With a gross domestic product (GDP) of US\$614 billion, Argentina was the third-largest economy in Latin America in 2022.
Decades of underinvestment have led to sizeable gaps in capital stock relative to comparable countries, although capital spending as a percentage of GDP has improved in recent years.
The economy recovered from the Coronavirus Disease (COVID) crisis at a fast pace, reaching pre-pandemic activity levels by mid-2021. However, since 2022 increasing macro imbalances and a more turbulent global context, started to
slow down the pace of GDP growth.
Climate change will particularly affect the Argentinian energy sector and its climate resilience, as higher temperatures and extreme weather events will impact power generation, especially clean energy sources such as hydro, solar and wind. 2 Higher demand resulting from economic growth, industrial expansion, urbanization, and population growth will also challenge existing power supply systems.

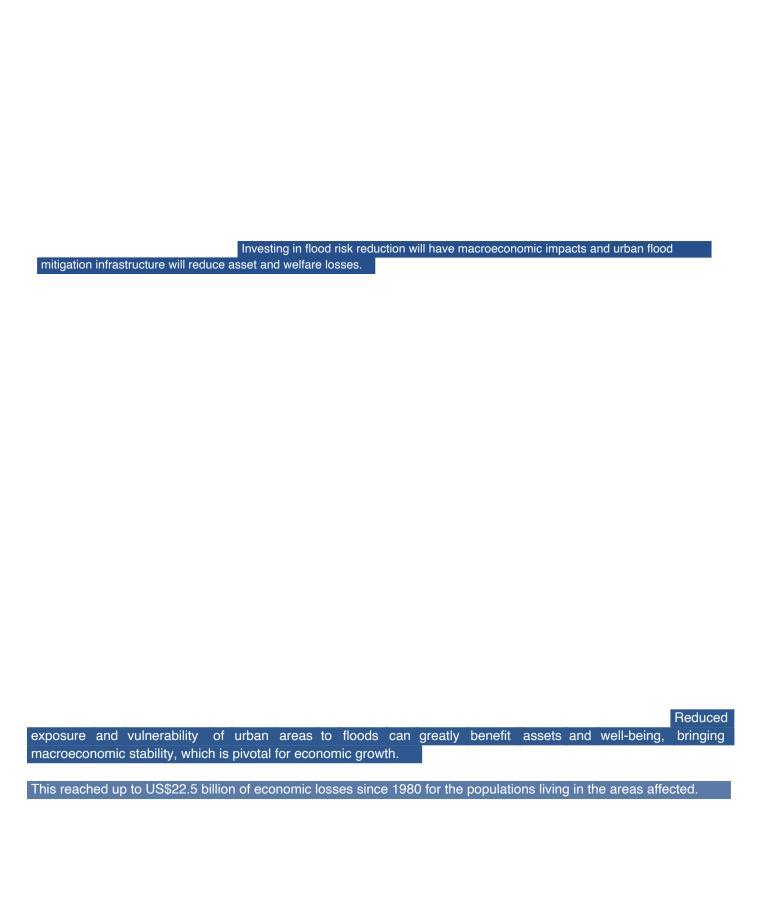
This amount covers the remaining obligations under the 2018

SBA (US\$40.5 billion) and provided a small net financing support for reserves accumulation (US\$4.5 billion). The program sets a gradual fiscal consolidation path toward a zero primary deficit in 2025 (from 3 percent in 2021 to 2.5 percent of GDP in 2022, 1.9 percent in 2023, and 0.9 percent in 2024), a reduction of monetary financing of the deficit (eliminated by 2024), and the framework for monetary policy involving positive real interest rates, as part of a strategy to fight inflation.

According to the IMF statement, prudent macroeconomic management in the second half of 2022 supported stability and helped secure program targets through end-2022 with some margin.

While fiscal targets have been met so far, a still sizable fiscal deficit continues to pressure monetary policy, given limited access to capital markets. A severe drought is expected to strongly affect agricultural production in 2023, reducing exports and fiscal revenues while limiting the capacity of the Central Bank to accumulate international reserves.

In this context, the government is increasing efforts towards a gradual macroeconomic stabilization program that contains a broad set of economic policies. To reduce the monetary financing of the fiscal deficit and the associated persistent and high inflation, the government has adopted measures to reduce the cost of subsidies and improve their targeting, especially in the costly energy sector.



