1. Project Data:

<table>
<thead>
<tr>
<th>Country</th>
<th>Date Posted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>05/10/2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Project Name</th>
<th>Appraisal</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>P039584</td>
<td>Ar B.A. Urb. Tsp</td>
<td>532.8</td>
<td>525.07</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>L/C Number</th>
<th>Loan/Credit (US$M)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>L4163; L7442</td>
<td>200.0</td>
<td></td>
<td>299.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector Board</th>
<th>Cofinancing (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cofinanciers</th>
<th>Board Approval Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>05/15/1997</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2003</td>
</tr>
<tr>
<td>06/30/2011</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector(s)</th>
<th>Theme(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General transportation sector (90%); Central government administration (10%)</td>
<td>Other urban development (67% - P); Pollution management and environmental health (33% - S)</td>
</tr>
</tbody>
</table>

2. Project Objectives and Components:

a. Objectives:

The project development objectives in the Loan Agreement (Schedule 2) and in the Staff Appraisal Report (SAR, page 12), were to: (a) support the private-public sector partnership in improving the service quality and coverage of mass transit in the Metropolitan Area of Buenos Aires (AMBA); (b) support the infrastructure improvement obligations assumed by private concessionaires with respect to the AMBA passenger rail system; (c) assist in improving traffic safety and urban transport-related environmental quality in the AMBA; and (d) contribute towards the development of an integrated urban transport (road and rail) system for the AMBA.

A further development objective was added following an Additional Financing Loan in 2007: (e) to assist the Borrower in developing integrated urban transport strategies in the Borrower’s largest metropolitan areas.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes.

If yes, did the Board approve the revised objectives/key associated outcome targets?

Yes.

Date of Board Approval: 03/27/2007

c. Components:

[The appraisal and actual costs are calculated adding up the appraisal and actual costs of original and additional financing loans]

Component 1. Buenos Aires Subway Infrastructure Improvement  (appraisal cost US$225.8 million; actual cost US$253.66 million)

(a) Metrovias Concession  (appraisal cost US$142.9 million; actual cost US$143.24 million). The sub-component supported financing US$142.9 million in payments due by the Government to the concessionaire of the subway in the 1997-1999 period as part of the concession agreement to partially finance investments in the rehabilitation of the subway system. The specific improvements included: rehabilitation of
Subway Lines B, C, D and E of the Buenos Aires subway system, as well as of the Urquiza suburban rail line, by replacing portions of the track without deviating from the original existing track bed, renovating electric substations and transmission systems, installing automatic signals and an operations control center for the lines, improving passenger stations (by installing or rebuilding escalators), improving mechanical workshops, ventilation systems and drainage systems, and reconstructing approximately eight Urquiza line electric coaches.

(b) Rehabilitation of Subway Line A (appraisal cost US$82.9 million; actual cost US$110.42 million). The sub-component financed the rehabilitation of Buenos Aires Subway System Line A by completely replacing its track without deviating from the original existing track bed, installing three new electric substations for the line, renewing the line’s power transmission system, renovating its signal and communications system, expanding the subway operations control center to include control of the line, replacing the line’s drainage pumps and ventilation system, installing or rebuilding its station escalators and merging its existing Lima and Piedras stations so as to improve passenger transfer conditions between Buenos Aires subway system lines A and C.

Component 2. Urban Transport System Integration (appraisal cost US$58.4 million; actual cost US$51.33 million). This component aimed at improving road/rail transfer facilities through building or improving bus terminals, transfer centers and car parks at selected major AMBA subway and/or rail stations. It also included installation of bus-only lanes and other traffic flow enhancements, traffic signals, walkways, sidewalks and bicycle parking facilities at outlying AMBA subway and/or rail stations, so as to ease bus, car, pedestrian and bicycle access to such stations, as well as carrying out of a promotional campaign to encourage bicycle access to such stations.

