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The World Bank

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Report No: PAD1853

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$600 MILLION

TO THE

ARGENTINE REPUBLIC

FOR A

CHILDREN AND YOUTH PROTECTION PROJECT

June 6, 2016

Social Protection & Labor Global Practice  
Latin America and the Caribbean Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective: May 18, 2016)

Currency Unit = Argentina Peso  
AR\$ 14.3 = US\$1  
US\$ = SDR 1

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

ADP	ANSES' Individual Database ( <i>Administrador de Personas de ANSES</i> )
ANSES	Social Security National Administration ( <i>Administración Nacional de la Seguridad Social</i> )
AUH	Universal Child Allowance ( <i>Asignación Universal por Hijo</i> )
BNA	National Bank of Argentina ( <i>Banco de la Nación Argentina</i> )
CCT	Conditional Cash Transfer
CIC	Community Integration Centers ( <i>Centros Integradores Comunitarios</i> )
CODEFESO	Social Development Federal Council ( <i>Consejo Federal de Desarrollo Social</i> )
CPI	Indigenous Participation Council ( <i>Consejo de Participación Indígena</i> )
CPS	Country Partnership Strategy
CQS	Selection Based on Consultant Qualification
CUT	Single Treasury Account ( <i>Cuenta Única del Tesoro</i> )
DA	Designated Account
DLI	Disbursement Link Indicators
ECPI	Indigenous Peoples Survey ( <i>Encuesta Complementaria de Pueblos Indígenas</i> )
FA	Family Allowances
GDP	Gross Domestic Product
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IFRs	Interim Unaudited Financial Reports
ILO	International Labor Organization
INAI	National Institute of Indigenous Affairs ( <i>Instituto Nacional de Asuntos Indígenas</i> )
INDEC	National Institute of Statistics and Censuses ( <i>Instituto Nacional de Estadística y Censos</i> )
IRR	Internal Rate of Return
IT	Information Technology
MDS	Ministry of Social Development ( <i>Ministerio de Desarrollo Social</i> )

MIS	Management Information System
MHyFP	Ministry of Treasury and Public Finances ( <i>Ministerio de Hacienda y Finanzas Públicas</i> )
MTESS	Ministry of Labor, Employment and Social Security ( <i>Ministerio de Trabajo, Empleo y Seguridad Social</i> )
NCB	National Competitive Bidding
NIPP	National Indigenous People Plan
OM	Operational Manual
ONC	National Contracting Office ( <i>Oficina Nacional de Contrataciones</i> )
PAT	Territorial Action Plan ( <i>Plan de Accion Territorial</i> )
PDO	Project Development Objectives
PMU	Project Management Unit
QCBS	Quality Cost Based Selection
RENAPER	National Registry of People ( <i>Registro Nacional de las Personas</i> )
SBD	Standard Bidding Documents
SIDIF	Integrated Budget and Accounting System ( <i>Sistema Integrado de Información Financiera</i> )
SIEMPRO	Information, Monitoring, and Evaluation of Social Programs System ( <i>Sistema de Información, Evaluación y Monitoreo de Programas Sociales</i> )
SIEs	Subnational Implementation Entities
SIGEN	General Syndicate of the Nation ( <i>Sindicatura General de la Nación</i> )
SIJP	Integrated Pensions System ( <i>Sistema Integrado de Jubilaciones y Pensiones</i> )
SINTyS	National Taxation and Identification System ( <i>Sistema de Identificación Nacional Tributario y Social</i> )
SUAF	Unified Family Allowance Payment System ( <i>Sistema Único de Asignaciones Familiares</i> )
TGN	National Treasury Office ( <i>Tesorería General de la Nación</i> )
UDAI	Integral Unit of Attention ( <i>Unidad de Atencion Integral</i> )
UEPEX	Argentina Budget Execution Software for Multi-lateral Lending Operations
WTO	World Trade Organization

Regional Vice President:	Jorge Familiar
Country Director:	Jesko Hentschel
Senior Global Practice Director:	Omar S. Arias Diaz (acting)
Practice Manager:	Margaret Grosh
Task Team Leaders:	Juan Martin Moreno and Marcela Salvador



**ARGENTINA**  
**Children and Youth Protection Project**

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**PAD DATA SHEET***Argentina**Children and Youth Protection Project (P158791)***PROJECT APPRAISAL DOCUMENT***LATIN AMERICA AND CARIBBEAN**Social Protection & Labor Global Practice*

Report No.: PAD1853

<b>Basic Information</b>			
Project ID P158791	EA Category C - Not Required	Team Leader(s) Juan Martin Moreno, Marcela Ines Salvador	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 02-Aug-2016	Project Implementation End Date 31-Dec-2020		
Expected Effectiveness Date 01-Aug-2016	Expected Closing Date 31-Dec-2020		
Joint IFC No			
Practice Manager/Manager Margaret Ellen Grosh	Senior Global Practice Director Omar S. Arias Diaz	Country Director Jesko S. Hentschel	Regional Vice President Jorge Familiar Calderon
Borrower: Argentine Republic			
Responsible Agency: ANSES - Administracion Nacional de la Seguridad Social			
Contact: Telephone No.:	Emilio Basavilbaso 4015-1000	Title: Email:	Executive Director ebasavilbaso@anses.gob.ar
Responsible Agency: Ministerio de Desarrollo Social			
Contact: Telephone No.:	Carolina Stanley 4379-3600	Title: Email:	Minister cstanley@desarrollosocial.gob.ar
<b>Project Financing Data(in USD Million)</b>			
<input checked="" type="checkbox"/>	Loan	<input type="checkbox"/>	IDA Grant
<input type="checkbox"/>		<input type="checkbox"/>	Guarantee

<input type="checkbox"/>	Credit	<input type="checkbox"/>	Grant	<input type="checkbox"/>	Other		
Total Project Cost:		600.00			Total Bank Financing:		600.00
Financing Gap:		0.00					
<b>Financing Source</b>							<b>Amount</b>
Borrower							0.00
International Bank for Reconstruction and Development							600.00
Total							600.00
<b>Expected Disbursements (in USD Million)</b>							
Fiscal Year	2017	2018	2019	2020	2021		
Annual	347.40	172.20	57.70	15.50	7.20		
Cumulative	347.40	519.60	577.30	592.80	600.00		
<b>Institutional Data</b>							
<b>Practice Area (Lead)</b>							
Social Protection & Labor							
<b>Contributing Practice Areas</b>							
<b>Cross Cutting Topics</b>							
<input type="checkbox"/>	Climate Change						
<input type="checkbox"/>	Fragile, Conflict & Violence						
<input type="checkbox"/>	Gender						
<input type="checkbox"/>	Jobs						
<input type="checkbox"/>	Public Private Partnership						
<b>Sectors / Climate Change</b>							
Sector (Maximum 5 and total % must equal 100)							
Major Sector			Sector		%	Adaptation Co-benefits %	Mitigation Co-benefits %
Health and other social services			Other social services		100		
Total					100		
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.							
<b>Themes</b>							
Theme (Maximum 5 and total % must equal 100)							
Major theme			Theme			%	



Social protection and risk management	Social Safety Nets/Social Assistance & Social Care Services	100
Total		100

### Proposed Development Objective(s)

The Project Development Objectives are to: (i) expand coverage of the Family Allowances programs; and (ii) improve transparency of social protection programs implemented by ANSES.

### Components

Component Name	Cost (USD Millions)
Universal Child Allowance program financing	522.00
Closing the coverage gaps of the Universal Child Allowance program	53.60
Institutional Strengthening of ANSES on information procedures and transparency and Project Management	10.50
Institutional Strengthening of the Ministry of Social Development and Project Management	12.40
Front-end Fee	1.50

### Systematic Operations Risk- Rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Moderate
3. Sector Strategies and Policies	Low
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Moderate
7. Environment and Social	Low
8. Stakeholders	Moderate
9. Other	
<b>OVERALL</b>	Moderate

### Compliance

#### Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ X ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]

Does the project meet the Regional criteria for readiness for implementation?		Yes [ X ]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>		<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11			X
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12			X
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Registry Agreements (Section I.A.3.(a) of Schedule 2 to the Loan Agreement)		31-Aug-2017	
The Borrower through ANSES, shall, prior to the carrying out of Part 2.1 (a) of the Project, enter into an agreement with each Participating Registry, under terms and conditions acceptable to the Bank.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Municipality Agreements (Section I.A.3.(b) of Schedule 2 to the Loan Agreement)		31-Aug-2017	
The Borrower through ANSES and MDS, shall, prior to the carrying out of Part 2.2 (a) of the Project, enter into an agreement with each Selected Municipality, under terms and conditions acceptable to the Bank.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Review of Unit Costs, Section I.A.4 of Schedule 2 to the Loan Agreement.	X		Yearly
<b>Description of Covenant</b>			
The Borrower, through ANSES, shall: (i) not later than twelve months after the Effective Date and yearly thereafter, review the Unit Costs jointly with the Bank; and (ii) immediately thereafter update said Unit Costs, if applicable, all in a manner acceptable to the Bank.			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Hiring of independent auditors, Section II.B.4 of Schedule 2 to the Loan Agreement		01-Feb-2017	
<b>Description of Covenant</b>			
Not later than six months after the Effective Date, and for purposes of validating the actual achievement of the Outputs, the Borrower, through ANSES, shall hire an independent auditor(s) under terms of			

reference and experience acceptable to the Bank.

### Conditions

Source Of Fund	Name	Type
IBRD	Withdrawal Conditions	Disbursement

### Description of Condition

Withdrawal conditions set forth in Section IV.B of Schedule 2 to the Loan Agreement: 1(a) Notwithstanding the provisions of Part A of this section, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$180,000,000 equivalent may be made for payments made prior to the Signature Date (but in any case, within twelve months prior to said date) for Eligible Expenditures, provided that the pertinent obligations/conditions set forth in the Loan Agreement and in the Additional Instructions, as applicable to each Eligible Expenditure have been complied with in a manner acceptable to the Bank.

Source Of Fund	Name	Type
IBRD	Withdrawal Conditions	Disbursement

### Description of Condition

Withdrawal conditions set forth in Section IV.B of Schedule 2 to the Loan Agreement 1(b) Notwithstanding the provisions of Part A of this section, no withdrawal shall be made for payments made to finance Outputs under Sub-components 2.1 and 2.2 of the Project, unless ANSES has submitted evidence satisfactory to the Bank of compliance with: (i) the achievement of the respective Output and corresponding validation carried out by the independent auditor(s) referred to in Section II.B.5 of Schedule 2 of the Loan Agreement; and (ii) the pertinent provisions of the Loan Agreement, including those set forth in the Disbursement Letter.

## Team Composition

### Bank Staff

Name	Role	Title	Specialization	Unit
Juan Martin Moreno	Team Leader (ADM Responsible)	Senior Social Protection Economist	Senior Social Protection Economist	GSP04
Marcela Ines Salvador	Team Leader	Senior Social Protection Specialist	Senior Social Protection Specialist	GSP04
Ana Maria Grofsmacht	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Senior Procurement Specialist	GGO04
Martin Ariel Sabbatella	Procurement Specialist	Procurement Specialist	Procurement Specialist	GGO04
Alejandro Roger Solanot	Financial Management Specialist	Senior Financial Management Specialist	Senior Financial Management Specialist	GGO22
Carlos Tomas Perez-Brito	Safeguards Specialist	Senior Social Development Specialist	Senior Social Development Specialist	GSU04

Claudia Regina Baddini Currello	Team Member	Senior Social Protection Specialist	Senior Social Protection Specialist	GSP04
Gaston Mariano Blanco	Team Member	Senior Social Protection Specialist	Senior Social Protection Specialist	GSP04
Ignacio Raul Apella	Team Member	Research Analyst	Research Analyst	GSP04
Isabel Tomadin	Safeguards Specialist	Consultant	Consultant	GSURR
Luz Maria Meyer	Team Member	Financial Management Analyst	Financial Management Analyst	GGO22
Mariela Alvarez	Team Member	Program Assistant	Program Assistant	LCC7C
Patricia M. Bernedo	Team Member	Operations Analyst	Operations Analyst	GSP04
Silvestre Rios Centeno	Team Member	Program Assistant	Program Assistant	LCC7C
Victor Manuel Ordonez Conde	Team Member	Senior Finance Officer	Senior Finance Officer	WFALN

**Extended Team**

Name	Title	Office Phone	Location

**Locations**

Country	First Administrative Division	Location	Planned	Actual	Comments
Argentina	Misiones	Provincia de Misiones		X	
Argentina	Formosa	Provincia de Formosa		X	
Argentina	Buenos Aires F.D.	Ciudad Autonoma de Buenos Aires		X	
Argentina	Entre Rios	Provincia de Entre Rios		X	
Argentina	Corrientes	Provincia de Corrientes		X	
Argentina	Buenos Aires	Provincia de Buenos Aires		X	
Argentina	Tucuman	Provincia de Tucuman		X	
Argentina	Tierra del Fuego	Provincia de Tierra del Fuego, Antartida e Islas del Atlantico Sur		X	
Argentina	Santiago del Estero	Provincia de Santiago del Estero		X	
Argentina	Santa Fe	Provincia de Santa Fe		X	
Argentina	Santa Cruz	Provincia de Santa Cruz		X	
Argentina	San Luis	Provincia de San Luis		X	

Argentina	San Juan	Provincia de San Juan		X	
Argentina	Salta	Provincia de Salta		X	
Argentina	Rio Negro	Provincia de Rio Negro		X	
Argentina	Neuquen	Provincia del Neuquen		X	
Argentina	Mendoza	Provincia de Mendoza		X	
Argentina	La Rioja	Provincia de La Rioja		X	
Argentina	La Pampa	Provincia de La Pampa		X	
Argentina	Jujuy	Provincia de Jujuy		X	
Argentina	Cordoba	Provincia de Cordoba		X	
Argentina	Chubut	Provincia del Chubut		X	
Argentina	Chaco	Provincia del Chaco		X	
Argentina	Catamarca	Provincia de Catamarca		X	
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>					
Consultants Required ? Consulting services will be required.					



## I. STRATEGIC CONTEXT

### A. Country Context

1. **After taking office on December 10, 2015, the new administration has moved with significant speed to implement macroeconomic reforms and has initiated a program of structural reforms.** These include the elimination of export taxes on major crops, beef, and most industrial manufacturing products, and the reduction by five percent of export taxes on soy. The Government has also unified the exchange rate, effectively ending most foreign exchange restrictions, and has moved from a system of discretionary to automatically provided import licenses in line with WTO procedures. Electricity tariffs were increased to reduce energy subsidies and encourage energy savings, while introducing a social tariff to protect low-income users. Similarly, transport fees were increased while protecting the poor. The National Institute for Statistics (INDEC) is preparing a new inflation index and is reviewing national income accounts in order to improve the quality of statistics. Finally, the Government resolved the dispute with the debt holdouts.

2. **Economic growth is projected to contract mildly in 2016, before accelerating in 2017, as the positive impacts of policy changes take effect and the global economy recovers.** Policy uncertainty before the elections, a deteriorated business environment, and worsening external conditions dampened economic growth in 2015 and exacerbated the country's existing macroeconomic imbalances. GDP growth for 2015 was 2.1 percent<sup>1</sup> and it was supported mostly by consumption, especially public consumption. National Government's primary fiscal deficit is large (estimated at 5.4 percent of GDP for 2015), given the significant increase in public spending before elections. The trade balance kept deteriorating in 2015 due to an overvalued exchange rate and worsening external conditions (economic contraction in Brazil, slowdown in China, and lower commodity prices). In a context of lack of access to international capital markets, the growing fiscal deficit was mainly financed with monetary emission, and inflation rose to 29 percent in 2015, according to private sector estimates. The much needed adjustment is happening in a context of slower economic activity. The need for fiscal consolidation would imply a reduction of public consumption. In the absence of official inflation data, unofficial figures indicate an acceleration of inflation since December 2015. According to CABA<sup>2</sup> figures, monthly inflation was 6.5 percent in April 2016 bringing the monthly average to 4.3 percent between December 2015 and April 2016. Both inflation and exchange rate depreciation are likely to have a negative impact on private consumption. Overall, taking into account the deterioration of external conditions, the economy may experience a mild contraction in 2016. However, economic growth is expected to accelerate in 2017 and 2018 as a more stable macroeconomic framework will promote private consumption and investments, and facilitate access to capital markets.

3. **Social and labor market indicators weakened in recent years.** Evidence shows that, after several years of improvement, net employment creation slowed down and reverted its trend in 2013. The income of the bottom 40 percent of the income distribution fell by 10 percent in

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<sup>1</sup> Source: INDEC

<sup>2</sup> Ciudad Autonoma de Buenos Aires

2014, while poverty and extreme poverty incidence grew from 10.9 to 12.7 percent and 4.5 to 5.4 percent, respectively, between 2013 and 2014.<sup>3</sup> While the conditions are being created to facilitate a recovery, the magnitude of the necessary changes could put pressure on the already stagnated labor market, and the accelerated inflation may have effects on poverty and inequality in the short term. Medium term prospects for economic activity and employment creation are good, but labor market and income pressures, especially for the poor and vulnerable, are likely to continue in 2016 and 2017.

4. **A functioning and improved safety net is hence vital during the reform period, when there are limited employment opportunities.** Argentina has developed a strong social protection system, with a particular focus on children and the elderly. While some policies focus mainly on temporary coverage expansion (pensions), others introduce innovative programs (e.g., child allowances) that provide automatic income stabilization to households affected by formal employment losses. The social protection system needs to act as a bridge to maintain living conditions and human capital investments during this period of transition.

5. **The Argentine Government has introduced important macroeconomic policy changes with the objective of creating an environment conducive to economic growth and employment creation. Going forward, the country will need to continue building a sound macroeconomic program and a growth-enabling policy framework to enhance credibility, and support broad-based growth and quality employment.** Less expansionary monetary and fiscal policies are needed to address the country's macroeconomic imbalances and the Central Bank has already stated that its main focus in 2016 will be on inflation and has been slowing down monetary emission by raising interest rates. Curbing inflation is key to restoring confidence and reigniting growth. The Administration managed to restore access to capital markets and this will make the much-needed fiscal consolidation effort more gradual. Improving spending efficiency in key social sectors and infrastructure will be critical to avoid major cuts in public spending and protect pro-poor expenditures. It will be critical to strengthen competitiveness and productivity of the economy in order to be able to fully reap the benefits of greater trade openness. Improved business environment, investment in infrastructure, increased competition in markets and improved regulatory framework in sectors would contribute to this objective. For a broad-based and inclusive growth, which is important for sustaining reform momentum and equally distributing potential welfare improvements, Argentina needs to improve public goods provision and reduce regional disparities. Attracting private domestic and foreign investments could help addressing these issues.

## **B. Sectoral and Institutional Context**

6. **As a result of the deep economic crisis experienced in 2002, Argentina undertook a major reform of the social protection system that significantly expanded coverage and increased expenditures.** Today, the country's social protection (SP) system is well prepared to cushion the social effects of higher inflation and pressures on the labor market. The main SP institutions in Argentina are the Social Security Administration (ANSES); the Ministry of Labor,

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<sup>3</sup> Source: WB Equity Lab based on SEDLAC. Poverty and income inequality figures are based on EPH and use a monetary poverty methodology setting extreme poverty line at US\$ 2.5 PPP and poverty at US\$ 4 PPP.



Employment and Social Security (MTESS); and the Ministry of Social Development (MDS). Non-contributory schemes have recently complemented the traditionally contributory ones, providing quasi-universal coverage to the elderly and children and youth aged 18 years or less. The elderly are covered by pensions, survival, and disability programs. Children are covered by the Family Allowances (FA) system. Finally, SP programs also include a contributory Unemployment Insurance scheme, “PROGRESAR”, a scholarship program run by ANSES, workfare programs run by MDS, and training and intermediation services run by MTESS through a network of employment offices. MDS also manages five loosely articulated networks,<sup>4</sup> which will be the basis for an integrated social protection network, a priority for the current administration.

