

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BOLIVIA

**NEIGHBORHOOD IMPROVEMENT MULTIPHASE PROGRAM,
PHASE I**

(BO-L1038)

LOAN PROPOSAL

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ABBREVIATIONS

FNDR	Fondo Nacional de Desarrollo Regional [National Fund for Regional Development]
FSO	Fund for Special Operations
GBO	Gobierno de Bolivia [Government of Bolivia]
GMLP	Gobierno Municipal de La Paz [Municipal Government of La Paz]
IDB	Inter-American Development Bank
MLP	Municipalidad de La Paz [Municipality of La Paz]
MOPSV	Ministry of Public Works, Services, and Housing
OC	Ordinary Capital
PMB	Programa Integral de Mejoramiento de Barrios [Comprehensive Neighborhood Improvement Program]
PNRR	Plan Nacional de Rehabilitación y Reconstrucción [National Rehabilitation and Reconstruction Plan]
POR	Program Operating Regulations
UBV	Unidad de Barrios de Verdad [True Neighborhoods Unit]
USAID	United States Agency for International Development
VIPFE	Viceministerio de Inversión Pública y Financiamiento Externo [Vice Ministry of Public Investment and External Financing]
VMVU	Vice Ministry of Housing and Urban Development

PROJECT SUMMARY

BOLIVIA NEIGHBORHOOD IMPROVEMENT MULTIPHASE PROGRAM, PHASE I (BO-L1038)

Financial Terms and Conditions								
Borrower: Republic of Bolivia Executing agency: Ministry of Public Works, Services, and Housing through the Vice Ministry of Housing and Urban Development, the National Fund for Regional Development (FNDR), and Municipality of La Paz (MLP)				Financing source:		OC	FSO	
				Amortization period:		30 years	40 years	
				Grace period:		5.5 years	40 years	
Source	Amount (US\$ millions)			%	Disbursement period:		5 years	5 years
	Phase I	Phase II	Total		Interest rate:		Adjustable	0.25%
IDB (FSO)	9	9	18	83	Inspection and supervision fee:		*	0%
IDB (OC)	21	21	42		Credit fee:		*	0%
Local	6	6	12	17	Currency:		U.S. dollar from the Single Currency Facility	US\$
Total	36	36	72	100				
Project at a glance								
Project objective:								
The general objective of the proposed operation is to improve the living conditions of the very poor in the country's urban areas.								
Components:								
Phase I of the program will be divided into two components: (i) neighborhood improvement in the Municipality of La Paz (US\$13 million) and (ii) neighborhood improvement in other municipalities of the country and program overhead costs (US\$23 million).								
Special contractual conditions:								
For disbursement of financing for component I: (i) agreements must have been signed between the borrower and the GMLP setting out the obligations of the parties, and (ii) the Operating Regulations for the component must be in effect; and for disbursement of financing for component II: (i) an agreement must have been signed between the borrower and the FNDR setting out the obligations of the parties, and (ii) the Operating Regulations must be in effect (paragraph 3.5); (paragraph 3.4).								
Exceptions to Bank policies: None.								
Procurement: Program procurement will be carried out in accordance with Bank policies (documents GN-2349-7 and GN-2350-7)								
Project consistent with country strategy: Yes [X] No []								
Project qualifies as: SEQ [] PTI [X] Sector [X] Geographic [] Headcount [X]								

* The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. BACKGROUND AND DESCRIPTION

