

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

ARGENTINA

SUPPORT FOR VULNERABLE POPULATIONS THROUGH THE ARGENTINE PLAN TO COMBAT HUNGER AMID THE COVID-19 PANDEMIC

(AR-L1331)

LOAN PROPOSAL

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CONTENTS

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING.....	2
A.	Background, problem addressed, and rationale.....	2
B.	Objectives, components, and cost.....	9
C.	Key results indicators	10
II.	FINANCING STRUCTURE AND MAIN RISKS	10
A.	Financing instrument	10
B.	Environmental and social risks	11
C.	Fiduciary risks	11
D.	Other key issues and risks.....	11
III.	IMPLEMENTATION AND MANAGEMENT PLAN	12
A.	Summary of implementation arrangements	12
B.	Summary of arrangements for monitoring results	13

APPENDICES

Proposed resolution

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

REQUIRED LINKS	
1	Simplified monitoring and evaluation plan
2	Procurement plan

OPTIONAL LINKS	
1	Economic viability rationale
2	Program Operating Regulations
3	Safeguard Policy Filter and Safeguard Screening Form

ABBREVIATIONS

AGN	Office of the Auditor General
ANSES	National Social Security Administration
AUE	Asignación Universal por Embarazo [cash transfer program for pregnant women]
AUH	Asignación Universal por Hijo [cash transfer program for children]
AUHD	Asignación Universal por Hijo con Discapacidad [cash transfer program for children with disabilities]
CAF	Andean Development Corporation
DGPEyCI	Office for Special Projects and International Cooperation
EPH	Encuesta Permanente de Hogares [Permanent Household Survey]
INDEC	Instituto Nacional de Estadística y Censos [National Institute for Statistics and Censuses]
IT	Information technology
MDS	Argentine Ministry of Social Development
MSMEs	Micro, small, and medium-sized enterprises
ODSA	Observatorio de la Deuda Social Argentina [Argentine Social Debt Observatory]
PACH	Plan Argentina contra el Hambre [Argentine Plan to Combat Hunger]
SAE	Department of Strategic Affairs
UCA	Universidad Católica Argentina [Catholic University of Argentina]

PROJECT SUMMARY

ARGENTINA SUPPORT FOR VULNERABLE POPULATIONS THROUGH THE ARGENTINE PLAN TO COMBAT HUNGER AMID THE COVID-19 PANDEMIC (AR-L1331)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Argentine Republic			Amortization period:	25 years
Executing agency:			Disbursement period:	18 months
The borrower, through the Argentine Ministry of Social Development (MDS)			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital)	200	100	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total	200	100	Weighted average life:	15.25 years
			Approval currency:	U.S. dollar
Project at a Glance				
Project objective/description: The general objective of the program is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by the COVID 19 pandemic. The specific objective is to support minimum income levels for those affected by the pandemic.				
Special contractual conditions precedent to the first disbursement: The borrower, acting through the executing agency, will have submitted evidence that the program Operating Regulations have entered into force, in accordance with the terms previously agreed upon with the Bank (paragraph 3.3).				
Special contractual conditions for execution: The executing agency and the Department of Strategic Affairs (SAE) will have signed an agreement for the transfer and use of funds before the SAE contracts the program evaluations (paragraph 3.4).				
Exceptions to Bank policies: None				
Strategic Alignment				
Challenges: ^(d)	SI	<input checked="" type="checkbox"/>	PI	<input type="checkbox"/>
Crosscutting themes: ^(e)	GE	<input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>	CC <input type="checkbox"/> and ES <input type="checkbox"/>	IC <input type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Background.** To date, the COVID-19 pandemic has led to more than 173.3 million confirmed cases and 3.7 million deaths worldwide.¹ The first cases in Latin America and the Caribbean were reported in late February 2020. Since then, there have been 68.6 million confirmed cases and 1.8 million deaths in the region.² Within Latin America and the Caribbean, Argentina has the third highest rate of confirmed cases of COVID-19 per 100,000 people. So far, 3.9 million positive cases and 81,214 deaths from COVID-19 have been confirmed in the country.³
- 1.2 **Challenges.** The COVID-19 pandemic sharpened the deterioration in economic and social indicators that the country had been experiencing since 2018. According to the National Institute for Statistics and Censuses (INDEC), GDP contracted by 9.9% in 2020, after having fallen by 2.1% in 2019 and 2.6% in 2018. On top of this already recessionary scenario, the spread of the pandemic and the health measures instituted to curb its transmission have shrunk the labor market even further. According to Argentina's Permanent Household Survey (EPH), in the second quarter of 2020 the activity and employment rates fell sharply compared to the same quarter in the previous year, from 59.5% to 49.2% and from 53.1% to 42.8%, respectively, while unemployment grew from 10.6% to 13.1%. The EPH also indicated that job losses were highest among wage workers in the informal sector and the self-employed. The economy began to recover in May 2020, and GDP is projected to grow by 6.2% in 2021, which is 3.4 percentage points less than needed to return to prepandemic levels. According to INDEC's most recent figures (fourth quarter of 2020), the activity, employment, and unemployment rates stood at 45%, 40.1%, and 11.7%, respectively.
- 1.3 Between 2018 and 2020, poverty, indigence,⁴ and food insecurity increased significantly. According to the EPH, poverty rose from 32% to 35.5% between the second half of 2018 and the second half of 2019, while indigence rose from 6.7% to 8%. The rise in poverty was reflected in an increase in severe food insecurity (percentage of the population experiencing involuntary episodes of hunger), which rose from 7.9% to 9.3% between 2018 and 2019.⁵ In 2020, poverty, indigence, and severe food insecurity rates continued to increase due to lower levels of economic activity stemming from the mandatory preventive social isolation measures instituted to mitigate the spread of the disease. The poverty rate climbed to 42%,

¹ See the World Health Organization's Coronavirus Disease (COVID-19) Dashboard at <https://covid19.who.int> (8 June 2021).

² <https://www.paho.org/en/topics/coronavirus-infections/coronavirus-disease-covid-19> (7 June 2021).

³ Ibid. Footnote 1.

⁴ Insufficient household income to purchase a basic basket of food items.

