

JAPANESE TRUST FUND FOR CONSULTANCY SERVICES (JCF)

TECHNICAL COOPERATION PROFILE

I. BASIC PROJECT DATA

Beneficiary country:	Guatemala
Project name:	Support of the Preparation of Aurora-Cañas Central Corridor Project, Guatemala City
Project number:	GU-T1076
Project team:	Francesco Lanzafame (ICF/FMM), Team Leader; Damaris León (ICF/FMM); and Juan Carlos Pérez-Segnini (LEG/SGO).
Executing agency:	Inter-American Development Bank (IADB), through the Fiscal and Municipal Management Division (FMM).
Beneficiaries:	Municipality of Guatemala
Date of request:	March 26, 2007
Financing plan:	IDB (JCF): US\$ 1,340,000 Local: US\$ 692,071 Total: US\$ 2,032,071
Approval tentative date:	March 30, 2008
Execution period:	Nine (9) months
Disbursement period:	Twelve (12) months

II. BACKGROUND

- 2.1 Guatemala is the largest city in Central America with more than 2 million inhabitants. However, its development is at a critical point and is following an unsustainable physical, social, economic and environmental model. That model presents an accelerated pattern of horizontal expansion towards the peripheries, as the residents leave behind the depressed central neighborhood moving to other sectors of the city. Paradoxically, this central urban area has a strategic location, an easy access road system, good infrastructure and an important concentration of urban heritage represented by neoclassical¹ and eclectic² buildings and public spaces. This valuable infrastructure is an underused potential resource for the development of the city.

¹ Catedral Metropolitana, Antiguo Colegio de Infantes, Palacio Arzobispal, Universidad de San Carlos, Templo de Santo Domingo, Templo de la Merced y la Fuente de Carlos III among others.

² Palacio Nacional de la Cultura, Palacio de Correos, Palacio de la Policía, Centro Cívico.

- 2.2 The city's growth model, also results in the degradation of the natural environment, especially in cliffs, watersheds and forests located over the edges of the urban spot, compromising the future ecological balance of the area; as well as the irrational use of resources and existing infrastructure.
- 2.3 Some indicators of the zone's deterioration are: (i) the gradual loss of medium and high income residents; (ii) the proliferation of illegal or substandard tenements; (iii) the invasion of the public space by street vendors; (iv) the increase of trading focus on low-income population, informal economy; (v) insecurity; and (vi) and environmental degradation.
- 2.4 The Guatemala City central zone was developed throughout three main historical moments: the pathways and traces of the preexistent towns of the XVII century, the historic founding traces from 1776 and the urban development traces from the end of the XIX century. This central zone, distributed on an extension of approximately 22 Km², shows an uneven development, featured by low housing and constructing densities, social and physical deterioration in public spaces, and loss of interest from investors.
- 2.5 The Municipality of Guatemala already makes important efforts to reorient the prevailing urban development model. The city's 2020 Master Plan proposes the vision for the next 15 years, of **A City to Live in**, which would be socially reliable, competitive, and environmentally responsible. Consequently, the Municipality has initiated, amongst other actions, the preparation of the Territorial Ordinance Plan, the first phase of *Transmetro*³, and the recovery of the Historical Center.
- 2.6 The Private Sector has demonstrated a strong and growing interest in working in partnership with the Municipality; examples of this are: *4º Norte*⁴ in which the Municipality contributed with investment in public infrastructure (sidewalks, streets, etc.) and the actualization of the regulatory framework for the area, while *Asociación 4º Norte* invested in the estate recuperation and business development; *Plaza 11 de Marzo* which has been concessioned to *Fundación CRECER*⁵ for its restoration which includes the addition of parking spaces underneath it; and the project of revitalization of *Cerro del Carmen* park, which is jointly developed by *Fundación Teoxché* (fund raising) and the Municipality (contribution with public services and infrastructure). At the same time, investors are beginning to show interest in investing in the patrimonial estate area.

³ Intermodal Surface Transportation System.

⁴ One of the most important "leisure & culture" new spaces of Guatemala City. Located within the direct influence area of the CACC, the Cultural District of 4º Norte was developed under a special municipal regulation with alliance with the private investors. It constitutes an example of project for the whole CACC intervention.

⁵ CRECER Foundation is a private non profit association created by local businessmen to promote social and productive development of Guatemala City, through public-private partnership.

