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BOLIVIA

MULTIPHASE PROGRAM FOR THE URBAN RESTRUCTURING OF LA CEJA PHASE I (BO-L1079)

LOAN PROPOSAL

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ELECTRONIC LINKS
REQUIRED <ol style="list-style-type: none">1. Annual work plan (AWP) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=370461182. Monitoring and evaluation plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=370456173. Itemized procurement plan http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=370461324. Environmental and Social Management Report (ESMR) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37197809 OPTIONAL <ol style="list-style-type: none">1. Economic analysis http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=370456962. Progress monitoring report (PMR) http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=370495663. Experience and lessons learned http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=370453944. Environmental and social safeguard classification http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=37227517

ABBREVIATIONS

AWP	Annual work plan
DOTCAU	Dirección de Ordenamiento Territorial, Catastro y Administración Urbana [Land Management, Cadastre, and Urban Administration Department]
FPS	Fondo Nacional de Inversión Productiva y Social [National Productive and Social Investment Fund]
FSO	Fund for Special Operations
GAMEA	Gobierno Autónomo Municipal de El Alto [Autonomous Municipal Government of El Alto]
INE	National Institute of Statistics
PEU	Program executing unit
SIGMA	Sistema Integrado de Gestión y Modernización Administrativa [Integrated administrative management and modernization system]
TESA	Técnico, económico, social y ambiental [Technical, economic, social and environmental]

PROJECT SUMMARY

BOLIVIA

MULTIPHASE PROGRAM FOR THE URBAN RESTRUCTURING OF LA CEJA – PHASE I (BO-L1079)

Financial Terms and Conditions						
Borrower: Plurinational State of Bolivia					OC	FSO
				Amortization period:	30 years	40 years
Executing agency: Autonomous Municipal Government of El Alto (GAMEA)				Grace period:	6 years	40 years
Source	Amount (US\$ millions)			Disbursement period:	5 years	5 years
	Phase I	Phase II	Total	Interest rate:	SCF-Fixed	0.25%
Single Currency Facility of the Ordinary Capital (OC)	37.60	24.00	61.60	Inspection and supervision fee:	*	N/A
Fund for Special Operations (FSO)	9.40	6.00	15.40			
Local	2.00	2.00	4.00	Credit fee:	*	N/A
Total	49.00	32.00	81.00	Currency:	US\$	
Project at a Glance						
<p>Program objective. The program's objective is to support GAMEA in its efforts to reduce congestion problems in the La Ceja area. The specific objectives are: (i) improvement of GAMEA's urban planning and management capacities; (ii) upgrading of El Alto's road and urban infrastructure; and (iii) improvement and deconcentration of GAMEA's citizen service delivery.</p>						
<p>Special contractual clauses:</p> <p>Conditions precedent to the first disbursement: (i) creation of the program executing unit (PEU) and appointment of its key staff, and implementation of the integrated administrative management and modernization system (SIGMA) developed by the central government for all public administration; (ii) entry into effect of the program's Operating Regulations; (iii) signing of a subsidiary resource-transfer agreement between GAMEA and the central government; and (iv) signing of a subsidiary resource-transfer agreement between the National Productive and Social Investment Fund (FPS) and the central government (paragraph 3.10).</p> <p>Conditions precedent to works bidding processes for Component 2: (i) fulfillment of the citizen consultation and participation process; (ii) presentation of environmental, social, information, and community relations plans to the Bank; (iii) application of FPS environmental procedures; (iv) approval by the airport authorities of the designs, construction techniques, and contingency plans for building the new road; (v) environmental permits; (vi) environmental and social specifications; and (vii) terms of reference for environmental inspection of works (paragraph 3.11).</p>						
Exceptions to Bank policies: None.						
Project consistent with the country strategy: YES [X] NO []						
Project qualifies as:	SEQ []	PTI [X]	Sector []	Geographic [X]	Headcount []	

(*)The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

I. DESCRIPTION AND RESULTS MONITORING

A. Background and problems addressed

- 1.1 Just 25 years after its creation, the city of El Alto has become one of the fastest growing cities in Bolivia, with population growth of 5.1%, compared to a national average of 2.2%.¹ Since the 1950s, the land area now occupied by the municipio of El Alto has attracted immigrants from the highlands and La Paz seeking new urban spaces close to the city. Since 1980, immigration from the most depressed urban and rural areas of the west of the country has intensified, and, boosted by a high fertility rate (4.2 children per woman of childbearing age), has fueled rapid population growth. In 1992, the municipio had 405,000 inhabitants; since then its population has grown to reach 695,000 by 2001,² and is estimated at over 1 million for 2012.
- 1.2 The Municipio of El Alto consists of 14 districts, nine urban and five rural, each of which has a district submayor. The city of El Alto, which occupies an area of 65 km², is divided into north and south zones by the international airport of El Alto, which, given the population growth described above, has ended up in the center of the city ([see electronic link](#)). In terms of urban development, the city displays two clearly distinct areas. The intensive urban zone includes districts 1 - 6, of essentially residential and commercial use, concentrating 90% of El Alto's population.³ The extensive urban zone (districts 7 to 14) is located on the outskirts of the municipio, with sparse population and rural characteristics. The zone is growing rapidly, as new neighborhoods spring up along the main roadways bearing the heaviest urban, interdepartmental, and international traffic flows—to the west, along Avenida Juan Pablo II toward Copacabana, Desaguadero, and the border with Peru; and to the south, along Avenida 6 de Marzo to the south of the country and the border with Chile ([see electronic link](#)).
- 1.3 In terms of transportation and mobility, 93% of urban trips in motor vehicles in El Alto are made by public transportation, which carries over 630,000 passengers per day.⁴ During the morning rush hours, the heaviest traffic flows occur along avenues Juan Pablo II, Ladislao Cabrera, and 6 de Marzo ([see electronic link](#)), with loads of 14,000, 12,600, and 10,500 passengers per hour in each direction,

¹ United Nations Population Fund (2007): *Bolivia: Población, territorio y medio ambiente; Análisis de la situación de la población* [Bolivia: population, territory and the environment; analysis of the state of the population].

² National Institute of Statistics (INE) (2006): *Proyecciones de población por departamento y municipio 2000/10* [Population projections by department and municipio 2000/10].

³ INE (2005). *Bolivia: Indicadores sociodemográficos por ciudades capitales, Censos de 1992-2001 y Zonas Censales, Censo 2001* [Bolivia: Sociodemographic indicators by capital cities, 1992-2001 censuses and census zones, 2001 census].

