

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

GUATEMALA

**PROGRAM TO DEVELOP THE CA-9 NORTE CORRIDOR:
EL RANCHO – TECULUTÁN SUBSECTION**

(GU-L1170)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Mauro Alem (INE/TSP), Project Team Leader; Omar Samayoa (CSD/CCS) and René Cortés (INE/TSP), Alternate Project Team Leaders; Daniel Torres, Richard Mix, and Rodrigo Cruvinel (INE/TSP); Levi Zegarra (INT/TIN); Erick Mejia (CID/CNI); Julia Míguez (VPS/ESG); Nicolás Bujak (ESG/CME); María Alejandra Escovar (CSD/RND); Marcela Hidrovo and Santiago Castillo (VPC/FMP); Oscar Mitnik (SPD/SDV); Claudia Aguirre and María Jose Penagos (CID/CGU); Florencia Mendez (SCL/GDI); and Ignacio Barragán (LEG/SGO).

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REQUIRED LINKS	
1	Multiyear execution plan / Annual work plan
2	Monitoring and evaluation plan
3	Environmental and social management report
4	Procurement plan

OPTIONAL LINKS	
1	Program economic analysis
2	Highway technical studies
3	Program Operations Manual
4	Why and how to invest in sustainable infrastructure?
5	Integration annex
6	Gender annex
7	Disaster risk management plan
8	Climate change annex
9	Safe and inclusive mobility annex
10	Digital transformation annex
11	Integrity annex

ABBREVIATIONS

AECID	Spanish Agency for International Development Cooperation
CIV	Ministry for Communications, Infrastructure, and Housing
DGC	Highway Administration
DIA	Development in the Americas
ECLAC	Economic Commission for Latin America and the Caribbean
EIRR	Economic internal rate of return
FONPRODE	Development Promotion Fund
GUATECOMPRAS	Sistema de Adquisiciones y Contrataciones del Estado de Guatemala [Guatemalan Public Procurement System]
ICB	International competitive bidding
ILO	International Labour Organization
km	Kilometer
NCB	National competitive bidding
OECD	Organisation for Economic Co-operation and Development
PENLOG	Plan Estratégico Nacional de Logística de Cargas 2015-2030 [2015-2030 National Strategic Plan for Cargo Logistics]
PCU	Program coordination unit
QBCS	Quality and cost-based selection
SIAF	Sistema Integrado de Administración Financiera [Integrated Financial Management System]
SICOIN	Sistema de Contabilidad Integrado [Integrated Accounting System]
SIECA	Secretariat for Central American Economic Integration
WHO	World Health Organization

PROJECT SUMMARY
GUATEMALA
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GU-L1170

Financial Terms and Conditions						
Borrower:			Flexible Financing Facility ^(b)			
Republic of Guatemala			Amortization period:		23 years	
Executing agency:			Disbursement period:		5 years	
Ministry of Communications, Infrastructure, and Housing, acting through the Highway Administration			Grace period:		7.5 years ^(c)	
			Interest rate:		SOFR-based	
Source	Amount (US\$)	%	Credit fee:		^(d)	
IDB (Ordinary Capital):	75,000,000	42.9	Inspection and supervision fee:		^(d)	
AECID-FONPRODE: ^(a)	100,000,000	57.1	Weighted average life:		15.25 years	
Total:	175,000,000	100.0	Approval currency:		U.S. dollar	
Project at a Glance						
Project objective: The general objective is to help sustainably and inclusively boost exports from strategic productive sectors. The specific objective is to improve levels of service on the beneficiary corridor.						
Special contractual conditions precedent to the first disbursement of the loan proceeds: (i) approval and entry into force of the program Operations Manual (optional link 3) under the terms previously agreed upon with the Bank; (ii) issuance by the executing agency of the amendment of Ministerial Resolution 251-2021 on the creation of the existing program coordination unit (PCU) granting it the authority to coordinate program execution; (iii) strengthening of the execution capacities of the PCU referred to in (ii) above, through the identification of three specialists in addition to those already on the staff: (a) a specialist in rights-of-way; (b) a biodiversity specialist; and (c) a gender specialist, based on the profiles previously agreed upon with the Bank; and (iv) fulfillment of the conditions set out in the environmental and social management report (required link 3) and the fiduciary conditions set out in Annex III (paragraph 3.9).						
Special contractual conditions for execution: submit evidence of: (i) the establishment of bid evaluation committees as established in Bank policies, with no powers or responsibilities beyond those established in said policies; and (ii) approval by the executing agency of the detailed engineering designs for the El Rancho bypass, including the land acquisition implementation plan, prior to the launch of the bidding process for these particular works (paragraph 3.10). See the fiduciary contractual conditions in Annex III and environmental and social conditions in the environmental and social management report (required link 3).						
Exceptions to Bank policies: None.						
Strategic Alignment						
Challenges: ^(e)	SI	<input type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI	<input checked="" type="checkbox"/>
Crosscutting themes: ^(f)	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>		IC	<input checked="" type="checkbox"/>

^(a) Pursuant to the cofinancing framework agreement between the Bank and the Kingdom of Spain of 11 April 2017. This cofinancing was approved by the Executive Committee of FONPRODE on 22 December 2021.

^(b) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(c) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.

^(d) 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 applicable policies.

^(e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(f) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Socioeconomic framework.** Thanks in part to prudent macroeconomic management, Guatemala has posted average GDP growth of 3.5% since 2010,¹ compared to 2% for the region. The country's low fiscal deficit and the rebound in family remittances helped mitigate the economic impact of the COVID-19 pandemic. Yet this growth has not brought down the country's high inequality and poverty rates, especially outside the Guatemala City metropolitan area. Reactivating the economy and, above all, exports (the bulk of which are commodities) is a key concern for creating jobs and steadily generating foreign currency.
- 1.2 **The public health crisis.** COVID-19 and the associated lockdown measures triggered an economic downturn.^{2,3} The economy contracted 1.5% in 2020⁴ but should rebound 7.5% in 2021, which will enable it to resume the path of growth it has been on for the last 10 years.
- 1.3 **Infrastructure for economic reactivation.** The infrastructure sector plays a key role in the market integration of production-oriented regions. [Development in the Americas \(DIA\) 2020. From Structures to Services: The Path to Better Infrastructure in Latin America and the Caribbean](#)⁵ highlights two methods for generating more and better investment: (i) investing more in planning, to ensure that projects meet climate change resiliency standards and also achieve better performance in terms of construction costs and timeframes; and (ii) developing user fee arrangements for maintenance and recovery of investments, thereby promoting private investment in infrastructure operations ([optional link 4](#)).
- 1.4 The Guatemalan government's Economic Recovery Plan⁶ includes strategic investments to ensure competitive conditions in every subregion for value chains with high job creation potential. The priorities in the plan for northeastern Guatemala are the expansion of the pier at the Santo Tomás de Castilla port (the country's largest port) and the widening of the CA-9 Norte highway, the main access route and connection to the center of the country and to El Salvador and Honduras. The 2015-2030 National Strategic Plan for Cargo Logistics (PENLOG)⁷ considers CA-9 Norte as a priority corridor, and the Guatemalan government completed an initial phase of its widening over 75 km (Puente Rodriguitos – El Rancho section) and plans to complete it to Puerto Barrios. The second phase will cover 80 km (the El Rancho – Mayuelas section).

¹ [Bank of Guatemala, 2021](#).

² Estimates indicate that the region lost 17 million formal jobs ([IDB, 2020](#)).

³ [Johns Hopkins University](#), 27 January 2022.

⁴ [Bank of Guatemala, 2021](#).

⁵ [IDB, 2020](#).

⁶ [Ministry of Economy, 2020](#).

⁷ [PENLOG, 2016](#).

- 1.5 **Integration corridors.** The Latin American and Caribbean region has low levels of physical and trade integration⁸ as a result of the region's high logistics costs.⁹ Guatemala has Central America's highest logistics costs¹⁰ and, not incidentally, weaknesses in terms of the quality of its road infrastructure,¹¹ which is used to transport nearly all of its export cargo. Between 2012 and 2017, logistics costs, measured as the percentage of the product's final value, increased from 23% to 29% and represent 40% for small and medium-sized enterprises.¹² Improving the capacity of the country's most important logistics corridor for exports will boost productivity and better integrate the area served by the port with new markets, which will have a positive impact on growth and poverty reduction in northeastern Guatemala.¹³
- 1.6 **Export potential.** International trade accounts for 41% of Guatemala's GDP, and 78% of the cargo headed for international markets moves through the country's ports.¹⁴ The ports of access to the U.S. and European markets are the ports on the country's Atlantic coast (Santo Tomás de Castilla and Puerto Barrios), which are connected to the country's major cities and production areas by the CA-9 Norte corridor. Guatemala has the potential to increase its agroindustrial exports, which in trade balance terms accounted for 72.1% of total exports in 2020.¹⁵ The country's main export goods are clothing (15%), cardamom (14%), banana (10%), coffee (8%), and edible oils and fats (7%). The export sector's sluggish performance can be attributed to low levels of added value per worker and shortcomings in logistics and infrastructure performance.
- 1.7 **The potential of the CA-9 Norte corridor for regional integration.** The economic recovery of export markets¹⁶ creates opportunities for productive complementarity and specialization of export offerings in Central America, and the CA-9 Norte corridor has the potential to make an impact in Honduras and El Salvador as a logistics corridor for Atlantic shipping. This route is strategic in the efforts to integrate Guatemala and Honduras. As part of that process, a Customs Union and three integrated border checkpoints (Corinto, Florido, and Agua Caliente) have been set up with connections to the CA-9 Norte, and the corridor is

⁸ In 2019, intraregional trade within Latin America and the Caribbean accounted for 14% of the region's total trade ([IDB, 2021](#)).

⁹ Logistics costs in Latin America and the Caribbean range from 16% to 26% of regional GDP, compared to 9% in member countries of the Organisation for Economic Co-operation and Development (OECD) ([Elcano, 2020](#)).

¹⁰ The estimated cost of transporting a 40-foot container is US\$1.50/kilometer (km), more than in El Salvador (US\$1.34/km); Honduras (US\$1.24/km); Mexico (US\$1.42/km); and Nicaragua (US\$1.21/km) ([IDB, 2013](#)).

¹¹ The [Global Competitiveness Report 2019](#) ranks Guatemala 132nd out of 141 countries in quality of road infrastructure and 134th in road connectivity, while the [Logistics Performance Index 2018](#) ranks the country 125th out of 160 countries.

¹² [Comité Coordinador de Asociaciones Agrícolas, Comerciales, Industriales y Financieras \(CACIF\) – Fundación para el Desarrollo de Guatemala \(FUNDESA\), 2017](#).

¹³ In 2019, the poverty rate reached 51.4% nationally ([IDB, 2020](#)).

¹⁴ Guatemalan ports handle 18% of Central American cargo ([Central American Commission for Maritime Transport, 2020](#)).