A. Background and rationale

- 1.1 In La Paz, as in the rest of Bolivia, approximately one third of all families live in informal settlements. Informal settlements have been created through the illegal subdivision of land, once beyond the urban perimeter, that is now being absorbed into the city as it expands. Generally speaking these subdivisions are created by the owners, with standard layouts, but without basic services or public facilities, or legal documentation evidencing tenure.
- 1.2 The geographical characteristics of the land on which informal settlements or neighborhoods are built vary considerably, depending on the location. In the eastern part of the country, like El Alto, the terrain is flat and parcels of land more extensive, whereas in the western part, like La Paz, parcels of land tend to be located on very steep inclines, with instability problems. In all of these areas, the vast majority of the inhabitants are poor.
- 1.3 To improve the living conditions of the families in these settlements, the Bolivian government, as part of its housing and civic participation policies, has been implementing comprehensive neighborhood improvement programs (PMBs) with considerable success. This is because the programs focus on the basic needs of the very poor and on the involvement of the community and different levels of government in planning and implementation.
- 1.4 The Bank's housing policy support program (document 1006/SF-BO), now being completed, was a pioneering effort in supporting projects of this type. The program's neighborhood improvement component benefited some 25,000 families in more than 100 Bolivian neighborhoods. The Bank's first program included several other components to implement housing policies, support housing agencies, and finance housing construction. It was the neighborhood improvement component, however, that proved to be most successful of all.
- 1.5 The lessons learned from the neighborhood improvement component of the previous Bank operation as well as the experiences of the counterparts can be applied to the present operation: (i) community participation is essential throughout the PMB cycle; (ii) institutional capacity is uneven at the local government level, with some requiring advisory assistance from intermediate levels of government; the Municipality of La Paz (MLP) now has the institutional capacity to execute its PMBs; (iii) as the physical requirements vary from one neighborhood to the next, the PMB needs to be able to offer more flexible services; and (iv) the construction process can be simplified if basic infrastructure works are executed under a single contract.
- 1.6 The PMBs funded through this and similar programs begin with a request from the communities to the local government indicating their needs, priorities, organization, and commitments to the proposed program. The local government reviews the request to see whether the neighborhood meets the requirements of the municipal and PMB regulations (Operating Regulations) and to ensure the local counterpart

will be available. The National Fund for Regional Development (FNDR) is then notified of the projects that have been preselected and offers advisory assistance to the municipality with final design, the bidding process, and supervision of the works.

- 1.7 PMBs generally include basic infrastructure components (water, storm and sanitary sewers, road improvement, drainage, electricity and lighting); public facilities; community development; regularization of property rights; and, in some cases, sanitary modules for dwellings without indoor plumbing. The final selection of the components for each project depends on the characteristics of the settlement and is based on a broad participatory process with the community; but all these basic services must be guaranteed.
- 1.8 **Other development agencies** are working on PMBs in Bolivia, owing to an acceptance of the technical focus described above. After exhausting the funding provided under the first IDB program, several municipios have continued to carry out PMBs with funding of their own and from other financing agencies (the United States Agency for International Development (USAID), the World Bank, the Bolivarian Republic of Venezuela). The present operation complements those other efforts.
- 1.9 Notwithstanding the achievements made to address the needs of families and to develop and finance the neighborhood improvement system, strong challenges remain in terms of a continued expansion of coverage and improving and consolidating the institutional framework underpinning these programs.
- 1.10 The Municipality of La Paz is one of the municipalities that has gone the furthest in supporting the PMBs. It has some 200 informal settlements or neighborhoods in urban areas and 56 in rural areas on the urban perimeter. Urban and rural areas are served by separate programs. In urban areas, the current government administration selected, through a competitive process, 87 neighborhoods to be targeted, of which 51 have now been or are being improved, and 21 more are proposed for this operation. For the neighborhoods that have already been improved, the MLP received financing from several sources, including the first IDB loan, the World Bank, and the Government of the Bolivarian Republic of Venezuela.
- 1.11 At the national level, the National Rehabilitation and Reconstruction Plan (PNRR) was conceived mainly to assist the victims of El Niño (2006-2007) and La Niña (2007-2008). The plan includes 270 neighborhood or housing improvement projects in the areas affected by these severe climatic disturbances.
- 1.12 Against this background, the Bolivian government has proposed the present neighborhood improvement operation to the Bank. The **Bank's Country Strategy with Bolivia** (2008-2010) went to the Programming Committee of the Bank's Board of Executive Directors on 29 September 2008. The proposed operation is fully compatible with the objective of this strategy insofar as its key objective is

“eradicating poverty and expanding access to basic services...”¹ The present program has been accorded priority “A” status in the Bank’s country programming with Bolivia for 2008. The program contributes to the PNRR, which is a priority government program.

