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R2017-0005/1

January 9, 2017

**Closing Date: Friday, January 27, 2017
at 6 p.m.**

FROM: Vice President and Corporate Secretary

Argentina - Metropolitan Areas Urban Transport Project

Additional Financing

Attached is the Project Paper regarding the proposed additional loan to Argentina for the Metropolitan Areas Urban Transport Project – Additional Financing (R2017-0005), which is being processed on an absence-of-objection basis.

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Report No: PAD2137

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL LOAN

IN THE AMOUNT OF US\$45 MILLION

TO THE

ARGENTINE REPUBLIC

FOR THE

METROPOLITAN AREAS URBAN TRANSPORT PROJECT

January 6, 2017

Transport and Information and Communication Technologies Global Practice
Latin America and Caribbean

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CURRENCY EQUIVALENTS

(Exchange Rate Effective November 3, 2016)

Currency Unit = ARS
ARS 15.07 = USD 1
USD = SDR 1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AMBA	Metropolitan Area of Buenos Aires (<i>Área Metropolitana de Buenos Aires</i>)
AMT	Metropolitan Transport Agency (<i>Agencia Metropolitana de Transporte</i>)
BRT	Bus Rapid Transit system
CPS	Country Partnership Strategy
EIAs	Environmental Impact Assessments
EMPs	Environmental Management Plans
GRS	Grievance Redress Service
IP	Implementation Progress
IRR	Internal Rate of Return
ESMM	Environmental and Social Management Manual (<i>Manual de Manejo Ambiental y Social</i>)
MT	Ministry of Transport
NPV	Net Present Value
PDO	Project Development Objective
UEC	Project Implementation Unit (<i>Unidad Ejecutora Central</i>)

Regional Vice President:	Jorge Familiar
Country Director:	Jesko S. Hentschel
Senior Global Practice Director (Acting):	Jose Luis Irigoyen
Practice Manager/Manager (Acting):	Gylfi Palsson
Task Team Leader:	Camila Rodriguez

ARGENTINA
METROPOLITAN AREAS URBAN TRANSPORT PROJECT
ADDITIONAL FINANCING

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ADDITIONAL FINANCING DATA SHEET

Argentina

Metropolitan Areas Urban Transport Project (P161393)

LATIN AMERICA AND CARIBBEAN

Transport and Information and Communication Technologies Global Practice

Basic Information – Parent							
Parent Project ID:	P095485	Original EA Category: B					
Current Closing Date:	31-Jan-2017						
Basic Information – Additional Financing (AF)							
Project ID:	P161393	Additional Financing Type (from AUS):		Cost Overrun Proposed EA Category: B Expected Effectiveness Date: 01-May-2017 Expected Closing Date: 30-June-2019 Report No: PAD2137			
Regional Vice President:	Jorge Familiar						
Country Director:	Jesko S. Hentschel						
Senior Global Practice Director:	Jose Luis Irigoyen (Acting)						
Practice Manager/Manager:	Gylfi Palsson (Acting)						
Team Leader(s):	Camila Rodríguez Hernández						
Borrower							
Organization Name	Contact	Title	Telephone	Email			
Argentine Republic	Manuela López Menéndez	Secretaria de Obras de Transporte	541143497147				
Project Financing Data – Parent Project (Metropolitan Areas Urban Transport-P095485) (in USD Million)							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P095485	IBRD-77940	Effective	20-Oct-2009	11-Aug-2010	26-Nov-2010	29-Feb-2016	31-Jan-2017

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P095485	IBRD-77940	Effective	USD	150.00	149.68	0.32	92.76	56.92	61.97
Project Financing Data - Additional Financing Metropolitan Areas Urban Transport Project (P161393)(in USD Million)									
<input checked="" type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		63.10		Total Bank Financing:		45.00			
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
Borrower								18.10	
International Bank for Reconstruction and Development								45.00	
Total								63.10	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
Name	Role	Title	Specialization	Unit					
Camila Rodriguez Hernandez	Team Leader (ADM Responsible)	Senior Infrastructure Specialist	Urban Transport	GTI04					
Ana Maria Grofsmacht	Procurement Specialist (ADM Responsible)	Senior Procurement Specialist	Procurement	GGO04					
Juan Carlos Serrano-Machorro	Financial Management Specialist	Senior Financial Management Specialist	Internal Control Analysis	GGO22					
Aracelly G. Woodall	Team Member	Senior Program Assistant	Operations	GTI04					
Carlos Alberto Molina Prieto	Safeguards Specialist	Social Development Specialist	Social Safeguards	GSU04					

