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RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
NATIONAL ROADS AND AIRPORT INFRASTRUCTURE PROJECT
APPROVED ON MAY 5, 2011
TO
PLURINATIONAL STATE OF BOLIVIA

TRANSPORT & DIGITAL DEVELOPMENT
LATIN AMERICA AND CARIBBEAN

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
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<tr>
<td>P122007</td>
<td>Investment Project Financing</td>
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<table>
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<td>05-May-2011</td>
<td>07-Oct-2018</td>
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Organizations

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<th>Borrower</th>
<th>Responsible Agency</th>
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<td>Plurinational State of Bolivia</td>
<td>AASANA, Administradora Boliviana de Carreteras (ABC)</td>
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Project Development Objective (PDO)

Original PDO

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.

Summary Status of Financing

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<th>Ln/Cr/Tf</th>
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<th>Signing</th>
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<th>Closing</th>
<th>Net Commitment</th>
<th>Net Disbursed</th>
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Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
1. The proposed Restructuring seeks to extend the closing date of the BOLIVIA: NATIONAL ROADS AND AIRPORT INFRASTRUCTURE PROJECT (Credit 4923-BO, P122007) from October 7, 2018 to August 7, 2022, an extension of 46 months. This extension in addition to the 2 months extension provided on July 24, 2018 equals the 48 months (four year) extension as per the Government of Bolivia (GoB)'s request dated July 6, 2018. This would be the third extension of the closing date for a cumulative period of 67 months. The Project Development Objectives (PDOs) are to improve: (i) year-round transitability of the San Buenaventura–Ixiamas National Road; and (ii) safety, security and operational reliability of the Rurrenabaque Airport. The extension is needed to achieve the PDOs by fully and satisfactorily executing the works at the San Buenaventura – Ixiamas road and the Rurrenabaque Airport, and to ensure institutional strengthening and other associated activities under the Project.

2. To date, the Project has been extended two times: the first extension of 19 months (from December 31, 2016 to August 7, 2018) was provided on December 14, 2016 to compensate for significant implementation delays at the start of the Project. The second extension of two months (from August 7, 2018 to October 7, 2018) was provided on July 24, 2018 to allow the implementing agency Administradora Boliviana de Carreteras (ABC) to meet the two prior conditions indicated on the supervision firm payment, and the submission of the overdue audit report. This restructuring covers a proposed third extension of 46 months from October 7, 2018 to August 7, 2022 to fully allow all Project components to be successfully implemented to their conclusion.

3. During the period August 2018-September 2018, the two conditions set in the July 2018 extension have been fulfilled in a manner satisfactory to the Bank. ABC sent the detailed information of the supervision firm payment resolution on August 20, 2018. The ABC audit report was submitted on September 4, 2018; it has an unqualified opinion from the auditors. The achievement of these two key conditions, in conjunction with the rebidding of the road construction works in sight as well as the continued satisfactory implementation of the Administracion de Aeropuertos y Servicios Auxiliares a la Navegacion Aerea (AASANA) component, is expected to put the Project back on course. Over the last months, the GoB took important steps to turn around the performance of the executing entities, with much closer monitoring and follow-up. Provision of the extension in the closing date at this time, and processing of an Additional Financing (AF) in the extension period (under separate processing) to cover financing shortfalls is expected to enable the Project to fully achieve its PDOs.

4. Project Status: The International Development Association (IDA) Credit 4923-BO in the amount of Special Drawing Rights (SDR) 69.65 million (US$109.5 million equivalent at time of approval) was approved on May 5, 2011 and became effective on April 10, 2012. The achievement of the PDOs is supported by the three Project Components: (1) Improving the San Buenaventura-Ixiamas National Road (US$118.2 million of which US$103.5 million is Bank financed) -this component covers 91 percent of the Project funds; (2) Improving the Rurrenabaque Airport (US$6.0 million fully Bank financed) -this component covers 5 percent of the Project funds; and (3) Institutional Strengthening of ABC (road agency) and AASANA (airport agency), and other relevant entities (US$ 5.0 million, fully GoB financed) -this component covers 4 percent of the Project funds. Between effectiveness and early 2017, the Project had a slow advance. The major issues that have affected implementation were: (i) time lost between approval and effectiveness (readiness for implementation not in place and no resources available before effectiveness); in Component 1: (ii) a first failed procurement process for civil works at the San Buenaventura – Ixiamas road; (iii) poor performance of the civil works contractor on the two lots of the San Buenaventura-Ixiamas road, eventually resulting in the contractor’s abandonment of works in April 2017; (iii) termination resolution delays; (iv) change in the payment modality for the supervision contract of the San Buenaventura-Ixiamas road in violation of contract requirements; in Component 2: (v) slow implementation of the Rurrenabaque airport due to land compensation issues that were outside of the control of the executing entity, and subsequent delays in procurement processes; and in Component 3: (vi) very low progress due to lack of Government action regarding the required institutional support tasks. The Project is 53 percent
The World Bank  
National Roads and Airport Infrastructure Project (P122007)

dischursed, for a total of SDR36.91 million (US$51.29 million equivalent). Neither the loan in particular, nor the country (Bolivia) in general, is subject to an ongoing suspension of disbursements. The Project does not have any outstanding audit reports or audit reports which are not satisfactory to the Bank.