Component 3. Traffic Safety Enhancement and Environmental Monitoring (appraisal cost US$96.4 million; actual cost US$149 million). This component supported conversion (including civil works supervision) of approximately twelve grade road/rail crossings in the AMBA into non-grade road/rail crossings, at or near the same sites as the original grade crossings (by carrying out Traffic Safety Subprojects involving tunnel or bridge construction); (b) installation or rehabilitation of automatic barriers at the sites of selected road/rail crossings in the AMBA that will not be converted to non-grade crossings; (c) carrying out of a study to develop a comprehensive strategy to improve the safety of road/rail grade crossings in the AMBA; and (d) implementation of other traffic safety measures in the AMBA (such as implementation of a traffic safety public education campaign). It also supported installation and operation of an air quality and noise pollution monitoring system for the city of Buenos Aires.

Component 4. Institutional Strengthening (appraisal cost US$36.5 million; actual cost US$12.9 million). The component supported the carrying out of an integrated urban transport study for the AMBA that included a transport survey and subsequent preparation of a transport model suitable for quantitatively assessing the feasibility and comparative merits of alternative transportation strategies for the AMBA; development of an AMBA traffic and street environment improvement program; provision of technical assistance and training in the fields of urban transport planning and economics, environmental management, traffic engineering and traffic safety management; establishment, maintenance and operation, throughout at least the period of implementation of the Project, of a public unit for AMBA urban transport planning.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost: Total project cost amounted to US$466.89 million compared to an appraisal estimate of US$417.1 million. Some environmental monitoring activities and two of the three planned transfer centers were cancelled. Other items (in particular the rehabilitation of Subway Line A) cost more than foreseen due to cost inflation. Additional sites were added for access (as part of Component 2) and grade-separations (as part of Component 3). Under Institutional Strengthening (Component 4), an additional sub-component was added, which focused on the planning of studies in a selection of cities in the interior of the country (Cordoba, Mendoza, Posadas, Rosario, and Tucuman).

Financing: The originally approved IBRD commitment was US$200 million equivalent. During Argentina’s economic and social crisis of 2001, US$550 million were taken from the project to finance the health and nutrition components of Argentina’s social emergency program (the ICR points out that other infrastructure projects also had deductions made for the same purpose). This is what led to the cancellation of the two activities mentioned under Project Costs above. The 2007 Additional Financing of US$100 million allowed for these activities to be partially reinstated as well as the financing gaps caused by inflation to be closed. When account is taken of exchange rate fluctuations between the US dollar and Special Drawing Rights, the dollar value of the actual amount disbursed (US$299.6 million) was very close to the total commitment of US$300 million. There were no other external partners.

Borrower contribution: According to the ICR (Annex 1), the total Borrower contribution was US$233.2 million,
slightly more than the US$232.8 million foreseen at appraisal.

Dates: The original closing date was December 31, 2003; the actual closing date was June 30, 2011, seven-and-a-half years later. Prior to the approval of the Additional Financing, the closing date was extended on three occasions for a total of three-and-a-half years. The first extension, for two years, was in 2002, as part of the restructuring in the wake of the 2001 social and economic crisis. As a result of this, the new closing date became December 31, 2005. The second extension, granted in mid-2005, was for one year to December 2006; this was granted to accommodate delays in the execution of two contracts due to technical issues (in Subway Line A) and consultation-related delays in a grade-crossing contract. A third extension of six months to June 30, 2007 was approved in November 2006, primarily to enable the completion of the Subway Line A contracts. Upon the approval of the Additional Financing, the project was given a new closing date of June 30, 2010. A further, and final, extension of one year, until June 30, 2011, was granted to accommodate delays related to the internal procurement procedures and reaching consensus with affected communities on designs for grade crossings.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:
   High
   Due to the sharp increase in automobile traffic in the city of Buenos Aires and corresponding rising air pollution and traffic accidents, the National Congress announced a state of traffic emergency for the city of Buenos Aires in 1994. Strengthening public transportation became a crucial priority in reducing the social costs generated by travel delays, traffic accidents, fuel consumption and health problems from air pollution. The subway and suburban railways had a strong potential for alleviating many traffic-related problems in the AMBA.