⁵ Argentine Social Debt Observatory (ODSA), 2019. *Pobreza monetaria y vulnerabilidad de derechos. Inequidades de las condiciones materiales de vida en los hogares de la Argentina urbana (2010-2018)*. Statistical document (3). Retrieved from <http://uca.edu.ar/es/noticias/pobreza-monetaria-y-vulnerabilidad-de-derechos>.

the indigence rate stood at 10.5%,⁶ and the severe food insecurity rate rose to 10.4%.⁷

- 1.4 Single-parent households (mainly headed by women)⁸ and households with children or persons with disabilities grappled with higher levels of poverty than the rest of the population and have been hit harder by the economic impact of the pandemic. According to the EPH, in the 3rd quarter of 2019 poverty and indigence levels in households with children ages 0 to 14⁹ were 35.5% and 8% (or 8.4 and 4.3 percentage points higher than the rates for the population as a whole), while the same indicators estimated for households with persons with disabilities were 50% and 9.7% (exceeding the national average by 14.5 and 1.7 percentage points). In the 3rd quarter of 2020, the poverty rate for households with children ages 0 to 14 and for households with persons with disabilities had risen to 42% and 50.1%, and indigence rates to 10.5% and 15.9%, respectively.
- 1.5 For poverty alleviation and food insecurity prevention policies, pregnant women are a demographic of special concern due to the heavy toll that poverty and food insecurity have on maternal health and several aspects of child development in the short and the long term.¹⁰
- 1.6 **Progress.** In response to the increase in poverty and food insecurity levels in Argentina, which have been exacerbated by the pandemic, in September 2019 the national government declared a national food emergency lasting until 31 December 2022.¹¹ Under this policy framework, in December 2019 the government prepared the Argentine Plan to Combat Hunger (PACH),¹² which seeks to guarantee food security and independence for Argentine families and the entire population, with special attention to the most economically and socially vulnerable groups. Responsibility for implementation of the plan falls to the Argentine Ministry of Social Development (MDS), which coordinates the participation of several national and subnational agencies through the Federal

⁶ INDEC estimates indicate that the average gap between the income of indigent households and the cost of a basic basket of food items stood at approximately US\$87.6 in the second half of 2020. The average gap between the value of the total basic shopping basket (poverty line) and the income of poor households stood at approximately US\$214. All values in U.S. dollars in the loan proposal are estimated using an exchange rate of 99.4 Argentine pesos to the dollar (benchmark retail exchange rate for sales set by the Central Bank of the Argentine Republic, 7 May 2021).

⁷ ODSA. (2020). *Deudas Sociales en la Argentina 2010-2020. Crisis del empleo, pobreza y desigualdades estructurales en el contexto COVID-19. Aportes para una Agenda sustentable de desarrollo humano integral.*

⁸ ODSA (2021). *"Dinámica de la inseguridad alimentaria en los/las destinatarios/as de la tarjeta alimentar."* Informe Especial 2021.

⁹ As discussed below, children ages 0 to 6 comprise one of the three priority groups for the Tarjeta Alimentar food assistance program supported by this operation. A Ministerial Resolution expanding the age range to 14 was published in the Official Gazette of the Argentine Republic on 20 May 2021 (Ministerial Resolution 655/2021).

¹⁰ Ivers, L. and K. Cullen (2011). "Food Insecurity: Special Considerations for Women." *The American Journal of Clinical Nutrition*. 94-6.

¹¹ Through Law 27,519: <http://servicios.infoleg.gob.ar/infolegInternet/anexos/325000-329999/329212/norma.htm>.

¹² Through Resolution 2020-8-APN-MDS: <https://www.argentina.gob.ar/normativa/nacional/resolucion-8-2020-333848/texto>.

Council to Combat Hunger in Argentina,¹³ the National Council on Childhood, Adolescence, and Family,¹⁴ and the Federal Social Development Council.¹⁵

- 1.7 The objective of the PACH's food security component¹⁶ is to ensure that the country's most vulnerable families can afford food. This component includes the Tarjeta Alimentar food assistance program, under which recipient households receive an unconditional cash transfer to buy food and nonalcoholic beverages. The target population involves children up to the age of 6 who receive the Asignación Universal por Hijo [a cash transfer program for children] (AUH),¹⁷ pregnant women who receive the Asignación Universal por Embarazo [a cash transfer program for pregnant women] (AUE), and persons with disabilities who receive the Asignación Universal por Hijo con Discapacidad [a cash transfer program for children with disabilities] (AUHD).^{18,19}
- 1.8 The Tarjeta Alimentar food assistance program provides a cash benefit of Arg\$6,000 for families with one child that receive the AUE, AUHD, or AUH and Arg\$9,000 for families with two or more children that receive the AUH or meet more than one eligibility criterion (approximately US\$58 and US\$87, respectively).²⁰ To date, the program has 1,567,051 recipients, benefiting 2,040,277 people (1,945,047 children ages 0 to 6, 45,710 pregnant women, and 49,524 persons with disabilities).
- 1.9 To build the monthly roll of Tarjeta Alimentar recipients, the MDS asks the National Social Security Administration (ANSES)²¹ for the registry of AUH, AUE, and AUHD recipients. The data requested from ANSES are personal identifying information for recipients and beneficiaries. Recipients who are no longer eligible are removed when ANSES updates the registry. ANSES submitted the first registry in December 2019, and that registry was updated in September 2020 and in May 2021. As

¹³ A forum focused on implementation of the PACH whose participants include various sector ministries and civil society and private sector stakeholders.

¹⁴ A decentralized agency of the MDS whose purpose is to coordinate and implement policies for the comprehensive protection of the rights of children, adolescents, and their families.

¹⁵ A forum that promotes coordination between the ministries of social development (or the name given to the body responsible for executing social policies) in each of the provinces and the autonomous city of Buenos Aires.

¹⁶ The components of the PACH are: (i) food security; (ii) food assistance in critical and/or emergency situations; (iii) support for food production and marketing; (iv) strengthening community networks; and (v) evaluation and monitoring.

¹⁷ All told, 94% of AUH recipients are women, 44.5% of whom are heads of households.

¹⁸ The AUH, AUE, and AUHD are ANSES-managed transfer policies that were in effect prior to the pandemic. Their objective is to alleviate structural economic constraints for recipient households, who must demonstrate that they are unemployed, taxpayers under the simplified reporting system (*monotributistas*), unregistered workers (without contributions), or low-income domestic employees. At present, the AUH, AUE, and AUHD reach about 2,389,764 households, with average transfers per family of US\$40.4 (plus US\$33.9 in school aid), US\$42.8, and US\$131, respectively. The AUH and AUE are conditional on compliance with health checkups and, in the case of the latter, school attendance.

¹⁹ As mentioned above, the Tarjeta Alimentar food assistance program was expanded to include AUH-recipient families with children ages 7 to 14 and mothers with seven or more children ages 14 and younger.