⁴ Reingeniería Total SRL (2007). *Estudio de diagnóstico y definición de estudio de transporte público y de carga para la Ciudad de El Alto* [Diagnostic study and definition of the study of public and freight transportation for the city of El Alto].

respectively. Traffic speeds on the El Alto road network are generally relatively high, estimated at 20 to 50 km/h.⁵

- 1.4 The Autonomous Municipal Government of El Alto (GAMEA) faces two major urban challenges. First, the city's exponential demographic growth has fueled burgeoning territorial expansion without adequate planning. This requires a change in the city's pattern of urban development, to facilitate the delivery basic services and urban infrastructure to the population. The second challenge is to overcome the problem of congestion in the La Ceja zone, located between the international airport and the municipal boundary with the city of La Paz. This site, covering roughly six hectares, is where roads from Oruro, Viacha, Desaguadero/Copacabana all converge with the main artery linking El Alto to La Paz.
- 1.5 Owing to the lack of physical planning, El Alto has spread haphazardly with low housing density (9.63 homes/hectare). If this trend continues, the urban footprint will expand excessively (782 hectares/year),⁶ generating heavy demand for an expansion of public services.
- 1.6 Despite the multiple problems linked to land use planning and occupation, GAMEA does not have a current land-use management plan being effectively implemented. The municipal development plans prepared by GAMEA over the last few years do not contain land-use directives that adequately accommodate housing development and the municipio's socioeconomic activity.
- 1.7 Moreover, with municipal development plans now in the implementation phase, information technology systems are needed to support the management of infrastructure works defined by local residents at the district level, which need to be integrated into the municipio's annual work plan (AWP).⁷ This makes it hard for GAMEA to monitor works progress, and it hinders social oversight by citizens.
- 1.8 **Situation in La Ceja.** As a result of its strategic location on the boundary with the municipio of La Paz, La Ceja has become the only subcenter in El Alto where transportation hubs and the main commercial and service activities coincide, particularly the various levels of government services. Living on the outskirts of the city forces most people to travel long distances to reach this commercial and service center, or else they have to go to La Paz. The ensuing concentration of people and vehicles results in heavy congestion of the zone.

⁵ GAMEA (2010): *Plan estratégico de desarrollo del Municipio de El Alto* [Strategic development plan for the municipio of El Alto].

⁶ GAMEA (2004): *Plan de Ordenamiento Urbano y Territorial* [Urban and land use management plan].

⁷ In 2012, over 3,100 works were registered for El Alto.

- 1.9 La Ceja supports about 80,000 informal merchants, of whom 80% are women.⁸ Commerce generates high levels of local noise pollution (publicity messages and music at sales outlets), the presence of solid waste (garbage produced by pedestrians, informal merchants, food vendors, and others), and visual pollution (banners, advertising signage, power cables, and others). The effect of these factors is compounded by the lack of green areas and recreation facilities in the zone.
- 1.10 Transportation and the proximity of the airport to La Ceja generate high levels of noise pollution (motor vehicle horns and aircraft noise) compounded by air pollution (from the use of fossil fuels). An estimated 300,000 people pass through La Ceja each day, using one of the 476 public transportation routes and private motor vehicles that travel through the zone,⁹ with an average of 3,800 vehicles per hour passing through during peak hours. The general congestion in the zone is aggravated by the operating model of the informal public transportation system, in which vehicles park by the roadside waiting to be filled by passengers, thereby obstructing the traffic ([see electronic link](#)). In La Ceja, traffic speeds drop dramatically to below 12 km/h, and even as slow as 5 km/h during peak hours, along Avenida 6 de Marzo, the main artery connecting the south and south east of Bolivia with the city of La Paz.¹⁰ In addition, the proliferation of informal street commerce obstructs pedestrian movements to such an extent that only 68% of the sidewalks can be considered partially passable.¹¹
- 1.11 In terms of the supply of citizen services, the La Ceja zone accommodates 100% of offices belonging to the municipio, the governorship of La Paz, and the central government in El Alto, providing services to the public. This concentration of government services means that most of the El Alto population has to go to La Ceja to fulfill procedures, entailing long journeys from virtually all of the municipio's 14 districts ([see electronic link](#)).
- 1.12 The main GAMEA administrative offices in La Ceja are the Revenue Department and the Land Management, Cadaster and Urban Administration Department (DOTCAU). The Revenue Department handles all El Alto taxes in its offices in the La Ceja area, dealing with an average of 850 procedures per day, or 260,000 per year. The DOTCAU, which also operates in La Ceja, deals with property regularization procedures, in high demand among the El Alto population. People

⁸ Red Hábitat (2011): Género y espacio público La Ceja [Gender and public space La Ceja]. In terms of gender issues, El Alto has a very high number of cases of violence against women. According to data provided by GAMEA, in 2011, El Alto reported 19,728 cases of domestic and family violence, 89% of which were targeted against women. The infrastructure used by GAMEA to deal with this problem is inadequate, because the small rented premises used are overwhelmed by demand. GAMEA holds training activities and provides the information needed to prevent and reduce violence against women.

⁹ Red Hábitat (2011).

¹⁰ GAMEA (2010). The speed limit on Avenida 6 de Marzo is 60 km/hour, which gives an idea of the scale of the congestion problem in the zone.

¹¹ Red Hábitat (2011).

also go to the La Ceja zone for services including banking and for contracting and paying for Internet, mobile telephony, and cable TV. These services are located in this part of El Alto, because it is a major public transport transfer hub and because the main government offices operate there.

- 1.13 To ease the congestion of La Ceja, new subcenters need to be created in the west and south of El Alto,^{12,13} allowing for the deconcentration of activities currently undertaken in La Ceja, such as commerce, medium- and long-distance transportation, and citizen services including bureaucratic procedures. To develop these subcenters, GAMEA has identified two municipal properties in the west and south of the city, along avenues Juan Pablo II and Av. 6 de Marzo, respectively. Neither of the plots in question is currently occupied, and they are both located in outlying urban areas with little commercial activity, and residential space characteristics in the west, and residential and industrial characteristics in the south.
- 1.14 Following a request by the Bolivian government, in 2009 and 2010 the Bank conducted an analytical study of strategic interventions to be undertaken in El Alto for the city's development.¹⁴ This identified the priority need for action to reduce the congestion problem in La Ceja. Despite having jurisdiction in urban planning and management under the Framework Law on Autonomies and Decentralization and a mandate to correct the city's haphazard growth trend, GAMEA lacks the technical capacities and financial resources needed to develop a medium-term land-use management program.
- 1.15 Since the aforementioned law was passed in July 2010, municipal tax and spending powers have been strengthened, particularly in relation to public investment. As this process is at an incipient stage, however, effective urban planning and management capacities are still limited. Moreover, GAMEA faces resource constraints in fulfilling that mission, owing to its very weak exploitation of property tax, Bolivian municipios' main internal revenue source, owing to cadastral deficiencies (only 3% of urban properties are registered).¹⁵

¹² New subcenters are defined as new city zones containing the following: (i) a high concentration of services and activities of different scales that attract people; (ii) good internal access to and from the rest of the city (they are generally transport nodes); and (iii) recognition from the community as the center of the zone to which they belong, acting as a point of reference and symbolic expression of the conditions of life of their inhabitants (Cuenin and Silva, 2010, 17). Cuenin and Silva (2010): *Identificación y Fortalecimiento de Centralidades Urbanas: El Caso de Quito* [Identification and strengthening of central urban zones: the case of Quito].

¹³ The creation of central zones was conceived as a way to solve the congestion problem, based on the development of a specialized consulting study ([IDBDOC 37236897](#)).

¹⁴ CEP – AC&A (2010): [Plan Estratégico de Desarrollo del Municipio de El Alto 2010](#) [Strategic Development Plan of the Municipio of El Alto].

¹⁵ Estimates provided by the Office of the Deputy Minister of Housing and Urban Development, based on an independent consulting project performed in 2011 for the Municipal Governance Improvement Program (BO-L1063).

B. Experience and lessons learned

- 1.16 The Bank has broad experience working with subnational governments in the restructuring and renewal of central urban areas, support for land-use management, and improving citizen services. The design of this operation has drawn on experience gained in designing and implementing programs including the following: La Paz Revitalization and Urban Development Program (loan 1557/SF-BO), Quito Historic Center Rehabilitation Program (loan 1630/OC-EC), Rehabilitation of downtown areas and land management support in Cuenca (loan 1761/OC-EC), and the Municipal Development and Management Program (loan 1489/OC-UR), which cover topics of urban development, creation of new central urban areas, and municipal governance. The [electronic link](#) describes the lessons to be considered for this operation.

