



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 28-Jun-2019 | Report No: PIDC26890

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

Country Uruguay	Project ID P170360	Parent Project ID (if any)	Project Name Montevideo Urban Resilience Project (P170360)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jan 01, 2020	Estimated Board Date Mar 31, 2020	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Intendencia de Montevideo	Implementing Agency Intendencia de Montevideo	

Proposed Development Objective(s)

The Development Objective is to enhance urban resilience and improve living standards in the Pantanoso River Basin in Montevideo.

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

Total Project Cost	125.00
Total Financing	125.00
of which IBRD/IDA	100.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	100.00
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Non-World Bank Group Financing

Counterpart Funding	25.00
Borrower/Recipient	25.00



Environmental and Social Risk Classification

High

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- Underpinned by stable macroeconomic policies, Uruguay has experienced robust economic growth since 2002.** The country has weathered significant external shocks, including the global financial crisis of 2008-09 and recessions in Brazil and Argentina. Prudent macroeconomic policies, strong institutions, and the commitment to diversify markets have increased Uruguay's capacity to buffer shocks. The result has been one of the longest periods of continuous growth in the Uruguay's history, and the boom-bust cycles that characterized its economy in the past appear to be over.
- Despite being a high-income country, a key remaining challenge is to meaningfully impact on the living standards of the chronically poor and marginalized.** Uruguay has reduced household poverty from 29.6 percent in 2007 to 7.9 percent in 2017. However, certain social subgroups are systematically missing out on the benefits of prosperity. Female-headed households are twice as likely to be poor than those in male-headed households, and the Afro-descendant population has a poverty rate of 20 percent – more than twice the national average. Montevideo, which accounts for two thirds of GDP, has one of the highest poverty rates of the country (13 percent in 2014) and harbors pockets of some of the poorest and most vulnerable communities.
- Climate change will further exacerbate social inequalities and contribute to growing vulnerability.** With projected variations in precipitation, flood risks are expected to increase, exacerbated by deficiencies in drainage systems. Through its Nationally Determined Contribution (NDC) submitted to the United Nations Framework Convention on Climate Change, Uruguay adopted its National Climate Change Policy in 2017, which sets forth strategies and courses of action for adaptation. Within this policy framework a National Adaptation Plan for Cities (NAP-Cities) was launched in 2018.
- Uruguay has adopted a range of policies in its attempt to promote social inclusion and boost resilience, but these have led to a fragmented institutional framework with sub-optimal outcomes.** During recent years, a proliferation of governmental initiatives has attempted to address poverty issues, from targeted social inclusion programs to territorial development measures, such as improved access to water and sanitation infrastructure, or securing land tenure. However, a lack of institutional capacity for effective coordination across policies has failed to deal with this multifaceted problem, which requires an integral cross-institutional vision and to fundamentally shift the living conditions of the poorest communities.



Sectoral and Institutional Context

5. **Although cities in Uruguay are not growing overall, informal settlements are expanding, particularly in peri-urban areas in Montevideo.** According to the 2011 census, 93.4 percent of the population live in urban areas, making it one of the most urbanized countries in the region. While the districts of the wealthy east coast have values of Unmet Basic Needs (UBN) lower than 14%, poor neighborhoods on Montevideo's outskirts demonstrate UBN values between 40% and 60%. In the last eight years, the number of informal settlements nationally rose to 656 in 2019, up from 562 recorded in 2011. Nearly two thirds of these located in the capital. These settlements – formally defined as neighborhoods lacking regular tenure arrangements – typically have drastically lower access to public facilities, services, education opportunities.

6. **The lack of planning, enforcement of regulations and reckless construction in interaction with environmental and natural hazard risks has accentuated precarious living conditions in these areas.** Lack of adequate social waste management further impact resident's quality of life as solid waste is dumped in the stream from informal settlements, surface runoff and industrial activity. Exposure to flood risk is closely correlated with poverty, as housing affordability forces people to settle on flood plains. The Ministry of Housing, Territorial Planning and Environment (MVOTMA) estimates that over half of recently established informal settlements are exposed to flood risks.

7. **One important case of a spatially segregated and degraded urban area is the Pantanoso Stream Basin (the Basin) in Montevideo.** Approximately 190,000 people live in the Basin, around 15 percent of the total population of Montevideo, in the west of the city. Demographically, it is one of the few areas of the city with a growing (and overwhelmingly young) population, and hence the prospects of the people living here are critical for the continued growth and prosperity of the city overall. 20 percent of people live in informal settlements, and the number of low-income households in the Basin is double that of the city-wide figure. Around 2,000 homes are exposed to flooding and environmental hazards.