Elsa Coy	Team Member	Programming Asst.	Operations	LCCCO	
Fabiola Altimari Montiel	Counsel	Senior Counsel	Public Administration, Law and Justice	LEGLE	
Fernando J. Brunstein	Safeguards Specialist	Consultant	Environment	GEN04	
Noreen Beg	Safeguards Specialist	Senior Environmental Specialist	Environment and Climate Change	OPSPF	
Santiago Ezequiel Arias	Team Member	Transport Specialist	Urban Transport	GTI04	
Tatiana Peralta Quiros	Team Member	Economist	Emerging Transport Technologies	GTISO	
Veronica Ines Raffo	Team Member	Senior Infrastructure Specialist	Transport	GTI04	
Extended Team					
Name		Title	Location		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Argentina	Buenos Aires F.D.	Ciudad Autónoma de Buenos Aires	X	X	
Argentina	Buenos Aires	Provincia de Buenos Aires	X	X	
Institutional Data					
Parent (Metropolitan Areas Urban Transport-P095485)					
Practice Area (Lead)					
Transport & ICT					
Contributing Practice Areas					
Additional Financing Metropolitan Areas Urban Transport Project (P161393)					
Practice Area (Lead)					
Transport & ICT					
Contributing Practice Areas					

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an additional loan in an amount of US\$45 million to the Argentine Republic for the Metropolitan Areas Urban Transport Project (P095485; LN 7794-AR). The proposed additional financing (AF) is sought in order to cover a cost overrun related to the civil works of the La Matanza Bus Rapid Transit (BRT) system, and the multimodal Saenz Transfer Station in the Metropolitan Area of Buenos Aires (*Area Metropolitana de Buenos Aires, AMBA*), both launched under the original loan.
2. Cost overruns have been estimated at US\$45 million and are mainly due to: (i) the only bid had a higher than expected value, and (ii) a contract amendment requested by the Ministry of Transport (MT) to improve the design of the BRT project.
3. This project paper also reflects: (i) an eleven-month extension of the closing date of the original loan (7794-AR) to December 31, 2017; (ii) the revision of the implementation schedule to align with the closing date of June 30, 2019 for the AF loan; (iii) modification of some monitoring indicators to better track progress of the multimodal Saenz Transfer Station; and (iv) changes in the disbursement estimates, component costs, reallocation between disbursement categories, implementation schedule, and application of the new Procurement Regulations.
4. The modifications proposed would not change the Project Development Objective (PDO) or impact the safeguards or implementation arrangements that are currently in place for the Original Project. No additional safeguards will be triggered, and there would be no change of the Project environmental category. Financial management and disbursements arrangements for the AF will follow the arrangements already in place for the Original Project. There are no overdue audits.

II. Background and Rationale for Additional Financing in the amount of USD 45 million

5. Background. The US\$150 million loan for the Metropolitan Areas Urban Transport Project, was approved by the Board on October 20, 2009, was declared effective on November 26, 2010 and has a closing date of January 31, 2017.¹ The Project is implemented by the MT, which was created by the new Administration on December 10, 2015 as a spin-off of the previous Ministry of Interior and Transport.
6. The Project Development Objectives (PDO) are: (a) to support the design and creation of a multijurisdictional metropolitan transport agency for the AMBA; (b) to strengthen the institutional capacity of transport authorities with respect to decision-making, planning, priority setting, and resource allocation in urban transport; (c) to improve the quality and performance of urban transport infrastructure and/or services in metropolitan areas; and (d) to improve the physical integration and access to public transport networks in the AMBA.
7. The Project is fully aligned with the World Bank Group's Country Partnership Strategy (CPS) FY15-18 for the Argentine Republic, discussed by the Executive Directors on September 14, 2014 (report No. 81361-AR). In particular, the Project will contribute to the CPS Result Area

¹ The original loan of US\$150 million was reduced to US\$149.7 million due to misprocurement.

2, ‘Supporting Agglomeration Economies’ Reach Low Income Areas’, by improving metropolitan coordination and planning, tackling traffic congestion and building key transit infrastructure to leverage the potential of agglomeration economies, and to improve the accessibility of the bottom 40 percent to employment opportunities.

8. Project Status. Since May 2016, the Project has been rated moderately satisfactory on both its progress towards achieving the PDO and in IP, including performance of all of the four project components²:

- a) Under Component 1, the Metropolitan Transport Agency (AMT) was established. Representatives of the three jurisdictions involved (national, provincial, and municipal governments) signed a memorandum of understanding to work through a technical committee/secretariat to coordinate multi-jurisdictional issues and prioritize critical metropolitan transport investments. Under this component, the Project also supported the development of a transport model for the AMBA.
- b) Under Component 2, segregated bus lanes were built for Rosario (2.5 km) and the operation of the first Metrobus BRT was launched in July 2016. Construction of segregated bus lanes in Santa Fe (5.7 km) is well underway, and works are expected to be completed by February 2017 (90 percent progress, this is the only infrastructure pending under Component 2). Bike lanes in Tucuman (2.2 km) and Salta (7.7 km) have been completed. Mobility studies in La Rioja and Salta have been completed, and origin-destination surveys have been produced for Salta, Santa Fe, Parana, Resistencia, Corrientes, Neuquen and Rio Negro.
- c) Under Component 3, the construction of the BRT in La Matanza (14 km, including 11 km of segregated lanes, 16 bus stations, and one terminal/bus depot) registers a 40 percent progress. La Matanza municipality, located in the southern part of the AMBA, is one of the poorest in the metropolitan region. Improving mobility there is seen as a critical factor in promoting access to economic and social opportunities for its citizens. The component is also supporting the elevation of the Saenz multimodal transfer station level crossing of the Belgrano Sur suburban rail line, to relieve congestion, increase safety, and strengthen the urban fabric connectivity. The component would also support the removal of level crossings in the Saenz Station, by building 1 km of elevated rail and building a new transfer station. The civil works contract for the Saenz Station will be signed in early January, 2017.
- d) Lastly, under Component 4 the Project is supporting an Urban Transport Planning Masters course being delivered by the Universidad de Buenos Aires. The Masters is now in its 3rd cohort, and has trained more than 50 graduate students.

