



Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

Concept Stage | Date Prepared/Updated: 26-Jul-2017 | Report No: PIDISDSC21338



BASIC INFORMATION

A. Basic Project Data

Country Argentina	Project ID P163115	Parent Project ID (if any)	Project Name Northwestern Road Development Corridor Project (P163115)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Aug 22, 2017	Estimated Board Date Oct 17, 2017	Practice Area (Lead) Transport & ICT
Financing Instrument Investment Project Financing	Borrower(s) The Argentine Republic	Implementing Agency Dirección Nacional de Vialidad	

Proposed Development Objective(s)

The Proposed Project Development Objective (PDO) is to improve connectivity and road safety in support of territorial development in the Northwest of Argentina.

Financing (in USD Million)

Financing Source	Amount
Borrower	11.00
International Bank for Reconstruction and Development	300.00
Total Project Cost	311.00

Environmental Assessment Category B-Partial Assessment	Concept Review Decision Track II-The review did authorize the preparation to continue
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Other Decision (as needed)

B. Introduction and Context

Country Context

After taking office in December 2015, the new Argentine Government moved with significant speed to implement



reforms. The Government has rapidly implemented various macroeconomic reforms and initiated a program of structural reforms. These include *inter alia* (a) the elimination of export taxes on major crops, beef, and most industrial manufacturing products and the reduction by 5 percent of export taxes on soy; (b) unification of the exchange rate, effectively ending most foreign exchange restrictions; (c) moving from a system of discretionary to automatically provided import licenses in line with World Trade Organization procedures; (d) resolution of the dispute with holdout creditors; and (e) measures to enhance public transparency and accountability. In addition, the National Institute for Statistics launched a new inflation index and improved the overall quality of statistics. Electricity tariffs and transport fees were increased to reduce subsidies, while protecting low-income users with a social tariff. Broader efforts to reduce energy subsidies (which account for a large portion of fiscal deficit) are under way.

Economic activity contracted in 2016, but growth is expected in 2017. Economic activity contracted 2.3 percent during 2016, taking a toll on labor markets, where up to 0.9 percent of formal private sector jobs were lost in the first semester¹. However, GDP expanded in the second half of 2016 (0.6 percent), and employment in the formal private sector recovered to its previous peak level (October 2015). The economy is expected to continue to grow in 2017 (+2.7 percent²) on the assumption that the positive impact of recent policy changes kicks in and the global economy recovers. Inflation in the city of Buenos Aires was 40 percent in 2016, mostly due to currency depreciation and the reduction of energy and transport subsidies. However, inflation is expected to decrease to 21 percent in 2017³, despite further increases in energy and transport tariffs. The central government primary deficit in 2016 was 4.6 percent of GDP, below the official target (4.8 percent). The target primary deficit for 2017 (4.2 percent), though higher than originally planned, will require further fiscal consolidation efforts.

Argentine Government has made important steps to address the key macroeconomic imbalances with the objective of creating an environment conducive to economic growth and employment creation. Argentina offers many opportunities in a weak global environment, and there is a strong interest from foreign investors and firms. Going forward, Argentina aims to continue building a growth enabling policy framework to enhance credibility and support broad based growth and quality employment. In particular, the following policies will be important to permanently reduce inflation and put Argentina on a sustainable growth path: (a) increase public spending efficiency as well as its efficacy and reduce the fiscal deficit in line with government targets; (b) continue fostering the credibility of the Central Bank so that monetary policy can further anchor inflation expectations; (c) strengthen competitiveness and productivity through an improved business environment and investments in infrastructure and increasing competition in markets and improving the regulatory framework in sectors; (d) continue strengthening the credibility of official statistics; and (e) continue improving the provision of public goods (including transportation, health, and education) and reducing regional disparities.

Sectoral and Institutional Context

To address the persistent infrastructure and service access gap between the North and the rest of the country, the Government launched the flagship Plan Belgrano in 2016, aiming at promoting economic development in the North of Argentina. The Plan Belgrano focuses on two main axes of action: (i) increasing competitiveness and economic potential

¹ Source: Ministerio de Trabajo, Empleo y Seguridad Social

² Source: World Bank Group. 2017. *Global Economic Prospects, January 2017 Weak Investment in Uncertain Times*. Washington, DC: World Bank. doi:10.1596/978-1-4648-1016-9.