Component 1: San Buenaventura-Ixiamas National Road

6. Component 1 is being executed through a two-lot civil works contract and a single supervision. The implementation of this component faced significant issues in April 2017 when the foreign employees of the contractor left the work site, presumably related to the company entering pre-bankruptcy proceedings in Spain the day before. Since then, the contractor has neither maintained presence in the works site nor executed any works on the road. ABC terminated the contracts the same month. The process to prepare the final statements of accounts and reconcile any payments due is currently underway, and nearing completion. ABC has kept the road sections transitable in the meantime with its own local maintenance contracts. In the interim, the Bank has also agreed to the financing of two small preservation and road safety contracts (approximately US$250,000 each) to ensure that investments are not lost, and road safety is sustained.

7. From the total Credit disbursed amount of SDR36.91 million (US$51.29 million equivalent), SDR35.6 million (US$49.4 million equivalent) was spent on Component 1. Of this amount, SDR33.9 million (US$46.9 million equivalent) was spent on the civil works contracts. The other SDR1,7 million (US$2.4 million equivalent) was spent on the supervision of the works, the Indigenous Peoples’ Plan (IPP) and Project audits. At the time of contracts termination, physical progress on the San Buenaventura-Ixiamas road stood at 24 percent. Project activities undertaken by the contractor between June 2015 and April 2017 included clearing and grubbing of the road, road widening, earthworks (including subgrade, subbase, base), laying of the asphalt wearing course totaling to some 6 kilometers, as well as installation of culverts, and the start of bridge constructions at various sites on the road. The road is currently transitable due to the continuous maintenance efforts of ABC, but with important travel constraints especially over the river crossing sections.

8. The supervision consultant is still under contract. However, since there are no major works on site, ABC suspended the contract in August 2017. ABC has corrected the payment modality for the supervision stage, which had been altered without the prior no objection of the Bank. Payments were made for 2014-2017 in August 2018. Given that the supervision consultant was also instructed to carry out extra work, ABC is also reviewing a request for a contract modification submitted to them on September 6, 2018. The supervision contract will be closed out with ABC’s review and attention to the contract modification request, and Bank’s no objection as appropriate. If the Project extension is granted, a new procurement process for supervision will be launched immediately.

9. The implementation of the “soft components” of the IPP for both the Tacana in the TCO Tacana I community, and Eyiyoquiibo Esse Ejja indigenous community has continued even with the stagnation of works. However, the “hard” infrastructure constructions envisaged under the contractor’s contracts have not progressed and the representatives of the indigenous communities have expressed concern. With this proposed extension, this issue can be fully addressed. With a new design, the Resettlement Action Plan (RAP) would be updated within the first four months of the extension, and fully implemented. There is no foreseeable constraint to implementing the road works since the right of way is largely established over the road length.

10. As a result of the abandonment of the road works by the contractor, a number of ex-workers, ex-suppliers and other third parties were left stranded with back-due payments or debts. The situation is being handled by the court system in Bolivia, with the active follow-up by ABC’s legal and technical teams. As this is a contractual legal matter
between the parties under private sector regulations, the Bank is monitoring the progress, but cannot get involved in its resolution.

11. To date, ABC has fully updated the two road lots designs under Component 1. The Bank has provided its no objection to the technical design. If the proposed extension is approved, bidding documents will be updated quickly and submitted for the Bank’s no objection, and works will be expected to resume immediately once the new contractor/s is/are procured. If the proposed extension is approved, the expected timeline for this would be: (i) bidding launch – November 2018; (ii) contracting – June 2019; (iii) re-initiation of works – July 2019; (iv) completion of the works – July 2021; and (v) administrative close-out of the contracts – July 2022 (due to a one-year defects liability period).

Component 2: Rurrenabaque Airport

12. Component 2 is executed by the airport agency AASANA, which is responsible for most airports in Bolivia. The scope of the component is upgrading of a small regional airport in Rurrenabaque, including construction of a terminal and air control tower, apron and taxiway to runway, equipment provision, as well as assembly of a fire truck. All civil works and supervision have been contracted and works finally started in May 2018 after a prolonged delay that was out of the control of AASANA (compensation to two landowners affected by the construction of the airport’s track financed by the local government before Project approval). This Component has had a significant turnaround since January 2018 and is progressing satisfactorily. SDR 1.35 million (US$1.92 million equivalent) has been disbursed so far to finance civil works construction and supervision, and the purchase of the fire truck. If the proposed extension is approved, the expected timeline for the completion of this component would be: (i) completion of the works – May 2020; and (v) administrative close-out of the contracts – May 2021 (due to a one-year defects liability period).