7. **An important reform to the Family Allowances system was introduced in October 2009 with the launching of the Universal Child Allowance (AUH), a cash transfer program with co-responsibilities in health and education that covers children in the most vulnerable households.** The Family Allowances system includes four main programs: a) a contributory program for children of formal workers in the private sector, civil servants working for the national government and, as of April 2016, self-employed workers registered through a simplified taxation system called “*Monotributo*”; b) a non-contributory program for children of beneficiaries of other programs such as Pensions and Unemployment Insurance; c) the non-contributory AUH Program which covers children of the inactive, unemployed or low-income informal workers; and d) several smaller FA programs that cover children of civil servants in sub-national governments, managed by the provinces. Approximately eight million of the thirteen million children in Argentina are covered by the FA system, most of them receiving a benefit from either the contributory program (3.1 million),<sup>5</sup> AUH (3.7 million), or the other programs (858,000). Participation in AUH is subject to compliance with vaccination schemes, health checks and school attendance. Benefit amounts are the same in the three programs managed by the national government (although the benefit for formal workers declines with higher salaries), and amounts of provincial schemes are defined independently, although provinces tend to follow the national values. Benefits are adjusted twice a year using a formula that includes wages and ANSES revenues.

8. **The AUH has become the cornerstone of Argentina’s social safety net, and a key instrument to cushion the effects of unemployment and informality among the most vulnerable.** This program is fully aligned with the current administration's strategy in social protection. Currently, the FA programs spend nearly 1.3 percent of GDP, of which AUH represents half. Benefits as of April 2016 are AR\$ 966 (US\$65) per month, approximately 15 percent of the legal minimum wage. Due to its design, the coverage and costs of the FA programs are not affected by labor market performance, as beneficiaries may move from AUH to the contributory program and vice-versa, depending on their employment status. The AUH program introduced two salient design features: a) all qualifying children in ANSES administrative records are automatically enrolled and eligibility is determined on a monthly basis; and b) 80 percent of the benefit is paid monthly, while the balance is paid once a year upon

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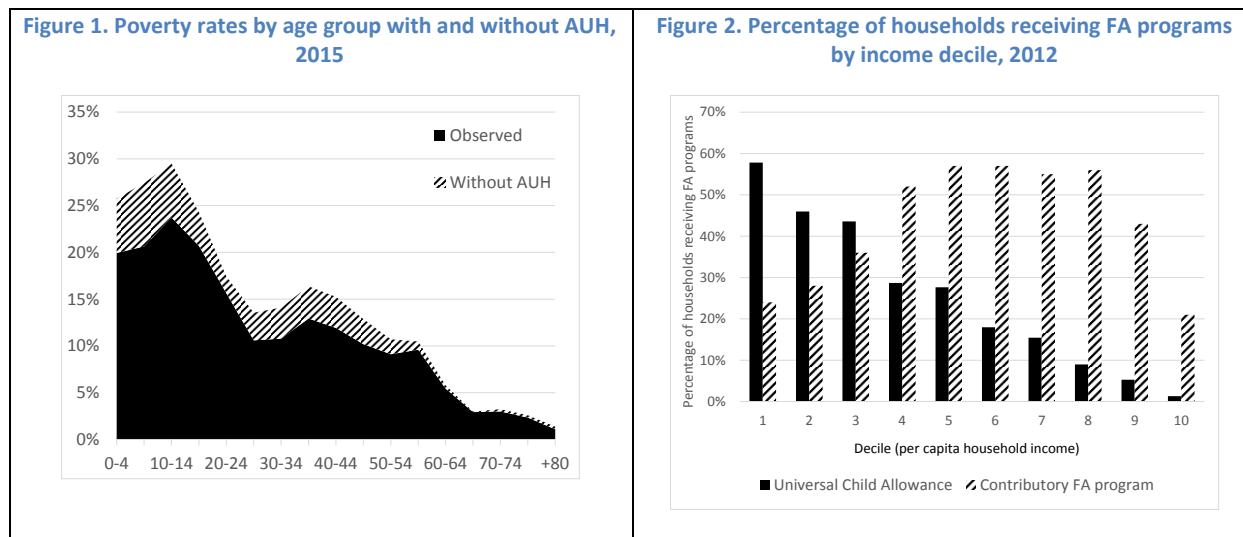
<sup>4</sup> The five networks are *Centros Integradores Comunitarios* (529 offices) *Centro de Atencion Local* (82 offices), *Centros de Referencia* (48 offices), *Consejo Federal de la Niñez* (24 offices) and *Oficinas SIEMPRO* (19 offices)

<sup>5</sup> This figure is expected to grow as children of self-employed workers enroll in coming months.

verification of compliance with co-responsibilities on health and education services, which is organized on the basis of an appointment scheme to avoid bottlenecks at local offices. The coverage of both FA programs has been recently expanded to include 1.1 million children under the *Sistema Único de Asignaciones Familiares*, (SUAF), and 200,000 children under AUH.

9. **Sustaining the AUH program and expanding its coverage would be key to protecting the most vulnerable during the transition period, and would also contribute to long term goals such as breaking the intergenerational cycle of poverty.** AUH ensures that families that lose formal jobs maintain access to child allowances, and thus mitigates negative welfare shocks in households. Moreover, the associated incentives to ensure that children remain enrolled in school and obtain adequate health care guarantee the long-term effects of the program on human capital accumulation and help to break the intergenerational cycle of poverty. The AUH has created synergies with other important programs such as the Plan *Nacer/Sumar*, a health insurance program, which registers newborns into ANSES individual registry (known as the ADP). The design of AUH also has incentives to encourage school enrollment, which is particularly relevant for the age group 16-18 years of age, which has a relatively large dropout rate.

10. **AUH has a significant impact on poverty incidence, which is higher among children and youth, but not as much on labor supply.** Microsimulations show that the AUH program reduce overall poverty by 3 percent, and 6 percent among household with children (see Figure 1 and Annex 6). AUH has an important role in providing basic income protection to households where both parents are either unemployed or informally employed. In fact, the incidence of AUH is largely concentrated on the lower deciles of the income distribution, complementing the coverage of the contributory FA programs (see Figure 2). Several studies, considering the effect of AUH on labor supply, found that it is either negligible or very small, marginally affecting informal-to-formal transitions among some groups of workers (see Annex 6). However, a large number of potential beneficiaries are not receiving it either because their information at ANSES' database is incomplete or they have failed to verify compliance with co-responsibilities.



11. **There is a coverage gap that requires an active effort by authorities to find and include potentially eligible children that are not participating in the program, due to**

**missing information.** This process would require fieldwork and database improvements and would benefit a large group of children who are disproportionately from poor and vulnerable households, further expanding the impact of AUH on poverty and inequality. According to ANSES, as of December 2015 the monthly process used to determine eligibility for the benefit excluded 1.5 million children (approximately 12 percent of the population younger than 18). In addition, as of February 2016, nearly 537,000 children have had their benefit suspended due to the absence of proof of compliance with co-responsibilities. This figure is higher than expected given the available data on education attainment by age, hinting that there are some weaknesses in the compliance verification process.

12. **Closing the coverage gap of AUH requires a joint effort between ANSES and the Ministry of Social Development (MDS).** While ANSES has proven to be key in the program's management (determining eligibility, processing payments and verifying compliance of co-responsibilities), MDS would be key to implement a pro-active enrollment approach and it would also be responsible for identifying and following up with participating households that have failed to comply with the co-responsibilities. Although ANSES carries out this process through a network of 375 local offices (UDAIs, *Unidades de Atencion Integral*), proximity may be a barrier to compliance verification.<sup>6</sup>

13. **The new administration has set out to improve transparency of social programs.** Although ANSES' administrative processes are well designed and audited, scarce information on program implementation has been publicly disseminated since the publication of its main statistical report (*Informe de la Seguridad Social*) was suspended in 2009. The current administration is committed to improving transparency of program implementation, as well as carrying out evidence-based policy decisions. This strategy includes the regular publication of ANSES' monitoring reports and carrying out impact evaluations of AUH based on rigorous methodologies that avoids behavioral response assumptions and correctly isolate the effect of the intervention of AUH on health and education outcomes.

### **C. Higher Level Objectives to which the Project Contributes**

14. The proposed program fits squarely with the poverty and shared prosperity focus of the latest CPS,<sup>7</sup> especially the second pillar on supporting asset availability of households and people. The child benefit contributes to this pillar through various channels: first, by avoiding households to fall into poverty during a time period of economic transition, the child benefit is a crucial support for vulnerable households to meet their most important needs and not forgo vital access to basic services. Second, by linking the income transfer effectively on the completion of health and education services, as quantified in the CPS results, the program presents an important building block to breaking the inter-generational transmission of poverty through human development. Also, the transparency focus of this operation is aligned with the cross-portfolio approach to governance.

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<sup>6</sup> Failure to verify compliance with co-responsibilities results in the suspension of the monthly payment of the benefit. More than half of these beneficiaries are allowed back in the program once compliance is verified. The latter would be indicating that there is a difficulty in the verification process, rather than in the compliance with the co-responsibility.

<sup>7</sup> (Report 81361-AR) discussed by the Board on September 9, 2014

15. The CPS states that the Bank would phase out its support to direct income transfer programs for the poor over the CPS period, unless an urgent need arises. The slowdown in the economy, as well as the observed increase in poverty and extreme poverty over the last two years, motivated the preparation of this Project, which would continue the Bank's support to income transfer programs in Argentina, albeit for a limited time period. The income transfer component is envisioned to be fully disbursed within two years.

## II. PROJECT DEVELOPMENT OBJECTIVES

### A. PDO

16. The Project Development Objectives are to: (i) expand coverage of the Family Allowances programs; and (ii) improve transparency of social protection programs implemented by ANSES.

### B. Project Beneficiaries

17. Households with children aged under 18 years where parents are either inactive, unemployed, self-employed, working informally or as domestic employees, earning less than the minimum wage.

### C. PDO Level Results Indicators

- Number of children under 18 years old with complete records in ANSES' ADP database for AUH eligibility purposes.
- Number of published social security monitoring reports, including information on AUH.
- Number of children under the Family Allowance programs implemented by ANSES (SUAF and AUH).

## III. PROJECT DESCRIPTION

### A. Project Components

18. The proposed Project would support the Government's efforts to provide effective social protection to the most vulnerable population group (poor children), by contributing to finance a core social program and allowing potential beneficiaries to be included in the eligibility process.

19. The Project will include four components as follows: (details in Annex 2).

20. **Component 1: Universal Child Allowance program financing (US\$522 million).** This Component will finance the provision of AUH grants to AUH beneficiaries. The grants will be paid under the non-contributory Family Allowance program AUH, and this Component is expected to reimburse approximately 5.9 percent of the program spending during its implementation. The Component is expected to disburse in the first two years of the Project, in three months intervals. The amount to be disbursed will be higher in the short term, as fiscal restrictions will be tighter. Hence, the Component is expected to disburse US\$80 million in the first quarter after effectiveness, and then decline to US\$37.4 million for each quarterly disbursement, except for the final disbursement which would be equivalent to US\$37.6 million.

21. Disbursements will be linked to results. Hence, they will be authorized only after: a) targets are achieved for two Disbursement-Linked Indicators (DLI), and b) the stipulated period as set forth in Table 2.1 in Annex 2. Targets for both DLIs need to be reached in order to authorize disbursements. The first DLI is the number of children under 18 years old with complete records in ANSES' ADP database for AUH eligibility purposes. This DLI reflects the progress of Government's efforts in expanding coverage of AUH to include children who could be eligible, but have missing information in ANSES records or for whom there is no record at all. The second DLI is the publication of a quarterly AUH monitoring report, a critical action to ensure that the system is transparent. The quarterly reports will focus on the AUH program run by ANSES included in the FA programs, detailing coverage, expenditures, benefit amounts, co-responsibility compliance, and etcetera. The minimum required contents of this report and the means of publication are defined in the Operational Manual. The adoption of these DLI targets aims at reinforcing the focus on results of the whole Project. A detailed description of the disbursement scheme is included in Annex 2.

22. **Component 2: Closing the coverage gaps of the Universal Child Allowance program (US\$53.6 million).** This Component will support: (i) an active search to complete missing information of nearly 1.5 million children that currently prevents them from being considered as potential beneficiaries of AUH; and (ii) efforts to correct information on compliance with the co-responsibilities in ANSES database that, as of February 2016, excludes 537,000 children from receiving benefits. A set of complementary activities<sup>8</sup> will be jointly implemented by ANSES and MDS to achieve these goals. This Component is expected to be implemented over the course of four years, and will comprise three Sub-components:

23. *Sub-component 2.1: Gathering information from Provincial Civil Registries and other agencies (US\$10.9 million).* This Sub-component will include two activities: Sub-component 2.1.a) Collection of data from birth certificates of children whose parents may be eligible to receive AUH grants, including: i) the preparation of an action plan containing the list of children with missing family information in ANSES ADP, the methodology to collect said missing information, timeline for implementation and expected targets and, ii) the update of ANSES ADP through the transferring of the data from birth certificates to ANSES by each participating registry; and Sub-component 2.1.b) Carrying out coordination activities with the provincial ministries of Education, to complete the reporting on co-responsibilities for children and youth under the AUH for whom there is no evidence of compliance on ANSES's records.

24. *Sub-component 2.2: Gathering information at the local level (US\$ 40.2 million).* This Sub-component will include two activities: Sub-component 2.2 a) the provision of support to selected municipalities to: (i) develop a municipal territorial action plan (*Plan de Accion territorial* – PAT) to reach families with children and youth with no evidence of compliance with co-responsibilities and those that were not identified through Sub-component 2.1 of the Project; and (ii) implement the pertinent PAT, including the carrying out of field work to collect information through home visits using the address information on record, if available, and completing a *ficha social*. Sub-component 2.2 b) the implementation of activities to support the

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<sup>8</sup> These activities would involve other institutions such as provinces or municipalities that will participate in the process on the basis of incentive mechanisms set in agreement with ANSES and MDS.

field work by: (i) carrying out of communication campaigns and preparation of dissemination materials; (ii) installation of kiosks in key spots, such as in hospitals and public locations; and (iii) provision of ANSES' mobile units with connectivity.

25. *Sub-component 2.3: Improving access to AUH for Indigenous Populations (US\$ 2.5 million)*. ANSES and MDS will implement specific actions, described in the National Indigenous People Plan (NIPP), to reach out to indigenous communities including: (a) the design of special field arrangements and management of benefits and services in indigenous communities' areas; (b) the carrying out of training workshops for indigenous leaders on social security topics; (c) the provision of training to allow indigenous communities to access ANSES information and procedures remotely; and (d) the dissemination of information related to the Project in indigenous languages, including contents in indigenous-language radio programs and non-indigenous programs that reach indigenous community areas, as well as in any other type of suitable telecommunication.

26. Activities included in Sub-component 2.1.a and Sub-component 2.2.a will finance through an output-based model, based on national and uniform unit costs (details in Annex 3). Sub-components 2.1.b, 2.2.b and 2.3 will finance consultant and non-consultant services, goods (IT equipment, furniture and software), training and operating costs.

27. **Component 3: Institutional Strengthening of ANSES on information procedures and transparency and Project Management (US\$10.5 million)**. This Component aims to provide solutions to avoid further coverage gaps of the AUH program by strengthening the data collection systems of ANSES; improving transparency through access to information on social security programs; improving grievance mechanisms and citizen engagement related to social security benefits, particularly in the AUH Program, and supporting project management.

28. *Sub-component 3.1: Improving information of management procedures and transparency (US\$5.7 million)*. This Sub-component will support activities to improve information of management procedures and transparency, including: (i) the development of a protocol and related software for a systemic exchange of information among ANSES, RENAPER and the provincial civil registries; (ii) the carrying out of training of provincial civil registries staff; (iii) the acquisition of goods to strengthen the information technology capacity of participating registries to support activities under Sub-component 2.1 of the Project; (iv) the design of mechanisms for direct verification of compliance of co-responsibilities under the AUH, including the improvement of information flow among ANSES, MDS and the provincial ministries of Health and Education; (v) the provision of support to improve ANSES' grievance redress mechanism and citizen participation; (vi) data exchange with other public stakeholders at the federal and provincial levels; (vii) studies and preparation of publications, on social security topics; and (viii) dissemination events and workshops to improve transparency and access to information on social security programs.

29. *Sub-component 3.2: Project Management (US\$4.8 million)*. This Sub-component will provide support of the project management unit (PMU) in ANSES, including the carrying out of Project audits.

30. Component 3 will finance consultant and non-consultant services (publications), training (workshops), goods (IT equipment, hardware and software) and operating costs.

31. **Component 4: Institutional Strengthening of the Ministry of Social Development and Project Management (US\$12.4 million)** This Component will finance activities aimed at strengthening the MDS' capacity to manage, coordinate, and monitor social protection programs and its Project implementation unit.

32. *Sub-component 4.1: Strengthening planning and coordination functions of MDS and Project Management (US\$7.2 million)* will finance four activities to strengthening the MDS's capacity on planning, budgeting and implementation of social protection programs and services, including: (a) the development of an integrated social protection network to promote the coordination of social protection programs and services at national and sub national governments; (b) the improvement of the design and the operational functions of MDS' programs and services; (c) the development and implementation of a plan for training of civil servants; and (d) the provision of support to the MDS' Project management unit.

33. *Sub-component 4.2: Strengthening of MDS's capacity on monitoring and evaluation (US\$5.2 million).* This Sub-component will support two activities: a) the development of tools and instruments to collect and analyze data on MDS' programs and social policies; and b) the strengthening of the MDS' capacity on monitoring and evaluations of social protection policies and programs to generate evidence-based recommendations and guidelines, including the carrying out of an impact evaluation of AUH and other social programs.

34. Activities in Component 4 will finance consultant and non-consultant services (surveys and publications), training, goods (IT equipment, hardware and software) and operating costs.

## B. Project Cost and Financing

35. The proposed Project will be financed through an Investment Project Financing (IPF) IBRD loan in the amount of US\$600 million, including the retroactive financing of up to 30 percent of the total loan amount. Of the total Bank financing, 87 percent will support expenditures of AUH. Component 1 will finance nearly 5.9 percent of AUH eligible expenditures, while the Bank's contribution to the overall Project will reach nearly 6.8 percent when the incremental activities of Components 2, 3 and 4 are included.

Project Components	Project cost	IBRD or IDA Financing	% Financing
1. Universal Child Allowance program financing	\$ 522.0 m.	\$ 522.0 m.	100.0%
2. Closing the coverage gaps of the Universal Child Allowance program			
3. Institutional Strengthening of ANSES on information procedures and transparency and Project Management	\$ 53.6 m.	\$ 53.6 m.	100.0%
4. Institutional Strengthening of the Ministry of Social Development and Project Management	\$ 10.5 m.	\$ 10.5 m.	100.0%
<b>Total Costs</b>	\$ 12.4 m.	\$ 12.4 m.	100.0%
	Total Project Costs	\$ 598.5 m.	100.0%
	Front-End Fees	\$ 1.5 m.	
	<b>Total Financing Required</b>	<b>\$600 m</b>	

### **C. Lessons Learned and Reflected in the Project Design**

36. This Project draws on World Bank experience in the design of social protection programs in LAC and other regions, which emphasizes the importance of inter-institutional coordination and active outreach to improve social inclusion and program coverage. The history of investment lending in Argentina shows the importance of working in a genuine partnership, in sectors in which Government has defined a robust policy framework. ANSES has successfully implemented several Bank-financed operations and this Project is consistent with the goals of a previous project implemented by ANSES and the Ministry of Labor, the Argentina Basic Protection Project (P115183). Hence, the Project will provide support to a policy that is central to the Government agenda, with very strong commitment and program ownership.

37. The implementation of cash transfer programs in the last decade demonstrated the strong capacity of the Government of Argentina but also highlighted the need to focus on transparency on programs implementation, as public information was, in many cases, insufficient for interested parties to fully understand the relevance of these programs.

