Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 21-Oct-2020 | Report No: PIDC30436

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Argentina	P175138		Buenos Aires Passenger Railway Upgrade for Economic Recovery Project (P175138)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	Feb 10, 2021	Mar 31, 2021	Transport
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Investment Project Financing	Ministry of Transport	Ministry of Transport	

Proposed Development Objective(s)

To improve the reliability and safety of passenger railway services and increase job accessibility in the Metropolitan Area of Buenos Aires in the COVID-19 recovery phase and beyond.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	350.00
Total Financing	350.00
of which IBRD/IDA	315.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	315.00

Non-World Bank Group Financing

Counterpart Funding	35.00
Borrower/Recipient	35.00

Environmental and Social Risk Classification	Concept Review Decision
Moderate	Track I-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The COVID-19 outbreak hits the Argentine economy at a moment of significant macroeconomic imbalances and a highly uncertain outlook.** Macroeconomic volatility intensified after the sell-off of Argentinian assets in August 2019 and triggered an acceleration of inflation and a fall in real wages, which declined by 7.5 percent in 2019. This – coupled with fiscal consolidation and a general context of high uncertainty – slowed consumption and investment, dragging the economy down for the second consecutive year. The Gross Domestic Product (GDP) fell 2.1 percent in 2019 and further contracted 4.8 percent in the first quarter of 2020 (quarter on quarter, seasonally adjusted), even though the impacts of the COVID-19 pandemic only affected the end of this period. According to the latest official estimates, one in every three Argentines living in the main urban areas is poor, and one in every twelve is extremely poor. Unemployment rates have increased from 11.9% in the second quarter of 2019 to 13.2% in the same period of 2020.
2. **In this context, the global COVID-19 crisis is already having a drastic impact on economic activity.** By April 2020, the restrictions on movements of people imposed since mid-March had led to the largest historical economic monthly contraction of 17 percent which, despite improvements registered in May and June, implied an estimated GDP fall in the second quarter of over 16 percent. The expected economic slowdown in Argentina's main trading partners (Brazil, EU, China and USA) will continue to lower exports, with spillovers on upstream and downstream sectors. Analysts are expecting a decline in GDP of 12 percent on average in 2020, according to a recent Central Bank survey.
3. **In the Buenos Aires Metropolitan Area (AMBA),[1] which is ground zero of the COVID-19 pandemic in Argentina, low-income citizens are being hit the hardest by the sanitary and economic crisis** (as the figures below show)**.** High vulnerability of the estimated 1.6 million poor living in AMBA could be explained by its crowded living conditions, lack of basic water supply and sanitation and high dependence on informal economic activities which undermine compliance with lockdown policies. Despite an unprecedented drop in public transport use, low-income residents have proven to be most dependent on the public transit system. During the strictest lockdown period, the total share of social fare users increased by 7 percentage points, primarily because the poor are less able to work from home and have fewer opportunities to resort to private mobility.
4. **The economic predominance of the AMBA at the national level poses a major challenge as the negative effects of the sanitary situation could severely impact the macroeconomic situation of the country.** The AMBA, one of the

[1] The Metropolitan Area, AMBA, is the urban area composed by the City of Buenos Aires (CABA) and 40 municipalities of the Province of Buenos Aires: Almirante Brown, Avellaneda, Berazategui, Berisso, Brandsen, Campana, Cañuelas, Ensenada, Escobar, Esteban Echeverría, Exaltación de la Cruz, Ezeiza, Florencio Varela, General Las Heras, General Rodríguez, General San Martín, Hurligham, Ituzaingó, José C. Paz, La Matanza, Lanús, La Plata, Lomas de Zamora, Luján, Marcos Paz, Malvinas Argentinas, Moreno, Merlo, Morón, Pilar, Presidente Perón, Quilmes, San Fernando, San Isidro, San Miguel San Vicente, Tigre, Tres de Febrero, Vicente López and Zárate.

main metropolitan areas in Latin America, represents almost one third of the national population and generates more than 40% of Argentina's GDP. As an attraction center, the AMBA is home to most businesses, fiscal revenues and political institutions, as well as being an important artistic and cultural area, in a clear sign of its dominant position beyond the economic parameters.

