvements in the design of the FBP and is designed as a one-time disbursement of US\$30 million. The PBC1 disbursement will be authorized against the effective implementation of an instrument to periodically update the FBP benefit amount. Similarly, seven disbursements linked to PBC2 will be authorized once the FBP coverage is effectively extended to AUH beneficiaries between 15 to 17 years old, in accordance with the following schedule: first, an initial disbursement of US\$30 million can be requested once the policy measure becomes effective and the first payment to beneficiaries of AUH and PBC older than 14 years of age has been processed. The remaining six quarterly targets for PBC2 are included as disbursement conditions in the Loan Agreement of this project and are expected to disburse a sub-total amount US\$60 million. The total amount expected to be disbursed through

²⁰ The FBP is currently being implemented by a team that belongs to SAPS.



PBC2 is US\$90 million. The remaining two PBCs will reflect improved implementation of the FCP. PBC3 is expected to disburse US\$232,875 million in nineteen tranches once targets are met, according to the disbursement scheduled included in the Loan Agreement as disbursement conditions. PBC3 will reimburse the expenditures incurred under the FBP, several of which were already underway before effectiveness. The first disbursement under PBC3 will reimburse up to twenty percent of the total Loan amount. This disbursement can be requested upon signing of the Loan Agreement and once agreed targets have been verified according to the verification protocol for PBC3. Finally, PBC4 is expected to disburse up to US\$86 million in eleven tranches once targets have been verified according to the agreed protocol for this disbursement condition. The amount to be disbursed in each quarter progressively increases along with the expected expansion of the FCP program to be reimbursed. The first disbursement of PBC4 is scheduled to take place from year two onwards and will reimburse expenditures under the FCP against targets that reflect the expansion and traceability of the program.

45. PBC1, PBC2, and PBC4 are backed by specific expenditures required to achieve them, and PBC3 reflects the relationship and complementarity between the FBP and FCP. The complementarity of these programs is evident as both are financed through the same budget line (MDS-26). The FBP pays a monthly benefit directly to the bank accounts of the final beneficiaries taking advantage of the targeting of the AUH program, where beneficiaries are the children of unemployed or informal workers earning less than the minimum wage. Neither program reaches households with children older than 18 years or does not meet the eligibility criteria for AUH (e.g., incomplete documentation or foreigners with less than two years of residence in Argentina). The indirect FCP complements FBP by supporting CSOs that can provide meals to individuals and households not covered by the direct cash transfer program; when the food benefits are not enough, families can eat or pick up meals at the CSOs. As inflation rises, purchasing power falls, poverty increases, and the demand for food at the community kitchens increases, highlighting the relevance and complementarity of the FBP and the indirect FCP under food assistance policy of Argentina.

46. Three out of four PBCs will reimburse expenditures of the FBP or the FCP against the achievement of targets and improvements in the design and implementation of these programs. A fourth PBC is priced as sharing expenditures between FBP and FCPs to encourage the expansion of the FCP through the lifetime of the project. Hence, PBC3 will disburse the expenditure incurred under the FBP, against the achievement of targets of the FCP, given that both activities are closely related within the food assistance policy in Argentina. None of the four PBCs will reimburse in excess of the expenditure required to achieve the full results of this operation. PBCs 2,3 and 4 are scalable.

B. Results Monitoring and Evaluation Arrangements

47. DGPEyCI will be responsible for project monitoring and reporting. The FBP shares the information system of AUH and provides data on beneficiaries and payments. AUH's information system is managed by ANSES and has been used by World Bank-financed projects, including the Children and Youth Protection Project (P158791). The FCP will have its own information system to track all the processes, including tracing of beneficiaries and food purchases. Both information systems will allow tracking of the PDO and intermediate results indicators using data to be updated regularly and submitted in semi-annual progress reports to the World Bank. The POM will clarify and detail monitoring protocols for each indicator. The progress toward achieving results will be monitored during the implementation and used to identify potential issues that require resolution. An end-of-the-project evaluation of the FCP will be conducted six months before project closure to assess whether objectives have been achieved efficiently, evaluate the sustainability of the results, and present the lessons learned.



C. Sustainability

48. **The FBP will continue to be financed by the government after the end of the project, and families will remain part of the program if they meet eligibility criteria and graduate before children reach 18 years of age.** Over the history of FBP and the AUH program, there is no evidence of families being removed due to budget constraints. There is ample literature on the medium-term impact of these programs on human development, food consumption and reduction of poverty rates.

49. **The government has funded indirect food programs implemented through Community Kitchens since the 2002 crisis.** A more effective and transparent implementation of these types of food programs is expected to gradually replace existing decentralized food assistance programs, such as the traditional in-kind transfer Community Kitchens Program, and its potential sustainability is high. Considering the upcoming presidential election in October, the FCP design would have to be validated by the incoming administration.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

50. **Although Argentina is a net food exporter, it experiences increasing demands for food assistance programs by the government.** Contrary to the widespread notion that food insecurity is related to reduced food availability, demand for these programs in Argentina is primarily driven by high inflation and purchasing power losses due to economic crisis. This section does not follow a traditional analysis. A thorough analysis is presented in Annex III. Therefore, the technical and economic analysis section comprises four sub-sections. The first one describes the rationale for this project, stressing the negative consequences of inflation on food assistance programs. The second one presents an estimate of the expected positive climate impacts resulting from the lower carbon emissions of an indirect food assistance program implemented as a cash transfer program. The third one, complementary to the previous one, presents the alignment with the Paris Agreement.

Technical Analysis

51. **Inflation in Argentina is very high, mainly in food, which affected the performance and showed underlying weaknesses of food assistance programs.** The Project will, first, support the horizontal (coverage) and vertical (indexation) expansion of the major food assistance program implemented as a direct cash transfer to final beneficiaries. The combined effect of horizontal and vertical expansion would cost 0.16 percent of GDP, and it is expected to reduce extreme poverty rates by 4.3 pp. Also, the project will technically and financially support the launch and expansion of a new indirect food assistance program to reach the most vulnerable.

GHG Emission Calculation

52. **The expansion of the FCP is expected to have positive savings for the environment and the MDS's expenditure on logistics and transportation.** By 2028, FCP is expected to reach 28 percent of the total costs of indirect food assistance programs, which implies a 48 percent reduction of CO₂ emissions, or 2,932 tons of CO₂ per month or 35.186 tons per year. Transportation costs are expected to go down from US\$1.2 million to US\$667,775 per month in 2028. Over the lifetime of this project, it is expected to save US\$19 million in transportation costs. (for additional information please see Annexes 2 and 4).



Paris Alignment

53. **The operation is aligned with the goals of the Paris Agreement on both adaptation and mitigation.** The Project is consistent with Argentina's NDCs, including the National Adaptation Plan and Long-term Strategy. After ratifying the Paris Agreement in September 2016 (Law No. 27270), Argentina submitted its first nationally determined contribution (NDC1) in November of the same year and its second (NDC2) in December 2020, revised in November 2021. The revised NDC2 commits to an emission limit of 359 million tons of carbon dioxide equivalent (MtCO₂e) — unconditional—by 2030. Argentina's NDC2 highlights the transport sector as crucial for the country's climate mitigation and adaptation agenda.²¹ In this context, food transport, processing, and storage represent substantial opportunities to reduce waste, improve efficiency, and promote more inclusive value chains. The Project will support community kitchens to purchase products locally, which can significantly reduce their carbon footprint compared to purchasing products centrally procured by the national government and transported over long distances. Additionally, buying local would support local farmers and the local economy, which could have social and economic benefits for the community. In this sense, the Project will also support two of the National Adaptation Plan and Long-term Strategy lines: (i) sustainable mobility, and (ii) sustainable management of food systems and forests. Finally, the NDC includes measures to promote the participation of marginalized groups, such as women and low-income communities, in urban food assistance programs. That would ensure that these groups have access to healthy and affordable food and can also contribute to promoting social and economic equity.

54. **The main adaptation risks the project is exposed to are climate change impacts on domestic agricultural production and on poverty.** Argentina is vulnerable to a wide range of climate change impacts, which vary across its regions.²² Over the past two decades, Argentina has experienced extreme events and widespread droughts across multiple regions, including core agricultural areas, which present risks to both agricultural production and to rural poverty, where many poor rely on farming as their main source of income.²³ In addition, with 92 percent of the population living in cities,²⁴ the urban poor people (who are the primary beneficiaries of this Project), especially residents of informal settlements, are particularly vulnerable to disasters and increased poverty. Informal settlements are often located on low-lying, flood-prone land and consist of structures easily damaged during floods and landslides. It is not expected that climate hazards would have material impacts or adverse effects on the operation or program and the achievement of its development objective as the project specifically aims to strengthen the resilience and reduce exposure of the vulnerable groups (in line with the adaptation strategy outlined in the Country's NDC) through, *inter alia*, the generation of an indexation mechanism for the FBP that will not only be linked to the inflation rates but will also incorporate other criteria like identification of emergency (e.g., related to extreme climate conditions) affecting beneficiaries in a particular area, in which case, the FBP will temporarily increase the amount of the benefit for the families that are being affected by the emergency (Component 3). The same criteria will be applied to the per capita transfers to the community kitchens under the FCP (Component 2). The project activities contribute to increased food security monitoring in Argentina by creating a BIU (under Component 1) and improving the engagement of vulnerable populations to address barriers to decision-making through the decentralized implementation of the FCP (Component 2).

55. **There are no mitigation risks identified in the project since it is not financing any GHG-producing activities.** In addition, the indexation mechanism for the FCP mentioned above, will provide a mitigation measure for climate

²¹ The sector represents about 13 percent of Argentina's 2018 GHG emissions, with 90.9 percent coming from road transport and around 45 percent from freight (Pons et al. 2022). Although Argentina has yet to formally develop a plan for reaching carbon neutrality, a possible decarbonization pathway could include a reduction of up to 56 percent of emissions from transport by 2050.

²² Tercera comunicación nacional de la República Argentina a la Convención Marco de las Naciones Unidas Sobre el Cambio Climático. Secretaría de Ambiente y Desarrollo Sustentable de la Nación. Government of Argentina.

²³ Climate Risk Profile: Argentina (2021): The World Bank Group.

²⁴ https://www.argentina.gob.ar/sites/default/files/poblacion_urbana_dnp.pptx_.pdf



impacts on local agricultural producers, since it will allow the community kitchens under the program to maintain purchasing power even in an emergency related to extreme climate conditions.

Economic Analysis

56. Following the traditional methodology of estimating the internal rate of return (IRR), initial calculations show that depending on the interest rate (discount factor) and the exchange rate used, the IRR could vary from 5 percent to 17 percent. Preliminary results suggest that the IRRs would be in the range of 5-17 percent. The lowest IRR would be achieved under the scenario that considers a 9 percent interest rate and the highest in the case that combines an interest rate of 3 percent and the official exchange rate (US\$1=ARS271)

57. This project supports two food assistance programs with multiple associated benefits. Among the program benefits are (the net present value of): (i) returns to education resulting from completing secondary school (vs. dropping out) associated with the coverage expansion of the FBP to AUH beneficiaries aged 15-17 years of age²⁵; (ii) prevention of adverse health outcomes (stunting, anemia, lactation, and emaciation); (iii) transportation and logistics savings resulting from the decentralization of food provision to the CSOs; and (iv) savings²⁶ from transportation and logistics of replacing a centralized in-kind food assistance program by another based on the decentralization of the provision of food through the use of pre-paid credit cards.

B. Fiduciary

(i) Financial Management

58. The DGPEyCI will be responsible for the overall FM aspects. An FM assessment²⁷ was carried out to determine and agree on the applicable FM arrangements to support project implementation. The overall conclusion of the FM Assessment is that: (i) the FM arrangements for the proposed Project are considered adequate; (ii) the funds flow, disbursements, monitoring, auditing and supervision arrangements have been designed in a way to respond to the project's implementation arrangements; and (iii) the residual FM risk associated with the project is rated as substantial.

59. In general terms, the legal framework for financial management is well-developed and supported by the Financial Administration Law,²⁸ governing budgeting, public credit, treasury, government accounting, and internal controls. The national public FM system and framework have satisfactory internal rules and controls, with a clear definition of responsibilities and institutional arrangements. The 2019 Public Expenditure and Financial Accountability (PEFA) assessment²⁹ findings show that the performance of the public FM systems at national level is reasonably in line with international standards and good practices. The proposed Project is expected to make extensive use of country systems in terms of budgeting, flow of funds and internal controls.