38. The Bank also supported the Heads of Households Project (P073578) an emergency program implemented in 2002 as a response to the economic and social crisis. While the result was positive, one clear lesson learned is the importance of having a strong and flexible social protection system in place, to be able to respond effectively to short-term shocks. The response to the crisis was effective, but most policies and programs had to be designed and implemented in a short time, resulting in problems that could have been avoided. If an effective social protection system with flexible programs to protect the most vulnerable, including strong institutions, payment systems and targeting rules had been in place in 2002, the response to the crisis would have been faster and more effective. The Family Allowances Programs have the capacity and flexibility to respond quickly to social shocks.

39. The Bank's analytical work clearly influences the Project design. Analyses carried out by the Argentina Income Support AAA (P082177) were critical to identify the relevance of the components. The study discussed the solid social consensus towards social policies and the impact that the Family Allowances programs had at the time and could still have if expanded to vulnerable children.

40. Lessons learned from both Argentina's and global experience include: (i) programs that have very clear financial flow systems, using the banking system to reach beneficiaries and including regular public reports, are more transparent and effective; (ii) institutional strengths need to be identified and leveraged to maximize chances of successful implementation (i.e., ANSES is very strong at managing nationwide cash transfer programs, while MDS should focus on direct outreach activities to include the most vulnerable groups); (iii) output-based financing mechanisms that link disbursements to progress on outcomes provide incentives to improve programs while avoiding cumbersome procurement processes; (iv) while cash transfers are important to reduce poverty, effective social protection programs need to include a multi-dimensional approach to work on the underlying causes of poverty and vulnerability; and (v) budget availability to implement activities related to the indigenous peoples' safeguard must be explicitly included in project designs, lack of funding may hamper the quality of interventions.



## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

41. The Project will be implemented through ANSES and MDS, under the general coordination of the former. ANSES will have a PMU which will manage a designated account and will be responsible for all financial management reports to the Bank. ANSES' PMU will also be responsible for the implementation of activities in components 1, 2, and 3, while MDS will manage an operational account and will be responsible for the implementation of activities in Component 4 through its own PMU. The activities in Component 2 will require the coordinated effort of both agencies. Other institutions (i.e., civil registries and municipalities) are also expected to participate, but they will not manage proceeds from the loan and their work will be supported by implementation agreements with ANSES and/or MDS. Both PMUs are already established, and will be responsible for carrying out the corresponding procurement processes, while ANSES will be responsible for all the financial reporting. The processes and procedures governing project implementation are outlined in detail in the Project's Operational Manual (OM), which has been reviewed and is acceptable to the Bank (details in Annex 4).

### B. Results Monitoring and Evaluation

42. The results monitoring framework builds on the experience of previous and existing Bank projects, including, the Heads of Household (P073578), Heads of Household Transition (P055483), the Argentina Basic Protection (P115183) and Lifelong Learning (P095514). ANSES has capacity to produce monitoring reports on social programs, and has a long tradition of dissemination in print and via its web page. Although the dissemination of these reports was halted between 2009 and 2015, a rich set of tables with cross section and time series data became available again with the new administration through [www.transparencia.anses.gov.ar](http://www.transparencia.anses.gov.ar). The publication of the bi-yearly report '*Informe de la Seguridad Social*', includes information on the programs run and or paid by ANSES such as: Pensions, non-contributory Pensions, Survival Pensions, Unemployment Insurance, Family Allowances, and PROGRESAR (a cash transfer for youth). The publication of this report will be complemented by a specific and more detailed quarterly report on Family Allowances. Both reports will provide information on expenditure and coverage of the programs.

43. Impact evaluations, especially of the AUH, are more limited. Available impact evaluations of AUH are either not based on primary information or they lack transparency on the construction of control groups. The proposed Project, through the institutional strengthening of MDS' Information, Monitoring and Evaluation of Social Programs System (*Sistema de Información, Evaluación y Monitoreo de Programas Sociales – SIEMPRO*) will conduct impact evaluations based on rigorous methodologies using primary information. Although methodologies and identification strategies would be developed during the lifetime of the project, the effects of three groups of outcomes will be tested: a) effect of the income transfer (poverty reduction; labor force participation, especially among women; labor informality; child labor; and fertility); b) effect of the co-responsibility on health and education, both in terms of effectiveness and quality; and c) process evaluation of specific interventions, using experimental methodologies.

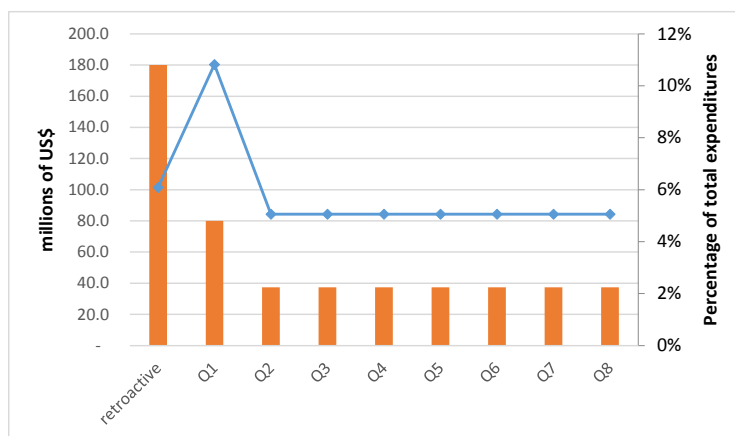
44. Finally, implementation of the output-based financing of some activities in Component 2 will result in the development of additional modules which will be complementary and compatible with ANSES’ strong information systems. These modules are necessary to track and verify the traceability of the outputs produced under Component 2.

### C. Sustainability

45. Social Protection programs run by ANSES (including AUH) are financially sustainable in the short and medium term. Estimations show that total expenditures will slowly grow for the next 20 to 25 years, at a pace that can be financed in a context of economic growth, albeit some reforms will be necessary in the longer term<sup>9</sup>. The value of AUH benefits is updated on a biannual basis using an index based on the evolution of fiscal revenues, ensuring stability of expenditures. A slowdown in the economy could result in a decline in formal employment and a consequent increase in AUH benefits. Nevertheless, this would imply an equivalent reduction in the contributory FA program. Hence, the overall volume of resources financing the FA programs should be stable in a context of changing labor market conditions, although compositional changes may occur.

46. More importantly, the fiscal challenges that the Government may have in the near future could reduce the financial space for the AUH program. This could be an issue during the transition stage and until economic growth improves fiscal balances. In that context, the Project will concentrate its support for AUH expenditures at the beginning of implementation. Hence, the Project will finance approximately 5.9 percent of AUH expenditures over the course of 3 years (including retroactive financing), and as much as 11 percent in its first quarter (see Figure 3), reaching 4.7 percent of the subsequent quarterly expenditures, 24 months after effectiveness of the Project. If all children currently excluded become beneficiaries, the additional fiscal needs would be equivalent to 0.2 percent of GDP. This expansion would be relatively small when compared to other public policy reforms currently under implementation, such as the subsidy reform which accounts for approximately 1.5 percentage points of GDP.

Figure 3. Disbursement amounts and Incidence of Project financing on AUH expenditure during implementation of Component 1.



<sup>9</sup> See Gragnolati et al (2015) “As Times Goes By: Economic Opportunities and Challenges of the Demographic Transition”, The World Bank, Washington DC.

## **V. KEY RISKS AND MITIGATION MEASURES**

### **A. Overall Risk Rating and Explanation of Key Risks**

47. The overall risk of achieving the Project's Development Objectives is assessed as Moderate. Key risks stem from (i) institutional capacity for implementation, and (ii) technical design, both rated as Substantial. On institutional capacity, while ANSES has a proven track record in managing and implementing social protection programs, the required inter-institutional coordination with the Ministry of Social Development, civil registries and municipalities will be challenging. To mitigate this risk, the expansion of the AUH program, which has been in place and fully operational for seven years, will follow a gradual approach. In addition, ANSES and MDS are fully committed to the program and the strong implementation support which, coupled with the proposed Project's strong implementation support, should help to manage this risk. The risk associated with the Technical Design of the Project is Substantial given the introduction of innovative output-based mechanisms that involve the agreement and participation of other institutions such as provinces or municipalities. The Bank will have continuous interaction with implementing agencies to monitor possible deviation from targets. Additionally, to provide flexibility, disbursements are linked to quarterly progress instead of fixed dates, although a scheme is introduced to make disbursements foreseeable. The Fiduciary risk is Moderate, as determined by the capacity assessment of both pre-existing project management units. ANSES has very strong internal controls and external audits on the benefit payment system and all processes to validate the consistency and veracity of the beneficiaries' database are also auditable. The Project will also support institutional innovations required to ensure an adequate control environment and will support the strengthening of monitoring and procurement processes.

## **VI. APPRAISAL SUMMARY**

### **A. Economic Analysis**

48. To assess the economic impact of the proposed Project three aspects are considered: (i) an estimation of the Project's development impact, considering the cost-benefit; (ii) an analysis of the rationale behind the public sector provision of services; and (iii) the value added by the World Bank. This section offers a quick review of this assessment, with more details in Annex 6.

49. While preparing a cost-benefit analysis for a project that involves the provision of social services is difficult, two aspects may be considered. In the short term, simulations show that this program reduced poverty and extreme poverty by three and two percentage points, respectively, a significant impact considering that poverty incidence was around 13.6 percent and extreme poverty was 3.5 percent in 2015. A second approach is based on the long-term impact that the program is expected to have. Assuming that AUH will be successful in reducing school dropout rates, it is possible to simulate the program's impact on the future flow of labor income that participants can expect, and estimate an internal rate of return of 8.2 percent. These estimations are only approximate, as they require a number of assumptions, including future labor markets trends.

50. Public sector intervention is justified by the positive externalities derived from breaking the cycle of poverty. Helping children and youth to avoid dropping out from school has a direct

impact on their educational attainment, and consequently their employability, which should allow them to avoid poverty traps in the future. Furthermore, improving education results among youth would also have significant society-wide impacts, as these program participants would become more productive workers and would be able to contribute to economic growth more effectively.

51. The value added of the World Bank to this Project relies on the extensive experience in supporting the design and implementation of CCT programs, globally and in Argentina. During Project preparation the Bank brought international experiences in active search strategies such as Brazil's *Busca Ativa* strategy, which expanded coverage of the *Bolsa Familia* program. Also, the use of output-based mechanisms to create incentive for Provinces and Municipalities to participate are based on similar experiences such as *Plan Nacer/Sumar* or *Programa Jovenes por Mas y Mejor Trabajo*. In addition, the Bank's experience in supporting a similar project in the country (Argentina Basic Protection), and the relationship between the new Government and the World Bank in the social protection sector in Argentina have created the foundation for a fruitful cooperation strategy to support the implementation of AUH Program.

## **B. Technical**

52. The proposed Project has inter-connected objectives associated to different components. Component 1 aims at supporting expenditures of the FA programs through quarterly disbursements that can be requested upon the achievement of DLI's targets. The planned flow of disbursements for this component is decreasing with time, given the higher need for support in the short-run. Component 2 aims at closing the coverage gap of the AUH program. This Component introduces three important innovations: a) a combination of activities to close the coverage gap, to ensure that risks associated with individual activities are properly diversified; b) the use of output based financing to simplify the participation of other agencies in the outreach strategy, aligning their incentives with the Project's objectives; and c) the exploitation of comparative advantages of participating agencies. This Component will take advantage of ANSES' capacity to ensure transparency of social programs, avoid duplication of benefits, and manage an effective payment system. It will also benefit from MDS's experience in territorial outreach, in particular for activities that involve door-to-door data gathering, in combination with municipalities. The traceability of results is essential to ensure the transparency of the output based mechanism. Finally, achieving of the goals set in Component 2 will have consequences for disbursements of Component 1, through the DLI targets.

53. Components 3 and 4 will contribute to the improvement in the transparency in the implementation of social policy in Argentina. While Component 2 will focus on closing the existing coverage gap, these components are aimed at avoiding the problem in the future. Furthermore, both grievance redress mechanisms and impact evaluation based on rigorous methodologies will be supported by these components.

## **C. Financial Management**

54. A Financial Management Assessment (FMA) was carried out to assess the adequacy of financial management arrangements in place at: i) ANSES; and ii) *Unidad de Financiamiento Internacional* (UFI) within *Coordinación de Asuntos Internacionales* (CAAI) under the Ministry

of Social Development (MDS). It was determined that financial management arrangements in place at ANSES and UFI-MDS to implement the Project are acceptable to the Bank.

55. Overall, Project implementation arrangements including financial management aspects build on ANSES' experience in carrying out previous Bank financed operations. Efforts have been made to smooth implementation, reduce complexity and mitigate risks.

56. FM staff will assess the continuing adequacy of the financial management arrangements for the Project, monitoring the timeliness of receipt of the interim and annual audited financial statements and reviewing these reports as well as the concurrent audit reports. In addition to providing ad-hoc support as required, Bank FM staff plan to participate in at least one supervision mission every year. The supervision plan may be adjusted by according to the Project's fiduciary performance and updated risk.

#### **D. Procurement**

57. Procurement will be conducted according to the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (issued in January 2011 and revised in July 2014) for the supply of goods, civil works and non-consulting services, and the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (issued in January 2011 and revised in July 2014), for technical assistance and other consultant assignments.

58. ANSES and MDS will both be responsible for the implementation of activities under the different Components. ANSES' PMU will be responsible for the procurement activities under Components 2 and 3, and MDS' PMU will be responsible for the procurement activities under Component 4. The implementation of Component 2 will require the coordination of both implementing agencies.

59. The structures responsible for carrying out procurement activities, monitoring, and supervising the fiduciary arrangements, as well as the final procurement risk rating, were defined as a result of the capacity assessments of both PMUs (ANSES and MDS). The analysis carried out concluded that both PMUs have adequate experience and capacity to implement procurement activities. However, it is necessary to strengthen the ANSES PMU with an experienced procurement specialist. The procurement activities under the proposed project would also seek to further the CPS objectives of supporting open procurement.

#### **E. Social (including Safeguards)**

60. The Safeguards policy on Indigenous Peoples (OP 4.10) is triggered. The indigenous population in Argentina is small and dispersed all over the country, representing 2.4 percent of the total population, or approximately 955,000 people based on the 2010 census. Given the nature of the Project, no negative impacts are expected. On the contrary, the Project aims to reduce access barriers that have historically limited the participation of vulnerable communities, including indigenous people, in national social programs. The Project will be implemented at the national level; for those provinces and/or municipalities that have been, or will be identified as triggering OP 4.10, the Project has developed a National Indigenous Peoples Plan (NIPP). The

activities specified in the NIPP will be implemented through Sub-component 2.3 by ANSES and MDS to improve access to AUH for indigenous populations.

61. Project design was informed by lessons of ongoing social projects, particularly Argentina Basic Protection Project and its Additional Financing, and the Argentina Youth Employment Support Project, as well as from the Bank experience in the country and region. Also, a social assessment and a public consultation with the Council of Indigenous Participation (*Consejo de Participacion Indigena* - CPI), a leadership body of the National Institute of Indigenous Affairs (*Instituto Nacional de Asuntos Indigenas* - INAI) were conducted in March 2016. The goal of the consultation was to inform indigenous peoples about the Project and build a partnership to carry out proactive field work and different outreach strategies in order to increase coverage. Similar to other experiences in the country, the feedback received reiterates the need to implement actions tailored to indigenous groups to reduce access barriers to social benefits, particularly communications strategies, clear and simple administrative process for eligibility, culturally appropriate customer service, and particularly access to health and education services in order to comply with co-responsibilities. Activities and implementation arrangements to address the issues raised during consultations are included in Sub-component 2.3.

62. In order to prevent and solve possible complains appropriately, the standard complaints resolution channels of ANSES will be used. ANSES has a mechanism to receive feedback, which has different entry points for individuals or communities to raise their concerns, including: a) written request to ANSES in the form of letters or notes delivered at UDAs; b) through the official website; and c) through the complains and suggestions books available to the public in each UDAI that are later uploaded to the system.

63. The NIPP prepared by ANSES and MDS has been reviewed and approved by the Bank and was published in-country by the Borrower on April 29 and at the Bank's external website on May 2, 2016, in compliance with OP 4.10.

#### **F. Environment (including Safeguards)**

64. Although the Environmental Safeguard (OP/BP 4.01) is triggered given that one specific safeguard is triggered (Indigenous Populations OP/BP 4.10), the Project is rated C; hence an Environmental Assessment is not required.

#### **G. World Bank Grievance Redress**

65. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB'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 their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit

<http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Results Framework and Monitoring

**Country: Argentina**

**Project Name: Children and Youth Protection Project (P158791)**

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### Project Development Objectives

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PDO Statement

The Project Development Objectives are to: (i) expand coverage of the Family Allowances programs; and (ii) improve transparency of social protection programs implemented by ANSES.

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**These results are at** | Project Level

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### Project Development Objective Indicators

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Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	End Target
Number of children under 18 years old with complete records in ANSES' ADP database for AUH eligibility purposes. (Number in million)	11.583	11.770	12.105	12.419	12.714	12.992
Number of published social security monitoring reports. (Number)	0	2	4	6	8	10



Beneficiaries of Safety Nets programs <sup>10</sup> (Number in million) - (Core)	7.897	7.997	8.097	8.197	8.297	8.397
Beneficiaries of Safety Nets programs - Conditional cash transfer <sup>11</sup> (Number in million - Sub-Type: Breakdown) - (Core)	3.798	3.898	3.998	4.098	4.198	4.298
Beneficiaries of Safety Nets programs - Conditional cash transfers - Female (Number in million- Sub-Type: Breakdown)	1.899	1.949	1.994	2.049	2.099	2.149
Beneficiaries of Safety Nets programs - Female (Number in million - Sub-Type: Breakdown) - (Core)	3.949	3.999	4.049	4.099	4.149	4.199

### Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values				
		YR1	YR2	YR3	YR4	End Target
Number of children under 18 years old whose information has been completed at ANSES' ADP database through activities in civil registries. (number)	0	0	400,000	900,000	1,000,000	1,100,000
Number of published AUH monitoring reports. (number)	0	4	8	12	16	20
Percentage of AUH beneficiaries for which the payment has been suspended due to lack of evidence of compliance with co-responsibilities. (percentage)	11.4%	11.4%	11%`	10.5%	10%	9.5%

<sup>10</sup> This indicator measures the number of individual beneficiaries covered by the Family Allowance programs on account of child allowances, managed by ANSES. This indicator does not include benefits paid by the non-contributory programs that cover children of pensioners or beneficiaries of the unemployment insurance

<sup>11</sup> This indicator measures the number of child allowances paid by the AUH program which is part of the Family Allowance System managed by ANSES.