8. **Economic activity in the Basin is constrained, with rural production, logistical and industrial opportunities to unlock its potential.** The basin covers an area of 66 km², of which 40 percent is classified as urban, 22 percent suburban and 38 percent rural. Employment opportunities are limited and unemployment amongst women and young people is much higher than the city average. Vocational training is needed to improve employment opportunities, including in small-scale artisanal industries. A number of new and existing facilities have the potential to foster local productivity, generate private investment, and rebuild local identity, including an agricultural wholesale market (UAM), a new center for agricultural and food production entrepreneurship (PAGRO), and a technology and industrial park (PTI).

9. **The Government of Montevideo (IMM in Spanish) has prioritized the development of the Basin as a flagship effort to impact positively on the living conditions of poor and marginalized Uruguayans.** The *Program for the Integral Transformation of the Pantanoso Stream Basin* (PTICP in Spanish) is a wide-reaching urban rehabilitation and regeneration program. The PTICP seeks to act as an umbrella for wide-ranging interventions that address the following key themes: (i) improving the living standards and ensure equal access to quality public services; (ii) protecting the fragile urban river and wetland ecosystem through increased recreational and educational use; (iii) generating jobs and other local economic development that attracts new investors; and (iv) connecting the basin more effectively with the rest of the city and improving local identity and perception.

10. **The PTICP is an innovative resilience-building process with governance arrangements to engage a wider set of physical interventions, programs and policies.** Since 2015, the IMM have been working on the Pantanoso Master Plan (PMP) as a planning instrument, under the National Territorial Planning Law, to guide the public and private physical actions in the territory. This Plan sets out different homogenous zones within the basin, identifying priority interventions and early actions within each. In parallel, the IMM has developed a Resilience Strategy, presented in 2018 with support from Rockefeller's 100 Resilient Cities program, that resulted in the formation of the Pantanoso Interinstitutional Executive Committee (CEIP), created in 2018, to lead the integration of policies and programs affecting the Basin, with the participation the national, city and municipal governments.



11. **Despite these initial steps, institutional capacity gaps have been identified that limit the capacity of the IMM to implement the PTICP at a transformative scale.** Key institutional challenges include: achieving meaningful linkages between social policies and their respective implementation plans in the Basin; linking spatial risk analysis and resilience plans with mainstream territorial planning and land administration processes; limited ecosystems services functions at any level of government to support wetland restoration; management of community engagement and resettlement processes; coordination between different levels of government (particularly with municipalities); involving private sector actors; and developing innovative financing strategies. The PTICP is therefore an opportunity to collaborate with IMM and partners an innovative governance and investment model for a major territorial development transformation, with the potential to replicate at a national or wider scale.

Relationship to CPF

12. **The project responds to the World Bank's criteria for working with upper middle-income countries.** In particular, it seeks to contribute to regional and global public goods by demonstrating an effective horizontal institutional strategy to achieve resilience in a specific territory. It will address critical institutional gaps that have so far limited the capacity of the Government to implement such a strategy. In addition, the project will contribute specifically to the three pillars of the Country Partnership Framework. It will contribute to building resilience to economic and weather vulnerabilities (CPF Pillar One) by supporting IMM to implement a territorial approach to resilience, as part of national commitments to growth and inclusion. The natural assets of the basin will be integrated as key contributors to resilience in the Basin, further bolstering Uruguay's reputation as a clean and green economy. Given the demographics of the project area, with the poorest population being predominantly young, the project will also contribute to the refocus on the social compact on the young (CPF Pillar Two) by addressing social exclusion of some of the most marginalized young people in Uruguay and breaking barriers to social mobility. Finally, through its focus on local economic development, the project will contribute to the overall competitiveness of Montevideo (CPF Pillar Three) through supporting local institutional capacity.

C. Proposed Development Objective(s)

The Development Objective is to enhance urban resilience and improve living standards in the Pantanos river basin in Montevideo

Key Results (From PCN)

Key results indicators will include: (i) Number of low-income households provided with improved living conditions and access to formal housing. (ii) number households with reduced exposure to flood risks; (iii) number of households with improved access to public services and recreational spaces; (iv) biodiversity of key wetland areas protected/improved.