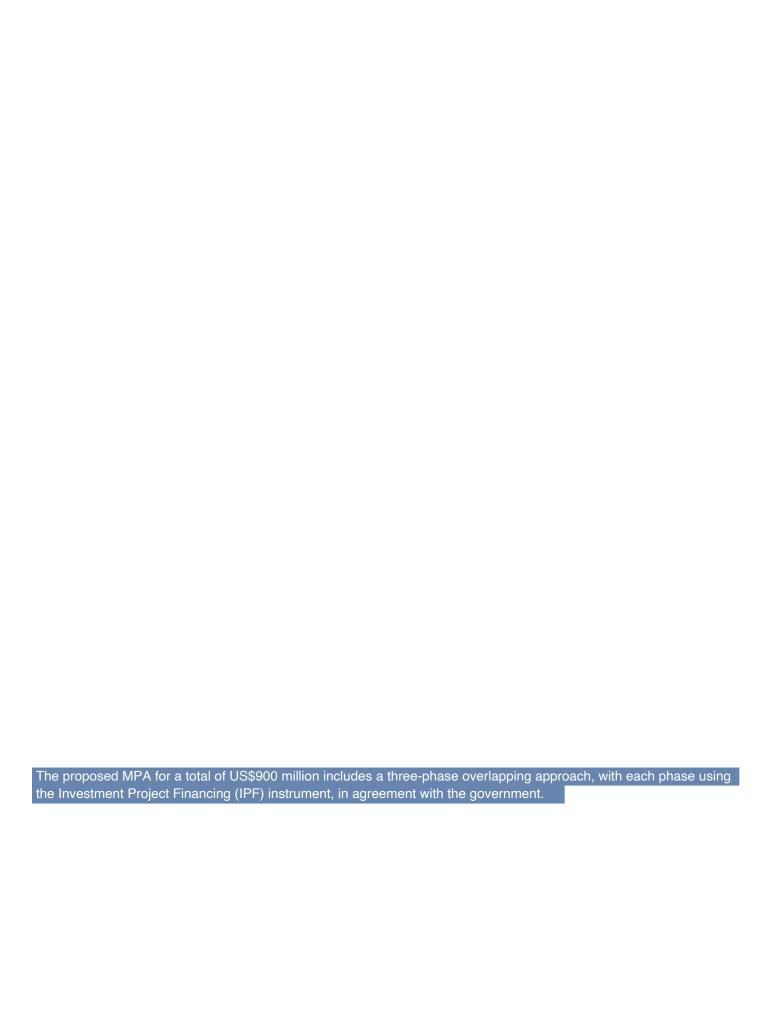
Climate change adds further management, floods will have	stress to the existing infra e a larger impact on resid	astructure, and without pro ents and the economy.	per planning and invest	ments in risk

