

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

Report No.: PIDA85461

<b>Project Name</b>	Santa Cruz Road Corridor Connector Project (P152281)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Bolivia
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P152281
<b>Borrower(s)</b>	Government of the Plurinational State of Bolivia
<b>Implementing Agency</b>	Administradora Boliviana de Carreteras (ABC)
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/Updated</b>	27-Jul-2016
<b>Date PID Approved/Disclosed</b>	26-Jul-2016
<b>Estimated Date of Appraisal Completion</b>	14-Jul-2016
<b>Estimated Date of Board Approval</b>	22-Sep-2016
<b>Appraisal Review Decision (from Decision Note)</b>	The chair advised the team that it can proceed to appraisal of the proposed project, once the TTL formally informs the CD that measures being taken to strengthen ABC contract management capacities have advanced sufficiently in the opinion of the team.
<b>Other Decision</b>	No

## **I. Project Context**

### **Country Context**

Bolivia took advantage of a decade of high commodity prices to generate strong growth and build robust macroeconomic indicators. Boosted by gas and mining exports as well as by rapidly increasing public investment, growth averaged around 4.7 percent per year between 2003 and 2015. Good economic performance has allowed for a substantial reduction in poverty and inequality. Higher commodity and food prices and a dynamic domestic demand allowed for a rapid increase in revenues and a reduction in unemployment, both in rural areas where most of the poor are located and for non-tradable sectors in urban areas, particularly those engaging low-skilled workers. As a result, between 2004 and 2014, the average income of the bottom 40 percent of the population increased by 9.6 percent per year, doubling the average income growth for the whole population. This evolution is at the root of the strong poverty reduction - from 63 percent of the population in 2002 to about 39 percent in 2014; extreme poverty fell from 39 percent in 2002 to 17 percent in 2014.

Despite these positive results and reductions in poverty and inequality, Bolivia still faces numerous development challenges. The country still has one of the lowest gross domestic product (GDP) per capita levels in the region while other social indicators, which have improved since the 1990s, are

still below those in neighboring countries. Despite strong public investment and the exceptional recent context, total investment remains low as private investment is among the lowest in the region, including critical investments in gas exploration. In 2013, Bolivia launched the 2025 Patriotic Agenda with the goal of eradicating extreme poverty and translating the increasing prosperity of the country into well-being. To operationalize this Agenda, the Government has launched a five-year Economic and Social Development Plan 2016-2020 (Plan de Desarrollo Economico y Social, PDES), which includes a massive public investment plan.

Since oil prices plummeted in late 2014, Bolivia is facing a less favorable external context, which may put the medium-term macroeconomic framework under pressure. Because of lower gas export-prices, and ensuing lower fiscal revenues, both the current account and fiscal balances turned into sizable deficits in the last couple of years. The current account deficit amounted to 6.6 percent of GDP in 2015 while the fiscal deficit reached 6.9 percent. Similarly, growth decelerated from a peak of 6.8 percent in 2013 to a still robust 4.8 in 2015. In the context of the PDES, the government is aiming to maintain a strong level of public expenditures to avoid lower growth. The ensuing fiscal deficit is being financed by sizable Central Bank loans to public enterprises, higher external public debt and the buffers accumulated during the commodity boom. The external imbalance is eroding the still robust international reserves, which decreased from a peak of US\$15.0 billion in late 2014 to US\$12.2 billion in April 2016 while the government maintains a de facto fixed exchange rate regime. Looking ahead, external and fiscal imbalances are expected to prevail as no rapid recovery of oil prices is expected while the government would maintain its expansionary fiscal policy. This policy path may put the medium-term macroeconomic framework under pressure, as buffers are depleted, public debt increases and if growth does not reach the levels expected by the government.

### **Sectoral and institutional Context**

Bolivia's transportation network comprises 39 airports, of which 7 are classified as international; 2,268 km in two non-contiguous railway systems, the Paraguay-Parana inland waterway and Lake Titicaca with limited passenger and freight transport; and 74,740 km of national road network. From 1990 to date, the nationwide road network has increased by about 70 percent, promoting connectivity as well as lower costs and reduced travel times for passengers and freight. As a landlocked country, Bolivia uses the seaports of neighboring countries.

The road network consists of the primary network covering approximately 16,000 km; departmental network with more than 19,000 km; and a municipal network covering about 40,000 km. With 10 percent of the roads paved and 50 percent dirt roads, the quality of Bolivian roads is lower than in most other countries in the region. Of the primary road network, about 6,000 km are paved, which is an increase of 30 percent since 2006. The growth in traffic volumes on primary network roads during the period 2007-2012 ranges from four percent to eleven percent per year, with the largest increases occurring on routes closest to departmental capitals. Of the length of the paved primary road network, 76 percent had average daily traffic of less than 3,000 vehicles, whereof 9 percent was less than 500 vehicles based on the 2010 traffic survey.

The road sector is strategically relevant to Bolivia's economic development. Bolivia is a landlocked country that is challenged by its geography and topography. The main cities and areas of extractive industries along with agriculture tend to be the economic drivers. The primary road network, instrumental in providing efficient transport services, comprises Bolivia's corridors for trade and economic activity and provides socially important integration between Bolivia's regions. Roads are

key for imports and exports, with a majority of goods trucked from production zones to consumption centers or across borders.

