



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 08-Mar-2021 | Report No: PIDA30474

**BASIC INFORMATION****A. Basic Project Data**

Country Argentina	Project ID P175138	Project Name Buenos Aires – Mitre Passenger Railway Line Modernization Project	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 08-Mar-2021	Estimated Board Date 30-Apr-2021	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Argentine Republic	Implementing Agency Ministry of Transport of Argentina	

Proposed Development Objective(s)

The Project Development Objectives are to: (a) improve the reliability and safety of the Mitre Line; and (b) increase accessibility in the Metropolitan Area of Buenos Aires.

Components

Retiro railyard upgrade, extension and renewal
Mitre Line upgrade
Institutional strengthening for urban mobility and railway operations

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	382.77
Total Financing	382.77
of which IBRD/IDA	347.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	347.00
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Non-World Bank Group Financing



Counterpart Funding	35.77
Borrower/Recipient	35.77

Environmental and Social Risk Classification

Moderate

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

1. **The COVID-19 outbreak hit the Argentine economy at a moment of significant macroeconomic imbalances and a highly uncertain outlook.** Following a two-year recession, high inflation and lack of access to capital markets, the strict lockdown imposed to contain the spread of the pandemic triggered in March-April 2020 the sharpest GDP decline ever recorded. This produced a severe negative impact on employment and labor income, particularly for informal workers. A gradual easing of confinement measures recently has been initiated, allowing economic activity to pick up at a low pace, but also setting off a rapid rise in COVID-19 cases. The fiscal stimulus package implemented by the government and the abrupt decline in revenues resulted in a central government deficit of nearly 5 percent of GDP over January-July 2020, the largest in more than 30 years. Lack of market access mandated a full monetization of the deficit, which is exacerbating macroeconomic imbalances. The gap between the official and parallel FX rates has been increasing, and the Central Bank is rapidly losing reserves as it attempts to keep the official exchange rate stable, despite a significant trade surplus and tightened currency controls.

2. **The unprecedented economic contraction had a severe impact on poverty and employment in the first half of 2020.** Labor market statistics point to a sharp fall in employment (-9 percentage points), while unemployment increased “only” 2.5 percentage points. This was due to a massive fall in the labor activity rate from 47.7 to 38.4 percent. As a result, the poverty rate increased in the first half of 2020 from 35.4 to 40.9 percent, which means that 11.7 million and 3 million people are now living below the poverty and the extreme poverty lines, respectively.

3. **The economy is expected to shrink by close to 12 percent in 2020.** The prolonged lockdown measures and a drop in external demand are the main drivers behind this sharp GDP decline. The economy is expected to start recovering later in 2021 as the population is vaccinated and health-related restrictions are progressively lifted, building on the economy’s ample idle capacity. However, high uncertainty could limit investment growth, while the imperative to bring down the large fiscal deficit will strongly curtail demand stimulus. Therefore, the rebound is expected to be only partial in 2021, and GDP is not projected to reach 2019 levels before 2023. There are important downside risks to this baseline scenario, notably a reversal in the so far subdued inflationary dynamics, which have been held back by the unprecedented drop in demand and price controls. The draft 2021 budget foresees a reduction in the primary deficit from a projected 8.3 percent of GDP in 2020 to 4.2 percent in 2021. This ambitious goal may be supported by the successful restructuring of external debt last August, which



is expected to provide debt relief of about 9 percent of GDP over the next eight years.

Sectoral and Institutional Context

4. **The predominant role of the Buenos Aires Metropolitan Area (*Área Metropolitana de Buenos Aires/AMBA*)¹ in the national economy poses both major challenges and opportunities.** AMBA, one of the largest metropolises of Latin America, represents almost one third of the national population and generates more than 40 percent of Argentina’s GDP. [Buenos Aires](#) is the country’s chief port (the largest in [South America](#)), serving as the hub for the national economy’s enormous production and export of agricultural commodities. AMBA accounts for approximately one-third of the nation’s industrial capacity. It dominates the country’s banking and finance activity. AMBA is home to most businesses, fiscal revenues and political institutions and is a major cultural and artistic center for all of Latin America.

5. **AMBA is ground zero of the COVID-19 pandemic in Argentina, with low-income citizens being hit the hardest by the health and economic crises.** The high vulnerability of the estimated 1.6 million poor people living in AMBA is a function of crowded living conditions, lack of adequate 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 since the start of the pandemic, low-income residents remain the 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.