³ Source: *Relevamiento de Expectativas de Mercado (REM)*, Banco Central de la República Argentina, April 2017.



of the provinces in Northern Argentina; and (ii) enhancing social human development indicators for the region. As part of this program, the GoA has launched a series of initiatives, including comprehensive interventions in poor areas to reduce infant mortality, malnutrition, and other human development issues; increase access to education; reduce conflict and violence; invest in critical infrastructure; and promote regionalization of economic activity throughout the North of the country. A range of national and regional agencies are responsible for planning and implementing different elements of this agenda, with the coordination at the political level being led by the Unit Plan Belgrano, within the Chief of Cabinet's office (See Annex II for details on Plan Belgrano sectoral initiatives).

Developing transport connectivity in this relatively poor and underserved region is considered a top priority under the Plan Belgrano. The transport network in Argentina is seen as the main facilitator for transit trade, and a lifeline for economic activity (see Annex I for more details on Transport Sector Background). This is particularly the case for the Northwestern region made up by the Provinces of Jujuy, Salta, Tucumán and Catamarca, which strategically lie at the crossroad of the growing Mercosur market and Chile and Bolivia and serve as important agro-industrial and mining centers in Argentina. The Plan Belgrano envisages over US\$16 billion in road, rail, and air transport investments to integrate the Northern Provinces and facilitate freight and passengers flows within the North-South and East-West transport axes on one hand, while ensuring adequate accessibility to towns and villages through upgrades in the provincial and local road network on the other. While the Jujuy province is home to less than 2 percent of the country's total population, it generates most of the country's mining exports in regards to ores (silver, lead) as well as a significant share of tobacco and sugar cane. Zooming into the Province's social indicators, it is estimated that 42 percent of the population lives below the poverty line, compared to the national average of 33 percent. While there are several clusters of private sector activity along the corridor, notably tobacco production, iron and steel, mining, and tourism, some industries could still become more competitive thereby reaping the benefits of agglomeration and trade.

Relationship to CPF

The project is closely aligned with the World Bank Group's Country Partnership Strategy (CPS) for Argentina FY2015–2018, is organized around nine results areas within three broad strategic themes. The project is fully aligned with the CPS's results area 1 of "Sustaining Employment Creation in Firms and Farms." As a result, the Project is expected to contribute in the reduction in the cost of freight transport in selected corridors of Northern Argentina by at least 20 percent, as outlined in the CPS.

The project contributes to the Bank's Corporate Goals of reducing extreme poverty and boosting shared prosperity. By improving connectivity and facilitating trade, a development corridor can become an important mean for diminishing inequalities among regions within middle income countries such as Argentina. Corridors may impact the distribution of economic activity and market development across regions indirectly promoting poverty reduction and inclusive growth. The upgraded corridor will improve connections between major industrial and agricultural centers of the underserved Northwest and enable the creation of direct and indirect employment opportunities. It will also promote prosperity through more efficient trade and production sharing and through the development of larger regional value chains in key sectors such as mining, agriculture and tourism. Responding to the issue of regional connectivity within Argentina by improving internal road links is crucial for the country's development and the high-level objective of the proposed project. By integrating this lagging region to the more prosperous regions of Argentina and improving access to basic social services, the project will ultimately contribute to the convergence of welfare in the country, reducing differences in living standards between the North and the rest of the country (Reshaping Economic Geography, WDR 2009).



Beyond these development objectives, the project also seeks to incorporate innovative and resilient infrastructure design to address climate change events that are specific to this region. Some of the adaptation co-benefits that are being discussed with the client in the context of this project include i) retrofitting project design (drainage systems in particular) to better respond to changing climate conditions, ii) promoting, updating, and ensuring improved design standards in the future capacity expansion of the corridor, and iii) introducing good and suitable road maintenance regimes to support enhanced climate resilience of the corridor.