9. Rationale for Additional Financing. The AF is a result of cost overruns associated with the La Matanza BRT civil work contract. First, the bid significantly surpassed the estimated budget: at US\$137 million, the winning bid was 26 percent higher than the estimated US\$109

² Bank Management approved on November 07, 2016 the exception to OP 10.00 requirement that to be eligible for an additional financing a project needs to have been rated moderately satisfactory or better for both the progress towards achieving the PDO and Implementation Progress for the most recent 12 months.

million budget. Second, a contract amendment was requested by the MT to improve the design of the BRT project, which increased the contract value by 15 percent, yielding a total contract value of US\$156 million. Most of the increase in the contract value related to the decision to improve the initial design by paving the mixed-traffic lanes and key intersections along the BRT corridor.

10. Alternatives to the Additional Financing. Three alternatives to the funding shortfall were explored: (1) reduce the Project scope; (2) increase counterpart funding; or (3) seek additional financing. The first option was discarded because all project activities are underway, remain priorities for the Government, and are needed to achieve the project's PDO. Additional counterpart funds are not available because of competing sectoral needs requiring counterpart funding. Seeking AF was identified as the most appropriate financing mechanism to enable completion of the Project's activities.

III. Proposed Changes

Summary of Proposed Changes	
The proposed AF includes the following changes:	
<ul style="list-style-type: none"> • Revision of the monitoring indicators to better track progress of the multimodal Saenz Transfer Station; • Extension of the current closing date of the original loan (7794-AR) until December 31, 2017; • Change in disbursement estimates; • Change in component costs; • Reallocation between disbursement categories; • Change in procurement to apply the new Procurement Regulations for Investment Project Financing dated July 2016; and • Change in the implementation schedule. 	
Change in Implementing Agency	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Project's Development Objectives	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Results Framework	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Safeguard Policies Triggered	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change of EA category	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Other Changes to Safeguards	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Legal Covenants	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Loan Closing Date(s)	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Cancellations Proposed	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Disbursement Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Reallocation between Disbursement Categories	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Disbursement Estimates	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change to Components and Cost	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]

Change in Institutional Arrangements	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Financial Management	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]
Change in Procurement	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Change in Implementation Schedule	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>]
Other Change(s)	Yes [<input type="checkbox"/>] No [<input checked="" type="checkbox"/>]

Development Objective/Results

Project's Development Objectives

Original PDO

The overall development objective of the program is to improve the quality and sustainability of urban transport systems in Argentine Metropolitan Areas, through the improvement of sectoral decision making frameworks and by giving priority to public transport modes in the urban transport sector. The Project (APL1) Development Objectives contribute to the overall program development objective by: (i) supporting the design and creation of a multijurisdictional Metropolitan Transport Agency for the Buenos Aires Metropolitan Area (AMBA); (ii) strengthening the institutional capacity of the transport authorities in decision making, planning, priority setting, and resource allocation in urban transport; (iii) improving the quality and performance of urban transport infrastructure and/or services in medium size Metropolitan Areas; and (iv) improving the physical integration and access to public transport networks in the Buenos Aires Metropolitan Area.

Change in Results Framework

Explanation:

A revision of the monitoring indicators is proposed to include indicators to better track progress of the multimodal Saenz Transfer Station. The proposed indicators are:

- PDO Indicator: Reduction in travel time for at grade public transit users due to the removal of the Saenz Transfer Station level crossings; (target 10 percent reduction; target date June 30, 2019)
- Intermediate Indicator: General progress of the Saenz Transfer Station civil works. (target 100 percent; target date June 30, 2019)

Also, the following indicators would be revised to reflect updated new end target dates of the original loan and more accurately track project beneficiaries, as follows:

- Improved mobility in the RN3 corridor - BRT R3 Juan Manuel de Rosas – which provides at least a 10 percent reduction in generalized cost of travel. (target date December 31, 2017)
- Kilometers of segregated bus lanes constructed in the AMBA. (target date December 31, 2017)
- Increase in number of public transit users in the La Matanza BRT corridor (target 10 percent increase; target date December 31, 2017)