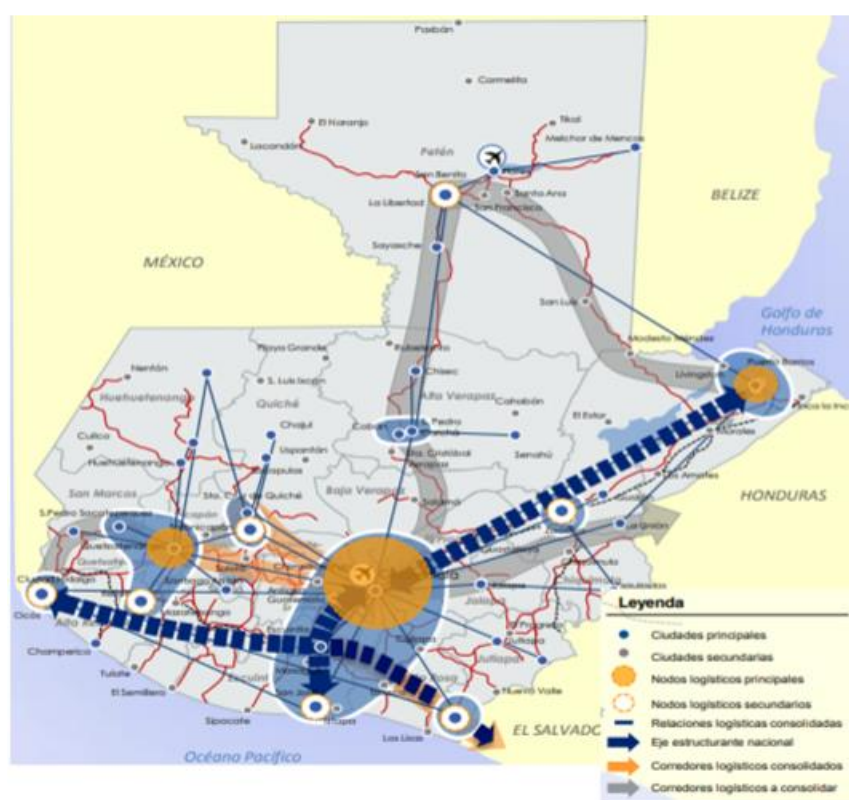
¹⁵ [Bank of Guatemala, 2020](#).

¹⁶ According to the Bank of Guatemala, the country's exports grew 22.4% in October 2021 relative to 2020, and the country's main agroindustrial goods (paragraph 1.6) accounted for 40.2% of total exports.

used to transport merchandise under the mechanism for the free flow of goods (Central American Invoice and Single Declaration - FYDUCA). The CA-9 corridor also impacts the competitiveness of Salvadoran exports, which account for nearly 30% of cargo shipped at the Santo Tomás de Castilla port¹⁷ ([optional link 5](#)).

- 1.8 **The CA-9 Norte corridor and the productive restructuring of Guatemala.** This corridor offers an opportunity for restructuring the northeastern agricultural region, which is the source of most of the country's exports. In 2020, 67% of the country's exports were shipped through ports on the Atlantic.¹⁸ The goods transported along this corridor come from the production areas in northern and eastern Guatemala¹⁹ and are involved in extra-regional trade. Agricultural production and road infrastructure in these regions are highly vulnerable to climate change ([CGIAR, 2015](#)). Faster travel times along the CA-9 Norte will make the route a strategic corridor for promoting export-driven investments and jobs, especially in northern and eastern Guatemala, where poverty rates are higher.

Figure 1. Strategic corridors in Guatemala



Source: PENLOG.²⁰

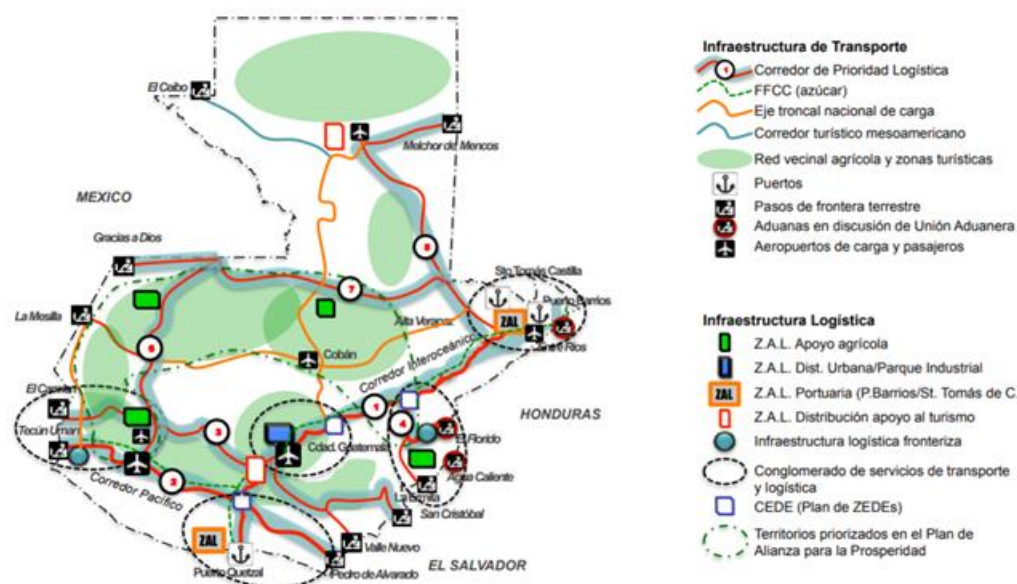
¹⁷ [CentralAmericaData, 2018](#).

¹⁸ [National Port Authority, 2021](#).

¹⁹ Cobán: cardamom, rubber, and African palm; Petén: gypsum, beans, and corn; Zacapa: coffee; Izabal: banana; and Chiquimula: beans ([PENLOG, 2016](#)).

²⁰ [Idem](#).

Figure 2. Production areas and logistics infrastructure in Guatemala



Source: PENLOG.²¹

- 1.9 **Logistics performance along the CA-9 Norte corridor.** The poor quality of the corridor's road infrastructure creates bottlenecks on major routes, which are used by 4.3 million vehicles.²² According to the Highway Administration (DGC), 12.5% of the national road network's 17,178 km of roads are Central American highways, consisting of three main transit corridors: CA-9 (the Interoceanic corridor), CA-2 (the Pacific corridor), and CA-1 (the Central American corridor). The CA-9 corridor, at 405 km in length, is strategically important as Guatemala's main international trade corridor, since it connects the Pacific and Central American corridors with Guatemala City (the country's industrial hub and largest consumer center) with ports on the Atlantic and Pacific coasts. The CA-9 Sur corridor has four lanes and is 106.9 km long. In contrast, of the 298.2 km making up the CA-9 Norte corridor, only 30% has four lanes, leaving a stretch of 208 km pending expansion. In response to growing projections on vehicle flows, with a current level of annual daily average traffic in excess of 13,000 vehicles,²³ coupled with the fact that the route crosses through urban areas, the logistics performance of CA-9 Norte declines considerably, impacting freight transport²⁴ and the likelihood of accidents.²⁵ The Guatemalan government's [Road Development Plan 2018-2032](#)

²¹ [Idem.](#)

²² Superintendency of Tax Administration (SAT), 2021.

²³ Boletín de Tránsito (DGC, 2021).

²⁴ From 2000 to 2015, average speeds on the CA-9 toward the Atlantic slowed 15% (from 65 km/h to 55 km/h) and dropped to as low as 35 km/h on subsections passing through urban areas ([optional link 1](#)).

²⁵ Between 2016 and 2019, there was an annual average of almost 100 traffic accidents in the municipios on the targeted subsection.

made the widening of these corridors to four lanes a priority,²⁶ and the government has asked the Bank to issue a loan so it can continue implementing widening works along a 208-km stretch of the CA-9 Norte corridor, from the town of El Rancho to Puerto Barrios.

- 1.10 **Institutional capacity in the road sector.** The Ministry of Communications, Infrastructure, and Housing (CIV) plans and implements policies to integrate communications, infrastructure, and transportation services in Guatemala. The CIV plans, designs, contracts, and administers road construction, improvement, and rehabilitation projects through the DGC. The DGC, through a program coordination unit (PCU) with a technical, financial, and specialized procurement structure, is executing the Road Infrastructure Development Program (loan [4746/OC-GU](#); US\$150 million), which aims to improve roads that connect production areas and departmental capitals to the major road corridors. The country has run up against significant challenges in the execution of road projects, which gave rise to longer-than-anticipated timeframes²⁷ and higher-than-anticipated costs²⁸ of execution. In the context of the PCU, key adjustments were made to both the preparation and the execution of projects, which improved the performance of these indicators (paragraph 3.2), in particular by considerably reducing the time devoted to bid evaluation (from 169 to 20 calendar days on average), and accelerating the execution of the works. One noteworthy positive case is the construction of the CA-9 Sur alternate route (a 23-km segment from Palín to Escuintla), under a model in which construction was managed by the government and operation is administered by the private sector under a 25-year concession agreement.
- 1.11 **Resilience to the impacts of climate change.** In Guatemala, over the past three decades climate change has taken an economic toll estimated at US\$3.5 billion, affecting the agriculture, infrastructure, and production sectors the most. If the country does not implement immediate, ambitious measures, the economic cost could amount to 5.8% of GDP by 2030.²⁹ In 2020 alone, Hurricanes Eta and Iota resulted in US\$780 million in economic losses, with road infrastructure being among the hardest hit.³⁰ The Bank's international experience has shown that the benefits generated by disaster risk prevention and resilience measures (in terms of losses prevented and reduced) are worth four to seven times the cost^{31,32} (paragraph 1.26) ([optional link 7](#) and [optional link 8](#)).
- 1.12 **The problem and its consequences.** Guatemalan exports have fallen behind in terms of competitiveness due to poor logistics performance, as evidenced by global indicators (paragraph 1.5), and by the limited capacity of the CA-9 Norte corridor (paragraph 1.9). This problem has become even more urgent given the

²⁶ All told, 19% of the route has four lanes.

²⁷ Due to problems associated with securing right of way.

²⁸ In other expansion projects (CA-2), contracts with progress of under 30% were suspended, and in the case of Chimaltenango (CA-1), problems arose with land acquisitions.

²⁹ [Economic Commission for Latin America and the Caribbean \(ECLAC\), 2015.](#)

³⁰ [ECLAC, 2021.](#)

³¹ [United Nations Office of Disaster Risk Reduction, 2011; Kull, et al., 2013; Mechler, 2016.](#)

³² [Project completion report - Transport Sector Support Program II \(loan 2840/BL-NI\).](#)

need to address the impact of the economic crisis on employment (paragraph 1.6), as infrastructure plays a key role in reversing these trends (paragraph 1.3). The CA-9 Norte corridor's low level of capacity is a constraint on the performance of freight transport services and increases travel times to the port and the associated logistics costs, thereby limiting export potential, regional integration (paragraph 1.7), and productive sector development (paragraph 1.6). This is compounded by the fact that road infrastructure is highly vulnerable to climate change (paragraph 1.11) and by weaknesses in institutional capacity for planning and execution of highly complex road works (paragraph 1.10).