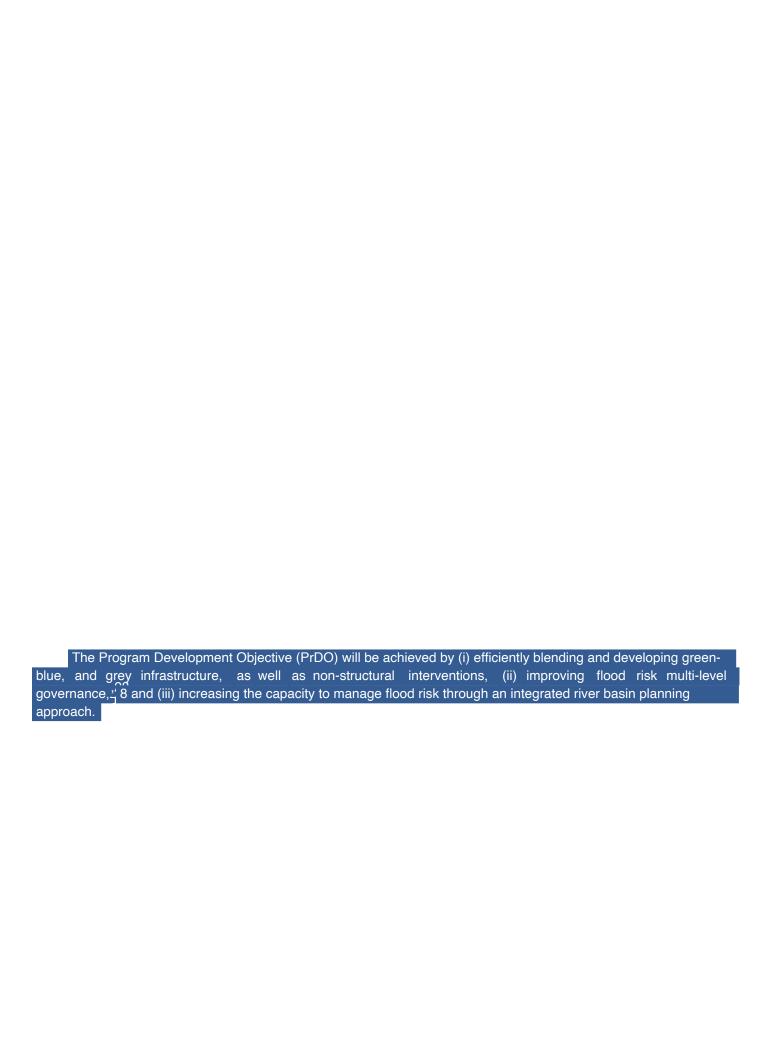


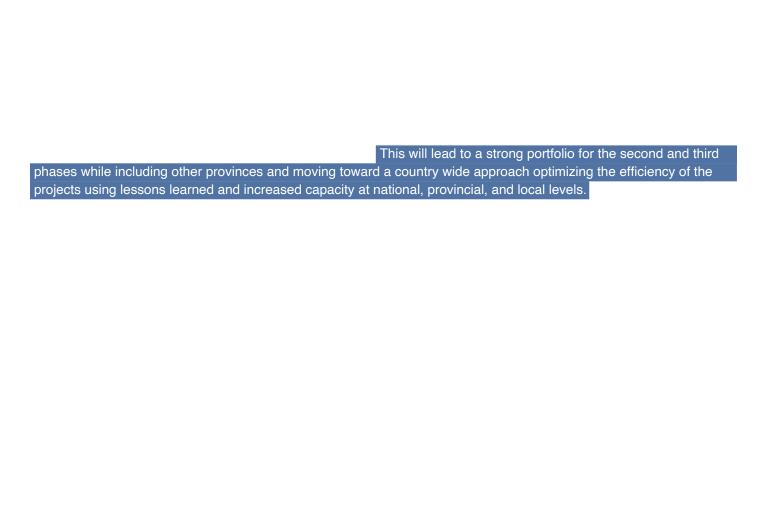
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Although urban flood hazard is considered high in Argentina, I few cities have truly integrated water management plans to properly prioritize investments. Some provinces have prioritized investments, and other provinces are carrying out studies, often financed by the national government, to identify the required investments to reduce flood risks in an integrated manner. For the provinces of Buenos Aires and Santa Fe, two of the most affected provinces, the investment needs to reduce flood risks amount to more than US\$3.4 billion alone.

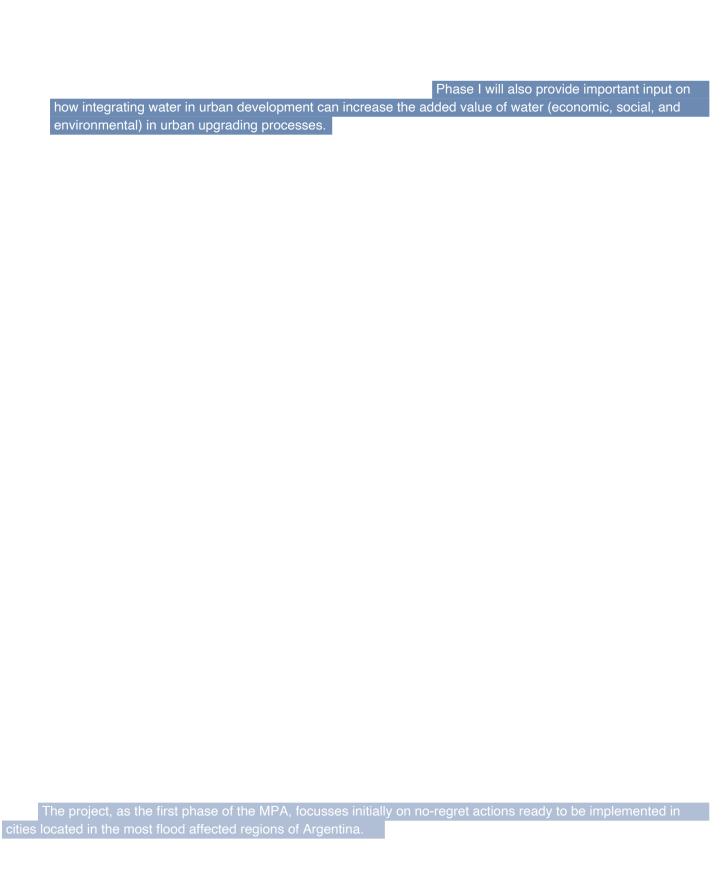








earned the learning agenda verteengthen water governancestrengthening the basic needs	will initially focus on aspece, (ii) how infrastruct sfor improved sustainate	ure to reduce flood ristility and (iv) how to incre	ng the institutional framew sk can be made more ase citizens engagement	ork and resilient, (iii) and close the
gender gaps that are related t	to 11000 fisk managemen	it and the added value of	water in urban developm	ent.