²⁰ The Arg\$6,000 transfer represents 28% of the gap between the indigence line and the average family income of an indigent family, while the transfer of Arg\$9,000 represents 42% of that gap. Once the changes to Tarjeta Alimentar benefits announced on 20 May are implemented, the transfers will include a third category of Arg\$12,000 (US\$120.7) for families with more than two children.

²¹ Based on a cooperation agreement that establishes the technical and legal framework for exchanging information, under reference CONVE-2020-04839618-APN-SISO#MDS.

activities affected by pandemic restrictions return to normal, the beneficiary registry should be updated quarterly.²²

- 1.10 Food assistance benefits are delivered via a numbered electronic card, issued in the recipient's name, that has a magnetic stripe that can be read electronically and an explicit expiration date. Cards are reloaded monthly and can only be used to purchase food at participating businesses in Argentina. The card does not let recipients withdraw cash or purchase alcoholic beverages. Monthly benefits are paid on the third Friday of each month. From May to December 2020, the MDS issued an additional payment to recipients equivalent to 100% of the monthly benefit in effect in those months. For purchases made at supermarkets, where bar coding is more detailed, the card gives the MDS the ability to collect disaggregated information on what was purchased.²³
- 1.11 Prior to receiving a new transfer with the funds to be credited to the cards, receiving banks have to zero out the balances on all cards, tell the National Treasury and the MDS the amounts to be refunded as a result of this "zeroing out" process, and then reimburse those amounts. Reimbursements have to be made both for recipients who have partially used the balance available on their cards and for cards that were not used at all during the month.²⁴ At present, the MDS does not have the information technology (IT) capacity to promptly analyze all the data on use, consumption, and zeroing out of the cards. The MDS could use such an analysis to identify challenges faced by recipients in the total or partial use of the cards and take steps to surmount those barriers, which would help to improve program effectiveness.
- 1.12 In view of the need to promote isolation measures to slow the spread of COVID-19, in-person operations related to delivery of food assistance were suspended in April 2020.²⁵ As a temporary measure, the amounts that could not be issued to cards yet to be delivered (400,000 cards) were deposited into the accounts used to receive the AUH, AUE, or AUHD. Since then, ANSES and provincial and municipal governments have been conducting special operations and home deliveries, complying with the requisite public health and social distancing protocols. At present, approximately 300,000 cards still need to be delivered (19%). Delivery of these cards should be completed in the first half of 2021.
- 1.13 Although the Tarjeta Alimentar program was created in December 2019 to alleviate the impact of the economic recession in the country, it has become the government's main tool for mitigating the pandemic's economic impact on the food security of the country's most vulnerable groups. In the last year, investments in food policies grew by 451% (in Argentine pesos), with 84% going to an increase in the Tarjeta Alimentar budget, which points to how important the program has been during the COVID-19 public health crisis. The program should execute about

²² A mapping of the operating processes involved in managing Tarjeta Alimentar was conducted as an input for project design.

²³ Loan 4846/OC-AR is financing the development of an electronic wallet that will facilitate the use of electronic payments at neighborhood businesses.

²⁴ A preliminary exercise estimated that close to 5% of monthly transfers are zeroed out and reimbursed to the MDS.

²⁵ Through Ministerial Resolution 106/2020.

US\$1.2 billion in 2021.²⁶ This operation would finance one to two months of transfers under the Tarjeta Alimentar program.

- 1.14 **Justification and strategy.** To compensate for the loss of income caused by the social distancing measures instituted to respond to COVID-19, large-scale compensatory policies are required, such as the ones being implemented by the Argentine government. International experience has shown that cash transfer programs, such as Tarjeta Alimentar, are a good platform for compensating for the loss of income that the most vulnerable households might experience due to an aggregate temporary shock to their incomes. Use of the AUH/AUE/AUHD registry to identify food assistance beneficiaries is a reliable mechanism with broad national coverage. It also allows for the possibility of using electronic payments which, in the context of the pandemic, prevents crowds and travel to collect the benefit. Delivering benefits through the food assistance card instead of directly issuing funds through the channels already established for the AUH, AUE, and AUHD will make it possible to distinguish between an emergency intervention—and, therefore, a temporary one—and structural interventions.
- 1.15 A number of studies, albeit preliminary ones, suggest that Tarjeta Alimentar has been effective in reducing the percentage of recipient households that would have become indigent²⁷ or experienced mild or severe food insecurity²⁸ without the program.²⁹ In a context of heavy fiscal restrictions, this project will help implement a recently-announced extension of Tarjeta Alimentar benefits to households with children up to the age of 14. The project will also finance investments to improve

²⁶ Expansion of the Tarjeta Alimentar program will increase the budget for food assistance transfers to approximately US\$2.4 billion, increasing the program's relative weight in the budget, which will grow to 0.7% of GDP.

²⁷ Chief of the Cabinet of Ministers (2020). "*Tarjeta Alimentar. Evaluación de impactos sobre ingresos.*" This evaluation of Tarjeta Alimentar's impact on incomes uses the EPH for the fourth quarter of 2019 to develop a counterfactual to the collection of food assistance benefits and concludes that the program reduced national poverty and indigence levels by 0.35% and 0.4%, respectively. The Monitoring and Evaluation Plan presents a similar strategy for estimating the project's impact, which uses the universe of Tarjeta Alimentar recipients as the reference population instead of the total population of Argentina.

²⁸ ODSA (2021), op. cit. This study estimates the impact of the Tarjeta Alimentar program on food insecurity using the 2020 Argentine Social Debt Survey and finds that 10.3% of recipient households suffered from severe food insecurity, compared to 31.3% of vulnerable households that did not receive food assistance. In its analysis, the Catholic University of Argentina (UCA) notes that a multivariate analysis would be needed to attribute this difference to Tarjeta Alimentar. UCA is currently developing an impact assessment of Tarjeta Alimentar based on a quasi-experimental design that uses propensity score matching and double differences, drawing from the Argentine Social Debt Survey-Agenda for Equity series (2017-2025).

