

I. Basic Information for TC

▪ Country/Region:	GUATEMALA
▪ TC Name:	Structuring and Co-financing of the CA-9 North Corridor
▪ TC Number:	GU-T1296
▪ Team Leader/Members:	Alem, Mauro (INE/TSP) Team Leader; Cortes Forero, Rene Alejandro (INE/TSP) Alternate Team Leader; Aoki, Issei (INE/ENE); Barragan Crespo, Enrique Ignacio (LEG/SGO); Castro Otto, Rodrigo Ismael (VPC/FMP); Escovar Bernal, Maria Alejandra (CSD/RND); Esquivel Gallegos, Maricarmen (CSD/CCS); Fioravanti, Reinaldo Daniel (INE/TSP); Hidrovo, Marcela Vanessa (VPC/FMP); Lefevre, Benoit Jean Marie (CSD/CCS); Libby Hernandez, Margarita (INT/TIN); Noboa Lopez, Nathaly Sofia (INE/TSP); Rodriguez Gonzalez, Roberto Eduardo (INE/TSP); Rosa Da Silva Cruvinel, Rodrigo (INE/TSP); Samayoa, Jorge Omar (CSD/CCS); Sosa Villatoro, Ana Ayme (CSD/CCS); Suarez Aleman, Ancor (VPC/002); Torres Gracia, Daniel (INE/TSP); Vieitez Martinez, Daniel (VPC/002); Villatoro, Ana Ayme (CSD/CCS); Suarez Aleman, Ancor (VPC/002); Torres Gracia, Daniel (INE/TSP); Vieitez Martinez, Daniel (VPC/002); Villatoro, Ana Ayme (CSD/CCS); Suarez Aleman, Ancor (VPC/002); Torres Gracia, Daniel (INE/TSP); Vieitez Martinez, Daniel (VPC/002); Villatoro, Ana Ayme (CSD/CCS); Suarez Aleman, Ancor (VPC/002); Torres Gracia, Daniel (INE/TSP); Vieitez Martinez, Daniel (VPC/002)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	GU-L1170
▪ Date of TC Abstract authorization:	04 Dec 2020
▪ Beneficiary:	Ministry of Communications, Infrastructure and Housing (CIV) and Ministry of Public Finance (MINFIN)
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	NDC Pipeline Accelerator Multidonor Trust Fund(ACL); OC Strategic Development Program for Infrastructure(INF)
▪ IDB Funding Requested:	NDC Pipeline Accelerator Multidonor Trust Fund (ACL): US\$200,000.00 OC Strategic Development Program for Infrastructure (INF): US\$250,000.00 Total: US\$450,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	September 1st, 2021
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	INE/TSP-Transport
▪ Unit of Disbursement Responsibility:	INE/INE-Infrastructure and Energy Sector
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Economic integration; Institutional capacity and rule of law; Environmental sustainability; Gender equality; Diversity

II. Description of the Associated Loan/Guarantee

- 2.1 At the request of the Government of Guatemala, the IDB is preparing a loan operation (CA-9 Road Corridor Development - GU-L1170), which seeks to modernize and expand the productive infrastructure of the country, through the rehabilitation,

improvement, and maintenance of the CA-9 North highway, which will result in lower logistic costs, the movement of people and regional integration, and the resilience of infrastructure to the effects of climate change.

- 2.2 This loan will finance the expansion of the first stretch of the corridor and it will finance activities related with: (i) expansion to four lanes highway, including construction works and improvement of structures, interchanges and pavements, the reconfiguration of roads and property acquisitions, and four bridges; (ii) the supervision of designs and works to ensure compliance with design standards that incorporate socio-environmental aspects, road safety measures, disaster risk mitigation and adaptation to CC, as well as technical supervision services in the delivery of completed works; (iii) institutional strengthening for design and supervision road investments, including activities to establish a financing and management mechanism of private participation that contribute to leverage resources to extend the CA-9 investment to the Caribbean ports (Santo Tomas the Castilla and Puerto Barrios), to improve the transport sector management and cross-cutting themes, as road safety and climate change; and (iv) project management.
- 2.3 The planned interventions will reduce logistic costs, strengthening resilience to natural disasters and CC effects, increasing coverage of roads with adequate quality for the transit of people and products. In addition, it is planned to promote the participation of women and people with disabilities in the transport industry. The operation is in the process of being prepared by the Bank, with its approval expected in the fourth quarter of 2021.