Structural interventions under
this Project focus on (i) rehabilitating/constructing defense works in urban areas with high vulnerability to flooding
damage; and (ii) pluvial drainage works to reduce the areas and communities affected by storms.
damage, and (ii) pluvial drainage works to reduce the areas and communities affected by storms.
This subcomponent
will carry out demand-driven no-regret interventions consisting of rehabilitation, upgrading, reconstruction, or
construction of new grey hydraulic infrastructure for urban drainage and flood risk mitigation (e.g., primary drainage
channels, secondary and tertiary drainage networks, flow control infrastructure, storage areas, defenses
embankments, and pumping stations among others).
Within the comprehensive matrix of green-blue infrastructure options, this Subcomponent will
include the development of retention areas, linear parks, green roofs, and permeable pavements among others.
Furthermore, these solutions could support the
creation of recreational areas and urban green corridors adding to the integration, maintenance, and recovery of
urban biodiversity.

including the development of urban flood risk management plans and strategies, environmental assessments, urban development and solid waste management plans, the revision of legal frameworks, development of early warning systems, and any other tool necessary to strengthen the capacity to operate and maintain the infrastructure for

improved urban flood risk management.

This component will also focus on non-structural measures

of investments in			

								ood risks, for e		
		Project.	itization, ar	nd more effic	cient intervei	ntions, the pe	ople living in t	the selected ci	ties will benefi	t
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supporting the sector with bold interventions, including over 20 years of engagement in mitigating flood risks, support in addressing the poor environmental conditions of the Matanza-Riachuelo river basin, and expanding water supply and sanitation services in low-income northern provinces (Norte Grande Region), the Bank is a trusted partner in the sector, helping the government overcome technical, institutional, financial, and legal challenges, among others. The Bank supports infrastructure investments and provides global technical expertise to encompass institutional development, environmental management, and citizen engagement, assisting the government toward the 2030 agenda and pursuing the SDGs.



cities already have strong programs on participatory planning and inclusion of communities to improve awareness and create a sense of ownership.



	Improvement of the existing hydraulic conditions of the Canal Alvarado and the integration of the works in
	urban development in San Salvador de Jujuy, Jujuy (US\$8.8 million).
	This activity will address
	issues resulting from uncontrolled urban sprawl, which has led to the expansion of vulnerable settlements
	along the canal.
С.	Rehabilitation of Canal Alvear and secondary drainage network in the city of Salta, Salta (US\$23.4 million).
	The main part of the intervention $4 \int_{1}^{1} 1$ seeks to rehabilitate and upgrade the existing tunneled section of the
d.	Improvement of the Arribalzaga street drainage network, and rehabilitation of Canal Soberania,
<u>u</u> .	Resistencia, Chaco (US\$18.3 million).
	Interventions considered to reduce impact are (i) rehabilitation of the
	existing Canal Soberania (10Km) including the construction of a linear park to retain water, and (ii)
	improvement of the drainage system located in the Avenida Arribalzaga including tunneled drainage and
	green interventions like rain gardens to reduce the peak flows toward the drainage system. 42 Expected
_	
4	1 The tunneled section and secondary drainage network are estimated at 80 percent of the costs and 20 percent of the costs will be

Previous Bank-financed operations have shown that flood risk management interventions such as the ones
to be financed under this project are economically feasible, showing positive Economic Internal Rates of Return
(EIRR) and benefit-cost ratios (B/C) larger than 1. As a result of limited data, it is often the case, that only a partial
economic assessment of structural flood mitigation measures can be carried out, leaving out the valuation of
additional benefits and underestimating the positive impacts of these types of investments.
Other benefits,
associated with the regularization of informal urban settlements, and those linked with green and blue infrastructure,
like improved air quality, GHGs emissions reduction, increase of recreational areas, reduction of the heat islands
effect, creation of new local socioeconomic opportunities, and tourism, have also been partially considered.
Economic analysis shows that the project is economically feasible presenting B/C
ratios larger than 1 and positive EIRR. After performing a sensitivity analysis, considering alternative cost scenarios and discount rates (between four and twelve percent) the interventions continue to be economically feasible,
depicting their robustness.

de Jujuy, benefits were estimated using a combination of avoided damage and hedonic prices methods.

ME IO Table SPACE

instance, if the baseline is 30 %, the expected average increase for the end target will be 31.5 per cent (30% + (30%*5%)=31.5%)

was not accompanied by the necessary urban drainage infrastructure works, causing the existing systems to become less efficient and resulting in exacerbated flooding episodes after rainfall events. C. The current drainage system lacks development and maintenance, especially the secondary drainage network that no longer has the capacity to drain sufficient storm water. Works will involve the opening of the drainage tunnel or emissary to be rebuilt with reinforced concrete, improvement of the secondary drainage system and construction of rain gardens to reduce the peak discharge.		
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