- 2.7 Considering the Center's strategic location and its underused potential, the Municipality of Guatemala has selected the Aurora Cañas Central Corridor (CACC), with an approximate extension of 2.4 km², as a framework to orient and promote the revitalization of the city's central zone.
- 2.8 The proposed CACC project pretend to impulse a radical transformation in the quality of the physical, environmental, social, economic and cultural urban life. In the physical sphere it includes the renovation of infrastructure, the recovery of public spaces, improved mobility and universal accessibility (even for people with disabilities). In the environmental one, the development of an environmental management plan (modernization of public transportation, *rutas verdes*, garbage treatment, green areas, etc.). In the social sphere, it promotes public participation in a secured environment and protection of vulnerable groups, while maintaining the existing physical and intangible culture. From the economic perspective, it encourages the re-densification, tourism, cultural activities, information and technological enterprises, the development of micro-enterprises and alliances with the private sector. In addition, financial, legal, institutional and communication aspects are incorporated to set the technical basis for the whole project. (See www.urbanistica.org.gt/descargas).
- 2.9 In order to achieve the CACC objective the municipality moved a step forward and started the design of a **specific Master Plan for the area (CACC Master Plan)**. The proposed Plan was developed based on land use, mobility and traffic corridors, infrastructure, historical patrimony, and socioeconomic aspects. It also include the identification of specific Priority Revitalization Nucleus (PRN). These Nucleus are concentrate along the sixth and seventh avenues, which are two of the main avenues in the city (approximately 7.5 kilometers long), connecting the most significant sectors of the central area such as the *Hipódromo-Jocotenango*, the Central Nucleus of the Historical Center, the 18th Street Walk, the Civic Center, the *Cantón Exposición*, the *Tívoli Plaza* and the *Plaza España*. (See www.urbanistica.org.gt/descargas).
- 2.10 The CACC Master Plan was prepared by the Municipality trough *Urbanistica*⁶, a municipal bureau, created to promote the city's development. It is composed by a multidisciplinary team which works on the proposal, creation and management of new city urban model through urban planning and design. The Urbanistica team is integrated and supported by the municipal unit of *Planificación Urbana, Infraestructura Vial, Movilidad y Transporte*.
- 2.11 In spite of the efforts realized until now, before moving to the implementation stage, the Master Plan needs to be complemented with: (i) socioeconomic, environmental and feasibility studies; (ii) identification of additional interventions, including projects that have the potential to generate cascade effects; (iii) development of a specific Public-Private Partnership model (PPP) for

⁶ Municipal Bureau integrated by multidisciplinary team which works on the proposal, creation and management of new city urban model through urban planning and designs; to promote the city's development.

the CACC; and (iv) strengthening of *Urbanística*, as the municipal department in charge of promoting the urban development of the central zone.

- 2.12 The CACC Project is included in the context of the Bank's Strategy with Guatemala (2004/2007) as it incorporates excluded sectors to the productive processes, contributing to the reduction of poverty. The CACC is also compatible with the Bank's institutional strategy. The design process will take in consideration the very successful experiences of the Bank's operations in Quito, La Paz and Valparaiso amongst others.

III. OBJECTIVE AND DESCRIPTION

A. Objective

- 3.1 The TC's objective is to support the Municipality of Guatemala in finalize the CACC Master Plan, complementing the existing proposal with all the information and instruments necessary for a successful implementation
- 3.2 To achieve this goal, the TC will ensure that the projects selected for the CACC are feasible and sustainable in each of the following dimensions: urban, environmental, social, cultural and economic, as well as in all legal, institutional, security and communication aspects. The CACC investment project is not on the present pipeline, though it is expected to be included in it, and presented to the IDB for financing in 2008.

B. Description

- 3.3 To achieve this main objective the TC will be articulated trough the following specific components: (i) complementation and finalization of the CACC Master Plan; (ii) development of a Public-Private Partnership (PPP) institutional model that ensures sustainability for the project; (iii) strengthen *Urbanística*; and (iv) design of a monitoring and evaluation system for the project.