   The development objectives remain aligned with the country's development goals and relevant to the World Bank Group's FY10-12 Country Partnership Strategy for Argentina: the Strategy's key goals include sustainable growth with equity through upgrade of infrastructure to address potential bottlenecks to competitiveness and underpin medium-term growth and poverty alleviation. The objectives are also relevant to the main priorities of the Country Strategies at appraisal and during implementation; it focused on supporting government efforts through improving provincial government performance and institutional capacity to deliver key social, infrastructure, and environmental services through regulatory reform, restructuring, and privatization.

b. Relevance of Design:
   Substantial
   The project's development objectives were clear, straightforward, and easy to measure. Design mostly reflected a logical causal chain between the activities to be financed and the intended outputs and outcomes. For example, with regard to physical investments in the Buenos Aires subway and suburban rail system, the activities were expected to improve service quality and coverage of mass transit in the Metropolitan Area of Buenos Aires, including enhanced traffic safety and urban transport-related environmental quality. These, reinforced by strengthened institutional capacity in metropolitan transport policy and planning, were intended to lead to the development of an integrated urban transport system for the AMBA. However, it is not fully clear how the expected outputs and outcomes were expected to lead to the development of an integrated urban transport (road and rail) system for the AMBA. Improving transfer facilities, bus terminals and car parks would undoubtedly contribute towards such a development but would hardly suffice. Design could have been more sensitive to the risk stemming from dependence on the political process for the establishment of a functional, multi-jurisdictional transport planning agency.

4. Achievement of Objectives (Efficacy):

   (a) Support the private-public sector partnership in improving the service quality and coverage of mass transit in the Metropolitan Area of Buenos Aires (AMBA). Modest Outputs
      • The key output related to this sub-objective was the rehabilitation of Subway Line A, which was completed, albeit with delays. This is “the oldest line in the network with antique systems. Its renovation necessitated substantial expert care and dedication since the major engineering required attention to facilities (electric and signaling networks) that are no longer in use anywhere in the world” (ICR, page 24).
      Outcomes
• Without the investments, Subway Line A would have collapsed. This is demonstrated by a temporary collapse of the electrical installations five years into project implementation. Had this occurred on a permanent basis, it “would have caused the entire transport system to collapse”[since it accounts] for approximately 20% of the metro trips in the system. It also runs central to the City of Buenos Aires and connects to the historic downtown (ICR, page 26). As a minimum, it would have led “to significantly inferior outcomes for users (who would have to travel on buses adding to already congested roads) and nonusers (especially all current users of the corridor)” (ICR, page 2).

• For the following indicators of service quality and coverage, no quantitative targets were set. Outcomes were mixed:
  o Subway ridership decreased from 956,000 in 1997 to 856,000 in 2011, and on the Urquiza line, ridership decreased from 67,000 to 58,000 over the same period. According to the ICR (page 13), “general system wide ridership (on elements of the system affected by the project and those outside it) fell considerably at the time of the 2001 crisis and has not yet fully recovered.”
  o On-time arrivals on the Urquiza Line were 98% in 2011, slightly up from 97% in 1997.
  o The number of train cancellations on the Urquiza Line fell from 1,287 in 1997 to 534 in 2011.
  o The number of car-kilometers on the subway rose from 30.3 million in 1997 to 36.2 million in 2011, although that on the Urquiza Line fell from 10.3 million to 8.72 million over the same period.
  o Subway service interruptions increased from 377 in 1997 to 719 in 2011.

(b) Support the infrastructure improvement obligations assumed by private concessionaires with respect to the AMBA passenger rail system. Substantial.

Outputs
• A concession package had been awarded to Metrovías in January 1994 which involved the rehabilitation and operation, over a period of 20 years, of the subway network and the Urquiza suburban railway which connects with it (and which has the same track gauge).
• According to the ICR (page 24), the key outputs related to this sub-objective was support provided to the concessionaire during the period 1997-1999. The Loan proceeds were disbursed in a timely manner, reflecting, first, the Argentine Government’s compliance in its payments to the concessionaire during this period, and, second, the completion of the required investments as agreed. Loan disbursements were made only once these two preconditions had been fulfilled.

Outcomes
• The Metrovías concession continued, and was continuing to operate as of Loan closure in June, 2011.
• The investment program for the period 1996-1999 was fully implemented.
• The outcomes of sub-objectives (a) and (b) are closely interconnected. Had Subway Line A ceased to function, this would likely have brought about a collapse of the entire metro system and would have placed the Metrovías concession under serious threat.

