

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB6441

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Project Name	NATIONAL ROADS AND AIRPORT INFRASTRUCTURE PROJECT
Region	Latin American and the Caribbean Region
Country	PLURINATIONAL STATE OF BOLIVIA
Sector	Roads and Highways and Aviation
Lending Instrument	Specific Investment Loan
Project ID	P122007
Parent Project ID	n/a
Borrower(s)	Ministry of Planning Development
Implementing Agency	<p>Administradora Boliviana de Carreteras (ABC) Contact Person: Luis Sánchez Gómez Telephone No.: 235 7220; 233 4767 Fax No.: 239-1764 Email: lsanchez@abc.GOB.bo</p> <p>Administración de Aeropuertos y Servicios Auxiliares a la Navegación Aérea (AASANA) Contact Person: Cnl. Raúl Velasco Ramos Telephone No.: (501-2) 2370341 -43 Fax No.: 235-1341</p>
Environmental Screening Category	{ }A {X}B { }C { }FI
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Estimated Date of Appraisal Completion	March 3, 2011
Estimated Date of Board Approval	May 5, 2011
Decision	Project authorized to proceed to negotiations upon agreement on any pending conditions and/or assessments.

I. Country Context

1. **Bolivia continues to have high poverty rates despite reduction in recent years, but has weathered the global crisis well and is seeking to strongly reactivate growth.** With around 60% of its population living below the poverty line and a Gini coefficient 0.56, Bolivia is one of the poorest and most unequal countries in Latin America. The situation is graver in rural areas and for indigenous peoples, where moderate poverty reaches 77.3% and 66.5%, respectively. Although economic growth fell from 6.1% in 2008 to 3.4% in 2009, it remained the

highest rate in the region. Total public debt fell from 77% of Gross Domestic Product (GDP) in 2005 to about 33% in 2009.

2. **The GOB is implementing the National Development Plan** (PND, *Plan Nacional de Desarrollo*), approved on June 16, 2006. The PND has the goal of reducing poverty and social exclusion. The PND is a comprehensive plan that includes provisions for strengthening democratic institutions, developing trade, and providing food security. The PND also promotes improvements in transport infrastructure and the sustainable development of tourism and agricultural production. The Plan aims to improve and integrate the national transport system in all its forms (roads, railway, river, aviation and inland lake transportation). Among the policies and strategies proposed by the PND is a strategy for road development and maintenance, which seeks the physical integration of the country in support of the productive sector.

3. **Importance of the sector to the country's economic development.** The transport sector is essential to the country's economy, representing 9% of GDP, 37% of executed public investment, and about 6% of employment. The sector is critical in integrating the country's diverse areas, unlocking remote and large areas of the countryside and spur economic development through trade, give better access to market, promote tourism and allow better mobility of people and access to services.

II. Sectoral and Institutional Context

4. **The Ministry of Public Works, Services, and Housing** (MOPSV, acronym in Spanish), is working on the National System of Transportation to articulate the sector's investment successfully. The proposed system targets reductions of operation and maintenance costs and will include measures to promote competition, development and maintenance of transport infrastructure regarding design, construction, investment incentives, and axleload control.

Primary Road Transportation

5. **Road network in Bolivia.** The road network in Bolivia is comprised of three categories: (i) primary road network (PRN), managed by the national road agency (*Administradora Boliviana de Carreteras*, ABC); (ii) secondary road network, under the responsibility of prefectures and managed through the prefectural road services; and (iii) tertiary road network, under municipal responsibility. In 2008, the PRN constituted approximately 16,000 Km, 30% of which were paved, 49% gravel roads, and 21% dirt or earth roads.

6. **Road Transport Sector and ABC.** ABC's budget execution has more than quadrupled from USD114.9 million in 2002, to approximately USD566 million in 2010, 79% of which was allocated to investment while the remaining 21% to operational costs. The investment budget was constituted by USD413 million for road construction and USD33 million for periodic maintenance and road rehabilitation. Routine maintenance had an allocation of USD49 million.

7. **Sector Challenges.** Among the principal sector challenges are Bolivia's natural obstacles, including: i) being landlocked; ii) a geography divided into three main regions: lowlands, valleys, and high plateau, each one is different in terms of accessibility, availability of building materials, traffic volume and entrepreneurial development; iii) rain patterns that cause

rivers to swell and threaten bridges and road infrastructure; and iv) geological conditions that cause significant landslides. A further impediment to the improvement is insufficient investment planning at the sectoral level, as well as weaknesses in project management at ABC, which have an inordinate impact on the road sector as a whole.