5. **As one of the early signatories of the Paris Agreement, Argentina has adopted Nationally Determined Contributions (NDCs) which include the transport sector.** With regards to climate change mitigation, the country's strategic goal is to support the development of public transit systems, as a way to curb private vehicle use and the associated GHG emissions. As for climate adaptation, urban areas in Argentina are assessed as especially vulnerable to climate changes such as temperature and precipitation. Adaptation priorities identified in the NDCs include improving early warning and response systems to natural hazards. Considering that the above-mentioned challenges and ability to recover from the COVID-19 crisis are exacerbated by the observed and anticipated impacts of climate change in the country (increased precipitation during extreme weather events leading to flooding, vulnerability to natural disasters, health risks and worsened impact of COVID-19 due to high GHG emissions and air pollution, etc.) and knowing that climate change effects may push more than 100 million people back into poverty over the next fifteen years[2], the economic recovery from this pandemic needs to consider the use of "green policies" that contribute to decouple emissions from economic growth and build more resilient economies and less vulnerable societies.

6. **Aligned with the World Bank Group COVID-19 Crisis Response Approach, the Project addresses two pillars for the rebuilding agenda in the short- and long-term.** First, in the short-term, by creating employment opportunities in labor-intensive construction, since the proposed works are shovel-ready and expected to break ground already in 2021. 92 percent of the jobs in rail track renovation activities in Argentina are low-skill and they are filled mostly by workers in the bottom 40 percentile of the income distribution. Second, by providing support to the implementation of COVID-19 protocols in public transport to allow social distancing, managing crowding, and improving pandemic-readiness to prevent new outbreaks, as part of the institutional component. Third, by strengthening policies, institutions and investments to rebuild better, focusing on Argentina's long-term development goals, which includes upgrading urban transport systems, preventing a shift from public transport to individual motorized modes of transport and therefore supporting a greener and more climate-resilient recovery.

Sectoral and Institutional Context

7. **Argentina is a country of cities, with 90 percent of its population living in urban areas; yet, a pattern of sprawling, traditional investments in expanding the road network and rising motorization, marginalized the development of the suburban rail transit system, thus constraining its contribution to sustaining inclusive economic growth.** The large growing territorial coverage and the rise of developments in the periphery—largely gated communities or low-income housing and informal settlements, were met with expansions to the road network for private vehicles rather than investments in sustainable transit. As a result, cities in Argentina have grown inefficiently from a transit accessibility perspective, increasing their dependence on motorized transport and escalated travel times and external costs (congestion, exhaust emission, noise and road accidents). This has particularly taxed the poor, who are largely dependent on transit or non-motorized modes to access employment and other socioeconomic opportunities and are more vulnerable to climate change impacts.

8. **While bus services dominate the public transit service, suburban rails are mostly used by long distance passengers and also provide very affordable fares for vulnerable users.** The AMBA, with almost 15 million inhabitants in 2,590 km^2, generated 22 million trips per day prior to the impact of COVID-19, of which nearly 14.3 million (65%)

[2] Hallegatte, Stephane, Mook Bangalore, Laura Bonzanigo, Marianne Fay, Tamaro Kane, Ulf Narloch, Julie Rozenberg, David Treguer, and Adrien Vogt-Schilb. 2016. Shock Waves: Managing the Impacts of Climate Change on Poverty. Climate Change and Development Series. Washington, DC: World Bank: https://openknowledge.worldbank.org/bitstream/handle/10986/22787/9781464806735.pdf

are done in public transit. Bus services dominate the public transit with 11 million daily passengers (82% of the public transport total) and the suburban railways serve 1.4 million daily passengers.

9. **Contrary to the investments in the road network, historical underinvestment in suburban rail in the Metropolitan Area (AMBA) exerted tremendous pressure on the transit system and, as a result, the suburban railway and subway systems are overcrowded and run-down.** With more than 800 km of suburban rail (one of the largest worldwide) and the oldest subway (Subte, 63-km long) in the region, low investments in the end of the 1990s and 2000s, slowly contributed to the degradation of the AMBA's passenger railway system. Yearly investments[3] were on average, 110 M U$S for the 1995-2001 period and 70 M U$S for the 2003-2011 period, insufficient for even replacing assets that depreciated due to their normal use. In the effort to secure regular upgrades to the system, concessions were granted in the suburban rail system during the mid 1990s. To date, only the Belgrano Norte and Urquiza lines (representing 15% of the total system's ridership) are operated under concession. Since then, the level of investment grew fourfold from 2013 to 2019, reaching a total of around US$2,500 million in a wide range of interventions[4]. The improved level of service was immediately followed by a growth in demand (+80% for the 2013-2019 period), still commercial speed and travel times have space to be improved.

