Restructuring Paper

On a

Proposed Project Restructuring
Of
Argentina
Norte Grande Road Infrastructure (P120198)

Board Approved on December 20, 2010

To the

Argentine Republic

May 19, 2016

Transport & ICT Global Practice
Latin America and the Caribbean Regional Office

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ABBREVIATIONS AND ACRONYMS

DPV
Provincial Directorate of Highways (Dirección Provincial de Vialidad)

DNV
National Directorate of Highways (Dirección Nacional de Vialidad)

MTR
Mid-Term Review

PAD
Project Appraisal Document

PDO
Project Development Objective

PIU
Project Implementation Unit

PR
Provincial Road

Regional Vice President: Jorge Familiar
Country Director: Jesko S. Hentschel
Senior Director: Pierre Guislain
Practice Manager: Aurelio Menendez
Task Team Leader: Veronica Ines Raffo
ARGENTINA
NORTE GRANDE ROAD INFRASTRUCTURE (P120198)

CONTENTS

A. SUMMARY 5
B. PROJECT STATUS 5
C. PROPOSED CHANGES 6
# DATA SHEET

**Argentina**

**Norte Grande Road Infrastructure (P120198)**

**LATIN AMERICA AND CARIBBEAN**

**Transport & ICT**

Report No: RES23245

## Basic Information

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<thead>
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<th>Project ID:</th>
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<td>Lending Instrument:</td>
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<td>Regional Vice President:</td>
<td>Jorge Familiar Calderon</td>
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<td>Original EA Category:</td>
<td>Partial Assessment (B)</td>
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<td>Country Director:</td>
<td>Jesko S. Hentschel</td>
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<td>Current EA Category:</td>
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<td>Senior Global Practice Director:</td>
<td>Pierre Guislain</td>
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<td>Practice Manager/Manager:</td>
<td>Aurelio Menendez</td>
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<td>Current Closing Date:</td>
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<tr>
<td>Team Leader(s):</td>
<td>Veronica Ines Raffo</td>
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## Borrower:

**ARGENTINE REPUBLIC**

## Responsible Agency:

National Directorate of Highways (DNV), under the recently created Ministry of Transport.

## Restructuring Type

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## Financing (as of 15-APR-2016)

### Key Dates

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### Disbursements (in Millions)

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## Policy Waivers

Does the project depart from the CAS/CPF in content or in other significant respects?  
Yes [ ]  No [ X ]

Does the project require any policy waiver(s)?  
Yes [ ]  No [ X ]
A. Summary of Proposed Changes

This level II restructuring proposes to extend for the first time the closing date of the Norte Grande Road Infrastructure project for 23 months, from June 30, 2016 to May 31, 2018. The extension will allow the project to reach its physical targets of kilometers of road rehabilitated and upgrading (400 kms); achieve its development objectives related to strengthening institutional management capacity of the Provincial Directorate of Highways (DPVs); and fully disburse remaining loan funds.

These projected changes will have no impact on the project development objectives, safeguards, implementation arrangements, and components. Further details are presented in the following sections.

B. Project Status

The Norte Grande Road Infrastructure Project was approved by the Board on December 20, 2010 for an amount of US$ 400 million; loan effectiveness was declared on December 23, 2011. The project's mid-term review was carried out from March 17 to 28, 2014, concluding that the Project required a second order restructuring to adjust some indicators contained in the Results Framework. On September 1, 2014 the restructuring was approved in order to adjust some targets, clarify the methodology to calculate the baseline and results, drop one intermediate indicator related to the institutional strengthening of provincial road agencies and include a new intermediate indicator related to road safety.

The development objective of the project is to reduce transport costs for users of provincial roads along selected corridors of the Norte Grande provinces, through the improvement of the quality of those roads and the introduction of improved road asset management tools and methods. The thrust of the PDO remains relevant under the Argentina Country Partnership Strategy (CPS): the reduction of transport costs for users of the Norte Grande provinces in line with the first CPS results area (Driving Employment Creation in Firms and Farms).

During the first years of implementation the main focus was placed on Component 1, rehabilitation, upgrading and reconstruction of provincial roads. Under this component, the Project Implementing Unit (PIU) has awarded eight contracts for civil works on five provincial roads (PR), totaling 301.2 km of roads: PR 3 in Chaco (59.45 km. - US$ 70.2 million), PR 304 in Tucuman (86.80 Km. - US$ 86.9 million), PR 5 in Santiago del Estero (71.8 Km. - US$ 89.1 million), PR 9 in Chaco (40.9 Km. - US$ 36.4 million) and PR 18 in Santiago del Estero (42.1 Km. - US$ 49.2 million). Despite cost increases, this component is progressing well and up to date all civil works have been completed.