Air Transportation

8. **The Administration of Airport and Aviation Services (AASANA**, acronym in Spanish) is mandated to plan and manage airports, and control Bolivian airspace and finances itself through airport taxes collected. Since AASANA is not financially responsible for airport development other than planning, no relevant capital expenditures are incurred. The sustained underfunding of AASANA has adverse effect on the operation and maintenance of most airports in the country. Between 2003 and 2008, the annual average passenger air traffic was 2.3 million. In 2008, commercial Bolivian airports taken together handled 3.6 million arriving and departing passengers, about 2.8 million (78%) of which were domestic. All international passenger movement is via one of the three largest airports, namely La Paz, Santa Cruz and Cochabamba.

9. **Importance of Rurrenabaque and surrounding area.** Rurrenabaque, with about 18,400 inhabitants, is one of the principal tourist centers in Bolivia, largely given its proximity to the Madidi National Park, and was visited by around 21,000 tourists in 2009. Most inhabitants are dependent on the continuity and development of the tourism industry for their livelihood. The airport has limited infrastructure and is lacking basic safety and security equipment, consequence of which is cancellation of about 35% of scheduled flights from La Paz, largely for weather related reasons.

10. **Rationale for Bank involvement.** Building on lessons learned from a current road operation (Road Rehabilitation and Maintenance Project, Cr. 3630-BO), this project will endeavor to continue to strengthen the Bank's support for the sector in general, and enhance the work of strengthening ABC's institutional capacity and improve the accessibility of key segments of the underserved North Corridor. Because the largest share of the funding is for upgrading of a road that cradles the Madidi National Park and the sensitivity of the project area, Bank's involvement aims at helping ensures that rigorous safeguard standards are adhered to.

11. The broad-based policy of the GOB is to develop new airports and upgrade existing ones. The project complements this policy, engages in developing the subsector, and promotes the economic expansion of the area serviced by the airport, in large part through promoting the growth of higher-income tourism and ecotourism. Through improving the usability of the airport, Bank involvement will promote more reliable service and enable development, in turn benefiting Rurrenabaque residents by facilitating enhanced and sustainable economic growth and employment opportunities.

III. Project Development Objectives

12. To improve the year-round transitability of the San Buenaventura – Ixiamas national road and improve the safety, security and operational reliability of the Rurrenabaque Airport.

IV. Project Description

Component 1. Improving the San Buenaventura – Ixiamas National Road (USD118.2 million).

(a) Improving the San Buenaventura–Ixiamas National Road through the carrying out of the necessary civil works and supervision activities for, inter alia: (i) the completion of an asphalt concrete pavement; (ii) the rehabilitation of existing drainage and other road protection structures; and (iii) the construction of approximately 21 bridges. (b) Provision of support for the carrying out of the necessary audits under the Project.

13. Civil works are planned to be bid in one package (two lots) for improvement of the 113.65 km road and through a single supervision consultancy. The improvement is expected to cost an average of USD1.0 million per km. The San Buenaventura - Ixiamas (northwest orientation) in Iturralde Province of the prefecture of La Paz falls under the PRN, which connects the main departmental cities and principal highways. The road segment will be part of the PRN that joins the city of La Paz with the cities of Cobija and Trinidad, the capitals of Pando and Beni prefecture's respectively. It will also help link linking cities such as Rurrenabaque, Reyes, Santa Rosa, Yata, Puerto Cabinas, and Riberalta.

14. On the whole, the alignment of the new technical design follows the alignment of the current road, including its initial 2 km which traverse the urban area of San Buenaventura. Significantly, between Km 52 and Km 55 the road is diverted to bypass the town of Tumupasa. The road contracts will support mitigation of HIV/AIDS transmission. In this component the Indigenous People Plan (IPP) will also be implemented.

15. ***Component 2. Improving the Rurrenabaque Airport (USD6.0 million).*** (a) Supporting Phase II of the Rurrenabaque Airport Improvement Program, through: (i) the carrying out of the necessary civil works and supervision activities for the construction of one new taxiway, apron, control tower, operations building, rescue and fire fighting buildings, an access road, and a passenger terminal; and (ii) the acquisition and installation of aviation control, rescue and firefighting equipment. (b) Provision of support for the carrying out of the necessary audits under the Project.

16. The airport handles about 31,000 passengers annually, nearly solely through flights from La Paz. The project aims through better infrastructure and installation of key equipment at enhancing the safety and security of the airport and on to improve conditions for operational reliability that will allow flight operation under conditions which now prohibit flights.

17. ***Component 3. Institutional Strengthening of ABC and AASANA, and other relevant entities (USD5.0 million).*** This component consists of:

(a) Strengthening the capacity of: (i) ABC and (ii) AASANA, to perform their functions effectively and efficiently, through the provision of technical assistance, training, and incremental operational costs required for Project administration and monitoring, and to implement the Good Governance and Anti-Corruption Action Plan.

