



**The World Bank**

Metropolitan Buenos Aires Urban Transformation Project (P159843)

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# Project Information Document/ Integrated Safeguards Data Sheet (PID/ISDS)

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Concept Stage | Date Prepared/Updated: 07-Sep-2016 | Report No: PIDISDSC18698



## BASIC INFORMATION

## A. Basic Project Data

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|--|--|--|--|
| Country<br>Argentina                               | Project ID<br>P159843  | Parent Project ID (if any)   | Project Name<br>Metropolitan Buenos Aires Urban Transformation Project (P159843) |
| Region<br>LATIN AMERICA AND CARIBBEAN              | Estimated Appraisal Date<br>Dec 05, 2016                             | Estimated Board Date<br>Feb 27, 2017   | Practice Area (Lead)<br>Social, Urban, Rural and Resilience Global Practice      |
| Lending Instrument<br>Investment Project Financing | Borrower(s)<br>Province of Buenos Aires,Buenos Aires City Government | Implementing Agency<br>Ministry of Finance, City of Buenos Aires,Ministry of Economy, Province of Buenos Aires |  |

## Financing (in USD Million)

| Financing Source                                      | Amount        |
|---|---------------|
| Borrower  | 23.30         |
| International Bank for Reconstruction and Development | 200.00        |
| <b>Total Project Cost</b>                             | <b>223.30</b> |

Environmental Assessment Category

Concept Review Decision

A-Full Assessment

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

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## B. Introduction and Context

Country Context

The new administration moved with significant speed to implement much needed reforms. The Government has rapidly implemented various macroeconomic reforms and initiated a program of structural reforms. These include: (a) the elimination of export taxes on major crops, beef, and most industrial manufacturing products, and the reduction by 5 percent of export taxes on soy; (b) unification of the exchange rate, effectively ending most foreign exchange restrictions; (c) moving from a system of discretionary to automatically provided import licenses in line with World



Trade Organization procedures; and (d) resolution of the dispute with holdout creditors. In addition, the National Institute for Statistics launched a new inflation index and improved the overall quality of statistics. Efforts to reduce energy subsidies (which account for a large portion of fiscal deficit), increasing electricity and gas tariffs, were partially pulled back by the Supreme Court, who ruled against the gas tariff increase since the government failed to conduct mandatory public hearings.

Economic activity is projected to contract in 2016, before growth accelerates in 2017 as the positive impact of the recent policy changes kick in and the global economy recovers. The need for major macroeconomic reforms was self-evident, but the transition to a more sustainable macroeconomic framework is costly. Economic activity will decline an estimated 1.5 percent this year and inflation is running high (estimated at about 40% for 2016), though it is decelerating after an initial jump due to currency depreciation and the reduction of energy and transport subsidies. Despite a delicate fiscal situation (primary deficit was 5.0 percent of GDP in 2015), fiscal consolidation faces pressures and will likely be more gradual than originally planned due to lower revenues, legal constraints to reduce energy subsidies, and own government decisions, such as the adjustment of pension transfers and the settlement of pension system lawsuits. Exports and imports are falling (13% and 11%, respectively) due to weak domestic and international demand.

The Argentine Government has started to address the key macroeconomic imbalances with the objective of creating an environment conducive to economic growth and employment creation. Argentina offers many opportunities in a weak global environment, and there is a strong interest from foreign investors and firms. However, the following steps will be necessary to permanently reduce inflation and get Argentina on a sustainable growth path: (a) increase public spending efficiency and reduce the fiscal deficit; (b) continue improving the credibility of the Central Bank and the monetary policy for anchoring inflation expectations; (c) strengthen competitiveness and productivity through an improved business environment and investments in infrastructure and increasing competition in markets and improving the regulatory framework in sectors; (d) continue strengthening the credibility of official statistics; (e) continue to support better public goods provision; (f) reduce regional disparities (including transportation, health, and education). This would need to be managed in a context where the ruling party does not have a majority in Congress and economic reforms may create social tensions.

#### Sectoral and Institutional Context

Housing has a direct effect on the economies and welfare of Argentine cities. Adequate supply and good quality of housing and its urban environment have the potential to produce positive externalities such as more economical and efficient use of valuable urban land. Access to housing in and around central areas may increase economic productivity by enabling concentration of people and productive activities. By contrast, housing shortages, affordability issues, and limited mortgage lending may drive households—especially low-income households—to relocate to peri-urban areas or even slums, exacerbating sprawl affecting cities' ability to take advantage of agglomeration economies. At the same time, inadequate infrastructure, services, and connectivity can deepen the socioeconomic divide between the core and peri-urban areas by limiting access to quality urban services, schools, health care, and jobs for peri-urban residents and thereby promoting social exclusion.