Number of active Territorial Action Plans (PAT) (number)	0	0	15	50	90	100
Number of households with socioeconomic survey completed ( <i>ficha social</i> ) (number)	0	0	17,000	57,000	97,000	120,000
Number of children under 18 years old that have been identified with the completed socioeconomic survey ( <i>ficha social</i> ) (number)	0	0	42,500	142,500	242,500	300,000
Number of children under 18 years old that have been identified with the completed socioeconomic survey ( <i>ficha social</i> ) that live in indigenous communities. (number)	0	0	3,000	7,000	12,000	18,000
Percentage of ANSES grievances responded in 20 days or less. (percentage)	50	50	60	70	80	90
Average response time to AUH grievances (Number of working days)	21	21	20	15	10	5
Strengthening the MDS capacity to implement, monitoring and evaluate Social Programs (Text)			Development of the Instrument of household socioeconomic characterization -Inventory of MDS and subnational governments' social programs	Development of monitoring instruments -training to MDS staff and subnational governments -Manuals with procedures on rules' programs	-Process and impact evaluation of key MDS' programs	Key elements of the monitoring system of MDS' programs functioning - Report on Impact evaluation of the AUH

### Indicator Description

Project Development Objective Indicators					
Indicator Name	Description (indicator definition etc.)	Frequencv	Data Source /	Responsibility for Data	

			Methodology	Collection
Number of children under 18 years old with complete records in ANSES' ADP database for AUH eligibility purposes.	This indicator shows the number (in millions) of children with CUILs linked to parents' CUILs and thus, able to participate in the AUH eligibility process. Unit of measure: Millions of children under 18 years of age.	Biannual / Quarterly	ANSES' Statistical Report	National Social Security Administration
Number of published social security monitoring reports.	This indicator reflects the biannual published monitoring reports of the social security programs.	Biannual	ANSES' Statistical Report published through ANSES' website.	National Social Security Administration
Beneficiaries of Safety Nets programs	This indicator measures the number of individual beneficiaries covered by safety nets programs supported by the Bank. Safety nets programs intend to provide social assistance (kind or cash) to poor and vulnerable individuals or families, including those to help cope with consequences of economic or other shock. Unit of measure: Millions of children under 18 years of age.	Biannual	ANSES' Statistical Report	National Social Security Administration
Beneficiaries of Safety Nets programs - Conditional cash transfers	Follows the safety nets programs' classification used in SP Atlas. Unit of measure: Millions of children under 18 years of age.	Quarterly	ANSES' Statistical Report	Administration of the Social Security Administration
Beneficiaries of Safety Nets programs - Conditional cash transfers - Female.	This indicator measures the number of AUH female beneficiaries covered by the Family Allowance System, managed by ANSES. Unit of measure: Millions of children under 18 years of age.	Biannual	ANSES' Statistical Report	National Social Security Administration
Beneficiaries of Safety Nets programs – Female.	This indicator measures female participation in SSN programs. It has the same definition as the "Beneficiaries of Safety Nets programs" but applies only to female. This indicator will yield a measure of coverage of SSN projects disaggregated by gender. Unit of measure: Millions of children under 18 years of age.	Biannual	ANSES' Statistical Report	National Social Security Administration

## Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Number of children under 18 years old whose information has been completed at ANSES' ADP database through activities in civil registries	This indicator shows the number of children's CUILs that have been linked to parents' CUILs and are able to participate in the AUH eligibility process, based on information provided by the activities with civil registries described in Subcomponent 2.1	Biannual	Administrative data	National Social Security Administration
Number of published AUH monitoring reports	This indicator reflects the quarterly published monitoring reports of the AUH program as described in the Operational Manual.	Quarterly	Administrative data	National Social Security Administration
Percentage of AUH beneficiaries for which the payment has been suspended due to lack of evidence of compliance with co-responsibilities.	The indicator is estimated as the number of AUH benefits that have been suspended due to lack of compliance with co-responsibilities, as a percentage of the eligible beneficiaries (monthly benefits paid plus suspended), during the month in which benefits have been suspended.	Annual	Administrative Data, measured in August each year.	National Social Security Administration
Number of active Territorial Approach Plans (PAT)	This indicator shows the number of agreements signed by ANSES and MDS with selected municipalities, including a PAT, to reduce the coverage gaps of AUH.	Biannual	Administrative Data	Ministry of Social Development
Number of households with socioeconomic survey completed ( <i>ficha social</i> )	This indicator shows the number of households visited by municipal and MDS staff, where the <i>ficha social</i> have been applied.	Biannual	Administrative data	Ministry of Social Development
Number of children under 18 years old that have been identified with the completed socioeconomic survey ( <i>ficha social</i> )	This indicator shows the number of children whose information has been completed on ADP database through the activities described in Subcomponent 2.2	Biannual	Administrative Data	Ministry of Social Development

Number of children under 18 years old that have been identified with the completed socioeconomic survey ( <i>ficha social</i> ) that live in indigenous communities	This indicator shows the number of children whose information has been completed on ADP database through the activities described in Subcomponent 2.3	Biannual	Administrative data	National Social Security Administration
Percentage of ANSES grievances responded in 20 days or less.	This indicator reflect the progress in the percentage of grievances received by ANSES that have been responded according to established procedures, described in the Operational Manual.	Biannual	Administrative data	National Security Administration
Average response time to AUH grievances.	This indicator represents the number of working days in which claims related to AUH registered by the ANSES' GRM have been responded.	Biannual	Administrative data	National Social Security Administration
Strengthening the MDS capacity to implement, monitoring and evaluate Social Programs	This indicator shows the progress in the implementation of the activities described in Component 4.	Biannual	Administrative data	Ministry of Social Development

## Annex 2: Detailed Project Description

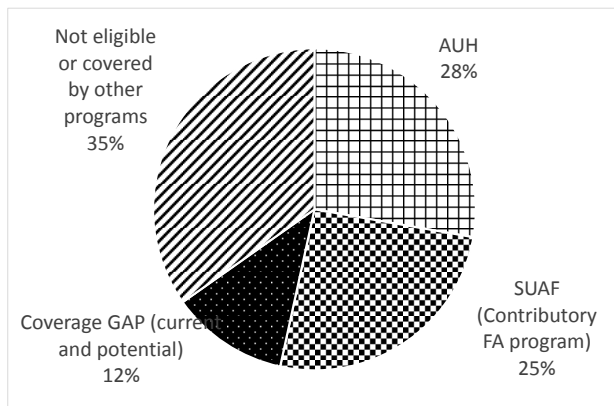
### ARGENTINA: Children and Youth Protection Project

- 1. Social Protection in Argentina is in constant evolution, modifying its content, coverage and institutional landscape.** The origins of Social Protection could be found in the pension programs organized as contributory schemes and managed by trade unions at the beginning of the twentieth century. Coverage gradually expanded to other programs, including Family Allowances (that provided child benefits to formally employed parents), unemployment and health insurance. In the 1960s, the Social Security system started to consolidate and in the early 1990s the National Administration of Social Security (ANSES) was created to manage most contributory pension scheme, the family allowances programs and the Unemployment Insurance.
- 2. The main Social Protection institutions in Argentina are ANSES, the Ministry of Labor, Employment and Social Security, and the Ministry of Social Development.** ANSES is an autonomous agency, supervised by the Ministry of Labor, responsible for cash transfers including the national contributory social security system and, since the early 2000s, a growing number of social programs, such as the AUH, payment (but not granting) of non-contributory pensions, the housing program PROCREAR and the laptop distribution scheme *Conectar Igualdad*. It has a wide network of field offices and is widely recognized for its capacity to manage large programs.
- 3. The Ministry of Labor that traditionally dealt with collective bargaining and the regulation of trade unions and social security policies, widened its role in the mid-1990s by including a Secretariat of Employment whose responsibility was to manage employment and training programs.** A series of small programs was consolidated into the *Plan Trabajar*, a workfare with average coverage of 150 thousand beneficiaries (individuals), with close links between the National Government and Municipalities and other NGOs. In 2002, in the midst of a serious economic and social crisis, the *Plan Jefes* was launched reaching a peak coverage of 2 million beneficiaries (households), replacing existing employment and cash transfer programs like *Plan Trabajar*. More recently, the Secretariat has focused on training and activation programs, such as the Training and Employment Insurance (launched in 2006, to offer training and intermediation services to former *Jefes* beneficiaries) and the Youth Employment Program, which provides similar services to the population aged 18 to 24 with difficulties to find formal employment.
- 4. The Ministry of Social Development was created in 1999 as the economic and social situation began to deteriorate.** It originally managed non-contributory pensions, a feeding program (that was implemented with support from the provincial governments) and in 2004 incorporated a program called *Familias*, which offered conditional cash transfers to former *Jefes* beneficiaries. The ministry is also in charge of promoting cooperatives and small entrepreneurs, and has run a large program called *Argentina Trabaja* since 2009, that offers employment opportunities to low-skilled workers through cooperatives that are organized by municipalities or social movements.
- 5. The launching of the AUH program in October 2009 is the most recent and relevant reform to the Social Protection system in Argentina.** This program introduced a new benefit

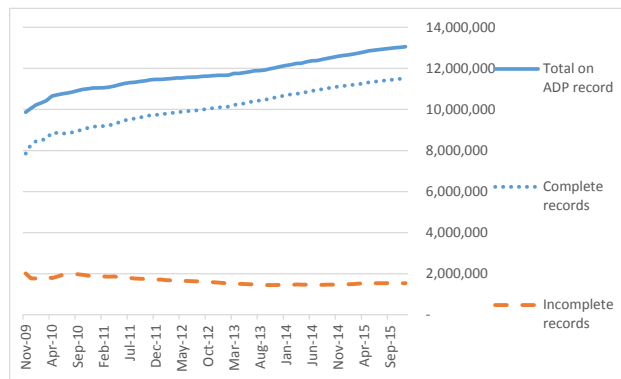
for children under 18 years old of unemployed and informal workers, which implies a permanent, cash transfer program that provides income support to those outside the formal labor market. AUH offers a flat monthly transfer to children under 18 years old (or older, if disabled). AUH was rapidly implemented, and by November 2009, nearly 3.3 million children were receiving the grant. Enrollment continued to slowly expand since then. By December 2015 it had reached almost 3.7 million, a figure similar to the coverage under the contributory Family Allowances program. The actual amount of the benefit is AR\$ 966 per month (equivalent to US\$ 64) as of April 2016, and it is indexed every six months.

**6. Two salient design features are worth highlighting to better describe this Project.** First, unlike previous programs, ANSES automatically enrolls all children using administrative records, and it does not require an application from potential beneficiaries unless records are incomplete in the databases. Therefore, the quality of information at ANSES ADP database (universe of IDs or CUILs) is key to determine the children’s eligibility to the program. Second, there is no beneficiary’s registry, as eligibility is determined every month, based on compliance with participation requirements. As ANSES needs to communicate with beneficiaries to provide them with debit cards to collect benefits, the address of beneficiaries recorded in ADP is essential to maximize the chances that the persons effectively receive the transfer. Since the launching of the AUH program in 2009, ANSES has been systematically improving the quality of the administrative records in ADP. Nevertheless, administrative records are still incomplete in many cases, most commonly because the available information does not allow to link children with their parents, hence making impossible assessing their eligibility. Therefore, there is a systemic problem that persists, calling for more pro-active intervention to reduce both the stock of excluded children under 18 years of age, as well as the flow of similar cases in the future.

**Figure 2.1. Children under 18 years of age by type of coverage. 2016**



**Figure 2.2. Children under 18 years of age included in ADP that are alive and residing in Argentina, by type of record. 2009-2016**



**7. On top of the 1.5 million children with incomplete records in ANSES’ ADP database, there are 537,000 beneficiaries that had their benefits suspended due to failure to show compliance with the co-responsibilities.** Preliminary analysis hints that there are reasons for this. First, in some cases children have dropped out of school, and actions should be taken by the State to reverse this. Second, there seems to be a failure in the compliance verification

process and, at least in some cases, children that comply with the co-responsibilities are registered as non-compliant. Hence, a combined approach that aims at providing social services to those who dropped out of school and correcting records of those that are incorrectly registered as non-compliant are two important activities that authorities need to implement.

8. The proposed Project would support the family allowances program in Argentina. The Project will include four Components.

9. **Component 1: Universal Child Allowance program financing (US\$-522 million).** This Component will finance grants paid under the non-contributory Family Allowance program AUH, and is expected to reimburse approximately 5.9 percent of the program spending during its implementation.

10. To receive a Grant, the parents<sup>12</sup> must comply with the following conditions:

- (i) must be unemployed or informally employed, with a self-reported monthly income below the Legal Minimum Wage;
- (ii) must have children younger than 18 years old living in Argentina and single, under their care, including natural, adopted, and/or foster children;
- (iv) his or her family information, including date of birth and tax number identification for all his or her children, is registered in ANSES' data system;
- (v) his or her children must be Argentine citizens, or foreigners with at least three years of legal residence in Argentina; and
- (vi) his or her children must receive regular health check-ups and vaccinations, and attend schools if older than five years old<sup>13</sup>.

11. Reimbursements of Grants from the loan account for Component 1 (including retroactive disbursements) are expected in the course of the first two years of the Project, and will be authorized when the two Disbursement-Linked Indicators (DLI) targets are reached, and not before the stipulated period set forth in Table 2.1. The first DLI is the number of children under 18 years old with complete records in ANSES' ADP database for AUH eligibility purposes. This DLI aims at reflecting the advance of the Government efforts in expanding coverage of AUH to include children who could be eligible but have missing information in their records.

12. The second DLI is the publication of a quarterly monitoring report, a critical action to ensure that the system is transparent for the general public. The reports will focus on the FA system, including both contributory and noncontributory programs, detailing coverage,

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<sup>12</sup> The reference to "parents" includes natural, adoptive, and or foster parents, as long as it is a legal status.

<sup>13</sup> Beneficiaries do need to comply with the co-responsibilities of the program which vary according to the children's age. Children under six years of age do need to show they have complied with the compulsory vaccination scheme. For children in school age the co-responsibility is focused on school attendance. Each child is provided with a booklet (*libreta*) that keeps record of the compliance. Beneficiaries are paid monthly 80% of the nominal benefit, and the remaining 20% is paid once a year, when compliance is verified.



expenditure, benefit amount, co-responsibility compliance, et cetera. The minimum contents of this report will be defined in the Operational Manual.

13. Disbursements will be authorized not before: a) the targets are achieved for two composite Disbursement-Linked Indicators (DLI), and b) the stipulated period as set forth in Table 2.1.

**Table 2.1 Disbursement linked indicators, targets and disbursement amounts.**

Disbursement Indicator		Disbursement will be authorized not before ___ months after effectiveness	Number of Children under 18 years old with complete records in ADP	Number of published quarterly monitoring reports	Disbursement for Component 1 (US\$ million)
Baseline (March 2016)			11,583,647	0	
Target level	First (retroactive)	0	11,683,647	2	180.0
	Second	3	11,770,773	3	80.0
	Third	6	11,856,473	4	37.4
	Fourth	9	11,940,782	5	37.4
	Fifth	12	12,023,734	6	37.4
	Sixth	15	12,105,364	7	37.4
	Seventh	18	12,185,704	8	37.4
	Eight	21	12,264,786	9	37.4
	Ninth	24	12,342,642	10	37.6
				Total	522.0

14. Disbursement conditions for Component 1 will follow the scheme below:

(a) Withdrawals up to US\$180,000,000 shall be made when the First Set of Target Indicators have been met.

(b) Additional withdrawals up to US\$80,000,000 shall be made when the Second Set of Target Indicators have been met; and any said withdrawal shall not take place prior to three months after the Effective Date.

(c) Additional withdrawals up to US\$37,400,000 shall be made when the Third Set of Disbursement Indicators have been met; and any said withdrawal shall not take place prior to six months after the Effective Date.

(d) Additional withdrawals up to US\$37,400,000 shall be made when the Fourth Set of Disbursement Indicators have been met; and any said withdrawal shall not take place prior to nine months after the Effective Date.

(e) Additional withdrawals up to US\$37,400,000 shall be made when the Fifth Set of Disbursement Indicators have been met; and any said withdrawal shall not take place prior to twelve months after the Effective Date.

(f) Additional withdrawals up to US\$37,400,000 shall be made when the Sixth Set of Disbursement Indicators have been met; and any said withdrawal shall not take place prior to fifteen months after the Effective Date.

(g) Additional withdrawals up to US\$37,400,000 shall be made when the Seventh Set of Disbursement Indicators have been met; and any said withdrawal shall not take place prior to eighteen months after the Effective Date.

(h) Additional withdrawals up to US\$37,400,000 shall be made when the Eighth Set of Disbursement Indicators have been met; and any said withdrawal shall not take place prior to twenty one months after the Effective Date.

(i) Additional withdrawals up to US\$37,600 shall be made when the Ninth Set of Disbursement Indicators have been met; and any said withdrawal shall not take place prior to twenty four months after the Effective Date.

15. Component 1 is expected to finance the equivalent of 225,000 monthly benefits at a per capita value of AR\$966 over three years (including one year of retroactive financing). The Component is expected to fully disburse during the first two years of program implementation, for a total amount of US\$522 million, equivalent to approximately 5.9 percent of total eligible expenditures on AUH.

16. **Component 2: Closing the coverage gaps of the Universal Child Allowance program (US\$53.6 million).** This Component will support an active strategy to complete missing information of nearly 1.5 million of children that prevent them from being considered as potential beneficiaries of AUH (because information on their parents is not correctly linked to them in ADP database) and correct information on co-responsibilities compliances at ANSES' systems that, as of February 2016, exclude 537,000 children from receiving the benefits. A set of complementary activities<sup>14</sup> will be jointly implemented by ANSES and MDS to improve the administrative records of ANSES ADP database. This Component is expected to be implemented over the course of four years, and is organized in three sub-components.

17. **Sub-component 2.1: Gathering information from Provincial Civil Registries and other agencies (US\$10.9 million).** This Sub-component will support two activities: a) ANSES aims at reaching out to civil registries in all provinces to collect data from birth certificates.<sup>15</sup> The civil registries will find, complete and transfer the missing information to ANSES. Specifically, the subcomponent will support the following activities: (i) preparation of a plan at the civil registries to implement the activity in collaboration with ANSES; and (ii) ANSES would pay to registries for completing the missing information through an output-based scheme; b) ANSES and MDS will coordinate activities with provincial Ministries of Education and UDAs to complete the reporting on co-responsibilities of a group of 537,000 children and youth who have not evidence on compliance for 2015 in ANSES database. This activity is expected to scan birth certificates and collect information of 1.1 million children in around 25 civil registries.

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<sup>14</sup> These activities would involve other institutions such as provinces or municipalities that will participate in the process on the basis of incentive mechanisms set in agreements with ANSES and MDS.

<sup>15</sup> Civil Registries are run at the sub-national level, with deconcentrated offices within each province or within municipalities. To ensure compatibility, their activities are coordinated with the national government by the National Registry (RENAPER, *Registro Nacional de las Personas*).

18. **Sub-component 2.2: Gathering information at local level (US\$40.2 million).** The Sub-component will contribute to closing information gaps related to co-responsibilities of AUH and missing information in the cases where the activities from Sub-component 2.1 were not successful. MDS and ANSES will support selected municipalities to find the children and youth and collect the missing information. This Sub-component will cover, nationwide, the 100 municipalities with the largest number of children with incomplete records in ADP.<sup>16</sup>

19. The Sub-component will include two activities. First, Sub-component 2.2 a) the provision of support to selected municipalities to:

- (i) Develop a municipal territorial action plan (*Plan de Accion territorial* – PAT) to reach families with children and youth with no evidence of compliance with co-responsibilities and those that were not identified through Sub-component 2.1 of the Project. MDS and ANSES will sign an agreement with municipalities to collect the necessary information about local residents that have missing or outdated information in ADP that could not be completed through Sub-component 2.1. Additionally, the agreements will establish: (i) actions to overcome the problems associated with the lack of submission of proof of compliance with health and education co-responsibilities; (ii) the adequacy of supply of health and education services in the territory; (iii) design monitoring mechanisms; and (iv) actions to overcome the problems associated with the non-compliance of co-responsibilities. The PAT will contain a detailed diagnosis, targets on outputs, a plan to train municipal staff to collect the necessary information, and a schedule to get the agreed outputs.
- (ii) Implement the pertinent PAT, including the carrying out of field work to collect information through home visits using the address information on record, if available, and completing a *ficha social*. The municipalities will be provided with tablets to collect the missing information through the MDS' *Ficha Social*. The implementation of the PAT will be monitored by the MDS and ANSES through a set of indicators established in it. MDS and ANSES will analyze the information collected by municipalities to identify problems in the co-responsibilities compliance process and regularly review and improve the instruments (protocols, referrals, manuals) to support the municipalities in the implementation of the PAT.

20. The information collected by municipalities will include data on socio-economic characteristics of the families. The forms to be used in the process (*ficha social*), together with related protocols and manuals with guidance for municipalities, among other materials that will be necessary during project implementation will be developed by MDS and finance through sub-component 4.1.

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<sup>16</sup> The city of *Buenos Aires* is the municipality with the largest number of children with incomplete records in ADP (287,835), and *Alberdi* in the Province of *Santiago del Estero*, the smallest of the top 100 municipalities, with 3,905 children with incomplete records in ANSES ADP database. Out of the 24 provinces, *Buenos Aires* ranks first with 587,831 potential beneficiaries spread in 36 municipalities. *La Rioja* is the province with smallest number of target population with 5,946 potential beneficiaries. Within the metropolitan area (city of Buenos Aires and surrounding neighborhoods), the municipality with the largest number of children with incomplete records is *La Matanza* with 71,285, while *Presidente Peron* is the smallest with 3,960 potential beneficiaries.