C. Intervention rationale and strategy

- 1.17 **Rationale.** The Bolivian government requested the Bank's support to improve urban planning, management, and infrastructure in the city of El Alto, targeting the La Ceja zone in particular. The following factors justify the Bank's participation in the proposed operation: (i) the need to support GAMEA in its effort to change the current urban model to achieve more orderly and long-term-sustainable city growth; (ii) the urgent need for integrated urban development actions to decongest the La Ceja zone; and (iii) the Bank's experience in urban renewal processes over more than a decade in La Paz, Quito, and other cities with similar problems. The program is aligned with the objectives proposed in the Bank's country strategy with Bolivia (2011-2015), in terms of strengthening the State apparatus through institutional development at decentralized levels. It also contributes to the objectives of the Ninth General Capital Increase on poverty reduction, equity enhancement, and support for small and vulnerable countries; as well as regional development targets related to infrastructure for competitiveness and social welfare.
- 1.18 **Intervention strategy.** Given the La Ceja zone's heavy congestion, the program proposes urban restructuring through two operations implemented in successive phases. The first operation will support strategic urban actions at different points in the city, seeking to create new urban centers and thus help to decongest La Ceja. Once congestion has been eased, the second operation will finance improvements in infrastructure and urban spaces—as well as organizing commercial and vehicle activities—in La Ceja itself.
- 1.19 In conjunction with the physical and social interventions, the program aims to help GAMEA strengthen its urban planning and management capacities. Support will be provided for the preparation of a land-use management plan, to provide the city with a medium and long-term vision, and a management system that makes it possible to monitor the progress of infrastructure works undertaken by GAMEA.
- 1.20 The proposed operation is complemented by the Municipal Management Improvement Program (loan 2664/BL-BO), which helps to improve public

expenditure management and tax administration in the municipio of El Alto, thereby contributing to this operation's sustainability.

D. Objectives, components, and cost

- 1.21 The program's general objective is to support GAMEA in its efforts to reduce congestion problems in the La Ceja area. The specific objectives are: (i) improvement of GAMEA's urban planning and management capacities; (ii) upgrading of El Alto's road and urban infrastructure; and (iii) improvement and deconcentration in GAMEA's citizen service delivery. The program is structured in the following components:
- 1.22 **Component 1. Support for urban planning and land management capabilities (US\$1.09 million).** This component will support GAMEA in: (i) development of a land-use management plan that integrates land-use planning and socioeconomic activity, with the aim of fostering the city's sustainable development; (ii) strengthening of GAMEA's Planning Department; and (iii) development of a georeferenced information technology system to monitor AWP projects.
- 1.23 **Component 2. Upgrading of urban infrastructure (US\$42.94 million).** This component will finance three urban interventions; it will also provide funding for preinvestment studies in accordance with national legislation¹⁶ and the final designs needed to implement the urban infrastructure projects of phase I, and those triggering the start of phase II.
- 1.24 The phase I works selected jointly with GAMEA are: (i) the construction of two new subcenters to accommodate commercial, business, social, and recreational activities, and government services, in addition to medium- and long-distance passenger transportation terminals; and (ii) improvement of highway connectivity between El Alto north and El Alto south by building a road through the airport (thereby making it unnecessary to pass through La Ceja). The program will also finance social training activities in the new subcenters. In the case of the new road through the airport, the aim will be to forge a link between the traffic management plan and the organization of public transportation routes. The interventions identified are described in greater detail below.
- 1.25 **New west and south subcenters.** Two new subcenters will be developed in the western and southern parts of El Alto. The first will be located on Avenida Juan Pablo II and will represent the subcenter closest to the western access of the city, which connects with the roads to Desaguadero and Copacabana and the border with Peru. The southern subcenter will be located on Avenida 6 de Marzo, representing the subcenter closest to the southern access of the city of El Alto, at the convergence of roads leading to the south of the country and the border with Chile. These putative subcenters aim to make it unnecessary for residents of districts 4 and

¹⁶ The preinvestment studies will cover technical, economic, social, and environmental considerations (TESA studies) under the Bolivian preinvestment regulations, and environmental and social considerations in line with Bank policies.

5 and 7 to 14 to travel to La Ceja to access medium- and long-distance transportation services, because there will henceforth be points where they can board and disembark from services covering national and departmental routes. These subcenters will have spaces for offices providing citizen services, restaurants, communication centers, banks, baggage storage, and leisure areas.¹⁷ Lastly, as a result of the creation of the new subcenters and the associated economic development, the aim is to promote greater land occupation and higher residential density in the western and southern zones of the city.

- 1.26 These actions will make it possible to ease congestion in the flow of people that currently have to travel to La Ceja to fulfill bureaucratic procedures and gain access to services, which are nonexistent in their own districts. To ensure adequate use of the public space and strengthening of the subcenters, the interventions will be accompanied by social training activities for their users, with a comprehensive approach targeting both women and men, to promote community development and foster economic activity in the intervention areas.
- 1.27 Training activities that promote economic development will focus on customer service and sales to improve business efficiency, access to services through GAMEA and private entities, and on citizenship, culture, and information issues. Special emphasis will be placed on gender matters, since 80% of informal merchants in El Alto are women. Training activities for women will support GAMEA's work in areas such as child nutrition and early childhood stimulation, reproductive health rights, and the prevention and reduction of gender-based violence, with participation from ombudsperson offices, comprehensive municipal legal services, and the family protection unit, among others.
- 1.28 **New airport road.** The southern and northern zones of El Alto are currently separated by the international airport, so traveling from one to the other means passing through La Ceja. To alleviate this connection problem and reduce congestion in La Ceja, funding will be provided to build a main road traversing the eastern sector of the airport, linking Av. 6 de Marzo and Juan Pablo II, the city's main road arteries. The new road will connect Av. km 7 with Av. de los Héroes, and an underpass will link Av. km 7 with Av. Ladislao Cabrera. This would ease congestion in the zone near La Ceja, thereby improving traffic flows on the existing road segment in the sector, and preventing passenger and freight transport using the national roads from passing through the La Ceja zone.
- 1.29 **Component 3. Improvement of citizen services (US\$2.25 million).** This component will finance: (i) the creation of the GAMEA Citizen Service Unit, to coordinate a new revenue collection-service delivery model, to encompass the 14 submayoralities; (ii) the redesign of real property management processes and systems; (iii) the development of 16 citizen service windows with a view to deconcentrating the property regularization procedure, which involves the Revenue

¹⁷ The scope of these actions includes upgrading public infrastructure in the surrounding area by providing paved access roads, signage, traffic lights, and street lighting.

and Land-Use Management Departments;¹⁸ (iv) training of staff to provide services in the 14 submayoralities and the new subcenters; and (v) the implementation of education and awareness-raising campaigns to encourage people to complete bureaucratic procedures in the submayoralities.

- 1.30 **Administration, audit, monitoring, and evaluation (US\$2.72 million).** The program will provide funds for program management, including: (i) program executing unit (PEU) expenses; (ii) contracting of the audit; (iii) communication strategy and actions; and (iv) program monitoring and midterm and final evaluations.
- 1.31 **Costs and financing sources.** The operation's total cost is estimated at US\$49 million, of which US\$37.6 million will be financed out of the Single Currency Facility of the Bank's Ordinary Capital; US\$9.4 million will be financed from the Fund for Special Operations (FSO); and the remaining US\$2 million will be funded by GAMEA as local counterpart.