B. Objective, components, and cost

- 1.13 The general **objective** of the proposed operation is to improve the living conditions of the very poor in the country’s urban areas.
- 1.14 To accomplish this aim, the program **strategy** will: (i) channel resources from efforts to fight poverty to initiatives to meet the basic needs of the very poor in urban areas; (ii) carry this out through a focus on neighborhood improvement programs that have demonstrated their efficiency in terms of social impact and poverty reduction; (iii) apply the action plan that the Municipality of La Paz and the national government have been developing over the past decade, and improve on it; and (iv) have national coverage, but with greater emphasis the MLP in phase I, given the existing preparedness and institutional capacity.
- 1.15 A multiphase program is proposed since: (i) the actual demand that exists nationwide exceeds by far the resources now available; and (ii) the institutional model of action needs to be further developed at the national level in order to address the demand.
- 1.16 Phase I of the program will be divided into two **components**: (i) neighborhood improvement in the Municipality of La Paz; and (ii) neighborhood improvement in the country’s other municipalities.
- 1.17 **Component I. Neighborhood improvement for the Municipality of La Paz (US\$13 million).** This component will finance approximately 16 projects in 21 neighborhoods in 5 of La Paz’s 9 macrodistricts. The 16 projects will bring benefits to some 12,350 persons in 2,940 families. This component also includes funding (US\$50,000) for the purchase of a vehicle and motorcycles to strengthen the Unidad de Barrios de Verdad [True Neighborhoods Unit] (UBV).
- 1.18 Each neighborhood improvement project has two components: physical infrastructure and community development. The physical component includes road works, risk management, environmental systems (squares, parks, slope protection works, reforestation), community facilities (community centers, day care centers, sports fields), basic services (water, storm and sanitary sewers, electricity, and lighting) and sanitary modules. The community development component includes strengthening of the neighborhood organization and regularization of the property cadastre. The final selection of works for each project depends on the characteristics of the settlement, and is based on a broad participatory process with the community, where the basic infrastructure services listed are assured.

¹ IDB document GN-2485-1.

- 1.19 La Paz's 21 neighborhoods were selected through open calls for proposals, based on the project profiles presented by the neighborhood organizations. The proposals describe the characteristics of the neighborhood and the proposed project. The project selection was based on the following main criteria: degree of community organization and ownership of the project by families in the neighborhood, project cost and number of families benefited, community contribution, and compliance with municipal standards and regulations.
- 1.20 **Component II. Neighborhood improvement in other municipalities and program overhead costs (US\$23 million).** This component will finance approximately 25 neighborhood improvement projects in other municipalities of the country and will benefit approximately 7,000 families. The neighborhoods must meet the prioritization and eligibility criteria specified in the program Operating Regulations, with priority given to those in the PNRR.
- 1.21 These projects, like the ones in La Paz, have two components (physical infrastructure and community development), and the same elements: road works, basic services, risk management, environmental systems, community facilities, strengthening of the neighborhood organization, and legal regularization of tenure.
- 1.22 For all municipalities except La Paz, neighborhoods will be selected according to the scope of the proposed neighborhood improvements presented by the municipalities. Preference will be given to those projects in the PNRR that meet the following eligibility criteria, which will be set out in the Operating Regulations: (i) percentage of families with family incomes of less than three times the minimum wage; (ii) a minimum percentage of inhabited lots and owner occupied lots; (iii) a minimum number of lots per neighborhood; (iv) feasibility of services, indicated by the local government and the community organization; (v) the projects must not be in incompatible use areas; (vi) the projects must not be in critical risk areas, or, if so, the cost of mitigation or correction must be included in the project cost; (vii) threshold investment per project; and (viii) maximum investment per lot².
- 1.23 Five projects in the sample for this component were selected on the basis of these criteria, in the municipalities of Sucre, Cochabamba (2), and El Alto (2). These projects together will benefit approximately 2,200 families and ensure for each neighborhood improvement project the basic infrastructure described above (paragraphs 1.18 and 1.21); however, the cost per family will vary significantly (from US\$1,250 to US\$3,700), depending on the topography of the land, services available in the neighborhoods, and the need for special environmental protection works.
- 1.24 The component also includes funding (US\$700,000) for: (i) overall coordination in the Vice Ministry of Housing and Urban Development (US\$20,000); (ii) consulting services and information system upgrades to strengthen municipalities outside the capital (US\$80,000); (iii) preparation of the remaining component II projects and

² In October 2008 prices.

those of phase II of the program (US\$250,000); and (iv) commissioning of program evaluations and audits (US\$350,000).