60. The FM assessment identified the following key risks: (i) the project's complexity, including a large PBC scheme under Components 2 and 3; and (ii) the unfamiliarity of the borrower using PBCs under World Bank-financed projects. The following specific mitigating measures will be implemented to manage the identified risks: (i) preparation of the POM, including a section with FM arrangements acceptable to the Bank (reflected as an effectiveness condition); (ii)

²⁵ The parameters used to monetize the returns from education have been taken from: Cecilia Adrogué (CEDH-UdeSA-CONICET); Gabriela Catri, Martín Nistal y Víctor Volman (Observatorio de Argentinos por la Educación), Febrero 2022, Retornos de la educación ¿Vale la pena estudiar?

²⁶ The estimated savings from transportation and logistics are available in the GHG Emission Estimation section

²⁷ The FM Assessment was conducted by Bank staff from March-July 2023 in accordance with Bank Policy: Investment Project Financing and Bank Directive: Investment Project Financing and the Financial Management Manual for World Bank-Financed Investment Operations (effective March 1, 2010 and revised September 7, 2021).

²⁸ Argentina Financial Administration Law was issued in 1992 and revised in 2006.

²⁹ Argentina - Public Expenditure and Financial Accountability (PEfamily allowance): Performance Assessment Report, Report No: AUS0001244, December 2019.



an Eligible Expenditures Programs (EEPs) Spending Report will be used for disbursement purposes under each PBC scheme; iii) semi-annual Unaudited Interim Financial Reports (IFRs) will be reviewed by the Task Team; (iv) annual audits of the project’s financial statements following auditing standards and Terms of Reference (TOR) acceptable to the Bank; and (v) continued close Bank support and supervision.

(ii) Procurement

61. Procurement will be conducted using the World Bank’s ‘Procurement Regulations for IPF Borrowers, dated November 2020, for the supply of goods, works, and non-consulting and consulting services.

62. **Procurement activities will be executed under Component 1 and will include goods, consultant and non-consultant services.** They are expected to be focused on technical assistance, project monitoring, IT equipment, energy efficient refrigerators, kitchen equipment, furniture, among other minor goods, to support the implementation and monitoring of Component 2.

63. **Component 2 will finance per capita monetary transfers restricted to purchasing only food and will be implemented through CSOs that manage community kitchens.** Component 3 will finance direct cash transfers to beneficiaries of FBP. As these arrangements do not qualify as procurable items, they are not regulated by the Bank’s Procurement Regulations.

64. **The procurement function will be under the responsibility of DGPEyCI, which was evaluated in its capacity to hold this responsibility in December 2022 by considering the existing systems, structure, and staff recently implemented by a World Bank-financed project.** The result concludes that DGPEyCI has experience under World Bank-financed projects and for the type of activities expected to be implemented under Component 1. A Project Procurement Strategy for Development (PPSD) has been prepared by the DGPEyCI with support from the WB team to analyze the project’s operational environment and identify potential risks to implement procurement activities. The results of this analysis, capacity assessment, and proposed actions to address the identified risks are detailed in Annex I.

65. **The combined FM and procurement risk assessment is rated Substantial.**

C. Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

D. Environmental and Social

66. **The combined environment and social risk are rated Moderate.** The environment risk is Low. The Project does not finance land acquisition, and does not include remodeling, rehabilitation, or construction of new infrastructure. The Project’s actions will be carried out within existing facilities, and will not intervene in sensitive or protected areas, nor will its actions or effects put biodiversity or cultural heritage at risk. The overall risks and potential adverse impacts on the environment are likely to be minimal or negligible. Furthermore, the Project would result in valuable outcomes such as (i) reducing the carbon emissions from transport by purchasing food locally instead of using two centralized distribution centers; and (ii) strengthening the food management and meal planning capacity of the community



kitchens, thus promoting the delivery of meals with higher nutritional content adapted to local needs. Based on available information to date, the Project will finance basic computer equipment and provide education and training for the use of software and hardware as part of an upgrade of information technology resources in the MDS. In addition, it will include the purchase of furniture and other equipment (e.g., energy efficient refrigerators) for community kitchens participating in the FCP. The potential replacement of obsolete equipment and appliances would potentially generate waste that needs to be properly managed and disposed of, but also generate energy savings.

67. The social risk rating is moderate. As stated above, the proposed project would improve the effectiveness and traceability of two food assistance programs implemented by the MDS. In addition to the positive outcomes mentioned above, to improve the traceability of the food programs implemented through community kitchens, the project will finance pre-paid credit cards for community kitchens to be used exclusively food local markets, which will more fairly allocate resources according to local food demand, rather than a previous centrally managed distribution process. In this sense, the Project is expected to have only positive social impacts on the vulnerable and systematically excluded groups and zero negative social effects. The main social risks are associated with the potential exclusion of vulnerable groups from participating in the benefits of the FBP and with possible weaknesses related to the communication, participation, and engagement capacity of the MDS. These risks are being assessed as moderate/low in the draft Environmental and Social Assessment (ESA), that incorporates mitigation measures and actions to improve the FBP design and/or implementation. Moreover, the ESA has informed the Stakeholder Engagement Plan (SEP), which covers risks related to potential exclusion in the participation of vulnerable groups including, *inter alia*, people with disabilities, through the planning and implementation of proper strategies of information disclosure and consultation in a timely and culturally appropriate manner. Advanced draft versions of the ESA and the SEP were disclosed in country on June 16, 2023, and on the World Bank external website on June 19, 2023. In addition, the MDS has an active Grievance Mechanism (GM) in place with different channels to address questions, complaints, and grievances. It is called *Sistema Integrado de Comunicación Institucional (SICOI)*, and it allows the MDS to have integrated records of the communications received and the follow-up of each case until it is responded to and resolved. The Project's Environmental and Social Risk Summary (ESRS) summarizes the relevant Environmental and Social Standards and provides a detailed analysis of the relevance of each at the time of appraisal (as listed in the Data Sheet).

68. The risk of sexual exploitation, abuse, and sexual harassment is low. The Country has a solid legal framework focused on Gender-based Violence (GBV) prevention and has a national referral pathway protocol for GBV service provision and an active GBV working group. Additionally, project activities are not expected to give rise to opportunities for individual project actors to sexually exploit or abuse beneficiaries. Also, the Project is not expected to finance infrastructure works and therefore has no risk of labor influx. Despite these considerations, and in particular for the community kitchens that are predominantly female-dominated spaces, the ESA has identified potential measures to help reduce these types of risks, and (i) strengthen the capacities of women and the LGBTI+ population in the development of communal work in community kitchens, (ii) assess and characterize the type of vulnerabilities that community kitchens' beneficiaries may have, and (iii) promote the application of the existing protocols and networks to identify and tackle situations of GBV.

69. Gender focus and support to closing gender gaps. Argentina ranks highly (35 of 156 countries) in the World Economic Forum's Global Gender Gap Index, which assesses gender-based challenges in four dimensions: economic participation and opportunity; educational attainment; health and survival; and political empowerment.³⁰

70. The decentralization of food provision under the FCP (supported by Components 1 and 2) should have a positive

³⁰ See <https://www.weforum.org/reports/global-gender-gap-report-2021>. Despite an overall good ranking, its performance in individual areas varies wildly—for example, ranking 1st for educational attainment, 103rd for economic participation and opportunities for women (only 60 percent of women participate in the job market), 48th for health and survival, and 25th for political empowerment.



effect on gender equality, considering that more than 90 percent of the community kitchens are run by women³¹, who will increase their agency through direct access to economic resources (through the pre-paid credit cards) and technical assistance, thus strengthening their role as community leaders. A study conducted by the International Center for Research on Women (ICRW) in collaboration with the Global Alliance for Clean Cookstoves found that women who participate in community kitchens in Argentina reported feeling a greater sense of empowerment and increased engagement in community affairs. Specifically, the study found that women participating in community kitchens were more likely to be engaged in local elections, community meetings, and other forms of political engagement. Furthermore, the study found that community kitchens offered women a space to develop leadership skills, build social networks, and access information about their rights and entitlements.³² Another study conducted by UNDP in Argentina reached similar conclusions.³³

71. Women face several barriers to seizing economic opportunities in Argentina. They are less likely to participate in the labor force, and, when they do, they often work fewer hours and face higher unemployment rates than men with similar observable characteristics (such as education, geographical location, and experience). These outcomes depend on several factors: disproportionate burden of unpaid household production, including care activities, as well as discrimination and sectoral segregation. As a result, women have lower average earnings than men. The female unemployment rate in Argentina in 2020 was 21.7 percent, while the male unemployment rate was 10.2 Percent.³⁴ In terms of earnings, on average, women in Argentina earn about 23 percent less than men in equivalent positions.³⁵ This gender gap in earnings reduces female intra-household bargaining power, which, in turn, can weaken agency outcomes in other spheres and life decisions.³⁶ In addition, these gaps result in higher poverty incidence among women and Female-Headed Households. According to the National Institute of Statistics and Census (INDEC), women are more likely to have an informal job; and, as a result, women are less likely to receive a pension than men, and when they do, they receive less.³⁷ Additionally, this may translate in a higher vulnerability of Female-Headed Households compared to Male Headed Households.³⁸

72. In this context, in addition to the activities under the FCP mentioned above, the project will also address this gender gap by supporting the expansion of the FBP that prioritizes women as benefit holders (women are over-represented as heads of poor households). Expanding the FBP to cover children between 15 and 17 will enhance the nutrition of those children, which is expected to have positive effects on their health and education. Considering that female heads of households spend three times of unpaid care work more than men, these effects are expected to

³¹ According to a report by the National Institute of Statistics and Census of Argentina (INDEC), in 2019, there were 12,704 community kitchens in Argentina, serving an estimated 1.9 million people. Of the volunteers who run these kitchens, 96 percent are women. National Institute of Statistics and Census of Argentina (INDEC) (2019). "Community Kitchens 2018-2019". Available at: https://www.indec.gob.ar/uploads/informesdeprensa/comedores_populares_2019_06.pdf

³² ICRW & Global Alliance for Clean Cookstoves (2015). "Women's Empowerment in Action: Exploring the Intersection of Women's Empowerment and Clean Cookstoves in Argentina." Available at: https://www.icrw.org/wp-content/uploads/2015/09/ArgEmpowermentReport_FINAL_07_28_15.pdf

³³ UNDP Argentina (2020). "Community kitchens in Argentina: A space for solidarity and social transformation". Available at: <https://www.ar.undp.org/content/argentina/es/home/presscenter/articles/2020/comedores-populares-en-argentina--un-espacio-de-solidaridad-y-.html>

³⁴ World Bank. (2021). Labor force, female (percent of total labor force) – Argentina, and World Bank. (2021). Labor force, male (percent of total labor force). Retrieved from: <https://data.worldbank.org>

³⁵ See: World Bank. (2020). World Development Indicators: Labor force participation rate, female (% of female population ages 15+) (modeled ILO estimate). Retrieved from <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=AR>; and World Bank. (2020). World Development Indicators: Gender pay-gap (% difference between male and female average hourly earnings). Retrieved from <https://data.worldbank.org/indicator/SL.ANV.PAYG.FE.ZS?locations=AR>

³⁶ Two comprehensive surveys of the earnings-empowerment nexus are provided in: Dufo, Esther. 2012. "Women Empowerment and Economic Development." *Journal of Economic Literature* 50 (4): 1051–79; World Bank. 2010. *Gender Equality for Development*. World Development Report 2010. Washington, DC: WB.

³⁹ " *Journal of Economic Literature* 50 (4): 1051–79; WB. 2010. *Gender Equality for Development*. World Development Report 2010. Washington, DC: WB.

³⁸ In Argentina, single-parent households are significantly more vulnerable: 83 percent are female-headed, and 70 percent are in the lowest two quintiles of the national income distribution; the estimated poverty rate among Female-Headed Households is reported at 67.5% compared to 53% for Male-Headed Households. Source: Argentina: Matanza Riachuelo Basin Development Project Additional Financing – Project Appraisal Document (World Bank 2021). Available at: <https://documents1.worldbank.org/curated/en/981341622858500322/pdf/Argentina-Matanza-Riachuelo-Basin-Sustainable-Development-Project-Second-Additional-Financing.pdf>



increase economic opportunities for women by reducing the time they will dedicate to the care of their children. Progress will be measured by identifying the expansion of female benefit holders receiving the FBP.