Table 1.1. Program costs (US\$ millions)

Investment categories	IDB	Local contribution	Total
I. Components	44.28	2.00	46.28
1. Urban land planning and management	0.89	0.20	1.09
2. Improvement of urban infrastructure	41.14	1.80	42.94
3. Improvement of citizen services	2.25	-	2.25
II. Administration, audit, monitoring, and evaluation	2.72	-	2.72
4. Administration Components I and III	0.40	-	0.40
5. Administration Component II	2.15	-	2.15
6. Program audit, monitoring, and evaluation	0.17	-	0.17
TOTAL	47.00	2.00	49.00

E. Key results indicators

- 1.32 The program is expected to: (i) improve GAMEA's urban management capacity, by developing and implementing a project monitoring and evaluation system; (ii) reduce average travel time in the La Ceja area; (iii) improve access for its inhabitants to medium- and long-distance transportation services to and from El Alto; and (iv) improve access to municipal services for the inhabitants of El Alto who live outside the La Ceja zone.
- 1.33 The main Results Matrix indicators and targets are summarized below.

¹⁸ This procedure is currently performed exclusively in the central offices of each department. The redesign of processes will mean integrating the procedure so that it can be completed in any of the 14 submayoralities in a shorter time, making it unnecessary for local people to travel to the La Ceja area.

Table 1.2. Results Matrix Indicators

Outcome	Baseline	Final target¹⁹
Expected outcome 1: Improved urban planning and management capacity		
Works included in the AWP that are managed through a computerized project monitoring system	0%	60%
Expected outcome 2: Upgraded road and urban infrastructure in El Alto		
Reduction of average travel times between the expressway toll booth area and the intersection of Av. Juan Pablo II and Av. Alfonso Ugarte	11 minutes	5 minutes
Reduction of average travel times between the expressway toll booth area and the intersection of Av. 6 de Marzo and Calle 11	21 minutes	17 minutes
Reduction of average travel times between the expressway toll booth area and the intersection of Av. Ladislao Cabrera and Calle 126 in the Bolívar C zone	26 minutes	13 minutes
Reduction of fuel consumption in the segment between La Ceja and Viacha	US\$0/year	US\$205,000/year
Expected outcome 3: GAMEA citizen services improved and deconcentrated		
Proportion of revenue procedures dealt with in the Revenue Department now handled in the 14 submayoralities and 2 new subcenters	0%	40%

II. FINANCING STRUCTURE AND RISKS

A. Financing instruments

- 2.1 The proposed operation is designed as a multiphase investment loan, the most appropriate instrument to develop the sequential intervention strategy envisaged by the program (paragraph 1.18). The first operation will be disbursed over a five-year period, with an estimated disbursement schedule as shown in Table 2.1:

Table 2.1. Disbursement schedule (US\$ millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Loan	0.05	15.11	15.62	14.46	1.75	47.00
Counterpart	0.00	0.20	1.80	0.00	0.00	2.00
Total	0.05	15.31	17.42	14.46	1.75	49.00

- 2.2 **Second phase triggers.** The program has been designed in two phases. The second phase triggers will be: (i) commitment of at least 50% of the resources of the first operation; (ii) final design of actions to be financed under component 2 of

¹⁹ For the source and means of verification, see the program's Results Matrix (Annex II).

the first operation; and (iii) the existence of at least two strategic investment projects designed with technical, environmental, and social eligibility, to be financed in the second phase of the program.²⁰

B. Environmental and social safeguard risks

- 2.3 This operation is classified as a category “B” operation under the Bank’s Environment and Safeguards Policy (Operational Policy OP-703), since it may cause localized and short-term adverse environmental impacts, including associated social impacts, for which effective mitigation measures are available. The main adverse environmental impacts stem from construction activity during the works execution period, and potential opposition to the program’s interventions from the community.
- 2.4 The multiphase instrument selected for the program is due to the sequential intervention needed to mitigate social risks (paragraph 1.18). The first operation will help ease congestion in La Ceja. Once this objective is attained, the second operation will focus on the target area in the municipio of El Alto. To minimize the negative social effects, the works to be implemented in this first phase will not require involuntary population resettlement. The new urban subcenters will be developed on public land owned by GAMEA, which in the case of the western subcenter is currently used on a common-law basis (use without pre-established rights) by trade fairs—an activity that is not expected to be halted or relocated during the construction stage, given the large space available. Moreover, consultations will be held with the community once the final designs for the interventions have been prepared. By the end of the program, the environmental and social effects are expected to be positive, improving the quality of life for inhabitants of El Alto. The environmental and social management report (ESMR) prepared for this program summarizes the environmental and social analysis undertaken, along with measures to mitigate residual risks.

C. Fiduciary risks

- 2.5 During the process of identifying risks and assessing institutional capacity, it was concluded that GAMEA has an average capacity and a medium level of risk. Nonetheless, the outputs of component 2 will be executed through the National Productive and Social Investment Fund (FPS), which has been classified as a low-risk high-capacity executing agency.²¹ The outputs to be executed under the FPS represent 88% of the operation’s resources.
- 2.6 The following risks have been identified as requiring a mitigation plan: (i) insufficient fiduciary capacity in GAMEA to handle the program, and potentially insufficient capacity in the case of the FPS. This will be mitigated by providing

²⁰ The identification of actions for the second operation will be based on the land-use management plan to be produced in this first operation, and the municipal development plan currently being prepared.

²¹ Daniel Herbas Franco (2012). *Aumento de nivel ex post de adquisiciones en Bolivia. Estudio de consultoría* [Raising the ex post procurement level in Bolivia, Consulting study]. [IDBDOCS 37064010](#).

specific training in financial management and procurement processes, a clear definition of the processes to be applied in the program's Operating Regulations, and a minimum staff for the FPS, assigned exclusively to the program; and (ii) delays in the flow of local counterpart funding, which will be mitigated through agreements with GAMEA to define a local counterpart contribution schedule and the respective training activities.

D. Other risks

- 2.7 Macroeconomic and technical risks have also been identified that could affect the execution and scope of the program. Macroeconomic risks include an increase in construction costs or an exchange rate appreciation, which could reduce the scope of the program's outputs. As a mitigating action, part of the budget will be allocated to contingencies,²² and mechanisms will be provided making it possible to purchase goods in advance and store them for later use.
- 2.8 Lastly, there is a risk of weak coordination between the different official structures of GAMEA, the PEU, and FPS. The program will set up a Steering Committee consisting of the top authorities of GAMEA and FPS, and officials involved from both institutions; and GAMEA will also hire a coordinator specialized in urban and transportation issues.

III. IMPLEMENTATION AND PLAN OF ACTION

A. Summary of institutional and implementation arrangements

- 3.1 **Executing agency.** GAMEA will serve as executing agency and will set up a PEU responsible for planning, coordination, administration, execution, monitoring, and comprehensive evaluation of the program. It will report directly to the Mayor of El Alto and will operate as a deconcentrated entity. At a minimum, the PEU will consist of the following staff: (i) a general coordinator; (ii) two technical coordinators, one for Components 1 and 3 (planning and public governance) and the other for Component 2 (investments); and (iii) a support area responsible for administrative-accounting functions, procurement and contracting, monitoring and evaluation, and communication. The Operating Regulations will specify the functions and profiles of the PEU's professional staff.
- 3.2 The program will have a Steering Committee consisting of the Municipal Mayor, the General Program Coordinator, the FPS Executive Director, and the GAMEA Special Director of Planning for Development, or the equivalent, or the parties delegated thereby. The General Program Coordinator will serve as technical secretary of the Steering Committee. The Steering Committee will meet at least once every two months and its main function will be the general monitoring of program execution, making strategic decisions should problems arise. The

²² The infrastructure works budget includes 20% for contingencies.