- 1.13 **Gender.** In Guatemala, the labor force participation rate for women (41%) is lower than the regional average (52%) and did not improve at all over the 2000-2017 period.³³ According to estimates from the International Labour Organization (ILO), less than 1% of construction sector employees and 8.6% of transportation, warehousing, and communications sector employees are women, versus regional averages of 3.8% and 12.9%, respectively.³⁴ Furthermore, 35% of graduates of postsecondary programs in science, technology, engineering, and math are women³⁵ (paragraph 1.25) ([optional link 6](#)).
- 1.14 **Universal accessibility and road safety.** Guatemala's 2016 National Disability Survey³⁶ found that 10.2% of the population (1.6 million people) has some sort of disability. Persons with disabilities who do not work report difficulties in getting other people to allow them to work (14%) or in finding job opportunities (4%).³⁷ The survey provides evidence of the difficulties in workplace inclusion faced by persons with disabilities. Guatemala ratified the Convention on the Rights of Persons with Disabilities in October 2008.³⁸ For that reason, it is necessary to promote legislation, training, and actions aimed at the inclusion of persons with disabilities in society. In terms of road safety, according to data from the World Health Organization (WHO) from 2016,³⁹ Guatemala reported 2,758 fatalities from traffic accidents and a rate of 16.6 deaths per 100,000 population. Though the country uses good standards for highway construction,⁴⁰ the apex agency in the transportation sector has not put into place a mandatory road safety inspection and audit system (paragraph 1.26) ([optional link 9](#)).
- 1.15 **Innovation and digitalization.** The Guatemalan government has established a Presidential Commission for an Open and Electronic Government. That commission supported preparation of the National Digital Government Plan 2020-2026,⁴¹ which covers all government sectors. For the infrastructure sector,

³³ [World Bank, 2019](#).

³⁴ ILO and authors' calculations. Employment by sex and economic activity – ILO modelled estimates, Nov. 2019 (thousands) – annual.

³⁵ [World Bank, 2019](#).

³⁶ [National Statistics Institute, 2016](#).

³⁷ [UNICEF, 2016](#).

³⁸ [Comisión Presidencial Coordinadora de la Política del Ejecutivo en Materia de Derechos Humanos, 2011](#).

³⁹ WHO, 2018.

⁴⁰ Secretariat for Central American Economic Integration (SIECA) and American Association of State Highway and Transportation Officials (AASHTO) manual.

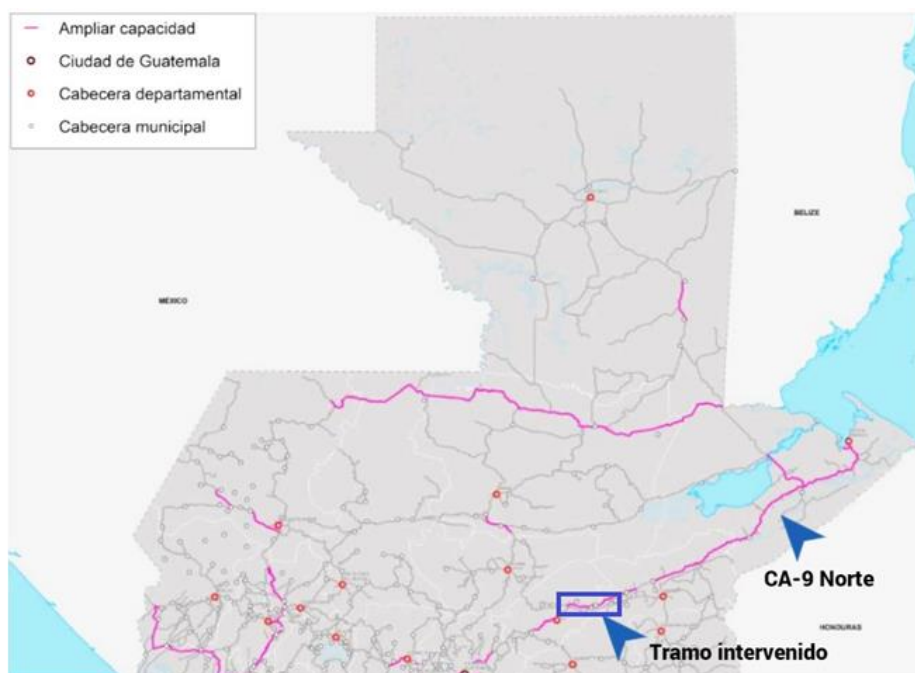
⁴¹ [Planning and Programming Division of the Office of the President, 2020](#).

an area of action of the CIV, measures are promoted to help automate processes, making monitoring and supervision more effective, particularly for improving the management of traffic and road assets on the corridor (paragraph 1.27) ([optional link 10](#)).

- 1.16 **Transparency and integrity.** Worldwide, public works contend with significant integrity risks that require a strong mitigation strategy, because these are complex projects administered by agencies with varying levels of capacity that involve large budgets in a market where few firms have the capacity to execute the works. In the case of Guatemala, insufficient public investment has weakened the planning and execution capacities of the entities responsible for public works, which makes it necessary to have an adequate strategy for managing these risks (paragraphs 1.28 and 3.3) ([optional link 11](#)).
- 1.17 **Proposed intervention.** The proposed intervention supports the improvement and management of the CA-9 Norte corridor as a logistics corridor by continuing the works to widen the roadway to four lanes along a 35-km subsection from El Rancho to Teculután while also incorporating climate change resilience specifications. The intervention's execution mechanism will strengthen the DGC's capacity for technical, budget, and procurement planning for the program works. The designs are finalized and with technical cooperation support⁴² were reviewed and will be adjusted to achieve the bidding standard. In addition, with the support of technical cooperation resources from Spain, the final designs for the corridor to Mayuelas were reviewed, with parameters for climate change resilience, road safety, and universal accessibility, including the promotion of gender equality and the productive development of export-oriented value chains (paragraphs 1.25 to 1.27).

⁴² "Structuring and Co-financing of the CA-9 North Corridor" (technical cooperation operations [ATN/AC-18778-GU](#) and [ATN/OC-18779-GU](#)) for operational support for US\$450,000, and "Support for the Execution of Projects and Monitoring of Labor Risks in Transportation Projects in Latin America and the Caribbean" ([ATN/OC-18923-RG](#)) for client support for US\$380,000, both approved in 2021. Additional resources to be provided by AECID.

Figure 3. Routes with planned expansion of capacity



Source: Reformulation and update of the Road Development Plan 2018-2032.⁴³

- 1.18 **Structuring of the expansion of the corridor to the port.** Considering the magnitude of the investment⁴⁴ and its complexity in terms of socioenvironmental management and land acquisition, it was agreed to structure the investment in stages, starting with an initial expansion of approximately 80 km, for which basic engineering designs are available, with an estimated cost on the order of US\$418.5 million. Based on the review of these designs and the analysis of the fulfillment of environmental safeguards on an initial 35-km subsection, the best alternative was determined as preparing a specific loan operation for this subsection, for an amount of US\$175 million, with cofinancing from the Government of Spain. Technical cooperation resources⁴⁵ will complete the review of the available designs, along with basic studies to evaluate corridor management alternatives, which will help generate resources to cover maintenance and potentially provide financing for the expansion of the corridor to the port (paragraph 2.14).
- 1.19 **Rationale for the intervention and empirical evidence.** Investments in logistics infrastructure have a positive impact on growth and job creation through trade and integration. [DIA-2019. Trading Promises for Results: What Global Integration Can Do for Latin America and the Caribbean](#)⁴⁶ shows that the trade liberalization of the

⁴³ [DGC, 2021](#).

⁴⁴ The costs of expanding the corridor to the port (204 Km) have been estimated at US\$1 billion.

⁴⁵ See footnote 42.

⁴⁶ [IDB, 2019](#).

1980s helped Latin America and the Caribbean overcome the stagnation of previous years, boosting growth in per capita income by 16% on average over 20 years (paragraphs 1.7 and 1.8). The IDB estimated that for Latin America and the Caribbean, reducing the average cost of transportation by 10% could increase the number of products exported by 10%.⁴⁷ Another study conducted in Central America, which includes Guatemala,⁴⁸ shows that by cutting truck freight prices in half on corridors leading to ports (explained as eliminating bottlenecks in road infrastructure and greater levels of competition) would reduce transportation costs to destinations outside the region by 13%-22%, while increasing trade volumes.

- 1.20 **The Bank's expertise in the sector and lessons learned.** The Bank has experience in the development of logistics corridors for integration and has helped build capacity for road management at the responsible executing agencies. Examples include support for execution arrangements and the widening of the CA-5 Norte corridor along the Atlantic coast in Honduras, through which administration of the corridor was transferred to the public-private partnership under which it still operates today,⁴⁹ and improvement of the Pacific Corridor for Mesoamerican Integration in Nicaragua;⁵⁰ Honduras;⁵¹ Costa Rica;⁵² and Guatemala.⁵³ In 2019, the Bank approved loan [4746/OC-GU](#), currently in execution, which implemented a critical factor for improvement into the CIV execution mechanism, which consists in designing ad hoc evaluation fees for each procurement process, achieving significant progress in considerably reducing bid evaluation times. Lessons learned from these operations were incorporated into the design of this operation, including: (i) being proactive about land acquisitions during design and ensuring that projects have an effective socioenvironmental management plan for construction and operation; (ii) incorporating climate change and disaster risk management considerations and reviewing designs to ensure that works are resilient to extreme weather events; and (iii) building a specialized technical, financial, and procurement structure for execution, building on the country's experience.
- 1.21 **IDB Group Country Strategy.** This program is aligned with the IDB Group Country Strategy with Guatemala 2021-2024 (document GN-3085) inasmuch as it seeks to enhance the delivery of basic services by expanding and modernizing the country's logistics infrastructure and reducing transportation and logistics costs stemming from the limited capacity and lack of resilience of the CA-9 Norte corridor, contributing to its outcome indicator. The operation is included in the 2022 Operational Program Report (document GN-3087).

⁴⁷ [IDB, 2008](#).

⁴⁸ [World Bank, 2013](#).

⁴⁹ Loan [1565/SF-HO](#) (US\$63,200,000; 2004), loan [1910/BL-HO](#) (US\$38,500,000; 2007), and loan [1910/BL-HO-1](#) (US\$21,000,000; 2013).

⁵⁰ Loan [2979/BL-NI](#) (US\$93,972,500; 2013).

⁵¹ Loans [2470/BL-HO-1](#) and [2470/BL-HO-2](#) (US\$135,000,000 and US\$20,000,000, respectively; 2015).

⁵² Loan [2007/OC-CR](#) (US\$375,000,000; 2008), operation [CR-O0005](#) (US\$350,000,000; 2010), and loan [3071/OC-CR](#) (US\$450,000,000; 2013).

⁵³ Loans [1224/OC-GU](#), [1224/OC-GU-1](#), [1224/OC-GU-2](#) (US\$182,000,000; 1999).