73. Building climate change resilience of vulnerable families. The project contributes to the World Bank's strategy for climate change adaptation by supporting transfers and providing enhanced access to FBP and FCP to households vulnerable to climate change. The target groups benefitting from the project are disproportionately vulnerable to climate-related shocks among Argentina's population, including droughts, floods, and landslides. This vulnerability accounts for the high prevalence of families with one or more of the following conditions: (i) urban and rural households without clean water or sanitation in flood-prone areas and (ii) families either homeless or living in precarious dwellings vulnerable to climate and weather damage.

74. Citizen Engagement. The FBP has robust engagement with citizens, beneficiaries, and stakeholders nationwide, including access to information and Grievance Mechanisms (GMs). The program is publicly advertised, and the GM includes a variety of channels through which citizens can submit their grievances (website, free telephone calls, letter writing, and face-to-face attention). Claims should all be registered, maintained in the MDS database, and receive an answer. These features of GM do not preclude or prevent access to administrative or judicial remedies if claimants are not satisfied. Eligibility criteria, enrollment and appeal procedures, and payment of benefits of the FBP are widely disseminated through massive media campaigns conveyed, *inter alia*, through the internet, television, and radio networks.

75. The Project will benefit from citizen engagement and beneficiary feedback throughout implementation. It will systematically monitor the use of the FBP mechanisms for citizens, beneficiaries, and stakeholders' engagement making sure that all the grievances received are responded and addressed in accordance to the GM's business standards. In addition, the FCP will include consultation processes with different stakeholders focused on identifying the best practices under the new decentralized food provision scheme, the identification of FCP beneficiaries, and the enhancement of the GM. The mechanism for beneficiary feedback includes the use of instruments like citizen scorecards to solicit feedback from community kitchen final beneficiaries, and satisfaction surveys to leaders and workers of community kitchens participating in the FCP. The design of both instruments will be incorporated in the POM.

76. Inclusion of People with Disabilities. The project is expected to have a positive impact on people with disabilities. In Argentina, people with disabilities are twice as likely to live in poverty than those without disabilities. A study conducted by the National Council for Coordination of Social Policies in Argentina found that the poverty rate among households with a person with a disability is 47 percent, compared to 33 percent for households without a person with a disability.³⁹ A report by the Economic Commission for Latin America and the Caribbean (ECLAC) found that people with disabilities in Argentina are more likely to experience food insecurity than those without disabilities⁴⁰. Families with people with disabilities are already eligible for the FBP regardless of children's age. In the case of the FCP, the Project will finance a digital tool to track community kitchens beneficiaries, which will allow the MDS to better identify beneficiaries with disabilities, allowing them to better track their inclusion/exclusion from the program and provide potential outreach where needed. In addition, the tool may also identify people with disabilities without the Unique Disability Certificate, thus providing assistance to get it and or update it.

V. GRIEVANCE REDRESS SERVICES

77. Grievance Redress. Communities and individuals who believe that they are adversely affected by a project

³⁹ National Council for Coordination of Social Policies. (2020). "Situación de las Personas con Discapacidad en Argentina."

⁴⁰ Economic Commission for Latin America and the Caribbean (ECLAC). (2019). "Panorama Social de América Latina 2019."



supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the World Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project-affected communities and individuals may submit complaints to the World Bank's independent accountability mechanism. The accountability mechanism houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of the World Bank's non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the independent accountability mechanism at any time after concerns have been brought directly to the attention of World Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank's Accountability Mechanism, please visit <https://accountability.worldbank.org>.

VI. KEY RISKS

78. The overall project risk is assessed as Substantial.

79. Macroeconomic risk is assessed as high. Significant macroeconomic imbalances persist, evidenced by fiscal dominance, high inflation, high gaps between the official and alternative exchange rates, and a very high risk for the country's macroeconomy. The latent risk of a faster depreciation of the official exchange rate increases the likelihood that inflation accelerates, provoking losses in the purchasing power of both labor and non-labor income. Moreover, higher prices of those commodities, which are also staple foods in the basic consumption basket (e.g., wheat and flour) increase the risk of further price gains in the food chapter of the consumer price index. To mitigate these risks, the project includes a quarterly disbursement schedule to adjust to rapidly changing macroeconomic conditions through project restructuring if needed.

80. The technical design risk is assessed as substantial. Although the MDS has proven capacity to implement indirect food assistance programs, decentralizing food provision through pre-paid credit cards is a new approach. The latter is partially addressed by the fact that the decentralized food provision will be restricted to buying food only. However, it is still necessary to link food expenditures to food consumption by final beneficiaries. The implementation of a pre-paid credit card is expected to take place from the program's inception. However, capturing the final beneficiaries' ID at the community kitchen level represents an additional challenge that would require close monitoring, supervision, and training in the community kitchens to ensure a smooth implementation of this new indirect food assistance program, technology, and devices. The disbursement schedule and use of PBCs were designed to mitigate this risk while introducing financial incentives (through the scalability of PBCs 2, 3 and 4) and the agreed verification protocols for MDS to ensure not only the launching of the program since the project implementation, but its maintenance beyond the project's closing date. Finally, the project design of the FCP, as well as expansion plans, would be discussed and validated with the incoming administration in late 2023 based on the results achieved and lessons learned from the implementation of pilots and early implementation phases of the program.

81. Institutional capacity risk is assessed as substantial. Despite the proven capacity of MDS to implement policies and programs, the need to coordinate the implementation steps with a series of community kitchens with uneven capacity represents a risk. Fortunately, MDS has been implementing food assistance programs under different modalities for over 20 years, keeping a track record of those community kitchens. The initial targeting of those community kitchens with better capacity still poses a risk for the strategy expansion, which will require strengthening the capacity of those less experienced Community kitchens. The authorities will complete institutional arrangements to implement the programs and consolidate technical teams to effectively execute the Project and these arrangements will be described in the POM.



82. The combined financial management and procurement risk rating is assessed as substantial. The risk assessment is based on the following: (i) the Project's complexity, including a large PBC scheme under Components 2 and 3; (ii) the borrower's unfamiliarity using PBCs under World Bank-financed projects. The following specific mitigating measures will be implemented to cope with the identified risks: (i) preparation of POM, including a section with FM arrangements acceptable to the World Bank, which should be readily available for the effectiveness of the project; (ii) an EEPs Spending Report will be used for disbursement purposes under the PBC scheme. The residual FM risk associated with the Project is rated as Substantial. The fiduciary risk rating will be reviewed and updated as needed during project implementation based on new developments and the impact of any mitigation measures that may be taken (e.g., capacity building of fiduciary teams; actions to improve internal control functions; adequacy of the POM).



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Argentina

Strengthening Food Programs for Vulnerable Populations

Project Development Objectives(s)

The development objective of the project is to improve the effectiveness and traceability of food programs implemented by the Ministry of Social Development.

Project Development Objective Indicators

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Effectiveness							
The benefit purchasing power of the Food Benefit program. Index number 100 = baseline. (Number)		100.00	100.00	100.00	100.00	100.00	100.00
The benefit purchasing power of the Feed the Community program. Index number 100 = baseline. (Number)		100.00	100.00	100.00	100.00	100.00	100.00
Beneficiaries of AUH aged 15-17 years that receive a benefit from the FB program (Number)	PBC 2	0.00	88,000.00	205,000.00	324,000.00	444,000.00	558,000.00
Beneficiaries of AUH aged 15-17 years that receive a benefit from the FB		0.00	44,000.00	102,500.00	162,000.00	222,000.00	279,000.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
program (Women) (Number)							
Number of active pre-paid credit cards used by community kitchens through the FC program (Number)	PBC 3	0.00	350.00	800.00	1,200.00	1,600.00	2,000.00
Traceability							
Number of beneficiaries that participate in the FCP and whose identity is being tracked through digital tools (Number)	PBC 4	0.00	5,400.00	18,000.00	27,000.00	54,000.00	67,500.00
Number of beneficiaries that participate in the FCP and whose identity is being tracked through digital tools (Women) (Number)		0.00	2,970.00	9,900.00	13,500.00	36,000.00	33,750.00

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Design improvement of food programs run by MDS							
Community Kitchens Registered in RENACOM (Number)		29,978.00	29,978.00	29,978.00	29,978.00	29,978.00	29,978.00
Community Kitchens Validated in RENACOM (Percentage)		13.00	25.00	30.00	40.00	45.00	50.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
Feed the Community program financing							
Active Memorandum of Understanding (MoU) signed between MDS and Civil Society Organizations (CSO) under the Feed the Community program (Number)		0.00	180.00	360.00	540.00	720.00	900.00
Community Kitchens (CK) under the Feed the Community program that received institutional strengthening support (Number)		0.00	50.00	100.00	180.00	240.00	300.00
CKs under the FC program that received training courses provided by MDS (Number)		0.00	150.00	300.00	450.00	600.00	750.00
CKs with active Citizen Scorecard and positive performance. (Percentage)		0.00	45.00	50.00	60.00	70.00	75.00
CKs under the FC program with active pre-paid credit cards that are satisfied with decentralized food provision method (Percentage)		0.00	70.00	80.00	85.00	85.00	90.00
Active pre-paid credit cards under the FCP assigned to Female-headed CKs (Percentage)		0.00	50.00	55.00	60.00	70.00	75.00
Food Benefit program financing							
Beneficiaries participating in the Food Benefit (FB) program (Number)		3,725,000.00	4,287,000.00	4,279,372.00	4,271,744.00	4,271,744.00	4,256,488.00
Beneficiaries participating in		1,838,769.00	2,116,189.00	2,112,423.00	2,108,658.00	2,108,658.00	2,101,127.00



Indicator Name	PBC	Baseline	Intermediate Targets				End Target
			1	2	3	4	
the Food Benefit Program (Women) (Number)							
Beneficiaries participating in the Food Benefit Program (beneficiaries with disability) (Number)		47,956.00	55,178.00	55,075.00	54,879.00	54,879.00	54,781.00
Female benefit holders receiving the FB program (Number)		2,134,923.00	2,457,024.00	2,452,652.00	2,448,280.00	2,448,280.00	2,439,536.00

Monitoring & Evaluation Plan: PDO Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
The benefit purchasing power of the Food Benefit program. Index number 100 = baseline.		Quarterly	Legislation and CPI index from INDEC.	Nominal value of monthly FB program, deflated with the monthly CPI index. Benefit amount for a household with one beneficiary. Index number. 100=April 2023	MDS
The benefit purchasing power of the Feed the Community program. Index number		Quarterly	Feed the Communi	Nominal value of FC assistance per food	MDS



100 = baseline.			ty program statistical bulletin and CPI index from INDEC	ration, deflated with the monthly CPI index. Index number. 100=April 2023	
Beneficiaries of AUH aged 15-17 years that receive a benefit from the FB program		Quarterly	ANSES statistical bulletin	Current figures.	MDS
Beneficiaries of AUH aged 15-17 years that receive a benefit from the FB program (Women)		Quarterly	ANSES statistical bulletin	Current figures	MDS
Number of active pre-paid credit cards used by community kitchens through the FC program		Quarterly	Payment method of FC program monthly statistical bulletin	Current figures	Nación Servicios
Number of beneficiaries that participate in the FCP and whose identity is being tracked through digital tools		Quarterly	FC program statistical bulletin	Current figures.	MDS
Number of beneficiaries that participate in the FCP and whose identity is being tracked through digital tools (Women)		Quarterly	Feed the Community program statistical bulletin	Current figures	MDS



Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Community Kitchens Registered in RENACOM		Quarterly	MDS Statistical Bulletin	Current figures	MDS
Community Kitchens Validated in RENACOM		Quarterly	MDS Statistical Bulletin	Current figures	MDS
Active Memorandum of Understanding (MoU) signed between MDS and Civil Society Organizations (CSO) under the Feed the Community program		Quarterly	FC program statistical bulletin.	Current figures. Each CSO should maintain update the documentation that supports the MoU.	MDS
Community Kitchens (CK) under the Feed the Community program that received institutional strengthening support		Quarterly	FC program statistical bulletin.	Cumulative since effectiveness of the project	MDS
CKs under the FC program that received training courses provided by MDS		Quarterly	FC program statistical bulletin.	Cumulative since effectiveness of the project	MDS
CKs with active Citizen Scorecard and positive performance.	Percentage of community kitchens participating in the FC program with an active citizen scorecard with	Quarterly	FC program statistical bulletin.	Current figures	MDS



	positive performance in 75 percent or more of the criteria included in the scorecard.				
CKs under the FC program with active pre-paid credit cards that are satisfied with decentralized food provision method		Annually	Feed the Community program survey report	Current figures	MDS / BNA-Nación Servicios
Active pre-paid credit cards under the FCP assigned to Female-headed CKs	Percentage of active debit cards under the FC program assigned to Female-headed CKs.	Quarterly	CK survey report and Payment method of FC program monthly statistical bulletin.	current figures. Female-headed of CK under the FC program with active debit cards	MDS
Beneficiaries participating in the Food Benefit (FB) program		Quarterly	MDS statistical bulletin.	Current figures. 2024 data based on ANSES bulletin IIIQ of 2022	MDS
Beneficiaries participating in the Food Benefit Program (Women)		Quarterly	MDS statistical bulletin.	Current figures. Figures estimated based on the women segregation of AUH	MDS
Beneficiaries participating in the Food Benefit Program (beneficiaries with disability)		Quarterly	MDS statistical bulletin	Current figures Figures estimated based on the disability segregation of AUH	MDS



Female benefit holders receiving the FB program		Quarterly	ANSES statistical bulletin.	Current figures.	MDS
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Performance-Based Conditions Matrix

PBC 1	Implementation of an instrument to periodically update the FBP benefit amount.			
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	No	Yes/No	30,000.00	6.67
Period	Value		Allocated Amount (USD)	Formula
Baseline	No			
September 2023	Yes		0.00	---
December 2023	Yes		0.00	---
December 2024	Yes		0.00	---
December 2025	Yes		30,000.00	---
December 2026	Yes		0.00	---
December 2027	Yes		0.00	---
June 2028	Yes		0.00	---



PBC 2		Number of Selected Beneficiaries between 15-17 years old participating under the FBP.		
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	90,000,000.00	20.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
September 2023	0.00		0.00	---
December 2023	30,000.00		30,000,000.00	---
December 2024	146,000.00		40,000,000.00	---
December 2025	264,000.00		20,000,000.00	---
December 2026	0.00		0.00	---
December 2027	0.00		0.00	---
June 2028	0.00		0.00	---
PBC 3		Number of active pre-paid credit cards used by Selected Community Kitchens through the FCP.		
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	232,875,000.00	52.00
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
September 2023	50.00		90,000,000.00	---



December 2023	125.00	8,000,000.00	---
December 2024	500.00	32,000,000.00	---
December 2025	900.00	32,000,000.00	---
December 2026	1,300.00	32,000,000.00	---
December 2027	1,700.00	32,000,000.00	---
June 2028	2,000.00	6,875,000.00	---

PBC 4		Number of FCP Beneficiaries whose identity is being tracked through digital tools.		
Type of PBC	Scalability	Unit of Measure	Total Allocated Amount (USD)	As % of Total Financing Amount
Output	Yes	Number	86,000,000.00	19.11
Period	Value		Allocated Amount (USD)	Formula
Baseline	0.00			
September 2023	0.00		0.00	---
December 2023	0.00		0.00	---
December 2024	0.00		0.00	---
December 2025	40,500.00		7,000,000.00	---
December 2026	94,500.00		26,000,000.00	---
December 2027	121,500.00		41,000,000.00	---



June 2028	135,000.00	12,000,000.00	---
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Verification Protocol Table: Performance-Based Conditions

PBC 1	Implementation of an instrument to periodically update the FBP benefit amount.
Description	This indicator reflects improvements in the design of the FBP by introducing an instrument to periodically update the FBP benefit amount, which would avoid losses in purchasing power. It provides an objective rule to update the FBP benefit following a formula that can be replicated using publicly available data. Implementation means the Borrower has updated the FBP benefit amount based on the FBP Instrument. FBP instrument refers to the Borrower’s legal instrument by which the FBP benefit amount is updated periodically.
Data source/ Agency	Report prepared by MDS following the procedure described below.
Verification Entity	The verification of the PBC target achievement does not require third-party verification since the information comes from sources that are publicly available (public laws and regulations that are publicly available).
Procedure	The MDS shall present evidence, satisfactory to the Bank, confirming that the EEPs associated with the implementation of FBP have incurred expenditures in an amount equal to at least the amount to be withdrawn under the Category 2, and the following additional evidence: (i) a copy of the legislation published in in the Official Gazette (<i>Boletín Oficial de la República Argentina</i>), which creates the benefit update mechanism for FBP; and (ii) a copy of the regulation or norm that sets out the increase resulting from the application of the FBP instrument.
PBC 2	Number of Selected Beneficiaries between 15-17 years old participating under the FBP.
Description	This indicator reflects improvements in the design of the FBP by broadening the reach of its coverage to those beneficiaries between 15-17 years of age who participate in the AUH program. The coverage expansion of the FBP is aimed at improving the effectiveness of this food policy in reducing extreme poverty and at avoiding potential disincentives to the health and education co-responsibilities, an age range at which the school drop-out rates are higher.
Data source/ Agency	FBP report prepared by MDS



Verification Entity	The verification of the PBC target achievement does not require third-party verification since the information comes from sources that are publicly available (public laws or regulations that use public information).
Procedure	The MDS shall present evidence, satisfactory to the Bank, confirming that the EEPs associated with the implementation of FBP have incurred expenditures in an amount equal to at least the amount to be withdrawn under the Category 2, and the following evidence: statistical information of the number of beneficiaries of the FBP effectively receiving a benefit, broken down by month, age and sex. The FBP report will be publicly available.
PBC 3	Number of active pre-paid credit cards used by Selected Community Kitchens through the FCP.
Description	This indicator reflects the coverage of the FCP, measured by number of community kitchens. Since each community kitchen will be provided with only one pre-paid credit card, the number of these cards provides an accurate figure of the program’s coverage at each moment in time. A pre-paid credit card is active if funds were assigned and at least one transaction was made within the reporting period. MDS will sign a pre-credit card agreement with a Selected Institution to extend a pre-credit card to each Participating CSO. By contract, the Selected Institution will report: the number of pre-paid credit cards delivered to the community kitchens (cumulative), the amount of funds assigned to each pre-paid credit-card, and the number of active cards in the reporting period to MDS monthly. Only for active cards in the reporting period, the Selected Institution will provide the following details for each transaction: date, amount spent, and name of the shop.
Data source/ Agency	Report prepared by Selected Institution. Continuous (monthly).
Verification Entity	The report issued by the Selected Institution will be used to validate the achievement of targets set out in the disbursement conditions of this PBC.
Procedure	The Selected Institution will report the number of pre-paid credit cards delivered to the community kitchens (cumulative), amount of resourced assigned to each pre-paid credit-card, and number of active cards in the reporting period monthly to MDS. Only for active cards in the reporting period, the Selected Institution will provide the following details for each transaction: date, amount spent, and name of the shop.
PBC 4	Number of FCP Beneficiaries whose identity is being tracked through digital tools.
Description	This indicator measures the improvements in traceability of the expenditure of the FCP. The number of beneficiaries whose identity has been tracked through the program’s instruments will provide monitoring information of the program’s coverage. The information gathered through this instrument will be treated with the strictest data privacy protocols, as



	required by the local legislation. MDS will sign an agreement with a Selected Institution to track identity of beneficiaries. By contract, the Selected Institution will monthly report MDS.
Data source/ Agency	Report prepared by Selected Institution. Continuous (monthly frequency).
Verification Entity	The report issued by the Selected Institution will be used to validate the achievement of the targets set forth in the disbursement conditions of this PBC.
Procedure	The Selected Institution will monthly report MDS a database with name of the beneficiaries, date, and number of food rations that consume or pick up for home consuming. The report will be broken down by sex and age.



ANNEX 1: Implementation Arrangements and Support Plan

A. Institutional and implementation Arrangements

1. **The Project will be implemented by the MDS which would provide the overall oversight of food assistance programs execution.** The Food Benefit Program (FBP) will be implemented by the DNSA under the SISO. The DNSA would be responsible for improving the design and coverage of the FBP. The FCP will be implemented by a Coordination Unit under the SAPS. The Coordination Unit will be responsible for launching and improving the FCP supported by Component 2. DNSA and Coordination Unit of SAPS will be staffed by a project coordinator and technical staff appointed by the MDS.

2. **The SGA, through the General Directorate of Special Projects and International Cooperation (DGPEyCI) will be responsible for overall administrative and fiduciary matters such as financial management and procurement and E&S risks management.** DGPEyCI is the central fiduciary agency of MDS that manages external financial resources and provides support to all projects. The DGPEyCI was created by MDS Resolution 723/2020. The DGPEyCI has conducted financial management and procurement functions over the last 6 years for Component 4 of the World Bank-financed Children and Youth Protection Project (P158791). The SGA, through the DGPEyCI, will be responsible for the overall FM aspects including the project's budget formulation and execution; managing the Designated Account and requesting disbursements from the Loan, including the reporting of PBCs, and documenting expenditures to the World Bank; maintaining the Project's accounting records; and preparation of interim financial reporting and project annual financial statements required by the World Bank; and complying with Project's external auditing arrangements. The DGPEyCI will also be responsible for the overall procurement aspects including management of the procurement processes; monitoring contract administration, and processing payments to suppliers and consultants.

(i) Financial Management and Disbursements

3. **Staffing.** DGPEyCI is staffed with qualified professionals with proven experience in implementing World Bank-financed projects as well as operations from other International Financial Institutions, although it has no previous experience using PBCs in World Bank-financed projects. It is expected that no additional FM staff will be required/hired to support project implementation. DGPEyCI's organization chart, roles and responsibilities, and FM functions and procedures will be clearly defined in the POM.

4. **Planning and budgeting.** The national integrated budget and accounting system (*Sistema Integrado de Información Financiera: e-SIDIF*) will be used for budgeting and accounting demands. The annual budget preparation, which integrates current and capital expenditures, is coordinated by the MDS and follows a clearly defined calendar. The Project will rely on the national procedures for budget formulation and execution.

5. **Accounting and financial reporting.** The DGPEyCI will use the existing well-functioning UEPEX⁴¹ system. DGPEyCI will be responsible for: (i) maintaining Project accounts with the chart of accounts reflecting the project categories, components, and sources of funding; and (ii) producing the required information for the semi-annual IFR and annual financial statements. These reports will be prepared on a cash accounting basis using the standard formats agreed with the World Bank. The IFR will be submitted to the World Bank within forty-five (45) days of the end of the reported period. These reports will be used by DGPEyCI to monitor the Project, including comparisons of actual vs. budgeted expenditure.

⁴¹ UEPEX (Unidades Ejecutoras de Préstamos Externos): Argentine budget execution and recording software for multilateral financed operations



The chart of Accounts, and the format and content of the IFR and annual financial statements will be included in the POM. The accounting function within DGPEyCI is staffed with experienced and qualified personnel. DGPEyCI will also have access to the World Bank’s Client Connection system for up-to-date information relating to the disbursement of the proceeds of the Loan. The financial reports in Table A1.1 will be presented by DGPEyCI to the World Bank:

Table A1.1: Reports’ Schedule

Report	Due date
Semi-annual unaudited IFRs reflecting the sources and uses of funds for each semester and cumulative uses by category, including beginning and ending cash balances	Within forty-five (45) days after the end of each calendar semester
Annual audit report on the Project’s financial statements	Within six (6) months after the end of each calendar year (or other period agreed with the World Bank)
Special opinions on Statements of Expenditures (SOEs) and Designated Account	
Management letter identifying any internal control weaknesses and areas for improvement	

6. **Internal controls.** The internal control system is part of Argentina’s legal and institutional framework. MDS’s internal approval processes and systems provide reasonable segregation of duties, supervision, quality control reviews, and reconciliation. The internal controls relevant to the Project include arrangements to ensure that: (i) operations are conducted effectively, efficiently, and following relevant financing agreements; (ii) financial and operational reporting is reliable; (iii) applicable laws and regulations are complied with; and (iv) assets and records are safeguarded. The use of the national e-SIDIF and the UEPEX systems, with their inbuilt controls that ensure proper authorization of transactions, contributes to the observance of these controls.