10. **Operating inefficiencies plague the suburban rail system and have resulted in mounting operating subsidies.** The failure of the concessions of the mid 1990s coupled with the capping of fares adopted in the 2001 crisis, led to operating subsidies of 95%, highest among the transit system. The COVID-19 crisis has compounded the financial situation of public transport systems through a much lower ridership which reverted previous achievements in the transition towards sustainable mobility in the AMBA. Since lockdown measures were implemented, only workers categorized as essential are allowed to use public transport, and buses can only transport seated passengers. Public transport demand hit historically low levels (with an initial plunge by some 90% in one week), while private motorized mobility recovered at much faster rates than public transport, rapidly growing and reaching 50% of the pre-COVID traffic volumes at Buenos Aires' main entrances.

11. **Against this backdrop, there is a need to continue suburban railway interventions to cater to the need for transit to facilitate access to jobs and opportunities particularly for the poor that live farthest away from these opportunities, but under new circumstances which require less crowded public transit.** The large majority of job opportunities in the AMBA are spread across the CABA center, thus necessitating daily commutes from across the province. The economic reactivation of the area will depend on safe and reliable mass mobility services and this will require a seamless and multimodal integrated transit network, with mass transit modes such as the suburban railway or subway along with buses serving as feeders. The system will have to provide safe sanitary conditions to give its users an assurance that COVID-19 risks are mitigated.

12. **The project will support the continued modernization of the railway system, improving service delivery, connectivity and efficiency.** Public transport assets and transport services in the AMBA already support 13 million passenger trips every day, but there are major opportunities to duplicate ridership and increase efficiency of such assets while ensuring access to all, alleviating fiscal pressures and supporting AMBA's increased competitiveness and growth aspirations. From an equity and inclusivity perspective, improved multimodal mobility can help the poor access more and better jobs and other opportunities.

13. **Expanding public transit initiatives will support Argentina's path towards greener urban mobility, that has the potential to reduce emissions, and to maintain the share of public transit users, against increasing pressure from**

[3] UNSAM-ITF, 2013.

[4] Interventions included: rolling stock (around US$ 1.1 billion to replace more than 700 cars in the Sarmiento, Mitre and Roca lines, and a renewal of the entire diesel fleet of the San Martín and Belgrano Sur lines); track renewals; new viaducts (3.9 km in the Mitre line, 5 km in the San Martín line and 6 km for the Belgrano Sur line); electrification of a corridor of the Roca line (53 km and 19 stations - about 600M U$S); improvements in signaling systems; enhancement of four main terminals and other stations; and incorporation of new technologies for automatic train braking systems (ATS).

private vehicles use (particularly the recent growth in motorcycles[5]) and the associated air pollution. The proposed activity will support integration and interoperability of the AMBA's suburban railway system, laying the ground for a restructuring of the bus network to incrementally serve as feeders in this multimodal system or mass transit BRT corridors.

14. **In addition, institutional measures to uphold these infrastructure investments will be needed.** The Project seeks to strengthen the efficiency of State-Owned Enterprises, the national rail construction and maintenance company (ADIF) and the railway operator (SOFSE), the latter being the largest in Argentina in terms of number of employees.

