

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC17238

Project Name	Santa Cruz Road Corridor Connector Project (P152281)
Region	LATIN AMERICA AND CARIBBEAN
Country	Bolivia
Sector(s)	Rural and Inter-Urban Roads and Highways (100%)
Theme(s)	Regional integration (50%), Trade facilitation and market access (50%)
Lending Instrument	Investment Project Financing
Project ID	P152281
Borrower(s)	Government of the Plurinational State of Bolivia
Implementing Agency	Administradora Boliviana de Carreteras (ABC)
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	25-Feb-2015
Date PID Approved/ Disclosed	02-Mar-2015
Estimated Date of Appraisal Completion	08-May-2015
Estimated Date of Board Approval	14-Jul-2015
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Bolivia has taken advantage of a decade of high commodity prices to generate strong growth and build robust macroeconomic indicators. Boosted by gas and mining exports—linked to massive earlier investment—as well as by rapidly increasing public investment, growth has averaged around 5 percent per year since 2004. This context, together with prudent macroeconomic management, allowed fiscal surpluses to be maintained since 2006 and current account surpluses since 2003. These balances allowed accumulating sizable internal and external buffers: fiscal savings approach 30 percent of GDP while international reserves are close to 50 percent of GDP. Due to continuous growth and the MDRI (Multilateral Debt Relief Initiative) public debt strongly decreased from 94 percent of GDP in 2003 to less than 40 percent in 2013.

Good economic performance has allowed for a substantial reduction of poverty and inequality. Higher commodity and food prices, and a dynamic domestic demand allowed for a rapid increase of revenues and a reduction in unemployment, both in rural areas—where most poor are located—and

for non-tradable sectors in urban areas, particularly those engaging low-skilled workers. As a result, the average income of the bottom 40 percent of the population increased by 15 percent per year between 2002 and 2011, three times higher than the average income growth. This is at the root of the strong poverty reduction that passed from 63 percent of the population in 2002 to about 43 in 2012, while extreme poverty fell from 37 percent in 2002 to 21 percent in 2012. The Gini coefficient has also decreased from 0.60 in 2002 to 0.47 in 2012.

In this context, after winning the October 2014 general elections with over 61 percent of the votes, President Morales began his third five-year mandate in January 2015. The ruling party has also ensured a two thirds majority in the Legislative Assembly. In August 2013, the Government presented the 2025 Patriotic Agenda, which among its main goals aims at eradicating extreme poverty and translating growth into living well, a country-specific measure of shared prosperity.

Despite these positive results and reductions in poverty and inequality, Bolivia still faces numerous development challenges. The country still has one of the lowest GDP per capita levels in the LAC region while other social indicators, which have improved since the 1990s, are still below those in neighboring countries. High exports concentration makes economic growth—and the fiscal and external balances—vulnerable to the decline in commodity prices. In fact, the fiscal balance is expected to turn into a deficit in 2014, for the first time since 2006 while the current account surplus declines. Despite strong public investment, total investment remains low—thus also affecting growth prospects—as private investment is among the lowest in the region, despite the exceptional recent context.

Sectoral and Institutional Context

Overall responsibility for Bolivia's road sector is with its Ministerio de Obras Publicas, Servicios y Vivienda (MOPSV – Ministry of Public Works, Services, and Housing), with the primary road network (Red Vial Fundamental - RVF) managed by the national road agency Administradora Boliviana de Carreteras (ABC). The mandate of ABC is to plan, study and design, construct, maintain, preserve, and operate the road network under its responsibility.

The country's road sector strategy can be summarized as (i) expanding and upgrading the primary road network, (ii) providing timely and appropriate periodic maintenance (rehabilitation and repaving), particularly on the paved primary road network, and (iii) delivering routine maintenance on the whole of the primary road network . The first and last elements have received most attention in past few years, while ABC is seeking to balance its focus with attention to the second element of the strategy.

Of the primary road network of 16,000 km , more than 6,000 km are paved, while the remainder is either gravel or dirt roads. Bolivia's highway network is not yet “mature” and still requires significant development to address the mobility needs of the country's remote areas. However, in the past 7 years, the paved part of the primary road network has expanded by about 2,000 km, a development that in a relatively short period has absorbed the doubling of allocations to the road sector, in nominal terms, between 2006 and 2013. In 2013, about US\$550 million of treasury allocations went to roads.

A concerted effort is underway to build up the part of the road network designated as Corredor Bioceánico, connecting Brazil to the ports of Arica and Iquique in Chile in the west, by a road connection through Bolivia via two corridor entry points in the east of the Department of Santa

Cruz: San Matias (northern corridor) and Puerto Suarez (southern corridor).