²⁹ In the literature, there is considerable debate regarding which approach is the most cost-effective way to improving food access indicators: conditional cash transfers that must be used for food purchases or nonconditional transfers. A seminal study conducted in Ecuador—in which beneficiaries were randomly assigned to interventions with the same transfer amounts and frequencies—did not find significant differences between the two options with regard to total household food consumption but did conclude that conditional transfers had a greater impact on dietary diversity in markets where there were no restrictions on food access (Hidrobo, M., et al. (2014); "Cash, Food, or Vouchers? Evidence from a Randomized Experiment in Northern Ecuador." *Journal of Development Economics*). Using Tarjeta Alimentar beneficiaries who received the benefit through the AUH, AUE, or AUD as the comparator group, a recent study found a lower prevalence of food insecurity among families that received the physical food assistance card. However, the study notes that fruit and vegetable consumption was higher among families that received a cash transfer with no consumption restrictions (UCA, 2021), "*Evaluación de impacto de la Tarjeta Alimentar.*" Manuscript. This result is associated with the fact that it is harder to use food assistance cards at local markets (farmer's markets). To overcome that roadblock, the MDS is developing an electronic wallet to facilitate the use of electronic payments at neighborhood businesses.

the effectiveness of Tarjeta Alimentar by strengthening the analytical capacity of the MDS to identify and remove obstacles to the use of food assistance benefits and expeditiously update information on food assistance cardholders and their families to ensure that the benefits are adjusted consistently.

- 1.16 In view of the gender and diversity gaps discussed in paragraphs 1.4 and 1.5, the project, through its financing of food assistance transfers under Tarjeta Alimentar, will help ensure minimum income levels for pregnant women and persons with disabilities in the most vulnerable groups in Argentina. Further details on the program's coverage of specific population groups, such as indigenous peoples, cannot be provided with currently available data. This project will finance the development of an IT platform to facilitate the updating of data on food assistance cardholders and their immediate family members, incorporating the collection of information on diversity to close knowledge gaps and better report the program's impact on these groups.
- 1.17 The project will use the operating processes and systems established by the MDS to identify and verify the eligibility of beneficiary households, the respective payment mechanisms described in paragraphs 1.9 through 1.12, and the audits described in paragraph 3.7. It will help to strengthen these processes, specifically through better management of card balances (the zeroing out process) through consulting engagements to support processing and data analysis for the transfers made.
- 1.18 **Bank experience and lessons learned.** Since the mid-1990s, the Bank has supported the design, implementation, and evaluation of cash transfer programs in 18 countries in the region. It was a pioneer in supporting the development of conditional cash transfer programs in Honduras and Nicaragua and in supporting their consolidation in Brazil, Colombia, Jamaica, Mexico, and other countries. In Argentina, the Bank has supported the Hacemos Futuro program through the Program to Support the Equity and Effectiveness of the Social Safety Net in Argentina, Phases I and II (loans 4846/OC-AR and 4806/OC-AR).³⁰ In 2009, as part of the response to the international financial crisis, the Bank supported the introduction of a food assistance component for cash transfers in Mexico. This experience has generated lessons learned for interventions such as those envisaged in Component 1 of the proposed project. Evaluations of these programs have shown that cash transfers are effective in reducing the incidence and especially the intensity of poverty and inequality. Cash transfers have also proven to be the most effective instrument for efficiently redistributing resources to the most vulnerable families. This knowledge has recently been codified in a book on the operational cycles of conditional cash transfer programs and lessons learned from 20 years of implementation in the region.³¹ This operational experience shows that in-person distribution of cash transfers can lead to crowds, which poses a health risk in the pandemic. The current context of social distancing and rapid crisis response suggests that a strategic approach is to rely on existing social safety nets (systems and beneficiary registries) and focus on issuing payments through bank accounts or other electronic means.

³⁰ Hacemos Futuro, now known as Potenciar Trabajo, seeks to encourage students to stay in school and complete their education and provide comprehensive vocational training to transfer recipients.

³¹ Ibarrarán et al., 2017. <https://publications.iadb.org/en/how-conditional-cash-transfers-work>.

- 1.19 The IDB Group has been supporting Argentina's response to the economic, social, and health crisis caused by COVID-19, mainly in the areas of health and economic reactivation of micro, small, and medium-sized enterprises (MSMEs) through loans 5032/OC-AR (US\$470 million), 5057/OC-AR (US\$500 million), and 5084/OC-AR (US\$20 million), as a result of the restructuring of the active portfolio in the second quarter of 2020. To date, these operations have disbursement rates of over 40%, and the results they have facilitated include: (i) personal protective equipment was provided for healthcare workers, telemedicine programs were implemented in all jurisdictions in the country, and 17 labs were equipped to process COVID-19 samples; and (ii) financing resources were leveraged to benefit 39,903 MSMEs in the sectors hit hardest by the pandemic (the tourism, culture, and gastronomy sectors). In addition, US\$200 million in funds from operations currently underway were redirected to enable emergency support in other sectors, including tourism, urban development, education, and water and sanitation.
- 1.20 **Coordination with other multilaterals and/or donor agencies.** The Bank has coordinated the response to the COVID-19 crisis with other international organizations. In the area of health, the Bank has followed the guidelines of the World Health Organization and the Pan American Health Organization and coordinated with regional entities and the World Bank. With respect to the social repercussions, the Bank shares the assessments of the International Monetary Fund, the World Bank, and the Economic Commission for Latin America and the Caribbean, and the proposals presented herein are consistent with the goal of protecting the most vulnerable from COVID-19 and supporting the necessary health measures to deal with the pandemic and promote economic recovery in the medium term.
- 1.21 In 2020, the Andean Development Corporation (CAF) approved the first phase of a program to support the PACH during the COVID-19 emergency, for US\$300 million. It is currently preparing the program's second phase for a similar amount. Both operations center on strengthening the food security and monitoring and evaluation components by financing Tarjeta Alimentar transfers and implementing an integrated monitoring, tracking, and evaluation system for the PACH. Recognizing that the need for financing amid the public health crisis worsened by COVID-19 exceeds the amounts provided by the CAF projects, the proposed operation will finance transfers and institutional strengthening outputs to complement to those operations (not cofinancing).³² The months of transfers financed by this operation will not be the ones financed by the CAF operation.
- 1.22 **Strategic alignment.** The project is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and strategically aligned with the challenge of social inclusion and equality through support for maintaining minimum levels of income and welfare for the populations most vulnerable to COVID-19. The project is also aligned with the crosscutting area of: (i) gender equality and diversity, since it ensures access to quality public services for vulnerable pregnant women and persons with disabilities. It will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the "beneficiaries of anti-poverty programs" indicator. The project is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing

³² Tarjeta Alimentar's 2021 budget will be financed as follows: 25% by CAF, 16.7% by the IDB, and 58.3% by funds from national revenues (calculated based on the budget as originally approved, approximately US\$1.2 billion).

equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable populations, particularly from external shocks, through responsive social protection policies. Lastly the project is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996). It is consistent with the Update to the Gender Action Plan for 2020-2021 Operations (document GN-2531-19), since it mainstreams gender equality in the Bank's COVID-19 response, with special emphasis on promoting maternal health and the wellbeing of vulnerable women. The project is aligned with the IDB Group Country Strategy with Argentina 2021-2023 (document GN-3051) and specifically with the strategic objective of poverty reduction within the priority area of poverty reduction and social protection of the most vulnerable.