The Argentinian housing sector has been experiencing difficulties for well over a decade; a trend that has worsened in recent years: slums continue to increase, housing deficit has stagnated, and access to housing finance is virtually nonexistent. Around 230,000 households are formed every year in the country, yet the formal market is only able to produce around 190,000 units annually; a situation that exacerbates the housing deficit which already affects around



29 percent of total households. Almost two thirds of the overall deficit is qualitative, yet the quantitative deficit has been increasing at a higher rate in recent years (44 percent) mostly because this deficit is more sensitive to adverse macroeconomic conditions. As it usually occurs, the lower income households have been particularly affected. Access to housing finance has declined in Argentina for almost all income segments and the total mortgage portfolio as a proportion of GDP has steadily declined (reached only 0.6 percent in 2015 compared to 4 percent in the early 2000s). Moreover, only 12 percent of bank's transactions are related to housing finance and only 2.3 percent of borrowers in the financial system were mortgage borrowers. The sector is dominated by public banks who account for over 80 percent of mortgage transactions and there is no participation of non-banking lenders in the market. The lack of funding for long-term mortgages and medium-term loans for housing developers, together with the increase in house and land prices, has significantly reduced access and affordability of housing. Recent studies on housing affordability nationwide suggest that only 10 to 20 percent of the population would have access to housing through traditional financing in the current market conditions.

As elsewhere, Argentinian slums reflect growing inequality within cities, in terms of access to basic infrastructure and services, public amenities and social indicators. Typically, slums lack access to water and sanitation (at the plot or even at the block level), and when it exists there are important issues with quality. In 2010, 1 in 4 households lack access to the water network and 1 in 2 households lack access to both water and sanitation networks. The likelihood of not having waste collection services is 5 times higher for residents in slums and 40% of slum households are three blocks away or less from an open dumpsite. Child obesity in slums is close to 40% and infant mortality is 25% higher than the national average. Residents of precarious urban settlements are more likely to have less education; and, if they find a job, it is likely to be in the informal sector. Violent death of teenagers is three times the national average and the incidence of tuberculosis is four times the national average. Finally, households living precarious urban settlements also lack social and community services, including health care, day care for children, green areas, schools and sports and community centers. In these conditions, the efforts of the authorities to reduce school drop-outs, youth crime, un-employment and drug abuse are severely limited. Only one third of adults aged 25 or more living in slums has completed high school, compared to three quarters nationally. This lack of access to these services reinforces the vicious cycle of poverty and inequality, leads to social divisions, and prevents households to be fully included in the formal economy.

The government has announced a strategy to improve living conditions in urban areas. On April 2016, the Macri administration announced the new housing policy for Argentina under the "Plan Integral de Vivienda y Habitat", which encompasses strategies to address both flow and stock issues affecting the housing sector, and that would be fully consistent with the approach proposed under the Project. Some of the targets of the National Plan, which plans investments for USD 7 billion between 2016-2019, include: (i) 120,000 new houses built and 250,000 jobs created through the new housing construction program; (ii) 456,000 microcredits for housing improvements; (iii) 175,000 credit subsidies under the new indexation program and denominated in Unidades de Vivienda (UVIs); (iv) 300,000 property titles through a collaboration between the national government and the local Housing Institutes; and (v) 505 habitat improvement initiatives including the urbanization of 280 informal settlements and cross-sectorial interventions in 225 vulnerable areas.

In addition to the targets of the National Plan, the Habitat and Human Development Secretariat has developed a new National Habitat Plan that expands its portfolio of solutions for households in need. The leveraging the lessons learned under the National Neighborhood Improvement Program (Programa de Mejoramiento de Barrios, PROMEBA) carried out in partnership with the Inter-American Development Bank (IADB). Included in this new plan is the Secretariat's original mandate to formalize property in informal settlements along with making investments in urban infrastructure



in slums, and financing schemes for home purchases and improvements. According to the Secretariat's plans, the State will decrease its role significantly in constructing new housing units to encourage private sector players – banks as well as construction companies – to become more active players in the housing market.

The World Bank is working with the Government of Argentina to support its comprehensive housing and habitat program. The World Bank support will include a National Neighborhood Improvement and Affordable Housing (NIAH) Project, and the present operation focused on the Metropolitan Area of Buenos Aires. While the NIAH will support national programs for improvements of living conditions in informal settlements and the provisions of housing subsidies, the AMBA Urban Transformation Project will support investments in dense, central informal settlements – including the emblematic Villa 31, and the strengthening of metropolitan coordination for urban development and housing policies in the Metropolitan Area of Buenos Aires (Area Metropolitana de Buenos Aires, AMBA).

The lack of affordable housing and proliferation of informal settlements is exacerbated in large urban centers, and particularly AMBA. Approximately 18 percent of the population lives in slums (villas and asentamientos urbanos). Of particular concern is that approximately 24 percent of these slums are less than 10 years old, suggesting a trend that contrasts with other countries in the Region, which have managed to increase housing supply and contain slum proliferation, notably Colombia. The challenges of informal housing are particularly severe in metropolitan Buenos Aires considering the size of the population. It is estimated that in 2006 metropolitan Buenos Aires had a total of 819 informal settlements. Of these, 23 were in the central city, 473 in the first ring, and 323 in the second ring of the metropolitan area. In terms of occupied land, these slums account for only around 2.3% of the total territory. These are high-density settlements housing a little over one million people. While these slums and informal settlements have existed for over 50 years, most of their growth has occurred over the last 30 years.