Compliance						
Covenants - Additional Financing (Metropolitan Areas Urban Transport Project - P161393)						
Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
				<input type="checkbox"/>		New
Conditions						
Source Of Fund		Name		Type		
Description of Condition						
Risk						
Risk Category				Rating (H, S, M, L)		
1. Political and Governance				Moderate		
2. Macroeconomic				Moderate		
3. Sector Strategies and Policies				Low		
4. Technical Design of Project or Program				Low		
5. Institutional Capacity for Implementation and Sustainability				Moderate		
6. Fiduciary				Moderate		
7. Environment and Social				Moderate		
8. Stakeholders				Low		
9. Other						
OVERALL				Moderate		
Finance						
Loan Closing Date - Additional Financing (Metropolitan Areas Urban Transport Project - P161393)						
Source of Funds			Proposed Additional Financing Loan Closing Date			
International Bank for Reconstruction and Development			30 June 2019			
Loan Closing Date(s) - Parent (Metropolitan Areas Urban Transport - P095485)						
Explanation: An 11-month extension of the original loan is sought, from January 31, 2017 to December 31, 2017 to allow for completion of the La Matanza BRT subproject and other minor activities financed under the original loan.						

Ln/Cr/TF	Status	Original Closing Date		Current Closing Date		Proposed Closing Date		Previous Closing Date(s)	
IBRD-7794	Effective	29-Feb-2016		31-Jan-2017		December 31, 2017		29-Feb-2016	
Change in Disbursement Estimates (including all sources of Financing)									
Explanation: Disbursement estimates are updated to reflect the AF amount US\$45 million.									
Expected Disbursements (in USD Million)(including all Sources of Financing)									
Fiscal Year	2017	2018	2019						
Annual	2.4	28.7	13.9						
Cumulative	2.4	31.1	45						
Allocations - Additional Financing (Metropolitan Areas Urban Transport Project - P161393)									
Source of Fund	Curr ency	Category of Expenditure	Allocation		Disbursement %(Type Total)				
			Proposed		Proposed				
IBRD	USD	Works under subprojects	42.2		70				
IBRD	USD	Goods, consulting' services and non-consulting services	2.6		100				
		Operating Costs/Project Management	0.1		100				
IBRD	USD	Front End Fee	0.1		Amount payable pursuant to Section 2.03 of the Loan Agreement in accordance with Section 2.07 (b) of the General Conditions				
IBRD	USD	Interest Rate Cap or Interest Rate Collar premium	0		Amount due pursuant to Section 2.08(c) of the Loan Agreement				
		Total:		45					
Reallocation between Disbursement Categories									
Explanation:									
The proposed changes consist of a reallocation of funds between disbursement categories to allow for the execution of the La Matanza BRT and the Saenz Transfer Station as a result of the cost overruns. The amount financed by each category is set forth in the table below.									

Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation		Disbursement %(Type Total)	
			Current	Proposed	Current	Proposed
IBRD-77940	USD	Works under Subprojects	108,357,262.00	124,038,462.39	70.00	70.00
		Goods, consulting' services and non-consulting services	37,207,738.00	22,543,492.10	100.00	100.00
		Scholarships and Training	1,860,000.00	656,185.51	100.00	100.00
		Operating Costs under Part A.5 of the Project	100,000.00	100,000.00	100.00	100.00
		Operating Costs other than under Part A.5	1,779,985.45	1,966,845.45	100.00	100.00
		Premia for Interest Rate and Caps and Interest Collars	0.00	0.00	0.00	0.00
		Front End Fee	375,000.00	375,000.00	0.00	0.00
		Unallocated	0.00	0.00	0.00	0.00
		Total:	149,679,985.45	149,679,985.45		

Components

Change to Components and Cost

Explanation:

The proposed AF would be structured around one component; Component C: Public Transport Access and Modal Integration in the AMBA. The objective of this component is to improve current accessibility and integration conditions in the AMBA public transport networks. After the project's 2014 restructuring, this component was refocused to finance the La Matanza BRT and the multimodal Saenz Transfer Station. The BRT in La Matanza, a municipality in the southern part of the Greater Buenos Aires, is one of the poorest in the

metro region, and improving mobility was seen as a critical factor in promoting access to economic and social opportunities for its citizens. The Project envisions the construction of a 14km BRT, which includes 11kms segregated lanes, 16 bus stations, one terminal/ bus depot in Gonzalez Catan, and urban space upgrading. The Saenz Transfer Station envisions removing the level crossings in the Saenz Station, elevating it (approx. 1km. of elevated rail), and building a new multimodal transfer station, to improve congestion, safety and the urban fabric connectivity in one of the Belgrano Sur's key suburban rail crossings. Both projects are strategic for the AMBA's metropolitan governance agenda, and for the attainment of the Project's Development Objectives.

