

HRC: Abra Pampa

**Inter-American Development Bank Loan**

**Project Title:** *Programa de Gestión Ambiental para una Producción Sustentable en el Sector Productive de Argentina* (Environmental Management Program for Sustainable Production in the Productive Sector)

**Project Number:** AR-L1026

**Loan Number:** No. 1865/OC-AR

**Project Team:** María Claudia Perazza-Project Team Leader (RE1/EN1); Raul Tuazón (RE1/RE1); Héctor Malarín (RE1/EN1); Gerónimo Frigerio (LEG/OPR); Normando Birolo (COF/CAR); Amy Raisbeck (RE1/EN1); see Loan Proposal, May 16, 2007.

Note: Local newspaper articles identify Michael Collins as the IDB Project Leader during the renewal process in Abra Pampa;

Note: Team listed at beginning of project is slightly different, Dana Martin (LEG/OPR).

**Project Outline:** June 20, 2006

**Loan Proposal:** May 16, 2007

**Loan Contract:** November 6, 2007 [LEG/SGO/CSC/IDBDOCS: 928477-07]; [Resolución DE-45/07]

**Loan Amount:** US\$40 Million

**Objective and Description of the Project:** "The objective of the program is to help make production-related activities environmentally sustainable. The program is structured in two subprograms, which have the following specific purposes: (1) to promote the adoption of clean production practices by SMEs as a business environmental strategy; and (2) to promote the incorporation of environmental considerations into mining activities." Each subprogram is carried out by the responsible entity at the national level: (1) promoting clean production-SAyDS (Secretaría de Ambiente y Desarrollo Sustentable); (2) environmental management-Department of Mining (Secretario de Minería);

**Subprogram II: Environmental Management of Mining Activities:** 3 Components, (1) Strengthening decentralized environmental management of mining activities; (2) Incorporating environmental practices in the cottage brickmaking industry; (3) Supporting environmental management in degrading mining areas; (4) Collecting baseline geoenvironmental data.

**Subprogram II, Component 3:** Comprehensive remediation of environmental liabilities will be carried out at **Fundición Metal Huasi in Abra Pampa (Jujuy)**, **Fundición de Plomo in San Antonio Oeste (Río Negro)**, and **Sulfatera de Calingasta (San Juan)**.

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**IDB Frame of Reference (see Loan Proposal, Section I)**

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Argentine Constitution of 1994 establishes general principles on the environment, such as the universal right to a healthy, balanced environment for economic activities and the government's obligation to protect this right;

- o Provincial governments established legal and regulatory frameworks to set policies and create instruments for environmental protection and management.
- o National government sets policy principles and developed a set of legal instruments; established the Preventive Environmental System for Mining Activity, in effect since 1996 (under coordination of Department of Mining).

General Law on the Environment: instituted the National Environmental policy, enacted in 2002.

- o Government has adopted measures in the National Policy on Clean Production, under the responsibility of the SAyDS.

National Policy on Clean Production: approved in 2004;

- o SAyDS established the Clean Production and Sustainable Consumption Unit, 2004;
- o Clean Production and Sustainable Consumption Office (DPLyCS) established, 2007;

Environmental Laws and Mining: Mining Code and the Law on Environmental Protection for Mining Activity (Law 24585 of 1995).

- o Institutional framework includes provincial authorities charged with enforcing law 24585, with assistance from Provincial Environmental Management Units (UGAPs) and the Dept. of Mining Preventive Environmental System for Mining Activity;

Preventive Environmental System for Mining Activity provides no specific solutions for treating mining-related environmental liabilities that occurred prior to enactment of Law 24585 (see Loan Proposal, para 1.13)

- o "The limited amount of information on the location of degraded areas and the extent of the problems that these liabilities pose for the environment and the quality of life in affected communities-as well as the lack of procedures on remediation and subsequent monitoring efforts-compromise the flow of investment to the mining sector and make it difficult to reactivate mining areas with economic potential."

Bank's Strategy in Argentina, 2004-2008 (document GN-2328): 3 focus areas, (1) institutional strengthening; (2) strengthening of environment for growth in investment and productivity; (3) poverty reduction, rebuilding of human capital, and promotion of sustainable, inclusive social development.