Villa 31 and 31 Bis is one of the most emblematic villas in Argentina. There some 43 thousand inhabitants live in more than 8.5 thousand households. Despite its prime location, social disparities are even more severe in Villa 31 and 31 Bis than in most precarious urban settlements in AMBA: one third of the youth population consumes drugs and one quarter neither works nor studies. Living conditions are extreme as well: the living space per capita in the villa is half the recommended one; the public space is almost nonexistent with 0.3 square meters per person far below the minimal recommended optimal size of 10 square meters. Economic activity is highly dynamic albeit predominantly informal: some 900 businesses exist in the area and the high number of transactions in the real estate market (both for sales and rentals) reflects the excess of housing demand in the area. The objective of the recently created Secretary of Social and Urban Integration from the CABA government is to implement an integrated urban intervention that delivers transformational impact in the living conditions of the population and that integrates them into the urban fabric and the formal economy.

The strengthening of institutional mechanisms for metropolitan management will be key for successful interventions in AMBA. The Metropolitan Area of Buenos Aires includes the Autonomous City of Buenos Aires (Ciudad Autonoma de Buenos Aires, CABA) and the surrounding municipalities belonging to the Province of Buenos Aires (PBA). Historically, there has been very limited coordination at the metropolitan level. Specific sectoral institutions have been created in order to foster inter-jurisdictional coordination for the management of metropolitan transit (Autoridad Metropolitana de Transito, AMT), or environmental management in the Matanza Riachuelo river basin (Autoridad de Cuenca Matanza Riachuelo, ACUMAR), however, before 2016, there was not platform for general coordination at the metropolitan level. Recently, the CABA and PBA Government have committed to improve the coordination of policies and programs at the Metropolitan level. In order to advance this agenda, a "Metropolitan Cabinet" has been constituted



at the initiative of the Governor of PBA and the Mayor of CABA, which functions as a regular joint meetings of the Cabinets of the CABA and PBA.

#### Relationship to CPF

The project supports the World Bank's twin goals of reducing poverty and increasing shared prosperity by promoting inclusive urban growth, economic development and improved access to services that reduce the vulnerability of the urban poor. The project is also aligned with the Government priorities reflected in the Argentina Country Partnership Strategy (CPS) FY15-18: sustaining social gains achieved in recent years and expanding social inclusion in an efficient and sustainable manner, while mitigating the risks to vulnerable groups of economic downturns and external shocks. The CPS introduces a number of gradual shifts on where and how the WBG will engage, which include: (i) a more comprehensive development approach to urbanization; (ii) advisory and knowledge services bundled into programmatic and multi-year engagements; and (iii) an increased share of WBG financing directed to low-income geographic areas.

Specifically, the project is related to two of the CPS' broad themes: (i) Employment Creation in Firms and Farms; (ii) Availability of Assets for People and Households. In the first case, the relevant Results Area that will be affected by the Project is "Supporting agglomeration economies" reach low-income areas. In the second case, the relevant Results Areas that will be affected by the Project are "Increasing access to electricity, safe drinking water, and sanitation and services for the bottom 40 percent in low-income provinces and areas" and "Improving employability of Argentina's youth".

The project will build on the most recent work conducted by the Bank's Teams in Argentina. In 2015, the Bank initiated a Programmatic Approach on Agglomeration Economies (P153198). The main objectives of the PA are to (i) improve the understanding of opportunities and challenges associated with urban agglomerations in Argentina; and (ii) strengthen the capacity to formulate policies and implement programs that improve the performance of urban agglomerations at the national, provincial and local levels. Key activities completed under the PA include: (i) an urban performance diagnostic leading to the publication of the report "Leveraging the potential of Argentine Cities: A framework for policy action," which highlights housing as one of the key bottlenecks to take advantage of agglomeration economies, and a NLTA to the CABA government on City-level housing strategies which included three diagnostic activities: (a) A demand analysis plus a detailed assessment of the housing programs developed by CABA; (b) the design of a product to leverage household savings for the supply of affordable housing (for rent and for sale), and (c) the diagnosis of Banco Ciudad's ability to fund and leverage housing finance products at the city level.

#### C. Proposed Development Objective(s)

The Project Development Objective is to improve access to basic services and adequate housing in selected disadvantaged urban settlements in the Buenos Aires Metropolitan Area and strengthen the institutional capacity for metropolitan planning and execution of urban development programs.

#### Key Results (From PCN)

The key PDO level results indicator for the proposed project are the following:



- Number of low-income households provided with improved living conditions in informal settlements.
- Number of low-income households provided with improved access to formal housing.
- Improved metropolitan coordination of urban development and housing policies

The Core Sector Indicators to be included are (number of):

- People in urban areas provided with access to “Improved Water Sources” under the project.
- People in urban areas provided with access to “Improved Sanitation” under the project.
- People in urban areas provided with access to all-season roads within a 500-meter range under the project.
- People in urban areas provided with access to regular solid waste collection under the project.
- People in urban areas provided with access to electricity under the project by household connections.

#### D. Concept Description

This Project will support integrated urban improvement interventions in selected informal settlements in the Metropolitan Area of Buenos Aires (*Area Metropolitana de Buenos Aires*, AMBA), and the development of institutional capacity and systems for coordinated policies for urban development and housing at the metropolitan level.