- 1.22 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy 2020-2024 (document AB-3190-2) and strategically aligned with the development challenges of: (i) productivity and innovation, as it helps improve logistics performance and the competitiveness of exports; and (ii) economic integration, through its contribution to expanding access by export sectors to regional and international markets. It is also aligned with the crosscutting themes of: (i) gender equality, by promoting women's participation in the labor force through nontraditional jobs in the sector and developing a gender strategy for the CIV (paragraphs 1.13 and 1.25); (ii) institutional capacity and rule of law, by improving the DGC's technical capacity for handling adverse impacts on land and managing procurements (paragraphs 2.8 to 2.10); and (iii) climate change and environmental sustainability, as it adapts the designs of the works to rainfall and surface runoff scenarios and builds capacity for implementing measures that reduce the potential impacts of extreme weather events on infrastructure (paragraphs 1.11 and 1.26). All told, 8.5% of the operation's resources are invested in adaptation to climate change activities, according to the [joint methodology of the multilateral development banks for tracking climate change finance](#). These resources contribute to the IDB's target for climate-related financing (30% of approvals each year). The program also contributes to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the "roads built or upgraded (km)" indicator.
- 1.23 The operation is aligned with: (i) the Infrastructure Strategy on Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5) by promoting access to infrastructure services and improving infrastructure governance to make service delivery more efficient; and (ii) the IDB Integrated Strategy for Climate Change Adaptation and Mitigation (document GN-2609-1) by promoting climate resilience for road infrastructure. It is consistent with (i) the Gender Action Plan for Operations 2020-2021 (document GN-2531-19) through the planned measures to get women involved in the transportation sector; (ii) the following sector framework documents: (a) Transportation Sector Framework Document (document GN-2740-12), by improving logistics performance in Guatemala and Central America; (b) the Integration and Trade Sector Framework Document (document GN-2715-11), by contributing to greater regional integration; (c) the Climate Change Sector Framework Document (document GN-2835-8), by promoting infrastructure that is resilient to climate change; and (d) the Gender and Diversity Sector Framework Document (document GN-2800-8), by promoting economic opportunities for women and vulnerable communities and by helping the CIV design a gender policy; and (iii) the 2021 Employment Action Framework with a Gender Perspective, inasmuch as it contributes with training to promoting jobs for women, the digitalization of infrastructure, and the inclusion of climate change resilience in infrastructure planning.
- 1.24 Since the operation is cofinanced by the Development Promotion Fund (FONPRODE), it also is aligned with the strategic framework laid out in the Fifth Master Plan for Spanish Development Cooperation 2018-2021, which outlines the crosscutting principles (an approach based on human rights and fundamental freedoms, gender equality, respect for cultural diversity, and environmental sustainability), management principles (efficiency, effectiveness, consistency, and coordination), and strategic objectives of Spanish Development Cooperation. The

intervention is consistent with the Sustainable Development Goals and the targets and lines of action included in that document, as well as the strategic areas and thematic and geographic priorities.

- 1.25 **Gender intervention.** With support from the technical cooperation operation,⁵⁴ this project will execute the following activities to increase women's participation in the labor force: (i) design and implementation of an internal strategy for the CIV to promote women's involvement in the sector, including trainings in nontraditional sectors and paid internships for women who study engineering, architecture, and related fields; (ii) an agreement with institutions of postsecondary education (technical, undergraduate, and postgraduate programs) to facilitate recruitment for internships, trainings, and employment opportunities and design a mentoring program for women in engineering, transportation, and construction at universities and within the CIV; (iii) implementation of measures to prevent and mitigate gender-based violence, including support to help contractors develop or implement codes of conduct and community relations and workshops for contractors on sexual harassment and violence against women; and (iv) promotion of women's involvement in local productive development activities to create incentives for getting women entrepreneurs involved in the transportation services sector ([optional link 6](#)).
- 1.26 **Climate change, road safety, and universal accessibility interventions.** The improvement of technical specifications for roads will seek to increase road safety, promote inclusive highways, and incorporate design criteria that facilitate universal accessibility and make roads more resilient to the impact of climate change (paragraphs 1.11 and 1.17). The program will: (i) incorporate international road safety and universal accessibility standards through the updating of design manuals and other activities ([optional link 9](#)); and (ii) include engineering designs and nonstructural measures to increase resilience to the impact of climate change and natural disasters ([optional link 7](#) and [optional link 8](#)).
- 1.27 **Innovation and digitalization interventions.** The works to widen the road to four lanes will be supported with the deployment of digital technology through an array of cameras, connectivity devices, and computer infrastructure. This digital infrastructure will be used to monitor traffic (technology for reading license plates) and automatically gauge vehicle capacity. The project will strengthen the CIV's institutional capacity for storing, processing, and analyzing the data generated (paragraph 1.15) ([optional link 10](#)).
- 1.28 **Transparency and integrity.** The Government of Guatemala and the Bank have promoted programs that strengthen the sector's institutions, such as the Guatemalan Public Procurement System (GUATECOMPRAS), as a mechanism for opening up procurement; an investment map, which offers public information on the execution of works; and a registry of firms to promote integrity and transparency in the sector. The program Operations Manual incorporates these measures and a strategy based on best practices for handling integrity risk, such as the adequate definition of duties and responsibilities for staff in the PCU and on the ad hoc evaluation committees, the management of conflicts of interest, and due diligence parameters for bidders and recipients of the expropriation actions

⁵⁴ See footnote 42.

(paragraphs 1.16 and 3.3) ([optional link 3](#) and [optional link 11](#)). Actions will also be taken to promote the invitations to tender in order to increase the number of bidders.

- 1.29 **Coordination with the Spanish Agency for International Development Cooperation (AECID).** This program is being executed under the cofinancing framework agreement between the IDB and the Kingdom of Spain, which governs the terms and conditions of the FONPRODE cofinancing (paragraph 2.2) ([optional link 3](#)). During the program's design, missions were undertaken with AECID participation to review technical, economic, and safeguard considerations, including the measurement of results and coordination of technical assistance. The Bank will charge a service fee as negotiated with FONPRODE to cover the costs of program management. The service fee will be distributed to the departments of the IDB, as applicable, to cover the costs of the additional workload in the preparation, execution, and monitoring of the program.

B. Objectives, components, and cost

- 1.30 **Objectives.** The general objective is to help sustainably and inclusively boost exports from strategic productive sectors. The specific objective is to improve levels of service on the beneficiary corridor.
- 1.31 **Component 1. Investments in roadway widening (US\$163.5 million: IDB US\$70.1 million; AECID US\$93.4 million).** This component will finance works to widen the roadway to four lanes along an approximately 35-km stretch of the El Rancho-Teculután subsection. The works will involve the construction and upgrading of structures, junctions, and pavements, roadway reconfiguration, and land acquisition, including the reconstruction of six bridges and three vaults. The component also includes the supervision of designs and works to ensure compliance with design standards that address socioenvironmental, road safety, universal accessibility, disaster risk reduction, and climate change adaptation considerations (paragraph 1.26) as well as the technical supervision for delivery of the completed works. The intervention will include construction of the El Rancho bypass, approximately 3.3 kilometers in length.
- 1.32 **Component 2. Investments in land acquisition⁵⁵ and environmental and climate change resilience considerations (US\$6.5 million: IDB US\$2.8 million; AECID US\$3.7 million).** This component will finance the investments required to: (i) obtain rights-of-way, primarily land acquisitions, compensation payments, and complementary works to mitigate the identified impacts (paragraph 3.6); and (ii) implement environmental and biodiversity management plans, including works to protect against extreme climate events.
- 1.33 **Component 3. Capacity building and preinvestment activities (US\$4.2 million: IDB US\$1.8 million; AECID US\$2.4 million).** This component will finance: (i) preinvestment activities⁵⁶ to prepare engineering designs to expand

⁵⁵ The executing agency's rules and procedures for managing rights-of-way are implemented after the contracts for the works are awarded through a heading for legitimate contractor administrative costs, which creates delays in identifying, appraising, and issuing compensation payments prior to launch of the works on the affected properties. To address this challenge (paragraphs 1.10 and 1.20), an agreement was reached on the structuring of Component 2.

⁵⁶ Including land acquisition considerations and public consultations.

the corridor to the port; and (ii) activities to build the PCU's technical capacity, including the contracting of a consulting firm, for: (a) supervising designs and works, including climate change resilience features; (b) preparing bid documentation and complex bidding processes, including specialized consulting projects for technical support; (c) designing and implementing activities that encourage women to participate in the workforce and foster inclusion of persons with disabilities (paragraphs 1.25 and 1.26); and (d) operating equipment and technology for automated monitoring of traffic along the corridor (paragraph 1.27).

- 1.34 **Other costs (US\$800,000: IDB US\$300,000; AECID US\$500,000).** This component includes financing to cover the PCU's administrative and staffing expenses, audits, and results monitoring and evaluation.

C. Key results indicators

- 1.35 **Expected outcomes.** The indicators to measure the general objective will be: (i) the country's total exports (in billions of U.S. dollars); and (ii) the number of women hired in the execution of the program works out of the total number of direct jobs (percentage). The indicators to measure the program's specific development objectives will be: (i) the cost of vehicle operation (constant US\$ per vehicle/km); and (ii) average travel time (in minutes) ([required link 2](#)).
- 1.36 **Technical and economic feasibility.** The economic evaluation of the program estimated an economic internal rate of return (EIRR) of 26.3% ([optional link 1](#)) for investments with asphalt paving. The project team identified the titles to lands that need to be acquired for rights-of-way and included the associated socioenvironmental compensation activities, which will be covered with Component 2 resources. Table 1 summarizes the results of the cost-benefit and sensitivity analyses performed.

Table 1. Economic cost-benefit analysis

Net present value (US\$ millions)	EIRR			
	Base	Sensitivity analysis		
		Cost +20%	Benefit -20%	Cost +10% and Benefit -10%
93.6	26.3%	22.2%	21.4%	21.9%

- 1.37 **Beneficiaries.** The project's direct beneficiaries will be the users of the targeted segment, estimated to be 25,281 persons⁵⁷ per day ([optional link 1](#)), and the indirect beneficiaries, 442,375 individuals from the departments of El Progreso and Zacapa,⁵⁸ who live in the road's direct area of influence.

⁵⁷ Estimation based on the annual daily average traffic, considering the following number of persons per type of vehicle: auto – 2; pickup – 2; microbus – 20; bus – 40; truck – 1.

⁵⁸ [National Statistics Institute, 2021](#).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality.** The program will be financed by an investment loan under the specific works modality, as it has technical engineering designs ([optional link 2](#)) that define the cost of the program and support its economic-financial viability ([optional link 1](#)). The program includes the preparation of technical designs for the corridor to Puerto Barrios (paragraph 2.3).
- 2.2 **Cost and financing.** The total cost of the program is US\$175 million. The Bank will finance US\$75 million from its Ordinary Capital resources, and FONPRODE will finance US\$100 million (paragraph 1.29). Each party will negotiate and sign its respective loan contract; the resources contributed by FONPRODE will be transferred directly to the borrower, and disbursements will be made seeking to fulfill each party's share during execution. This cofinancing was approved by the FONPRODE Executive Committee on 22 December 2021.