D. Concept Description

13. **The Project would seek to co-finance the PTICP in a common approach with other development partners.** Collaboration between the World Bank (WB) and the Inter-American Development Bank (IDB) in particular will be critical for technical and institutional capacity building and prioritization of eventual investments. The IFC, in dialogue with IMM, will also explore potential engagements to support infrastructure projects that are part of the PTICP. The modalities of the financing and institutional arrangements around the common approach are yet to be agreed with development partners and the IMM. As a first step, the WB and IDB have initiated a joint Technical Assistance (TA) program to support



the IMM to create the analytical and institutional basis for the PTICP. The Technical Assistance is pursuing several workstreams including governance and intervention model development, social and environmental assessment, communications and stakeholder engagement, and economic analysis. The Global Facility for Disaster Reduction and Recovery is contributing grant funds to the TA program.

14. **The Project would support selected activities of the PTICP structured in five components.** This structure enables the project to address the interlinking dimensions of physical, social, and economic resilience that the PTICP seeks to generate (Components 1 to 3), the key institutional gaps that must be addressed to handle the complexity of this type of multi-sectoral project (Component 4) and Project Management (Component 5). Specific type and location of investments under each component will be identified during project preparation, with extensive stakeholder engagement and in close collaboration with IMM and co-financiers.

Component One - Physical Resilience: Creating Green and Safe Housing and Infrastructure

15. This component would implement a series of structural investments that will address the precarious living conditions of some of the most vulnerable households in the Basin, by providing quality sustainable housing and improving basic infrastructure. The component would support the ongoing Montevideo's V Urban Sanitation Program and the Five-year Housing Plan.

16. *Sub-component 1.1: Improvement of housing conditions.* This Sub-component would include the definition of a strategy for a range of housing solutions including new social housing, social rental, slum upgrading and housing retrofitting. The project would promote new technologies for sustainable, resilient housing. It will implement upgrading of sub-grade formal and informal settlements and relocate households at highest risk from natural and environmental hazards. The precise households to be supported would be defined through a risk assessment exercise. The strategy would likely favor use of existing structures, locally or elsewhere in the city in areas identified for densification, over construction of new housing.

17. *Sub-component 1.2: Comprehensive improvement of basic infrastructure.* This Sub-component would involve investments in basic infrastructure at the neighborhood level to improve access to water supply, sanitation, drainage, electricity, public lighting, gas, and paved roads. This would include the recalibration of basin hydraulic model with updated hazard and risk data. Green/hybrid infrastructure and nature-based solutions for addressing water course dynamics and flood control would be prioritized.

Component Two - Social Resilience: Increasing living standards through improved access to public services and urban facilities

18. This component would seek to establish critical service delivery improvements and address gaps where households are slipping through the social safety net. The strategy will focus on maximizing the impact of existing policies and sectoral strategies (such as, flagship programs such as *Uruguay Crece Contigo*, *Plan Juntos* and *Jóvenes en Red*), and defining an inter-institutional approach to improve effectiveness in reducing social exclusion (with support from activities conducted under Component 4) and preventing crime and violence through environmental design (CPTED). The specific neighborhoods to be supported would be defined through a social assessment that will establish prioritization criteria during Project preparation.

19. *Sub-component 2.1: Improving access to improved public services.* As part of project preparation, the landscape of existing and planned public policy interventions in the Basin would be mapped to assess gaps and opportunities for optimization of service delivery. Of these policies, a number already stand out as a likely focus: (i) social protection – inter-



sectorial strategies to combat gender and ethno-racial discrimination; (ii) education – supporting schools programs for reducing barriers for the poorest young people from early years upwards; (iii) public health – with a particular focus on expanding local recreational facilities including multi-use sports and cultural facilities, including prevention of violence against women and girls; (iv) waste management – with a particular focus on citizen engagement in local clean up and management of solid waste; and (v) mobility – as a service to improve accessibility including a focus on road safety.

20. *Sub-component 2.2: Improving public spaces, connectivity and local identity.* This sub-component would focus on improving the urban environment and creating local value. Core to this effort is the protection and improvement of the network of green spaces and wetlands that run throughout the basin, many of which are degraded. A recreational cycle/pedestrian path will be constructed to better unify the area through lineal parks and other nature-based solutions, including upgrading of brownfield sites and mixed-use industrial areas. Improved community meeting and assembly points would improve social cohesion and organization, based on the pilot *Centro Civico Tres Ombúes*. The IMM has proposed establishing a Wetland Interpretation Centre as a landmark public facility to create awareness and bring visitors from other parts of the city. During project preparation, the feasibility and appetite for this public facility, using citizen engagement techniques such as a public design competition, would be established. Existing cultural assets, such as historic mansions dating back to the 19th century, will be identified and considered for potential redevelopment.