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### **The Program:**

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**Subprogram II, Component 3: Comprehensive remediation of environmental liabilities will be carried out at Fundición Metal Huasi in Abra Pampa (Jujuy), Fundición de Plomo in San Antonio Oeste (Río Negro), and Sulfatera de Calingasta (San Juan).**

**Component 3 in greater detail:**

Loan Proposal, para. 2.11; Loan Contract (anexo único), para. 2.10:

This component calls for: (i) a nationwide inventory of inactive or abandoned areas degraded by mining activities predating enactment of law 24585 of 1995, including a prioritized list of critical areas for remediation; and (ii) a detailed evaluation of liabilities, with onsite profiling of pollution sources, a description of impacts, and a risk assessment in eight degraded areas **prioritized due to their impact on the environment and health of affected communities.** Remediation projects will be prepared on a pilot basis, and the corresponding investments will be made for the remediation of environmental liabilities (elimination of pollution sources, adequate disposal of contaminated waste, and monitoring systems) will be carried out in three of these areas, at an estimated cost of US\$10.4 million [note: loan contract does not list estimated cost]. This experience will be reflected in a technical manual for subsequent remediation of other mining-related environmental liabilities.

**Comment [CJW1]:** Choosing Abra Pampa, based off of what evidence did Dept of Mining opt to prioritize Abra Pampa

**Program Cost and Financing:**

Total cost of the program is US\$50 million; Bank will provide US\$40 million;

Subprogram II: US\$25.7 million;

- o Supporting Environmental Management in Degraded Mining Areas: US\$13.7 million (27.4% of the entire project); Bank: US\$ 13.4 million; Local: US\$0.3 million;

**Execution of the Program-General:**

Department of Mining (SM-Secretaría de Minería de la Nación) is the executing agency for Subprogram II.

General responsibilities of the executing agency include: (i) maintaining account records; (ii) submitting disbursement requests to the bank; (iii) preparing and conducting competitive bid processes; and (iv) **preparing, submitting to the Bank, and making available to the public the required monitoring and evaluation reports;** and (v) ensuring compliance with contractual claims of loan contract. [Loan Proposal, 3.2; Loan Contract (Anexo Único), 4.02]

Role of Provincial Governments:

- o It was a condition precedent to the first procurement of goods that a program participation agreement between the Department of Mining and the provincial government be signed and in force.

**Execution of the Program-Supporting environmental management in degraded mining areas:**

[See Loan Proposal, 3.18 to 3.21 and Loan Contract-Anexo Único, 4.18 to 4.21]

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Consulting services will be procured for detailed evaluations of the environmental liabilities of each degraded area selected; Fundición Metal Huasi in Abra Pampa was tentatively selected at time of loan contract;

The evaluations will describe the source of pollution and impact on receiving waters in the area of influence, measured using the quantitative environmental indicators that constitute the baseline. Also, consulting services will be engaged to design the liability remediation plans for the first three areas (includes Abra Pampa);

Each remediation plan will include: (i) technical and economic analysis of alternative for eliminating the source of pollution, transporting and disposing of the polluted material, and rehabilitating the land; (ii) final designs for the least-cost option; (iii) a technical/legal report with guidelines for carrying out the interventions in accordance with national and provincial laws and Bank policies; (iv) a monitoring plan with improvement targets for the baseline environmental indicators; and (v) the corresponding environmental impact assessment.

- o Supporting technical documentation for remediation efforts will be prepared by the Department of Mining and submitted for consideration to the provincial enforcement authorities before procurement activities are initiated.

Comprehensive remediation programs will be carried out at Fundición de Plomo Metal Huasi in Abra Pampa; Fundición de Plomo in San Antonio de Oeste (Río Negro); and Sulfateras de Calingasta (San Juan);

- o Remediation services will be provided by firms with proven experience in the recover of degraded mining areas, in accordance with technical and legal guidelines in the corresponding remediation plans.
- o Department of Mining, in coordination with provincial enforcement authorities, will be responsible for technical supervision and verification of contractor compliance with national and provincial environmental provisions. Contracts for remediation of degraded areas will incorporate environmental measures derived from such provisions.

The Department of Mining will engage consulting services to help it oversee the technical and environmental aspects of remediation works. **As part of its semiannual execution report, the Department of Mining will submit the results of these efforts, indicating contractor compliance with environmental provisions, general problems encountered, and measures adopted to resolve them.** When remediation activities are completed, the Department of Mining will use loan proceeds to commission independent environmental audits to verify the environmental outcomes of the interventions, using as a reference to the baseline indicators from the detailed evaluations for each area. **The results of such audits will be included the subprogram evaluation reports.**

### **Monitoring and Evaluation:**

[See Loan Proposal, 3.26 to 3.29; the Loan Contract does not have the same provisions]

Each executing agency (Department of Mining for Subprogram II) will monitor and evaluate fulfillment of periodic targets related to product, outcome, and impact indicators;

Each executing agency will prepare a monitoring report on the status of the activities of the subprogram and will submit this report to the Bank no later than 30 days before the end of each six-month period during the program. These reports will focus on the fulfillment of product indicators and the progress made towards attaining the outcomes set forth in the logical framework (Annex I), analyze the problems encountered, and indicate the corrective measures that were adopted.