(c) Improved traffic safety in the AMBA. Substantial.

Outputs:
• 12 road/rail grade separations were constructed as planned.
• A major transfer station was constructed in Moreno.
• Rail/bus transfer conditions were improved in 25 stations, considerably exceeding the three to five stations that were planned.

Outcomes:
• The number of fatalities in the suburban railway decreased by 43% against the target of 25%.

(d) Improved urban transport-related environmental quality in the AMBA. Modest.

• The environmental monitoring component was cancelled at the time of the mid-term review. The City of Buenos Aires began to monitor air pollution in 2009. No quantitative estimates of improvements in transport-related environmental quality are, therefore, available.
• According to the ICR (page 28), “investments such as transfer centers and enhancements to access around stations [improved] the environmental quality, inter alia the safety, the security, the waste management, the air pollution of access and transfer facilities - improving convenience, comfort, security and ultimately quality of life.”

(e) Development of an integrated urban transport system for the AMBA; (e) Development of Integrated urban transport strategies in the Borrower’s largest metropolitan areas. Modest.

Outputs:
• The Project Implementing Agency was converted into a formal planning agency. This agency, known by its Spanish acronym PLATAMBA, is staffed by approximately 30 transport professionals whose training was supported by the Additional Financing Loan. PLATAMBA now operates as the Federal Government’s primary support for transport issues both in the AMBA and the rest of the country. It successfully developed an electronic fare card system.
• However, the conversion of the Inter-agency Steering Committee into a permanent body responsible for metropolitan transport policy was not finalized under this project.
• 27 professional staff of the Federal Transport Secretariat received training as part of a flagship, 18 month full-time comprehensive program on urban transport.
• The AMBA origin and destination surveys and transport study commissioned as part of the original project were cancelled due to contractual issues which could not be settled. The studies subsequently commenced with the support of the Additional Financing Loan, but were not finalized under the project.
• Studies were completed in the Borrower’s largest metropolitan areas (Rosario, Cordoba, Posadas, Tucuman and Mendoza) in support of transport planning and urban transport projects.

Outcomes:
• The ICR provides no evidence that an integrated urban transport system for the AMBA has been developed, nor of the completion of integrated urban transport strategies in the Borrower’s largest metropolitan areas outside Buenos Aires.

5. Efficiency:

At appraisal, an economic analysis was conducted to assess the rehabilitation of Line A and the initially selected grade-separated crossings. In the case of Line A, the analysis conducted a cost-benefit analysis of the entire concession process (under the assumption that without the Line A rehabilitation - which was already a Government commitment in the concession process - the entire process would be at risk) as well as a stand-alone assessment of the Line A rehabilitation by itself. The analysis suggested large net economic benefits (a Net Present Value in excess of US$340 million under a variety of scenarios) for the Subway Line A rehabilitation by itself and significant additional benefits related to preserving the concession.

For ex post purposes, the cost-benefit analysis of the Subway Line A rehabilitation as a stand-alone project (representing 27% of total project costs at closure) was redone, incorporating the increased costs and the delays in implementation. The benefits are conservatively assumed to remain unchanged from appraisal. The analysis suggests that, although the delays and cost increases lowered the efficiency of the investments to a certain extent, the investments remain efficient with a Net Present Value of over US$300 million.

In the case of the grade-separated crossings, each crossing was justified on the basis of a standardized economic analysis. In general, the ICR reports that the costs of the crossings and traffic volumes were in line with the costs estimated during the feasibility study; however, the ICR provides no quantitative results of this analysis.

