Early Warning System

IDBI-12440-02

Bridge-to-Loan Facility for the Highways and Safe Routes Network PPP Program - Phase 1

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Quick Facts

Countries	Argentina
Financial Institutions	IDB Invest (IDBI)
Status	Proposed
Bank Risk Rating	B
Voting Date	2019-04-30
Borrower	PPP Financial Assistance Trust-HSRN-1
Sectors	Infrastructure, Transport
Investment Type(s)	Loan
Investment Amount (USD)	$ 900.00 million
Loan Amount (USD)	$ 900.00 million

Project Description

The decline in public and private investment has had a considerable impact on infrastructure development in Argentina, particularly in the transport sector. To address this situation, in November 2016, the Government of Argentina enacted the Argentinean Public-Private Partnerships Law (Law 27,328 or the "PPP Law"). This law updated the framework for participation, partnership and contracting between the public and private sectors, incorporating and adopting best practices on public-private partnerships in the region in the preparation, tendering and financing of infrastructure projects. Under this new legal framework, the Government of Argentina expects to develop (by 2025) around 60 investment projects in the transport, energy, communications, education and health sectors with a total value of US$69 billion, of which close to US$30 billion is expected to be provided by the private sector.

The Highways and Safe Routes Network Program ("RARS" for its acronym in Spanish)--whose objective is to redevelop, improve, extend and renovate the country's highway network, as well as to enhance and improve signage and lighting on routes to improve safety conditions and reduce logistics costs in the country--is the first initiative prepared under the PPP Law. The first phase of the RARS ("RARS Phase I") includes the concession of six road corridors (A, B, C, E, F and South) of national strategic importance, both in terms of the flow of people and goods (https://ppp.vialidad.gob.ar/proyecto-7/). These corridors cut through the provinces of Buenos Aires, Cordoba, La Pampa, Mendoza, San Luis and Santa Fe, which together account for most of the country's employment and production, and cover an approximate total distance of 3,400 kilometers (km), including: 810 km of highways, 1,500 km of safe routes and 250 km of new access routes. The total estimated investment required for works on the six corridors in the first four years of the concessions (2018-2022) is approximately US$6.04 billion.

The international public tender process to award Phase I of the six RARS corridors was initiated in November 2017, with the participation of 10 consortiums which together submitted 32 offers. In June 2018, the Government of Argentina awarded the concessions for the six corridors to five PPP contractors made up of local and international companies.

The IDB Invest loan will provide bridge financing for a subset of investment projects included in the RARS Phase I, which were selected based on their relevance within the RARS by the Argentine National Highway Department and the Ministry of Transport, after consulting with the PPP contractors. These projects will be financed in three phases: i) the first phase (Phase I), which includes eight individual projects, shall begin to be disbursed once the Loan has been signed by the parties (immediately following its approval by the IDB Invest Board of Directors), and once they have complied with the conditions established prior to disbursement; ii) the second phase (Phase II), which includes approximately 17 additional projects; and iii) the third phase (Phase III), which includes minor projects, construction works, toll booths and other related investments. Phase II and Phase III will begin to be disbursed as soon as it has been verified that the environmental and social information for each of these projects is substantially in accordance with the requirements contained in IDB Invest's Sustainability Policy.

People Affected By This Project

In accordance with IDB Invest's Environmental and Social Sustainability Policy, the Transaction has been classified as Category B due to the fact that all individual projects to be financed have been or will be classified as either Category B or Category C. These projects may generate, to a greater or lesser extent, the following negative environmental and social impacts: i) air quality alterations, due to construction activities and subsequently as a result of the increase in traffic; ii) erosion due to the expected earthworks; iii) an increase in the levels of noise and vibrations resulting from the use of heavy machinery, and subsequently due to the increase in traffic; iv) minor loss of vegetation and forest cover; v) alteration in water quality and flows; vi) possible increase in spontaneous migration from other parts of the country to project areas in search of better economic and employment opportunities; vii) increase in the value of land adjacent to the works, resulting in possible real estate speculation; viii) disruption or diversion of vehicle traffic; ix) an increase in the risk of road traffic accidents as a result of increased traffic; x) impacts due to the extraction of stony materials; and xi) increase in the risk of occupational accidents during the construction phase. All of these impacts are estimated to be of medium to low magnitude and significance, and can be managed with previously known procedures.

The Transaction will trigger the following Performance Standards ("PS"): PS1 - Assessment and Management of Environmental and Social Risks and Impacts; PS2 - Labor and Working Conditions; PS3 - Resource Efficiency and Pollution Prevention; PS4 - Community Health and Safety and Security; and PS5 - Land Acquisition and Involuntary Resettlement. The Environmental and Social Due Diligence (ESDD) process will verify whether other PSs must be activated.

Each of the projects included in the first phase of the Transaction has obtained valid environmental permits and authorizations after submitting an Environmental Assessment Study (Estudio Expeditivo de Evaluacion Ambiental) to the competent environmental authority for the entire corridor. Additionally, a Complementary Environmental Analysis has been carried out for each project in Phase I to comply with the requirements of IDB Invest's Sustainability Policy.

IDB Invest will hire an independent environmental and social consultant to assist in the ESDD process, assess the probable environmental risks, confirm the categorization of each specific project and of the Transaction as a whole, assess management plans to mitigate these risks, and define an environmental and social action plan (ESAP) for each project in order to close any gaps that may exist between the information provided during the ESDD and the requirements of IDB Invest's Sustainability Policy.

Investment Description

- IDB Invest (IDBI)

The IDB Invest loan (hereinafter, “the Transaction”) will provide bridge financing for a subset of investment projects included in the RARS Phase I, which were selected based on their relevance within the RARS by the Argentine National Highway Department and the Ministry of Transport, after consulting with the PPP contractors. These projects will be financed in three phases: i) the first phase (Phase I), which includes eight individual projects, shall begin to be disbursed once the Loan has been signed by the parties (immediately following its approval by the IDB Invest Board of Directors), and once they have complied with the conditions established prior to disbursement; ii) the second phase (Phase II), which includes approximately 17 additional projects; and iii) the third phase (Phase III), which includes minor projects, construction works, toll booths and other related investments. Phase II and Phase III will begin to be disbursed as soon as it has been verified that the environmental and social information for each of these projects is substantially in accordance with the requirements contained in IDB Invest’s Sustainability Policy.

Contact Information

ACCOUNTABILITY MECHANISM OF IDB INVEST

The Independent Consultation and Investigation Mechanism (MICI) is the independent complaint mechanism and fact-finding body for people who have been or are likely to be adversely affected by an Inter-American Development Bank (IDB) or Inter-American Investment Corporation (IIC)-funded project. If you submit a complaint to MICI, they may assist you in addressing the problems you raised through a dispute-resolution process with those implementing the project and/or through an investigation to assess whether the IDB or IIC is following its own policies for preventing or mitigating harm to people or the environment. You can submit a complaint by sending an email to MICI@iadb.org. You can learn more about the MICI and how to file a complaint at http://www.iadb.org/en/mici/mici,1752.html (in English) or http://www.iadb.org/es/mici/mici,1752.html (Spanish).

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Bank Documents

- Client Files (Compressed)
- Related Files (Compressed)