Together with the National Neighborhood Improvement and Affordable Housing (NIAH) Project (P159929), this Project supports the Government’s comprehensive housing and habitat program (*Plan Integral de Vivienda y Habitat*). The two Projects will support urban improvements in informal settlements in the five largest cities in Argentina (Buenos Aires, Cordoba, Mendoza, Rosario, and San Miguel Tucuman).

The NIAH Project will target medium-density informal neighborhoods identified as “Category 2” and “Category 3” in the typology of informal settlements established by the Subsecretariat of Habitat and Human Development of the Ministry of Interior. These neighborhoods are often located in peripheral areas of large cities and medium towns, and are a direct product of the sprawling and fragmented pattern of urban development that has characterized the growth of Argentine cities over the last two decades. These neighborhoods usually present relatively regular street patterns and limited overcrowding, and the main challenges facing their residents are of lack of access to urban and social services.

The NIAH Project will rely on a framework approach developed by the Subsecretariat of Habitat and Human Development, and benefitting from the experience of carrying out urban improvements in similar neighborhoods under the IADB-funded National Neighborhood Improvement Program (*Programa de Mejoramiento de Barrios*, PROMEBA).

The AMBA Urban Transformation Project will focus its intervention in denser, more central neighborhoods in which the complexity of the urban and social challenges requires more case-specific interventions. These settlements correspond to the “Category 5” in the typology mentioned above. Settlements in this category are denser, with a prevalence of multi-storied buildings. The urban layout in these settlements is irregular with very limited public spaces



and access ways. These settlements are characterized by overcrowding, and high economic use of properties through processes of subdivision and vertical extension for renting of apartments or rooms. The neighborhood targeted under the AMBA Urban Transformation Project will include one of the largest informal settlements in Buenos Aires – Villa 31, as well as two settlements to be identified within the municipalities of the Province of Buenos Aires located within the AMBA. The project will support the development and implementation of case-specific interventions aimed at bringing a sustainable urban and social inclusion of the targeted neighborhoods. In addition, the Project will support the two participating jurisdictions in developing coordinated policies and platforms for urban development, territorial planning, and housing.

In order to achieve the project's objectives, the activities will be organized as follows:

***Component 1: Urban and social integration of Villas 31 and 31 Bis in CABA. (Estimated IBRD Financing: US\$ 160 million).***

This component to be executed by the Government of the City of Buenos Aires (CABA) would support a comprehensive intervention aiming at improving the physical and social conditions in one of the largest informal settlement (*Villa*) in Buenos Aires. The comprehensive plan would directly benefit the residents of the Villas 31 and 31 bis, which was estimated to be around 43,000 in 2015. In order to prepare and implement the transformation of Villa 31, the CABA Government has constituted the Secretariat for Urban and Social Integration of the Retiro-Puerto Neighborhood (Secretariat de Integracion Social y Urbana Barrio Retiro Puerto, SISU). SISU is a dedicated agency of the CABA Government focused on the design and implementation of the comprehensive plan for the urban transformation of Villa 31. The name of the agency ("SISU barrio Retiro Puerto") highlights the overarching objective of removing the social and urban stigma currently associated with the settlement and transforming it in a full fledged neighborhood, fully integrated with its surrounding, which include some of the city's main infrastructure nodes such as the port and the Retiro train station.

The comprehensive plan for the transformation of Villa 31 aims at improving the housing conditions, access to basic infrastructure and social services, stimulating economic development in the neighborhood, and improving the physical integration of the settlement with its surrounding neighborhood. SISU is currently implementing a systematic identification (*relevamiento*) of the socio economic conditions of the settlement's population. While the investments are still being identified, SISU has constituted a community engagement team including 80 social workers in charge of the implementation of the *relevamiento*, and community outreach.

The main activities proposed for Bank financing include:

- (i)Comprehensive improvement of basic infrastructure. This activity 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.
- (ii)Improvement of housing conditions. This activity would involve the construction of around 1500 new houses on a plot of land adjacent to the neighborhood, the ownership of which has been recently transferred to the CABA Government. Around 1,240 of these new housing units would be assigned to families relocated from the houses



within the Villas that have been built under the highway “Illia” that runs across the neighborhood. Some new housing units would be assigned to other families from the neighborhood living in conditions of high vulnerability, and families who would need to be relocated as part of the infrastructure works.

(iii) Improvements of social and economic services. This activity would support the construction a “civic center” (*centro cívico*) including a health clinic, a school and community center, as well as an “employment and entrepreneurship development center” (*Centro de Desarrollo Empresarial y Laboral*), which would provide training and business support services to local businesses, as well as one-stop-shop to facilitate their formalization.

(iv) Support to local commercial activity. To complement the services offered through the employment and entrepreneurship development center, this activity would support the improvement of key commercial areas including the open market (feria) located at the neighborhood’s entrance, and of the neighborhood’s main commercial street.

In addition to these activities, the comprehensive plan will include high impact interventions including the construction of a bypass which will allow diverting the traffic of the highway ilia to a new section of the highway to be built above the railways that run parallel to the neighborhood. The plan also includes the potential relocation of federal government offices on land adjacent to Villa 31, which could generate increased economic activity in the neighborhood.