There were a number of operational and administrative inefficiencies. Implementation was adversely affected by cumbersome internal procurement procedures affecting the entire Bank portfolio in Argentina. It was not possible to proceed with the construction of one of the railway underpasses due to a disagreement with the local community resulting in the need for lengthy and expensive additional environmental and hydrological studies. Some of the lots under component (a) - Metrovias Concession - had to be rebid with a reduced scope of work after the original bids came in at levels much higher than budgeted. As a result of these inefficiencies, the project experienced delays although the 2001 economic and social crisis and additional financing to make-up for shortfalls from the diversion of resources from this project to others during the crisis also explain part of the delays. Efficiency is assessed as modest.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

<table>
<thead>
<tr>
<th>Rate Available?</th>
<th>Point Value</th>
<th>Coverage/Scope*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>ICR estimate</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

The project remains highly relevant to the needs of urban transport users in the Metropolitan Area of Buenos Aires. Design relevance was substantial. The project succeeded in rehabilitating Subway Line A, which was a key output given its importance for the metro system as a whole and the survival of the concession. However, outcomes in terms of coverage and service quality were mixed, and outcome of the first objective is rated
modest. Support for the private concessionaire and improved traffic safety were both substantially achieved, though enhancements in the transport-related environmental quality were assessed as modest since the quality was not measured. Achievement of the final sub-objective - the development of an integrated urban transport system for the AMBA - is also rated modest for lack of evidence. Efficiency is assessed as modest in view of major time and cost overruns. Overall outcome is rated **moderately satisfactory**.

### 7. Rationale for Risk to Development Outcome Rating:

All of the investments financed by the project were operating in a satisfactory manner at project closure. The urban rail concession survived the economic and social crisis. The improvements in the suburban rail system, in the form of station enhancements, the Moreno transfer station, and the crossings, have, according to the ICR, significantly contributed to improving the quality of suburban rail services in the AMBA. However, there is still an important issue of operator subsidies that needs to be addressed to ensure long-term sustainability of the Buenos Aires public transport system. The subsidies were a result of the Government’s strategy to keep fares affordable in the aftermath of the crisis. While the low fares were a helpful element of the social safety net, the policy adversely affected incentives for efficiency in the concession agreements. The low fares became politically difficult to address and the aggregate level of subsidies has continued to rise; operators now obtain close to three quarters of their revenues from subsidies. The challenge would be to dismantle the system gradually in a manner that minimizes social disruption, provides support to the most vulnerable users, reinforces efficiency and service incentives for operators, and frees up funds urgently needed for infrastructure investments. The current Federal Government has recently stated that dismantling this system of subsidies is now a near term priority.

**a. Risk to Development Outcome Rating**: Significant

### 8. Assessment of Bank Performance:

#### a. Quality at entry:

Project design targeted the highest priority issues of the urban transport sector in the AMBA, in particular the urgently needed physical investments in the subway and suburban railways system.

The Quality Assurance Group (QAG) Quality at Entry Assessment (QEA1) rated the soundness of project design, the appropriateness of the project, and the strength of Borrower’s ownership as satisfactory. The realism and quality of the Project Implementation Plan was rated highly satisfactory by QEA1. The project was judged to be ready for implementation.

No formal risk framework was in place at the time the original project was appraised. While the SAR highlighted a range of risks, mostly associated with investment projects - namely time and cost overruns - the risk of a financial crisis and extreme macroeconomic instability was not anticipated or highlighted. At appraisal, Argentina was admired for its ability to put an earlier decade of macroeconomic instability behind it, and there were few inklings of what lay ahead. The economic and social crisis could not have been identified at entry.

While there was no recent history of Bank investments in Argentina’s urban transport sector, the focus on supporting rehabilitating and upgrading existing urban rail services built on a successful history of similar interventions in Brazil, where a set of investments in São Paulo and Rio de Janeiro were demonstrating the potential for high returns from rehabilitation of existing urban rail infrastructure. The project’s strong focus on capacity building and institutional strengthening also reflected the lessons from sector experience in the Region, which indicated the need for continuous and long-term engagement to build capacity, support the development of planning tools, and institutionalize the planning process.

**Quality-at-Entry Rating**: Satisfactory

#### b. Quality of supervision:

Supervision was carried out frequently and 33 Implementation Status and Results Reports (ISRs) were filed
in the 1997-2011 period.

The Bank carried out what the ICR describes as prompt and sound identification and assessment of implementation problems as well as provision of high-quality advice and solutions to the Borrower to address them. When serious implementation issues halted progress, the Team downgraded the project to problem status and sought senior management’s assistance in dealing with the issues in the context of the general portfolio problems in Argentina. The attention of the supervision effort was well focused on resolving the national budget execution problem, which was stalling implementation.