C. Proposed Development Objective(s)

The proposed PDOs are to (i) facilitate regional development in the Northwest of Argentina by improving transport connectivity for domestic and international road users along the corridor, and to (ii) to provide support to complementary GoA activities that enhance competitiveness, catalyze economic activity, and enhance access to services along the corridor.

Key Results (From PCN)

PDO Level Indicators:

- Reduction in transport costs and travel times on the roads improved by the project (RN34, RN66, and RN1V66)
- Number of traffic-related fatalities per hundred million vehicle-kilometers travelled (vkt) on the roads improved by the project
- Territorial development initiatives formulated/implemented
- Lagginess Index⁴

Intermediate Indicators:

- Road User Satisfaction, desegregated by gender/income through Citizen Engagement Platform
- Direct project beneficiaries (number), of which female (percentage)
- Roads constructed or rehabilitated (km)
- Direct Jobs created (by gender)

D. Concept Description

The Northwestern Development Corridor made up by National Road (NR) N° 34, NR N°66 and NR N° 1V66 constitute the key transport vectors to access the Northwest of the country and an important transit link for the Mercosur Region. The project, linking the Northwestern-most provinces of Jujuy and Salta, occupies an important role in the distribution of goods to and from the interior of the country, connecting mainly the Northwest region with the rest of the country, Chile and Bolivia. By virtue of its location, the works will be a complementary link to trade with Mercosur and could also become a factor in consolidating the regional integration process by linking the ports of the South of Brazil and the ports of Northern Chile, through Paraguay, Bolivia, and Northern Argentina (Bi-Oceanic Corridor). Such link will enhance connectivity in a remote, underserved region acting as a catalyzer for territorial development.

The Northwest Corridor is a high priority in the Plan Belgrano. The Northwestern Corridor includes the NR N°9 and NR N°34, which crosses the provinces of Salta, Jujuy, Tucumán and Santiago del Estero, and serves as a direct link between Argentina and the South of Bolivia. In addition, NR N°66 and NR N° 1V66 are key arteries linking NR N° 9 and NR N° 34

⁴ Index developed by GPSURR team lead by Somik Lall, based on three dataset: nightlights, market accessibility and poverty rates.



and providing access to the City of San Salvador de Jujuy (capital of the province of Jujuy). Jujuy's major agro-industrial centers and potential multi-modal nodes are both located on the road segments to be intervened (Belgrano Cargas Railway station in Perico; Jujuy's International Airport; agro-industrial sugar-cane facilities; etc.). While other elements of the Plan Belgrano are already quite advanced, the road corridor constitutes a key bottleneck. The GOA analysis has reiterated that upgrading this corridor is an urgent priority and DNV's has ambitious plans to begin procuring civil works in the next few months.

While road infrastructure upgrades along the Northwestern Corridor are indeed necessary and urgent, they are not in themselves sufficient to achieve the ambitious goals of the Plan Belgrano. Investments in transport infrastructure along the Northwestern Corridor, if combined with complimentary interventions, can serve a crucial role in boosting trade and competitiveness in the Province of Jujuy, positioning it as a logistics hub in the region. Though more detailed diagnosis is planned for preparation, the Bank team has identified complimentary investments to maximize the Northwestern Corridor potential to stimulate investment and job creation throughout the area of influence and beyond. While the available data suggests that a comprehensive range of complementary initiatives have been planned (and are under implementation by sectoral agencies with the appropriate mandates), there is a need for a structured diagnosis to ensure that a coherent territorial development plan has indeed been planned, identified, budgeted and is being implemented with adequate levels of coordination and quality execution.

In large infrastructure projects such as the Proposed Northwestern Corridor Project, lower vehicle operating costs and time savings have the almost immediate consequence of improving access to markets and social infrastructure. Better accessibility, in turn, implies more trips and increased vehicular activity. In the medium term, households located in the extended project catchment area could access goods at cheaper prices leading to an upward shift in their consumption possibility frontier. Other beneficiaries of greater connectivity and lower transportation costs in Northwestern Argentina are local companies, small business, farmers and craftsmen. Easier access to the capital opens new opportunities in terms of new markets where goods produced in the region can be sold. Lower transportation cost implies that the goods do not lose their competitiveness in terms of price as the products travel further from the region. This too should shift the budget constraints of the households outwards as additional income is expected to be gained from improved access to markets.