III. Objectives and Justification of the TC

- 3.1 The objective is to support the preparation of the CA-9 North Corridor project with the development of technical studies to: (i) improve designs of highway expansion works and strengthen socio-environmental standards and climate resilience management in the project and at institutional level; and (ii) promote co-financing of public and private resources by adapting the execution structure to extend the project to Puerto Barrios, evaluating alternatives schemes such as public works on the one hand, as well as Public-Private Partnership (PPP) models such as concession, lease, and availability payments based contracts, among others.
- 3.2 Guatemala faces major challenges arising from the loss of competitiveness of its exports, which have been stagnating since 2011 (in 2020 it was US\$11.6 Billion, 14% more than 2011¹). Although other factors impact competitiveness, the investment lag in the CA-9 North Corridor has a considerable impact, as it has a vital importance for the country's exports via the Caribbean ports of Puerto Barrios and Santo Tomás de Castilla. In contrast to the southern section (CA-9 South), that connects Guatemala City with Puerto Quetzal and it is the main route for imports, the expansion of the CA-9 North highway has not been completed: only a third have four lanes. Travel costs increased (representing around 40% of the total cost for small and medium enterprises²) due to the lack of protection of the right-of-way in the corridor, which generated "bottlenecks" at intersections with towns, ultimately causing significant economic losses due to longer travel times with their consequent impact on pollution and reduced quality of life for the population. To change this scenario, the Government

¹ [UN Comtrade Database, 2020.](#)

² [CACIF – FUNDESA, 2017.](#)

of Guatemala requested support from the Bank to expand to four lanes the CA-9 North highway, what will reduce the logistic costs of exports and will improve trade conditions for national and foreign investment.

- 3.3 To minimize the fiscal impact of this investment, that is estimated in US\$600 million for their completion until the Caribbean ports, together with a phased approach, alternative schemes will be studied to create new funding sources and to maximize the opportunity to commit additional resources from other entities at costs comparable to those of the Bank. These schemes may imply tolls to cargo users and/or schemes to attract other development banks, donors and potentially market financing. The study will aim to support the General Directorate of Roads³ (DGC) of Ministry of Communications, Infrastructure and Housing (CIV)⁴ to replicate in the CA-9 North the successful experience of the expansion of the CA-9 South, which expansion was completed in record time under an alternative model of private participation, where the government, through the DGC, designed and funded construction works with funds proceeded from sovereign loan and tolls revenues charged from users. For this, DGC will be assisted by the Directorate of Concessions and Disincorporation (DCD)⁵ of the CIV, to assess alternative road management models.
- 3.4 Also, this TC will support the loan project preparation and its execution, with the development of activities to promote the socio-environmental management and resettlement frameworks, and through the reviewing of technical studies for the executive project that it will contribute to improve their resilience to disasters risks and climate change effects.
- 3.5 Likewise, the TC will finance studies on cross-cutting themes such as gender and inclusion of persons with disabilities, supporting the Guatemala Government to foster support for communities in areas close to sites where infrastructure investments will be made, through the diagnostic and design activities that contributes to promote inclusion (diversity) and to mitigate gender-based violence issues. Also, the TC will finance studies to foster jobs creation in communities impacted by the corridor expansion, helping to mitigate possible negative socioeconomic impacts due to the reduction of economic activities caused by the global pandemic COVID-19.
- 3.6 **Institutional alignment.** The TC is aligned with the Bank's Strategy with Guatemala 2017-2020 (GN-2899), seeking to expand and modernize the country's logistics infrastructure and reduce the high costs of transportation and logistics caused by the low capacity and resilience of the CA-9 North. In addition, the TC is aligned with the Second Update to the Institutional Strategy (UIS) 2020-2024 (AB-3190-2) in the challenges of: (i) Productivity and Innovation, due to its support for the rehabilitation and maintenance of the country's strategic corridor infrastructure; and (ii) Economic Integration, for its contribution to facilitating access for the production and transit of goods to the markets. The TC is strategically aligned with the cross-cutting area of: (i) Climate Change and Environmental Sustainability, by fostering activities to increase climate resilience; and (ii) Gender and Diversity, by financing studies for the development of actions that will contribute to promote the participation of women in non-traditional jobs in the sector, and people with disabilities and vulnerable groups in local economic development activities.