7. **External Auditing Arrangements.** DGPEyCI will be responsible for the submission of audited financial statements to the World Bank. The Project’s external audit will be performed by an independent auditor and under TOR acceptable to the World Bank and following acceptable auditing standards. The audit scope will comprise retroactive financing. A private audit firm acceptable to the World Bank will be hired to conduct the annual external audits. Audited financial statements should be submitted to the World Bank no later than six (6) months after the end of each fiscal year. Under the World Bank’s Access to Information Policy, upon receipt of the annual audited financial statements of the Project, they will be made available to the public by the World Bank.

8. **Disbursement arrangements.** The Project will combine traditional investment financing (input-based) under Component 1 and PBCs, under Components 2 and 3. The following paragraphs describe the arrangements for input-based disbursements; and the disbursement arrangements under the PBC scheme.

9. **Flow of Funds and Disbursement Arrangements for Eligible Expenditures under Component 1.** The following disbursement methods may be used: (i) Advance; (ii) Reimbursement; and (iii) Direct Payment. The Project will finance the procurement of goods, consultant and non-consultant services, operating costs, training, and workshops, for which regular IPF disbursement mechanisms will be used. To finance expenditures to local providers, a project-specific designated account managed by DGPEyCI in US dollars will be opened at the Banco de la Nación Argentina (BNA). This account will receive advances from the Loan account and will be replenished by the World Bank as execution progresses. The designated account will have a fixed ceiling of US\$2.5 million. The frequency for reporting eligible expenditures paid from the designated account will be at least once every three (3) months. Proceeds from the designated account will be transferred to a BNA Operating in local currency managed by DGPEyCI to handle payments of eligible expenditures to



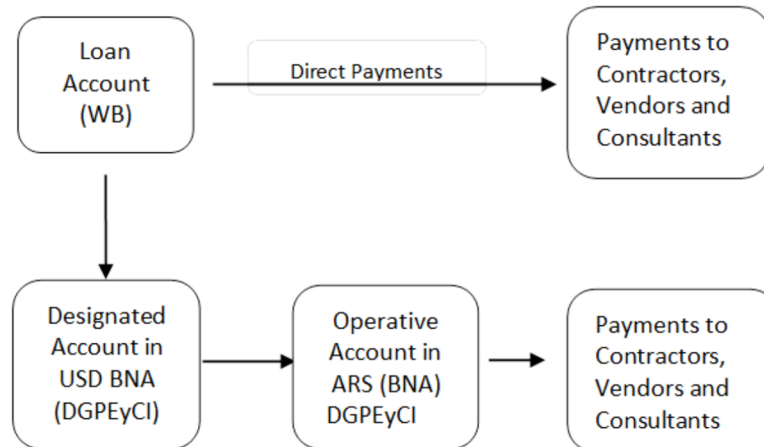
local providers. Under this modality, DGPEyCI will document eligible expenditures to the World Bank using SOEs. At the request of the government, the World Bank will make Direct Payments to vendors based on requests for payments and supporting documentation. Reimbursement of eligible expenditures will also be permitted. The Project’s Minimum Application Size will be defined in the Disbursement and Financial Information Letter (DFIL). The Project will have a four (4) month Grace Period. Table A1-2 shows the overall arrangements for disbursements under Component 1.

Table A1-2: Disbursement Arrangements under Component 1

Retroactive expenditures	<ul style="list-style-type: none"> ▪ Not Applicable for Component 1, only applicable for Component 3/Category 2.
Reimbursement of eligible expenditures pre-financed by the government after the date of loan signing	<ul style="list-style-type: none"> ▪ Reimbursement of eligible expenditures.
Other Disbursement Methods	<ul style="list-style-type: none"> ▪ Advances to a designated account in US dollars managed by DGPEyCI in BNA with a ceiling of US\$2.5 million. ▪ Direct payments to suppliers. The minimum application size for direct payment will be defined in the DFIL.
Frequency of reporting expenditures paid from the designated account	<ul style="list-style-type: none"> ▪ Quarterly or more often as needed.
Supporting documentation	<ul style="list-style-type: none"> ▪ SOEs. ▪ Records (supplier contracts, invoices and receipts) for direct payments.

10. Figure A1-1 presents the flow of funds for disbursements under Component 1:

Figure A1-1. Inputs-based flow of Funds



11. **Specific arrangements under the PBC scheme.** A large portion of the Loan related to Components 2 and 3 will be disbursed following a results-based financing approach. Payments for the FBP and FCP will be the EEPs associated with Components 2 and 3. Components 2 and 3 will be supported with underlying expenditures incurred by the MDS under the FBP and FCP, which will be pre-financed with local counterpart funds. The FBP provides monthly cash transfers to final beneficiary through bank accounts with associated pre-paid credit cards. The AUH program, partially financed by the Children and Youth Protection Project (P158791), used the same mechanism. FBP payments are anchored in ANSES’s organizational structure and procedures, and sound internal controls are in place at ANSES. In relation to the FCP, given

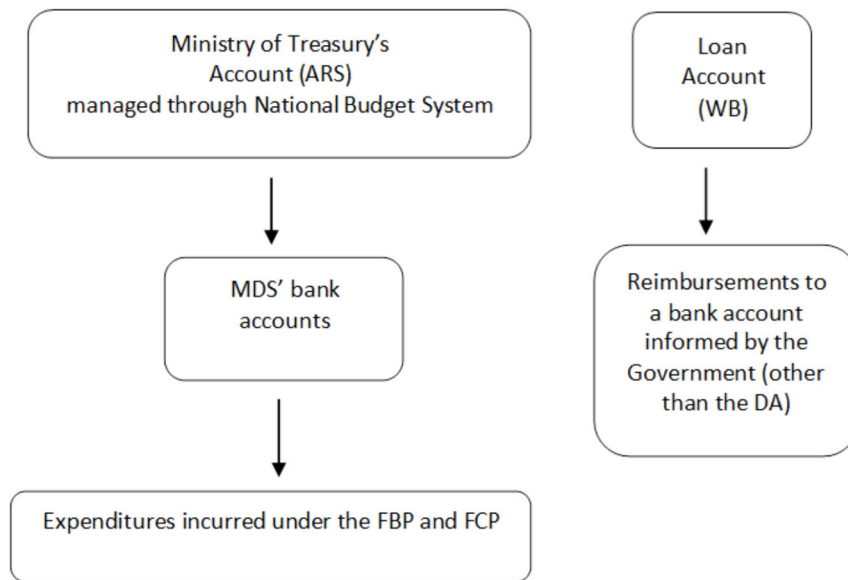


its initial implementation phase, additional measures could be taken to strengthen the internal control procedures if needed. Detailed procedures and controls over the FBP and FCP payments will be spelled in the POM. The 2023 Annual budget for MDS⁴² includes the associated budgetary program: MDS #26 *Políticas Alimentarias*, with its budgetary activities: *Actividad #01 Prestación Alimentar* and *Actividad #15 Alimentar Comunidad*. Budget execution will be recorded in the e-SIDIF.

12. **A Verification Protocol for each PBC will be clearly defined in the POM.** A EEPs Spending Report will be used for disbursements under the PBC scheme, and its format and content will be included in the DFIL. The Report will be submitted to the World Bank upon compliance with PBC targets and will be reviewed by the task team before submission to the World Bank’s Finance and Accounting Department for processing.

13. **Flow of funds under the PBCs scheme related to Components 2 and 3.** Under this component, the Bank will reimburse the government for expenditures incurred under the FBP and FCP. Disbursements will be authorized against the achievement of the PBC targets and evidence confirming that EEPs in an amount equal to at least the amount to be withdrawn under the PBC categories have been incurred and that said expenditures have not been presented before to the Bank. Loan funds will be transferred to a bank account informed by the government (other than the DA) using the reimbursement method. Figure A1- 2 presents the flow of funds under the Components 2 and 3 PBCs scheme.

Figure A1 -2 – PBCs scheme flow of Funds



14. Loan proceeds would be disbursed against the following expenditure categories:

⁴² 2023 MDS approved budget: <https://www.economia.gob.ar/onp/documentos/presutexto/proy2023/jurent/pdf/P23J85.pdf>



Table A1- 3: Category of expenditures and financing percentages

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes, except for fees levied from financial transactions)
(1) Goods, consulting services, non-consulting services, Training Costs, and Operating Costs for Part 1 of the Project	10,000,000	100%
(2) Payments for EEPs defined for PBC#1 and PBC #2 under Part 3 of the Project and PBC#3 under Part 2 of the Project	352,875,000	100%
(3) Payments for EEPs related to PBC#4 under Part 2 of the Project	86,000,000	100%
(4) Front-end Fee	1,125,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
[(5)] Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	450,000,000	

15. **Retroactive Financing.** The World Bank may reimburse the expenditures for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed US\$90,000,000 may be made for payments made twelve (12) months prior to Signature Date, for Eligible Expenditures under Category (2), provided that the corresponding obligations and conditions set forth in this Loan Agreement have been complied with in a manner satisfactory to the Bank, including the ones set out in the Environmental and Social Commitment Plan (ESCP).

16. **FM Pending Steps.** The following step has been identified to be completed by effectiveness:

Table A1- 4: FM Action Plan

Action	Responsible Entity	Completion Date
Preparation of the POM FM section which will include: a) Administrative and financial procedures b) Chart of accounts c) Format and content of the IFR and annual financial statements d) TOR for the external audit. e) Detailed procedures and controls over the FBP and FCP payments	DGPEyCI	For effectiveness



(ii) Procurement

17. Procurement will be conducted using the World Bank’s ‘Procurement Regulations for IPF Borrowers,’ dated November 2020, for the supply of goods, works, and non-consulting and consulting services. The World Bank’s Standard Procurement Documents will govern the procurement of World Bank-financed Open International Competitive Procurement. For procurement involving National Open Competitive Procurement, the borrower may use documents agreed with the World Bank.

18. Procurement activities will be executed in Component 1 and will include goods, consultant, and non-consultant services. These are expected to be oriented to technical assistance, project monitoring, IT equipment, energy efficient refrigerators, kitchen equipment, and furniture among other minor goods, to support the implementation of Components 2 and 3. For procurable items, the borrower has prepared a simplified version of the PPSD to analyze the procurement operational environment and risks and define mitigation measures to address them. As a result, the project is not expected to finance high-value or high-risk contracts. The PPSD has identified the relevance of implementing activities within Component 1 in a timely manner as they will support the execution of Component 2. At this stage, the borrower has not identified risks in terms of cybersecurity regarding the hardware to be financed but this will be monitored during project implementation based on the activities approved in the Procurement Plan.

19. The procurement function will be under the responsibility of DGPEyCI, which was evaluated in its capacity to hold this responsibility in December 2022 by considering the existing systems, structure, and staff that has recently implemented a World Bank project. As a result, it is concluded that DGPEyCI has experience under World Bank-financed projects and for the type of activities expected to be implemented under Component 1. However, the Bank will provide capacity building to the DGPEyCI once the detailed activities have been defined based on the type of methods to be applied. A PPSD has been prepared by the DGPEyCI with the support of the World Bank team to analyze the project operational environment and identify potential risks for implementing procurement activities.

20. On the basis of the risks identified at this stage, the following mitigation measures are defined: (1) close support from the Bank for the early technical definition and procurement implementation of the activities to be funded under Component 1 oriented to support and monitor the implementation of Components 2 to ensure an efficient procedure that contributes to project’s objectives and (2) provide procurement capacity building based on the type of methods to be applied. The project procurement risk after the proposed mitigating measure is rated Moderate.

21. Procurement activities expected to be carried out during the first 18 months of project implementation are detailed in the Procurement Plan. The rest of the activities will be added to the Procurement Plan once they are defined by the technical areas, and any updates on the PPSD will be reflected during project implementation.

(iii) Environmental and Social

22. The SAM, through the DGPEyCI will be responsible for the management of environmental, social, health and safety risk management aspects. Currently, DGPEyCI has professionals in the fields of social work, anthropology, sociology, philosophy, and social communication, with experience in the implementation of social programs and projects. The DGPEyCI has a Social Specialist and an Environmental Specialist (also covering health and safety), who will be supported by a communications specialist, and the multidisciplinary team mentioned above.



