

**ENVIRONMENTAL MANAGEMENT OF THE MATANZA -RIACHUELO RIVER BASIN**

**(AR-0136)**

**EXECUTIVE SUMMARY**

**BORROWER AND GUARANTOR:** The Argentine Nation

**EXECUTING AGENCY:** Comité Ejecutor del Plan de Gestión Ambiental y Manejo de la Cuenca Hídrica Matanza -Riachuelo (CEMR)

**AMOUNT AND SOURCE:** IDB (OC): US\$250 million  
Local counterpart funding: US\$250 million  
Total: US\$500 million

**FINANCIAL TERMS AND CONDITIONS:** Amortization Period: 20 years  
Disbursement period: 5 years  
Interest Rate: variable  
Inspection and Supervision: 1 %  
Credit Fee: 0.75%  
Currency: US\$

**OBJECTIVES:** The program's objective is to improve management of the Matanza-Riachuelo Basin's natural resources through coordination of environmentally related actions.

**DESCRIPTION:** The program will finance the following four sub-programs: (i) industrial pollution control; (ii) flood control works; (iii) solid waste management; and (iv) urban rehabilitation.

1. Industrial pollution control (US\$51.68 million)

The sub-program will: (i) develop effluent control programs for the basin's 65 largest industries (which account for more than 80% of industrial discharges); (ii) inventory, license, and monitor 1000 industries in the basin (which represent about 10% of industrial discharges); (iii) strengthen the institutional capacity of the Province's Secretaría de Medio Ambiente and the Municipality's Sub-Secretaría de Medio Ambiente to enforce compliance with environmental legislation; (iv) finance studies to develop a private concession to construct and manage a hazardous industrial waste facility in the basin; (v) finance an early warning system for technological disasters and flooding as well as a system to measure water quality; and (vi) clean banks and remove

abandoned boats and vehicles from the river.

2. Flood control and drainage works  
(US\$343.89 million)

This sub-program will finance macro drainage works including dikes and pumping stations along the Matanza-Riachuelo rivers and its tributaries and micro drainage works including pipe networks and drain inlets. The Basin's Master Plan, developed for this program, identifies 38 sub-basins where drainage is inadequate. Major works will be constructed in nine of the highest priority areas. A resettlement program will also be financed for 37 families residing where drainage works will be constructed.

3. Solid waste management (US\$4.99 million)

This sub-program will: (i) develop a management plan for domestic solid waste final disposal in the basin, (ii) convert four illegal dump sites to sanitary landfills; and (iii) and convert a fifth dump site to a public use space.

4. Urban rehabilitation (US\$18.40 million)

This sub-program will: (i) develop and implement a land use plan for the basin; (ii) develop a basin road infrastructure plan; and (iii) finance the rehabilitation of key public spaces.

**EXECUTION:**

Responsibility for overall coordination of the Bank financed program will rest with the CEMR. The national level Secretaría de Recursos Naturales y Ambiente Humano will continue to serve as the CEMR's Chairperson with the Ministro de Obras y Servicios Públicos of the Province of Buenos Aires and the Secretaría de Producción y Servicios of the Municipality of Buenos Aires as members. Budgetary resources for operation of the CEMR will continue to be provided by the Federal Government. The CEMR's highly trained staff of twenty one professionals will coordinate the day-to-day execution of the Program.

**THE BANK'S COUNTRY  
AND SECTOR  
STRATEGY:**

The program fits within the overall strategy as set forth in the Country Paper. The paper states that the Bank will support "comprehensive watershed management" as well as the "strengthening of institutions enforcing environmental regulations." By supporting the development of a permanent basin level committee and an integrated set of programs to improve the Basin's environment, the Bank is directly supporting a comprehensive watershed management approach. Providing technical assistance to the two local entities charged with environmental pollution control directly contributes to enforcing of

environmental regulations.

**DATES OF ESIR AND  
EIA:**

The Environmental Management Committee classified this as a category III operation on February 21, 1995. The Environmental Impact Assessment was made available to the public on July 24, 1997. The Environmental Summary was approved by the Committee on Environmental and Social Impact (CESI) on September 19, 1997, and sent to the PIC on September 26, 1997 (see ? 5.5).

**BENEFITS:**

The Program will have a significant effect on the environment for those 3 million people residing in the Basin. By providing a critical mass of drainage and flood control works, the program will largely resolve the flooding problem in the most flood prone areas greatly enhancing the quality of life of residents of these areas. Industrial effluents will be reduced with improvement in water quality, land use will be improved, real state values will increase, and key public spaces upgraded. Finally with the CEMR's broader mandate and larger staff and budget, it will continue to play an increasingly active role in coordinating inter-jurisdictional actions to manage of the basin.