- committee's functions will basically involve strategy and monitoring, thus preventing bottlenecks in the operation's execution.
- 3.3 Component 1 will be executed by the PEU in coordination with the GAMEA Office of the Special Director of Planning for Development, or the equivalent. The PEU will be responsible for undertaking contracting and procurement processes. The Office of the Special Director of Planning for Development, or the equivalent, will prepare technical specifications for goods procurement and terms of reference for contracting consulting services.
- 3.4 Execution of Component 2 will be delegated to the FPS. The FPS will execute the component under the guidelines for general coordination of the PEU, which reports to GAMEA. The PEU will be responsible for approval of the annual work plans and procurement plans prepared by the FPS. The FPS, under PEU guidance, will be responsible for executing all activities under the component (including the procurement processes for works, goods, and consulting services). The program Operating Regulations, to be agreed upon prior to the first program disbursement, will specify the responsibilities of the FPS vis-à-vis GAMEA in the execution of this component, as well as the mechanisms ensuring coordinated and orderly execution. For the execution of the activities under this component, the FPS will assign technical and human resources exclusively to the program. Moreover, the FPS will have its own advance of funds and will justify it directly with the Bank, reporting to the PEU. The semiannual progress reports prepared by the FPS will be sent directly to the Bank with a copy to the PEU.
- 3.5 Component 3 will be executed by the PEU in coordination with the GAMEA General Secretariat, or its equivalent. The PEU will be responsible for procurement and contracting processes. The General Secretariat, or its equivalent, will provide the PEU with terms of reference for consultants and bidding documents for goods procurement with the respective technical specifications. Activities will be monitored by the PEU in coordination with the GAMEA General Secretariat, or its equivalent.
- 3.6 **Auditors.** The PEU will contract an audit firm to perform the annual audit of the program's financial statements, pursuant to the Bank's policies, reporting no later than 120 days after the end of each year during the operation's execution period. The audit will cover financial issues and also review the internal control system as implemented
- 3.7 **Disbursements.** The loan proceeds will be disbursed as advances of funds, with a frequency based on the operation's financial programming, which will be periodically updated by the PEU and the FPS. The Bank may make a new advance of funds once at least 80% of funds already advanced have been justified.
- 3.8 **Procurement.** Procurement of works, goods, and consulting services financed wholly or partly from the loan proceeds will be undertaken pursuant to the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-9), and Policies for the Selection and

Contracting of Consultants financed by the Inter-American Development Bank (document GN-2350-9) and according to the details contained in each case in the procurement plan agreed upon with the Bank, managed through the Procurement Plan Execution System (SEPA). Works and goods procurement and the selection and contracting of consultants will use the Bank's standard bidding documents, or other documents acceptable to the Bank. In principle, GAMEA processes and contracts will be reviewed on an ex ante basis at a level of 20% above the international competitive bidding (ICB) threshold. The ECYT Bolivia procurement firm may be contracted directly to manage GAMEA procurement, with a budget of up to US\$150,000 to support procurement processes during the first year of execution. This firm has been contracted in the past and performed well in the following operations: La Paz Storm Drainage Program (loan 1926/BL-BO) and Drainage in the Municipios of La Paz and El Alto (2440/BL-BO). Justification is provided in [Annex III](#).

- 3.9 **Fiduciary supervision.** Financial supervision will be performed on an ex post basis by the PEU, as the party responsible for comprehensive program execution. At a minimum, the supervision plans include the following: (i) two visits per year by the external audit firm for a comprehensive review of disbursement processes; (ii) one onsite visit to the locations where the loan proceeds are being invested; and (iii) a visit to check compliance with the internal control recommendations made by the program's external audit. For procurement matters, should there be any ex post review, the review visits will take place at least once a year, according to the progress of awards and contracting processes.
- 3.10 **The following will be special conditions precedent to the first disbursement: (i) formation of the PEU and appointment of its key staff, and implementation of the integrated administrative management and modernization system (SIGMA), developed by the central government for all public administration; (ii) entry into effect of the program's Operating Regulations; (iii) the signing of a subsidiary resource-transfer agreement between GAMEA and the central government; and (iv) the signing of a subsidiary resource-transfer agreement between the FPS and the central government.**
- 3.11 **Special conditions precedent to works bidding processes for Component 2.** GAMEA and the FPS will fulfill the following conditions: (i) fulfillment of the citizen consultation and participation process; (ii) presentation to the Bank of the final version of environmental, social, occupational health, contingency, and compensation plans, as well as the information and communication system and community relations for the construction stage; (iii) application of FPS environmental procedures; (iv) approval by the airport authorities of designs, construction techniques, and contingency plans for building the new road; (v) environmental permits for all works; (vi) environmental and social specifications for construction before approval of the bidding process by the Bank; and (vii) terms of reference for environmental inspection of works.

B. Summary of arrangements for monitoring results

- 3.12 **Economic analysis.** The results of the operation's cost-benefit analysis showed that it has positive effects, generating an internal rate of return of 17.8% ([see electronic link](#)). The sensitivity and risk analysis confirm the high reliability of the estimated positive social return.
- 3.13 The program's progress and the attainment of its objectives will be evaluated using the annual outcome and output indicators described for each component in the Results Matrix, and reflected in the program monitoring report (PMR).
- 3.14 **Monitoring system.** The PEU will be responsible for monitoring and overseeing progress in program execution. The status of execution of the various components will be monitored according to the Results Matrix indicators ([see Annex II](#)), using the following instruments: the Program Execution Plan (PEP), the AWP, and semiannual reports on the program's physical and financial execution and progress in terms of output and outcome indicators.
- 3.15 **Evaluation.** GAMEA will evaluate the program's achievement of the Results Matrix outcomes, using reflexive methodologies (before and after evaluation) and differences-in-differences. Consulting services will be contracted for following tasks: (i) after 24 months of eligibility, or when 35% of the Bank's loan proceeds have been disbursed, a midterm evaluation to measure the status of outputs achieved; (ii) once 95% of the Bank's loan proceeds have been disbursed, a final evaluation to measure the fulfillment of outcomes; (iii) an ex post economic evaluation in the last six months of execution, to be financed from the Bank's supervision resources; and (iv) an impact assessment to be delivered 18 months after the end of the term for the last disbursement, to be financed out of GAMEA's internal resources.
- 3.16 Details of arrangements for monitoring and evaluation of the program's outcomes are set forth in the [Monitoring and Evaluation Plan](#).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	(i) Lending to small and vulnerable countries, (ii) Lending for poverty reduction and equity enhancement (geographic), and (iii) Lending to support regional cooperation and integration (infrastructure).		
Regional Development Goals	(i) Paved road coverage (Km/Km2), and (ii) Public expenditure managed at the decentralized level as % total public expenditure.		
Bank Output Contribution (as defined in Results Framework of IDB-9)	(i) Km of inter-urban roads build or maintained/upgraded, (ii) Public financial systems implemented or upgraded (budgeted, treasury, accounting, debt, and revenues), and (iii) Municipal or other sub-national governments supported.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2631-1	(i) Increase in the State's capacity to train civil servants in public governance, and (ii) Better coverage of paved roads.	
Country Program Results Matrix	GN-2661-4	The intervention is included in the 2012 Country Program Document.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	8.2		10
3. Evidence-based Assessment & Solution	8.4	33.33%	10
4. Ex ante Economic Analysis	8.5	33.33%	10
5. Monitoring and Evaluation	7.7	33.33%	10
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B		
IV. IDB's Role - Additionality			
The project relies on the use of country systems (VPC/PDP criteria)	Yes	Financial Management: Budget, and Treasury. Procurement: Information System.	
The project uses another country system different from the ones above for implementing the program			
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
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			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	It is intended that the intervention is assessed by Difference in-Difference methodology, treatment and control groups will be defined.	