6. **AMBA, with its huge transport sector and enormous concentration of population, is both a major contributor to greenhouse gas emissions and at significant risk from the effects of climate change.** AMBA has been experiencing increased risks of flash or surface flooding, heatwave events, and “*sudestadas*”, persistent strong winds from the south-southeast, accompanied by precipitation. Climate analyses indicate that these effects are associated with the evolution of global greenhouse gas (GHG) emissions. Annual average precipitation in AMBA has increased by 29 percent between 1961-1970 and 2011-2014. Rainfall intensity and the number of days with extreme rainfall levels (over 30 mm per event) have increased over time. Similarly, average annual temperature within the city boundaries has increased by 0.14C per decade between 1961 and 2014, indicating that local changes are consistent with global trends over the same period. Trends in the number of heat wave events have not been as clear. Even so, the evidence indicates that natural hazards associated with climate change are having impacts on the transport system and need to be considered in terms of design standards, operations and maintenance, and contingency programming to mitigate damages, losses and disruptions. In 2020, the transport sector accounted for 32 percent of AMBA’s greenhouse gas emissions. Acknowledging the large contribution of the transport sector to the city’s carbon emissions, the city government between 2016 and 2020 moved to improve the environmental sustainability of mobility in the city through measures like the expansion of protected bicycle lanes and the extension of Bus Rapid Transit (BRT) corridors and the subway system.

¹ The Metropolitan Area, AMBA, is the urban area composed by the Autonomous 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, Hurlingham, 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.



7. **Ninety percent of Argentina’s population lives in urban areas, but urban expansion driven by investments in roads and rising motorization have limited the inclusiveness and equity of urban economic growth.** AMBA’s territorial expansion and the rise of developments in the periphery—largely gated communities or low-income housing and informal settlements—have been accompanied by expansions of road networks for private vehicles but not commensurate investments in sustainable public transit. As a result, Argentina’s cities have grown inefficiently from a transit accessibility perspective, increasing their dependence on individual motorized vehicles, thereby escalating travel times and external costs (congestion, exhaust emissions, noise, and road crashes). This has particularly taxed poor people, who are largely dependent on transit or non-motorized modes to access employment and socioeconomic services.

8. **While bus services dominate public transit in AMBA, long-distance commuters are heavily dependent on suburban rail systems, which provide affordable fares for lower-income users.** AMBA, with almost 15 million inhabitants over 2,590 km², generates 22 million trips per day (pre-COVID), of which nearly 14.3 million (65 percent) are by public transit. Bus services account for more than 11 million daily passengers (77 percent of the public transport total), while the suburban railways serve 1.4 million daily passengers.

9. **Historical underinvestment in urban rail in AMBA until 2012 resulted in low quality and efficiency of service, suboptimal ridership, and encouragement of road transport with less favorable environmental effects.** As a result, the suburban railway and subway systems are overcrowded and run-down. Yearly investments in AMBA’s suburban rail system and subways declined from an average of US\$110 million for the 1995-2001 period to US\$70 million for the 2003-2011 period,² insufficient for even replacing assets that depreciated due to normal use. To secure regular upgrades to the system, concessions were granted in the suburban rail system during the mid-1990s. This schedule included small-scale investments to be carried out by the concessionaires with funds provided by the National Government. However, the majority of these investments were not implemented due to a diversion of funds toward the payment of operating subsidies. The *Once Tragedy* in 2012³ marked a turning point in public policies and investments in the passenger rail system and highlighted the importance of improving railway safety in AMBA. The dramatic accident led to a progressive shift back towards public operation. To date, only the Belgrano Norte and Urquiza Lines (representing 15 percent of the total system’s ridership) are operated under concessions. The level of public investment in suburban rail grew fourfold from 2013 to 2019, reaching a total of around US\$2.5 billion across a wide range of investments,⁴ which produced important progress toward the renovation of the network. The improved level of service was quickly followed by a growth in demand (+80 percent for the 2013-2019 period, in parallel with a gradual reduction in fare evasion levels), but commercial speeds, travel times and railway safety still have much room for improvement.

10. **Despite recent capital improvements, operating inefficiencies continue to plague the suburban rail system and have resulted in mounting operating subsidies.** The failure of the concessions of the mid 1990s and the capping of fares adopted in the 2001 economic crisis have led to operating subsidies of 92 percent, the

² UNSAM-ITF, 2013.