B. Objectives, components, and cost

- 1.23 **Objectives.** The general objective of the program is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by the COVID-19 pandemic. The specific objective is to support minimum income levels for those affected by the pandemic.
- 1.24 **Component 1. Protection through the use of existing cash transfer programs (US\$199,485,000).** The objective of this component is to support the minimum income levels of people affected by the pandemic. The component will finance: (i) cash transfers under the Tarjeta Alimentar program;³³ and (ii) institutional strengthening for program management, including: (a) consulting services to support the processing and analysis of data on transfers made (using data from the "zeroing out" process and a qualitative study), (b) developing an IT platform to facilitate updating the data on recipients of the food assistance card and their immediate family members, incorporating data on aspects of diversity to better understand the impacts of the Tarjeta Alimentar program on these groups, and (c) IT equipment.
- 1.25 **Program administration, audits, and evaluation (US\$515,000).** The project will finance the associated administrative, auditing, and evaluation costs.
- 1.26 **Beneficiaries.** The actions proposed in this operation will target socially vulnerable people whose income is directly affected by the COVID-19 pandemic. Through the Tarjeta Alimentar program, the project will help some 2,040,281 vulnerable people (1,567,051 households) maintain a minimum level of income during the third quarter of 2021. The measure will give priority to vulnerable households with children ages 0 to 6 (1,945,047), pregnant women (45,710), and persons with disabilities (49,524).³⁴

³³ Bank transfers credited to the food assistance cards of program recipients who receive the AUH, AUE, or AUHD net of amounts reimbursed to the MDS by banks as a result of the zeroing out process are considered eligible expenditures.

³⁴ With the expansion of the program to households with children up to the age of 14 and mothers with noncontributory pensions who have seven or more children these figures should increase to nearly 2,500,000 households and approximately 3,791,234 recipients. Tarjeta Alimentar transfers to mothers with seven or more children are not eligible expenses under this project.

C. Key results indicators

- 1.27 **Expected outcomes.** The project will contribute to maintaining standards of living for persons vulnerable to the effects of COVID-19 whose income levels have been affected. To gauge how well this objective is attained at the outcome level, the coverage of beneficiary households receiving food assistance cards relative to the universe of households that qualify for the Tarjeta Alimentar program will be estimated. At the impact level, the number of households receiving food assistance who are kept from falling into extreme poverty thanks to the effectiveness of the Tarjeta Alimentar program will be measured. The methodology for developing these indicators and the assumptions used to determine the target levels are discussed in the Monitoring and Evaluation Plan.
- 1.28 **Economic viability.** The economic foundation of the proposed actions is based on the monetary value of the transfers and its multiplier effect on the economy. There are additional impacts relating to the lives saved thanks to the reduction in the COVID-19 transmission rate that results from facilitating social distancing measures as well as the reduction in chronic hunger, which have not been calculated in the analysis. Income compensation for the poor and vulnerable in the COVID-19 crisis will strengthen health measures and will help families to maintain their minimum levels of wellbeing. Based on the foregoing, a cost-benefit analysis was conducted which estimated a net present value of US\$12.8 million, a cost-benefit ratio of 1.06, and an internal rate of return of 17% in a base case scenario that considers a discount rate of 5%, which suggests that the set of proposed actions is economically beneficial ([optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument

- 2.1 Given that its scope is completely defined, this operation is structured as a specific investment loan for a total of US\$200 million to be financed with resources from the Bank's Ordinary Capital. The disbursement period will be 18 months.³⁵

Table 1. Estimated project costs (US\$)

Component	IDB	Total	%
Component 1. Protection through the use of existing cash transfer programs	199,485,000	199,485,000	99.74
Administration, audits, and evaluation ³⁶	515,000	515,000	0.26
Total	200,000,000	200,000,000	100.00

Table 2. Projected disbursements (US\$)

	Year 1	Year 2
IDB	199,000,000	1,000,000
%	99.5%	0.5%

³⁵ The project team expects that the loan proceeds will have been paid out, accounted for, and audited within this period and that the information necessary to prepare the project completion report will be available.

³⁶ The administration, evaluation, and audit costs include US\$218,750 for program evaluation, which will be executed by the Department of Strategic Affairs (see paragraph 3.2).

B. Environmental and social risks

- 2.2 In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the project has been classified as a category "C" operation inasmuch as it is not expected to cause any negative environmental or social impacts. The project will not finance any physical infrastructure components, so no environmental or social impacts or risks associated with such works are anticipated.

C. Fiduciary risks

- 2.3 Based on the fiduciary evaluation of the executing agency, the risk of the project is low (see Annex III).

D. Other key issues and risks

- 2.4 The operation's risk analysis identified two risks related to execution systems and one contextual risk, all of which are medium-low. The execution system risks are as follows: (i) because some Tarjeta Alimentar recipients do not have a physical food assistance card and instead receive the funds in their bank accounts, they may use part of the transfers for nonfood products, which could reduce the project's impact on improving beneficiary families' quality of life (food security and nutrition). However, since the eligible expenditures for this project are transfers made using cards, this risk is eliminated; (ii) because the recipient registry has been updated semiannually, there may be delays in adding potential recipients or removing recipients who no longer qualify with the inclusion criteria (for example women who are no longer pregnant). This could impact the number of transfers for outputs 1.1, 1.2, and 1.3 in the results matrix. Though previous updates of the registry have shown that the variation is minimal, the registry will be updated quarterly once health conditions allow. The contextual risk is that the program's ability to protect beneficiary families' food consumption may be diminished due to a loss of the transfers' purchasing power stemming from a sustained increase in food prices, which would limit the quantity and quality of the food that these families can purchase with the transfers received under the program. However, this has been mitigated through extraordinary increases in the transfers and updates to the benefits. Although more regular updating would reduce this risk even further, implementation is dependent on budget availability and, therefore, outside the project's control.
- 2.5 A medium-high positive risk related to the execution system has also been identified. Once the "zeroing out" process has been consolidated, the program will have additional data on use of the transfers, which will enable it to identify actions for improvement and boost the impact of the PACH. To make the most of this risk, institutional strengthening outputs (outputs 1.4, 1.5, and 1.6 of the results matrix) will be implemented.
- 2.6 **Sustainability.** This operation supports the Argentine government's efforts to cushion the impact of the economic crisis, exacerbated by the pandemic, on the income and food security of the most vulnerable population. The project financing represents 14% of investment in the PACH and 16.6% of the annual budget of the