Overall portfolio responsibility for Bolivia's road sector is with the Ministry of Public Works, Services and Housing (Ministerio de Obras Publicas, Servicios y Vivienda, MOPSV), with the primary road network managed by ABC. ABC was formed in 2006 as a result of the restructuring of a previous road agency and has since been challenged with building its capacities to adequately manage the sector while at the same time absorbing increases in its investment budget.

**Strategy.** The country's strategy for the primary road network and on which the prioritized investment program is based, can be summarized as (a) upgrading the primary road network; (b) providing timely and appropriate preservation of road assets through rehabilitation, particularly on the paved primary road network; and (c) delivering routine maintenance on the whole of the primary road network.

**Funding.** In 2014, 31 percent of Bolivia's public investment was in the transport sector, representing five percent of the total budget. Of this investment budget, nearly US\$1 billion was allocated to the primary road network. In the past several years, funding by external financiers has hovered around three-fourths of the investments made, with funding dominated by the Development Bank of Latin America (CAF), the Inter-American Development Bank (IADB), and, until recently, Brazil.

**Connectivity.** The Government has made strategic connectivity one of the main priorities for investment planning for the primary road sector. This includes improving connectivity between all of Bolivia's regions, and building up the part of the road network designated as the Bi-oceanic Corridor (Corredor Bioceanico), connecting Brazil to the ports of Arica and Iquique in Chile in the west, as well as Ilo and Matarani in Peru, by a road connection through Bolivia via two corridor entry points in the east of the Department of Santa Cruz.

**Institutional capacity.** An assessment of ABC's capacities, undertaken in preparation for the Bank-financed Road Sector Capacity Development Project (RSCDP), identified institutional weaknesses that need to be addressed. Key among those were that fiduciary management and contract management need substantial strengthening. ABC recognizes that addressing some of these capacity challenges in the short and medium term is critical to its mission to efficiently deliver on its mandate overall.

**Road asset management.** Under the RSCDP, ABC is launching the first set of multiyear performance-based contracts (PBCs) for preservation of the paved primary road network, and is considering use of Design-Build-Maintain-Operate-Transfer (DBMOT) contracting for future upgrading of the primary road network. The methodology focuses on outputs and not on inputs and measures what is achieved rather than what is done. Under PBCs, the payments made to the contractor are not based on quantities of works measured by unit prices, but rather on measured outputs reflecting the target conditions of the roads under contract, expressed through contractually defined levels of service.

The Government's effort in addressing these key sectoral issues and agendas is being supported with the proposed Project along with the two other projects already in implementation. The relevance of the World Bank Group in the sector is rapidly growing, particularly as it is leading support for capacity development and PBCs.

## II. Proposed Development Objectives

The Project Development Objective (PDO) is to improve transport accessibility along the road corridor between San Ignacio de Velasco and San Jose de Chiquitos.

## III. Project Description

### Component Name

Road Upgrading

### Comments (optional)

### Component Name

Technical Studies and Project Management

### Comments (optional)

## IV. Financing (in USD Million)

Total Project Cost:	230.05	Total Bank Financing:	230.00
Financing Gap:	0.00		
<b>For Loans/Credits/Others</b>			<b>Amount</b>
BORROWER/RECIPIENT			0.05
International Bank for Reconstruction and Development			200.00
International Development Association (IDA)			30.00
Total			230.05

## V. Implementation

As the proposed project's implementing agency, ABC has full responsibility for its technical, fiduciary, and environmental and social aspects. ABC is a decentralized entity of the MOPSV and is granted with its own legal status and technical, administrative, and financial autonomy. ABC has its headquarters in La Paz and nine regional offices in each of the country's departments; each regional office has a similar organizational structure as the headquarters. The agency has about 340 staff, out of which some 200 positions are based in the regional offices, and is further supported by consultants as necessary. A third of the total staff are engineers, whereof half are based regionally. ABC has a decentralized model for its operation, under which the regional offices have responsibility for operational aspects of project implementation, including contract management and subsequent daily works supervision and quality control. For larger investments, ABC headquarters takes a lead on operational and fiduciary aspects with the regional offices providing support. For purposes of day-to-day engagement, ABC has a focal person dedicated to Bank financed projects who coordinates as needed with various units of ABC.

ABC's centralized Construction Unit will carry out the civil works program planning and preparation, as well as monitoring and evaluation. Bid documents for the civil works were prepared by a qualified outside engineering firm and procurement has been initiated. A private engineering consultancy will be engaged for works supervision. ABC's centralized Administrative Unit handles procurement (with support of the Construction Unit) and FM. ABC's Environmental and Social Department is responsible for the overall environmental and social supervision of the proposed

project and its compliance with legislation applicable to the sector. It coordinates, working closely with ABC's Construction Unit, all aspects related to planning, preparation of social and environmental studies, and compensation programs for resettlement and land acquisition.

Comprehensive support is being provided through RSCDP in addressing key capacity weaknesses at ABC, particularly in improving systematic FM, procurement, technical planning, and contract management.

## VI. Safeguard Policies (including public consultation)

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

**Comments (optional)**

## VII. Contact point

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