21. Second, Sub-component 2.2 b) would support the field work under Sub-component 2.2 a) designing and implementing communication campaigns and dissemination materials to raise awareness of the program among potential beneficiaries; setting up kiosks to register and update information in key spots like hospitals and public locations; and setting up mobile units with connectivity to reach areas with more difficult access.

22. ***Sub-component 2.3: Improving access to AUH for Indigenous Population (US\$2.5 million)***. ANSES and MDS will implement specific actions, as described in the National Indigenous People Plan (NIPP), to reach out to indigenous communities. This Sub-component will support MDS and ANSES to work in communities with indigenous population to guarantee the access to AUH of eligible children and youth. This sub-component will use a geographic targeting in those communities where indigenous populations are established. MDS and ANSES, through the direct relationship with the indigenous family and with organizations representing the indigenous population, will overcome the barriers that prevent the expansion of coverage of AUH within the indigenous population. Among these barriers are ignorance of their rights; remoteness and geographical dispersion of communities; lack of provision of social services in the territory; linguistic differences; and socio-cultural differences.<sup>17</sup> The Sub-component will finance: a) special field arrangements and management of benefits and services in indigenous communities' areas; b) training workshops on social security for indigenous leaders designed by the community c) the provision of training to allow indigenous communities to access ANSES' information and procedures remotely, and d) dissemination in indigenous languages including contents in indigenous radios programs (in indigenous languages) and non-indigenous programs that reach indigenous community areas, as well as other type of suitable telecommunication.

23. Complementary activities have been envisioned to implement Component 2 as part of risk diversifying strategy to meet the goal of closing the coverage gaps. Figure 1 presents the sequence that the Subcomponent are expected to follow.

24. The activities in Sub-component 2.1, implemented by ANSES through the civil registries, to scan and link the observation with incomplete records, may result in: (a) the child's ID (CUIL) being linked to his parents ID; or (b) the child's ID not being linked, in this case Sub-component 2.2 is to be followed.

25. The child entering in ADP database with complete records can be either (a) not eligible to participate in the AUH due to reasons set in legislation, or (b) eligible to participate. If eligible, ANSES sends a mail to the available parents' address (preferable the mother's), informing about the eligibility of her/his child to participate in the AUH program, inviting her/him to visit the

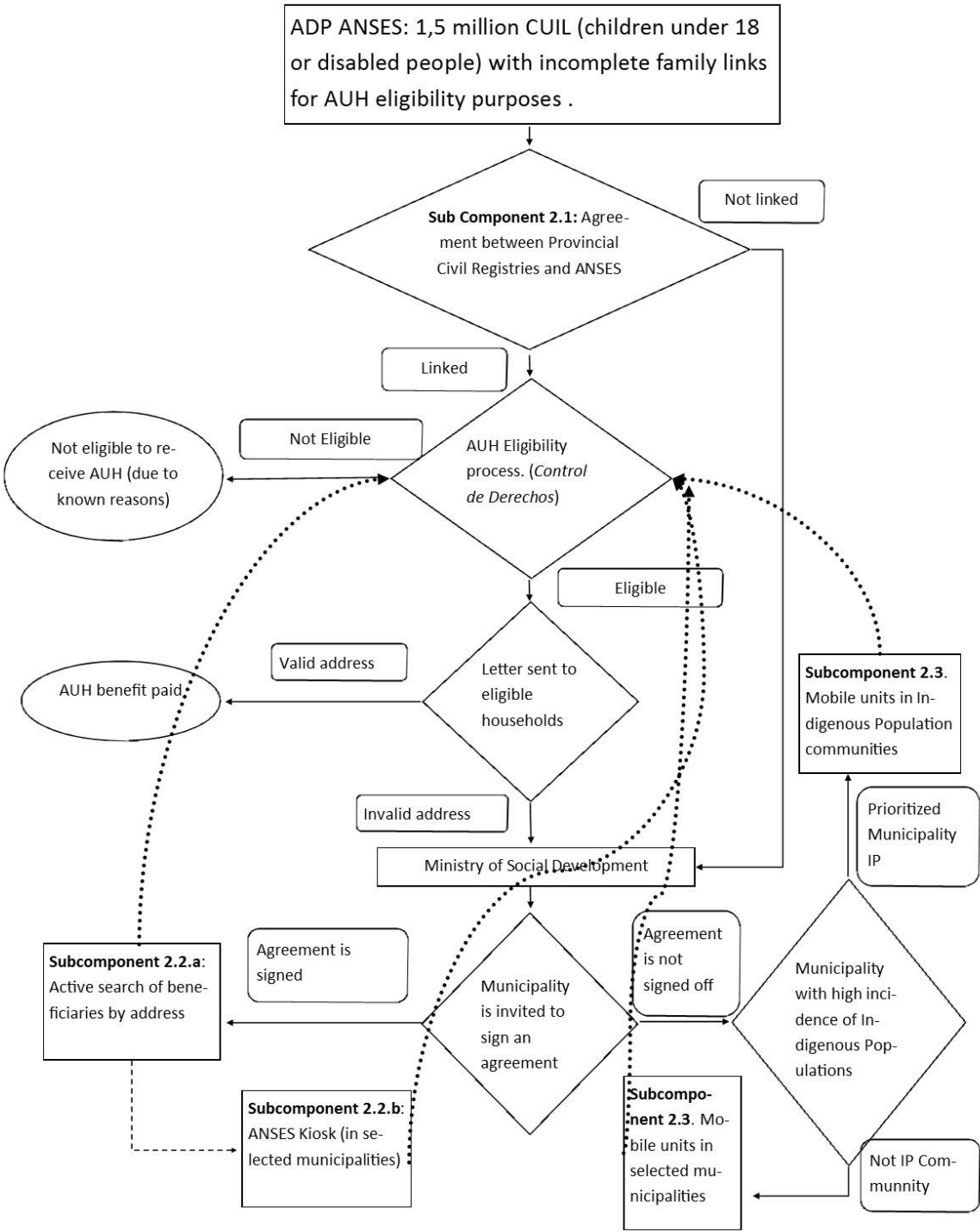
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<sup>17</sup> Evidence collected from a recent pilot program carried out in the province of Salta, showed that people in communities that are far away from bigger cities or provincial capitals, in some cases are still missing IDs. Although the incidence on the overall population is negligible, communities with large incidence of indigenous population may be larger, implying that a dual approach would need to be carried out at these municipalities. Reducing the coverage gap of AUH would require both the updating of family links of the potential beneficiary, but also providing IDs to the ones that still don't have them. Anecdotal evidence suggests that the transaction costs such as lack of information or distance to city centers where the provincial civil registries are located may be explaining the existence of people without IDs.

UDAI (ANSES offices) to be informed about the co-responsibilities and on where to collect the debit card to receive the payment. Alternatively, if no response is observed, the address is assumed to be incorrect or invalid, these cases would then be transferred to Sub-component 2.2.

26. Activities included in Sub-component 2.1.a and Sub-component 2.2.a will be financed through an output-based model, based on unit costs to be reimbursed to Civil Registries and Municipalities, respectively. The unit costs represent the underlying costs required to implement the activities to produce the outputs, calculated by ANSES and MDS, as presented in Annex 3 of this PAD and reflected in the Operational Manual. Sub-components 2.1 b, 2.2 b and 2.3 will also finance consultant and non-consultant services, goods (IT equipment, furniture and software) training and operating costs for activities carried out directly by ANSES and MDS.

**Flowchart 1. Component 2: Closing the coverage gap**



27. **Component 3: Institutional Strengthening of ANSES on information procedures, transparency and project management (US\$10.5 million).** This Component aims to provide support to reduce the incidence or incomplete record in ADP in the future, improve transparency through access to information on social security programs for beneficiaries and general public and increase the effectiveness of the mechanisms for complaints and citizen engagement related to social security benefits, particularly the AUH. The component will also finance the activities of the Project Management at ANSES. This Component will include two Subcomponents:

28. *Sub-component 3.1: Improving information of management procedures and transparency (US\$5.7 million).* The objectives of this Sub-component are to strengthen information flows that feed and update the ADP database, including the development of a new system of verification of co-responsibilities that connects ANSES directly to health and education ministries and generates alerts about noncompliance that can activate Ministry of Social Development interventions. While Component 2 will focus on reducing the stock of excluded children, this Sub-component will focus on reducing errors of exclusion for future beneficiaries of AUH, or other social programs based on the same administrative records. This Sub-component will include three activities:

29. First, ANSES will establish agreements with RENAPER and relevant civil registries to generate a permanent system of data sharing and validation, in order to update its ADP database on a regular basis, in particular on births, deaths, and family composition of children and youth.

30. The activities in Sub-component 2.1 at the civil registries will generate better understanding of their problems and capabilities, as well as strengthen the link between the institutions. On that basis, ANSES will develop a protocol and the related software for a systemic exchange of information with RENAPER. Both institutions will agree on a monitoring plan and training activities to staff at civil registries to make available accurate information.

31. Second, it will support the improvement of information flows between ANSES and those responsible for verifying compliance with co-responsibilities. Currently, the compliance verification is the responsibility of beneficiaries, who need to obtain a form from ANSES, have it signed by providers and then take it back to ANSES for registration. It is possible that many of the children that have had their benefits suspended are actually complying with the requirements, but the verification mechanism is too complex or demanding. The Project will support ANSES efforts to simplify the process and implement automatic verifications, when possible.

32. Operational meetings with the Ministries of Health and Education will be held, in order to understand their needs and possibilities to review the current process and improve it, taking advantage of progress in other related programs such as *Plan SUMAR* in the health sector and *Conectar Igualdad* in education.

33. The system will also include an early warning system in coordination with the MDS that allows identification of compliance gaps and addresses them through social assistance services.

34. The Sub-component will finance in both activities: (i) assessments of the current flows of information and identification of the main issues; (ii) technical assistance on the process of exchange among agencies to agree on new procedures and tools, (iii) development of software,

manuals and training, and (iv) equipment for creating the structural capacities to initiate the activities of Sub-component 2.1 a).

35. Third, this Sub-component will support the improvement of ANSES capability in the area of use of mechanisms of grievance redress (GRM) and citizen participation. ANSES has a fairly sophisticated and standardized GRM in place. This mechanism has different entry points for individuals or communities to raise their concerns, including: a) written request to ANSES in the form of letters or notes delivered at UDAs; b) through the official website <http://www.anses.gob.ar/MiANSES>; c) by application available at UDAs; and d) through the complains and suggestions books available to the public in each UDAI that are later uploaded to the system.

36. In terms of process, grievance redress mechanism integrates an analysis and resolution phase, including a 20 day period to provide answers to persons filing complaints. Even though the system performs well, most isolated communities do not know about the existence of GRM and a limited number of complains related to the AUH are received annually. In 2015, ANSES received around 45,700 complaints, but only 212 were directly associated to the AUH. This sub-component will support efforts to more broadly advertise the GRM and education beneficiaries on its use.

37. While the ANSES has strengthened its operational capacity over time, a challenge remains to improve its performance on monitoring and disseminating information. The Subcomponent will support the preparation of studies and publications on specific topics, the organization of dissemination events and technical workshops to improve the transparency and access to information on social security programs.

38. Finally, the Sub-component will also support training and exchange of experience of good practices with other social protection agencies at the international level, especially on citizen participation and the use of the information generated by the institutions.

39. *Subcomponent 3.2: Project Management (US\$4.8 million).* This Subcomponent is aimed at providing financial support to the project implementation unit in ANSES, including the cost of the required audits.

40. Activities in Component 3 will finance consultant and non-consultant services (publications), training (workshops), goods (IT equipment, hardware and software) and operating cost.

41. **Component 4: Institutional Strengthening of the Ministry of Social Development and Project Management. (US\$12.4 million).** This Component will support activities aimed at strengthening the MDS' capacity to manage their own programs, coordinate and monitor social protection programs at national and subnational level. The Project implementation unit is also included in this Component. Currently, the MDS's programs focus on four main issues: social emergencies, food security, childcare, and productive inclusion of vulnerable population. The component seeks to contribute to the implementation of MDS' programs through three strategic axes: (i) establishing an integral social protection network in the country capable of coordinating between the federal government, provinces, and the main municipalities; (ii) improving the



MDS's ability to diagnose and deal with the needs of the vulnerable population; and (iii) strengthening the MDS's ability to plan and operationalize programs and services through reviewing and harmonizing their rules and procedures and strengthen capacities for monitoring and evaluation of social policies. The Component will be implemented through two subcomponents.

42. *Sub-component 4.1: Strengthening planning, coordination and monitoring functions of MDS and Project Management. (US\$ 7.2 million).* The proposed Project will support the MDS to enhance its capacity to improve the design and performance of MDS programs, to coordinate and monitor the provision of social programs in provinces and main municipalities, and to develop and execute a plan of continuous capacity building and training for public officials implementing social policy. The Subcomponent will also finance the activities of MDS' project implementation unit.

43. The development of a social protection network will facilitate the coordination of social protection programs and services of national and sub national governments, clarifying roles and responsibilities, reducing segmentation and improving procedures, targeting and monitoring. The MDS will develop and strengthen, through the network, its role as coordinator of the social policies and it will progressively increase the implementation capacity at subnational level. The MDS will map social protection programs and services run by agencies at different governmental levels, including objective, target group, eligibility criteria and description of the service involved, as a tool to initiate conversations with representatives of provincial and local governments. The MDS along with the subnational representatives will work together to define, establish, and regulate the basic characteristics of the network, including roles and responsibilities of the parts involved, priority programs, services, and mechanisms to monitor its implementation. The constitution, implementation and dissemination of results of the network will be promoted through existing policy coordination instruments, capable of ensuring a place to define the main issues of the network, to negotiate standards for the provision of programs and services, and to agree on goals to be achieved, such as the Social Development Federal Council (CODEFESO), The sub-component will finance the operation of a unit at the MDS Planning under Secretariat that will be responsible for the development of the social protection network and the definition of instruments that MDS would use to support the local implementation of it(training, operating manuals, information systems, monitoring instruments, etc.).

44. The MDS will develop a form (*Ficha Social*) to collect information on socioeconomic characteristics of vulnerable households. First, the instrument will be used to characterize the households that do not have completed information on the co-responsibilities of AUH (Sub-component 2.2). The information collected will help the MDS and municipalities to identify the main issues affecting these households, and to plan actions accordingly. Second, the MDS will explore the use of this information, combined with other available administrative databases (pensions, assets, social benefits, taxes, etc.) as a tool to help the MDS' programs to reach the most vulnerable and provide them with appropriate programs and services. This subcomponent will support technical assistance for developing a conceptual framework and testing the instrument, as well as the exchange of knowledge with best international experiences.

45. The MDS is seeking to improve the design and operational functions of MDS' programs and services. The MDS will implement activities to improve the efficiency and effectiveness of

MDS programs. Specifically, the subcomponent will support the: (a) strengthening of the programmatic content of key existing MDS programs and services, (b) revision of programs' rules of operation; (c) harmonization of the delivery processes of programs, including, if possible, registration, payments, and grievance and redress mechanisms and internal oversight; (d) strengthening of the existing management information systems of MDS programs; and (e) strengthening of the administrative processes of MDS programs, at local and central level.

46. Finally, In order to improve the operational capacity of the MDS, the subcomponent will support the design and implementation of a plan for continuous capacity building and training for public officials implementing social programs and services, including planning, budgeting and implementation of social protection programs and services.

47. The Sub-component will support the Project management unit of the MDS and finance consulting and non-consulting services, training, goods and operating cost.

48. *Sub-component 4.2.: Strengthening of MDS's capacity on monitoring and evaluation (US\$-5.2 million).* The Project will support the MDS to develop and implement a social monitoring and evaluation system, building on the existing Information, Monitoring, and Evaluation of Social Programs System (SIEMPRO). The system will seek to improve the performance of social programs and services by providing proper information and rigorous evidence, capacity building on M&E among key stakeholders, greater transparency to promote effective program management and decision-making.

49. The MDS will develop the conceptual and the operational tools and instruments to collect data and analyze indicators of MDS's programs and other social policies operating under subnational governments. This is aimed to facilitate decision-making, transparency and coordination of social protection policies. Specifically, the subcomponent will support, among other initiatives: (a) the definition of a conceptual framework for monitoring (indicators, frequency, and mode of presentation, program and service scope, collection instruments, and etcetera); (b) the identification of targets and indicators that contribute to accountability, and (c) the implementation of the monitoring system or social information system.

50. In addition, the MDS seeks to institutionalize the evaluation of social protection policies and programs, including institutional assessments, beneficiary assessments, process and functional reviews of program implementation, impact evaluation, and etcetera. The Sub-component will therefor support, among other initiatives: (a) the evaluation of the implementation of ISPN; (b) the evaluation of AUH; and (c) the evaluation of other social programs.

51. The Sub-component will finance consulting and non-consulting services, training, goods and operating cost.

**Annex 3: Output Based Activities: Unit Costs**  
**ARGENTINA: Child and Youth Protection Project**

1. As discussed in the main text of this PAD, part of the activities for Sub-components 2.1 and 2.2 will be financed through output-based mechanisms. The Project will reimburse ANSES for the achievement of two outputs under Sub-component 2.1 and another two outputs under Sub-component 2.2.
2. For Sub-component 2.1 a), the outputs are part of ANSES' efforts to collect data from birth certificates at civil registries and to link children with their parents in the ADP database. The two outputs to be financed are: (i) development of a plan for gathering information, which will be included in the respective registry agreement; and (ii) updated information in ANSES ADP of each child listed in the pertinent plan, through the submission of birth certificates by each participating registry.
3. In the case of Sub-component 2.2 a), outputs to be financed represent the responsibility of selected municipalities to undertake field work to fill in reasons for non-compliance with co-responsibilities, and collect additional socio-economic information through the *ficha social* form. The two outputs are the: (i) development of a territorial plan (*Plan de Accion Territorial* - PAT) which will be included in the respective municipality agreement; and (ii) the *ficha social* completed for each household with children under AUH and included in the pertinent PAT.
4. Unit costs for each of these four outputs have been estimated by ANSES and MDS based on the cost of equivalent activities (i.e. cost of issuing a duplicate birth certificate, or hourly wage of municipal or civil registry staff). A report describing the methodology used to calculate them, their structure and estimated value at appraisal was submitted to the Bank. The Bank has obtained reports from independent sources to assess these costs in the context of the local economy, concluding that they are reasonable.
5. The unit costs, presented in Table 3.1, will be part of the Operational Manual and will be subject to revisions at the request of ANSES or MDS if the underlying costs increase during implementation. Also, an annual concurrent audit will be carried out to confirm that the unit costs and the underlying structure continue to be reasonable and acceptable to the Bank.

**Table 3.1. Unit cost and underlying structure**

Component	Output	Total	Cost Breakdown	
		Unit Cost (average)  AR\$		
Subcomponent 2.1 a  Gathering information from Civil Registries	Action Plan prepared and included in the respective registry agreement	173,200	Salaries.	100%
	Updated information in ANSES ADP of each child listed in the pertinent plan, through the submission of birth certificates by each participating registry.	125	Salaries.	100%
Subcomponent 2.2 a  Gathering information from local level	PAT developed and included in the respective municipality agreement	220,500	Salaries.	100%
	<i>Ficha social</i> completed for each household with children under AUH and included in the pertinent PAT.	1,992	Salaries.  Operating costs <sup>18</sup>	92%  8%

<sup>18</sup> Operating costs includes transport fares, travel expenses and per diem, as well as nondurable/consumable office materials.

## **Annex 4: Implementation Arrangements**

### **Argentina Children and Youth Protection Project (P158791)**

#### **Financial Management and Disbursement Arrangements**

1. A Financial Management Assessment (FMA) was carried out to assess the adequacy of financial management arrangements<sup>19</sup> in place at: i) *Administración Nacional de la Seguridad Social* (Social Security National Administration, ANSES<sup>20</sup>), a decentralized agency under the Ministry of Labor, Employment and Social Security (MTESS); and ii) *Unidad de Financiamiento Internacional* (UFI) within the *Coordinación de Asuntos Internacionales* (CAAI<sup>21</sup>) under the Ministry of Social Development (MDS). It was determined that financial management arrangements in place at ANSES and UFI-MDS are acceptable to the Bank to implement the Project.