23. **For the specific implementation of the Project, the DGPEyCI will coordinate activities with other units within the MDS, particularly with those in charge of the FBP and the FCP.** The MDS has a positive track record in executing Bank-financed operations and basic training in ESF. The Ministry implemented the closed (January 2023) Children and Youth Protection Project – AUH (P158791 and its two Additional Financing P167851 and P173081), which has been rated “Satisfactory” in safeguards during the implementation period of the project. Nevertheless, given that this will be the first operation with the MDS under the Bank’s ESF, the ESCP included a commitment for training relevant MDS personnel, as appropriate, on (i) mapping and stakeholder engagement; (ii) specific aspects of E&S assessment and monitoring; (iii) occupational health and safety; (iv) community health and safety; (v) grievance and redress mechanisms, (vi) gender perspective and interculturality; (vii) prevention of risks of sexual harassment, exploitation and/or abuse.

(iv) Monitoring and Evaluation

24. **To monitor progress towards achieving the PDO, the Project Results Framework will use the PDO-level Results indicators which will be tracked by the DGPEyCI.** Intermediate results will be tracked to determine if the Project components are being carried out. The full Results Framework is included in Section VII of this document. Information sources and instruments will include (i) the FBP and FCP statistical bulletins; (ii) biannual Project management reports; (iii) midterm and final assessments; and (iv) various studies and process evaluation analyses.

25. **The DGPEyCI will be the primary entity responsible for tracking the progress related to Project activities, outcomes, and results.** The DNSA will monitor the FBP coverage through food benefit payment reports produced by ANSES. The FCP will monitor the number of community kitchens with active pre-paid credit cards through the monthly reports produced by the FCP’s pre-paid credit card provider. The FCP will collect data on the use of the resources and the demand for food in each community kitchen through technological solutions provided by the FCP’s technology provider. The project will increase the MDS capacity to track performance at the community kitchen level by developing and implementing a BIU under the FCP to manage the information and financial flows of decentralized food provision and traceability of beneficiaries and build a strong data analytics capacity.

B. Implementation Support Plan and Resource Requirements

26. An implementation support strategy was designed based on its risk profile, as well as lessons learned from other Bank-financed projects in Argentina, including the Children and Youth Protection Project (P158791). This implementation support plan is mainly aimed at mitigating the risks mentioned in Section VI of the main text.

27. **Operational Support.** Implementation support will include reviewing annual action plans, designing, and supervising monitoring systems, tracking the progress of the Project’s indicators, ensuring conformity with the POM, and monitoring Project execution according to annual action plans and interim unaudited financial reports (IUFs). A senior economist with a social development specialist (all based in the country office), and a senior social protection specialist, will provide day-to-day support in all operational aspects, and coordination with the Borrower and among the Bank team members.

28. **Technical.** The project is promoting the decentralization of resources to the community kitchens through pre-paid credit cards and the development of IT solutions to track demand and use of resources and services, respectively. Thus, the project’s supervision will need the support of payment and IT specialists who would provide support in reviewing the technical specifications of each system.



29. **Procurement.** The Implementation support strategy will include: (a) training of staff in the DGPEyCI as well as detailed guidance on the Bank’s Procurement Regulations as needed; (b) reviewing procurement documents subject to prior review and providing timely feedback to DGPEyCI; (c) monitoring procurement progress against a detailed Procurement Plan; and (d) undertaking procurement post reviews. A procurement specialist based in the country office will provide timely support.

30. **Financial management.** FM implementation support will include on-site and off-site supervision. The on-site missions will be undertaken at least twice a year and subsequently calibrated following assessed risk and project performance. The off-site implementation support will include: (i) the reviews of IFRs; (ii) the review of audited financial statements and follow up of issues raised by auditors in the corresponding management letter, as appropriate; (iii) follow-up on any financial reporting and disbursement issues; and (iv) ongoing guidance to DGPEyCI on FM-related matters. The supervision plan may be adjusted according to the Project’s fiduciary performance and updated risk. Table A1-5 shows the steps that have been identified to be discussed and completed by effectiveness:

Table A1- 5: FM Action Plan

Action	Responsible Entity	Completion Date
Preparation of the POM FM section which will include inter alia: a) Administrative procedures b) Chart of accounts. c) Format and content of the IFR and annual financial d) statements e) TOR for the external audit. f) Detailed procedures and controls over the FBP and FCP payments	DGPEyCI	By Effectiveness

31. **Environmental and Social Management.** implementation support will include on-site and off-site supervision. On-site missions will be carried out at least twice a year and later calibrated following assessed risk and project performance. Off-site implementation support will be comprised of a review of E&S instruments associated with the activities to be financed under the Project. The ESCP included a commitment for the training of relevant MDS personnel, as appropriate, on (i) mapping and stakeholder engagement; (ii) specific aspects of E&S assessment and monitoring; (iii) occupational health and safety; (iv) community health and safety; (v) grievance and redress mechanisms, (vi) gender perspective and interculturality; (vii) prevention of risks of sexual harassment, exploitation and/or abuse.

Implementation Support Plan and Resource Requirements

Time	Focus	Skills Needed	Resource Estimate
First twelve months	Support the MDS to implement the FCP and to develop the technological solutions to improve traceability	Operations, Technical, IT, Fiduciary, social and environmental	Supervision budget based on norm
12-48 months	Keep project implementation on track	Operations, Technical, IT, M&E Fiduciary, social and environmental	Supervision budget based on norm
Closing	Capacity building toward sustainability	Operations, Technical, IT, M&E Fiduciary, social and environmental	Supervision budget based on norm



ANNEX 2: PROJECT CONTRIBUTIONS TO CLIMATE CHANGE ADAPTATION AND MITIGATION

Climate Change Context

- 1. Over the past two decades, Argentina has experienced extreme events and widespread droughts across multiple regions,⁴³ including in core agricultural areas,⁴⁴ which present risks to both agricultural production and to rural poverty, where many poor rely on farming as their main source of income.⁴⁵** Argentina is vulnerable to a wide range of climate change impacts. Climate change is expected to impact temperatures and rain patterns. As floods and droughts increase in both intensity and frequency, overflows and coastal floods become even more severe, and glaciers melt, water scarcity—and potentially wildfires will increase.
- 2. Although the scale of future climate change is uncertain, available data suggest that the country should prepare for more intense climate extremes.** Hydric stress is expected in the north due to increased temperatures. In the east, climate change is expected to increase extreme precipitation and floods, decrease flow rates in the rivers of La Plata Basin, and increase sea levels in La Plata River. Water crises are expected in the west and melting glaciers in the southwest⁴⁶. With 92 percent of the population living in cities,⁴⁷ the urban poor, especially residents of informal settlements, are particularly vulnerable to disasters, which in turn, puts their food security and incomes at risk due to loss of dwellings, livelihoods and/or other assets. Informal settlements are often located on low-lying, flood-prone land, and consist of structures that are easily damaged during floods, and landslides.
- 3. Vulnerable populations in Argentina are particularly susceptible to the impacts of climate change due to a combination of socioeconomic factors and environmental challenges.** Firstly, poverty and inequality exacerbate their vulnerability, as marginalized communities often lack the resources to adapt to changing climatic conditions. Secondly, in addition to the exposure of vulnerable populations to various climate-related hazards such as floods, and extreme temperatures, which turns into increased risks of suffering from heat stress and water and vector-borne diseases such as dengue, droughts pose high risks of food insecurity. A historic drought occurred during 2023 which disrupted agricultural productivity, lead to crop failures, livestock losses, and reduced food production. This scarcity drives up the prices of essential food items, making them less affordable for those already struggling with limited financial resources and in a high-inflation context. Low-income households and marginalized communities are disproportionately affected by these price spikes. These individuals often spend a significant portion of their income on food, leaving little room for flexibility when prices rise. As a result, they may be forced to reduce the quantity and quality of their food intake, leading to malnutrition and related health issues.
- 4. Additionally, the lack of social safety nets and effective disaster response mechanisms leaves these populations more exposed and with limited means to recover from the consequences of climate change on food security.** Addressing the needs of vulnerable populations requires comprehensive strategies that combine social assistance,

⁴³ Tercera comunicación nacional de la República Argentina a la Convención Marco de las Naciones Unidas Sobre el Cambio Climático. Secretaría de Ambiente y Desarrollo Sustentable de la Nación. Government of Argentina.

⁴⁴ Climate Risk Profile: Argentina (2021): The World Bank Group.

⁴⁵ Climate Risk Profile: Argentina (2021): The World Bank Group.

⁴⁶ Country Climate and Development Report Argentina (2022). World Bank Group. Available at:

<https://openknowledge.worldbank.org/server/api/core/bitstreams/f8806192-1a48-5d12-a2af-252fbf268c95/content>

⁴⁷ https://www.argentina.gob.ar/sites/default/files/poblacion_urbana_dnp.pptx_.pdf



climate adaptation measures, and equitable access to resources, empowering these communities to withstand and adapt to the adverse impacts of climate change on food security.

Project Aspects that will address Climate Change

5. The Project will improve the effectiveness and traceability of two food programs implemented by MDS, the FBP and the FCP. The changes under the FBP will mitigate food insecurity and increases in poverty through the expansion of coverage and a mechanism to update the benefit amount in a context of high inflation. Through the FCP, this Project will expand coverage and is also aimed to progressively replace part of centralized procurement of staple food with a decentralized method that will allow community kitchens to buy food locally. The benefits of the new operational model are the improvement of the nutritional content of meals based on the possibility to add fresh food and the reduction of the negative carbon footprint derived from the current distribution of centrally procured food, which involved trucking long distances across the country, contributing to emissions from the transportation sector.

6. The project will be focused on supporting vulnerable groups, which tend to be more exposed, more vulnerable, and less able to cope with shocks and price spikes. Both the cash transfers under the FBP and the per capita transfers under the FCP will provide income-support to the most vulnerable families at critical times, helping them cope with food insecurity and other climate-related impacts. As of March 2023, the beneficiaries of the FBP are close to 3.7 million and the program is expected to incorporate an additional 0.55 million. The FBP and FCP programs include residents of informal settlements that are particularly vulnerable to climate disasters⁴⁸ including droughts, floods, and landslides. This vulnerability is explained by the high prevalence of families with one or more of the following conditions: (i) urban and rural households without clean water or sanitation in flood-prone areas, and (ii) families either homeless or living in precarious dwellings vulnerable to weather damage.

7. The expansion of the FCP is expected to have positive savings for the environment and for the MDS's expenditure on logistics and transportation. As reflected in the results framework, the coverage of the FC program is expected to increase from 50 community kitchens to 1,000 in 2028, which *ceteris paribus* the other programs would reach a share of 14 percent of total expenditure on indirect food programs. As of 2022, these programs spent US\$22 million per month or US\$270 million per year. The transportation cost represents 5.61 percent of the total expenditure of the indirect food programs or 9.91 percent of the CKP which is the only program that requires incurring in this additional cost. The progressive replacement of the in-kind transfer program by the in-cash FCP implies a saving in the additional costs of transportation, or expanding the resources destined to buy food.

8. The decentralization of the in-cash indirect food program, improves the efficiency of allocation, reducing the distances required to transport the food from the producer to the community kitchens. By 2028, the share of the FCP is expected to reach 14 percent of the total expenditure of the set of indirect food programs, which implies a reduction in CO2 emissions of 31.5 percent with respect to current levels, or 1539 tons of CO2 per month or 18.472 tons per year.

9. The enhancements to the FBP will strengthen the resilience and reduce vulnerability of the vulnerable groups. This will be achieved through, *inter alia*, the generation of an indexation mechanism for the FBP that will not only be linked to the inflation rates, but will also incorporate other criteria like identification of emergency situation (e.g., related to climate extreme conditions) affecting beneficiaries in a particular area, in which cases, the FBP will temporarily increase the amount of the benefit for the families that are being affected by the emergency (under Component 3). The same criteria will be applied to the per capita transfers to the community kitchens under the FCP (under Component 2). The indexation mechanism for the FCP will also increase resilience against climate impacts on

⁴⁸ According to the National Registry of Popular Neighborhoods (*Registro Nacional de Barrios Populares – RENABAP*) there are more than one million of households living in informal settlements. The vast majority of these neighborhoods are located in climate vulnerable areas. For example, in La Matanza, Province of Buenos Aires, 39% of the people with high rates of social vulnerability for facing disasters live in slums and other informal settlements (*Vulnerabilidad Social, Amenazas y Riesgos Frente al Cambio Climático, CIPPEC, 2018*).



local agricultural producers since it will allow the community kitchens under the program to maintain purchasing power even in an emergency related to climate extreme conditions, such as droughts.