***Component 2: Improvement in Living conditions in Informal Settlements in AMBA Municipalities in the Province of Buenos Aires (Estimated IBRD Financing: US\$ 30 million).***

This component to be executed by the Government of the Province of Buenos Aires (PBA) would support integrated interventions in two *Villas* to be determined within Municipalities of the Province of Buenos Aires located within AMBA. Similar to the intervention in Villa 31, the interventions in the two villas in GBA would include the following activities:

(i) Comprehensive improvement of basic infrastructure including water supply and sanitation, drainage, electricity, gas, public lighting and paved roads.

(ii) Housing conditions improvements. This activity would include targeted interventions to support improvement to housing units in situation of high vulnerability, and the construction of new housing units as required for the resettlement of households whose house would be affected by investments in public infrastructure or public spaces and buildings.

(iii) Improved urban and social integration. This activity would include targeted investments in connective infrastructure and the provision of social services (education, health, culture) to improve the physical and social integration between the neighborhoods and their surrounding urban environment.

***Component 3: Strengthening Institutional Capacities for Metropolitan Sustainable Urban Management. (Estimated IBRD Financing: US\$ 3 million)***

This component would be executed by the government of CABA and in close coordination with PBA. The coordination mechanism would be a “working group” under the broader “Metropolitan Cabinet”, which has been constituted at the initiative of the Governor of PBA and the Mayor of CABA. The “Metropolitan Cabinet” functions as a regular joint meetings of the Cabinets of the CABA and PBA. For specific thematic area in which metropolitan coordination should



be fostered, the Metropolitan Cabinet decides the setting up of working groups composed of the relevant ministers from PBA and CABA, supported by a Technical Secretariat. The activities under this component would be supporting the Working Group on urban development and housing to be constituted and would include:

(i)Studies and technical assistance on housing and habitat in AMBA. This activity would support a metropolitan-level diagnostic of the urban development, housing and habitat situation in AMBA, and specific technical assistance to both jurisdiction (CABA and PBA) on the development of coordinated policies for urban development and territorial planning.

(ii)Institutional strengthening. This activity would support the development information sharing and collaboration platforms allowing CABA and PBA to improve the coordination of housing and habitat policies, including the exchange of information between and harmonization of the systems operated by the two jurisdictions for the monitoring and assignation of social housing.

***Component 4: Project Management. (Estimated IBRD Financing: US\$ 7 million)***

The project will also fund the management, coordination and evaluation of the two Implementing Units in CABA and PBA, including: (a) carrying out the Project audits; (b) conducting outreach campaigns to disseminate the Project; (c) carrying out mid-term and impact evaluation surveys in order to evaluate the Project's impacts; (d) providing technical support on procurement, safeguards and financial management requirements, including the hiring of the PIU's staff; and (e) financing Operating Costs.

**SAFEGUARDS****A. Project location and salient physical characteristics relevant to the safeguard analysis (if known)**

The Project will be implemented within the Metropolitan Area of Buenos Aires (Área Metropolitana de Buenos Aires, AMBA), which includes the Autonomous City of Buenos Aires (Ciudad Autónoma de Buenos Aires, CABA), and surrounding municipalities belonging to the Province of Buenos Aires (PBA). The AMBA Urban Transformation Project will focus its intervention in dense informal settlements (or "Villas"; the Project will work towards shifting this term to "barrio" -neighborhood-), located in central areas of the city, in which the complexity of the urban and social challenges requires case-specific interventions. The urban layout in these settlements is irregular with very limited public spaces and access ways. These settlements are characterized by overcrowding, and high economic use of properties through processes of subdivision and vertical extension of buildings for renting of apartments or rooms.

Targeted interventions under Component 1 will be conducted in Barrio 31 in the CABA, a 32 hectares informal settlement that was born in the 1930's, situated next to the administrative center, and close to the busy areas of the Port and the Retiro train and bus stations. This informal settlement hosts approximately 43,000 inhabitants (more than 13,000 families) who live in more than 8,500 houses. The site selected for resettlement is currently used as a container depot rented to one of the Port terminals. Its surface is covered with a concrete slab. This site is owned by YPF, the national oil company. A soil study is being conducted by the CABA Government to assess the conditions of the site.



Targeted interventions under Component 2 will be conducted in two informal settlements to be identified within the municipalities of the Province of Buenos Aires and located within AMBA.

The natural environment in the current metropolitan area has been modified over its history and has been almost entirely replaced by urban structures; thus, no natural habitats or otherwise environmentally sensitive areas are present in the targeted zones. No known or suspected archeological sites have been documented in project's related studies or literature in the Project area. However, the underground of the metropolitan area can be considered with archeological potential.

### **B. Borrower's Institutional Capacity for Safeguard Policies**

CABA: The Secretariat of Social and Urban Integration of the Retiro-Puerto Neighborhood (Secretaría de Integración Social y Urbana Barrio Retiro-Puerto; SECISYU), in coordination with the Ministry of Finance's unit in charge of relations with multilateral organizations, would be in charge of implementing the Project's activities in CABA. SECISYU is staffed with professionals with experience in field work but they have no previous experience working with World Bank (WB) safeguards. However, SECISYU will be supported by qualified staff, including personnel experienced in social and environmental management in WB financed projects in the City (e.g. *inter alia*, Argentina Flood Risk Management Support Project for the City of Buenos Aires, P145686, among others). SECISYU is also working with the City's Environment Protection Agency to coordinate the necessary soil studies in the site identified for resettlement.