All other changes to component costs (Component A: Creation of the AMT; Component B: Urban Transport Improvements in Medium Size Metropolitan Areas; Component D: Sectoral Training) reflect the reallocation of funds between disbursement categories for the Original Project to allow the execution of the La Matanza BRT and the Saenz Transfer Station. For Component E: Project Management, there is an increase in costs due to the longer implementation period under the AF, to be covered with an allocation of US\$1.7 million to cover the Project management costs of the UEC housed at the MT.

The proposed AF would increase total project costs from US\$177 million (comprising IBRD financing of US\$ 150 million and counterpart contribution of US\$27 million) to a revised total cost of US\$239.8 million (comprising IBRD financing of US\$194.7 million and counterpart contribution of US\$45.1 million).

Current Component Name	Proposed Component Name	Current Cost (USD m)	Proposed Cost (USD m)	Action
Creation of the AMT for the AMBA	Creation of the AMT	17.61	10.83	Revised
Urban Transport Improvements in Medium Size Metropolitan Areas	Urban Transport Improvements in Medium Size Metropolitan Areas	24.46	14.17	Revised
Public Transport Access and Modal Integration in AMBA	Public Transport Access and Modal Integration in AMBA	99.28	161.10	Revised
Sectoral Training	Sectoral Training	2.50	0.62	Revised
Project Management	Project Management	5.77	7.48	Revised
Front End Fee	Front End Fee		0.49	
	Total:	149.62	194.69	

Other Change(s)

Implementing Agency Name	Type	Action
Ministry of Transport	Implementing Agency	No Change
Change in		

Procurement
<p>Explanation:</p> <p>World Bank Procurement Regulations for Borrowers under Investment Project Financing (IPF) (dated July 1, 2016) are applicable to the procurement of goods, works, non-consulting services and consulting services for IPF operations, in accordance with the provisions of paragraph 2.1 of the Regulations.</p> <p>A Project Procurement Strategy for Development and the Procurement Plan (dated November 29, 2016) were prepared. Given that under the AF there are no new procurement processes expected to be launched, these documents only include the description of the three contracts that would be financed under the AF but were procured under the original loan (7794-AR).</p>
Change in Implementation Schedule
<p>Explanation: The implementation schedule would be revised to June 30, 2019 to coincide with the closing date of the AF. The closing date of the original loan would be extended from January 31, 2017 to December 31, 2017 to allow for completion of all activities financed by it.</p>
Appraisal Summary
Economic and Financial Analysis
<p>Explanation:</p> <p><u>La Matanza BRT</u>: An update of the La Matanza BRT cost-benefit analysis was undertaken as part of the appraisal of the AF. The costs for the updated analysis and comparison included the initial investment and annual maintenance costs. Given that the new project design and scope of the La Matanza BRT includes targeted lane widening and repaving component for mixed traffic, the added benefits stemming from private road users—both cars and truck— travel time savings were calculated, in addition to the travel time savings generated for public transport users as a result of the BRT. The updated cost-benefit analysis did not include benefits stemming from reduction of road accidents or pollution, as these were considered to be relatively the same under the Original Project and the revised one.</p> <p>The cost-benefit analysis updated the cost of the original project (to take it to USD 2016 equivalent) and performed a cost-benefit analysis for the new project scope. As described above, the original project design for La Matanza BRT was modified by the new administration to better align the operation and infrastructure of the BRT project to the Buenos Aires Metrobus BRT experience. This included, changing the bus station dimensions because route reorganization and new fleet dimensions were not considered in the new project, and eliminating pre-payment in stations and the associated ticketing and information system. These changes were pursued by the new administration as a result of their different vision of the sector's reform agenda, and because they saw these design characteristics as being too risky to be piloted in the La Matanza municipality, given its complex multijurisdictional context. The revised project design also includes widening and paving targeted sections of mixed-traffic lanes and key intersections along the BRT corridor, to increase acceptance of the BRT segregated public transit lanes among car and truck drivers.</p> <p>The costs considered for the updated economic analysis were the following: (i) initial investment amount, including exclusive lanes for buses, stations, widening and repaving sections of private traffic lanes, road signs, traffic and (ii) annual maintenance costs after construction that were assumed to be 1 percent of the total cost of the investment. Although the original design required a smaller initial investment (11 percent less) than the updated project (since it did not considered intervention of mixed traffic lanes), it required an operating and</p>

maintenance costs that was almost four times higher, due to the design and infrastructure of the closed bus stations and ticketing and information system. As a result, the revised La Matanza BRT cost is 13 percent less than the updated original cost, including annual maintenance.

In terms of benefits, given that the original project considered the route reorganization/optimization of the public transit system, users were to experience 30 percent more travel time savings. The opposite occurs in relation to the travel time of private vehicles, cars, and trucks, as only the revised La Matanza BRT project includes road improvements. Therefore, once these travel time savings are included, the benefits of the La Matanza BRT increased those of the original design by 28 percent.

The economic evaluation indicated that the internal rate of return (IRR) remains satisfactory at 17.5 percent with a net present value (NPV) of US\$46.82 million, as shown in the table below.