Tarjeta Alimentar program.³⁷ Considering that the program is the main policy tool for preventing food insecurity among the most vulnerable population during the health emergency, the government is expected to continue to give it priority in the budget for the duration of the public health emergency.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower, the Argentine Republic, will act through the Argentine Ministry of Social Development (MDS), which will be the program executing agency. The Department of Strategic Affairs (SAE), acting through its Office of Special Programs and Projects with a Sector-wide Approach, will be the subexecuting agency for executing the program evaluation agenda.
- 3.2 **Execution and administration.** The MDS is the program executing agency and will act through the Office for Special Projects and International Cooperation (DGPEyCI) which reports to the Administrative Affairs Department, or an entity acceptable to the Bank that replaces it. The DGPEyCI will be responsible for upholding the execution requirements established in the loan contract and the program Operating Regulations.
- 3.3 **Special contractual conditions precedent to the first disbursement: The borrower, acting through the executing agency, will have submitted evidence that the program Operating Regulations have entered into force, in accordance with the terms previously agreed upon with the Bank.** Approval of the program Operating Regulations prior to the first disbursement is necessary because they include: (i) the roles and functions of the executing and subexecuting agencies in program execution; (ii) the technical and operational arrangements for program execution; (iii) the eligibility criteria for expenditures, and control and accounting mechanisms; (iv) the programming, monitoring, and results evaluation arrangements; and (v) the program operating procedures. The program Operating Regulations will establish the governance processes for the proposed operation, while the operating processes for Tarjeta Alimentar are established in the respective regulatory decrees.
- 3.4 **Special contractual conditions for execution: The executing agency and the SAE will have signed an agreement for the transfer and use of funds before the SAE contracts the project evaluations.** This agreement will allow funds to be transferred to the SAE so that it, as subexecuting agency, can contract the project evaluation, in accordance with the program Operating Regulations.
- 3.5 **Procurement.** Procurements financed in whole or part with Bank funds will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15), or the policies in effect at the time of execution. The procurement plan ([required link 2](#)) lists the planned procurements.

³⁷ The program should execute about US\$1.2 billion in 2021. With the planned expansion of Tarjeta Alimentar, project financing will rise to 4.7% of investment in the PACH and 5.3% of the program's annual budget (0.7% of GDP).

- 3.6 **Disbursements.** Project disbursements will primarily take the form of reimbursement of expenditures, although advances of funds based on liquidity needs may also be used. Supporting justification for advances will be provided pursuant to the provisions of the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) or the guidelines in effect at the time of project execution..
- 3.7 **Audit.** Throughout the loan disbursement period, the executing agency will submit to the Bank the project's annual audited financial reports within 120 days after the close of the fiscal year. The audit will be conducted by a Bank-eligible independent audit firm or by the Office of the Auditor General. The scope and related considerations will be governed by the Financial Management Guidelines (document OP-273-12) and the Guide for Financial Reports and Management of External Audits.
- B. Summary of arrangements for monitoring results**
- 3.8 **Monitoring.** The executing agency will be responsible for implementing the project monitoring and evaluation plan. In light of the crisis, the main monitoring tool will be the project's results matrix. The program's administrative records and data from the Argentine Social Debt Survey 2021 will be the main sources for tracking the impact, outcome, and output indicators. Tarjeta Alimentar administrative records are kept by the Digital Systems Office of the MDS. The main reporting tool will be the progress monitoring report, which will use the annual and semiannual project reports as information sources ([required link 1](#)).
- 3.9 **Evaluation.** The project evaluation will analyze its contribution to the objective of supporting minimum income levels for persons affected by the coronavirus pandemic. The evaluation methodology will consist of the development of a counterfactual through microsimulations that estimate the values that the outcome and impact indicators would have reached without the Tarjeta Alimentar program.³⁸ To attribute the results observed to program interventions, the project will prepare a theory of change review backed by evidence from a series of quantitative evaluations financed outside the project, which are described in the Monitoring and Evaluation Annex ([required link 1](#)), and a short qualitative study³⁹ on the opinions of food assistance recipients, to be financed under the project.

³⁸ By the Bank's project team, in coordination with the SAE and the MDS.

³⁹ By the SAE.

Development Effectiveness Matrix		
Summary		AR-L1331
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Gender Equality and Diversity	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of targeted anti-poverty programs (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3051	Poverty reduction within the priority area of poverty reduction and social protection of the most vulnerable.
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		The project directly supports the national priority arising from the National Food Emergency exacerbated the pandemic (1.6)
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.5
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		4.0
3.3 Results Matrix Quality		2.5
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		7.9
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		5.4
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System, Price Comparison.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	Through the 4648/OC-AR project, an electronic wallet is being developed that will make it possible to extend the points of purchase of food with the Alimentar Card. Additionally, during project preparation, the Bank financed an evaluation of the program's processes that generated the institutional strengthening products envisaged in this operation.

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Assessment Note: The operation corresponds to a loan of US\$200 million, aimed at helping to ensure minimum levels of quality of life for vulnerable people in the face of the crisis caused by the COVID-19 pandemic. The specific objective is to support minimum levels of income for people affected by the pandemic. The diagnosis is adequate and highlights the problems faced by the country. The main problem is that poverty, indigence, and severe food insecurity, which had already been increasing since 2018, were aggravated by virtue of the greater inactivity derived from the measures of social, preventive, and mandatory isolation to mitigate the evolution of the contagions. In effect, by 2020, poverty reached 42% of the population, extreme poverty was 10.5% and severe food insecurity reached 10.4%. The main component of the project consists of supporting the financing of the Tarjeta Alimentar (Feed Card), a program that includes a monetary benefit for families with the Asignación Universal por Embarazo (Universal Allowance for Pregnancy, AUE), people with disabilities who receive the Asignación Universal por Hijo con Discapacidad (Universal Allowance for Children with Disabilities, AUHD) and families with girls and boys up to 6 years of age who receive the Asignación Universal por Hijo (Universal Child Allowance, AUH).