C. Results framework and key indicators

- 1.25 The program outcomes will be measured, as specified in the Operating Regulations (*link*), through indicators relating to: (i) number of families served; (ii) beneficiary neighborhood access to basic services, such as water and sewer service, treated roads, energy, and public lighting; (iii) access to public spaces or facilities, such as day-care centers, sports fields, parks, and community centers; (iv) drains constructed, slopes stabilized, surface area planted with trees, polluted areas eliminated, access to regular solid waste collection service; (v) municipalities and communities requesting and participating in the program, families that have participated in decision-making on public investment in their neighborhood; and (vi) institutional strengthening. The program results matrix, which presents these indicators in summary form together with the annual targets, appears in Annex I.
- 1.26 The works to be executed in each neighborhood vary according to the community's needs and priorities. For the MLP, such needs and priorities have already been identified, and there is a breakdown of the proposed targets; these are summarized under key indicators in Table 1.1. For the rest of the country, the targets will be set once each municipality has determined its needs and priorities.
- 1.27 Table 1.1 shows the triggers for phase II; to ensure continuity between the phases, these triggers should be reached within 48 months after the loan contract is signed. These targets are also shown in the program results matrix.

Table 1.1. Phase II program activities

Objectives	Phase II triggers
Improving living conditions for the very poor of La Paz	Ten neighborhood improvement projects completed, meaning that at least 1,200 families have gained access to treated vehicular roads, transportation stops, and public lighting, 1,100 families have received sanitary modules, and 740 families have processed their property documents.
	Procurement completed for 16 neighborhood improvement projects.
Bolivia	Procurement completed for at least 15 neighborhood improvement projects.
	Procurement completed for at least 25 neighborhood improvement projects.
Strengthening the PMB institutional framework at the national level	The FNDR has approved and municipalities have procured the respective firms to build and supervise at least 25 neighborhood improvement projects.

II. FINANCING STRUCTURE

- 2.1 The total cost of phase I of the program will be US\$36 million. The Bank will provide US\$30 million, in a financing blend of US\$9 million from the Fund for Special Operations (FSO) and US\$21 million from the Ordinary Capital (OC). The local counterpart funding will be US\$6 million. The program financing will be apportioned as follows: US\$13 million to the Municipal Government of La Paz (GMLP), US\$ 22.3 million to neighborhood improvement programs in municipalities elsewhere in the country, and US\$700,000 to institutional strengthening.
- 2.2 Table 2.1 presents the program costs by component and source of financing.

Table 2.1. Phase I costs (US\$000s)

Item	IDB	Bolivia	Total cost
1. Component I (GMLP)	13,000	0	13,000
Neighborhood improvement projects	12,950	0	12,950
Institutional strengthening UBV/GMLP	50	0	50
2. Component II (other municipalities and program)	16,650	6,000	22,650
2.1 Neighborhood improvement projects and FNDR administration	16,300	6,000	22,300
2.2 Institutional strengthening – MLP	20		20
2.3 Institutional strengthening – other municipalities	80		80
2.4 Project preparation – component II and phase II	250		250
3. Program audits and evaluation	350		350
4. Program finance expenses	0		0
TOTAL	30,000	6,000	36,000

- 2.3 The execution period is estimated to be 54 months, and the disbursement period 60 months. Table 2.2 presents the disbursement schedule by source of financing.

Table 2.2. Projected schedule of disbursements by source (US\$000s)

Financing source	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	9,000	8,000	8,000	3,000	2,000	30,000
Local	500	1,500	1,500	1,500	1,000	6,000
TOTAL	9,500	9,500	9,500	4,500	3,000	36,000

- 2.4 There will be two revolving funds, one for each component, in a maximum amount of 10% of the Bank financing for each component. Each executing agency will present to the Bank a semiannual report on the status of the revolving fund for which it is responsible, within 60 calendar days after the end of each six-month period or on a date to be agreed with the Bank.
- 2.5 In January 2009, the GMLP would begin construction on all component I works, for which final designs are now ready. The designs have been reviewed and

approved by the Bank. Since the bidding will take place before the operation is approved by the Bank's Board of Executive Directors, the GMLP will finance the bidding expenses out of its annual budget, although it has indicated its preference to have such outlays recognized retroactively to a maximum of US\$7 million.