Table. Economic Evaluation for Updated La Matanza BRT project and Saenz Multimodal Station

Project	NPV (Million USD, 12% discount rate)		IRR	
	Original Project	Revised Project	Original Project	Revised Project
La Matanza BRT	13.31	46.82	13.7%	17.5%
Multimodal Saenz Station	--	115	--	42.6%

Saenz Transfer Station: To establish the economic viability of the Saenz multimodal Station, a cost-benefit analysis was carried out. To this end the benefits and costs within a 20-year period were calculated and compared. The costs considered for the economic analysis were the following: (i) initial investment amount, engineering and construction management cost, (ii) costs of rail service disruption caused by the project execution and (iii) annual maintenance costs after construction. All costs were valued at market prices and then restated to economic costs, to correct existing distortions (taxes, tariffs and transfers).

The direct benefits from this project stem from: (i) travel-time savings for both at grade public transit users and private car users, due to the removal of level crossings and (ii) safety improvements (reduction in accidents). The project would reduce 930 daily hours of travel, which is the largest benefit of the project; representing 98.5 percent of the present value of benefits for the project. Improvements in the urban fabric connectivity, which are expected to bring forth an improvement in land and building prices, have a present value of US\$3.24 million; but these were not included in the cost benefit analysis of the project, given that their economic benefit is already captured by the travel time savings.

The evaluation shows that the project is highly profitable, clearly demonstrating its economic feasibility and desirability of carrying it out. The economic analysis shows that the project's internal rate of return (IRR) is 44.5 percent and a NPV of US\$118 million. The analysis used a 12 percent discount rate to convert the estimated costs and benefits to their USD 2015 equivalents.

A sensitivity analysis was also conducted to determine the project's sensitivity to changes in estimated costs and benefits. The analysis focused on changes in the investment cost and travel time saving, as these represent 97 percent of potential benefits. Its results show that even assuming an increase of 50 percent of investment costs, together with a decrease of 50 percent of the estimated time saving benefits, the project's IRR is still more than 12 percent. That is, despite a potential increase in costs and reduction in time savings the project would continue to be a sound investment for society.

Technical Analysis

Explanation: The proposed BRT system subproject presents no major technical difficulty in its design, construction or supervision. The required civil works consist of the construction of a 14 km BRT, which includes 11 km segregated lanes, 16 bus stations, one terminal/ bus depot in Gonzalez Catan, and urban space upgrading, and intervention (widening and paving of targeted sections) of mixed traffic lanes along the corridor. These works use standard construction procedures, available materials and machinery. The location of the bus ways is in the center of the Ruta N3 major corridor. The terminal in Gonzalez Catan has especially designed areas for pedestrian and bus activity, and envisions a connection to the Belgrano Sur suburban rail.

During the construction period, the MT would supervise and control the quality of the works, since it has the adequate in-house technical capacity, team, and previous experience with other Metrobus BRTs. The Bank has already appraised this supervision strategy and found it fit for implementation. The Bank team is also performing monthly supervision of the MT's supervision, and no issues have been reported.

The Saenz Transfer Station subproject envisions removing the level crossings in the Saenz Station, elevating it (approx. 1km. of elevated rail), and building a new multimodal transfer station, to improve congestion, safety and the urban fabric connectivity in one of the Belgrano Sur's key suburban rail crossings. The project presents no major technical difficulty in its design, construction or supervision. During construction, an independent work supervision consultant would supervise and control the quality of the works.

Social Analysis

Explanation:

OP/BP 4.12 Involuntary Resettlement was triggered under the Original Project and will continue to apply to the AF; OP/BP 4.10 Indigenous Peoples is not triggered because there are no indigenous peoples in the project area. No new policies will be triggered as a result of the AF.

Compliance with social safeguards on the Project has been satisfactory. The Borrower has adequate capacity to efficiently implement safeguards as demonstrated by the documentation provided to date, and the interactions on site visits with the Borrower safeguard specialists.

The social assessment showed that impacts generated by the project are expected to be broadly positive, because mobility and transportation system will be improved, particularly for low-income public transit users. During civil work construction, there will be temporary negative impacts, limited in extent and duration, such as changes in pedestrian and vehicular routing, some noise, dust and discomfort related to leftovers and occasional restrictions on public services. The project will also impact some street vendors in the La Matanza BRT and in the Saenz Transfer Station. The mitigation of these impacts is addressed through the Environmental Impact Assessments (EIAs), which include Environmental Management Plans (EMPs), the Abbreviated Resettlement Action Plans and the implementation of itinerant information and social support offices.

Prior to appraisal of the Project in 2009, an Environmental and Social Management Manual (ESMM) was prepared, analyzing the potential environmental and social impacts of the proposed works, and stipulating measures to mitigate such impacts. The ESMM includes the project's Resettlement Policy Framework. This Framework was prepared by the Borrower, was considered acceptable to the Bank, and was disclosed on August 28, 2009 on the project's website (<http://www.ptuma.gov.ar>), and on the Bank's external website. The environmental policy, legal, and administrative frameworks of Argentina were also reviewed, along with institutional capacity to identify any weaknesses and needs for capacity building.