Slow progress under Component 2 for Institutional Development and Project Management, might affect the achievement of the PDO linked with institutional strengthening at the provincial level. After significant delays, the implementation of activities in the Action Plan has started to move forward. For instance, the impact evaluation study in the province of Chaco has concluded its first phase, several capacity building activities were performed and also key procurement processes to equip the DPVs have been awarded successfully.

The rating for Component 2 continues to be Moderately Satisfactory (MS), and most of the funds remain undischursed. The slow pace in the implementation of this Component is the main reason Progress Towards Achievement of PDO and Overall Implementation Progress are still rated MS.

Next supervision mission is planned for June, 2016, once the PIU’s coordinator and staff are confirmed, the civil works contracts are awarded and the Institutional Action Plan is updated by the new administration.
This restructuring paper has been prepared according to procedures under OP/BP 10.00, and confirms that the following conditions are met:

i. The project objectives continue to be achievable, as explained above;

ii. Neither the loan in particular, nor the country (Argentina) in general, is subject to an ongoing suspension of disbursements; and

iii. No audit reports for the project are outstanding or are not satisfactory to the Bank.

C. Proposed Changes

Financing

Change in Loan Closing Date(s):

Explanation

With the 8 civil works contracts awarded the Project committed funds (US$ 263 million) have reached 72 percent of the works component (US$ 365 million), and with the five subprojects now completed, these roads have resulted in a 75 percent achievement of the adjusted physical target (400 km). Remaining loan funds for civil works amount to US$ 102 million.

The PIU has requested the Bank’s no objection to the award of two civil works sub-projects: PR No. 94 of Corrientes, which was originally included in the appraisal pipeline (66.45 km, US$ 21 million), and for PR No. 46 of Catamarca (50.9 km, US$ 82 million). The documents are being reviewed by the Bank team and are expected to be cleared in the coming week. With the completion of these two civil works (considering 10 percent for contingencies), all funds under this component will be disbursed.

The civil works for PR No. 94 in Corrientes requires a major rehabilitation of the existing paving using concrete asphalt and hydraulic reconditioning of the road after severe rainfalls. Considering the sub-project’s lengths (66.45 km), a 24-month executing period (from signing of the contract) is deemed ample for this type of work. The PR No. 46 of Catamarca is shorter (50.9 km), but it is more complex, which includes paving of the gravel road and the construction of nine bridges and 242 culverts; this civil work also has an estimated execution period of 24 months (from signing of the contract). The task team requested an expert consultant for the revision of the technical documents including the work plan of both sub-projects and he considered the execution period reasonable.

On July 2015, the Bank endorsed the decision to proceed with the no-objection to the bidding documents of the two civil works sub-projects and sent a management letter to the Government explaining that achieving substantive advances on the institutional strengthening component would be key for an eventual extension of the closing date of the project. The PIU agreed with the Bank team to speed up the Institutional Strengthening Action Plan working with provincial road agencies to improve road network asset management. As we stated above, the implementation of these activities have started to move forward (equipment, training courses, workshops, Terms of Reference).

With the restructuring of federal ministries resulting from the change in government, the projects PIU is now housed at the National Directorate of Highways (DNV), under the recently created Ministry of Transport. The new administration of the DNV strongly supports the project’s emphasis on building capacity in the DPVs, and requested the Bank to support them in the design and implementation of a large-scale and integral institutional strengthening program. The program would include the development of a national system for a five-year investment plan to improve road network asset management in provinces (directly linked to the PDO).

During the last supervision mission held in October 2015, it was agreed to restructure the project for the
first extension of the closing date. One of the risks associated with granting this extension is non-
completion of civil works in the new time frame; however the PIU experience in all previous sub-projects
has been positive: there were almost no delays in civil works execution and in several cases the works
were completed ahead of time. The task Team is confident that given the technical expertise of the PIU
and their political motivation for completing the civil works as soon as possible, the risk of delays beyond
the extension is moderate. In addition, the Task Team will hire an expert consultant on road engineering to
monitoring and ensure timely completion of sub-projects. Also, there are social and environmental risks
related to these large scale civil works. The field based Task Team members will perform a continuous
supervision of the Project and monitor for the strict compliance with the environmental and social
management frameworks (including additional supervision missions if needed). Another risk is not
fulfilling the institutional strengthening objective of the Project. On this risk, the Task Team will
particularly focus on the follow up of the development of the Institutional strengthening plan designed
with the new administration to achieve the expected outcomes with participating Provinces.

<table>
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<th>Ln/Cr/T F</th>
<th>Status</th>
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