III. EXECUTION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower will be the Republic of Bolivia. The Ministry of Public Works, Services, and Housing (MOPSV) through the Vice Ministry of Housing and Urban Development (VMVU) will be the central coordinating unit. The executing agencies will be the MLP for component I, and the FNDR and the municipalities concerned for component II.
- 3.2 The MOPSV through the VMVU will establish general guidelines, present reports to the IDB, and commission program evaluations and audits.
- 3.3 Component I is being executed by the GMLP through its UBV. The UBV will be responsible for issuance of competitive calls for proposals for neighborhood selection, project designs, bidding, and works supervision. It will also submit progress and financial reports. The IDB will ensure the flow of funds for this component directly through the GMLP, which will transfer the resources to the UBV for administration.
- 3.4 For component II, the FNDR will provide technical and financial advisory services, and make disbursements to the municipalities to enable them to meet the targets. The FNDR will provide the necessary staff and resources to complete this task. The municipalities will guarantee a local contribution of at least 30% of the project amount and handle the bidding, execution, and supervision of the works. The IDB will disburse the funding for this component to the FNDR, which will transfer it to the municipalities as the agreed targets are met. As in the first program, the FNDR will charge a fee for its services. The process is described in the Operating Regulations ([link](#)). **The approval and entry into force of the Operating Regulations for each component previously approved by the IDB will be a condition precedent to disbursement of the financing for each component.**
- 3.5 To ensure these steps are properly regulated, the central government, through the Ministry of Finance, will sign a number of agreements governing such areas as: (i) the way in which the resources are to be transferred; (ii) the commitment to execute the program activities in accordance with the contractual conditions and the Operating Regulations; and (iii) the commitment to provide the counterpart resources. The Bolivian government will sign these agreements with the GMLP and the FNDR. The latter will enter into an agreement with each municipality regulating the areas mentioned above in the central government agreements. **The signing of an agreement between the borrower and the GMLP setting out the obligations of the parties with respect to component I will be a condition precedent to the**

first disbursement of the financing for that component. Also, the signing of a financing agreement between the borrower and the FNDR will be a condition precedent to the first disbursement of the financing for component II.

B. Procurement

- 3.6 Procurement of works and consulting services will be carried out in accordance with the relevant Bank policies (documents GN-2349-7 and GN-2350-7). The table below lists the procurement methods that will be used:

Table 3.1. Procurement methods for works and consulting services

Procurement category	Procurement method³	Procurement amount	Supervision plan
Works	ICB	Contract amount > US\$3 million	Ex ante review for all contracts
	NCB	US\$3 million > contract amount > US\$250,000	Ex ante review for all contracts
	OCP	Contract amount < US\$250,000	Ex post review
Consulting firms	Competitive method with international advertisement	Contract amount > US\$200,000	Ex ante review for all contracts (requires advertising on the UNDB Online and IDB websites).
	Competitive method with national advertisement	Contract amount > US\$200,000	Ex ante review for all contracts (for contracts under US\$200,000, the short list may consist of national consultants).
Individual consultants	Comparison of consultants' qualifications	Any amount	Ex post review (for contracts over US\$60,000, a public invitation is required).

C. Monitoring and evaluation of results

- 3.7 To ensure effective monitoring of actions throughout program execution, the VMVU will implement a program monitoring and evaluation system, consisting of: (i) a system for physical and financial monitoring of all projects and actions implemented, based on the UBV and FNDR reports; (ii) semiannual progress reports to the IDB, reporting on the rate of advance of the program and all pertinent developments within 60 calendar days after the end of each six-month period or on a date to be agreed with the Bank; and (iii) a final evaluation and midterm evaluation, to measure program effectiveness based on the indicators in the results matrix.
- 3.8 The midterm evaluation will need to be submitted to the Bank 24 months into the program. The final evaluation report, which will serve as input for phase II of the program, and the project completion report will need to be submitted within

³ ICB: International Competitive Bidding; NCB: National Competitive Bidding; OCP: Open Call for Proposals.