The program's objective is to support the Autonomous Municipal Government of El Alto (GAMEA) on its efforts to reduce congestion in the La Ceja area. The specific objectives are: i) strengthening the capacities of urban planning and management of GAMEA; ii) improving road and urban infrastructure of El Alto, and iii) the improvement and decentralization in the provision of services to citizens by GAMEA. The diagnostic program is accompanied by empirical evidence on the magnitude of the problem and its causes. The intervention logic is clear, expected results and products are defined with SMART indicators.

The program has a cost-benefit analysis for each of the major works considered in the intervention. The program also has a monitoring and evaluation plan that complies with the guidelines of the Bank for the DEM of sovereign guarantee projects. It is intended that the intervention is assessed by Difference in-Difference methodology, treatment and control groups will be defined.

Finally, the main risks that the program may face have been identified, among which are the weak coordination between different GAMEA register offices, the Execution Unit of the Program, and the National Fund for Social and Productive Investment (FPD); the insufficient fiduciary capacity of GAMEA and FPS; and the opposition from the community to the program interventions. Activities that can be done to mitigate these risks and indicators for monitoring such activities are provided.

RESULTS MATRIX

OBJECTIVE. The program’s general objective is to support the Autonomous Municipal Government of El Alto (GAMEA) in its efforts to reduce congestion problems in the La Ceja area. The specific objectives are: (i) improvement of GAMEA’s urban planning and management capacities; (ii) upgrading of El Alto’s road and urban infrastructure; and (iii) improvement and deconcentration of GAMEA’s citizen service delivery.												
INDICATORS	Unit of measure	Baseline		Intermediate measurements						Final target		Source/means of verification/comments
		Value	Year	Value	Year 2	Value	Year 3	Value	Year 4	Value	Year 5	
IMPACT: Reduced congestion in the La Ceja area												
Reduction in the ratio of property prices in La Ceja/property prices in the intervention zone. ¹	Index	100	2013	-	-	-	-	-	-	70	2017	Baseline prepared during the first year of the program. See Monitoring and Evaluation Plan. Means of verification: Independent consulting study that will use a market survey to verify property prices in the La Ceja area and in areas surrounding the south and west subcenters. The surrounding areas are defined in the Monitoring and Evaluation Plan
EXPECTED OUTCOME 1: Better planning and urban management capacity												
Works included in the annual work plan (AWP) managed through a computerized project monitoring system	%	0	2012	-	-	-	-	-	-	60	2017	Baseline source: GAMEA technical report (2012) Means of verification: Technical report issued by the GAMEA Planning Department

¹ This indicator captures the degree of deconcentration in La Ceja. If new subcenters are created that attract greater economic and social activity than La Ceja, some of the activities undertaken in La Ceja would be expected to voluntarily transfer to the new subcenter. As a result, property prices in the areas surrounding the new subcenters would rise in relation to those of La Ceja.

EXPECTED OUTCOME 2: El Alto road and urban infrastructure upgraded												
Reduction in average travel time between the expressway toll booth area and the intersection of Av. Juan Pablo II and Av. Alfonso Ugarte (see electronic link)	Minutes	11	2012	-	-	-	-	-	-	5	2017	Baseline source: GAMEA technical report (2012) Means of verification: Technical report issued by the GAMEA Infrastructure Department, using the baseline methodology.
Reduction in average travel time between the expressway toll booth area and the intersection of Av. 6 de Marzo and Calle 11 (see electronic link)	Minutes	21	2012	-	-	-	-	-	-	17	2017	Baseline source: GAMEA technical report (2012) Means of verification: Technical report issued by the GAMEA Infrastructure Department, using the baseline methodology.
Reduction in average travel time between the expressway toll booth area and the intersection of Av. Ladislao Cabrera and Calle 126 in the Bolívar C Zone (see electronic link)	Minutes	26	2012	-	-	-	-	-	-	13	2017	Baseline source: GAMEA technical report (2012) Means of verification: Technical report issued by the GAMEA Infrastructure Department, using the baseline methodology.
Reduction in fuel consumption in the segment between La Ceja and Viacha	US\$ (thousands) /year	0	2012	-	-	-	-	-	-	205	2017	Baseline source: Gerenssa (2012) program economic evaluation Means of verification: Independent consulting study
EXPECTED OUTCOME 3: GAMEA citizen services upgraded and deconcentrated												
Percentage of revenue collection procedures handled in the Revenue Department, now handled in the 14 submayoralities and two new subcenters	%	0	2012	-	-	-	-	-	-	40	2017	Baseline source: GAMEA Revenue Department (2012) Means of verification: Technical report issued by the GAMEA Revenue Department

OUTPUTS	Unit of measure	Baseline 2012	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Source/Mean of verification
COMPONENT 1: Support for urban planning and land management capabilities									
Territorial land management plan approved by the GAMEA executive	Plan	0	0	1	0	0	0	1	Document of the territorial land management plan approved by the municipal executives and a letter sending the plan to the municipal council Output achieved reported in the semiannual progress report
	Cost (US\$ thousands)	0	0	760	0	0	0	760	
Works monitoring information system operating	Computer system	0	0	1	0	0	0	1	Technical report issued by the GAMEA Planning Department Output achieved reported in the semiannual progress report
	Cost (US\$ thousands)	0	0	130	0	0	0	130	
Staff trained in project management and use of the works monitoring information system	Number of staff	0	0	0	25	25	0	50	Status reports and final delivery of consulting outputs, with information on beneficiaries by gender, approved by GAMEA Output achieved reported in the semiannual progress report
	Cost (US\$ thousands)	0	0	0	100	100	0	200	
COMPONENT 2: Upgrading of urban infrastructure									
Preinvestment studies undertaken for the new southern subcenter	Study	0	0	1	0	0	0	1	Final report of the consulting firm approved by the National Productive and Social Investment Fund (FPS) Output achieved reported in the semiannual progress report
	Cost (US\$ thousands)	0	0	440	0	0	0	440	
Preinvestment studies undertaken for the new western subcenter	Study	0	0	1	0	0	0	1	Final report of the consulting firm approved by the FPS Output achieved reported in the semiannual progress report
	Cost (US\$ thousands)	0	0	600	0	0	0	600	
Preinvestment studies undertaken for building the new road through the airport	Study	0	0	1	0	0	0	1	Final report of the consulting firm approved by the FPS Output achieved reported in the semiannual progress report
	Cost (US\$ thousands)	0	0	700	0	0	0	700	

