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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
AR-GEF SUSTAINABLE TRANSPORT AND
AIR QUALITY PROJECT

NOVEMBER 4, 2008

TO THE

ARGENTINE REPUBLIC

SEPTEMBER 11, 2013

SUSTAINABLE DEVELOPMENT DEPARTMENT
LATIN AMERICA AND CARIBBEAN REGION

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ABBREVIATIONS AND ACRONYMS

GEF	Global Environmental Facility
GHG	Greenhouse gases
ISR	Implementation Status Report
PTUMA	Metropolitan Areas Urban Transport Project
STAQ	Sustainable Transport and Air Quality
PDO	Project Development Objective
BRT	Bus Rapid Transit
ICR	Implementation Completion Report
NMT	Non Motorized Transport

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Task Team Leader:	Veronica Ines Raffo

Restructuring	**Status: Draft**
Restructuring Type: Level two	
Last modified on date : 09/11/2013	

1. Basic Information	
Project ID & Name	P114008: AR-GEF Sustainable Transport and Air Quality Project
Country	Argentina
Task Team Leader	Verónica Ines Raffo
Sector Manager/Director	Aurelio Menendez/Ede J. Ijjasz-Vasquez
Country Director	Penelope J. Brook
Original Board Approval Date	11/04/2008
Original Closing Date:	12/31/2012
Current Closing Date	12/31/2013
Proposed Closing Date [if applicable]	10/31/2014
EA Category	B-Partial Assessment
Revised EA Category	B-Partial Assessment-Partial Assessment
EA Completion Date	04/20/2006
Revised EA Completion Date	

2. Financing Plan (US$m)		
Source	**Local**	**Total**
BORROWER/RECIPIENT	7.73	7.73
Global Environment Facility (GEF)	3.99	3.99
Total	11.72	11.72

3. Borrower		
Organization	**Department**	**Location**
Argentine Republic		Argentina

4. Implementing Agency		
Organization	**Department**	**Location**
Buenos Aires Urban Transport Implementing Unit	Secretary of Transport	Argentina

5. Disbursement Estimates (US$m)

Actual amount disbursed as of 09/03/2013		1.54
Fiscal Year	**Annual**	**Cumulative**
2014	2.44	2.44
	Total	**2.44**

6. Policy Exceptions and Safeguard Policies

Does the restructured project require any exceptions to Bank policies?	N
Does the restructured project trigger any new safeguard policies? If yes, please select from the checklist below and update ISDS accordingly before submitting the package.	N

7a. Project Development Objectives/Outcomes

Original/Current Project Development Objectives/Outcomes

The Argentina Project follows the higher level objectives of the Regional Program, and have a common focus in assisting participant cities in: (i) towards reducing GHG emissions by increasing use of less energy intensive transport modes in cities; and (ii) inducing policy changes in favor of sustainable transport projects.

7b. Revised Project Development Objectives/Outcomes [if applicable]

ARGENTINA
AR-GEF SUSTAINABLE TRANSPORT AND AIR QUALITY PROJECT

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AR-GEF SUSTAINABLE TRANSPORT AND AIR QUALITY PROJECT

RESTRUCTURING PAPER

A. SUMMARY

1. The proposed level 2 restructuring of the Argentina Sustainable Transport and Air Quality Project (STAQ) seeks a ten-month extension of the Closing Date in order to complete certain activities under the project.

2. The Argentina STAQ project (US$3.987 million) was prepared based on local governments' submissions in 2005. Because of a two-year effectiveness delay, the original assumptions regarding the timing of GEF-financed and of co-financed activities proved unrealistic.

B. PROJECT STATUS

3. The Argentina STAQ project is part of the Regional Sustainable Transport and Air Quality Program (the STAQ Program[1]), a partnership between the World Bank and the Global Environmental Facility which aims at supporting cities in reducing the rate of growth of greenhouse emissions from the transport sector in the Latin American and Caribbean Region. The Project was approved by the Board in November 2008, but was only declared effective on August 3, 2010 and is expected to close on December 31, 2013. A midterm review was carried out in March 2012 which concluded that a second order restructuring was necessary in order to match the implementation window of partner projects - Regional GEF STAQ, Brazil GEF STAQ, and Mexico GEF STAQ as well as to complete certain activities under the project. This second order restructuring was approved in July 2012.