PBA: The Undersecretary of Finance from the Ministry of Economy of the PBA will serve as the Project Implementation Unit (PIU) for Component 2, in coordination with the Province's Ministry of Infrastructure and Public Services. The PBA has solid previous experience in working with the World Bank in infrastructure projects such as AR Additional Financing for Buenos Aires Province Infrastructure Sustainable Investment Development (P114081), AR Buenos Aires Infrastructure Sustainable Investment Development Project Phase II (P105288), and AR CRL1 APL1 Buenos Aires Infrastructure (P088032); all implemented by the Ministry of Infrastructure and Public Services and coordinated by the Ministry of Economy. If the qualified team of professionals responsible for environmental and social management under these projects continues working in the administration, the PIU will have the capacity and sound technical knowledge to work with safeguards instruments. Otherwise, the PIU will have to be staffed with senior professionals with experience in projects financed by the WB. This will be further assessed during Project Preparation.

### **C. Environmental and Social Safeguards Specialists on the Team**

Santiago Scialabba, Tuuli Johanna Bernardini, Carlos Alberto Molina Prieto, Elba Lydia Gaggero

### **D. Policies that might apply**

| Safeguard Policies                  | Triggered? | Explanation (Optional)   |
|-------------------------------------|------------|--|
| Environmental Assessment OP/BP 4.01 | Yes        | Planned interventions / works under Component 1 are part of a comprehensive plan for the transformation of Villa 31, which includes: (i) small to medium scale basic infrastructure (water supply, sanitation, drainage, electricity, public lighting, gas, and paved roads), involving participation of the |



respective utilities in designing the works; (ii) large scale building construction (1500 houses and other facilities on a plot of land adjacent to the Villa, the ownership of which is being transferred to the CABA Government), including the anticipated resettlement of more than 1000 households; and (iii) the construction of a “civic center”, which may include a health clinic, a school, a community center and an employment and entrepreneurship center.

Planned interventions under Component 2 include: (i) small to medium scale basic infrastructure; and, in a much smaller scale compared to Component 1, (ii) construction and improvement of houses and potential associated resettlements; and, (iii) construction of connectivity infrastructure.

OP 4.01 is triggered as the Project activities would imply environmental and social impacts (both positive and negative, some of them significant) in socially highly sensitive areas.

The proposed Project will provide relevant benefits to low-income inhabitants of the biggest metropolitan area of Argentina. The Project will support development and implementation of case-specific interventions aimed at promoting sustainable and inclusive urban neighborhoods. In addition, the Project will support the two participating jurisdictions in developing coordinated policies and platforms for urban development, territorial planning, and housing.

The Bank Task Team proposes to classify the Project as Category A under OP/BP 4.01, based upon the magnitude and complexity of the interventions under Component 1, particularly the anticipated resettlement of a large number of households.

Interventions under Component 1 might result in significant adverse socio-environmental impacts, although the same are not considered irreversible or impossible to mitigate.

Interventions/works envisioned under Component 2 are expected to have less adverse potential impacts,



and be site specific, non-irreversible and readily mitigated.

Regarding Component 1, while a general outline of the comprehensive plan for the transformation of Villa 31 is being discussed, the specific sets of physical interventions need to be structured as subprojects, and their designs prepared. This work is planned to be done during Project implementation in order to more appropriately develop adequate actions and their associated details, and to ensure the pertinent inter-institutional agreements and commitments as well as local community input. Therefore, an Environmental and Social Management Framework (ESMF) will be developed to establish the criteria used to manage all potential impacts related to this Component, and the mechanisms SECISYU will apply for each physical intervention, once fully defined, during Project implementation.

Regarding the plot of land to be used for residential purposes, if the environmental baseline study on the soil quality reveals any environmental liability, it will have to be remediated up to the level required by the national soil quality guidelines for residential uses, set forth in Annex 9 of Decree 831/1993, Federal Law 24051 on Hazardous Waste.

The proposed construction of a bypass to the Illia highway that runs through Villa 31 will not be financed by the Bank and is not considered as an associated activity as its execution is not necessary to achieve the Project's objectives and does not condition the execution of the activities financed under Component 1. However, the Bank will conduct due diligence regarding the management of E&S issues during preparation and implementation of the Project.

With respect to Component 2 in the PBA, the two implementation sites are still to be defined, as well as the specific interventions that, as mentioned above, are expected to be smaller and less sensitive than the ones under Component 1. Similarly, an ESMF will be developed specifically targeted to the planned activities under Component 2.



Component 3, Strengthening Institutional Capacities for Metropolitan Sustainable Urban Management will be executed by CABA and will finance Project related studies, technical assistance and institutional strengthening to support the two participating jurisdictions in developing coordinated policies and platforms for urban development, territorial planning, and housing. At this stage, no potential safeguard implications would be related to this Component. However, as the definition of activities under Component 3 proceeds, they will be assessed against the WB Interim Guidelines on the Application of Safeguard Policies to Technical Assistance Activities in Bank-Financed Projects and Trust Funds Administered by the Bank, for the potential application of any safeguard policy.