OUTPUTS	Unit of measure	Baseline 2012	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Source/Mean of verification
Phase II preinvestment studies undertaken	Study	0	0	0	0	1	2	3	Final report of the consulting firm approved by the FPS
	Cost (US\$ thousands)	0	0	0	00	660	940	1,600	Output achieved reported in the semiannual progress report
Southern subcenter constructed ² (includes 5% for supervision)	m ²	0	0	0	2,200	4,100	0	6,300	Works delivery report issued by inspector.
	Cost (US\$ thousands)	0	0	0	3,207	5,943	0	9,150	Output achieved reported in the semiannual progress report
Western subcenter constructed ³ (includes 5% for supervision)	m ²	0	0	0	3,900	4,900	0	8,800	Works delivery report issued by inspector.
	Cost (US\$ thousands)	0	0	0	5,595	6,905	0	12,500	Output achieved reported in the semiannual progress report
Airport road (includes 5% for supervision and 20% for contingencies) implemented	Overpass	0	0	0	1	0	0	1	Works delivery report issued by inspector
	Cost (US\$ thousands)	0	0	11,440	5,990	0	0	17,430	Output achieved reported in the semiannual progress report
Training programs implemented adapted for merchants of the new subcenters ⁴	Programs	0	0	0	1	1	1	3	Status reports and final delivery of consulting outputs, with information on beneficiaries by gender, approved by the FPS
	Cost (US\$ thousands)	0	0	0	100	110	110	320	Output achieved reported in the semiannual progress report
Training programs implemented aimed at the advancement of women of the zones of the new subcenters ⁵	Programs	0	0	0	1	1	1	3	Status reports and final delivery of consulting outputs, approved by the FPS
	Cost (US\$ thousands)	0	0	0	60	70	70	200	Output achieved reported in the semiannual progress report

² Subcenters are defined as public areas containing the following facilities: medium- and long-distance public transportation terminals, urban transportation stops, commercial spaces, public offices, spaces for financial services (banks) and entertainment, green areas. [See electronic link](#) to view the preidentification of the southern subcenter.

³ [See electronic link](#) to view the preidentification of the west subcenter.

⁴ The programs will address issues of commerce, citizenship, culture, and information.

⁵ The programs will address issues of violence and rights, sexual and reproductive health, and nutrition.

OUTPUTS	Unit of measure	Baseline 2012	Year 1	Year 2	Year 3	Year 4	Year 5	Final target	Source/Mean of verification
COMPONENT 3: Improvement of citizen services									
Processes and computer system related to the management of real property redesigned	Processes and system	0	0	1	0	0	0	1	Status reports and final delivery of consulting outputs, approved by GAMEA
	Cost (US\$ thousands)	0	410	510	20	0	0	940	Output achieved reported in the semiannual progress report
Creation of a Citizen Service Unit in GAMEA	Unit set up	0		1	0	0	0	1	Report issued by the General Secretariat of GAMEA
	Cost (US\$ thousands)	0	50	100	100	100	50	400	Output achieved reported in the semiannual progress report
Citizen service windows operating	Citizen service windows	0	0	0	0	14	2	16	Technical report issued by the GAMEA Revenue Department
	Cost (US\$ thousands)	0	0	30	230	113	287	660	Technical report issued by the GAMEA Revenue Department Output achieved reported in the semiannual progress report
Training provided to municipal staff on service delivery	Staff trained	0	0	0	45	45	0	90	Status reports and final delivery of consulting outputs, with information on beneficiaries by gender, approved by GAMEA
	Cost (US\$ thousands)	0	0	0	50	50	0	100	Output achieved reported in the semiannual progress report
Communication campaigns undertaken that the use of citizen service windows	Campaigns	0	0	0	1	1	1	3	Status reports and final delivery of consulting outputs, approved by GAMEA
	Cost (US\$ thousands)	0	0	0	50	50	50	150	Output achieved reported in the semiannual progress report

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country:	Plurinational State of Bolivia
Project number:	BO-L1079 – Multiphase Program for the Urban Restructuring of La Ceja
Executing agency:	Autonomous Municipal Government of El Alto (GAMEA)
Prepared by:	Roberto Laguado (PRM) and Zoraida Argüello (FM)

1. EXECUTIVE SUMMARY

- 1.1. As an executing agency of Bank-funded operations, the Autonomous Municipal Government of El Alto (GAMEA) has very little experience in the management and administration of fiduciary procurement and financial management procedures. Although it is serving as executing agency in the program Drainage in the Municipios of La Paz and El Alto, for the startup and execution of that program it received support from a team of consultants contracted to fulfill the conditions precedent and begin execution of the corresponding subcomponent within the Drainage in the Municipios of La Paz and El Alto operation (loan 2440/BL-BO).
- 1.2. For this operation, a program executing unit (PEU) will be set up to carry out the activities of Components 1 and 3. Execution of Component 2 will be delegated to the National Productive and Social Investment Fund (FPS), which will execute the component under the guidelines for general coordination of the PEU, which reports to GAMEA. The FPS has experience in procurement and supervising preinvestment studies and execution of works, thereby mitigating the operational risks of execution. The fiduciary sector has been able to validate this capacity in its various operation supervision visits. Also, in early 2012 the Bank's Country Office in Bolivia performed a global study of the capacities of executing agencies, for the purpose of verifying the ex post thresholds assigned to the country. Although this study identified the FPS as a low-risk high-capacity executing agency,¹ it warned of a potential work overload in this institution, which could impair the efficiency and quality of its execution.
- 1.3. GAMEA's fiduciary capacity for procurement will be strengthened by including the FPS in its execution structure. It has also been recommended that a procurement firm be hired to provide GAMEA support in bidding and contracting processes during the first year of effective execution. The FPS will be responsible for procuring the consulting services and infrastructure works planned under Component 2. The ECYT Bolivia procurement firm may be contracted directly, since it is currently operating as procurement firm for GAMEA in implementing the Drainage in the Municipios of La Paz and El Alto program. Contracting in the

¹ Daniel Herbas Franco (2012): *Aumento de nivel ex post de adquisiciones en Bolivia* [Raising the ex post procurement threshold in Bolivia]. [IDBDOCS 37064010](#)

Component 2 territorial land-use management plan and infrastructure works are expected to be the most difficult.

2. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

- 2.1 As public institutions, GAMEA and the FPS are governed by Law 1,178 on Government Administration and Control of 20 July 1990 (SAFCO). This regulates the management and control systems for State resources and their relationship with national planning and public investment systems.
- 2.2 Both institutions use the integrated administrative management and modernization system (SIGMA) for its financial records, which provides secure and reliable information on budget execution. Nonetheless, this system only works in the local currency, and cannot provide information according to the investment categories defined in the project's cost table. Therefore GAMEA will use the Integrated Management System for IDB Projects (SIAP-BID) for accounting and financial reports. The FPS will use the SAP, a system developed by the institution for accounting by funded agencies. This system is aligned with the SIGMA, allowing the generation of timely, reliable reports. These systems will be used by both executing agencies until such time as they have another system in place integrated with government accounting processes.²
- 2.3 As a State agencies, GAMEA and the FPS are supervised by the Office of the Comptroller General of the State (CGE) and their own Internal Audit Units (UAIs). They also hire independent audit firms to perform financial audits of projects when requested by other lenders.
- 2.4 Application of the local regulations on goods and services procurement is not acceptable to the Bank, although the SICOES system (www.sicoes.gob.bo) may be used to advertise requests for proposals and the results of national bidding processes and simplified procedures in Bolivia.