The Bank’s efforts were recognized during the Quality of Supervision Assessment (QSA5) by QAG. It was acknowledged that the project encountered extremely difficult implementation problems exacerbated by poor public sector management and continuous changes to project management. The Bank worked throughout the fiscal and economic crisis to keep the project on track by seeking innovative and flexible solutions to deal with the inability of the Government to allocate minimal funds for project implementation. The assessment ranked “Focus on Development Effectiveness” as Highly Satisfactory; the “Supervision of Fiduciary/Safeguards aspects” as Satisfactory; the “Adequacy of Supervision Inputs and Processes” as Highly Satisfactory; and “Realism of Project Performance Ratings” as Satisfactory.

The Additional Financing was an appropriate instrument for responding to the best option of continuing with the project in the light of improved performance and the continuing urgency of client needs. The financing restored the resources that had been lost as a consequence of meeting the emergency requirements of the crisis and also helped to defray inflation in construction costs.

However, a supervision shortcoming was that the project’s results framework, which lacked baseline indicators (except those related to the concession agreement), was not revised. The team had several opportunities to revisit the weaknesses in the results framework, in particular: (i) add baseline data missing in 3 out of 13 indicators, (ii) update progress on system performance indicators, and (iii) add specific indicators for the new objective (e) which was added with the Additional Financing. Moreover, insufficient time was allowed to develop integrated urban transport strategies in the largest metropolitan areas outside Buenos Aires.

**Quality of Supervision Rating**: Moderately Satisfactory

**Overall Bank Performance Rating**: Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The Government offered strong and consistent support to most elements of the project implementation except for the period immediately before and after the economic and social crisis. However, implementation after 2004 was adversely affected by internal procurement procedures, which were outside the control of the Implementing Agency. These delays were identified in 2009 as a cross-cutting issue affecting portfolio implementation, and were inherent to the internal administrative procedures in the Secretariat of Transport and Ministry of Planning, which required multiple, repetitive approvals. An average of 302 days was required between presentation of the bidding document to the Bank for no-objection and signing of contracts valued above US$10 million.

In addition, there were significant delays in effectiveness for both Loans, a further systemic issue across the Argentina portfolio.

**Government Performance Rating**: Moderately Unsatisfactory

b. Implementing Agency Performance:

The implementation pace and quality of the Project Implementing Agency (*Unidad de Ejecución de Proyecto* or UEP) were consistently high except for the period immediately before and after the crisis (when issues were
outside its control. The UEP did a good job in helping to resuscitate the project after the new administration offered political support starting in May, 2003. This required a combination of political tact, commitment, and persistence.

The Project Implementation Unit (PIU) within the UEP was able to coordinate and monitor all activities related to the project. It also established and implemented a permanent system to link project activities with municipalities and concessionaires. In addition, it took the necessary actions to ensure compliance with Bank safeguards and fiduciary requirements, prepared periodic reports to the Bank as required and managed all project accounting activities, including special account, disbursements and auditing reports. The focus of the project on sector planning, institutional architecture and subsidies required a high expertise and institutional capacity which was initially in short supply. This was adequately strengthened through the project’s young professional program, which required significant effort and commitment on the PIU side.

| Implementing Agency Performance Rating | Satisfactory |
| Overall Borrower Performance Rating   | Moderately Satisfactory |

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The outcome and output indicators were appropriately linked with the project development objectives. However, the specific objective (d) related to the contribution towards the development of an integrated urban transport (road and rail) system for the AMBA was not well aligned with the expected outputs and outcomes in the results framework, and fell short in articulating all institutional and capacity building achievements under it.

Baseline data and measurable targets were missing for several indicators with the exception of indicators that related to compliance with the concession agreements (there was no mandatory Results Framework in place at the time of Board Approval of the original project). Two indicators aimed to measure increases in public transport share of trips and an increase in the number of transfers were to be defined based on the results of the transport study (which was not completed under the project).