10. Finally, the Project will also contribute to increasing Argentina’s monitoring of food security through the creation of a Business Intelligence Unit (under Component 1). MDS’ Food assistance program lacks a management information system needed to increase the ability of the ministry to respond in the event of climate disasters. Data and data sharing platforms are essential to assess household vulnerability to shocks, quickly identify them and deliver benefits after shocks hit, and facilitate data exchange for this assessment and identification. The BIU under the MDS will play a critical role in disaster response, including increasing the adaptive capacity of the MDS, replacing rudimentary and manual procedures for more efficient identification of beneficiaries in the case of a climate shock, among others (e.g., replacing paper-based data collection and manual cross-checking of registries). This will help to identify climate vulnerabilities and provide targeted support for those that can be affected through, *inter alia*, the indexation mechanisms mentioned above, but also food to survive the immediate weeks following the climate shock, thus preventing human capital losses.

Project-Financed Adaptation and Mitigation Activities

11. As stated above, the Project will enhance the MDS food assistance programs capability to cope with future shocks and reduce GHG emissions in some of the project supported programs. In terms of accounting for the specific expenditures under this project, the table below lists out those activities that can be directly connected to climate change.

Table A2-1: Adaptation and Mitigation Climate Co-Benefits by Component

Activities / PBCs	Adaptation Actions	Mitigation
Component 1: Design improvement of food programs run by MDS (US\$10 million)		
Improvement of the existing registry of community kitchens (US\$1.1 million)	The registration of beneficiaries of the Community Kitchens is currently mostly manual, delaying post-shock benefit delivery. The activities under this subcomponent will increase resilience and efficiency in the delivery of SP measures in the events of climate disasters through, <i>inter alia</i> , the preparation of a climate emergency preparedness and response plan to ensure continuity of services even in a context of an emergency. The registry will also allow the MDS to better locate, track, and target most at-risk climate people and serve as a tool for improved planning and deployment of support.	N/A
Development and launch of a pre-paid credit card with the exclusive purpose of procuring food items (US\$0.5 million)	The card will be used as payment by the community kitchens under the FCP for a decentralized food provision scheme and to ensure the continuity of the flow of funds, even in a context of climate shocks, to produce meals and feed the most vulnerable users of community kitchens. In a context of climate emergency, the mechanism will allow the MDS to adjust the amount of the per capita transfers under the FCP to provide income-support to the most vulnerable families at critical times, helping them cope with food insecurity and other climate related impacts.	The implementation of the decentralized procurement process supports a large-scale transformation of service delivery and is expected to lead to a substantial reduction in net GHG emissions in the long term, thus significantly reducing the carbon footprint of the Program.
Deployment of mechanism to identify beneficiaries of the FBP and FCP	Among other functions, the BIU will allow for quick identification of beneficiaries in the case of a climate shock, to define a temporary increase of the benefit under the FBP and the per capita transfer amounts under the FCP, for all the beneficiaries that are particularly affected by the climate	



Activities / PBCs	Adaptation Actions	Mitigation
programs, and setting up of a BIU under the MDS (3.2 million)	event, when required, thus improving the system’s shock responsiveness. In addition, the monitoring of beneficiaries mentioned above would also help to identify any change in the number of beneficiaries of food assistance programs to inform the preparation of a post-disaster action plan through the expansion of the RENACOM.	
Enhancement of the capacity of community kitchens to deliver assistance and strengthening of territorial teams (US\$2.1 million)	The Project will support the improvement of the service provision conditions of the Community Kitchens participating in the FCP, supplying energy efficient refrigerators, kitchen equipment, and furniture. This component would also include capacity building activities on, <i>inter alia</i> , emergency protocols for an effective response to climate related shocks, such as evacuation protocols, and prevention of heat stress health issues and water and vector-borne diseases such as dengue. This will strengthen the ability of the Community Kitchens to continue providing their services in case of a climate-related shock and to improve their preparedness to climate-induced health risks. In addition, the Project will strengthen the territorial teams that would provide support to community kitchens at the local level during an emergency.	N/A
Component 2: Feed the Community program financing (US\$86 million)		
PBC 4 Number of FCP beneficiaries that participate in the FCP and whose identity is being tracked through digital tools (US\$86 million)	This component will support the decentralized implementation of the FCP and will finance the expenditures incurred under the new food provision method through monetary transfers in pre-paid credit cards to be used by community kitchens limited for its use on food. The card will be used as payment by the community kitchens under the FCP for a decentralized food provision scheme and to ensure the continuity of the flow of funds, even in a context of climate shocks, to produce meals and feed the most vulnerable users of community kitchens. In a context of climate emergency, the mechanism will allow the MDS to adjust the amount of the per capita transfers under the FCP to provide income-support to the most vulnerable families at critical times, helping them cope with climate-induced prices hikes, food insecurity and other climate related impacts.	The implementation of the decentralized procurement process will significantly reduce the carbon footprint of the Program. By 2028, the share of the FCP is expected to reach 14 percent of the total expenditure of the set of indirect food programs, which implies a reduction in CO2 emissions of 31.5 percent with respect to current levels, or 1539 tons of CO2 per month or 18.472 tons per year due to reduced emissions associated with transportation. Monthly expenditure on transportation is expected to go down over the lifetime of this project and is expected to save US\$9.6 million in transportation costs.
Component 3: Food Benefit program financing (US\$352,875 million)		
PBC1: Implementation of an instrument to periodically update the FBP benefit amount – US\$30 million.	The disbursement of PBC1 will be authorized against the effective implementation of a benefit indexation mechanism that will regularly adjust the benefit amount to protect purchasing power or adjust it countercyclically, including as a fast shock response procedure by temporarily increasing the amount of the benefit for poor and vulnerable households in the wake of disasters and climate-change related shocks. This second indexation process will be based in the existing mechanisms used for the AUH.	



Activities / PBCs	Adaptation Actions	Mitigation
	The indexation mechanism for the FCP mentioned above, will increase resilience to climate impacts on local agricultural producers since it will allow the community kitchens under the program to maintain purchasing power even in emergency related to climate extreme conditions.	
PBC 2: Number of selected beneficiaries between 15-17 years old receiving participating under the FBP – US\$90 million.	The disbursement linked to PBC2 will be authorized once the coverage of the FBP is effectively extended to those beneficiaries of AUH aged 15-17 years. The expansion of coverage is expected to increase resilience to climate change of vulnerable families.	
PBC 3: Number of active pre-paid credit cards used by selected community kitchens through the FCP - US\$ 232.875 million.	PBC3 is priced as sharing expenditures between FBP and FCPs to encourage the expansion of the FCP through the lifetime of the project. Hence, PBC3 will disburse the expenditure incurred under the FBP, against the achievement of targets of the FCP, given that both activities are closely related within the food assistance policy in Argentina. In that context, this component will also support adaptation actions mentioned above under Component 2.	PBC3 is priced as sharing expenditures between FBP and FCPs to encourage the expansion of the FCP through the lifetime of the project. Hence, PBC3 will disburse the expenditure incurred under the FBP, against the achievement of targets of the FCP, given that both activities are closely related within the food assistance policy in Argentina. In that context, this component will also support adaptation actions mentioned above under Component 2.



ANNEX 3: ADDITIONAL INFORMATION

I. Country and Sector context

1. The following graphs and tables support the storyline of the text presented in the main text of this document. Figure A3-1 shows the evolution of Social Protection expenditure in Argentina between 2004-2021. Figure A3-2, shows the composition of SP expenditure in year 2021, further disaggregating the expenditure on Food Programs. Figure A3-3, shows a schematic composition of SP programs per stage of the life cycle. Figure A3-4 shows a counterfactual analysis that compared observed extreme poverty rates against alternative scenarios without AUH and Food Benefit Program.

Figure A3-1: Expenditure of Social Protection programs, as percentage of GDP 2004-2021

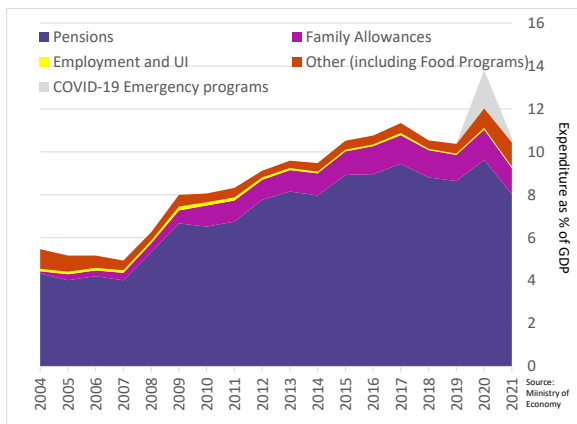


Figure A3-2. Composition of Social Protection Expenditure with a focus on Food Assistance Programs, 2021

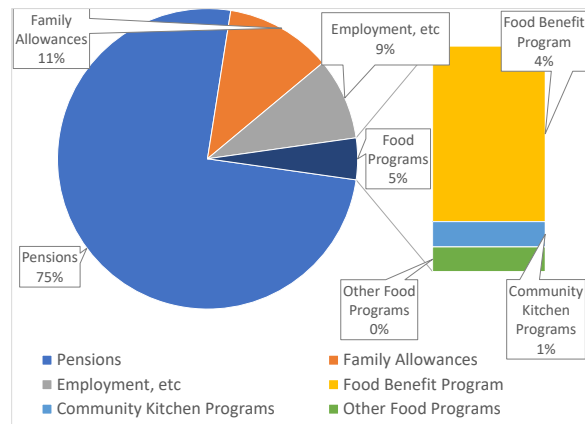
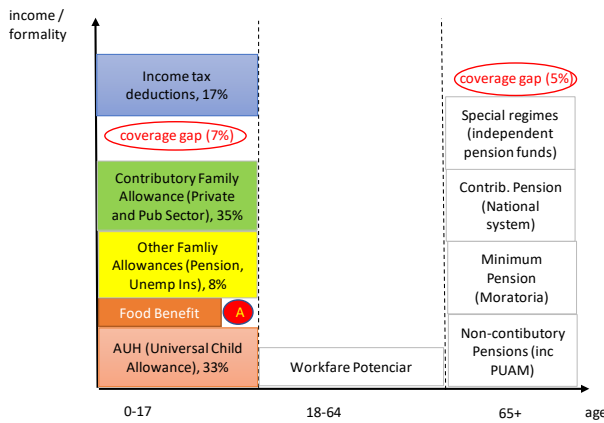
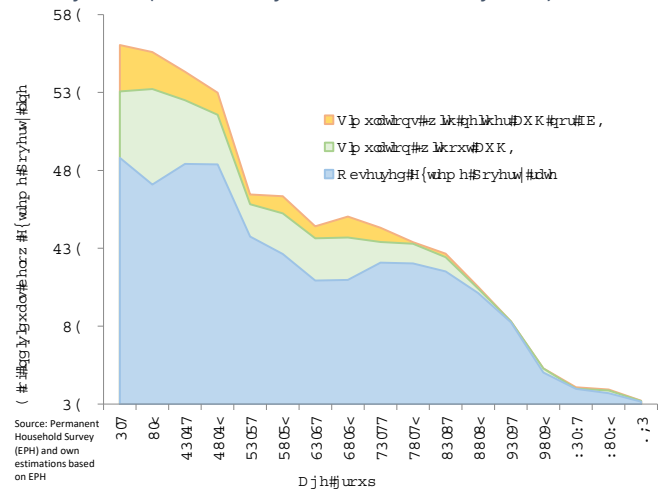


Figure A3-3. Social Protection programs by life cycle stage and income (formality) level



Note: Circle 'A'. Represents the incomplete coverage expansion of the Food Benefit program

Figure A3-4. Extreme poverty rate by age group, observed and counterfactual (in absence of AUH and Food Benefit-FBP) – 2020



2. Figure A3-5 shows the level and evolution of the purchasing power of different benefits of the SP programs. Table A3-1 enumerates the Food Programs run by MDS classifying them in direct cash transfers and indirect food programs.