Consequently, an ESMF will be developed for Component 1 and another one for Component 2 to be implemented by the corresponding PIU (one in CABA and another in the PBA). As relevant, the ESMF prepared by CABA would reflect any action required regarding Component 3. Having two instruments for the management of safeguards is considered to be appropriate mainly due to the fact there are two PIUs, and two instruments would allow the preparation and implementation to be more straightforward. These ESMFs will take into account the typologies of the foreseen interventions under the Project, and will include, among other things, the mechanisms to (i) ensure compliance with pertinent legislation and Bank policies for types of work considered; (ii) screen subprojects and establish the scope of the required environmental studies/assessments, (iii) develop the required environmental assessment by subproject; and (iv) conduct consultations and implement community participation activities during Project implementation.

Both PIUs will develop a citizen engagement mechanism, and a robust communication strategy. These will be further described as the preparation advances.



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|                             |    | <p>In addition, the CABA team will conduct a thorough social assessment in order to forecast the impact the completed Project will have, and to identify the potential risks it poses to citizens and other inhabitants, particularly the poor and other vulnerable residents in the Project area. It will also seek to identify any relevant gender-related issues. The assessment is also expected to propose ways subprojects might be designed to maximize benefits and mitigate risks. Based on said assessment, social scoping should identify key issues that need to be addressed further and on which dimensions. The PBA team will also prepare a social assessment of a selected pilot settlement for Component 2. In each case, an action plan will be prepared based on the findings and recommendations of the social assessment to ensure that issues identified are adequately addressed in the Project design and implementation.</p>                           |
| Natural Habitats OP/BP 4.04 | No | <p>OP 4.04 is not triggered since Project interventions will take place in dense urban areas where land has already been converted by long-standing anthropogenic physical modifications. The Project does not require significant conversion of natural habitats or critical natural habitats and will not take place in protected areas or ecologically sensitive sites.</p>   |
|                             |    | <p>The area in Villa 31 where physical interventions will be financed is not located in or in the influence zone of any natural habitat, neither next to the riparian zone of the La Plata River. The drainage and sanitation infrastructure works planned to be financed by the Project are expected to connect respectively to the existing master conduits of the City's pluvial drainage system (managed by the Ministry of Urban Development) and the City's sewerage system (managed by AySA, the CABA utility for water supply and sanitation). The hydrologic characteristics of La Plata river favor higher concentrations of contaminants in a relatively narrow strip, approx. 500 meters wide, measured from the coastline, which is seriously compromised due to the presence of physical and bacteriological contaminants. Based on concentrations of nitrogen substances (<math>\text{NH}_4^+</math> / <math>\text{NO}_3^-</math>), Total Cr, Pb, detergents,</p> |



phenolic substances, BOD, and fecal coliforms, this coastal zone could be considered as Type III Use (non-apt for recreational purposes with direct contact), according to a regional guideline on water quality by ACUMAR, the Matanza-Riachuelo Watershed Authority. Thus, the aquatic habitat of La Plata river is expected to be impacted positively by the drainage interventions supported by the Project.

The potential Project sites in PBA have also been modified by long-standing human interventions. PBA's informal settlements and low-income neighborhoods are generally located in shallow areas, next to streams or canal tributaries of any of the three main basins in AMBA (Luján, Matanza-Riachuelo, and Reconquista Rivers). These streams or canals are typically highly polluted mainly from direct discharges of untreated wastewater and solid waste from the surrounding neighborhoods. The lack of access to basic sanitation and waste collection services makes residents use the water bodies to eliminate waste. Thus, the Project implies no negative impact on riparian natural areas in the proximities of the potential sites of Component 2 activities. Similarly, works on pluvial drainage and wastewater infrastructure to be financed by the Project are expected to connect to the existing systems in the Province (either managed by AySA or ABSA; the two AMBA water utilities, depending on the site location; and in terms of drainage, managed by the Provincial Directorate for Sanitation and Hydraulic Works at the Ministry of Infrastructure and Public Services).

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|-------------------------|-----|---|
| Forests OP/BP 4.36      | No  | The proposed Project would be located in dense urban areas where land is already converted. OP 4.36 is not triggered since there are no forested areas nor forest-dependent communities that could be significantly converted/affected due to the Project activities. |
| Pest Management OP 4.09 | TBD | There is potential need to develop a pest management plan, particularly focused on cleaning up rat nests as part of the resettlement and/or the urban upgrade works. The need to trigger OP 4.09 will be analyzed further as the Project preparation proceeds.        |