During the La Matanza BRT and Saenz Transfer Station preparation, the Borrower consulted target groups in

the respective areas of influence. A community consultation methodology included a set of consultation sessions. In the case of Saenz Transfer Center there was a single meeting with community in general, on May 21, 2015 where the EIA was consulted. In the case of the La Matanza BRT, there were several meetings to consult the EIA and some particularities of the project design: (a) a workshop with officials of La Matanza Municipality (October 9, 2014); (b) a workshop with community organizations, including local professional associations of engineers and architects, local chambers of commerce and industries, and neighborhood organizations (October 16, 2014); (c) a workshop with officials of La Matanza Municipality and community in general (March 12, 2015); (d) focus groups with road front traders (June 8, 10 and 18, 2015) and finally; (e) public and community organizations (October 05, 2015). The consultations showed strong support for each project, and in the La Matanza BRT case, specific recommendations for the subproject design were obtained from meetings and a sense of ownership was achieved with the municipality. The consultation process also shed light on the concerns of the community related to the need for continuous information about the project's implementation and its construction timeline. All these matters have been incorporated both in the project design and through the project's information and social support offices.

Based on the ESMM, an Abbreviated Resettlement Action Plans for informal vendors were prepared by the Borrower, consulted with the target community and approved by the Bank for the La Matanza BRT (disclosed on September 8, 2016 on the project's website, and on November 1, 2016 on the Bank's external website), and for street vendors in the multimodal Saenz Station (disclosed on August 17, 2016 on the project's website, and on November 1, 2016 on the Bank's external website). For the La Matanza BRT project, where works are currently ongoing, no major issues have been reported.

Environmental Analysis

Explanation:

There is no change to the current Environmental Category B classification. OP/BP4.01 Environmental Assessment and OP/BP4.11 Physical Cultural Resources were triggered as part of the Original Project and continue to apply to the AF; no new policies will be triggered as a result of the AF. To date, compliance with environmental safeguards on the Project has been satisfactory.

The main direct impacts are expected to occur during construction and cause localized and temporary negative environmental and social impacts. Such impacts are expected to consist essentially of noise, vibration, dust, and traffic disruption. Additional negative impacts during construction will occur due to temporary storage of construction materials and waste at the project sites, and finally through haulage and final disposal of materials. Access to commercial sectors and houses will be affected temporarily; however, the mitigation measures already designed will reduce unnecessary interference in commercial and residential activities.

In the longer term, both project activities will have positive social environmental impacts, as they will improve the flow of traffic, causing a reduction in stop-start vehicle emissions caused by congestion, and reducing time spent on travel. The adoption of the BRT is expected to reduce individual vehicular travel, resulting in a reduction in noise and local air pollution, as well as a reduction in Greenhouse Gas emissions.

The project's ESMM has been used and would continue to be used as the basis for the environmental and social management for the continuing works. EIAs, which include EMPs have been prepared by the Borrower and approved by the Bank for the La Matanza BRT (disclosed on November 1, 2016 on the project's website, and on November 1, 2016 on the Bank's external website) and for the multimodal Saenz Transfer Station (disclosed on October 26, 2016 on the project's website, and on November 3, 2016 on the Bank's external website).

For the La Matanza BRT project, where works are currently ongoing, the contract supervision arrangement by

the MT has been overseeing the contractor's implementation of the EMP, including regular progress reports, and the Bank has also performed monthly supervisions, including on environmental management matters. Although with the arrival of the new Government, there have been several replacements in the composition of the Environmental and Social team at the UEC, the new members of the team have received training from Bank specialists on Bank procedures for environmental and social compliance, which will be periodically reinforced to continue to strengthen the team's capabilities. In the Original Project, key environmental concerns were relatively limited, and related mostly to the need to maintain pedestrian and road safety around construction sites. The UEC has maintained open and interactive communication with local stakeholders throughout the Original Project, and this is expected to continue during the AF. No major issues have been reported.

Risk

Explanation: The overall risk of the proposed AF is assessed as moderate, remaining unchanged from the Original Project. Political, governance, and macroeconomic risks are rated moderate; although all contracts have been bid out, these risks might slightly affect contract management of key investments. Key mitigation measures include constant and heightened supervision of both civil works by experienced government staff and close monitoring progress by the Bank. Assessment of fiduciary risk has been lowered to moderate, also because all contracts have been bid out, and there has been an extensive effort to strengthen governmental systems in fiduciary issues, including strengthening of the UEC. Environmental and social management risk is assessed as moderate, based on the strong environmental and social risk mitigation practices followed in the Original Project. Sector Strategies and Policy risk is now considered low, given the priorities established by the new government that include a strong emphasis on implementing some of the most successful urban transport practices from the City of Buenos Aires. Other risk categories are also deemed low given that this is a continuation of activities and implementation arrangements of the original loan.