(b) (i) Strengthening ABT's monitoring capacity, through: (A) the construction of two checkpoints to prevent illegal logging and oversight productive and tourism activities in the the areas north of Ixiamas and San Buenaventura, integrated with axleload controls administered by VIAS BOLIVIA; (B) the provision of vehicles, computers and, communication equipment, for

the carrying out of inspections in the different areas under ABT’s jurisdiction; (C) the provision of technical assistance for the carrying out of studies aimed at: (1) assessing illegal logging in the area benefiting from the Project as well as providing recommendations for diminishing it; and (2) reviewing and updating existing policy on forest concession and updating of its implementation instruments, if necessary (i.e. management plans and financial capacity assessment); (D) the acquisition of high resolution satellite images during Project implementation, for the purposes of tracing changes in forest cover in the area benefiting from the Project; and (E) the carrying out of technical workshops for intercultural communities , indigenous population and municipal authorities on various topics related to sustainable forest management.

(ii) Strengthening SERNAP’s monitoring capacity, through: (A) the provision of personnel, equipment and vehicles for the prevention of illegal logging and poaching in the buffer zone of the eastern border of the Madidi National Park; (B) the construction of a campground facility to serve as headquarters of park rangers, to be located 4 kilometers from Tumupasa, in the village of Sadiri; (C) the carrying out of workshops to strengthen coordination among the different stakeholders present in the Madidi National Park; (D) the preparation of an annual operational plans for the Madidi National Park and its buffer zone; and (E) the provision of technical assistance for the design of a financially sustainable mechanism for the management of the Madidi National Park, as well as a legal and policy framework for granting ecotourism concessions and promoting tourism.

23. To complement these activities, the Government will create and maintain operational a participatory working group for the sustainable development of the area economically benefiting from the project. Said working group may be composed by representatives from affected municipalities, government entities and civil society organizations working in the area, as well as other concerned stakeholders.

V. Financing

Total Project Cost:	129.2
Cofinancing:	29.2
Borrower:	0
Total Bank Financing:	100.0
IBRD	0
IDA	100.0
New	100.0
Recommitted	0

VI. Implementation

A. Institutional and Implementation Arrangements

18. ABC, given its mandate of managing the primary road network will be the implementing agency for Component 1, Improving the San Buenaventura – Ixiamas National Road, as well as for Part (a)(i) and (b) of Component 3.

19. AASANA will be the implementing agency for Component 2, Improving the Rurrenabaque Airport and Part (a)(ii) of Component 3.

20. Each agency, for its respective components, will be responsible for project administration, including financial management, procurement processes, contract management, monitoring and reporting, and for implementation of appropriate safeguards measures to mitigate potential negative impacts. The execution of works will be contracted to construction and/or supply companies with the necessary technical and financial capacity, and supervision of contractor activities will be contracted out to a supervision firm who in addition to technical supervision will be required to provide environmental, social and in the case of the road works, HIV/AIDS monitoring. The project will provide institutional support to ABC and AASANA, targeted to capacity building and project implementation.

21. Further, as activities under Component 3 (b) and (c) entail coordination with a number of government and non-government entities, *Viceministerio de Inversión Pública y Financiamiento Externo* (VIPFE) will have a coordinating role to ensure successful implementation of the activities, while ABC will provide procurement and financial management services for the beneficiaries. VIPFE will engage a designated coordinator with interagency experience.

22. **Fraud and Corruption.** Weak governance is a concern in the procurement and implementation of civil works. The Bolivian anticorruption law significantly increases the penalties for corrupt activities for public servants, purveyors and contractors. Additionally, specific financial management (FM) processes and procedures are included in order to guarantee that project funds are used efficiently for the project's intended purposes. The Bank's procurement procedures and guidelines will also be followed. The Bank's Bank anti-corruption guidelines dated October 16, 2006 and revised in January 2011 will apply.

23. More specifically, at the preparation of the project risk assessment framework, it was concluded that there were some governance weaknesses that may affect reaching the project objectives. Issues were identified in three critical aspects: (i) proper communications and information filling; (ii) low institutional capacity in contract management and monitoring; and (iii) need for ensuring transparency and empowerment of stakeholders. Inputs for improvements in these three critical areas and related mitigation actions and tools, are presented in a Good Governance and Anti-Corruption Action Plan (GAC) in Project Appraisal Document.

24. The practices and processes introduced would help ABC and AASANA to gradually introduce improved governance practices to increase the capacity of the government to effectively manage its resources. In addition, these will also contribute to properly supervise and inspect road construction quality with timely implementation within budget, implement sound policies for communications and information dissemination and establish a robust grievance mechanism.