Table 2. Estimated program costs (US\$ million)

Components ⁵⁹	IDB	FONPRODE	Total	%
Component 1. Road network interventions.	70.10	93.40	163.50	93.43
Widening of the roadway to four lanes	65.08	85.70	150.78	86.16
Supervision of the works	2.51	3.85	6.36	3.63
Contingencies	2.51	3.85	6.36	3.63
Component 2. Land acquisition and adverse impacts	2.80	3.70	6.50	3.71
Land acquisitions and compensation	1.50	2.00	3.50	2.00
Environmental and biodiversity management plans	0.20	0.30	0.50	0.29
Works to protect against and manage climate change risks	1.10	1.40	2.50	1.43
Component 3. Capacity building and preinvestment activities	1.80	2.40	4.20	2.40
Engineering designs for the Mayuelas-Puerto Barrios segment, with climate resilience, universal accessibility, and road safety features	0.43	0.57	1.0	0.57
Technical assistance firm	0.65	.085	1.5	0.86
Capacity building for gender equality in the transportation sector	0.04	0.06	0.10	0.06
Technical capacity-building in the PCU	0.34	0.46	0.80	0.46
Procurement of equipment and information technology for tracking and managing traffic	0.34	0.46	0.80	0.46
Other costs	0.30	0.50	0.80	0.46
Total	75.00	100.00	175.00	100.00

⁵⁹ The amounts at the subcomponent level are indicative.

Table 3. Projected disbursement schedule (US\$ millions)

Source	Year						Total
	1	2	3	4	5	6	
IDB	10.6	18.8	20.5	19.4	5.7	0	75.0
FONPRODE	10.6	18.8	20.5	19.4	15.7	15.0	100.0
Total	21.2	37.6	41.0	38.8	21.4	15.0	175.0
% of disbursements	12.1	21.5	23.4	22.2	12.1	8.6	100.0

- 2.3 **Development of the corridor to the port in stages.** The fulfillment of the Bank’s safeguards and policies entailed making adjustments to the program during preparation: (i) incorporating environmental and biodiversity management plans for the thornscrub ecoregion, addressing the instructions of experts during the public consultations; (ii) reviewing the design of the El Rancho bypass (3.3 km) and confirming that it did not include the “Fernando Paiz” private nature area; and (iii) limiting the scope of the program to those works that had an adequate evaluation of indirect and cumulative impacts. Technical cooperation resources⁶⁰ will be used to complete the socioenvironmental designs and evaluations of the segment through Mayuelas, including its climate change resilience. Resources from Component 3 will be used to finance these studies for the Mayuelas – Puerto Barrios segment, in order to lay the groundwork for the development of the corridor to the port (paragraph 2.1).

B. Environmental and social risks

- 2.4 Pursuant to the Environment and Safeguards Compliance Policy (Operational Policy OP-703) and the findings of the [environmental and social impact assessment](#), this program has been classified as a category “B” operation⁶¹ because the planned works entail moderate, localized, and temporary socioenvironmental risks and impacts, related primarily to the acquisition of rights of way from 63 private properties, and the impact on vegetation. No impacts are expected on indigenous peoples.
- 2.5 Though no significant adverse impacts to natural habitats are anticipated, the program is expected to have localized impacts since bypass interventions will pass through natural habitats. The El Rancho bypass should not directly impact the Fernando Paiz private nature reserve (whose northern edge is adjacent to the current CA-9 corridor according to official information). All areas involved in the bypass works have some level of intervention and degradation. With regard to the Motagua Valley thornscrub (an ecoregion highly threatened by conversion and historic degradation), project execution will mostly be confined to the existing roadway, so its impact on biodiversity should be negligible, since only a maximum of 17.22 hectares of nontargeted ecosystems will be converted (of which 12.96 ha correspond to thornscrub forest—a critical natural habitat—and 4.26 ha to natural forest—a natural habitat) along the easement strip of the 35 km of roadway; this represents 17.79% of the project’s footprint in the operating area. The disaster risk

⁶⁰ See footnote 42.

⁶¹ Category “B” considers operations that are likely to cause mostly local and short-term negative environmental and associated social impacts and for which effective mitigation measures are readily available.

is classified as “high,” primarily because it is associated with earthquakes, intense rainfall, and possible flooding and landslides.

- 2.6 An [environmental and social impact evaluation](#) and an [environmental and social management plan](#) have been prepared for the program, including flora and fauna management measures, specific management measures for holywood trees (*guaiaicum sanctum*, included on Guatemala’s list of threatened species) to prevent and mitigate any potential impact on this critical natural habitat; as well as a [resettlement and livelihood restoration plan](#) with compensation options consistent with the requirements of Operational Policy OP-710. These documents are available on the Bank’s [website](#).
- 2.7 Ten meaningful consultation meetings with program stakeholders were held between February and November 2021. In all, 311 people participated in those meetings, including people who will potentially be affected by rights-of-way acquisitions, owners of businesses located in El Rancho, municipal and community authorities, and institutional and social and environmental stakeholders. According to the [Consultation Report](#), which was published on 21 January 2022, the participants’ primary concerns revolved around the adverse impacts of rights-of-way acquisitions and associated compensation payments, the continuity of vehicle access to the businesses located in El Rancho, and the increase in traffic and detours on alternative routes during construction. On the environmental front, a detailed analysis was recommended of the critical natural habitat and the location and impact on protected areas, and the need to obtain the national environmental authorities’ official ruling with respect to the final designs for the program.

C. Fiduciary risks

- 2.8 The CIV has a regulatory framework, an integrated financial management system, and institutional procedures manuals, but in practice challenges crop up and make project execution more difficult. The fiduciary analysis identified the following risks, rated high: (i) execution delays due to a lack of human resources for program procurement and financial management as well as a lack of experience with Bank policies. The mitigation measures are: (a) verification that the CIV officials and reporting officers (the general coordinator, the procurement specialist, and the financial management specialist) are supported by consultants who have experience with Bank policies; and (b) fiduciary training, assistance, and supervision provided by the Bank; and (ii) on the financial front, a lack of budget allocations could cause delays in bidding processes and payments, which would lead to execution delays. This risk will be mitigated through: (a) assignment of specific budgetary codes, by financing source, in the Integrated Accounting System (SICOIN) so the program can be identified within the CIV’s budget; (b) comprehensive planning of activities and identification of budget requirements and financial quotas; (c) coordination with the apex agency, where appropriate, for timely processing of allocations; (d) ongoing monitoring of the availability of designated resources according to the annual work plan and the procurement plan; and (e) inclusion of specific procedures for managing this risk in the program Operations Manual, including the corresponding workflows, responsible parties, and timeframes.
- 2.9 In the area of procurement, a high risk was identified in the form of the delays that have arisen due to the executing agency staff’s limited experience applying Bank

policies. This will be mitigated by: (i) exclusive use of the Bank's procurement policies, wherein any use of the country procurement policies will require explicit prior approval from the Bank; (ii) evaluation of procurement processes by ad hoc evaluation committees appointed for each process in question. The committees will adhere to best practices for integrity risks, their reports will be completed with enough time for the Bank to issue its no objection before the deadline established for bid security, the committees will consist of staff regardless of the financing source, and those employees do not have to be reporting officials; (iii) advance training and support during bidding and evaluation processes from the IDB PCU procurement specialist and/or consultant; and (iv) reasonable assurance audits for procurements, contracted by agreement, to certify that procurement management procedures, flows, and timeframes comply with the provisions of Bank policies.

- 2.10 The fiduciary analysis identified the following medium-high risks: (i) delays in payments to contractors, suppliers, and landowners, to be mitigated by ongoing monitoring of the plan of payments to contractors and suppliers and by the CIV including in the program Operations Manual effective procedures and flows that specify the tasks and responsible parties as well as the deadlines for payments to landowners, where applicable; and (ii) challenges in the preparation and execution of complex procurement processes, to be mitigated by coordination between the DGC's technical offices and the program procurement specialist and/or consultant with experience with Bank policies.

D. Other key issues and risks

- 2.11 **Public management and governance.** The project team has identified a medium-high risk of significant delays in program execution caused by the process of obtaining legislative approval for the loan, especially due to the limited fiscal headroom for new borrowing as a result of the government's fiscal efforts following the COVID-19 pandemic and execution of its economic reactivation plan. This risk is mitigated by the fact that the program is included in the national government's economic reactivation plan, as well as by the simultaneous submission to Congress of both loan contracts.
- 2.12 **Expropriations.** The project team has identified a high risk of delays in land and rights-of-way acquisitions for program execution, which is why Component 2 (paragraph 1.32) has been structured to: (i) implement actions to free rights-of-way prior to the start of works; and (ii) establish adequate negotiation mechanisms and compensation measures to streamline payment, taking national legislation into account.
- 2.13 **Execution mechanisms.** A medium-high risk was identified in the simultaneous application of Bank policies and national legislation, which could cause delays in execution. As a mitigation measure, the PCU, under the DGC, will be strengthened, with full capacity to apply the Bank's policies (paragraph 3.1), even when internal processes may result in execution delays. The lack of ministerial authorization of the program Operations Manual and its application to DGC internal matters was also identified as a high risk, hindering coordination with the various technical and operational areas. As a mitigation measure, it was agreed to approve the Operations Manual, which contains the specific process flows for the program, by ministerial resolution (paragraph 3.3) ([optional link 3](#)).

- 2.14 **Sustainability of the investments.** The maintenance of the program works will be done by the CIV, which may be undertaken through the various programs and contracts regularly undertaken for road maintenance activities. Basic studies are planned using technical cooperation resources⁶² to evaluate alternatives for managing the corridor that would contribute to generating resources to cover it maintenance (paragraph 1.18).

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

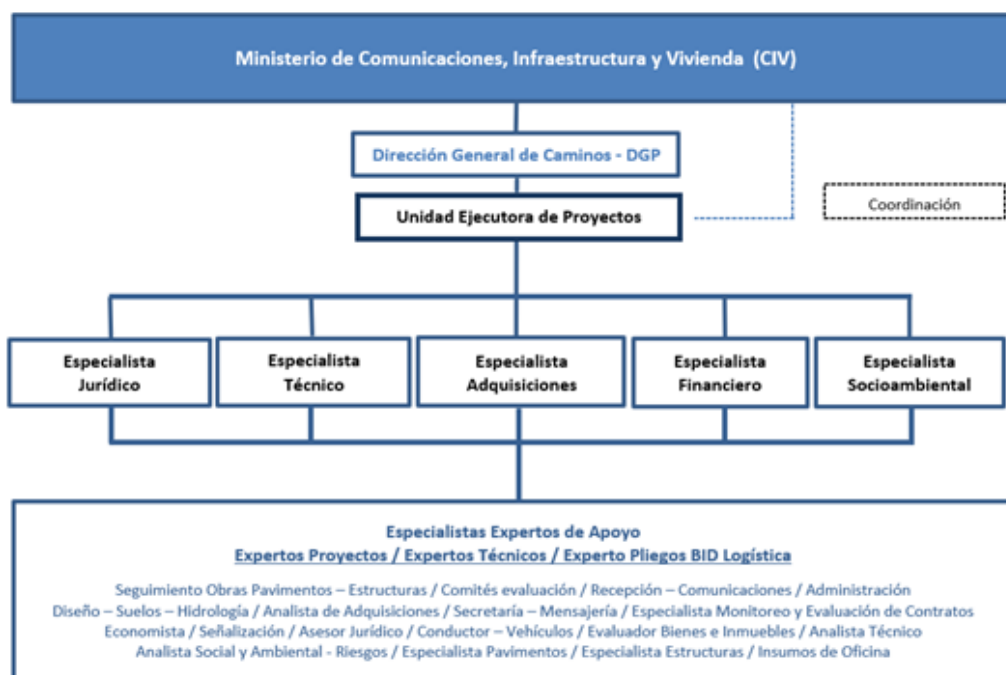
- 3.1 **Executing agency.** The executing agency will be the CIV, acting through the DGC through the PCU created and existing for loan [4746/OC-GU](#), which will be strengthened in its capacity and authority for the management of this program by means of the amendment of Ministerial Resolution 251-2021, which created it. The PCU will be strengthened by incorporating into its minimum structure the appointment of contracting of five additional specialists: (i) a specialist in rights-of-way (ii) a biodiversity specialist; (iii) a gender specialist; (iv) a road infrastructure specialist; and (v) a specialist in planning, monitoring, and executing works.⁶³ The cost of operating the PCU may be financed with program resources. The PCU will also be supported by a technical assistance firm, incorporating lessons learned (paragraph 1.20) to be contracted using program resources after receiving the Bank's no objection (paragraph 3.9).⁶⁴ The objective of this strengthening is to establish a decision-making process based on technical criteria and supported by sufficient financial and human resources. The program Operations Manual ([optional link 3](#)) spells out the PCU's support structure, responsibilities, and procedures and incorporates mitigation measures identified in the fiduciary risk analysis (paragraphs 2.8, 2.9, and 2.10), mainly related to the regulation of ad hoc evaluation committees and times assigned to internal processes of the DGC. The PEU's core staff is identified below.