A preliminary analysis has already been conducted to map economic activity in the Province of Jujuy and identify key stakeholders from both the public and private sector who could benefit from the project. Several value chains are already in place throughout the corridor concentrated particularly on agro-industrial (sugar cane and tobacco production, horticulture) and mining activities. These sectors face several constraints and they could benefit greatly from some punctual interventions. These include: i) improving the feeder road network in the area to avoid flooding, reduce transport costs, and improve reliability; ii) developing road side services with areas for resting, food, gasoline and mechanical support; iii) making available processing facilities for the fruit and horticulture sectors; iv) improving irrigation systems and technologies; v) improving marketing skills to small and medium exporters; vi) upgrading the quality of tourism infrastructure and providing incentives for private sector participation; and vii) improving access to basic housing, health and education infrastructure for rural workers.

Finally, the freight transport and logistics sector (and in its wake international trade) is recognized as one of the economic areas that stand to directly benefit from the Northwestern Corridor Project, complementing road infrastructure investments with soft interventions to address existing bottlenecks. Logistics in the region operate from an export processing zone and an industrial park strategically positioned between the two larger cities in the corridor alignment. Once these urban hubs are better connected with regional value chains, especially with the Province of Salta to the South and to Chile and Bolivia to the West and North, Jujuy would have the opportunity to become a leading



trade and logistics hub in Mercosur. To realize this potential, provincial authorities are planning complementary investments (industrial parks; logistic centers; enhanced custom services; etc) to foster inter-regional trade and enable agglomeration effects in the wider catchment area.

Component 1: Road Infrastructure (US\$ 310 million, of which Bank financing US\$285 million)

The Project’s area of influence is formed by a network of national routes in the center of the Province of Jujuy, including NR N°34, from the limit with Salta to San Pedro de Jujuy, and NR N° 66 and NR N° 1V66 in all their extensions. At present, these roads are paved and have one traffic lane in each direction. In terms of their condition, the pavement shows a series of faults as a consequence of intense traffic and insufficient vehicular capacity. Both factors, i.e. deterioration and excess vehicle demand, are the leading causes for frequent road accidents. The corridor displays traffic levels that vary from 5.228 to 10.180 Annual Average Daily Traffic (AADT) depending on the road section. Private light vehicles make up the lion share of automobiles transiting the corridor (82 – 88 percent depending on the road section), and the average speeds range between 70km/h to 94km/h depending on vehicle type. Finally, registered road crashes along the segments of the corridor to be intervened totaled 151 with 19 fatalities in 2015. The works identified as sub-projects to be executed under the Project consist of duplication and rehabilitation works along NR 34, NR IV66 for a total length of 93 km, with total access control, within the Northwest Corridor in the following sections located in the Province of Jujuy, clustered in three groups of works:

Table I. Corridor Road Infrastructure Civil Works

Group	Work	Section	Sub-project length (Km)	US\$ million	Average cost /km (US\$ m/km)
1	NR N° 34: Limit with Salta - Junction NR N° 66; NR 66: Junction NR N° 1V66 - Junction RN N° 34; NR N° IV66:Junction NR N° 66 - Junction NR N° 34.	NR N° 34, Section: Limit with Salta - Junction NR N° 66	25,22	169,7	3,6
		NR N° 1V 66, Section Junction NR N° 66 - Junction NR. N° 34	11,17		
		NR N° 66, section: Junction NR N° 1V 66 - Junction NR N° 34	11,08		
2	NR N° 34: Junction NR N° 66 - North Access to San Pedro.	NR N° 34, Section: Junction NR N° 66 - North Access to San Pedro	22,62	103,6	4,6
3	NR N° 66 – Junction NR N° 1V66 – Junction NR N° 9	NR N° 66 – Junction NR N° 1V66 – Junction NR N° 9	23	tbd	Tbd
Total			93,1	273,3	3,9

Component 2: Infrastructure for Development Corridor Management and Territorial Development (US\$15 million, of which Bank financing US\$10 million)

This component would finance additional works that would improve the corridor’s management.