90 days after the date on which 90% of the financing has been disbursed. These reports will include: (i) the results of financial performance by component; (ii) the progress made in reaching the target outcomes of each component and of the program as a whole, in accordance with the indicators in the results matrix; (iii) lessons learned from program execution and their implications for the design of future operations; (iv) the operation and maintenance status of the completed works and services; (v) a social and environmental impact summary, the application of environmental mitigation measures, the execution process, and the situation of families receiving housing under the program, among other considerations; and (vi) a summary of the results of all audits performed during the program. These evaluations will be carried out by consulting firms hired by the MOPSV through the VMVU and financed with loan resources.

- 3.9 Every year for the duration of the program, the MOPSV through the VMVU will submit the audited financial statements of the program. External audits will be conducted by acceptable independent auditors financed by the program, based on terms of reference previously approved by the Bank in accordance with the requirements of AF-100 and AF-300 norms. The program's annual audited financial statements will be presented within 120 days after the end of each fiscal year. The program closing audit reports will be submitted within 120 days after the last disbursement.

IV. VIABILITY AND MAJOR RISKS

A. Technical viability

- 4.1 Although the works to be financed under the program will be carried out on an integrated basis, they are not particularly complex from an engineering standpoint and their construction and operation will entail no special technical difficulties. Technologies traditionally used in urban development, storm drainage works, water supply networks, and sewer systems will be deployed.
- 4.2 The final designs of all 16 projects in the MLP have now been completed and the bidding process is ready to get under way. Most of them (75%) were reviewed by the Bank and the UBV made such modifications as were necessary to comply with the Bank's recommendations. Also reviewed was a sample (31%) of project profiles for other municipalities and the final designs are being prepared. It was confirmed that the projects had been prepared in accordance with generally accepted engineering standards and principles and are technically viable. Accordingly, the projected flow of disbursements is considered feasible.

B. Environmental viability

- 4.3 The Committee on Environment and Social Review recommended on 5 September 2008 that an environmental and social management report be prepared ([link](#)). The study has indicated that the program works are intended to improve the social, economic, and environmental conditions of the beneficiary families and

neighborhoods, with clearly favorable impacts. The main benefits will be improvements in sanitary conditions, public health, access to services, and environmental risk control, especially landslides in the MLP and floods in other municipalities included in the PNNR.

- 4.4 The program Operating Regulations include a series of measures to prevent certain negative effects arising in the neighborhoods or as a result of the program. The measures include the addition or improvement of connections between the neighborhoods and the city, environmental risk controls, especially landslide and flood protection, rehabilitation of flora, measures to reduce the negative effects of the construction stage, and training and community involvement. The Operating Regulations also stipulate that each project profile must include an environmental evaluation in the form of a simple technical brief.

C. Fiduciary viability

- 4.5 The program will use an execution model identical to the one used in the previous Bank operation, with the same institutions participating. The MOPSV through the VMVU as the central coordinating agency was already fulfilling several of its main functions, like policy formulation, during the program design stage.
- 4.6 The other executing agencies, the FNDR, the MLP, and other municipalities in Bolivia, which will be responsible for direct execution of components I and II, already have experience with PMBs. These agencies demonstrated their capacity to execute operations of this type during the Bank's previous operation, especially in its final phase. Many of these agencies have continued to develop their executing capacity through other programs they have implemented with financing from other sources. While the operation was being designed, the Committee on Environment and Social Impact analyzed all the institutions to ensure that they had the necessary executing capacity. The analysis identified certain specific areas in need of support in all of the agencies, and such support is included in the program.

D. Economic and social viability

- 4.7 Based on the information available, the economic analysis focused on: (i) a diagnostic assessment of the main problems existing in the neighborhoods and the characteristics of the target group; (ii) the economic benefits associated with the improvements envisaged; (iii) whether per family investment costs were reasonable; and (iv) the revenue impacts associated with property titling.
- 4.8 The **main problems** in the neighborhoods in La Paz as well as the rest of the country have to do with low levels of basic service coverage, particularly water and sewer service (resulting in a higher incidence of diarrheal diseases), difficulties of access to and movement within the neighborhoods (increasing travel times), lack of adequate spaces for recreation and leisure, and irregular land tenure (with negative effects on family perception of security). In addition, especially in the cases of La Paz and El Alto, there are material and human losses associated with inadequate

natural disaster control. The specific program components focus on addressing these problems.