⁶² See footnote 42.

⁶³ As indicated in paragraph 3.9, three of these five specialists, given their profile, will be contracted prior to the first disbursement.

⁶⁴ The technical assistance firm may be contracted for up to a maximum of US\$1.5 million.

Figure 4. PCU core staff



Source: Prepared by the authors.

- 3.2 **Execution of loan [4746/OC-GU](#).**⁶⁵ As a result of the improvements implemented (paragraph 1.20), it is expected that 60% of the resources for loan [4746/OC-GU](#) (US\$90 million) will be committed by the end of 2022. Of the seven works projects that make up this program: (i) the first was awarded, with works starting in February 2022; (ii) three bidding processes will be completed to start works in 2022; and (iii) the last three projects will begin works next year once their studies are completed and the contracts are awarded. In line with the Country Strategy 2021-2024, proactive measures will continue to be taken and will be monitored regularly to sustain these improvements in execution over time (paragraph 1.21).
- 3.3 **Program Operations Manual.** The program Operations Manual will specify the program execution structure and procedures and will be approved by the highest authority of the executing agency. The PCU, attached to the DGC, will maintain its capacities to execute the program under Bank policies⁶⁶ by virtue of Ministerial Resolution 251-2021, as amended. The program Operations Manual will specify the technical, environmental, fiduciary, financial, land acquisition, and other considerations to be applied under the program execution arrangements ([optional link 3](#)).

⁶⁵ Date of Board approval: 6 February 2019; ratification by Congress: 23 April 2020; partial eligibility: 20 October 2020; and full eligibility: 26 February 2021.

⁶⁶ The IDB-AECID cofinancing agreement will identify the operational guidelines that will govern approvals and modifications of the program execution tools (program Operations Manual, multiyear execution plan, annual work plan, and procurement plan).

- 3.4 **Financial management.** The PCU will regulate and coordinate the program's financial management (budget, accounting, and cash flow management, including program payments) according to the rules of the executing agency, the authority of the PCU, and in accordance with the provisions of the loan contract and the Financial Management Guidelines for IDB-financed Projects (document OP-273-12 or its current version). The PCU will be staffed by specialists who will ensure effective program fiduciary (financial and procurement) management and execution.
- 3.5 **Procurement.** Operation procurements will be conducted in accordance with the Bank's procurement policies (documents GN-2349-15 and GN-2350-15). However, since the Bank's Board of Executive Directors has approved use of the electronic reverse auction system for goods and/or nonconsulting services up to the shopping threshold (document GN-2538-26), that system can be used once the measures included in the report on the acceptance and use of Guatemala's country procurement system have been carried out and the procurement plan has been modified. The GUATECOMPRAS information system will be accepted solely for advertising procurement processes.
- 3.6 Land acquisitions will be carried out in accordance with the executing agency's procedures and the provisions of the program Operations Manual and will comply with the eligibility criteria and requirements established in applicable Bank policies (Modernization of Policies and Practices that Restrict the Use of Resources in Investment Loans [document GN-2331-5] and the Guidelines for the Eligibility of Expenditures in Investment Loans [document CC-6004-2]), in that the acquisitions: (i) are attributable to the program; (ii) are required to achieve the project's development objectives; (iii) put the land to productive use within the context of the project in question; and (iv) can determine the value of the inputs at reasonable market prices acceptable to the Bank.⁶⁷
- 3.7 **Disbursements.** The Bank will disburse the proceeds requested electronically or manually using the advance of funds modality or any other modality set out in document OP-273-12 (or its current version) as requested by the executing agency. Advances of IDB funds will be made to a secondary U.S. dollar account opened at the Bank of Guatemala specifically for program use and attached to the treasury single account. Advances will be based on a multiyear work plan that reflects actual payment needs for a period no longer than six months. Provided that the payments are made and duly documented, subsequent disbursements can be processed after supporting documentation has been submitted for 80% of the outstanding balance of previous advances. If necessary, the possibility of using the flexibilization arrangements established in document OP-273-12 (or its current version) can be examined. If requested, the executing agency will open accounts exclusively for program disbursements from other program financing sources.
- 3.8 **Audit.** The executing agency, through the PCU, will submit to the Bank audited program financial statements on an annual basis, which will include its financing sources if requested, will be expressed in U.S. dollars, and will be audited by a Bank-acceptable independent audit firm⁶⁸ based on the terms of reference agreed

⁶⁷ Document GN-2331-5.

⁶⁸ If eligible, the Office of the Comptroller General can perform the audits.

upon with the Bank. Program funds will be used to hire the audit firm, and it is recommended that only one hiring process be carried out for the entirety of program execution. Audit reports will be made available to the public through the Bank's website in accordance with the Bank's access to information policy.

- 3.9 **Special contractual conditions precedent to the first disbursement of the loan proceeds:** (i) approval and entry into force of the program Operations Manual ([optional link 3](#)) under the terms previously agreed upon with the Bank; (ii) issuance by the executing agency of the amendment of Ministerial Resolution 251-2021 on the creation of the existing program coordination unit (PCU) granting it the authority to coordinate program execution; (iii) strengthening of the execution capacities of the PCU referred to in (ii) above, through the identification of three specialists in addition to those already on the staff: (a) a specialist in rights-of-way; (b) a biodiversity specialist; and (c) a gender specialist, based on the profiles previously agreed upon with the Bank; and (iv) fulfillment of the conditions set out in the environmental and social management report ([required link 3](#)) and the fiduciary conditions set out in Annex III. These conditions are considered essential because the Bank and the borrower should: (i) be in agreement with regard to the procedures manual that will govern program execution; and (ii) have appointed the staff required for program execution; and (iii) fulfill the program's socioenvironmental and fiduciary conditions.
- 3.10 **Special contractual conditions for execution:** The executing agency agrees to submit evidence that: (i) the bid evaluation committees have been appointed in accordance with the provisions of Bank policies and have no powers or responsibilities beyond those established in those policies; and (ii) the executing agency has approved the detailed engineering designs for the El Rancho bypass works, including the land acquisition implementation plan, prior to the launch of the bidding process for that work in particular. These conditions are justified: (i) in order to have clear rules for program execution; and (ii) to mitigate potential delays and engineering risks during execution, for the El Rancho bypass works.

B. Summary of arrangements for monitoring results

- 3.11 **Monitoring and evaluation.** The executing agency, through the PCU, will submit to the Bank consolidated semiannual progress reports. These reports will include: (i) a description of the activities carried out; (ii) an updated physical execution and disbursement schedule; (iii) the extent to which the agreed upon indicators for execution have been achieved; (iv) an action plan for the upcoming six-month period; and (v) any incidents that may adversely affect program execution. The executing agency will submit to the Bank a midterm evaluation (once 50% of program proceeds have been disbursed) and a final evaluation (once 90% of the program has been executed).
- 3.12 Monitoring and evaluation ([required link 2](#)) of the expected program results will use before-and-after methodologies and an ex post cost-benefit analysis. The program expects to design an impact evaluation and has separate resources to work on this.

Development Effectiveness Matrix		
Summary		GU-L1170
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Economic Integration -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Roads built or upgraded (km)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3085	Mejorar la provisión de servicios básicos al ampliar y modernizar la infraestructura logística del país
Country Program Results Matrix	GN-3087	The intervention is included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.7
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		4.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	GU-T1296

Evaluability Assessment Note:

The general objective of this US\$175 million program is to help boost exports from strategic productive sectors, in a sustainable and inclusive manner, in Guatemala. The specific objective is to improve the service levels of the intervened corridor. The project will finance the improvement and expansion to four lanes of the 35 km of the El Rancho – Teculután subsection of the CA-9 North. This will contribute to the improvement and management of the CA-9 North road corridor, the main access route and connection to the center of the country and to El Salvador and Honduras. Guatemala has the highest logistics costs in Central America (the cost of transporting a 40-foot container is 12% more than in El Salvador, 21% more than in Honduras, 6% more than in Mexico, and 24% more than in Nicaragua). The corridor allows transporting production from the northern and eastern areas of the country (those with the highest rates of poverty), and allows connection with the Atlantic ports (used by 67% of exports), and even benefits cargo from El Salvador (which represents 30% of the cargo in the port of Santo Tomás de Castilla). The absence of four lanes in two thirds of the CA-9 North has generated a decrease in the speed of vehicle circulation with strong impacts on logistics costs. The costs of expanding the entire corridor to the port (204 km) are estimated at US\$1,000 mm, so this project represents only a first stage, to reduce the complexity of socio-environmental management and property acquisition.

The economic analysis is appropriate, with reasonable and standard assumptions and sensitivity analyses. Using a discount rate of 12%, the estimated net present value of the intervention in the proposed subsection is US\$93.60 million and the internal rate of return is 26.3%.

The evaluation plan is appropriate. It proposes to carry out an ex-post economic analysis of the program, measuring its impact on vehicle operating costs and travel times in the intervened subsection. This exercise will not allow the empirical attribution of the results obtained. However, the project proposes to consider the possible realization of an impact evaluation, for which it includes a budget oriented to a possible evaluation design and data collection. If this evaluation materialized, it would allow the empirical attribution of the results.

RESULTS MATRIX

Project objective:	The general objective is to help sustainably and inclusively boost exports from strategic productive sectors. The specific objective is to improve levels of service on the beneficiary corridor.
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General Development Objective

Indicator	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Help sustainably and inclusively boost exports from strategic productive sectors.							
Total exports	US\$ billions	13.59	2021	2028	15.92	Bank of Guatemala. Responsible party: Executing agency.	Better road conditions should lead to a 2% annual increase in the value of the country's exports.
Women hired in the execution of the program works out of the total number of direct jobs	Percentage	0	2022	2028	5	Monitoring reports. Responsible party: Executing agency.	Pro-gender indicator.