Sub-component 2.a: Strengthening of fiscal control through improvements to Income Federal Administration (AFIP)’s station on the corridor;

Sub-component 2.b: Improved traffic control through improvement of weight control station;

Sub-component 2.c: Strengthening of road safety enforcement through improvement of *National Gendarmería’s* (border surveillance force) post.

Sub-component 2.d: Investments in Telecommunications infrastructure along the corridor (



Sub-component 2.e: Initiatives for Territorial Development (technical assistance and studies on multimodality (railway-road-aviation); freight and logistics; planning for roadside service facilities; and other sectoral activities).

Component 3: Project Management (US\$5 million, all financed by the Bank)

This component would finance specialized independent technical, environmental and social supervision of the implementation of sub-projects and other activities, as well as independent audits. It will also provide administrative and operational support to DNV in the administration, monitoring, coordination, and supervision of project implementation.

Proposed programmatic component. (Size, modality to be determined).

The team is exploring alternatives to advance the frame the project as part of a comprehensive territorial development strategy. During preparation and on an ongoing basis as part of implementation support the team could look to (i) identify complementary elements of Plan Belgrano needed to maximize the impact of the road corridor investments; (ii) appraise their effectiveness; (iii) identify gaps in the Plan overall, weaknesses in existing initiatives, and in overall coordination; and (iv) support initiatives to address such weaknesses. While some of this could be done with TA identified as part of this Loan under component 2.e. for example (if the GoA is supportive); it is envisioned that in many cases the required actions would need to be taken by other Federal or Provincial authorities. The team could look to establish a protocol with the Plan Belgrano coordination group at the Chief of Cabinet Office to communicate these insights. The team could also work with the CMU to identify possible complementary technical assistance (TA)/investment possibilities in the northwestern region that could be agreed with GoA in order to implement any substantive investments (for example logistics centers, agroprocessing) that are identified as appropriate investments. All of this would require the GoA to agree to an extended mandate from financing the road, to financing the road and supporting the broader coordination of Plan Belgrano (with activities most probably to be financed outside the proposed loan).

SAFEGUARDS

A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project area is located in the south-east of the Jujuy Province, just by its southern border with the Salta Province (Northwest of Argentina, near the tropic of Capricorn). It is still to be defined if, in the framework of the Plan Belgrano, there are plans to duplicate the National Road (NR) 34 beyond the Project area, which could lead to potential indirect and longer-term impacts. The Project's area of influence spans a wide topographic range, from mid altitude areas in the Andes mountain range, through to river floodplains in low lying valleys. The Project area is subject to seismicity and land-slides and is part of the "Yungas" eco-region, which is characterized by a narrow North-South belt of highly bio-diverse cloudy rain-forests over the eastern facing slopes of the Andes mountains, for which National and Provincial laws have set land use change regulations and conservation measures (although there are no national parks neither natural reserves in the area of influence of the foreseen works). However, the forests matrix is currently highly fragmented, particularly in the low lying flat areas, due to the extensive agricultural use of the lands, where sugar cane, tobacco, citrics, soy, and beans are commonly produced. Archaeological sites are not known in the Project area; although there are many in other areas within the Province, so chance findings are not unlikely. In addition to that, present days structures with cultural or religious significance (such as "Gauchito Gil" or "Difunta Correa" altars, etc.) are widespread across the whole Project area, both in rural and urban settings. There are 2 dams currently operating in the proximities of the Project area (Las Maderas and La Ciénaga). The risks of an eventual failure of those dams over the Project's investments are to be



determined.

The project does not involve international waters neither disputed lands.