- 4.9 Based on existing studies of hedonic pricing, once the activities envisaged have been completed, **property values** are expected to rise between 40% and 80%, depending on the works involved.⁴ This would mean an appraised value of US\$4,000 to US\$8,000 per dwelling, a figure higher than the investment costs per family (US\$3,700). These **benefits will be strongly targeted** since, on average, 9 out of every 10 families are considered poor or extremely poor.⁵
- 4.10 The **cost analysis** concentrated on identifying possible deviations not explained by technical factors or market prices. Corrections were proposed to prices and quantities of works in the event of such deviations. The cost analysis also helped identify the investment threshold per family, which is one of the basic eligibility criteria.
- 4.11 Lastly, it has been noted that one of the effects of projects of this kind in the city of La Paz (Neighborhood Improvement I) has been to spur neighborhood residents to regularize title and property rights, with an ensuing increase of approximately 42% in **property tax revenues**. On average, titled properties would contribute approximately US\$6 per year in **property tax**. This figure represents a negligible proportion of family income (0.3%).

E. Risks

- 4.12 A constitutional referendum and primary elections for national and municipal authorities will be held while this operation is being approved and launched. The Bolivian government and the GMLP have stressed that this program is key to ensuring the continuity of their social and urban policies, as well as supporting a potential transition phase. The political climate and a possible change of municipal authorities, however, may complicate start-up of the operation. To minimize this risk, the Bank approved a nonreimbursable technical-cooperation program (ATN/SF-11016-BO) to assist with the design and launch of the operation. There have been assurances that the program is a priority for the nation and the MLP and is consistent with the strategic plans of the government and the GMLP. Efforts will be made to inform the elected authorities and enlist their support.
- 4.13 The institutional arrangement for program execution, although identical to the one used in the previous program, is complex and may be affected by the national political climate. The UBV of the GMLP is an executing agency of proven capacity that has now prepared the final designs of all PMBs to be financed under the program. Several other municipalities have also already prepared their project profiles based on their experience with the previous program and will receive the

⁴ World Bank, "Estudio de evaluación socioeconómica para el municipio de La Paz", April 2006.

⁵ Based on information for neighborhoods of La Paz. For the rest of the country, no processed information at the neighborhood level is available; however, benefits tend to be concentrated in municipalities with high levels of poverty.

necessary technical assistance from the FNDR, which also participated in the previous program, although its institutional structure has been modified. The MOPSV is an institutional actor that has now been discharging the functions assigned to it under the program although it has undergone changes recently and will have to assume the role of coordinator.

BOLIVIA
NEIGHBORHOOD IMPROVEMENT MULTIPHASE PROGRAM, PHASE I
(BO-L1038)

RESULTS MATRIX

General objective of the program:		Improving housing conditions for low-income groups in Bolivia.						
Outcomes indicators: at end of program		Baseline		Goal	Comments			
Informal settlements for which basic needs have been served by the GMLP since 2005 are increasing.		51		72	Increase corresponds to the number of settlements served by the program, according to certificates of acceptance by the municipality.			
100% of the PMBs included in the PNRR are served.		0		20	Corresponds to the number of settlements served by the program, according to certificates of acceptance by the municipality.			
Objective of component I		Improving the quality of life of families in La Paz neighborhoods						
Component I		Base	Year 1	Year 2	Year 3	Year 4	Target	Comments
<u>Outputs</u> Comprehensive neighborhood improvement programs executed in the MLP, by program Families with access to treated roads, transportation stops, and public lighting Families that received sanitary modules Families with property title processed		0	4 500 200 125	15 1,200 480 300	2 2,950 1,180 740	0	21 neighborhoods	Indicates neighborhoods completed According to certificates of acceptance by the municipality.
Objective of Component II		Improving living conditions of neighborhoods in other municipalities						
Component II		Base	Year 1	Year 2	Year 3	Year 4	Target	Comments
<u>Outputs</u> Comprehensive neighborhood improvement programs executed, by program		0	0	5	15	5	25 neighborhoods	Indicates neighborhoods completed According to certificates of acceptance by the municipality.