Component 3 - Economic Resilience: Creating job opportunities and boosting local productivity

21. This component will combine vocational support to inhabitants with generation of local economic activity and investment to improve employment prospects within and outside the immediate territory. Any public or private investment in local facilities, such as the technology and industrial park, should create positive social externalities in the form of new jobs and other benefits (see Economic Analysis).

22. *Sub-component 3.1: Creating employment opportunities.* Possible interventions and investments include: (i) establishment of an employment and entrepreneurship development center; (ii) expanding livelihood options for marginalized communities through vocational training; and (iii) establishment/relocation of government functional buildings, generating public sector jobs. The new wholesale agricultural market under construction has a large potential for attracting local businesses and generating jobs opportunities for low-skilled workers. Engagement with local private sector actors would be critical to discuss local employment needs.

23. *Sub-component 3.2: Maximizing finance for development.* A private capital mobilization strategy will be developed during project preparation in collaboration with the IDB and with the support of the City Resilience Program. This will include engagement with the market (local and international) to establish opportunities and strategies. Key existing assets include the PTI, as a technology-based incubation for start-ups and green field areas for non-residential development, which could potentially generate increases in land value that could be captured for financing the program. Furthermore, the IFC is in a dialogue with IMM to identify potential opportunities to support projects through financial support and technical advice and will explore potential projects under the PTICP.

Component 4 - Institutional capacity: addressing systemic gaps in the policy and enabling environment

24. This component would support and build the capacity of the institutional arrangements that have been established to implement the PTICP. It will focus on supporting mechanisms for horizontal integration across policies and interventions, and vertical coordination between the roles of national, city level and municipal governments.

25. On the technical side, the project would fill key capacity gaps, including: (i) spatial risk analysis of social and environmental risk factors including disasters; (ii) improving application of the city wide cadastral system (land



administration unit) for resilience planning; (iii) land value capture, particularly to establish more systematic instruments and approaches for forecasting value creation through set out in the territorial plan; (iv) ecosystems services and integration of territorial interventions as part of national environmental policies and biodiversity targets.

26. On the institutional side, the component would focus on reinforcing the existing institutional arrangements that have been established to implement the PTICP, in particular to support horizontal integration across policies and interventions, and vertical integration between the roles of national, city level and municipal governments. As part of this effort, the component would also support stakeholder and citizen engagement activities. An extensive effort is already underway to consult on program priorities, through community organizations and interviews. The component would seek to enhance citizen engagement and women’s participation. This would include platforms to collect and maintain data disaggregated by gender to inform urban management and resilience in the basin.

Component 5: Project Management.

27. The project would fund the management, coordination and evaluation of the Implementing Unit.

28. **The project would generate many climate change co-benefits.** Despite limited information currently available on the precise nature and location of investments, the following elements will likely be considered in the determination of which portions of the project’s financing carry co-benefits: (i) urban upgrading or resettlement that reduces or eliminates flood risks for the local population; (ii) the construction of green/hybrid infrastructure and nature-based solutions for addressing water course dynamics and flood control; and (iii) measures for improving people’s living conditions and social inclusion that would strengthen people’s capacity to adapt to climate change. Energy Efficiency (EE) standards will be incorporated in the design of all new housing units for resettlement and the housing improvement program will include energy and water saving measures. Bank-executed technical funds have been sought from the Korean Green Growth Trust Fund to support the integration of EE considerations and other climate change considerations in the design of interventions.

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

Summary of Screening of Environmental and Social Risks and Impacts

Some of the Project activities will take place in high-risk locations affected by high rates of crime and violence, as well as floods. IMM will evaluate if specific risk assessments and management plans to address the risks might be required to prompt successful Project implementation. The results of any such evaluation will be included in the ESA/ESMF.

Note To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.



CONTACT POINT

World Bank

Santiago Ezequiel Arias, Jack Campbell
Urban Specialist

Borrower/Client/Recipient

Intendencia de Montevideo
Gabriella Feola
Directora de la Unidad Ejecutiva de Resiliencia
gabriella.feola@imm.gub.uy

Implementing Agencies

Intendencia de Montevideo
Gabriella Feola
Directora de la Unidad Ejecutiva de Resiliencia
gabriella.feola@imm.gub.uy

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Santiago Ezequiel Arias, Jack Campbell
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Approved By

Practice Manager/Manager:		
Country Director:		



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