Component 3: Institutional Strengthening

13. Component 3 aims to support institutional strengthening of ABC and AASANA, as well as Servicio Nacional de Areas Protegidas (SERNAP) and Autoridad de Bosques y Tierra (ABT), the agencies for protected areas, and forest and land, respectively. The component also envisioned creation and operationalization of a participatory working group for the sustainable development of the Project area. The Ministry of Development Planning is responsible for the Component, which is fully funded by the GoB. To date, very limited financing has been provided to ABC for institutional strengthening, and none to SERNAP and ABT. The working group was never formed because the GoB indicated that it wanted to work on territorial development plans on its own and not via a singular Project with external financing. If the extension is approved, this Component would need to be restructured (modify the source of financing, or add or remove activities in the Component) in early 2019, and its implementation would be continuous till Project closing.

Additional Financing Requirements

14. An extension of the closing date from October 7, 2018 to August 7, 2022 is a necessary but not sufficient action for the Project’s achievement of its development objectives. Given additional costs because of scaled up works on the San Buenaventura-Ixiamas Road (bridges, weigh stations, tolling plazas), inflation, exchange rate losses, and the need for additional equipment at Rurrenabaque airport, an AF of an estimated US$100-US$110 million will need to be processed to enable the Borrower to complete the implementation of the Project and fully achieve the desired development objectives. The Borrower is expected to submit this request for consideration within the next six months.
Risks

15. The main risks associated with the Project are: (i) the risk of non-completion leading to an unsatisfactory Project development outcome; (ii) road condition risks due to the abandonment of works; (iii) procurement delay risks when launching the new bidding processes for a contractor and supervision firm, (iv) safeguard risks in the implementation of the Indigenous Peoples Plan (IPP), and the Resettlement Action Plan (RAP), and (v) financing risks due to shortfalls in financing of the totality of the necessary works and activities. These risks are being mitigated respectively by: (i) the preparation of this restructuring package to extend the closing date; (ii) the ongoing procurement of two small preservation and road safety contracts; (iii) advance preparation and approval of designs, updating of bidding documents and active support of procurement experts, and close due diligence by the Government and Bank teams; (iv) close collaboration and dialogue with the affected Indigenous Peoples (IP) communities, frontloading the IP constructions in the Contractor’s work program, and hiring consultants to update and implement the RAP; and (v) proposed preparation of an AF.

16. Rationale for Closing Date Extension. The PDOs remain highly relevant for Bolivia, and the achievement of the same is expected to be highly beneficial to the inhabitants of the Beni and Pando departments (in an area largely occupied by indigenous communities). The extension under this proposed Restructuring is necessary to enable the achievement of the Project objectives by: (i) completing the construction of the San Buenaventura-Ixiamas road, (ii) implementing the unfinished IPP for both the TCO Tacana I and Esse Ejja communities in the Project area, (iii) completing the civil works and installation of equipment for a modernized facility and services at the Rurrenabaque airport, and, (iv) delivering the necessary institutional strengthening through the restructuring of Component 3. The Government has prioritized the San Buenaventura-Ixiamas road connection, and the Rurrenabaque airport improvement in its development plan. The Project will significantly improve access to economic and social opportunities for the target population including better access to markets, jobs, health, education, and administrative services. The Project once successfully executed will also contribute to greater economic integration between the region and the rest of the country as well as to Brazil by providing critical transport linkages (road and airport). Improvement of the capacity, safety and security at Rurrenabaque airport is a significant priority for the promotion of tourism in the region. Strengthening of capacities of ABC, AASANA, SERNAP and ABT also remains a core objective to be fulfilled to ensure a more sustainable development of the Project area.

17. While this Project has had significant implementation delays with a long and checkered history, there are tangible indications of improvement on all key fronts. The decisive actions taken by the GoB in overhauling management at ABC, diligently following through on commitments including the resolution of the long outstanding supervision payments issue, updating of the San Buenaventura-Ixiamas road designs, finally launching the construction works at the Rurrenabaque airport, and bringing a supervision firm on board, among many other actions are very encouraging. Recent events demonstrate that the GoB has taken credible steps to improve the adequate execution of investments in the road sector. These events are an indicator of forward positive momentum for Project implementation. Given the fulfillment of the two prior conditions, the Project’s Implementation Progress has been upgraded from “Unsatisfactory” to “Moderately Unsatisfactory”. If the Project extension is granted, Project implementation will be able to move forward immediately.

18. Proposed changes. The sole change requested under this Restructuring is the extension of the Project Closing date for an additional 46 months to August 7, 2022.
## III. DETAILED CHANGES

### LOAN CLOSING DATE(S)

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