The proposed operation will support the borrower in upgrading a corridor connector between the northern and southern transit corridors, which will benefit the population in the area with better local connectivity as well as facilitate transit traffic. A successful operation will support the government in its effort to build up the Corredor Bioceanico. The Project is linked to the World Bank Group's corporate goals of eliminating extreme poverty and boosting the welfare of the bottom 40 percent of the population in direct and indirect ways. At the most direct level, employment opportunities are created in road rehabilitation works. Moreover, improving the quality of sub-standard highway and bridges will reduce time and costs associated with transportation, resulting in more trips of less duration along the improved corridor connector, as well as lower prices for the transportation of goods. The envisioned activities are also expected to generate multiplier effects in the local economies particularly through forward linkages, which often include the spending of earnings during construction in food outlets and shops located at project sites.

Relationship to CAS

The Project adheres to the three design principles of the Bolivia Country Partnership Strategy (CPS) for 2012-2015 : (i) alignment with Government priorities, (ii) selectivity, and (iii) coordination with development partners. Further, the Project directly relates to Results Area 1, Sustainable Productive Development and supports aspects of Results Area 3, Human Development and Access to Basic Services and Results Area 4, Public Sector Effectiveness. The CPS recognized the lesson that fragmentation of operations poses high transaction costs to the Government, as do complex institutional arrangements. Moreover, the Country Assistance Strategy Completion Report for FY 2004-2011, presented as annex 2 of the CPS, identifies important experiences that are considered in the choice of the financing instrument and design of the Program, including the need for Bank flexibility, listening to country priorities, and focus on showing results.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The projects Development Objectives (PDO) are to support the Recipient in reducing transport costs, travel time and road fatalities between San Ignacio de Velasco and San Jose de Chiquitos.

Key Results (From PCN)

Achievement to the above PDO is proposed to be measured by the following key indicators: (i) Reduced transport cost and travel time along the project area; (ii) Improved road safety through design of rehabilitation works.

III. Preliminary Description

Concept Description

The proposed operation is envisioned as a single road investment aiming at reducing transport costs, travel time and road fatalities in a corridor connector between two main corridors coming out of Brazil. The project will also fund study for future investment on the northern San Matias – San Ignacio de Velasco corridor. No specific institutional strengthening activities are planned under the operation.

The proposed road upgrading is of about 203 km connecting the towns of San Ignacio de Velasco - San Jose de Chiquitos in the Department of Santa Cruz. The road is on a north-south axis, and

connects the two main east-west corridors coming out of and going to Brazil. From a technical standpoint the upgrading of the road is uncomplicated and which for the most part will follow the existing alignment and thus largely be within already established Right-of-Way. There will be two bypasses needed to avoid heavy vehicle traffic in populated areas (in San Miguel and in San Ignacio) and straightening of alignment by San Diablo hill. Construction will be needed for 3 small bridges (35m, 40m and 46m) and a handful of existing bridges will be replaced by large box culverts. Total culverts needed on the length of the route are about 300. The terrain is mostly flat to gently rolling hills.

A three year old technical, economic, social and environmental study for the upgrading of the corridor connector exists. On basis of Bank comments, ABC is having the study updated, with new traffic count, rationalization of the design, a new economic assessment, amended environmental management plans and indigenous consultations.

From environmental perspective there appear to be no substantive issues. On the social side, some resettlement is expected because of the bypasses especially. The area is populated by the Chiquitos indigenous group and perhaps there are Ayoreos in the region. Triggering of following safeguard policies are expected: (i) OP/BP 4.01 (Environmental Assessment); (ii) OP/BP 4.04 (Natural Habitats); (iii) OP/BP 4.10 (Indigenous Peoples); OP/BP 4.11 (Physical Cultural Resources); and (v) OP/BP 4.12 (Involuntary Resettlement).

The proposed project will likely have two components: (i) Upgrading of San Ignacio de Velasco-San Jose de Chiquitos road; and (ii) Study for upgrading the San Matias – San Ignacio de Velasco road corridor.

Component 1: Upgrading of San Ignacio de Velasco-San Jose de Chiquitos road (about 203 km) – estimated cost US\$228 million. This component will finance a conventional input type of contract for improvement of the corridor connector between the two main corridors coming out of Brazil, about 300 km from the borders of Bolivia and Brazil. The road is important to Bolivia's effort in upgrading the transit corridor from Brazil to Chile, to give better connectivity to Bolivian beneficiaries in the area and beyond and will reduce cost of transport.

Component 2: Study for upgrading the San Matias – San Ignacio de Velasco road corridor – estimated cost US\$2 million. This component will finance a technical, economic, environmental and social study and bid documents for upgrading of the northern road corridor from Brazil (San Matias to San Ignacio de Velasco). Discussions are underway to explore ABC interest in introducing through the study a possible Design-Build-Maintain-Operate-Transfer (DBMOT) contracting methodology, which is performance and results-based and has worldwide been found to improve efficiency in road asset management. The road is not expected to have any major environmental or social impacts.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Financing (in USD Million)

Total Project Cost:	230.00	Total Bank Financing:	130.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			100.00
International Bank for Reconstruction and Development			130.00
Total			230.00

VI. Contact point

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