³ Dirección General de Caminos, in spanish.

⁴ Ministerio de Comunicaciones, Infraestructura y Vivienda, in spanish.

⁵ Dirección de Concesiones y Desincorporaciones, in spanish.

- 3.7 Likewise, the TC is consistent with: (i) the Sustainable Infrastructure Strategy for Competitiveness and Inclusive Growth (GN-2710-5), under the objective of supporting the construction and maintenance of a sustainable social and environmental infrastructure that contribute to increasing the quality of life, through studies to promote regional connectivity in logistics chains; (ii) the Sector Strategy to Support Regional and Global Competitive (GN-2565-4), seeking to promote national integration; and (iii) the Corporate Results Framework (GN-2727-12), by aligning with at least one challenge or cross-cutting theme of AB-3190-2.
- 3.8 The TC is aligned with: (i) the Transport Sector Framework (GN-2740-12), by contributing to increasing competitiveness and promoting regional integration for the benefit of inclusive economic growth, through financing, technical assistance and the dissemination of new knowledge to its member countries; (ii) IDB Integrated Strategy for Climate Change Adaptation and Mitigation and Sustainable and Renewable Energy (GN-2609-1) and the Climate Change Sector Framework (GN-2835-8), by incorporating adaptation measures to climate change into its engineering designs; (iii) the Ordinary Capital Strategic Development Program for Infrastructure (GN-2819-1), by contributing to the strengthening of project preparation and execution capacity; (iv) with NDC Pipeline Accelerator Multi-Donor Trust Fund (GN-2890), in support resource mobilization and additional costs associated with planning, identifying, preparing and managing sustainable projects so that to accelerate sustainable projects through the project cycle; and (v) with the Action Plans: (a) Gender for Operations 2020-2021 (GN-2531-19) and (b) Diversity for Operations 2019-2021 (GN-3001), for supporting gender issues and people with reduced mobility.

IV. Description of activities/components and budget

- 4.1 To achieve these objectives, the TC will have the following components:
- 4.2 **Component I: Climate resilience and socioenvironmental impacts (US\$250,000).** It includes the revision of engineering designs commissioned by DGC, together with environmental and other technical studies needed for project preparation in the following aspects: (i) right of way and potential social impacts and land acquisitions; (ii) additional studies in climate and disasters resilience and socioenvironmental aspects; and (iii) additionality and social impact such as gender and job creation that considers inclusion (diversity), including dissemination activities to publish a report with lessons learned.
- 4.3 **Component II: CA-9 Corridor management model studies (US\$200,000).** It includes: (i) review, comparison and analysis of alternative financing and management models for CA-9 Corridor; (ii) traffic volume studies and preliminary schedule of fiscal contributions required to extend the CA-9 investment to the Caribbean ports, including a preliminary financial and legal feasibility; (iii) training and strengthening of CIV, on issues related to the identification, selection, preparation, structuring, bidding and monitoring of PPP projects including benchmarking of alternative private participation models (concession/lease, availability payment based contracts, among others); and (iv) dissemination material (Technical Note) and intraregional events to share results and lessons learned in the project preparation process for the expansion of the CA-9 North Corridor.

Indicative Budget (in US\$)

Component	Description	IDB/INF	IDB/ACL	Total Funding
Component I	Right of way and potential social impacts and land acquisitions	-	50,000	50,000
	Additional studies in climate and disasters resilience and socioenvironmental aspects	140,000	40,000	180,000
	Additionality and social impact such as gender and job creation that considers inclusion (diversity)	10,000	10,000	20,000
Component II	Review, comparison and analysis of alternative financing and management models for CA-9 Corridor, including traffic studies, fiscal contributions, preliminary financial and legal feasibility	-	100,000	100,000
	Training and strengthening of CIV on issues related to the identification, selection, preparation, structuring, bidding, and monitoring of PPP projects, including benchmarking of alternative private participation models (concession/lease, availability payment-based contracts, among others)	50,000	-	50,000
	Dissemination material	20,000	-	20,000
	Intraregional events	30,000	-	30,000
Total		250,000	200,000	450,000