4. Implementation has caught up with expectations and the significant delays experienced during the second semester of 2012 have been overcome. Despite this, concern remains as the closing date approaches. Progress towards the PDO is now considered to be satisfactory. Available funds are fully committed, with contracts under execution or in the process of being signed. However, the implementation of activities under these contracts is not at the pace envisioned during project design and though some key contracts have moved forward, they are expected to be completed in the first semester of 2014, as per agreements reached with the new authorities.

5. Currently, the project is on a reasonable path to deliver on promised GEF-financed outputs. The grant has financed various initiatives that are well aligned with projects objectives, including, *inter alia*, campaigns to promote bicycle use, the construction of bicycle lanes, a conference on Sustainable Transport in Rosario, and the

[1] The STAQ Program is structured into four projects: a) three Country Specific Projects involving a core group of 11 cities of Argentina, Brazil and Mexico and b) the Regional Project focused at Latin American level, which is being executed by the Clean Air Institute.

design of 3 km. of Bus Rapid Transit (BRT) in Posadas. Yet, to deliver on planned outcomes will require: (i) the implementation of co-financed investments –both from the Bank-financed Metropolitan Areas Urban Transport Project (PTUMA, P095485) and from initial government commitments – some of which will only be completed after grant closure; and (ii) reasonable time – at least five years - for natural behavioral adjustments to take place. Therefore, progress on outcomes - for reasons mostly beyond the control of project implementers - has been rated in the last Implementation Status Report as Moderately Satisfactory. An action plan to improve progress on outcomes has been agreed upon with the Project Implementation Unit which is reflected in the mid-term review Aide Memoire of March 2012.

C. PROPOSED CHANGES

6. **Extension.** This paper will extend the closing date from December 31, 2013 until October 31, 2014, a 10-month extension. This will be the second extension of the project for a total of 22 months of extension of the original closing date, taking into consideration the 12-month extension approved in July 2012.

7. The rationale for the proposed change in the closing date are as follows:

- **Delays in grant effectiveness resulted in the late completion of grant financed investments.** There was a two year delay in grant effectiveness, which has effectively reduced the project implementation period to 2.5 years.

- **Delays in implementation as a consequence of the internal restructuring process of the PIU.** In part as a result of allegations in the press (in 2012) of irregularities in the procurement and implementation of selected contracts financed by the project, governance is a significant issue for the PTUMA and GEF projects. There has been a complete turnover in the project's management team in the last year and the new team seems to be committed to cleaning up both in terms of specific cases and in terms of improving management systems for the future. Still, governance issues are expected to remain critical for the project in the short-term. Implementation has caught up with expectations and the significant delays experienced during the second semester of 2012 have been overcome. Despite this, concern remains as the closing date approaches that contracts under execution will not be completed in time before the established grant closing date.

- **The need to dismiss key projects delayed disbursements.** A key project (bike sharing program in Rosario) had to be dismissed because offers presented during the bidding process in the first semester of 2013 doubled the available budget for the project. This was replaced by a new civil works contract to build additional kilometers of bikeways, as per the agreement reached between the PIU and municipal authorities. This contract has recently been awarded and works are expected to commence in October 2013. The task team has facilitated the visit of various consultants to build capacity both at the PIU and city level (e.g. in the case of Rosario and Posadas) to prepare better and more specific terms of

reference for new contracts. Also, the task team is working closely with the PIU and technical teams in participating cities to speed up implementation of activities under ongoing contracts and supporting involvement of the city in the supervision of contract execution.

- **The need for more time to develop a key project in Posadas.** The design of 3 km. of Bus Rapid Transit (BRT) in Posadas is currently under execution at a stage where it has triggered the need to carry out a public consultation process. This is a key aspect of the process, given that the Project generated a significant amount of social sensitivity since it was first envisioned. The contract for the public consultation has been awarded. Due to sociopolitical reasons, the social consultation workshops will be carried out in November 2013 (after mid-term legislative elections on October 27, 2013), and the consulting firm in charge of the design of the BRT estimates that a further six months will be needed to complete the detailed design after being presented with the results of the consultation process, in order to fully and properly incorporate its conclusions.

D. APPRAISAL SUMMARY

Proposed changes correspond only to an extension on the Project's Closing Date. The changes do not affect other aspects of the project (Costs, Disbursements, Economic and financial analysis, Technical, Social, Environmental, etc.).