³ The Once Tragedy occurred on February 22, 2012 at the Once Station. The brakes of a commuter train, with 1,000 passengers on board, failed. The train hit the buffers at the end of the line, crushing the motor carriage and the following two carriages. The accident killed fifty-one people and injured more than 700.

⁴ Investments have included: replacement of 700 old train cars; renewal of the entire diesel fleet of the San Martín and Belgrano Sur Lines; track renewals; three new viaducts along the Mitre, San Martín and Belgrano Sur Lines; electrification of the Roca Line; improvements in signaling systems; enhancement of four terminals and other stations; and incorporation of new technologies for automatic train stop (ATS) systems.



highest in AMBA transit system (see Figure 1⁵). The greatly reduced ridership as a result of the COVID-19 crisis has compounded the financial difficulties of public transport, reversing previous achievements in the transition toward sustainable mobility in AMBA. Since lockdown measures were implemented, only workers categorized as essential are allowed to use public transport, and buses can only transport seated passengers. At the start of the COVID pandemic, public transport demand hit historically low levels (with an initial plunge by some 90 percent in one week). While private motorized mobility recovered rapidly, reaching 65 percent of pre-COVID traffic volumes at the main highway entry points to the central city by September 2020, public transit has remained hard hit by a combination of depressed demand, oversupply, and drastically reduced capacity per vehicle due to COVID-19 social distancing measures, all of which have affected the financial bottom line of public transit. Given their flexibility to adjust schedules and routes, buses have suffered less and have been the backbone of mobility for AMBA during the pandemic.

11. **Against this backdrop, the GoA is prioritizing investments in suburban railway improvements to facilitate access to jobs and services, particularly for poor people who tend to live farthest away from these opportunities.** The large majority of jobs in AMBA are located in the city center (the Autonomous City of Buenos Aires/*Ciudad Autónoma de Buenos Aires/CABA*), necessitating daily commutes across the province. The economic reactivation of the metropolitan area will depend on safe and reliable mass mobility services, based on a seamless and multimodal integrated transit network comprising the suburban railways, the subway system, and buses serving as feeders. The system will have to incorporate hygiene and disinfection measures to assure users that COVID-19 risks are adequately mitigated. It will also be important that these improvements consider the significantly different experiences that female users have due to safety concerns. Insecurity levels are reported as high in AMBA (about 72 percent of women in AMBA report feeling unsafe when commuting in public transport), thus hindering access of women to the system and, consequently, to jobs and services in AMBA. Ensuring safe travel experiences for female users will lead to a more inclusive public transport system and prevent a modal shift to individual modes, while enhancing access to economic opportunities for women.

12. **Despite the investments in recent years, much remains to be done to improve the reliability, safety and quality of service on the Mitre Line.** Although the on-time performance of the line has improved to an average of 80.5 percent in 2019—up from 56 percent in 2012-2014—it is still well below the level achieved by systems considered to be “best in class”. The Mitre Line’s key infrastructure components, including track, electrification system, switches, and signaling, are well past or near the end of their useful lives, leading to excessive service delays, and disruptions (180 incidents and accidents linked to safety issues were registered in 2019 on the Mitre Line). Modernization of these key elements, together with upgrading of the seriously outdated Retiro Railyards, will significantly improve the system’s efficiency, capacity and safety.

13. **Institutional development measures to sustain these infrastructure investments will be needed.** The suburban railway sector in AMBA includes two main actors: the Argentina State Railway Infrastructure Company (*Administración de Infraestructuras Ferroviarias S.E./ADIF*) and the Argentina State Railway Operator (*Operadora Ferroviaria Sociedad del Estado/SOFSE*). The latter is the largest public company in Argentina in terms of number of employees, operating six suburban railway lines including the Mitre Line. The proposed interventions within this project would strengthen the efficiency of these state-owned enterprises, which receive significant transfers from the government.



C. Proposed Development Objectives

Development Objectives

14. The Project Development Objectives are to: (a) improve the reliability and safety of the Mitre Line; and (b) increase accessibility in the Metropolitan Area of Buenos Aires.