The Results Matrix is consistent with the vertical logic and has adequate impact and result indicators. Adjustment to the baseline and target of the result indicator is suggested, once the roster of beneficiaries is available, preferably during negotiation, and if not available, during start up plan. Although preliminary, different studies suggest that the Tarjeta Alimentar has proven to be effective in reducing the proportion of beneficiary households that had fallen into indigence or suffered from mild or severe food insecurity in the absence of the program. The proposed outcome and impact indicators are reasonable and well specified.

The monitoring and evaluation plan proposes to measure the key results before and after the program, with adequate sources of information. The evaluation plan includes (i) a review of the project's Theory of Change, supported by relevant quantitative evidence of the effectiveness of the Tarjeta Alimentar financed outside the project and (ii) a qualitative evaluation that provides complementary evidence of attribution. An ex-ante Cost Benefit Analysis was carried out, which yields a benefit-cost ratio of 1.17 in the base scenario.

The operation was classified as Category "C" as it is estimated that it will not cause negative environmental and social impacts, or they will be minimal. Based on the fiduciary evaluation of the Executing Agencies (executing agencies), the risk of the project is considered low. The main risk identified corresponds to the loss of purchasing power of the transfers due to the sustained increase in the price of food, with which families could be limited in the quantity and quality of food they can purchase, which in turn could reduce their ability to protect their food intake. This impact has been mitigated through extraordinary increases in transfers and the updating of benefits. Although a more regular update of them would reduce this risk even more, their implementation is subject to budget availability and, therefore, is outside the control of the project.

RESULTS MATRIX

Project objective:	The general objective of the program is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by the COVID-19 pandemic. The specific objective is to support minimum income levels for those affected by the pandemic.				
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EXPECTED IMPACT

Indicator	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
General development objective: To contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by the COVID-19 pandemic.						
Families receiving food assistance cards kept from falling into extreme poverty in 2021	Percentage	0	2020	7.9 ¹	Argentine Social Debt Survey for 2021	Target: Difference between: (a) The percentage of Tarjeta Alimentar beneficiary households whose income would have placed them below the indigence line without the benefit (simulated ²); and (b) percentage of Tarjeta Alimentar beneficiary households whose income placed them below the indigence line (with the benefit).

EXPECTED OUTCOME

Indicator	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
Specific development objective: To support minimum income levels for those affected by the pandemic.						
Households whose income falls below the poverty line	Percentage	0	2021	90.9 ^{3,4}	Argentine Social Debt Survey for 2021	Numerator: Tarjeta Alimentar beneficiary households whose income falls below the poverty line. Denominator: Households with

¹ On 20 May 2021, a Ministerial Resolution (655/2021) was published in the Official Gazette of Argentina increasing the age range up to 14 years and increasing the transfer amount received by families with more than two children (from Arg\$9,000 to Arg\$12,000). Once the new beneficiary registry has been drawn up, the final target will be revised to 12.1.

² [Required link 1](#), Monitoring and Evaluation, discusses the simulation in detail.

³ For the third quarter of 2020, the indicator was calculated without including recipient households with children with disabilities or households with pregnant women because these households cannot be identified by the 2021 Argentine Social Debt Survey. Once these households are included, the percentage of poor households and households eligible to receive food assistance should increase.

⁴ Once the new beneficiary registry has been drawn up, the end target will be revised to 85.4%.

Indicator	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
receiving food assistance under the project ⁵						children ages 0 to 6, pregnant women, or persons with disabilities living below the national poverty line.

OUTPUTS⁶

Output	Unit of measure	Baseline	Baseline year	2021	2022	Final target	Means of verification	Comments
Component 1. Protection through the use of existing cash transfer programs								
Food assistance card transfers ⁷ to recipients with children ages 0 to 6	Transfers	0	2021	2,775,853 ⁸	0	2,775,853	Report on the payment of transfers	Based on the beneficiary registry
Food assistance card transfers to pregnant women	Transfers	0	2021	65,235	0	65,235	Report on the payment of transfers	Based on the beneficiary registry
Food assistance card transfers to recipients with children with disabilities	Transfers	0	2021	70,678	0	70,678	Report on the payment of transfers	Based on the beneficiary registry
Reports from analyses of food assistance card balances, completed	Reports	0	2021	1	1	2	Food assistance card balance analysis report	
IT platform for updating data, including gender and diversity considerations, on Tarjeta Alimentar beneficiary households, operational	Platform	0	2021	0	1	1	Report analyzing data on food assistance recipients	The platform can be used to inform program design and future program activities related to gender and diversity considerations.
Report analyzing the qualitative survey on financial management of the funds paid to food assistance cards, completed	Report	0	2021	0	1	1	Consulting report analyzing the qualitative survey	

⁵ Households eligible for food assistance are those with children ages 0 and 6 (which will be increased to 14 when the expansion of the program is formalized), pregnant women, or children with disabilities, in which the parents or caregivers are employed in the informal sector or as domestic workers (registered and unregistered) or are unemployed and who are not receiving benefits that make them ineligible for the program (unemployment insurance, retirement benefits and contributory pensions).

⁶ Once the new beneficiary registry has been drawn up, the age range, reference period, and number of transfers for this indicator will be updated.

⁷ Number of deposits in the accounts of food assistance recipients. One transfer corresponds to one individual recipient. For details on the calculation, see [required link 1](#), Monitoring and Evaluation.

⁸ Once the new beneficiary registry has been drawn up, the age range, reference period, and number of transfers for the indicator will be updated.

Output	Unit of measure	Baseline	Baseline year	2021	2022	Final target	Means of verification	Comments
Program administration, audits, and evaluation								
Evaluation plan, completed	Report	0	2021	0	1	1	Final evaluation report	The report reflects the findings of the qualitative survey and other complementary analyses.

Country: Argentina
Cofinancing: No

Sector: SPH

Project No: AR-L1331
Coexecution: No

Year: 2021

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Argentine Ministry of Social Development (MDS)

Project name: Support for Vulnerable Populations Through the Argentine Plan to Combat Hunger Amid the COVID-19 Pandemic

I. Fiduciary Context of the Executing Agency

1. Use of country systems in the project¹

<u>Budget</u> <input checked="" type="checkbox"/>	<u>Reports</u> <input checked="" type="checkbox"/>	<u>Information system</u> <input type="checkbox"/>	<u>National competitive bidding (NCB)</u> <input checked="" type="checkbox"/>
<u>Cash flow</u> <input type="checkbox"/>	<u>Internal audit</u> <input type="checkbox"/>	<u>Shopping</u> <input checked="" type="checkbox"/>	<u>Advanced NCB</u> <input type="checkbox"/>
<u>Accounting</u> <input checked="" type="checkbox"/>	<u>External control</u> <input checked="" type="checkbox"/>	<u>Individual consultants</u> <input type="checkbox"/>	<u>Consulting firms</u> <input type="checkbox"/>

2. Applicable laws/regulations

The Financial Management Guidelines for IDB-financed Projects (document GN-2811, OP-273-12) will be used for financial management of the program.