Specific Development Objectives

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Means of verification	Comments
Specific development objective 1: Improve levels of service on the beneficiary corridor.											
Average cost of vehicle operation	Constant US\$ per vehicle/km	Cars and pickups – 0.29	2022							Cars and pickups – 0.25	Traffic study. Highway Development and Management. Responsible party: Executing agency.
		Trucks and articulated vehicles – 1.66								Trucks and articulated vehicles – 1.12	
Average travel time	Minutes	Cars and pickups – 41.2								Cars and pickups – 28.0	
		Trucks and articulated vehicles – 51.5								Trucks and articulated vehicles – 28.6	

Outputs

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Means of verification	Comments
Component 1. Investments in roadway widening											
Widening of the CA-9 Norte highway to four lanes	km	0	2022	0.0	3.4	8.2	14.0	9.4	35.0	Monitoring reports. Responsible party: Executing agency.	
Bridges replaced with designs incorporating climate change resilience	Meters	0	2022	0	0	80	130	95	305		
Component 2. Investments in land acquisition and climate change resilience considerations											
Compensation plan, developed and implemented	Plan	0	2022	0	0	1	0	0	1	Monitoring reports. Responsible party: Executing agency.	
Component 3. Capacity building and preinvestment activities											
Technical feasibility study for the Mayuelas-Puerto Barrios subsection, performed	Study	0	2022	0	0	0	1	0	1	Monitoring reports. Responsible party: Executing agency.	
Traffic management equipment and technology (scales and weights)	Equipment	0	2022	0	0	0	2	0	2		Scales and information technology equipment.
Review of engineering designs with climate change resilience completed	Km	0	2022	0	10	15	21	0	46		Teculután – Mayuelas subsection Financed with funds from technical cooperation operation

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Means of verification	Comments
											ATN/AC-18778-GU; ATN/OC-18779-GU
Maintenance and cleaning plan for corridor drainage infrastructure implemented	Plan	0	2022	0	1	0	0	0	1		
Workshop to build technical capacity for climate change resilience, conducted	Workshop	0	2022	0	1	0	0	0	1		
Training program on topics relating to gender and persons with disabilities in the transportation sector, implemented	Program	0	2022	0	2	0	0	0	2		
Design and implementation of an internal CIV strategy to promote the inclusion of women in the transportation sector	Strategy	0	2022	0	1	0	0	0	1		
Workshops on gender equity and violence against women for contractors and related institutions, conducted	Workshop	0	2022	0	1	1	1	0	3		
Women who participate in the internship program for nontraditional jobs	Persons	0	2022	0	2	4	4	3	13		Pro-gender indicator. Financed with funds from technical cooperation operation ATN/AC-18778-GU; ATN/OC-18779-GU.

Indicator	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	Project end	Means of verification	Comments
Direct jobs created by program works	Job	0	2022	0	27	65	112	75	279		
Workshops to promote the participation of women in local production-related development activities, conducted	Workshop	0	2022	0	0	1	1	0	2		

Country: Guatemala

Division: TSP

Operation number: GU-L1170

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Communications, Infrastructure, and Housing (CIV)

Operation name: Program to Develop the CA-9 Norte Corridor: El Rancho – Teculután Subsection

I. Fiduciary Context of the Executing Agency

1. Use of country systems in this operation (Any system/subsystem subsequently approved can be used for this operation in accordance with the terms of the Bank's validation).

<input checked="" type="checkbox"/> Budget	<input checked="" type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input type="checkbox"/> National competitive bidding
<input checked="" type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input checked="" type="checkbox"/> Other: Electronic reverse auction
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input type="checkbox"/> Individual consultants	<input type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Particular features of fiduciary execution	<p>The executing agency will be the Ministry of Communications, Infrastructure, and Housing (CIV), acting through the program coordination unit (PCU) created for loan 4746/OC-GU. The PCU will be staffed with officials from the Highway Administration (DGC) and the Concessions and Divestiture Administration (DCD), and its execution arrangements will be focused on enhancing sector planning (technical, financial, and procurement planning). Proceeds from the IDB financing can be used to hire consultants to support program procurements and financial management, and the Bank's no objection will be obtained for the terms of reference for those consulting engagements. The program Operations Manual will discuss the structure and responsibilities of the IDB PCU that will be created (paragraph 3.1 of the loan proposal).</p> <p>The program will be cofinanced by the Development Promotion Fund (FONPRODE).</p> <p>[The DGC's responsibilities are discussed in Article 8 of Government Agreement 520-99 from 29 June 1999].</p> <p>Organic structure and functions of each of the agencies and departments included in its regulatory framework.</p>
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The CIV is the apex agency for the communications, transportation, public works, and housing sectors. It develops policies and enforces legislation relating to the establishment, maintenance, and development of products and services delivered by the institutions that belong to those sectors.</p> <p>An evaluation of the executing agency's fiduciary capacity was performed with the DGC's fiduciary staff in the first half of 2021 using the Institutional Capacity Analysis Platform methodology. The analysis found that, though the institution has a regulatory framework, uses the Integrated Financial Management System (SIAF), and has institutional procedures manuals, in practice fiduciary management capacity</p>
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	<p>for execution of IDB-financed projects is still at an early stage of development. This was confirmed by the results reported from execution of loan 4746/OC-GU, which has experienced significant delays in program launch, the hiring of staff for the management team, and procurement processes. The evaluation also found that the CIV lacks staff with the fiduciary skills required for project execution and that its financial and procurement processes require long timeframes and involve many agencies in project execution, which results in a hybrid application of Bank policies and national legislation. This causes excessive delays and undermines the success of procurement processes and the timely management of payments and the budget.</p> <p>A workshop held with the CIV to evaluate the project's fiduciary risk found that measures need to be taken to strengthen the unit and mitigate fiduciary risk, which is considered high.</p>
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4. Fiduciary risks and risk response

Area (Procurement/financial management)	Risk	Risk level	Risk response
Procurement and financial management	Execution delays due to a lack of human resources for program procurement and financial management as well as a lack of experience with Bank policies.	High	(a) Verification that the CIV officials and reporting officers (the procurement specialist and the financial management specialist) are supported by consultants who have experience with Bank policies, to facilitate procurement and financial management; and (b) fiduciary training, assistance, and supervision provided by the Bank.
Procurement	The limited experience with use of Bank policies among executing agency staff involved in procurement processes could cause delays if Bank policies are used incorrectly or if staff use national legislation and internal procedures simultaneously with Bank procedures.	High	(a) Exclusive use of the Bank's procurement policies, wherein any use of national legislation will require explicit prior approval from the Bank and adhere to the provisions of the program Operations Manual; (b) evaluation of procurement processes by ad hoc evaluation committees appointed by the individual designated in the program Operations Manual for each process in question. The committees will consist of, at a minimum, a technical officer, a legal officer, a financial officer, and the IDB PCU procurement specialist, and their reports will be completed within the timeframe established in the program Operations Manual, taking into account bid security. The provisions of Guatemalan legislation regarding qualifying boards will not apply; (c) advance training and support during bidding and evaluation processes from the IDB PCU procurement specialist and/or consultant; (d) external review and reasonable assurance audits for procurements to certify that the executing agency's actions (including the actions of the ad hoc evaluation committees) comply with the procurement procedures, flows, and timelines set out in Bank policies and with the provisions of the program Operations Manual. The IDB PCU will engage the services of a firm in accordance with the terms of reference and reporting deadlines previously agreed upon with the Bank; and (e) the following

			provisions to be observed in using national competitive bidding (NCB) will be included in relation to: (i) not restricting participation of providers from Bank member countries and declaring providers from non-Bank member countries ineligible; (ii) not establishing percentages of origin, preferential margins, or registration requirements; (iii) considerations that should be included in the bidding documents; and (iv) that ad hoc evaluation committees are supported by an IDB PCU specialist.
Financial management	A lack of budget space and/or financial quotas could cause delays in bidding processes or payments, which would lead to execution delays and duplication of the project team's efforts.	High	(a) Assignment of specific budgetary codes, by financing source, in the Integrated Accounting System (SICOIN) so the project can be identified within the CIV's budget; (b) comprehensive planning of activities and identification of budget requirements and financial quotas; (c) coordination with the apex agency, where appropriate, for timely processing of allocations; (d) ongoing monitoring of the availability of designated resources according to the annual work plan and the procurement plan; and (e) inclusion of specific procedures for managing this risk in the program Operations Manual, including the corresponding workflows, responsible parties, and timeframes.
Financial management	Delays in payments to contractors, suppliers, and landowners	Medium-high	(a) Ongoing monitoring of the plan of payments to contractors and suppliers; and (b) a program Operations Manual with effective procedures and flows that specify the tasks and responsible parties as well as the deadlines for payments to landowners, where applicable.
Procurement	Challenges in the preparation and execution of complex procurement processes	Medium-high	Coordination between the DGC's technical offices and the program procurement specialist and/or consultant with experience with Bank policies.

5. Policies and guidelines applicable to the operation

The fiduciary management (procurement and financial management) guidelines and policies will be applied holistically and will be used for both Bank financing and financing from other sources.

Financial management will adhere to the Financial Management Guidelines for IDB-financed Projects (document OP-273-12 or its current version), the rules and regulations for the SIAF, and the National Procurement Act, which regulates the budget, accounting, treasury, and public credit subsystems which comprise the SIAF and operate under the principle of regulatory centralization and operational decentralization. The CIV is subject to all budget, accounting, and treasury regulations applicable to central government agencies, and certain processes require the approval of the Ministry of Public Finance (MINFIN).

The policies contained in documents GN-2349-15 and GN-2350-15 (or their current versions) will be used for procurement management, and the GUATECOMPRAS information system will be used solely for announcing procurement processes.

6. Exceptions to policies and guidelines: No exceptions anticipated.

II. Considerations for the Special Provisions of the Loan Contract

Special contractual conditions precedent to the first disbursement of the loan proceeds:

(i) The borrower will have opened at the Bank of Guatemala subaccounts, in U.S. dollars and attached to the treasury single account. The loan proceeds will be disbursed into those subaccounts, without exception, as referred to in Article 4.01(c) of the General Conditions of the loan contract. This condition was prompted by a request from the borrower and is included in all loan contracts so that the Bank of Guatemala can authorize the opening of accounts in U.S. dollars; and (ii) for the purposes of the provisions of Article 4.01(d), the borrower will have assigned specific budgetary codes, by financing source and in the name of the program as established in the loan contract, to identify the loan in the SICOIN, pursuant to the borrower's current regulations. This condition is justified in order to ensure that the country financial management system can be used, which will facilitate program execution and financial reporting.

Special contractual conditions for execution. The special contractual conditions for execution are as follows:

(i) The exchange rate used for program financial reporting will be the one reported by the Bank of Guatemala on the effective date on which the borrower, the executing agency, or any other individual or corporation authorized to make payments issues the respective transfer or payment. Earnings generated as a result of exchange rate differentials, interest, or other sources may be used to finance expenditures relevant to the program objectives after obtaining the Bank's no objection. The provisions of document OP-273-12 or its current version will apply.

(ii) The executing agency will submit to the Bank, in the first 30 days of each fiscal year, evidence of the budget allocation for the project for the current fiscal year, including a detailed description of the actions needed to ensure that the budget covers execution as planned in the Bank-approved annual work plan and procurement plan. This condition is justified as a measure to mitigate budget risks.