1. Component I: Complementation and finalization of the CACC Master Plan

- 3.4 This component will be developed trough three main stages: the revision of the proposed CACC Master Plan; the development of specific projects (urban, economic, social and environmental) that are key for the integral redevelopment of the area; and the development of transversal activities.
- a. ***Revision of CACC Master Plan.*** Review and complement existing diagnosis of the CACC to validate its proposal.
- b. ***Development of specific projects.*** Based on the previous analysis, specific projects will be developed, according to the CACC Master Plan indication and the priorities identified. The projects will be distributed in four main

areas: urban development, social sustainability, economic development; and environment.

- c. Transversal activities.* Additionally, the TC will finance transversal activities, which will be developed to support the CACC Master Plan and the preparation of the Bank loan operation. (i) Develop cost-benefit analyses and financial feasibility of the proposed investments; (ii) Develop a preliminary Environmental and Social Impact Assessments, as well as its mitigation plans; and (iii) Feasibility studies of prioritized projects.

2. Component II: Public-Private Partnership Model (PPP)

- 3.5 The TC will support the Municipality of Guatemala in a strategy directed to seek for complementary private investment alternatives, which will accelerate, dynamize and enrich the process of developing and executing the CACC Project. In this context the TC will finance the: identification and analysis of key stakeholders' (building and businesses owners, residents, investors, and public sector), and the development of a proposal of a sustainable institutional mechanism to execute and manage the CACC Project with the participation of the private sector.

3. Component III: Strengthening of *Urbanistica*

- 3.6 The TC will also contribute to strengthen Taller Urbanisticas's technical and institutional capabilities, particularly in urban research, planning and supervising activities.

4. Component IV: Monitoring and Evaluation Design

- 3.7 Finally, the TC will finance the design of a monitoring and evaluation system, including data collection, guidelines for its operation, an evaluation strategy with baseline data, and indicators for development impact, periodic reporting to be carried out as well as an evaluation with control groups, if possible.

IV. BUDGET

- 4.1 The estimated cost of the technical-cooperation project is US\$2,032,071, of which the Japanese Trust Fund would finance US\$1,340,000 for Consultancy Services (JCF). The Municipality of Guatemala will provide matching funds for US\$692,071, mainly in the form of in-kind contributions and through the provision of personnel of the *Urbanistica*'s Office and other resources, to design specific projects under orientation of the firm.

Category	Number of Months	Cost per Month (US\$)	JFC Total (US\$)	Local Counterpart (US\$)	TOTAL (US\$)
Component 1: Strategic Plan			490,200	299,625	789,825
National Honorarium	54	3,800	205,200	0	205,200
International Honorarium	28.5	10,000	285,000	0	285,000
Counterpart Honorarium	0	0	0	299,625	229,625
Component 2: Public-Private Partnership Model			64,200	25,500	89,700
National Honorarium	9	3,800	34,200	0	34,200
International Honorarium	3	10,000	30,000	0	25,000
Counterpart Honorarium	0	0	0	25,500	25,500
Component 3: Strengthening of Urbanistica's Office			70,400	78,625	149,025
National Honorarium	8	3,800	30,400	0	30,400
International Honorarium	4	10,000	40,000	0	40,000
Counterpart Honorarium	0	0	0	78,625	78,625
Component 4: Monitoring and Evaluation			19,500	0	19,500
National Honorarium	2.5	3,800	9,500	0	9,500
International Honorarium	1	10,000	10,000	0	10,000
Counterpart Honorarium	0	0	0	0	0
Travel and per diem			288,420	0	288,420
Travel			85,500	0	85,500
Per diem			202,920	0	202,920
Overhead			201,000	0	201,000
Overhead			201,000	0	201,000
Other Expenses			144,820	255,365	400,185
Equipment (software and hardware):			95,000	0	95,000
General Local Support:			0	255,365	255,365
Workshops:			30,000	0	30,000
Research Assistant			19,820	0	19,820
Contingencias			61,460	32,956	94,416
Contingencias			61,460	32,956	94,416
TOTAL:			1,340,000	692,071	2,032,071

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The Bank, through the ICF/FMM Division, will be the executing agency. This scheme was adopted based on the operating guidelines for application and implementation of projects with the Japanese Trust Fund for Consultancy Services (JCF).
- 5.2 The beneficiary will be the Municipality of Guatemala through the Taller Urbanistica, who is responsible for the CACC Master Plan development and implementation.