Figure A3-5. Benefit amount of Social Protection programs, in real terms (100=May 2023)

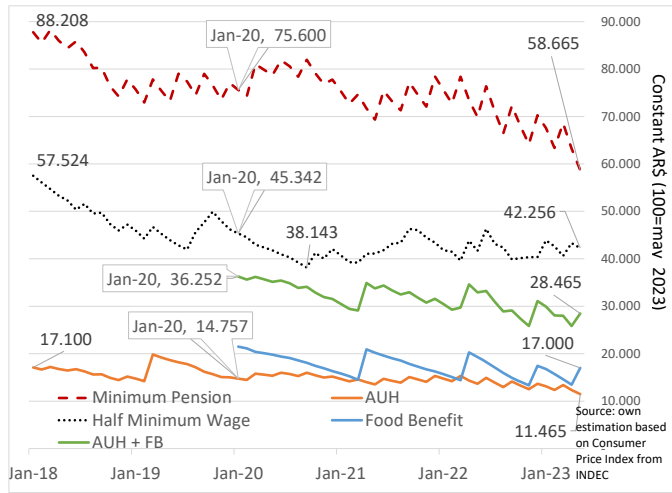


Table A3-1. Food assistance programs implemented by MDS, per type and recipient

Program	type	recipient	comment
Direct cash transfer			
1 Food Benefit	cash transfer	final beneficiary	paid jointly with AUH, unrestricted use of resources
Indirect food programs			
2 Community Kitchens (traditional)	in-kind transfer	Civil Society Organization (CSO)	Staple 'dry' food centrally procured and distributed. Delivered as meals (eat-in and take-away), or food boxes.
3 Community Approach (aka UNDP)	cash transfer	CSO	Bank accounts. Manual reconciliation of food purchases
4 School Kitchens	cash transfer	Province	Complementary support to sub-national school feeding program
5 ProHuerta	services (training)	CSO	jointly run with Ministry of Agriculture and INTA
6 Feed the Community	cash transfer	Community Kitchen	Pre-paid Debit Card. Tracking of final beneficiaries

II. Results chain

3. **This project aims at improving the effectiveness and traceability of two food assistance programs implemented by MDS: FBP and FCP.** Figure 1 (main text) draws the theory of change of the project that goes from development challenges to the outcomes corresponding to the PDO. Four development challenges have been identified. First, some indirect food assistance programs have proven ineffective in the context of high and persistent inflation due to internal and external factors. The CKP runs competitive selection processes as part of a centralized food procurement process that resulted in significant budget under execution. High inflation rates exposed a fundamental flaw in the program design: sharp price fluctuation between bidding and payment. With the recent acceleration of inflation, MDS has been unable to purchase and distribute staple food across participating CSOs. Second, low and intermittent food availability introduces additional uncertainty regarding food provision for CSOs, unmasking opaque top-down distribution criteria. Third, the nutritional content of meals was negatively affected by the reduced variety of staple food and a less predictable provision. Fourth, the independent pre-paid credit card (Tarjeta Alimentar or Food Card) originally targeted only a small subgroup of AUH beneficiaries, but gradually expanded to a larger group, but not all beneficiaries. In practice, this incomplete coverage results a declining benefit in the last two years of AUH beneficiary, when the probability of dropping out of school increases. Moreover, as the benefit was relabeled Prestación Alimentar and paid jointly with the AUH benefits, the asynchrony between the indexation of both benefit amounts created confusion among beneficiaries and reduced overall effectiveness of social protection programs in reducing extreme poverty. While AUH benefits are adjusted on a quarterly basis, adjustments of FBP benefits are discretionary and uncertain.

4. **Five key interventions have been incorporated in the design of this project to address these challenges.** First, a new indirect food assistance program was launched under the name of FCP. This program will progressively replace the assistance provided through the CKP, with the decentralized cash transfer to CSOs through pre-paid credit cards that can only be used for food purchases. Second, the new decentralized food assistance program will track final beneficiaries and match cash transfers with the number of beneficiaries at each CSO. Capturing the identity of the final beneficiaries will allow interoperability between different social protection programs. Third, the FCP will also



track each transaction made with pre-paid credit cards, which will provide operational and analytical information to the BIU to improve program management. The former will expedite the replenishment of pre-paid credit cards as part of the automatic reconciliation process. Fourth, receiving just-in-time information will allow MDS to set an indexation mechanism for per capita transfers based on past information regarding the price of food purchased through the program. Finally, fifth, a horizontal and vertical expansion of the FBP will improve the efficiency of this cash transfer benefit to reduce extreme poverty while holding purchasing power relatively constant.

5. Six outputs are worth highlighting as part of this theory of change. First, the deployment and expansion of the FCP will be measured by the number of community kitchens, proxied by the active pre-paid credit cards. Second, the number of final beneficiaries with tracked IDs on the program's monitoring and information system will be measured as part of the achievement of the traceability objectives. Third, an improvement of the nutritional content of meals is expected, and its measurement developed over the project's lifetime. Fourth, a lower environmental footprint is expected as the composition of the resources mobilized by the indirect food assistance program shows an enlargement in the coverage of the FCP and a reduction in the share of the traditional approach of centrally procured 'dry' staple food. Finally, linked to the FBP, two outputs are expected: a total overlap between this program and AUH, diminishing the risk of negative incentives on education and improving the program effectiveness in reducing extreme poverty; also, the adoption of an indexation mechanism for this program will hold the purchasing power of its benefit.

6. Three critical assumptions have been identified along the results chain of the theory of change. First, the decentralization of food provision requires a pre-paid credit card restricted to food purchases to be deployed across community kitchens. Second, a device needs to be in place at the community kitchens to keep track of the final beneficiaries that eat in at the dining centers or pick up food to take home. Third, legislation should be passed for the policy change to become effective and expand FBP.

III. Technical and Economic Analysis

Technical Analysis

7. Inflation in Argentina is very high and accelerating due to external (the pandemic, droughts, Russia's invasion of Ukraine) and local factors, creating pressure on certain commodities, mainly food. Inflation affected the performance and showed underlying weaknesses of food assistance programs. The FBP lacks an indexation mechanism to adjust the benefit amount with a pre-determined frequency, causing losses in purchasing power. In addition, MDS's slow bidding process for food for community kitchens reduces the ability of MDS to execute these budget lines and ensure food is available at the community kitchens. Figure A3-6 shows the notable budget expansions of these programs, in particular the FBP, and the under-execution of the in-kind transfer CKP. Sixty percent of the budget allocated to this program was still not executed one month before the end of the calendar year, unlike other food assistance programs.

8. This Project will provide technical and financial support to introduce structural changes to the food assistance programs, the fastest growing area of social protection that still relies on outdated mechanisms and offers low effectiveness in reducing poverty. The Project will, first, support the horizontal (coverage) and vertical (indexation) expansion of the major food assistance program implemented as a direct cash transfer to final beneficiaries. The horizontal FBP expansion, including to beneficiaries of AUH aged 15-17 years, would increase the program expenditure by 0.042 percent of GDP, or about ten percent above its current level. The vertical expansion of the FBP would cost



0.11 percent of GDP, or an additional 25 percent over the latest expenditure figures. The combined effect of horizontal and vertical expansion would cost 0.16 percent of GDP. These additional costs would reduce extreme poverty rates by 1.9 percentage points (pp) due to the horizontal expansion, 2.8 pp (due to the vertical expansion) and 4.3 pp, achieved through the combined effect of horizontal and vertical expansion (Figure A3-7) ⁴⁹.

Figure A3-6. Food programs implemented, budgeted (2018-2022) and executed (as of Nov 2022). as % of GDP.

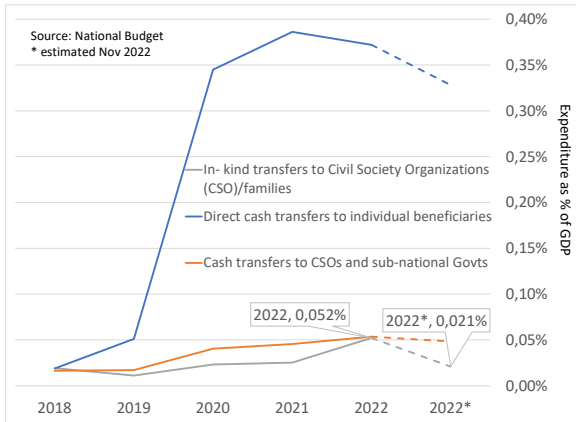
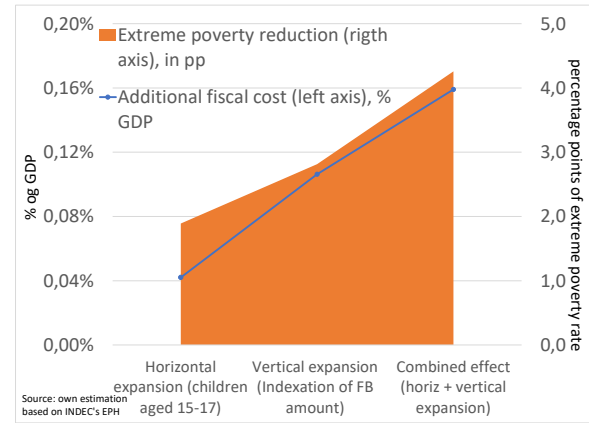


Figure A3-7. Simulation of the horizontal (coverage) and vertical (benefit amount) of the FBP. Additional cost and extreme poverty results.



9. Third, the project will technically and financially support the launch and expansion of a new indirect food assistance program that is expected to: a) decentralize food provision through cash transfers via pre-paid credit cards, allowing CSOs to access food to prepare and provide meals to vulnerable populations; b) improve the reconciliation and replenishment of pre-paid credit card balances; c) introduce traceability of food assistance programs by identifying final beneficiaries; d) improve nutritional content of meals through fresh and dairy products; e) train personnel at community kitchens to improve nutrition and handle ‘fresh’ food; f) strengthen community kitchens capacity to produce meals through the provision of fridges, ovens, cooking ware, etc.; g) provide MDS with an evidence-based distributional criteria to allocate food assistance program resources across CSOs; h) promote consumption and production from local food producers and farmers; and i) reduce the carbon footprint due to logistic improvements in the transportation of staple ‘dry’ food.

GHG Emission Calculation

10. The expansion of the FCP is expected to have positive savings for the environment and the MDS’s expenditure on logistics and transportation. As reflected in the results framework, the coverage of the FCP is expected to increase from 50 community kitchens to 2,000 in 2028, which ceteris paribus the other programs would reach a share of 14 percent of total expenditure on indirect food assistance programs. As of 2022, these programs spent US\$22 million per month or US\$270 million per year. Transportation costs represent 5.61 percent of the total expenditure of the indirect food assistance programs or 9.91 percent of the CKP. The in-cash indirect program supported by UNDP explains 37 percent of the total expenditure on these indirect food assistance programs. The

⁴⁹ In terms of reducing extreme poverty, expanding the expenditure of the FBP is twice as efficient as doing so with the pension program, which is targeted at the opposite extreme of the life cycle. A reduction of 1 pp of the extreme poverty rate could be achieved by the FBP with an additional 0.037 percent of GDP, while the same is true for the pension program at a cost of 0.09 percent of GDP. The same extreme poverty prevention results can be achieved through the FBP, at a cost two and a half times smaller than doing so through the pension program.



progressive replacement of the in-kind transfer program by the in-cash FCP reduces transportation costs and allows more resources for the purchase of food.

11. **By 2028, FCP is expected to reach 14 percent of the total costs of indirect food assistance programs, which implies a 31.5 percent reduction of CO2 emissions⁵⁰, or 1,539 tons of CO2 per month or 18,472 tons per year.** Transportation costs are expected to go down from US\$1.2 million to US\$974,000 per month in 2028. Over the lifetime of this project, it is expected to save US\$9.6 million in transportation costs. The decentralized food assistance program using cash transfers, improves efficiency and reduces distances between producers and community kitchens. The current system relies on a centralized purchase of food transported and distributed from two warehouses to community kitchens throughout the country. Decentralized purchase through pre-paid credit cards will allow food to be bought locally and transported straight to community kitchens. On top of the direct cost savings, the transport costs will be lower, and the use of locally produced fresh food and dairy products will have benefits in terms of local economic development and health even when if overall expenditures of the program stay the same.

⁵⁰ This methodology includes a baseline of 10,841 tons of food centrally distributed by MDS (Source: MDS own database, for first quarter 2020). It also calculates an average CO2 emission per ton transported by truck of 95.4 Gr (for trucks between 12 and 24 tons) using the guidelines for CO2 emission calculation of the Association of Producers and Distributors of Spain (AECOC) and an average distance of 1,110 km per trip.