V. Executing agency and execution structure

- 5.1 At the request of the beneficiary, the Bank will be the executor of this TC. The activities will be coordinated by INE/TSP, in collaboration with Infrastructure and Energy Sector (INE/INE), Public-Private Partnership Unit (VPC/PPP), Environmental and Safeguard Unit (VPS/ESG) and Gender and Diversity Unit (SCL/GDI). INE/INE will act as the Basic Responsibility Unit (UDR) of these contracts.
- 5.2 The Bank execution is justified by the different actors who are beneficiaries of the TC: CIV and Ministry of Public Finance (MINFIN). It is worth mentioning that the activities of the Component II will be carried out in coordination with the DCD, due to its leadership in the success execution of the public construction/private operation concession model of the CA-9 South and in coordination with the National Agency for the Development of Economic Infrastructure (ANADIE).
- 5.3 The Bank will be responsible for: (i) identifying the studies and technical work necessary to structure the project with climate resiliency and fiscal sustainability standards; (ii) select consultants to provide the necessary services; and (iii) manage the execution and delivery of consulting services. The activities will be carried out in coordination with the Beneficiary.
- 5.4 This process will be in accordance with the Policy for the Selection and Contracting of Consulting Firms for the Operational Work Carried Out by the Bank (GN-2765-4 and OP-1155-4), the Complementary Policy for the Workforce (AM-650) and the Institutional Procurement Policy (GN-2303-28).

- 5.5 Important to note that TC resources will not complement TSP division budget for ordinary or routine activities. Bank staff are expected to provide technical expertise in the activities to be implemented in the components, and missions are planned to support the execution of the proposed activities⁶. This is essential for the correct application of TC resources and to guarantee dialogue and coordination between the Bank and the beneficiary, in order to have the complete alignment of the products financed with the actions underway with a view to preparing the loan.
- 5.6 The disbursements and execution period of the TC are estimated in 36 months.
- 5.7 The TC does not present fiduciary management risks since it will be executed by the Bank⁷. For this same reason, no financial audit is required. For more information on planned acquisitions, see the procurement plan.

VI. Major issues

- 6.1 The development of road concessions faces significant risks of approval in Congress and challenges in relation to the institutional structure of the CIV. The emergence of the ANADIE through PPPs models has not solved the institutional challenge. The strategy of this TC is to develop the CA-9 North Corridor by replicating the PPP model, based on a concession contract, used successfully in the past. The activities of the Component II and the undergoing strengthening of the DCD (it was recently promoted from unit to department level of the CIV) will serve as a basis for evaluating and adapting the use of this PPP model to the context of the CA-9 North Corridor, and potentially to other expansion projects in the Central American road network of the country.
- 6.2 Another issue that presents a critical risk to the project is the ability of the CIV to select and create at the initial stage of the TC a group of key public officials to overcome multiple challenges in preparing, structuring and implementing private participation in transport infrastructure in the country. This risk will be mitigated by a close collaboration of personnel from different areas of the Bank and with the beneficiary, to share technical expertise with the beneficiary in a way to promote a multisectoral dialogue and institutional capacity for the project execution.
- 6.3 Finally, there is a risk that the project preparation is impacted by restrictions imposed to prevent COVID19 pandemic, delaying field visits, data collection and meetings with the beneficiary. To mitigate this risk, the team involved in the preparation of the loan is holding close dialogues with the government and with the Bank's office in Guatemala, to identify and mitigate possible bottlenecks, and develop strategies to reduce potential negative impacts on the project and consultancies' schedule.

VII. Exceptions to Bank policy

- 7.1 No exceptions to Bank policies were identified.

VIII. Environmental and Social Strategy

⁶ IDB staff trips will be made on an administrative budget for regular supervisory trips.

⁷ The supervision activities will be the responsibility of the Team Leader. There are not expected additional supervision costs.

- 8.1 According to the Environment and Safeguards Compliance Policy (OP-703), and because it is a TC related to a project that has been classified as category "B" (GU-L1170), this TC has also been classified as a category "B". See [Safeguards Screening Form](#) and [Safeguards Policy Filter](#).

Required Annexes:

[Request from the Client - GU-T1296](#)

[Results Matrix - GU-T1296](#)

[Terms of Reference - GU-T1296](#)

[Procurement Plan - GU-T1296](#)