B. Borrower’s Institutional Capacity for Safeguard Policies

The proposed operation would be implemented by an existing and well established institutional implementation structure within the Dirección Nacional de Vialidad (- DNV), through its provincial branch in Jujuy. Implementation arrangements would also include a Project Coordination Unit within DNV’s national office.

The client already has, and regularly uses, the Environmental Management Manual prepared by the National Roads Directorate in Argentina (MEGA II. DNV, 2007) developed under another IBRD loan to guide the environmental management of construction camps, disposal of construction waste, management of borrow pits, quarries, etc. In this sense, DNV has successful experience and capacity in the implementation of similar projects. Nevertheless, since the agency is implementing a large number of works, it will be important to assign a full-time environmental specialist and a full-time social specialist to this operation, in order to ensure a successful execution of works under this project.

It is important to highlight that the project will have a two layer grievance and redress mechanism, since beyond establishing obligations to the contractors to implement an active social communication plan about the works and to have different communication means for beneficiary feedback (including grievances and suggestions), DNV is developing a mobile phone app that will allow users to not only receive real-time information about traffic, works and roads availability, but also will give them a tool for provide real-time feedback to the government in order to report problematic situations related to the status of any road section or complaints and/or suggestions related to works under implementation.

C. Environmental and Social Safeguards Specialists on the Team

Santiago Scialabba, Social Safeguards Specialist
Pablo Francisco Herrera, Environmental Safeguards Specialist

D. Policies that might apply

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	ESIAs and ESMPs are being prepared for all the three groups of works to be financed by the project. The ESIAs and the ESMPs will refer to the World Bank Environmental Health and Safety Guidelines. The project would finance the construction of a second lane parallel to the NR 34 (mostly within its current right-of-way, with the exception of a few sites where the right of way must be widened 50 more meters), and rehabilitation works in some segments of the roads network made up of NR 34, the NR 66 and the NR IV66, for a total length of 93 km. It will include



the construction and rehabilitation of road pavements and associated shoulders, drainage, bridges, lighting and road safety works.

Telecommunications infrastructure will also be located along the roads; as well as complementary small scale civil works such as a fiscal control and a weight control stations, and a border control post.

Areas where works would take place are not densely populated. From an environmental point of view the Project area of influence includes the watersheds of the Las Pavas river and the Perico river, as well as the floodplains, the agricultural lands and the forests remnants and towns located in the surroundings of the mentioned network of roads. Such a network of roads has an economic role which extends to the Provinces of Jujuy and Salta, and the neighbor countries, so the indirect influence of the project will extend to that area during the operation phase.

Based on a limited environmental assessment (focused on one out of three groups of works) it was observed that the project's main adverse impacts would be related to activities during the short-term construction stage. Such impacts are expected to be essentially soils compaction and pollution, generation of noise, vibration, dust, construction debris and waste of different types; as well as temporal disruption of traffic and other public services. More permanent impacts, such as the alteration of the topography, the expansion of borrow pits and the opening of quarries, are expected to be localized. The widening of the right of way for some of the works would require the clearing of small fractions of natural forest in the proximity of the roads and will increase the existing barrier effect between forest remnants (see below, under OP4.04 and 4.36). The foreseen works have also risks related to chance archeological findings, labor influx and accidents (e.g. with heavy construction equipment). With appropriate prevention, mitigation and supervision measures, these impacts and risks are considered mostly moderate, temporary, reversible and readily manageable.

Additional measures to add value to the Project



(through the eventual generation of positive environmental and social impacts) are being evaluated. In line with this, the Bank and the counterpart are discussing specific measures to ensure biodiversity conservation and to preserve ecosystem integrity beyond the specific mitigation measures to manage direct environmental impacts. Actions proposed by the Bank to the counterpart, actions in this regard, include a proposal to the counterpart the offset of the small patches of forests to be cleared, and the construction of build "wildlife crossings" in key points along the roads.

No other segments of the same roads network are currently being funded concurrently. However, incremental Incremental regional and indirect impacts of the eventual upgrade of other segments of the same roads within the wider NR 34 corridor/Plan Belgrano, beyond the Project area (e.g. induced impacts from expansion of agricultural and mining activities in the wider region) could, in principle, be deemed small, since the involved roads already exist and have been part of an active transport corridor for decades. However, the assessment of indirect impacts (e.g. a Regional or a Strategic Environmental and Social Assessment) from increased access might be financed under Project Component 3.