Responsibility for the M&E system was given to the PIU within the UEP.

b. M&E Implementation:

The project's results framework was not revised during implementation, so that baseline indicators continued to be lacking. The Bank Team relied mostly on output indicators to assess implementation progress.

c. M&E Utilization:

There is no discussion in the ICR of utilization of the M&E system.

M&E Quality Rating: Modest

11. Other Issues

a. Safeguards:

The project was classified as Category B for environmental issues. Two safeguards policies were triggered under the original loan: Environmental Assessment (OP4.01) and Involuntary Resettlement (OP4.12). A third safeguards policy, Physical Cultural Resources (OP4.11), was triggered upon the approval of the Additional Financing Loan.

Environmental Safeguards and Management: As the ICR states on page 9, "safeguards compliance was rated Satisfactory throughout the entire implementation of the project with a brief downgrade to Moderately Satisfactory in 2008." This was due to the fact that it was not possible to carry out one of the railway underpasses due to a discussion with members of the community over potential water flow problems and the similarly long period and large amount of resources allocated to additional environmental and hydrological
According to the ICR, consultations were carried out appropriately and in accordance with Bank policy. Social development issues were incorporated into project design and implementation at every level. A Social Development Specialist in the Bank’s Country Office worked closely with the local communities to protect the safety of the people where road bridges over the railway were proposed to be constructed as part of the project. The use of such consultation was demonstrated by the way in which the project handled a specific case of compensation in the AMBA. In 2004, a group of citizens living in the vicinity of the project voiced concerns regarding the availability of information, the environmental management plan and the level of compensation paid to mitigate negative impacts. The Municipality agreed to publish an advertisement in the local press to inform citizens that claims were being answered on a daily basis. The ICR reports that the explanations provided by both the PIU and the Municipality were handled properly, and that this process was monitored carefully. Complaints were analyzed and assessed in accordance with the social framework of the project.

_Involuntary Resettlement:_ The ICR did not address Involuntary Resettlement issues. However, the project team subsequently provided the following information and informed IEG that, in all cases, OP 4.12 was complied with. The project required a limited amount of resettlement and temporary livelihood disruption to complete station improvement around the Bosques and Estanislao Zeballos stations as well as underpass-related works in Florencio Varela. In Florencio Varela, three families occupying a publicly owned structure that needed to be demolished had to be resettled. The households moved to locations near their original homes. They were provided title to their new homes which were assessed by the supervision team to be affordable and of satisfactory quality. Ambulatory markets around Bosques and Estanislao Zeballos stations were temporarily disrupted due to construction related to the station improvements. In both of these cases, equivalent alternatives were identified that were assessed by the Bank to be satisfactory.

_Physical Cultural Resources:_ During the rehabilitation of Subway Line A, there was recognition that the old subway line was a form of valuable cultural heritage, and it was treated as such. The project was pioneering in treating a metro line as a heritage. Working with civil society groups, a conservation plan was identified and implemented for elements of the old line—particularly the coaches. Today, it is still possible to ride on restored train cars dating from 1913 on Line A on weekends. This subway line, both modern and traditional, is now an integral element of the identity of the city of Buenos Aires.

### b. Fiduciary Compliance:

**Procurement:** The project showed innovation in the application of Bank procurement guidelines. _Metrovías_, a private company selected through a competitive process, was allowed to use its own commercial procurement procedures for some contracts financed by the Bank. As part of Component 1, the loan proceeds were used to finance Government payments towards investments to be made by the concessionaire, and the concessionaire used its own procurement rules to complete the investments. The Bank made payments against the indicators of output.

After the crisis, the ICR (page 10) reports that the Bank “played a constructive and significant role” in supporting a price renegotiation process for the contracts signed before the crisis. A procurement assessment was undertaken for the period between April and October 2007 in response to significant delays in procurement processes linked to governmental procedures. A Country Portfolio Performance Review of the Argentina Portfolio took place in June 2009, which identified procurement-related delays as a cross-cutting issue affecting portfolio implementation in the country as a whole. The need to bid or re-bid some lots under Component 1 and to advance some of the works under Component 2 also represented a challenge for their completion by the closing date of the project. The project team explained that some lots under Component A (works around stations) had to be rebid with reduced scope of work after the original bids came in at levels much higher than budgeted. And addressing issues raised during the public consultation process resulted in delays under Component B (traffic safety—underpasses).