BOLIVIA
NEIGHBORHOOD IMPROVEMENT MULTIPHASE PROGRAM, PHASE I
(BO-L1038)

SUMMARY TABLE – PROCUREMENT PLAN

Reference No.	Contract description and estimated procurement cost	Estimated procurement cost (US\$ 000s)	Procurement method ¹	Review (ex ante/ex post)	Financing source and percentage		Prequalification (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)	Comments
					IDB %	Local / other %		Publication of specific procurement notice	Contract completion		
	1. Goods										
	○ Lot 1 Office equipment for VIPFE	15	PC	Ex ante	100	0	No	3rd quarter 2009	4th quarter 2009	Pending	
	○ Lot 2 Office equipment and software for municipalities	65	PC	Ex ante	100	0	No	1st quarter 2010	3rd quarter 2010	Pending	
	○ Lot 3 Vehicle and motorcycles for UBV	50	NCB	Ex ante	100	0	No	2nd quarter 2009	4th quarter 2009	Pending	
	2. Works										
	○ Works 1 Construction of neighborhood improvement works First 16 MLP projects	800 each on average	NCB	Ex ante	100	0	Yes	4th quarter 2008 – 2nd quarter 2009	4th quarter 2009 – 4th quarter 2010	Pending	16 contracts for works in 21 neighborhoods; some contracts may be clustered
	○ Works 2 Construction of project works Pueblo Nuevo, Sucre	790	NCB	Ex ante	70	30	Yes	2nd quarter 2009	2nd quarter 2010	Pending	
	○ Works 3 Construction of project works Neighborhoods Sur, Oeste, and 14 de Sept., Cochabamba	1,338	NCB	Ex ante	70	30	Yes	3rd quarter 2009	4th quarter 2010	Pending	2 neighborhoods

¹ **PC:** Price comparison; **NCB:** National competitive bidding; **QCBS:** Quality- and cost-based selection; **CQS:** Selection based on the consultants' qualifications.

Reference No.	Contract description and estimated procurement cost	Estimated procurement cost (US\$ 000s)	Procurement method ¹	Review (ex ante/ex post)	Financing source and percentage		Prequalification (Yes/No)	Estimated dates		Status (pending, in process, awarded, canceled)	Comments
					IDB %	Local / other %		Publication of specific procurement notice	Contract completion		
	<ul style="list-style-type: none"> Works 4 Construction of works Neighborhoods Franz Tamayo and Gran Poder, El Alto	2,070	NCB	Ex ante	70	30	Yes	2nd quarter 2009	2nd quarter 2009	Pending	2 neighborhoods, may be 1 or 2 contracts
	<ul style="list-style-type: none"> Works 5 Construction of project works Other municipalities	18,300 total	NCB	Ex ante	70	30	Yes	4th quarter 2009	4th quarter 2010 – 2nd quarter 2011	Pending	Several contracts for approx. 20 neighborhoods
	3. Consulting services										
	<ul style="list-style-type: none"> Consultancy 1 Several contracts for final engineering design Phase II projects	250 total	QCBS	Ex ante	100	0	No	3rd quarter 2009	3rd quarter 2010	Pending	Contracts are expected to be executed for approx. 20 projects; some may be clustered.
	<ul style="list-style-type: none"> Consultancy 2 Studies for software and data-processing programs Municipalities	15	CQS	Ex ante	100	0	No	3rd quarter 2009	3rd quarter 2010	Pending	
	<ul style="list-style-type: none"> Consultancy 3 Midterm program evaluation	25	CQS	Ex ante	100	0	No	4th quarter 2010	1st quarter 2011	Pending	
	<ul style="list-style-type: none"> Consultancy 4 Final program evaluation	25	CQS	Ex ante	100	0	No	1st quarter 2012	3rd quarter 2012	Pending	
	<ul style="list-style-type: none"> Consultancy 5 Program audits	100	QCBS	Ex ante	100	0	No	2nd quarter 2009	4th quarter 2012	Pending	Audits for 4 years of execution