Summarizing, in principle, the works to be financed by the project are not likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. The expected impacts will be mostly limited / site-specific and few are considered irreversible. Well known mitigation and/or compensation measures can be readily designed to address them.

Reforestation/afforestation, construction of wildlife crossings, protocols to relocate physical cultural resources, and even biodiversity offsets (creation of new compensatory protected areas) have been used in the past in the country to mitigate or compensate the adverse impacts of similar Projects.

For those reasons, the proposed category for the Project is "B".

Regarding the social aspects of the project, high risk is



also limited and site-specific, and is mainly linked to the possibility that third party actions, not directly related to the project works, may cause unintended negative impacts (e.g. economic or physical displacement) to some indigenous people's communities and other vulnerable populations in the project area since there is a high level of land tenure insecurity for this these groups (i.e. they live either in private land or in land that is under negotiations between the provincial government and private sector investors). Under this context, the project may have negative impacts both in labor status and land tenure security for local population. In this sense, the project would need to foster actions to avoid, minimize or mitigate these kind of risks. The risks are associated with indirect impacts caused by business developments and land transactions in the project area on road works to be implemented under Group 2. Specific actions would be defined once the social assessment to inform the Indigenous Peoples Plan is completed.

It is not expected to have labor influx at a large scale under this project. Nevertheless, an Environmental and Social Impact Assessment (ESIA), will include an assessment of social issues including potential impacts associated to labor influx (including evaluating current SGBV prevalence; the capacity of the host communities to absorb the influx; amongst others); the risks of exacerbating social conflict (including an analysis of existing conditions vis a vis drug and human trafficking); and impacts to indigenous peoples given the expected increase of population and economic development to the region and the irregularity of land tenure of IPs.

In addition, bidding documents will include clear guidelines for contractors on the need to have a code of conduct, the advantages of hiring local labor, and other measures to avoid or mitigate the potential impacts of workers on the host communities.

Natural Habitats OP/BP 4.04	Yes	The preliminary screening process undertaken highlighted that some of the works to be financed by the project would add cumulative impacts to those
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		from the existing infrastructure, particularly in terms of increased fragmentation of natural habitats (clearing of small fractions of natural forests under different degrees of legal protection). A draft environmental assessment developed for the Project indicates that this impact would be only incremental, given that the Project works will entail the upgrade and revamp of existing roads, so most of the impact has been already incurred before this project. Anyway, the TT and the Borrower are working together to ensure the respective EMPs include proper mitigation and compensation measures.
Forests OP/BP 4.36	Yes	<p>According to preliminary estimations done by the Borrower (which are being refined) the widening of the right of way for some of the works to be financed by the project would require the clearing of a maximum of 4057.325 hectares of natural forest in the proximity of the roads, which would incrementally increase the existing barrier effect between forest remnants. The EA being undertaken for each work will analyze this issue in depth, and the respective EMPs will determine the specific management measures and eventual compensation measures.</p> <p>Most of the forests patches to be affected are subject to different degrees of legal protection, son these situations will be analyzed as per the requirements of OP 4.04.</p>
Pest Management OP 4.09	No	The project will not involve pests management as defined under the policy.
Physical Cultural Resources OP/BP 4.11	Yes	The civil works constructed under the project will directly affect physical cultural property (local structures or sites of historic or cultural importance). Specific protocols are included in the EMPs to deal with this situations.
Indigenous Peoples OP/BP 4.10	Yes	<p>A preliminary screening process indicated that there are indigenous communities present in the project area. These communities belong to Guaraní and Kolla Peoples.</p> <p>Leaders from these communities expressed support to the project since they see it as an opportunity to transform it into a development corridor. However, they also expressed some concerns because nowadays the route is a corridor not only for legal business but</p>



also for illegal drugs and human trafficking. In that sense, they expect that the investments under the project would help to change this reality, not only by providing opportunities for socio-economic development, but also through specific like the financing of works to enhance a National Border Surveillance Force's post, which will facilitate controls along the corridor (both to enhance road safety controls but also controls of illicit flows).