2. Overall, project implementation arrangements including financial management aspects build up on ANSES experience implementing previous Bank financed operations.<sup>22</sup> Efforts have been made to smooth project implementation, reduce complexity and mitigate risks associated.

3. The combined Fiduciary (Financial Management and Procurement) risk<sup>23</sup> at Concept Note was rated Substantial based on the following: i) the FM arrangements to support project implementation including flow of funds, accounting and financial reporting, budgeting, external auditing arrangements had not been defined; ii) it was unclear where the project management unit would be seated and its capacity to undertake the FM function of the Project; iii) some of the proposed Project activities would use an output based disbursements scheme while others would be geographically spread among numerous municipalities across the entire country; and iv) the Project size. FM risk rating has been reviewed and updated as part of the Project preparation and the following mitigating measures have been agreed and will be implemented to cope with the identified project's risks: (i) agreement's with municipalities and civil registries will be signed detailing their obligations under the Project; nonetheless, there will be no advances of loan proceeds to third parties; (ii) IFR for disbursement purposes used under Component 1 will be subject to ex ante review by the Task Team; (iii) a specific national budget line will be maintained throughout the project implementation period in order to allow tracking project expenditures including AUH payments incurred; (iv) annual audit of project's financial statements following auditing standards and terms of reference acceptable to the Bank; and (v) external concurrent audits under Terms of Reference (TORs) acceptable to the Bank to validate

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<sup>19</sup> The Financial Management Assessment (FMA) was conducted in accordance with OP/BP 10.00 and in line with specific Bank guidelines Manual for World Bank-Financed Investment Operations; document issued by Operations Policy and Country Services OPCFM on March 1, 2010.

<sup>20</sup> ANSES was created in 1991 pursuant to the Decree No. 2741/ 1991 as a decentralized agency of the Ministry of Labor.

<sup>21</sup> CAAI was created in 2016 through the *Decision Administrativa* No. 217/2016 under the Ministry of Social Development.

<sup>22</sup> National Pension Administration Technical Assistance Project (Ln. 4131-AR, P046821, closed in 2005); Institutional Strengthening ANSES II Technical Assistance Project (Ln. 7318-AR, P092836 closed in 2012); Argentina Basic Protection Project (Ln. 7703-AR, P115183 closed in 2014); and Basic Protection Additional Financing Project (Ln. 8017-AR, P115183, active).

<sup>23</sup> See Systematic Operations Risk-rating Tool (SORT) for further reference.

the achievement of outputs and, thereby to provide greater assurance on the uses of funds for the intended purpose. No other than standard conditions for FM are applicable to this Project except for a concurrent audit to validate delivery of outputs-based activities. The concurrent audit will be carried out by an external auditor and following TORs both acceptable to the Bank. The overall FM risk after mitigation measures is assessed as Moderate. The Project risk rating will be reviewed regularly in the course of Project supervision.

### **Summary of the Financial Management Assessment**

4. ANSES through a Project Management Unit (PMU) reporting to the *Subdirección Ejecutiva de Administración* (SEA) will be responsible for overall Project coordination and financial management (FM) comprising: managing the Project's designated account; overseeing budgeting formulation and execution; funds flow assuring adequate and timely financing of eligible expenses; preparing project's accounting records and financial reporting required by the Bank; and complying with project's external auditing arrangements. ANSES-PMU has qualified staff who are capable of carrying project FM functions; furthermore, some of the FM professionals have relevant experience implementing previous Bank financed projects. The PMU will rely upon ANSES procedures and line departments for budgetary and treasury operations. To ease implementation of Component 4 activities; a financial management unit, the UFI in MDS, will manage an operative bank account from which MDS will make payments of component 4 eligible expenditures and will record component transactions in UEPEX.

5. The implementation of Project Component 2 will be jointly undertaken by ANSES, MDS and subnational implementation entities (SIEs), including selected municipalities and subnational civil registries. Most of the activities will be financed using an output-based mechanism for reimbursing agreed standard unit costs to be financed for each individual output. SIEs participating in the Project will not receive advances or manage loan funds.

### **Fiduciary Control Framework**

6. Given the features of this operation including: i) the variety of participant institutions involved in project implementation; ii) great number of expected results spread over a large geographical area; and iii) the need of close coordination between implementing agencies; supplemental risk mitigation measures to standard FM arrangements are part of the Project fiduciary control framework, as follows:

7. Eligible beneficiaries of the non-contributory Family Allowance program AUH.<sup>24</sup> As a result of the significant efforts made throughout several cash-transfer programs implemented by ANSES and the Ministry of Labor, Employment and Social Security (MTESS), the payment system to beneficiaries has moved from payments in cash in the early 2000s to the use of individual debit cards. Component 1 will reimburse the Ministry of Finance (MOH) for grants to eligible participants of the AUH program that were paid directly by ANSES through deposits into program beneficiaries' bank accounts.

8. Output-based activities. To reduce the impact on both fiduciary risk and Project implementation complexity, standard outputs and their respective unit costs will be calculated for

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<sup>24</sup> *Asignación Universal por Hijo* (AUH) is a national Program adopted in 2009 implemented by MTESS through ANSES that offers a flat monthly transfer of AR\$960 for children under 18 years old (or older, if disabled) of unemployed or informally employed workers with low income.

the various activities under Component 2. It is envisioned that ANSES will be reimbursed on the basis of the quantity of outputs delivered and standard unit cost. This approach has been identified as the most suitable to manage fiduciary risks associated with the variety of SIEs required to achieve the Project Development Objectives. Review of unit costs versus actual expenditures will be conducted annually by an external auditor to ensure that appraisal estimates continue to be credible and variances remain within tolerable ranges.

9. Agreements will be signed with each SIEs in order to define the agreed objectives, activities plans and outputs, schedule of payments, supportive documentation to be archived by the SIEs, and sanction regime to be applied by ANSES in case of non-compliance by the SIE.

10. Internal Controls operating in ANSES. In-depth review of ANSES internal controls framework was carried out during preparation of previous Bank financed operations. Project internal control will be anchored in ANSES's organizational structure and procedures. A desk review of ANSES internal controls operating over the AUH Program was conducted as part of the FM assessment. It was determined that controls in place are reliable and continue to operate as planned. For payments of AUH, ANSES continues to make use of its payment system known as the Unified Family-Allowance Payment System (*Sistema Único de Asignaciones Familiares, SUAF*). Lastly, the operation will be subject to the Internal Control Standards issued by the General Syndicate of the Nation (SIGEN); the Federal Government's internal audit agency.

11. The Federal Government integrated budget and accounting system SIDIF, *Sistema Integrado de Información Financiera* will be used for fulfilling budget accounting needs of the project. The Project will rely on ANSES own procedures for budget formulation and execution. A budgetary line in ANSES 2016 annual budget<sup>25</sup> already exists and allows tracking of budget resources allocation and spending under the AUH program.

12. Concurrent audit. In addition to the annual financial audit, Project audit requirements will include semi-annual concurrent audit reports providing an opinion on the following: i) validation of the quantity of outputs delivered (semi-annual); and ii) continuous reasonableness of the agreed outputs unit costs (annually). Concurrent audit reports shall be submitted in support of applications documenting output-based activities to the Bank.

### **Accounting and Financial Reporting**

13. The UEPEX system which is the Federal Government system for accounting and financial reporting of donor-financed operations will be used by ANSES-PMU to generate the annual financial statements and Interim Financial Reports (IFRs). These reports will be generated on the basis of budget execution reporting in the SIDIF system and will consolidate results of all the Project components.

14. ANSES through its PMU will be responsible for: (i) maintaining Project accounts with the chart of accounts reflecting the Project categories, components and source of funding; and (ii) producing the requisite annual financial statements following the International Accounting Standards. The UEPEX<sup>26</sup> system will be used to maintain accounting records using cash basis

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<sup>25</sup> According to ANSES 2016 annual budget, the budgetary program Nr. 19 comprises the family allowance which refers to the subprogram Nr. 3 to report the budgetary allocation of resources. More budgetary details are published on the website: <http://www.mecon.gov.ar/onp/html/presutexto/ley2016/jurent/pdf/D16E850.pdf>.

<sup>26</sup> UEPEX: Argentina budget execution and recording software for multi-lateral financed operations.

accounting. Project financial reports will consist of annual financial statements and semiannual Interim Unaudited Financial Reports (IFRs) to be delivered to the Bank 45 days after the reporting period as part of progress reports. In addition, the IFRs will be required for disbursement purposes under Component 1 and will include information on Project compliance with the agreed Disbursement linked Indicators established in the Loan Agreement on a quarterly basis. Format and content of financial statements and IFRs for reporting and disbursement purposes have been agreed with the Bank and incorporated in the Operations Manual.

15. As stated below, MDS implementation of Component 4 activities will be supported by its International Financing Unit, *Unidad de Financiamiento Internacional* UFI. FM staff in UFI has experience in developing fiduciary arrangements of Bank financed projects<sup>27</sup>. UFI FM responsibilities will be limited to Component 4 including the following: i) management of an operative bank account in local currency that will receive advances from the DA controlled by ANSES; ii) making payments of eligible expenditures; iii) budget formulation and execution; and iv) recording project transactions in UEPEX. A consolidate chart of accounts will be prepared by ANSES-PMU that will consolidate project accounting records and financial reporting for the entire project. ANSES and MDS will prepare an Operational Manual (OM), which will define roles, responsibilities and strong mechanisms to allow coordination of arrangements required for project implementation.

#### **Flow of Funds and Disbursement Arrangements**

16. The following disbursement methods may be used under the loan: (i) Advance; (ii) Reimbursement; and (iii) Direct Payment.

#### **Arrangements for Component 1**

17. Component 1 will finance grants to eligible beneficiaries of the non-contributory Universal Child Allowance (AUH) program, and is expected to reimburse approximately 5.9 percent of the program's eligible expenditures during its implementation. AUH is a cash conditional transfer monthly paid by ANSES through the SUAF system that covers children in the most vulnerable households.

18. Component 1 will reimburse the Ministry of Finance (MOH) for grants payments to eligible beneficiaries which had been deposited directly to beneficiaries' bank accounts. This Component 1 will be linked to results and disbursements will be authorized against the achievement of Disbursement Linked Indicators (DLI)<sup>28</sup> that will function as withdrawal conditions in the Loan Agreement. Loan funds will be transferred to the Treasury Single Account (CUT) managed by the National Treasury Office (TGN) in the MOH using the reimbursement method.

19. The Borrower will prepare IFR accompanied by evidence of compliance with the agreed DLI periodically. It is expected that IFR for disbursement purposes will be submitted to the Bank quarterly depending on compliance with DLI. IFR will be reviewed by the Task Team before

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<sup>27</sup> Fourth Social Protection Project (Ln. 4398-AR, P006058, closed in 2005).

<sup>28</sup> The first DLI is the number of children under 18 years old with complete records in ANSES' ADP database for AUH eligibility purposes. The second DLI is the publication of a quarterly AUH monitoring report.



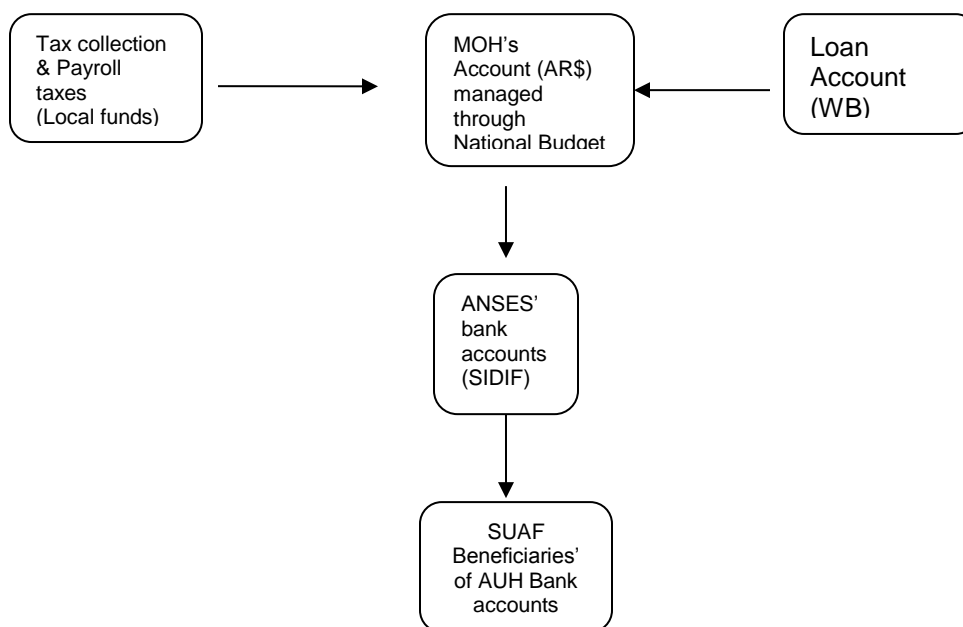
submission to the WFALN Department. For documenting eligible expenditures under Component 1, ANSES will keep an electronic list of the eligible beneficiaries for which ANSES is requesting reimbursement.

20. Disbursement linked Indicators and Target Values are shown in the table below:

**Table 4.1: Disbursements linked Indicators**

<b>Disbursement Indicators</b>	<b>Disbursement will be authorized not before</b>	1. Number of children under 18 years old with complete records in ANSES' ADP database	2. Number of published quarterly monitoring reports of AUH, including the number of children under 18 years old with complete records in ANSES' ADP database
<b>Baseline</b>	-	11,583,647	0
First Set	Effectiveness	11,683,647	2
Second Set	3 months after effectiveness	11,770,773	3
Third Set	6 months after effectiveness	11,856,473	4
Fourth Set	9 months after effectiveness	11,940,782	5
Fifth Set	12 months after effectiveness	12,023,734	6
Sixth Set	15 months after effectiveness	12,105,364	7
Seventh Set	18 months after effectiveness	12,185,704	8
Eighth Set	21 months after effectiveness	12,264,786	9
Ninth Set	24 months after effectiveness	12,342,642	10

**Figure 4.1 - Component 1 Flow of Funds**



**Arrangements for other Components**

21. Loan proceeds will be disbursed as advances into a separate designated account in dollars to be opened in the Argentina official bank, *Banco de la Nación (BNA)* managed by ANSES. Payments for eligible expenditures incurred will be made as follows: i) Component 4: from the operative bank account in local currency held by UFI –MDS; ii) For components 2 and 3: from the operative bank account in local currency held by ANSES.

22. It is expected that most of the activities under Component 2 will be disbursed using an outputs-based mechanism. Activities will be jointly carried out by ANSES, MDS and municipalities or sub national civil registries. Agreements will be signed detailing their obligations under the Project. The output-based mechanism will finance traceable outputs obtained by municipalities and sub national civil registries only<sup>29</sup>. The agreed outputs delivery will be verified by an external concurrent audit carried out by an independent auditing firm with qualifications and TORs acceptable to the Bank. For documenting eligible expenditures under the output-based scheme, ANSES will submit Withdrawal Applications to the Bank accompanied by the concurrent audit report. Detailed procedures for the implementation of Component 2 will be appropriately described in the Operating Manual.

23. Components 3 and 4 will be disbursed following traditional Bank procurements guidelines and procedures.

24. PMU staff will request access to the Bank’s Client Connection webpage to perform the periodic reconciliation between its own registries and the Bank disbursement records.

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

**Table 4.2: Disbursements per Expenditure Category**

<b>Expenditure Category</b>	<b>Amount in US\$</b>	<b>Bank’s Financing Percentage*</b>
<b>(1) AUH Grants</b>	<b>522,000,00</b>	100% of the amount of each AUH Grant (subject to paragraph B.1(a) and 2 below)
(2) Goods, Non-Consulting Services, consultants’ services, Training and Operating Costs for the Project	<b>49,615,000</b>	100%
<b>(3) Outputs under Parts 2.1 (a) and 2.2 (a) of the Project</b>	<b>26,885,000</b>	100% of the Unit Costs in accordance with amounts established in the Operational Manual
<b>(4) Front-end Fee</b>	<b>1,500,000</b>	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
<b>(5) Interest Rate Cap or Interest Rate Collar premium</b>	<b>0</b>	Amount due pursuant to Section 2.08(c) of this

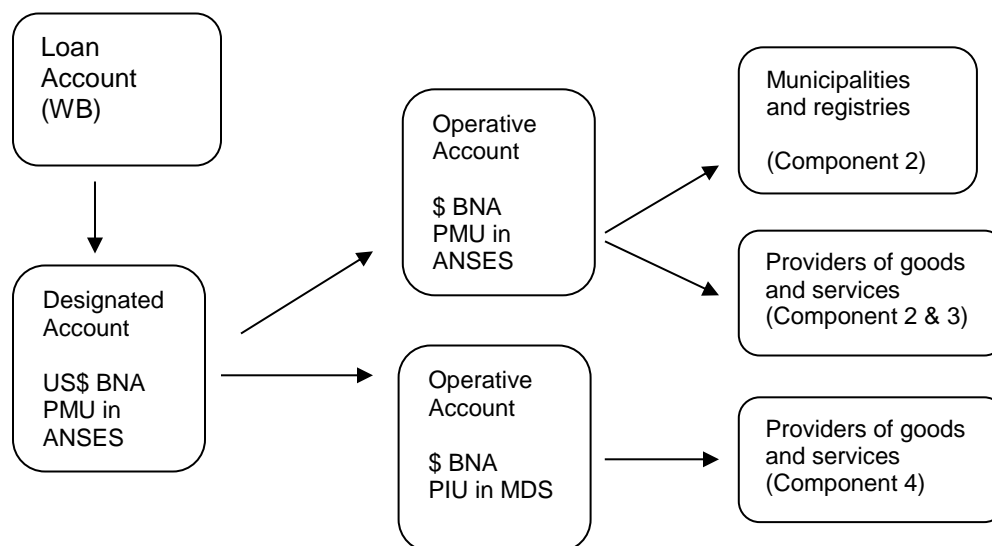
<sup>29</sup> Outputs definition and unit costs in local currency are stated on Annex 3 of the PAD.

		Agreement
<b>TOTAL AMOUNT</b>	<b>600,000,000<sup>30</sup></b>	

26. Withdrawals from the DA will be solely made for payments of eligible expenditures incurred and reimbursement of the agreed outputs.

27. The following chart reflects the project's flow of funds for Components 2, 3 and 4.

**Figure 4.2 – Components 2, 3 and 4 Flow of Funds**



28. Retroactive financing is likely to be requested for eligible payments made by the Borrower under Component 1 not more than one year before the expected date of the Loan Agreement signing; for an amount up to 30 percent of the loan amount.

29. The following Disbursement Methods<sup>31</sup> may be used under the Loan:

**Table 4.3: Disbursement Arrangements**

Retroactive expenditures	Eligible expenditures: <ul style="list-style-type: none"> <li>▪ Are paid up to 12 months prior to the date of loan signing;</li> <li>▪ Do not exceed 30 percent of the loan amount; and</li> <li>▪ Comply with the agreed DLIs for Component 1.</li> </ul>
Reimbursement of eligible expenditures pre financed by the Government after the date of loan signing ( Component 1)	<ul style="list-style-type: none"> <li>▪ Reimbursement of eligible expenditures into the Treasury Single Account (CUT) managed by the National Treasury Office (TGN). Periodically IFR requesting the reimbursement accompanied by evidence of compliance with the Disbursement Indicators.</li> </ul>
Other Disbursement Methods (Component 2, 3 & 4)	<ul style="list-style-type: none"> <li>▪ Direct payments to suppliers. The minimum application size for direct payment requests will be defined in the Disbursement Letter (DL).</li> <li>▪ Advance to a segregated designated account in USD managed by ANSES</li> </ul>

<sup>30</sup> All expenditure supporting documentation will be available for review by the external auditors and Bank staff at all times during Project implementation, until at least the later of: (i) one year after the Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Loan Account was made; and (ii) two years after the Closing Date. The Borrower and the Project Implementing Entity shall enable the Bank's representatives to examine such records.