V. World Bank Grievance Redress

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.

Annex 1. Revised Results Framework and Monitoring Indicators

Project Name:	Metropolitan Areas Urban Transport Project (P161393)			Project Stage:	Additional Financing	Status:	DRAFT
Team Leader(s) :	Camila Adriana Rodriguez Hernandez	Requesting Unit:	LCC7C	Created by:	Camila Adriana Rodriguez Hernandez on 14-Sep-2016		
Product Line:	IBRD/IDA	Responsible Unit:	GTI04	Modified by:	Camila Adriana Rodriguez Hernandez on 13-Dec-2016		
Country:	Argentina	Approval FY: 2017					
Region:	LATIN AMERICA AND CARIBBEAN	Lending Instrument:	Investment Project Financing				
Parent Project ID:	P095485	Parent Project Name:	Metropolitan Areas Urban Transport (P095485)				

Project Development Objectives

Original Project Development Objective - Parent:

The overall development objective of the program is to improve the quality and sustainability of urban transport systems in Argentine Metropolitan Areas, through the improvement of sectoral decision making frameworks and by giving priority to public transport modes in the urban transport sector. The project (APL1) development objectives contribute to the overall program development objective by: (i) supporting the design and creation of a multijurisdictional Metropolitan Transport Agency for the Buenos Aires Metropolitan Area (AMBA); (ii) strengthening the institutional capacity of the transport authorities in decision making, planning, priority setting, and resource allocation in urban transport; (iii) improving the quality and performance of urban transport infrastructure and/or services in medium size Metropolitan Areas; and (iv) improving the physical integration and access to public transport networks in the Buenos Aires Metropolitan Area.

Results

Core sector indicators are considered: No

Results reporting level: Project Level

Project Development Objective Indicators							
Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Existence of a legal agreement for creating the AMT, signed inter-jurisdictionally.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Produce transport planning instruments based on systematic data collection such as: Urban Transport Planning Model, Transportation Master Plan, and/or Urban Transport Center or Observatory.	<input type="checkbox"/>	Number	Value	0.00	2.00	3.00
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Existence of a portfolio of projects with feasibility studies or detailed designs for the implementation of projects in Metropolitan Areas of Argentina.	<input type="checkbox"/>	Number	Value	0.00	5.00	6.00
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Segregated corridor constructed in Argentina's medium size Metropolitan Areas that provides a 10% reduction in generalized cost of travel.	<input type="checkbox"/>	Percentage	Value	0.00	-40.00	-10.00
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment		Reduction for the Rosario Metrobus	
Revised	Improved mobility in the La Matanza BRT Juan Manuel de Rosas which provides at least a 10% reduction in generalized cost of travel.	<input type="checkbox"/>	Percentage	Value	0.00	0.00	-10.00
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
New	Reduction in travel time for at grade public transit users due to the removal of the Saenz Transfer Station level crossings	<input type="checkbox"/>	Percentage	Value	0.00	0.00	-10.00
				Date	03-Nov-2016	23-Nov-2016	30-Jun-2019
				Comment			
New	Increase in number of public transit users in the La Matanza BRT	<input type="checkbox"/>	Percentage	Value	0.00	0.00	10.00
				Date	07-Dec-2016	23-Nov-2016	31-Dec-2017
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
Revised	Evidence of AMT performance, such as: creating a project with inter-jurisdictional participation and/or inter-jurisdictional agreements on specific transport issues.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Existence of a valid statute for the internal organization of the AMT and appointed representatives for each jurisdiction.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Number of minutes of the AMT meetings per year.	<input type="checkbox"/>	Number	Value	0.00	3.00	3.00
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Number of Metropolitan Areas with updated OD Home Mobility Surveys.	<input type="checkbox"/>	Number	Value	0.00	8.00	6.00
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Kilometers of segregated bus lanes constructed in Metropolitan Areas of Argentina.	<input type="checkbox"/>	Kilometers	Value	0.00	7.80	7.80
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Kilometers of segregated bus lanes constructed in the AMBA.	<input type="checkbox"/>	Kilometers	Value	0.00	3.00	10.00
				Date	20-Oct-2009	23-Nov-2016	31-Dec-2017
				Comment			
Revised	Improvement of access conditions in trains stations in AMBA	<input type="checkbox"/>	Percentage	Value	0.00	100.00	100.00
				Date	20-Oct-2009	04-Sep-2015	31-Dec-2017
				Comment			
Revised	Post-graduate course in urban transport is approved and created by Buenos Aires University	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	20-Oct-2009	04-Sep-2015	31-Dec-2017
				Comment			

New	General progress of the Saenz Transfer Station civil works.	<input type="checkbox"/>	Percentage	Value	0.00	0.00	100.00
				Date	03-Nov-2016	18-Nov-2016	30-Jun-2019
				Comment			