OP 4.10 is triggered to ensure that: (i) indigenous people groups are afforded opportunities to participate in planning that affects them; (ii) opportunities to provide such groups with culturally appropriate benefits are considered; and (iii) any project impact that adversely affects them is avoided, or otherwise minimized and mitigated.

To address OP 4.10 requirements, the Borrower will prepare an Indigenous Peoples Plan to guide processes both in design and implementation phases of each subproject, in order to protect indigenous peoples rights while minimizing any potential negative impact, and in particular, supporting the maximization of positive ones. The IPP will be prepared and consulted in order to ensure broad community support; and will be disclosed before appraisal and before the beginning of any project activity.

The Borrower will conduct a Social Assessment to inform the IPP. This SA will analyze the potential impacts that the influx of population and the expected expansion of the labor and product markets in the area could have to the livelihoods, lands and culture of IPs.

OP 4.12 is triggered since subprojects under this operation will imply involuntary resettlement of direct beneficiaries and involuntary economic displacement and/or loss of assets may be generated for these and/or other stakeholders during the execution of infrastructure works.

To address OP 4.12 requirements, the Borrower will prepare a Resettlement Action Plan (RAP) in order to address and mitigate any risk linked to the involuntary resettlement processes generated by the Project, and

Involuntary Resettlement OP/BP 4.12

Yes



to transform these processes in opportunities of development for project affected people by supporting them to improve their livelihoods and standards of living or at least to restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation.

A preliminary screening indicates that it is not expected that activities under Component 2 will require land acquisition. The team will make an assessment during project preparation. In the case that any activity under this component would require land acquisition, a RAP or Resettlement Policy Framework will be prepared, accordingly. In addition, TA activities and studies under the project will also need to be consistent with the principles of OP 4.12 to avoid potential downstream impacts.

The Bank will confirm with the client at an early stage of project preparation if the loan will finance any compensation or land acquisition related with Resettlement, or if these type of expenditures will be financed by counterpart funds.

There is a system of linked dams upstream of the project area (La Cienaga dam, Las Maderas dam, and its appurtenances). According to the EA the risk of failure of the dams is very little, as they are not located into riverbeds but the water is rather diverted from the rivers through a network of channels (the intake is regulated, so the dams are not subject to natural spates); and given that they are subject to a periodic (monthly and annual) inspection programs conducted by the Provincial authorities, in addition to which an independent assessment on the conservation status and the structural safety of the dams was conducted in 2015 by the National Regulating Organization on Dam Safety (ORSEP).

Additionally, the EA states that the eventual (unlikely) failure of the referred dams would not cause extensive damage neither failure of the investments to be funded by the project, as they are located more than 15kms away from the works to be funded by the Project, so the water would reach the project area

Safety of Dams OP/BP 4.37

No



		through a smooth laminar flow.
Projects on International Waterways OP/BP 7.50	No	<p>The project will not affect international waterways as defined under the policy.</p> <p>Within the project's framework, bridges will be built on the Pavas and Grande rivers, and technically both are tributaries of the Bermejo River, which flow into the Paraguay river, shared with the homonymous country. However, the works in question will be performed more than 800km from the Bermejo-Paraguay meeting point (outside the project's area of influence); The expected impacts will be spatially concentrated in the area of direct influence of the project; and the Bermejo flow rate is such, that it would greatly dilute any of the expected impacts.</p>
Projects in Disputed Areas OP/BP 7.60	No	The project will not affect disputed areas as defined under the policy.

E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Jul 14, 2017

Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The Borrower is expected to complete the Environmental (and Social Impact) Assessments of all the works to be financed by the loan, the IPP, and the RAP, including their respective public consultations, by late June 2017. The Appraisal stage PID/ISDS would be tentatively prepared by early July, 2017.

CONTACT POINT

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APPROVAL

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