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- Reports covering the second half of the year will also include programming for the following calendar year. Any adjustments made to the program as a result of the discussion of these reports will be agreed upon with the Bank at the corresponding meetings held every six months with each executing agency.

Upon acceptance by the Bank, the monitoring reports will be made available to the public on the dedicated program webpage on the website of the corresponding executing agency [3.27].

Each executing agency will deliver a midterm evaluation report 90 days after the date on which 50% of the loan proceeds for the subprogram have been committed.

- The Department of Mining will include the results of the environmental audits to ascertain the environmental outcomes attained through remediation of environmental liabilities in the three areas selected, as well as the extent of compliance by the implementing authorities with regard to regular monitoring efforts.

The evaluations will be carried out by independent consultants, preferably economists and environmental specialists, to be commissioned by each executing agency and financed with loan proceeds. After being accepted by the Bank, each evaluation report will be made available to the public on the dedicated program webpage.

#### **Loan Proposal: Institutional Viability**

4.3: The ICAS (Institutional Capacity Assessment System) found that the Department of Mining's capacity for planning, organization, execution, and external control is satisfactory and low-risk. However, the ICAS rated its internal control system as medium-risk, due to the lack of a comprehensive system for maintaining information with clear policies and procedures for use in Subprogram II. To improve the risk level of this system, an administrative and financial specialist will be engaged to develop the policies and procedures needed to ensure effective internal control by the Department of Mining for the purposes of the program.

#### **Loan Proposal: Socioeconomic Viability**

The program is expected to generate the following economic benefits: (i) reduction of costs at private level; (ii) losses avoided at social level as a result of improved quality of bodies of water, and (iii) losses avoided at the social level from damage to the health and environment of communities near environmental and mining liabilities.

#### **Loan Proposal: Social and Environmental Viability**

4.10: The liability remediation plans in the three pilot areas include the corresponding impact assessments to mitigate any possible impacts that the remediation efforts may cause.

4.11: Also, interest groups and civil society organizations are expected to participate in various ways in promoting the project, raising awareness, monitoring the project, and disseminating the outcomes. The program will have positive effects in areas of mining interest in Argentina by providing access to detailed information on the geoenvironmental features of such areas and by including the assessment and remediation of liabilities deemed a priority.

#### **Logical Framework: Remediation of Environmentally Degraded Areas**

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2 years after program completion, the country has a legal and regulatory framework for handling environmental liabilities in areas mined prior to enactment of law 24585.

The improvements called for in the environmental indicators in the environmental liability remediation plans for the mining areas of Fundición de Plomo Metal Huasi in Abra Pampa (Jujuy), Fundición de Plomo in San Antonio Oeste (Río Negro), and Sulfateras de Calingasta (San Juan) have materialized upon completion of the corresponding remediation efforts.

The authorities in the provinces of Jujuy, Río Negro, and San Juan monitor the remediated areas upon completion of the corresponding remediation efforts.

Indicators for supporting environmental management in degraded mining areas during the project (verified by Department of Mining monitoring and evaluation reports):

Nationwide inventory of areas degraded by previous mining activity is developed and made available to the public on the Department of Mining website by the end of year 4 of the program.

8 studies to assess environmental liabilities for, initially, Fundición de Plomo Metal Huasi in Abra Pampa, etc. are developed at a rate of at least 2 per year as of year 2 of the program.

Environmental liability remediation projects for Fundición de Plomo Metal Huasi in Abra Pampa (Jujuy), Fundición de Plomo in San Antonio Oeste (Río Negro), and Sulfateras de Calingasta (San Juan) are developed by year 3 of the program.

Environmental liabilities at Fundición de Plomo Metal Huasi in Abra Pampa (Jujuy), Fundición de Plomo in San Antonio Oeste (Río Negro), and Sulfateras de Calingasta (San Juan) are remediated by program completion.

Procedures manual for preparing mining-related environmental remediation plans is approved by the Department of Mining by program completion.

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Follow-up to IDB loan:

April 8, 2008: Fernanda Reyes *pedido de informe* on the status of the execution of Subprogram II, Component 3 of the IDB loan.

- o They received a response and will forward us the documents.