<sup>31</sup> For details, please see the Disbursement Handbook for World Bank Clients.

	as explained earlier with a ceiling to be defined in the DL.
Supporting documentation	<ul style="list-style-type: none"> <li>▪ IFR for Component 1 along with an electronic list of beneficiaries that had been paid.</li> <li>▪ External concurrent audit report for outputs under the Component 2.</li> <li>▪ Statement of Expenditures (SOEs) for Component 2, 3 and 4</li> <li>▪ Records (supplier contracts, invoices and receipts) for direct payments.</li> </ul>

### **External Audit Arrangements**

30. Financial audit. The project annual financial statements will be audited based on Terms of Reference (TORs) acceptable to the Bank by acceptable auditor and following auditing standards acceptable to the Bank. The audit report will be furnished to the Bank not later than six months after the end of each calendar year (or other period agreed with the Bank).

31. Concurrent audit. As mentioned above, a concurrent audit to validate delivery of outputs will be carried out by an external auditor and following terms of references both acceptable to the Bank. The objectives of the concurrent audit will include: (i) an opinion on the validation of the achievement of the agreed outputs provided by municipalities and subnational civil registries; and (ii) annually report on the continuous reasonableness of the agreed outputs unit costs. Concurrent audit reports shall be submitted in support of disbursements applications documenting output-based activities to the Bank.

### **Supervision Plan**

32. FM supervision plan and the resources to be allocated thereto have been determined in accordance with the risks identified. During project implementation, FM staff will assess the continuing adequacy of the financial management arrangements for the project. In addition to monitoring the timeliness of receipt of the interim and annual audited financial statements, FM staff will review these reports as well as the concurrent audit report. In addition to providing ad-hoc support as required, Bank FM staff plan to participate in at least one supervision mission every year.

33. The supervision plan may be adjusted by the assigned FMS according to project's fiduciary performance and updated risk.

### **Procurement**

34. Procurement would be conducted according to the World Bank's "Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (issued in January 2011 and revised in July 2014) for the supply of goods, civil works and non-consulting services, and the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (issued in January 2011 and revised in July 2014), for technical assistance and other consultant assignments.

35. For each contract which will be financed by the loan, the applicable procurement methods or consultant selection methods, the need for pre-qualification, when necessary, estimated costs, prior review requirements, and time frame will be agreed between the Borrower and the Bank in the Procurement Plan.

36. Procurement activities under the project will be coordinated and supported by the PMUs in ANSES (Components 2 and 3) and MDS (Component 4).

37. The Bank's Standard Bidding Documents (SBD) and Standard Request for Proposals would govern the procurement of Bank-financed International Competitive Bidding (ICB) goods and consultant services respectively. For National Competitive Bidding (NCB) and Shopping procurement of goods and non/-consulting services, the PIU would use National SBD and Shopping simplified formats agreed with or satisfactory to the Bank. All SBDs would be used for each procurement method, as well as model contracts for goods and consultants procured, and should be included in the Operational Manual (OM).

## **I. Goods and non-consulting services**

38. The procurement of Goods includes: IT equipment, hardware and software, furniture, kiosks to be installed in key spots like hospitals and public locations, and mobile units with connectivity. The procurement will be done using the Bank's Standard Bidding Documents (SBD) for all ICB and National SBD agreed with the Bank. When the contract for goods estimated to cost less than US\$ 500,000 it may be procured using NCB. When the contract for goods estimated to cost less than US\$ 100,000 it may be procured using Shopping.

39. Procurement of non-consulting services to be procured would include: surveys, publications, training (workshops), communication campaigns and dissemination materials.

40. Advertisement: All procurement notices shall be advertised in the web page of the Borrower's National Contracting Office (*Oficina Nacional de Contrataciones* [ONC]) portal or in at least one local newspaper of national circulation. In addition, ICB procurement notices and contract award information shall be advertised in the UN Development Business online (UNDB online). The Borrower's web page shall also be used to publish information on awarded contracts in accordance with provisions of paragraphs 2.60 of the Procurement Guidelines and as mandated by local legislation.

## **II. Selection of consultants**

41. **Firms:** Consultants services to be procured under this project to support implementation such as software development, design of impact evaluations, content of *Ficha Social*, etc. The selection of consulting firms would be carried out as stipulated in the Procurement Plan. QCBS (Quality and Cost Based Selection) will be the preferred method. However LCS (Least Cost Selection) and QBS (Quality Based Selection) for very specialized services may be used as well. Small contracts may be procured using CQS (Selection Based on Consultants Qualifications). FBS (Selection under a Fixed Budget) may be appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. SSS (Single-Source Selection) shall be used only in exceptional cases and the justification shall be examined in accordance with the provisions of paragraphs 3.8 and 3.9 of the Consultants Guidelines. Short lists of consultants for services estimated to cost less than US\$1,000,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. Regardless of the method used or the estimated cost of the contracts, selection and contracting of consultant firms would be done using the Bank's Standard Request for Proposals (SRfP).

42. **Individual Consultants:** Specialized advisory services would be provided by individual consultants selected by comparison of qualifications of at least three candidates and hired in accordance with the provisions of Section V of the Consultant Guidelines. Individual consultants

may be selected sole-source with prior approval of the Bank in accordance with provision of paragraphs 5.6 of the Consultants Guidelines.

43. **Advertisement:** The Borrower’s web page or a national newspaper shall also be used to advertise a request of expression of interest for consulting firms or individuals, and to publish information on awarded contracts in accordance with provisions of paragraphs 2.31 of the Consultants Guidelines and as mandated by local legislation. Contracts expected to cost more than US\$300,000 shall be advertised in UNDB online.

### III. Operating Costs

44. The loan would finance operating costs that would be procured, when applicable, using Bank Shopping procedures if the conditions of Clause 3.5 of the Procurement Guidelines are met. Operating costs include items such as per diem and travel support to consultants, office rental and maintenance, fuel, etc.

### IV. Details of the Procurement arrangements involving methods and review

45. Thresholds for the use the different procurement methods and recommended thresholds for Bank prior review are given in Table 5.

**Table 4.4 Thresholds for Procurement Methods and for Recommended Bank Review**

<b>Estimated Value Contract Threshold</b>	<b>Procurement Method</b>	<b>Bank Prior Review</b>
<b>Goods and Non-consulting Services:</b> >=US\$500,000 <US\$500,000 and >US\$100,000 <=US\$100,000 Any estimated Cost	ICB NCB Shopping Direct Contracting	>=US\$3,000,000 ----- ----- >=US\$100,000
<b>Consulting Firms:</b> Any Estimated Cost <US\$100,000 Any Estimated Cost	QCBS, QBS, FBS, LCS CQS SSS	>=US\$1,000,000 ----- >=US\$100,000
<b>Individual Consultants:</b> Any Estimated Cost Any Estimated Cost	IC SSS	>=US\$300,000 >=US\$100,000

ICB = International Competitive Bidding - NCB = National Competitive Bidding

SSS = Single Source Selection - QCBS = Quality- and Cost-Based Selection

QCS = Quality-Based Selection - FBS = Selection under Fixed Budget

LCS = Least-Cost Selection - CQS = Selection Based on the Consultant’s Qualifications

IC = Individual Consultant

### V. Agency’s Capacity Assessment

46. The structures responsible for carrying out procurement activities, monitoring, and supervising the fiduciary arrangements as well as the final procurement risk rating, were defined as a result of the capacity assessment of both PMUs (ANSES and MDS).

47. The analysis carried out on February 2016 in ANSES concluded that it has adequate experience and capacity to implement procurement activities. However, it is necessary to

strengthen the PMU with an experienced procurement specialist who will lead the procurement staff.

48. The analysis carried out on April 2016 in MDS concluded the PMU has also adequate experience and capacity to implement procurement activities.

49. In the event that the Borrower's capacity reduces in any of the PMUs, additional staff will be recruited as needed. The Bank will also assess implementation progress every six months and identify any issues that need to be resolved.

50. The overall Project risk for procurement is Moderate.

51. The Operational Manual will include advertising requirements and a minimum timeframe for each procurement method (ICB, National Competitive Bidding [NCB], shopping). The Operational Manual will define responsibilities during bidding processes and contract administration on the basis of the scheme reflected above. The Operational Manual will also include a price monitoring mechanism acceptable to the Bank. Specific and detailed procedures for facing disputes through adjudication and international arbitration will be included in the bidding documents.

52. Procurement records: Detailed procurement records, reflecting the Project's supply of goods and consultant services, including records of time taken to complete key steps in the process and procurement activities related to supervision, review, and audits, would be maintained by the ANSES and MDS. These records would be maintained for at least two years after the Project's closing date. The records for goods would include public notices, bidding documents and addenda, bid opening information, bid evaluation reports, formal appeals by bidders and outcomes, signed contracts with related addenda and amendments, records on claims and dispute resolutions, and any other useful information. The records for consultant services would include public notices for expression of interest, request for proposals and addenda, technical and financial reports, formal appeals by consultants and outcomes, signed contracts, addenda and amendments, records on claims and dispute resolution, and any other useful information. The filing, record keeping, auditing, reporting, post-review, and monitoring of the smaller procurement activities are crucial for the successful application of the funds for ensuring economy, efficiency, and transparency.

53. In the event that the Borrower's capacity reduces, additional staff will be recruited as needed. The Bank will also assess implementation progress at least every year and identify any issues that need to be resolved.

## **VI. Procurement Plan**

54. The Borrower will develop a Procurement Plan for project implementation for the first eighteen months which will provide the basis for the procurement methods. This plan will be agreed between the Borrower and the Bank and be available in the Project's database. The Procurement Plan will be updated and uploaded in the publicly accessible Systematic Tracking of Exchanges in Procurement (STEP) in agreement with the Bank or as required to reflect the actual Project implementation needs and improvements in institutional capacity.

55. The Procurement Plan will define the contracts that are subject to the Bank's prior review based on the recommended thresholds given in Table 4.4. Such recommended thresholds could be revised at every update of the Procurement Plan.

**Table 4.5 Schedule for Goods and Non-consulting Services**

Ref. No.	Contract (Description)	Estimated Cost (US\$, millions)	Procurement Method	Pre-Qualification (Yes/No)	Domestic Preference (Yes/No)	Bank's Review (Prior/Post)	Expected Bid Opening Date
1	Mobile Units with connectivity (ANSES)	3.5	ICB	No	No	Prior	February 2017
2	Mobile hardware (tablets) (ANSES)	2.7	ICB	No	No	Post	February 2017
3	IT Equipment (desktops, servers, scanners, printers, etc.) (MDS)	0,4	NCB	No	No	Post	February 2017

**Table 4.6 Schedule for Consulting Services**

Ref. No.	Description of Assignment	Estimated Cost (US\$, millions)	Selection Method	Review by Bank (Prior/Post)	Expected Proposals Submission Date
1	Development of software for Civil Registries (ANSES)	0,5	CQBS	Post	April 2017
2	Development of a protocol for a systemic exchange of information between ANSES and the National Registry (Registro Nacional de las Personas - RENAPER) and subnational civil registries (ANSES)	0,6	CQBS	Post	November 2017
3	Technical Audit Outputs (ANSES)	2.4	CQBS	Prior	November 2016
4	Development of software for <i>Ficha Social</i> form, to collect information on socioeconomic characteristics of vulnerable households (MDS)	0,5	CQBS	Post	February 2017

## VII. Frequency of Procurement Supervision

56. Procurement post review arrangements: In addition to prior review, as a result of the capacity assessment of the Implementing Agencies to be carried out, annual supervision missions to visit the field to carry out post-review of procurement actions would be recommended. The PMUs and the Bank, including procurement and financial management staff, would meet annually to review the procurement and action plan, and to carry out the ex post review.

### *Special Procurement Conditions.*

57. The following shall apply to procurement under the Project:



## **General**

58. All procurement shall be done using standard bidding documents, standard requests for proposals, model bid evaluation forms, model proposal evaluation forms and contract forms previously agreed with the Bank. As for consultant services contracts, only the types of contracts listed in Section IV of the Consultant Guidelines may be used and “Convenios” will not be permitted.

59. Foreign and local contractors, service providers, consultants and suppliers shall not be required: (a) to register (except as provided in the Standard Bidding Documents acceptable to the Bank); or (b) to establish residence in Argentina; or (c) to enter into association with other national or international bidders as a condition for submitting bids or proposals.

60. The invitations to bid, bidding documents, minutes of bid opening, requests for expressions of interest and notifications of contract award of all processes aimed at the procurement of goods and services (including consultants’ services), as the case may be, shall be published in the borrower’s web page in a manner acceptable to the Bank.

61. The Borrower: (a) will feed the Bank’s system within 30 days of Board approval with the information contained in the initial Procurement Plan, and (b) will update the Procurement Plan at least every three months or as required to reflect the actual project implementation needs and progress and will feed the STEP with the information contained in the updated Procurement Plan immediately thereafter.

62. After the public opening of bids for goods and non-consultant services, and consultants’ proposals, information relating to the examination, clarification, and evaluation of bids/proposals, and recommendations concerning awards shall not be disclosed to bidders/consultants or other persons not officially concerned with this process until the publication of contract award (except as provided in paragraphs 2.23 and 2.30 of the Consultant Guidelines). In addition, bidders, consultants and/or other persons not officially concerned with said process shall not be allowed to review or make copies of other bidders’ bids or consultants’ proposals.

63. Bidding documents for NCB and Request for Quotation shall include Anticorruption Clauses, including those that give the Bank audit rights over bidders, suppliers, contractors and consultants, acceptable to the Bank. These clauses shall be substantially identical to those pertaining to Bank Standard Bidding Documents for ICB.

## **Goods and Non-Consultant services**

64. A two-envelop system of procurement will not be used for the procurement of goods and non-consultant services.

65. Contracts of goods, services –other than consulting services- shall not be awarded to the “most convenient” bid but to the one that has been determined to be substantially responsive and the lowest evaluated bid, provided that further the bidder is determined to be qualified to perform the contract satisfactorily.

66. Witness prices shall not be used as a parameter for bid evaluation, bid rejection or contract award.

## **Goods**

67. References to bidders in one or more specialized magazines shall not be used by the Borrower in determining if the bidder in respect of goods whose bid has been determined to be the lowest evaluated bid has the capability and resources to effectively carry out the contract as offered in the bid, as referred to in the provision set forth in paragraph 2.58 of the Procurement Guidelines. The provision set forth in paragraph 2.58 of the Procurement Guidelines (including the limitation set forth herein) shall also be applicable to contracts for goods to be procured under National Competitive Bidding procedures.

68. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines providing for domestic preference in the evaluation of bids shall apply to goods manufactured in the territory of the Borrower in respect of contracts for goods to be procured under International Competitive Bidding procedures.

69. Compliance by bidders with the norms issued by the International Organization for Standardization with respect to any given good procured under the project shall not be used as parameter for contract award.

## **Consultant's Services**

70. Consultants shall not be required to submit bid or performance securities;

71. The types of contracts described in Section IV of the Consultant Guidelines shall be the only types of contracts to be used by the Borrower, in connection with the contracting of consultants' services provided by a firm and to be financed with the proceeds of the loan.

## **Procurement-Related Covenants**

72. In order to disseminate Project implementation requirements and procedures, and define roles, responsibilities, mechanisms, schedules and accountability arrangements, the Borrower will implement the Project following the stipulations of an Operational Manual (OM) acceptable to the Bank. The OM will include, inter alia, the project's institutional arrangements and operational, accounting, procurement and disbursement procedures.

## **Environmental and Social (including safeguards)**

73. The indigenous population in Argentina is small and dispersed all over the country representing 2.4 percent of the total population, or approximately 955,000 based on the 2010 census. They represent around 9.7 percent of the total households in the country. Argentina has ratified Convention 169 of the International Labor Organization (ILO) through Law 24.071 that guarantees indigenous peoples right in the country. However, based on the Indigenous Peoples Survey (*Encuesta Complementaria de Pueblos Indígenas - ECPI*) of 2004-05, 23.5 percent of the household does not cover basic needs. Most of the vulnerability issues faced by indigenous peoples are associated to the lack of access to social services, affecting particularly children and youth. In this context, in 2009 the government began implementing the AUH in conjunction with other social programs including benefits for indigenous peoples. However, there still are gaps to reach universal coverage in the country, particularly for indigenous peoples. Some of access barriers that have historically limited the participation of vulnerable communities in national social programs include (i) lack of knowledge about their rights and existence of the social programs; (ii) distance to urban centers and geographical dispersion of the communities; (iii) lack of social services near communities (iv) linguistics differences; (v) socio-cultural

differences; (vi) lack and cost of transportation; (vii) lack of communities organizations to help bridge activities between the state and communities; and (viii) lower school attendance and health coverage related to vulnerable and poverty issues. Reducing these barriers will improve significantly the impact that the AUH is already having in vulnerable populations by increasing consumption, improving productive activities and overall living conditions.

74. Due to the fact that Argentina's main citizen information system does not have ethnic variables to identify indigenous populations in the country, the Project will use a geographic targeting including municipalities with significant indigenous populations, making the application of the requirements under OP 4.10 relevant to these areas. In these cases, ANSES and MDS are responsible for developing and executing the National Indigenous People Plan (NIPP), taking advantage of their experiences in responding to needs and demands of indigenous populations. One of the main components of the NIPP is the carrying out of fieldwork to improve access to AUH for indigenous populations. These activities will be implemented in close coordination with local indigenous organizations and other public institutions. The NIPP covers measures to ensure that the activities executed in indigenous territories are culturally appropriate. The planned activities include: (a) Identification of key stakeholders in the territory for the development of the plan; (b) design of the main approaches, setting dates, targets and monitoring mechanisms; (c) definition of lines of action to overcome the problems identified; and (d) training local workers. Likewise, the NIPP will include different activities including: a) regional diagnostic, considering geographical, cultural and linguistic differences as well as presence of other public institutions with direct intervention in the areas. This diagnostics will be the tool to provide a description of the specific actions that would be used to reach out each Indigenous community; b) community oriented activities reaching out directly to families and local organization; c) culturally appropriate promotion and communication activities for indigenous including information campaigns, print materials and manuals in local languages; and d) training workshops; and mechanisms to provide information and respond to complaints, at the national as well as the provincial level.

*Consultations:*

75. ANSES and MDS carried out a public consultation in March 23, 2016 with the Council for Indigenous Participation (*Consejo de Participación Indígena - CPI*), which is a leadership's body of the National Institute for Indigenous Affairs (*Instituto Nacional de Asuntos Indígenas - INAI*). The goal of the consultation was to inform indigenous peoples about the Project and build a partnership to carry out proactive and extensive field work and different outreach activities in order to improve access to AUH for Indigenous Populations. A detailed presentation about the Project was conducted and special emphasis was given to provide information about the territorial plan and the NIPP. Similar to other experiences in the country, the feedback received reiterates the need to implement different actions to reduce access barriers to social benefits, particularly communications strategies, clear and simple administrative process for eligibility, cultural appropriate customer service and particularly access to health and education services in order to comply with co-responsibilities.

### *Grievance Redress Mechanism*

76. Given the nature of the Project, no negative impacts are expected. However, it is possible that individuals or communities may have concerns about the implementation process, particularly regarding access difficulties to services and eligibility criteria. In order to prevent and solve possible complains appropriately, the standard complaints resolution channels of ANSES would be used. ANSES has a fairly sophisticated and standardized Grievance Redress Mechanism already in place. This mechanism has different entry points for individuals or communities to raise their concerns. It includes: a) paper by direct written request to ANSES; b) through the official website <http://www.anses.gob.ar/> MiANSES; c) some received at UDAIs through an specific application a ARP-CCC that has an administrative process defined (PRES-07-02); and d) complains presented by individuals through the complains and suggestions book available to the public in each UDAI that later are uploaded to the system ARP-CCC. In terms of process, complains mechanism integrates an analysis and resolution phase, including a 20 day period to provide answers.