VI. BENEFITS AND RISK

- 6.1 The most important benefit of the project resides in the better utilization of existing city's infrastructure and other underutilized resources of the abandoned central zones. For a viable return, the project proposes an integral recuperation of the physical and social public spaces, the promotion of the productive forces and the attraction of new residents and users in the rehabilitated central area.
- 6.2 The main risks of the project are:
- a. The political discontinuation and public-private disarticulation. To mitigate this risk, the TC has foreseen the construction of a Public-Private Partnership model in a participative way, to coordinate the long-term integral development of the CACC Project, ensuring its continuity through different municipal managements.
 - b. The lack of investor's motivation. After the successful experience of 4° Norte, the Private Sector has demonstrated a strong and growing interest in investing in the recuperation of central urban areas. Investors themselves have articulated a couple of associations to promote and implement urban revitalization projects, such as the recently concessioned (BOT) *Plaza 11 de Marzo*, and the Project of Revitalization of *Cerro del Carmen* Park.
 - c. The experience developed to similar projects, show that some social segments that can feel threatened by the urban renovation, especially the street vendors and vulnerable groups who have lived at the marginality of the abandoned public spaces. To mitigate this risk, the TC has included a component of Social Sustainability, which aims to include these groups as beneficiaries of the project. In this context, between others, will be developed a "Program for the Modernization of the Popular Trade", and the definition of mechanisms to retain residents. Additionally, the creation of a communication and public awareness system will disseminate information to all stakeholders and the community, to promote their participation.

VII. ACTION PLAN

- 7.1 The Bank's project team is expecting to complete the internal formal approval procedures for the technical-cooperation project by March, 2008. The technical cooperation project should be completed by December 2008.
- 7.2 The final products of the technical-cooperation project will be essential to support the preparation of the expected Bank's loan operation for the CACC Program.

VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 8.1 The TC project, as such, is not expected to generate environmental concerns of any sort. Nonetheless, it includes the development of preliminary Environmental and Social Impact Assessments of specific projects identified in the Strategic Plan for CACC, and the preparation of its detailed mitigation plans for implementing the CACC project in a tapered and progressive manner, including specific measures to mitigate likely social and environmental impacts. It also foresees the creation of a permanent communication and public awareness system.

Aprobación:

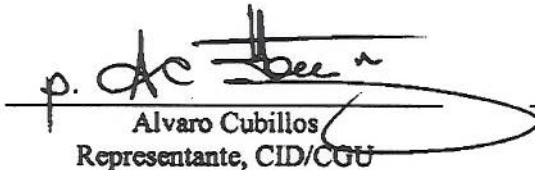


Mario Marcel
Gerente, VPS/ICF

31/01/2008

fecha

Vo.Bo.:

p. 
Alvaro Cubillos
Representante, CID/CGU

31/01/08

fecha

Vo.Bo.:


Vicente Fretes
Jefe, ICE/FMM

25/01/08

fecha

MINISTERIO DE FINANZAS PUBLICAS .. 0188
GUATEMALA, C. A.

26 de marzo de 2007

Señor
Philippe Dewez
Representante
Banco Interamericano de Desarrollo -BID-
Ciudad

Señor Representante:

Me permito hacer de su conocimiento que en oficio del 6 de marzo de 2007 el Alcalde Metropolitano, Sr. Alvaro Arzú, (copia adjunta), solicitó a este Ministerio presentar ante el Banco Interamericano de Desarrollo -BID- la No Objeción para continuar con el trámite correspondiente de una Cooperación Técnica no Reembolsable, hasta por US\$1,339.800.00, destinada a financiar la Consultoría Técnica "Apoyo para la Preparación del Proyecto Corredor Central Aurora-Cañas, Ciudad de Guatemala", cuyos recursos provendrán del Fondo Japonés (JCF) que administra el Banco.

Sobre el particular, en mi calidad de Gobernador Titular por la República de Guatemala ante el BID presento la **NO OBJECION**, para que esa Institución continúe con la gestión de la citada cooperación técnica.

Al agradecer el apoyo financiero que el Banco brinda a nuestro país, es grato reiterarle las muestras de mi consideración y estima,


Hugo Eduardo Beteta Méndez - Ruiz
MINISTRO DE FINANZAS PUBLICAS



Adjunto: lo indicado

DCPI/JAFC/GyN/MA/amrc