25. **Proposed Mitigation Measures.** The Bank team conducted a technical, fiduciary and safeguards capacity review of ABC and AASANA. The review served as a basis for determining required support and capacity strengthening measures amongst the designated counterpart staff. Project design includes capacity building and implementation support that would cover both

executing agencies to provide them with the necessary tools and discipline to carry out their functions more effectively. In addition, the project will support AASANA to quickly become engaged and conversant in Bank policies and processes.

26. **Project Supervision.** The Bank team will exercise enhanced supervision of project implementation focused on fiduciary and safeguard aspects of the project. Cumulatively full and partial supervision missions will be performed quarterly in the first two years of implementation. ABC and AASANA will present counterpart teams with its own staff (manned by the necessary technical specialists and specialists in financial management, procurement, social and environment). The agencies have core teams that were responsible for the preparation of the project and that will continue to be responsible for its implementation.

27. **Flow of Funds and Disbursement Arrangements.** On a preliminary basis and following the general practice of the current portfolio, the following disbursement methods may be used to withdraw funds from the credit: i) reimbursement, ii) advance, and iii) direct payment. Taking into account the nature of the activities, as well as the size of the contracts, it is expected that direct payment will become the preferred option.

28. Under the advance method and to facilitate project implementation, **Designated Accounts (DA)** in US dollars would be opened and maintained by ABC and AASANA respectively, who would have direct access to funds advanced by the Bank to the DA. Funds deposited into the DA as advances, would follow Bank's disbursement policies and procedures, to be described in the Legal Agreement and Disbursement Letter.

29. In keeping with current arrangements established by the Viceministry of Treasury and Public Credit for the operation and use of a Single Treasury Account in US dollars (CUT-ME)¹, the DA will be opened and maintained as a separate *Libreta* within the Single Treasury Account in US dollars, which will also operate with a separate *Libreta* within the Single Treasury Account in *Bolivianos*, from which all payments and disbursements to beneficiaries' bank accounts will be processed. Specific processes and procedures for such operation are to be detailed in the project Operational Manual.

B. Results Monitoring and Evaluation

30. ABC and AASANA respectively will be responsible for monitoring the results indicators for the components as shown, including data collection on the indicators from project inception until project closing. This will be the basis for one mid-year and an annual project progress evaluation and reporting. ABC and AASANA have the responsibility to evaluate the indicators at midterm review and at completion of implementation. For reporting purposes, the agencies will assess any changes in values of the monitoring indicators compared to the results obtained the preceding year. Comments, findings, and recommendations for improvements regarding the achievement of the target values for these indicators will be included in the annual progress reports and the mid-term review report.

¹ Supreme Decree No. 29236 dated August 22, 2007

31. A consultant, financed by the project, will support ABC and AASANA in the development of a results monitoring and evaluation system that addresses the project goals and objectives. The consultant will design procedures for data collection, evaluation and reporting, and will conduct a training program for both implementing agencies' staff responsible for Monitoring and Evaluation (M&E).

C. Sustainability

32. ABC ensures the transitability of existing road assets through several activities, including routine and periodic maintenance, preventive works, and maintaining a road inventory. In 2010, ABC allocated USD82 million for road maintenance, USD33 million of which for periodic maintenance and road rehabilitation, and USD49 million for routine maintenance. This level of expenditures, which is considered high in light of a cost of routine maintenance per kilometer per year that exceeds USD3,000 including paved, gravel, and dirt roads, and which surpasses comparable costs in the region, is an indication of strong commitment to maintain the roads².

33. The rehabilitation and expansion of Rurrenabaque Airport started prior to Bank involvement. Financed by the Beni prefecture, the runway has been upgraded to provide an asphalt surface compliant with International Civil Aviation Organization (ICAO) standards; this important safety aspect will increase the attractiveness of air transportation for travel to Rurrenabaque. Following the principle of value-for-money, the user fees for the new facilities can be raised so as to increase revenues and gradually reduce dependence on subsidies.

VII. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	x	
Natural Habitats (OP/BP 4.04)	x	
Pest Management (OP 4.09)		x
Physical Cultural Resources (OP/BP 4.11)	x	
Involuntary Resettlement (OP/BP 4.12)	x	
Indigenous Peoples (OP/BP 4.10)	x	
Forests (OP/BP 4.36)	x	
Safety of Dams (OP/BP 4.37)		x
Projects in Disputed Areas (OP/BP 7.60) [*]		x
Projects on International Waterways (OP/BP 7.50)		x

VIII. Contact point at World Bank and Borrower

² This high per/km expenditure is partly explained by the country's challenging topographical, geological and climate conditions.

^{*} By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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