Key Results

15. The achievement of the PDO will be measured through the following key results indicators:
- (i) Improved reliability: Share of trains operating on the Mitre line with less than a five-minute delay vs. the scheduled timeline, disaggregated by branch.
 - (ii) Improved safety: Number of railway incidents and accidents linked to safety issues on the Mitre Line.
 - (iii) Increased accessibility: Share of jobs in AMBA accessible in less than 60 minutes, disaggregated for selected neighborhoods.

D. Project Description

Legal Operational Policies

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

Summary of Assessment of Environmental and Social Risks and Impacts

16. **The nature of the project is relatively simple, and the potential adverse risks and impacts on human populations or the environment are not considered to be significant.** The scale of the project is relatively limited, and the moderate sensitivity of the project location is explained by the fact that it is situated in a highly densely populated area, which means it is already highly transformed and most of the environmental impacts related to the railways infrastructure to be improved 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.

17. **The magnitude of the expected impacts identified is mostly low or moderate and their spatial extent is localized.** No long-term, permanent, irreversible, unprecedented or complex impacts are expected. Most of the expected impacts identified are temporary, predictable and/or reversible, and can be mitigated through readily available measures, considering the mitigation hierarchy. 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 and scope 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 land acquisition and the project is not expected to cause



any physical or economic displacement associated to land acquisition, as defined under ESS5.

18. **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 and/or opportunities are related to the promotion of social inclusion, such as access to benefits for the whole beneficiary population, e.g. consider issues of disability, gender and gender-based violence aspects for women workers and service users; potential temporary social impacts 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 COVID-19 additional risks.

E. Implementation

Institutional and Implementation Arrangements

19. **The Argentine Republic will be the Borrower of the loan, and the Ministry of Transport of Argentina (MoT), through the General Directorate for Sectoral and Special Programs and Projects (*Dirección General de Programas y Proyectos Sectoriales y Especiales/DGPPSE*), will be the main Implementing Agency for this project.** It will be responsible for overall project coordination and management and for financial management, as well as direct management of a part of component 3 (full execution of sub-component 3.6 and partial execution of sub-components 3.1, 3.2, 3.4 and 3.5). The MoT has considerable experience in implementing World Bank-funded projects. It has highly experienced Financial Management and Procurement staff who have performed the fiduciary functions for other Bank-funded projects with satisfactory performance, such as the Urban Transport in Metropolitan Areas Project (P095485).

20. **The project will also include ADIF as the sub-implementing entity for infrastructure construction and operation.** ADIF is in charge of the approval, construction, rehabilitation, and maintenance of railway projects in Argentina.⁶ MoT and ADIF will coordinate with SAE, under the Presidency, which prioritizes and supervises projects fully or partially financed from international sources, including multilateral organizations. ADIF will be responsible for the procurement, contract management, and payment of the civil works under components 1 and 2, as well as a part of component 3 (full execution of sub-component 3.3 and partial execution of sub-components 3.1, 3.2, 3.4 and 3.5), with the oversight and supervision of MoT.

21. **The Bank has carried out assessments of ADIF's fiduciary capacity and environmental and social (E&S) management capacity.** Based on these assessments, ADIF will incorporate the necessary skills to manage its areas of responsibility under the project. The Ministry of Transport has some experience in developing moderately complex projects and a reasonable track record regarding the management of E&S issues under the World Bank's safeguard policies, as well as those of other Multilateral Development Banks (MDBs). ADIF has little experience with Bank policies but has a well-developed system and human resources available for the management of environmental and social issues. Some gaps between the WB's ESF and ADIF's standard practices have been identified and duly addressed during project preparation, with the preparation of supplementary E&S documents to be adopted by ADIF.

⁶ ADIF is one of the three subsidiaries of the state holding company Argentine Railways (*Ferrocarriles Argentinos*), along with [SOFSE](#) (passenger services) and [TACYL](#) (freight).



22. **The implementing agencies are preparing a Project Operational Manual planned to be ready by negotiations.** As both MoT and ADIF have experience working together in projects financed by other MDBs, best practices and lessons learned will be incorporated in the project's design.

23. **A Transfer Agreement between the Borrower, through the MoT, and ADIF will be signed prior to effectiveness to convey the funds from MoT to ADIF for components 1, 2 and the corresponding part of component 3** and ensure that these components are carried out by ADIF in accordance with all the provisions of the Loan Agreement, including the POM, the Anti-Corruption Guidelines, and the project's Environmental and Social Commitment Plan (ESCP).

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APPROVAL

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