Relationship to CPF

15. **The proposed project is fully aligned with the World Bank Group's FY19-FY22 Country Partnership Framework (CPF) for Argentina** (Report #131971-AR). The project supports Focus Area 3: "Supporting Argentina to implement its NDC", by addressing the negative externalities of congestion and high-carbon mobility in Buenos Aires and by fostering multimodality and a modal shift to less carbon-intensive alternatives for the AMBA citizens. As such it contributes to objective 3.10: "Building resilient and Low-Carbon Cities". The Project directly improves the efficiency of public transport service delivery and the quality of life of citizens in the area of influence of the Mitre line and the low-income residents of Barrio 31. It will improve access to public transport, tackle traffic congestion and strengthen key infrastructure to curb automobile use and lay a path towards sustainable public transit. In addition, the proposed Project also supports Focus Area 2: "Addressing key institutional constraints for better governance and service delivery". The institutional strengthening component is expected to enhance productivity for railway operations, to increase efficiency and knowledge in the operating SOE agencies, and to generate additional opportunities and increase women's participation in the transport sector labor market.

C. Proposed Development Objective(s)

To improve urban mobility in the Metropolitan Area of Buenos Aires by serving the demand for rail-based public transport. The project will reduce travel times, decrease operational costs, improve the current system's safety, security and comfort, reduce emissions of greenhouse gases (GHGs) and strengthen the COVID-19 preparedness of the public transport system.

Key Results (From PCN)

16. The project aims to achieve positive changes to the following indicators:

- **Demand:** Passengers per day in the Mitre network.
- **Travel time:** Average travel time between terminal stations in the Mitre network (mins), differentiated by branch.
- **Accessibility:** Number of jobs accessible in less than 60 minutes by Mitre network.
- **Operational costs:** Technical fare per passenger-km.
- **Citizen engagement and Gender:** Percentage of users satisfied with overall railway service, its security and comfort, differentiated by gender and income.
- **Emissions:** GHG emissions from transport in the area of influence of the Mitre network.
- **Road Safety:** Number of fatal and serious injury (FSI) crashes in the immediate vicinity (200 m) of Mitre line stations.

[5]INDEC First Semestre of 2019. Poverty and extreme poverty incidence in the 31 urban agglomerates that make up the AMBA.

- **COVID-19 mitigation:** Implementation of a COVID-19 safety protocol by implementing agency and operators.

D. Concept Description

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The nature of the Project is relatively simple, and the adverse environmental risks and impacts on human populations or the environment it will cause are, in principle, not considered to be significant.

The scale of the Project is medium and the moderate sensitivity of the Project location is explained by the fact it is situated in a highly densely populated area, which on the other hand means it is already highly transformed and most of the environmental impacts related to the railways infrastructure to be revamped by the Project have occurred in the past. No valuable ecosystems or habitats (legally protected and internationally recognized areas of high biodiversity value) have been identified in the Project area.

The magnitude of the expected impacts preliminarily identified is mostly low or moderate and their spatial extent is localized; with a few exceptions. No long term, permanent, irreversible, unprecedented or complex impacts are expected. Most of the expected impacts preliminarily identified are temporary, predictable and/or reversible, and can be mitigated through readily available measures, considering the mitigation hierarchy. The only exception preliminarily identified might be the indirect impact on natural forests related to their exploitation for the provision of wooden sleepers. That impact might be managed through Project alternatives (e.g. using concrete sleepers instead) or through proper mitigation measures (e.g. ensuring the provision of wooden sleepers follows the requirements of ESS6 with regards to the sustainable management of living natural resources, and primary suppliers).

In principle, there is low probability of serious adverse effects to human health, being the current COVID-19 pandemic and the recurrent dengue epidemic the main related risks to be managed, in addition to standard working health and safety risks, usually present in this kind of infrastructure projects.

The social risks are not likely to be significant, they are low in magnitude, site specific and predictable, they can be addressed with mitigation measures, not likely to cause significant adverse impacts on human health. Civil works are not expected to require significant land acquisition for construction of stations and areas around them. It is still to be verified if there will be land acquisition, though it is likely that land acquisition will be limited as the area is mostly public land. A preliminary screening conducted by the Team, on the basis of the information obtained at this stage from the Borrower in relation to Project locations, did not identify any indigenous peoples in the Project area.

Social risks are related, to ensuring access to benefits for the whole beneficiary population, e.g. consider issues of disability,

gender and GBV aspects for women workers and service users; potential land acquisition and temporary economic displacement for businesses in train stations and informal vendors during the construction phase; carrying out inclusive consultations and general stakeholder engagement under Covid-19 restrictions; OHS issues for contracted workers due to C19 additional risks.

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APPROVAL

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