(iii) When forming the bid evaluation committees, the members will be familiar with the program governance framework and the Bank's procurement policies, and the program Operations Manual will establish specific criteria for forming these committees and timeframes for evaluation processes. The PCU will be responsible for monitoring compliance. This is justified by the need to ensure that eligible companies, firms, and consultants have equal opportunity to compete and to ensure that the procedures set out in Bank policies are applied when evaluating bids and proposals.

Audit type: The external financial audit reports that will include all sources of financing and that have been identified as necessary for program financial management supervision as of the date the loan contract was signed are: annual audited financial statements and reasonable assurance reports, which will be submitted within 120 calendar days after the end of each of the executing agency's fiscal years during the original disbursement period and any extension thereof; and a final audited financial statement, which will be submitted within 120 calendar days after the end of the original disbursement period or any extension thereof. These reports will be duly audited by a Bank-acceptable independent audit firm or by the supreme audit institution previously accepted by the Bank and will be submitted in accordance with the terms of reference agreed upon by the Bank and the executing agency. For the purposes of the provisions of Article 7.03(a) of the General Conditions, the program's fiscal year runs from 1 January to 31 December of each calendar year. Pursuant to the Bank's current access to information and information disclosure policies, the program's audited reports will be published on official Bank systems and websites.

III. Agreements and Requirements for Procurement Execution

<input checked="" type="checkbox"/>	Bidding documents	Procurement processes financed in full or in part with grant resources will be carried out in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). Procurement of works, goods, and nonconsulting services. Contracts under the program that are subject to international competitive bidding (ICB) will be executed using the standard bidding documents issued by the Bank. Procurements subject to NCB will be executed using the documents agreed upon with the Bank. The sector specialist will be responsible for reviewing the technical specifications for procurements during the preparation of selection processes. Selection and contracting of consultants. Consulting services contracts generated under the program will be executed using the standard request for proposals issued by or agreed upon with the Bank, depending on whether the shortlist is international or national. The sector specialist will be responsible for reviewing the terms of reference for the contracting of consulting services. Selection of individual consultants. The hiring of individual consultants will adhere to the provisions of document GN-2350-15, Section V, paragraphs 5.1 through 5.4, in accordance with the methods set out in the procurement plan.
<input checked="" type="checkbox"/>	Use of country systems	In document GN-2538-26, the Bank approved the use of the electronic reverse auction system or subsystem up to the shopping threshold for goods and/or nonconsulting services, which may be applied once the required measures for its implementation have been fulfilled. The GUATECOMPRAS information system is accepted exclusively for advertising purposes. The operation's procurement plan will indicate which procurements will be executed using the country system within the approved scope. Should the Board expand the scope of its approval of the use of the country system, the expanded use will apply for this operation.
<input checked="" type="checkbox"/>	Recurrent expenditures: Recurrent expenditures are the operations and maintenance expenditures necessary to keep a project in operation throughout the life of the project. Recurrent expenditures will be financed by the project within the annual budget approved by the Bank and will be processed by following the executing agency's administrative procedures.	Anticipated recurrent/operational expenditures include the following: Land payments (sales or expropriations): Land acquisitions fall within the Bank's expense eligibility framework (document GN-2331-5 , document CC-6004-2 , document AB-2358, and Operational Policy OP-311), which grants permission to use loan proceeds to purchase land, provided that the acquisition is consistent with the requirements set out in Bank policy. Land acquisitions are considered an eligible expense as long as: (i) the expense can be attributed to the project; (ii) the acquisition is required to achieve the project's development objectives; (iii) the land will be put to productive use within the context of the project in question; and (iv) the value of the inputs can be determined at reasonable market prices acceptable to the Bank. ¹ Per diems, fuel, publication of bidding process announcements, vehicle maintenance, copies of training materials, and other costs associated with the supervision activities included under the program components.
<input type="checkbox"/>	Projects with financial intermediaries	N/A
<input type="checkbox"/>	Advance procurement/retroactive financing	N/A

¹ See document GN-2331-5, paragraph 3.28.

<input checked="" type="checkbox"/>	Procurement supervision	<p>The procurement supervision method will be ex ante. Procurement fiduciary oversight visits will be conducted at least once every six months in accordance with the program's supervision plan and will include at least one physical inspection visit.²</p> <p>The recommended thresholds for the use of ICB and an international shortlist of consultants are those established for Guatemala (http://www.iadb.org/procurement).</p> <table border="1" data-bbox="603 421 1345 510"> <tr> <td>Works</td><td>Goods/services</td><td>Consulting services</td></tr> <tr> <td>Ex ante review</td><td>Ex ante review</td><td>Ex ante review</td></tr> </table>	Works	Goods/services	Consulting services	Ex ante review	Ex ante review	Ex ante review
Works	Goods/services	Consulting services						
Ex ante review	Ex ante review	Ex ante review						
<input checked="" type="checkbox"/>	Records and files	<p>The executing agency will be responsible for maintaining the program's physical and digital records and files. The agreed upon procedures and formats discussed in the program Operations Manual will be used for the preparation and filing of reports.</p>						

Main procurements

Procurement description	Selection method	New procedures/tools	Estimated date	Estimated amount (US\$'000)
Goods				
Equipment and technology for automated traffic monitoring on the corridor	ICB		28/08/2025	800
Works				
Upgrading of the CA-9 Norte corridor	ICB		10/02/2023	150,782
Consulting firms				
Supervision of the upgrading of the CA-9 Norte corridor	Quality and cost-based selection (QBCS)		14/02/2023	6,359
Study for the Mayuelas-Puerto Barrios subsection	QBCS		18/01/2023	2,500

To access the 18-month procurement plan, click [here](#).

Procedures	Justification of use
Leasing and used equipment	N/A
Partnership for innovation	N/A
Competitive dialogue	N/A
Electronic reverse auction	N/A

² Physical inspections verify the existence of the items procured, leaving verification of quality and compliance with specifications to the sector specialist.

IV. Financial Management Agreements and Requirements

☒	Programming and budget	<p>Operational budget management will be carried out in SICOIN, following the financial management and control standards and the specific regulations contained in the project agreement. For program execution, a specific code will be assigned to the program in SICOIN, for each source of financing, for program identification and monitoring. The executing agency will submit to the Bank reports monitoring the timely allocation of adequate budgetary resources for the project. The contents and frequency of those reports will be as previously agreed upon with the Bank and will be specified in the program Operations Manual. These considerations will be included in the loan contract as a special contractual condition precedent to the first disbursement and a special contractual condition for execution (see Section II above).</p>
☒	Treasury and disbursement management	<p>Disbursements and cash flow. The treasury single account mechanism is acceptable for managing the Bank-financed resources. The resources received as advances of funds will be consistently deposited into a secondary U.S. dollar account attached to the treasury single account. Payments to suppliers, beneficiaries, and contractors will be made from that account. If required, the PCU will open exclusive accounts for disbursements from other sources of financing for this program.</p> <p>The Bank will disburse the proceeds requested electronically or manually using the advance of funds modality or any other modality set out in document OP-273-12 (or its current version) as requested by the Borrower. Advances of funds will be made in accordance with the multiyear execution plan, which reflects real payment needs for a period no longer than six months. Provided that the payments are made and duly documented, subsequent disbursements can be processed after supporting documentation has been submitted for 80% of the outstanding balance of previous advances. If necessary, the possibility of using the flexibilization arrangements established in document OP-273-12 (or its current version) can be examined. If requested, the PCU will open accounts exclusively for program disbursements from other program financing sources.</p> <p>The exchange rate for program financial reporting will be the one reported by the Bank of Guatemala on the date the payment transaction is completed. Earnings generated as a result of exchange rate differentials, interest, or other sources may be used to finance expenditures relevant to the program objectives after obtaining the Bank's no objection. The provisions of document OP-273-12 will apply to the handling of exchange rate differentials.</p> <p>If at any point the Bank determines that ineligible expenses have been covered with program proceeds, the Bank, at its discretion, can demand that the borrower and/or executing agency: (i) reimburse the amount paid for the ineligible expenses; (ii) provide alternative documentation verifying the payment of other expenses that are eligible project expenses; or (iii) a combination thereof.</p>
☒	Accounting, information systems, and reporting	<p>Specific accounting standards: Government accounting standards, on a cash basis. The International Public Sector Accounting Standards should be implemented in 2024. Program accounting and records will be managed through SICOIN, which is the sole source of information on the use of program funds. The existing accounts and expense structure will be used, and there will be no special chart of accounts. Supporting documentation for payment transactions will remain on file at the CIV, which will be responsible for keeping records and making payments charged against the program.</p> <p>Specific reports for program monitoring, execution, and financial progress will be prepared using data from SICOIN and auxiliary books in Microsoft Excel if needed and called for in the program Operations Manual.</p> <p>Since there are two different financing sources (IDB and FONPRODE), audited and unaudited financial information must follow the breakdown by source so planning, monitoring, and expense justification can be carried out both independently by each cofinancing source and also for the program as a consolidated whole.</p>

<input checked="" type="checkbox"/>	Internal control and internal auditing	The executing agency should have an internal control mechanism and structure in place that ensures effective, efficient, and transparent management. The program Operations Manual approved for this program will discuss the specifics to ensure adequate internal control of execution of the allocated resources. The country's internal audit subsystem will not be used for this program.
<input checked="" type="checkbox"/>	External control and financial reports	The program financial reports, which include the cofinancing sources, will be audited on an annual basis by an external audit firm eligible for the Bank in Guatemala or by the Office of the Comptroller General in accordance with its manual on auditing special financial statements for IDB-financed projects, if eligible. The terms of reference and model contract will be previously agreed upon with the Bank. The audit firm will be hired no more than 120 days before the end of the year to be audited. It is strongly recommended that only one hiring process be carried out for the entirety of program execution until program end. During execution, the audited financial statements and the quality assurance report will be submitted annually, within 120 days after the closing date of each financial fiscal year or, in the case of the final audit, the date of the last disbursement. In addition, the IDB may request audited or unaudited financial reports related to the program whenever deemed necessary. Pursuant to the Bank's current access to information and information disclosure policies, the program's audited reports will be published on official Bank systems.
<input checked="" type="checkbox"/>	Financial supervision	Financial management will be supervised through consultations of budget information, payments, and accounting in SICOIN, the multiyear execution plan, and other unaudited financial information prepared by the executing agency at the Bank's request. At least one financial fiduciary oversight visit is planned for each year.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Guatemala. Loan ____/OC-GU to the Republic of Guatemala
Program to Develop the CA-9 Norte Corridor:
El Rancho – Teculután Subsection

The Board of Executive Directors

RESOLVES:

1. That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Guatemala, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Program to Develop the CA-9 Norte Corridor: El Rancho – Teculután Subsection. Such financing will be chargeable to the Bank's Ordinary Capital (OC), up to the amount of US\$75,000,000, subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

2. That the President of the Bank, or such representative as he shall designate, is authorized to distribute the service fee received by the Bank among the relevant departments for which additional workload is generated by virtue of the Individual Financing Agreement with AECID-FONPRODE.

(Adopted on ____ 2022)