**Financial management:** According to the ICR, financial management was in compliance with Bank policy. In the period between 2003 and 2007, external auditors’ opinions were qualified by numerous recurring observations relating to internal control weaknesses and delays in the full implementation of proper accounting procedures, thereby creating opportunities for accounting entry and assignment errors. However, the Bank assessment found these errors not to be material, and during the preparation of the Additional Financing in 2007, the overall financial management risk was considered to be modest. Nonetheless, in 2009, the UEP’s performance with regard to financial management was downgraded to moderately satisfactory due to lack in rigor in some tasks. An Action Plan was agreed with the Bank to improve financial management performance, and this was complied with. The ICR reports that financial management in the PIU suffered from few staff rotations, and...
remained effective and functional during the 13 year implementation span. With the exception of the reference to qualifications during the 2003-2007 period, the ICR does not discuss external auditors’ reports, whether they were qualified or whether the qualifications were addressed.

c. Unintended Impacts (positive or negative):

d. Other:

<table>
<thead>
<tr>
<th>12. Ratings:</th>
<th>ICR</th>
<th>IEG Review</th>
<th>Reason for Disagreement /Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcome:</strong></td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td></td>
</tr>
<tr>
<td><strong>Risk to Development Outcome:</strong></td>
<td>Significant</td>
<td>Significant</td>
<td></td>
</tr>
<tr>
<td><strong>Bank Performance:</strong></td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td></td>
</tr>
<tr>
<td><strong>Borrower Performance:</strong></td>
<td>Moderately Satisfactory</td>
<td>Moderately Satisfactory</td>
<td></td>
</tr>
<tr>
<td><strong>Quality of ICR:</strong></td>
<td>Satisfactory</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The “Reason for Disagreement/Comments” column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

The ICR has identified a number of lessons and the most important ones are listed below with some adaption of language:

- **Consolidation of transport reforms cannot be sustained without building capacity for future generations of transport leaders**. Where there is limited availability of skills that could conceptualize urban mobility in a comprehensive manner, the Bank could help address this challenge effectively under its projects.
- **Public consultations can have a significant impact on project design and community ownership**. Projects can benefit from consultations carried out continuously throughout project implementation. Participatory process need not only take place at appraisal or at the onset of a project.
- **Institutional integration agendas are difficult, political and time-consuming**. Metropolitan Transport Agencies are highly political and it remains a challenge to support such ambitious institutional agendas within the constraints of the Bank’s instruments for investment loans. Even though at appraisal the political environment might seem beneficial for institutional change, the project design should conservatively assess the risk of drastic political changes.
- **Client-focused application of the Bank’s procurement policy can add a lot of value**. Focusing Bank’s Procurement Guidelines to the actual needs and circumstances of the client and adapting them pragmatically to the situation on the ground can allow the Bank to engage and contribute to broader reform agendas.

14. Assessment Recommended?  ○ Yes ● No
15. Comments on Quality of ICR:

While the ICR offers a good discussion and adequate information on the project’s outcomes and outputs by component, it could have provided more details on the factors affecting performance of the project during its 13-year implementation period. Not much information is included on the procurement-related constraints, technical issues, and re-bidding of the lots. Information is also lacking on the assumptions and methodology used in the economic analyses. In the discussion of safeguards, compliance with the Involuntary Resettlement policy is not addressed. Relevant additional information was subsequently provided by the project team. The ICR could also have provided more information on the actual operation and financial performance of the Metrovias concession (financial forecasts for Metrovias had been included in the SAR). While The ICR states (footnote 11) that the project was not designed for, and did not envisage, a close supervision of the concession agreements, it also points out that there would be value in a comprehensive assessment of the concession experience with a forward-looking view for future arrangements. The ICR would have been a good opportunity to do this, particularly considering that US$143 million of Bank funding was channeled into the concession. With the exception of the reference to qualifications during the 2003-2007 period, the ICR does not discuss external auditor’s reports, whether they were qualified or whether the qualifications were addressed.

a. Quality of ICR Rating: Satisfactory