### *Monitoring & Evaluation*

77. The results monitoring framework builds on the experience of implementing previous and existing Bank operations, including the Argentina Basic Protection Project, the Heads of Household, Heads of Household Transition, and Lifelong Learning projects. ANSES has capacity to produce monitoring reports on social programs from Pensions to Family Allowances and Unemployment Insurance, with a long tradition of dissemination in print and via its web page. Although the dissemination of these reports was halted between 2009 and 2015, a rich set of tables with cross section and time series data became available again with the new administration through [www.transparencia.anses.gob.ar](http://www.transparencia.anses.gob.ar).

78. Impact evaluations, especially of the AUH, are more limited. Available impact evaluations of AUH are not based on primary information or they lack transparency on the construction of control groups. The proposed Project, through the institutional strengthening of MDS' Information, Monitoring and Evaluation of Social Programs System (*Sistema de Información, Evaluación y Monitoreo de Programas Sociales – SIEMPRO*) will conduct impact evaluations based on rigorous methodologies using primary information.

79. Finally, implementation of the output-based financing of some activities in Component 2 will result in the development of additional modules which will be complementary and compatible with ANSES strong information systems. These modules, necessary to track and verify the traceability the outputs produced under Component 2, will be supported through Component 3, including the procurement of mobile hardware (i.e. tablets) with connectivity as well as the development of software to be used during the data collection process in the field.

**Annex 5: Implementation Support Plan**  
**ARGENTINA: Children and Youth Protection Project**

1. The strategy for implementation support has been developed based on the nature of the Project and its risk profile as well as lessons learned from the Argentina Basic Protection and Argentina Basic Protection Additional Financing (P115183 and P120622) Projects. The implementation support strategy focuses primarily on the implementation of the risk mitigation measures as follows:

- a. **Inter-institutional coordination between ANSES and MDS, Civil Registries and Municipalities:** To ensure coordination among institutions and agencies involved, mainly in the implementation of the Component 2, a close supervision will be carried out to support a combined annual planning, the territorial approach and results monitoring. The supervision will include semiannual supervision mission, including field visits. The Bank's team will be strengthened on specific aspects of the implementation support, including, among others, information systems and legal aspects.
- b. **Technical:** The Project design introduces innovative and alternative output-based mechanisms that involve the agreement and participation of other institutions such as provincial civil registries and municipalities. The Bank technical and fiduciary team will have continuous dialogue with implementing agencies to support the use of the output-based mechanism, including mechanisms of verification and cost evaluations.
- c. **Monitoring and evaluation:** The Bank team will provide support to ANSES and MDS in collecting and analyzing the information needed to trigger disbursements of Component 1 and monitor the project result framework.
- d. **Operational support:** Implementation support will include reviewing and providing to ANSES and MDS no objection to annual action plans, supervising monitoring and evaluation systems, tracking progress of the Project's indicators, monitoring of implementation progress of Project components, ensuring conformity with the Operational Manual, reviewing output-based mechanisms of Component 2, and monitoring Project execution according to annual action and procurement plans. Co-task team leaders and World Bank fiduciary teams based in the country office will provide day-to-day supervision of all operational aspects.
- e. **Procurement:** Implementation support will include: (a) training of staff in ANSES and MDS, as well as detailed guidance on the Bank's Procurement Guidelines as needed; (b) reviewing procurement documents and providing timely feedback to both institutions; (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.
- f. **Financial management:** Supervision will review the Project's financial management system, including but not limited to, accounting, reporting, and internal controls, as well as compliance with financial covenants. Implementation support will be needed for review of interim unaudited financial reports, annual Project audits, and external audits

(as relevant). Financial management on-site supervision will be carried out semiannually during first year of implementation, and once a year thereafter if supervision results are satisfactory a financial management specialist based in the country office will provide timely support.

- g. **Social Safeguards:** Implementation support will include supervision of actions agreed on Indigenous Peoples Plans. The team will also provide guidance and recommendations to ANSES as required. Inputs from a social specialist will be required as well as field visits.

**Table 5.1 Implementation Support Plan**

<b>Time</b>	<b>Focus</b>	<b>Skills needed</b>	<b>Resource estimate</b>	<b>Partner role</b>
First 12 months	Task leadership	2 co-TTLs	20 SWs	NA
	Senior Social Protection Specialist	Social Protection systems	6 SWs	
	Senior Economist	Monitoring and Evaluation	6 SWs	
	Senior Social Protection Specialist	Institutional strengthening	6 SWs	
	Procurement training and supervision	Procurement specialist	6 SWs	
	Financial management and disbursement training and supervision	Financial management specialist	4 SWs	
	Social safeguard supervision and reporting	Social specialist	2 SWs	
12–48 months	Task leadership	2 co-TTLs	60 SWs	Task leadership
	Senior Economist	Monitoring and Evaluation	18 SWs	
	Senior Social Protection Specialist	Institutional strengthening	18 SWs	
	Procurement training and supervision	Procurement specialist	18 SWs	
	Procurement training and supervision	Procurement specialist	18 SWs	Procurement training and supervision
	Financial	Financial	7.5 SWs	Financial

<b>Time</b>	<b>Focus</b>	<b>Skills needed</b>	<b>Resource estimate</b>	<b>Partner role</b>
	management and disbursement training and supervision	management specialist		management supervision
	Social safeguard supervision and reporting	Social specialist	6 SWs	Environmental training and supervision

*Note:* NA = not applicable; SW = staff weeks; TTL = task team leader.

## Annex 6: Economic Analysis

### ARGENTINA: Children and Youth Protection Project

1. To assess the economic impact of the proposed Project three aspects are considered. First, an estimation of the Project's development impact, considering the cost-benefit it entails. Second, the analysis considers the rationale behind the public sector provision of services supported by the Project. Finally, the analysis also discusses the value added by the World Bank.

#### Cost-Benefit analysis

2. While preparing a cost-benefit analysis for a project that involves the provision of social services is difficult, two aspects may be considered. First, in the short term, the AUH program directly contributes to reduce poverty and extreme poverty among vulnerable households, as it increases their income. A second approach is based on the long term impact that the program is expected to have through its effects on human capital accumulation.

#### a) Short-term effect

3. In order to estimate the effect of AUH transfers on poverty incidence, an arithmetical simulation for poverty reduction was estimated. Using the Continuous Household Survey as the principal source of information, the exercise estimated the incidence of poverty and extreme poverty by age, considering total household income with and without AUH transfers<sup>32</sup>.

4. Figure 1 presents, for 2015, the percentage of people in poor and in extreme poor households by age, identifying the impact of the AUH program on these figures. AUH reduce total poverty and extreme poverty by approximately 3 and 2 percentage point, respectively, and as much as twice those values among children. In 2015 the incidence of poverty and extreme poverty was 13.6 and 3.5 percent, respectively, while without the program the rates would have been 16.1 and 5.3 percent, respectively.

5. These results are similar to those found by other authors, also showing significant impacts of AUH transfers on poverty (Agis et al, 2010; Gasparini and Cruces, 2010; Rofman and Oliveri, 2011)<sup>33</sup>. One assumption of this type of exercise is to ignore behavioral changes in response to the program. For example, given that AUH eliminates the need to be formally employed to receive a family allowance benefit, an incentive for informality could be relevant. Garganta and Gasparini (2015) found a small but significant effect of AUH on transitions from informality to formality. This suggests that the impact on poverty could be less than the estimation discussed above, as some workers would lose the additional income that they would have if they switched to formal employment.

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<sup>32</sup> The incidence rates are estimated by adjusting the poverty lines calculated by INDEC for 2007 with the Buenos Aires City CPI and then comparing them with household income as reported in the Permanent Household Survey.

<sup>33</sup> Agis, E., Cañete, C., and Panigo, D., 2010. "El Impacto de la Asignación Universal por Hijo en Argentina". Colección de Textos del Bicentenario, CICCUS/CEIL-PIETTE.

Gasparini, L., and Cruces, G., 2010. "Las asignaciones universales por hijo en Argentina: Impacto, discusión y alternativas". *Economica* LVI (1): 105–146.

Rofman, R., and Oliveri, M., 2011. "Las Políticas de Protección social y su impacto en la distribución del Ingreso en Argentina". Working Paper Series on Social Policy 6. World Bank.



b) *Long-term effect*

6. The second approach to consider the cost-benefit of this Project is to estimate an internal rate of return (IRR). Considering as expected gains an increase in lifetime income due to improvements in education attainment, and as costs the amount of the planned loan, the estimated internal rate of return of the project is 5.1 percent. The IRR is calculated as the value of “r” in the following equation, where  $B_t$  represents benefits produced by the program in period  $t$ , and  $C_t$  is the cost of the program in period  $t$ .

$$\sum_{t=1}^T (B_t - C_t)(1-r)^t = 0 \quad (1)$$

*The costs of the AUH program*

7. In this estimation it is assumed that the program lasts 4 years and the cost is US\$ 600 million (AR\$ 8,700 million as of April 2016)<sup>34</sup>, which will be spent during this period according to the following disbursement timeline:

**Table 6.1. Disbursement timeline by Component**

	Year				Total
	1	2	3	4	
Disbursement for Component 1 (US\$ million)	\$334.3	\$149.7	37.4		\$522
Disbursement for the rest of Components (US\$ million)	\$13.1	\$22.5	\$20.3	\$22.7	\$78
Total	\$347.4	\$172.2	\$57.7	\$22.7	\$600.00

*The benefits of the AUH program*

8. The Universal Child Allowance program was designed as a conditional cash transfer, where it requires compliance with education and health requirements. Assuming that as a result of this project 1.5 million of children will be included in the program and, as a consequence, will add some years to their formal education, it is possible to estimate the impact of participation on future income flows.

9. In this context, the estimated number of beneficiaries (N), than can gain years of schooling is given by:

$$N_{it}^b = \bar{N}_{it}^b + \hat{N}_{it}^b$$

$$\bar{N}_{it}^b = \bar{N}_{it} \cdot \gamma_t \cdot \beta_{it} \cdot d_{i0}$$

<sup>34</sup> The exchange rate used in this document is US\$ 1 = AR\$ 14.5

$$\widehat{N}_{it}^b = \widehat{N}_{i,t} \cdot \alpha \cdot d_{i0}$$

10. Where:

$N_{it}^b$  is the number of children to be included in the AUH program as result of this Project, in period  $t$  of age  $i$ ;

$\bar{N}_{it}^b$  is the number of children to be included in the AUH program as result of this Project's activities to complete information in the ADP data base, in period  $t$  of age  $i$ ;

$\widehat{N}_{it}^b$  is the number of children to be included in the AUH program as result of this Project's activities to re-insert children that had dropped out from school in the education system, in period  $t$  of age  $i$ ;

$\bar{N}_i$  is the number of children to be included in the ADP data base through this Project's activities, of age  $i$ ;

$\gamma_t$  is the expected percentage of children ( $\bar{N}_i$ ) that would be included in the ADP data base in each period  $t$ ;

$\bar{\beta}_{it}$  is the probability of being eligible for AUH benefit in period  $t$  at age  $i$ ;

$\widehat{N}_i$  is the number of children registered as AUH beneficiaries that have been excluded due to lack of compliance with co-responsibilities at effectiveness of this Project, of age  $i$ ;

$\bar{\alpha}_{it}$  is the percentage of children previously excluded due to lack of compliance with co-responsibilities that are included as a result of this Project in period  $t$  at age  $i$ ; and

$d_{i0}$  is the dropout rate in absence of the Project of the first quintile, by age;

11. This analysis assumes that the dropout rate in absence of the Project is  $d_{i0}$ , and that after intervention this dropout rate would go to zero. It is expected that the improvements in the proportion of children that attend school rate are equivalent to original magnitude of the original dropout rate ( $d_{i0}$ ).

12. The monetary gain for children that become AUH beneficiaries would be the difference between the wages ( $w_{-1}$ ) they can obtain with their current educational attainment and the wages that they would earn if they get more years of schooling thanks to the program ( $w$ ). Considering a differential  $\delta$  for each year of schooling ( $y$ ), the expected wage can be express as:

$$w_t = w_{-1} \cdot (1 + \delta \cdot y)$$

and the monetary gain for each additional year of education ( $G_t$ ) would be:

$$G_{it} = w_{it} - w_{-1} = w_{-1} \cdot \delta \cdot y$$

13. Considering a working life from 18 to 65 years old (45 years) the total benefit generated by the AUH program can represented by the following equation:

$$B_t = \sum_{i=1}^T \sum_{i=1}^{64} N_{it}^b \cdot G_{it} \cdot \xi_{it}$$

14. Where  $\xi_{it}$  is the probability of being employed at age  $i$  in the period  $t$ .

**Table 6.2. Basic Parameters for the IRR calculation**

Variable	Parameter							Source
Project duration	4 years							Project Appraisal Document
Number of potential beneficiaries	2,037,000							ANSES
Number of children with incomplete information in ADP data base, ( $\bar{N}_i$ )	1,500,000							ANSES
Number of children registered as AUH beneficiaries but excluded due to lack of compliance with co-responsibilities ( $\hat{N}_i$ )	537,000							ANSES
Percentage of children whose information will be completed each year through Project's activities ( $\gamma_t$ )	25%							<i>Projected in the PAD</i>
percentage of children previously excluded due to lack of compliance with co-responsibilities that are included as a result of this Project each year ( $\bar{\alpha}_{it}$ )	50%							Projected in the PAD
Dropout rates from education by age, in absence of this Project's activities ( $d_{i0}$ )	Age	6-13	14	15	16	17	Estimation based on EPH 2015 (first quintile) <sup>35</sup>	
	drop out	1%	2%	6.5%	6.5%	16.3%		
Differential in income due to each additional year of schooling ( $\delta$ )	6% <sup>36</sup>							Estimation using Mincer equation, based on EPH 2015 (see box 5.1)
Basic wage ( $w_{-1}$ )	AR\$ 4,500 per month <sup>37</sup>							Estimation using Mincer equation, based on EPH 2015 (see box 5.1)

<sup>35</sup> These figures are based on the cumulated drop-out rates observed with the Permanent Household Survey, assuming a synthetic cohort model.

<sup>36</sup> This rate is estimated based on the results of the Mincer and Heckman equation, adjusted upwards to consider the possibility that students that complete secondary school while in the AUH program may continue studying afterwards.

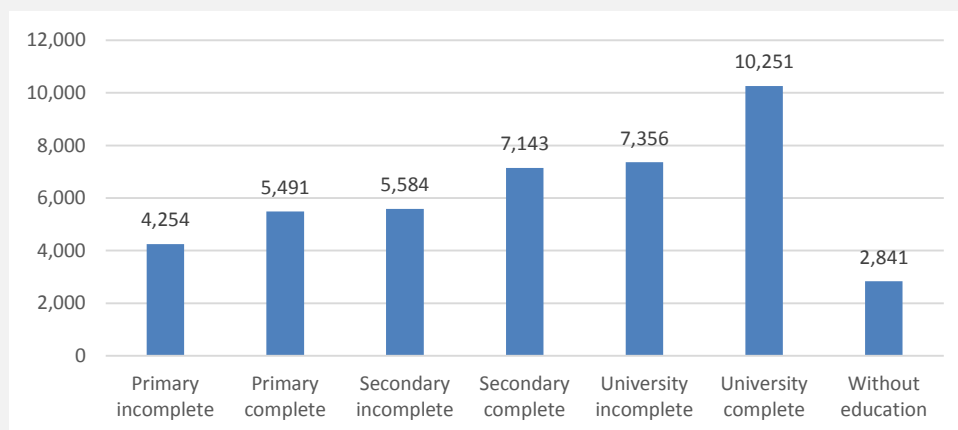
<sup>37</sup> This values is the inverse of logarithm of the constant in the Mincer and Heckman equation adjusted by the Price Index of the Buenos Aires City.

15. With this parameters, the Internal Rate of Return would be 8.2 percent.

### Box 6.1 Estimation of returns to years of education

Education attainment is a major determinant of income level. This relation can be empirically verified in most countries around the world, and Argentina is no exception. Figure 5.1 presents the average monthly wages by education level 2015.

Figure 5.1. Average monthly wage by level of education (AR\$), 2015



Source: Own, based, on INDEC's Permanent Household Survey

The RE can be estimated using the method of Mincer (1974) by Ordinary Least Squares (OLS), specifying an equation that measure the link between education and wages. This equation can be written as follows:

$$\log w_i = \beta_0 + \beta_1 educ_i + \beta_2 exp_i + \beta_3 exp_i^2 + \sum_{j=4}^k \beta_j other_{ij} + u_i \quad (1)$$

The dependent variable,  $\log w_i$ , is the natural logarithm of the hourly wages of the  $i^{\text{th}}$  individual. Independent variables are:  $educ$  (years of schooling),  $exp$  (potential experience) and  $exp^2$  (square of potential experience). Potential experience is estimated using the expression  $exp_i = age_i - educ_i - 6$ . Parameter  $\beta_1$  is the return of education: the partial derivative of the logarithm of wage to education.

In equation (1) it is also specified "other" which include a set of variables that affect wages and are not affected by education. The exclusion or inclusion of these determinants defines the basic and extended Mincer equations, respectively. Among the "other" we consider: gender, category of occupation, activity, formal/informal.

As in equation (1) we can only observe the wages of people who choose to participate in the labor market, it is said that these individuals are actually self-selected and the probability of reporting wages is not observed, so the estimated coefficients for OLS are at risk of being biased. To avoid this situation, the model proposed by Heckman (1979) considers two equations to estimate simultaneously: (1) one which takes the form of equation (1), where the dependent variable is  $\ln w$  and the probability of participation is equal to 1; and (2) an equation that provides an estimate of the probability of the individual to participate in the labor market and therefore declare their wages:

$$\ln w_i | (y_i = 1) = \beta_0 + \beta_1 educ_i + \beta_2 exp_i + \beta_3 exp_i^2 + \sum_{j=4}^k \beta_j other_{ij} + d_i \lambda(Z_i \varphi) + u_i \quad (2)$$

$$P[Y_i = 1] = d_i \lambda(Z_i \varphi) + u_i \quad (3)$$

Where  $Y$  is a dichotomous variable that reflects participation of the individual  $i$ ,  $Z_i$  is the vector of characteristics that influence the likelihood of participation and therefore to declare income, and  $\lambda$  is the variable to correct self-selection. The idea is to incorporate into the second equation the variables that affect the individual's participation decision but does not affect their productivity. Table 5.3 shows the estimation of the Mincer and Heckman equation.

Table 5.3. Estimation of the Return of Education

	Mincer equation	Heckman equation
<b>Lnwh</b>		
<b>Educ</b>	<b>0.0545878***</b>	<b>0.0561231***</b>
Exp	0.0124604***	0.00948***
exp2	-0.0001235***	-0.000052**
Industry	-0.1286143***	-0.1506733***
Services	-0.0451748**	-0.0613767***
Construction	-0.0801449***	-0.1167039***
Retail	-0.2469086***	-0.2704233***
Employee	-0.0126221	-0.0349189**
Employer	0.2785572***	0.2750294***
formal2	0.5326431***	0.5116679***
Gender	0.0867084***	-0.125792***
Constant	2.366888***	2.881989***
<b>Select</b>		
Gender		0.6517469***
Married		0.1997741***
nro_ninios		0.0542253***
_cons		-0.3653558***
/athrho		-0.8735817
/insigma		-0.3238402
Rho		-0.7031893
Sigma		0.7233658
Lambda		-0.5086631
Number of obs	22372	41436
Censored obs		19064
Uncensored obs		22372
F( 11, 22360)	815.66	
Prob > F	0.000	
R-squared	0.2864	
Adj R-squared	0.286	
Wald chi2(11)		9390.25
Prob > chi2		0.000

## II. Rationale behind the public sector provision

16. Public sector intervention is justified by the positive externalities derived from breaking the vicious circle of poverty. Creating incentives to help children and youth avoid dropping out from school should have a direct impact on their education attainment, and consequently on their employability, which would allow them to escape poverty traps in a sustainable way. Furthermore, improving education results among the youth would also have significant society-wide impacts, as these program participants would become more productive workers and would be able to contribute to economic growth in the future more effectively.