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| Physical Cultural Resources OP/BP 4.11 | Yes | The proposed Project will involve significant demolition, construction and excavations and thus soil movements, so there is potential for chance finds of physical cultural resources. OP 4.11 is consequently triggered. Specific procedures to avoid negative impacts on physical cultural resources in case of chance finds will be included in the ESMFs as part of the EA processes that the client will apply during Project implementation.  |
| Indigenous Peoples OP/BP 4.10          | TBD | Argentina is a multicultural country with a notable presence of indigenous and afro-descendant populations, the majority of them living in urban areas. Indigenous people (2.54 percent of the population) traditionally lived in rural communities in the provinces of Salta, Jujuy, Chubut, Neuquén, Tierra del Fuego, Chaco, Formosa, Santa Fe, Tucuman, and Mendoza. Nowadays, however, more than 80 percent of the indigenous population in Argentina lives in urban areas, the largest concentration in AMBA due to a number of factors, including new and improved access to basic services as well as improved market opportunities. The Project Social Assessment will incorporate key variables on ethnicity to help the Task Team to define if OP 4.10 needs to be triggered.  |
| Involuntary Resettlement OP/BP 4.12    | Yes | OP 4.12 is triggered. Component 1 will include the construction of around 1500 new houses on a plot of land adjacent to the neighborhood. It is expected that around 1200 of these new housing units would be assigned to families relocated from the houses within the Villa that has been built under the Illia highway that runs across (and over) the neighborhood. In addition, other new housing units would be assigned to other families from the neighborhood living in conditions of high vulnerability, and other families who would also need to be relocated as part of the infrastructure works. Specific housing units affected by activities under Component 1 have not been identified yet. The CABA PIU will prepare a Resettlement Policy Framework during project preparation. As part of the same process the CABA PIU will carry out a census to assess socio-economic characteristics of the Villa's population. Once the number of households to be resettled is finally confirmed, the Census will allow the PIU to identify the number of people that would need to be relocated in the new housing units financed by the |



Project. After this key information is available, the CABA PIU will prepare one or more Resettlement Action Plans according to the WB Safeguards Policies.

Component 2 will also support integrated interventions in two informal settlements to be determined within the Greater Buenos Aires that will include improvements of housing conditions.

Targeted interventions would support improvement of housing units in situation of high vulnerability, and construction of new housing units as required for the resettlement of people whose house would be affected by investments in public infrastructure or spaces. Since location of works under Component 2 has not been defined yet, the client will prepare a Resettlement Planning Framework that would guide the preparation of specific Resettlement Action Plans for works that imply involuntary resettlement.

In addition, TA activities under Component 3 on urban development and territorial planning will need to be consistent with the principles of OP 4.12 to avoid potential downstream impacts.

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| Safety of Dams OP/BP 4.37                      | No  | OP 4.37 is not triggered since the planned Project activities will not imply construction/rehabilitation of dams nor interventions that would rely on the performance of an existing dam.  |
| Projects on International Waterways OP/BP 7.50 | TBD | Since the planned Project activities in CABA and PBA include water supply, sanitation and drainage infrastructure that will make use of water resources from La Plata River Basin, more information is required on the Project details in order to define whether OP 7.50 needs to be triggered. |
| Projects in Disputed Areas OP/BP 7.60          | No  | OP 7.60 is not triggered as the Project will not be implemented in areas known to involve disputed areas.  |

#### E. Safeguard Preparation Plan

Tentative target date for preparing the Appraisal Stage PID/ISDS

Nov 25, 2016



Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal Stage PID/ISDS

The Project will be financed by two direct loans to CABA and PBA, respectively. In order to mitigate the risks related to limited inter-jurisdictional coordination during Project implementation, both CABA and PBA are preparing their respective Safeguards instruments.

CABA and PBA will each prepare a Social Assessment in order to inform the Project preparation process on key social aspects. Both social assessments will include questions on ethnicity to identify whether OP 4.10 on Indigenous Peoples needs to be triggered and will also seek to identify any relevant gender/related issues.

In addition, CABA and PBA will each prepare a Resettlement Planning Framework (RPF) with inputs from the social assessment. In the case of CABA, to set the protocols and procedures that will be used to prepare one or more Resettlement Action Plans once the specific area of intervention for the resettlement has been defined and the number and characteristics of households to be resettled into the new housing units financed by the Project is confirmed. In the case of PBA, the RPF would guide the preparation of specific Resettlements Action Plans for any work that could imply involuntary resettlement. In case OP 4.10 will be triggered, the Clients will also each have to prepare an Indigenous Peoples Planning Framework and/or Indigenous Peoples Plan.

Further, two ESMFs will be developed by the counterpart teams (for CABA – Component 1 and PBA – Component 2, respectively) to set forth the procedures and mechanisms each will apply during Project implementation.

#### Safeguards preparation timeline:

1. TORs of the ESMFs prepared by the client and sent to the Bank: August 2016
2. First draft of safeguard instruments prepared by the client and sent to Bank: September 2016
3. Disclosure of the advanced draft safeguards instruments for Component 1 and Component 2 (already cleared by RSA): October 2016
4. I) Consultation on the ESMFs and other safeguards instruments to be developed by the counterparts for Component 1 and Component 2; and II) preparation of final versions –post-consultations– of the ESMFs and other safeguards instruments, including their executive summary in English (submission to the Board): late October 2016
5. Considering 120 days from the target Board Date (late February 2017) executive summaries of safeguards instruments will be submitted to the Board on late October 2016.
6. The Appraisal Stage PID/ISDS will be prepared by late November 2016.

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**APPROVAL**

|                      |                             |
|----------------------|-----------------------------|
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|----------------------|-----------------------------|

**Approved By**

|                           |                         |             |
|---------------------------|-------------------------|-------------|
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| Practice Manager/Manager: | Catalina Marulanda      | 07-Sep-2016 |
| Country Director:         | Renato Nardello         | 13-Sep-2016 |



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