For the procurement of works, goods, and nonconsulting services, the policies established in document GN-2349-15, approved by the Bank on 2 July 2019, will be used. The policies established in document GN-2350-15, approved by the Bank on 2 July 2019, will be used for the selection and contracting of consulting services.

3. Fiduciary capacity of the executing agency

The fiduciary capacity of the executing agency has been assessed as sufficient. The MDS is responsible for executing loans 4229/OC-AR, 4648/OC-AR-2, and 4806/OC-AR-2 and has experience managing social welfare programs through direct transfers to beneficiaries.

4. Fiduciary risks and mitigation actions

Fiduciary risk: High ☐; Medium ☐; Low ☒

¹ Any subsequently approved system or subsystem may be applicable to the operation, in accordance with the terms of the Bank's validation.

II. Considerations for the Special Provisions of the Contract

The exchange rate for financial reporting is Article 4.10, option (b)(i) of the General Conditions of the Loan Contract. Therefore, the exchange rate applied will be the one in effect on the date the currency of approval or disbursement is converted into the local currency of the borrower's country. To determine the equivalency of expenditures incurred in local currency—reimbursement of expenditures from the loan—the exchange rate will be the rate in effect on the first business day of the month the respective transfer payments are made to beneficiaries.

Audit type: The program's audited annual financial statements will be submitted to the Bank within not more than 120 days following the close of each of the executing agency's fiscal years, duly audited by an independent audit firm acceptable to the Bank. The final audited financial reports will be submitted within 120 days after the date of the final disbursement under the project.

III. Agreements and Requirements for Procurement Execution

Exceptions to Bank policies and guidelines: Not applicable (N/A)

Retroactive financing and/or advance procurement	N/A
[Expenditures incurred before the modified contract comes into force]	N/A
Supplementary procurement support	N/A
Alternative procurement arrangements	N/A
Projects with financial intermediaries	N/A
Procurement agents	N/A
Direct contracting	No direct contracts are planned.

Operating expenses: <input checked="" type="checkbox"/> <p>The project provides US\$96,250.00 to be used to operate the executing agency's office (administrative supplies, office materials/ supplies, petty cash, etc.). These supplies and services will be procured following the executing agency's administrative procedures, which will be reviewed and accepted by the Bank, provided they do not contravene the principles of economy, efficiency, and competition.</p>	National preference: <input type="checkbox"/> <p>N/A</p>
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General procurement supervision method: The procurement supervision method will be ex post, except in cases where ex ante supervision is warranted. For procurements executed through the country system, supervision will be performed through the country supervision system. The supervision method, whether (i) ex ante; (ii) ex post; or (iii) country system, will be determined for each selection process. Ex post reviews will be annual in accordance with the project supervision plan, subject to change during execution. The ex post review reports will include at least one supervisory visit.

Country thresholds: www.iadb.org/procurement

IV. Financial Management Agreements and Requirements

Programming and budget	The executing agency is responsible for formulating and programming the annual budget and will take charge of all procedures necessary to consolidate the annual budget for approval. The budget has programmatic categories and other classifications by purpose of expenditure (items). No difficulties are anticipated in budget allocations for the Tarjeta Alimentar program.
Cash flow and disbursement management	<ul style="list-style-type: none"> • The disbursement mechanism will be through the Online Disbursement platform. • The executing agency will open bank accounts in U.S. dollars and local currency for the exclusive and separate management of the loan proceeds. • Financial plan: Disbursements will be based on a detailed financial plan that reflects the program's real liquidity needs. • Disbursement methods: The Bank will disburse the proceeds as advances or using any other modality established in document OP-273-12. • Justification percentage: 80% of advances of funds will need to be justified. • Flow of funds: The project's funds will be deposited in an account at the Central Bank of the Argentine Republic used to receive IDB disbursements and then transferred to a special account to handle the loan proceeds at Banco de la Nación Argentina or another account designated by the MDS for reimbursements of expenditures. <p>Eligible expenditures include transfers credited to the food assistance cards issued under the Tarjeta Alimentar program, net of amounts reimbursed to the MDS by banks (based on balances on the cards not used by beneficiaries). Bank fees for bank transfers are not considered eligible expenses.</p>
Accounting, information systems, and reporting	The executing agency will use the Financial Management Module for the Execution Units of Projects with External Financing (UEPEX), which allows for the identification of project funds and financing sources. The UEPEX records project investments by cost chart component, in accordance with the chart of accounts approved by the Bank. Cash-based accounting will be used, and the International Financial Reporting Standards applied as warranted, in accordance with established national criteria.
External control	<p>External control is performed by the Office of the Auditor General (AGN). The AGN is the lead agency in external control, reports to Congress, and assists it in government control of public sector accounts. Its creation and operation are regulated in Title VII, Chapter I of Law 24,156 on Financial Administration and External Control Systems.</p> <p>The program's annual financial statements will be audited by an independent audit firm acceptable to the Bank (either the AGN or an independent audit firm) in accordance with the terms of reference previously agreed upon with the Bank.</p>
Project financial supervision	The initial financial supervision plan will be based on the assessments of the executing agency's fiduciary capacity and risk. Financial supervision will be through on-site visits and desk reviews and will include analysis and monitoring of the findings and recommendations of the audits of the program's annual financial statements.

V. Relevant Information

Policies and guidelines applicable to the operation

Financial management	Procurement
<ul style="list-style-type: none">• GN-2811 [OP-273-12]	<ul style="list-style-type: none">• GN-2349-15 – Goods, works, and nonconsulting services• GN-2350-15 – Selection and contracting of consultants

Records and files

The MDS and the Department of Strategic Affairs (SAE) will be responsible for keeping the original files on procurements, contracts, and financial management for which they are responsible as part of program execution.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Argentina. Loan ____/OC-AR to the Argentine Republic. Support for Vulnerable Populations through the Argentine Plan to Combat Hunger amid the COVID-19 Pandemic

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Argentine Republic, as borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Support for Vulnerable Populations through the Argentine Plan to Combat Hunger amid the COVID-19 Pandemic". Such financing will be for an amount of up to US\$200,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2021)