**RISKS:**

The program has two principal risks. First, the program with its four subprograms, requires strong inter-jurisdictional coordination (ie. between the Province of Buenos Aires and the Municipality of the City of Buenos Aires) to ensure that all of the activities move forward and the program's impact is maximized. This has slowed preparation of the program and will likely contribute to delays in execution. The presence of a strong CEMR to coordinate execution of the program (the CEMR's strength as demonstrated by its performance over the past year which has improved dramatically), however, should enhance the likelihood of the program's success.

A second risk has been Argentina's poor performance in Bank and other donor programs requiring enforcement of industrial pollution control legislation (see Chapter II). Linking disbursements to industrial pollution control targets as proposed would provide a strong incentive to achieve those targets although it could carry the risk of slowing the pace of execution in the event of delays in this sub-program.

**SPECIAL  
CONTRACTUAL  
CONDITIONS:**

Prior to first disbursement the contract will require the following:

Signed agreements between the program's executing agency and the co-executors establishing mechanisms

for coordination and transfer of funds for future operation and maintenance of works, and for assuming obligations as outlined in the loan contract.

Other special conditions to be included in the contract are:

a. During year one of the program: evidence that agreement has been reached with the appropriate environmental authority and 15 of the major industries to control their industrial discharges. Once this target is reached 40% of loan resources can be committed for flood control and drainage works.

b. During year two of the program: evidence that agreement has been reached with the appropriate environmental authority and an additional 15 (for a total of 30) of the major industries to control their industrial discharges. Meeting this target is a condition to the next 20% of loan commitments for flood control and drainage works (for a total of 60% committed).

c. During year three of the program: evidence that agreement has been reached with the appropriate environmental authority and an additional 15 industries (for a total of 45) to control their industrial discharges. Meeting this target is a condition to the next 10% of loan commitments for flood control and drainage works (for a total of 70% committed).

d. During year four of the program: evidence that agreement has been reached with the appropriate environmental authority and the remaining 20 industries (for a total of 65) to control their industrial discharges. Meeting of this target is a condition for the remaining 30% of loan commitments for flood control and drainage works.

e. Publicity for the industrial pollution control plan: the borrower will widely disseminate the results of the Industrial Pollution Control Plan including annual publication of the names of the industries complying with environmental legislation.

f. Permanent Basin committee: the borrower will provide the financial resources necessary for the CEMR to continue functioning as a basin level authority for the duration of the effectiveness of the loan contract.

g. Legal possession of land: prior to bidding for individual works, the executing agency must provide evidence that they have legal possession of land where works will be constructed.

h. Mitigating environmental impacts: the borrower will include in bidding documents the requirement that the contractor proposal include methods to mitigate the environmental impact of executing works as outlined in the Environmental Impact Assessment.

i. Prior to bidding for each sanitary landfill: for landfills in General Las Heras, Canuelas, and Marcos Paz, the borrower will present the signed agreement with each municipality under which they agree to implement a plan for solid waste management as well as to maintain and operate the landfills. For the landfill in Lomas de Zamora, an agreement with the municipality in which it agrees to utilize the rehabilitated site as a green space.

j. Prior to bidding for works in urban rehabilitation: signed agreements will be required with the respective municipalities under which they agree to operate and maintain public spaces.

k. Re-evaluation of affected properties: within 12 months of completion of the first drainage works the Province and Municipality of Buenos Aires will submit, plans for improving property tax collection in the zone of the program. The plans will include a timetable for implementation. The Borrower's annual reports will include information of the implementation of these plans.

l. Land use planning: the borrower agrees that recommendations of the land use plan will be executed by year four of the Program.

m. Resettlement: 60 days prior to initiating works where resettlement is required, evidence that resettlement has taken place.

**PREVIOUS EXPENSES:** It is recommended that up to US\$47 million in previous expenses be recognized as local counterpart. This request includes US\$31 million for a main drainage line in the Matanza sub-basin now under construction and US\$16 million in studies and activities for preparation of this program. The Bank has reviewed the procedures and agrees to this request.

**POVERTY TARGETING:** Since only 27% of its resources will directly benefit low income groups, this program cannot be categorized as poverty targeted either geographically or towards low income groups per the guidelines set forth in AB-1704.

**EXCEPTIONS TO BANK POLICY:** N/A.

**PROCUREMENT OF  
GOOD AND SERVICES:**

International public bidding will be required for works with a value of over US\$5 million and for goods and services with a value of over US\$350,000.