3. FIDUCIARY RISK EVALUATION AND MITIGATION MEASURES

- 3.1 The operation's fiduciary risk is rated as medium overall. During the process of identifying risks and assessing institutional capacity, it was concluded that GAMEA has an average capacity and a medium level of risk. Nonetheless, execution of the outputs under Component 2 will be delegated to the FPS, under the guidelines of the PEU, which reports to GAMEA.
- 3.2 The risks identified as requiring a mitigation plan are as follows: (i) insufficient fiduciary capacity in GAMEA and FPS to handle the program. This will be

² The Ministry of Economy and Public Finance (MEFFP) is developing the accounting and reporting module with support from the Bank, to be able to provide the reports required by lenders from a single system on an integrated basis. By the start-up of this project, GAMEA is expected to be using the government accounting system for accounting purposes.

mitigated by directly contracting the ECYT Bolivia firm³ to support GAMEA in bidding and contracting processes during the first year of effective execution, specific training in financial management and procurement processes, clear definition of the procedures to be applied in the program's Operating Regulations, and a minimum staff for the FPS exclusively assigned to the program; and (ii) delay in the flow of local counterpart funds, which will be mitigated through agreements with GAMEA to define a schedule for the provision of local counterpart funding and the respective training events. Details of the aforementioned risks are presented in the following table:

Risks	Actions	Entity responsible and timeframe
Delay in procurement processes or impossibility of competing them	Inclusion of fiduciary support for procurement through the FPS and/or a procurement firm (recommended).	GAMEA, as a condition precedent to execution.
	Appointment and/or contracting of a procurement specialist for the operation.	GAMEA, as a condition precedent to execution.
	Targeted training for the GAMEA legal, administrative, and procurement team.	IDB, once the executing unit has been set up.
	Internal review of flow charts and internal timeframes.	GAMEA with technical assistance from the Bank.
Insufficient procurement planning	Training for GAMEA staff in using the SEPA.	IDB, GAMEA, having fulfilled the conditions precedent.
Delay in payment processes	The GAMEA PEU will use a SIGMA administrative unit to record and account for expenses on an accruals basis	GAMEA, before the first disbursement.

4. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE CONTRACT

4.1 Exchange rate agreed upon with the executing agency for accounting purposes.

The exchange rate agreed upon with GAMEA and the FPS for converting local currency expenses into the currency of the operation will be the rate prevailing on the effective payment date in the borrowing member country.

Financial statements and other audited reports. Within 120 days following the end of each fiscal year during the execution period, GAMEA and the FPS will submit the program's financial statements certified by an independent audit firm. This audit will be contracted by GAMEA. The executing agency will submit a comprehensive semiannual audit report on contracting and procurement processes and disbursements. The first such report will be filed within 60 days following the first six-month period of each fiscal year; and the report for second six-month period of each year will be submitted with the audited financial statements as an integral part thereof.

³ Direct contracting of the ECYT Bolivia firm is justified by its good performance in loans 1926/BL-BO and 2440/BL-BO. In the first of these operations, it was hired on a competitive basis, which allows application of paragraph 3.10 (a) of the policy set forth in document GN-2350-9; in the second case, GAMEA itself contracted this firm directly for project fiduciary management, which means that the firm has experience of exceptional worth, pursuant to paragraph 3.10 (d) of document GN-2350-9.

- 4.2 **Other reports.** The PEU will submit to the Bank an annual report on the GAMEA/UAI's evaluation of the internal control system implemented in the program in GAMEA, along with the first semiannual progress report.
- 4.3 **Procurement.** Procurement will be conducted in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-9). No exceptions to these policies are anticipated.

5. PROCUREMENT

- 5.1. **Procurement of works, goods, and nonconsulting services.** Contracts for works, goods, and nonconsulting services arising under the program and subject to international competitive bidding (ICB) will be executed using the Bank's Standard Bidding Documents (SBDs), and those authorized by the Bank's Country Office in Bolivia. Bidding processes subject to national competitive bidding (NCB) will be executed using national bidding documents agreed upon with the Bank (or satisfactory to the Bank if none have been agreed upon). For shopping procedures, the model documents prepared by the Bank's Country Office in Bolivia will be used. Amendments to these documents will require the Bank's no objection.

Selection and contracting of consultants. Consulting service contracts arising under the project will be listed in the initial procurement plan and executed using the standard request for proposals (SRP) issued by, or agreed upon with, the Bank (or satisfactory to the Bank if none have been agreed upon) and their corresponding contracts, with any changes authorized by the Bank.

- i. Selection of consulting firms: This will be done using the standard request for proposals (SRP) issued by the Bank or the Bank's Country Office in Bolivia.
 - ii. Shortlist of consulting firms: The shortlist may consist entirely (100%) of Bolivian firms in the case of contracts for amounts below the thresholds set by the Bank for the country—US\$200,000 in the case of Bolivia.
 - iii. Selection of individual consultants: This will be done by comparing the qualifications of at least three candidates to undertake the work. In the case of Bolivia, if GAMEA deems such action appropriate, it may use the SICOES system for advertising requests for proposals to select individual consultants.
- 5.2. The review of the terms of reference for contracting consulting services is the responsibility of the program's sector specialist, who will also indicate the advisability of external support to assist the executing agency during bid evaluation, considering the nature and technical complexity of the procurement to be processed.

Direct contracting: Expenses of less than US\$500 individually, and not exceeding US\$5,000 as a block, may be contracted directly to make execution more efficient and expeditious. Such contracts will be subject to ex ante review, unless the procurement plan indicates otherwise, and will be approved by the Project Team Leader in said procurement plan. Direct contracting of the ECYT Bolivia

procurement firm is recommended to support fiduciary management during the first year of effective project execution.

5.3. Table of thresholds (US\$ thousands)

Works			Goods ⁴			Consulting services	
ICB	NCB	Shopping	ICB	NCB	Shopping	International advertising for consulting service	Shortlist 100% National
> 3,000,000	≤ 3,000,000	< 250,000	> 200,000	≤ 200,000	< 50,000	> 200,000	≤ 200,000

5.4. Major procurement processes

Activity	Procurement method	Estimated amount (US\$ thousands)
Goods		
Procurement of equipment to implement the documentation filing system of the Revenue Department and Land-use Management Department	NCB	150
Computer hardware for the 14 submayoralities and central offices	NCB	320
Works		
Infrastructure for the new south and west subcenters	ICB	20,600
Road through the airport using bridge and underpass	ICB	16,600
Firms⁵		
Land-use management plan	Quality- and cost-based selection (QCBS)	760
Technical, economic, social, and environmental (TESA) study of new south and west subcenters	QCBS	1,040
TESA study of new road in airport's eastern sector	QCBS	700
TESA of phase II interventions	QCBS	1,600
Supervision of infrastructure in the new south and west subcenters	QCBS	1,050
Supervision of the building of the road through the airport using an underpass and overpass	QCBS	830
Training programs adapted to merchants in the new subcenters	QCBS	320
Training programs aimed at women's advancement in the zones of the new subcenters	QCBS	200
Individuals		
Executing agency strengthening	Direct contracting	250
Formation of the citizen service unit team (5 consultants x 5 years)	3CV	400
Staff to implement the service in the citizen service centers in the new south and west subcenters (4 consultants)	3CV	360
Services		
Training course in project management for staff	NCB	200
Communication campaign on the new "Trámite Fácil" [Simple procedure] services modality	NCB	150

5.7 Procurement supervision. At least two supervision visits will be made both to GAMEA and to the FPS each year to review each one's institutional capacity, with a view to determining whether the level of ex post supervision can be expanded or should be maintained, in each case. One of those visits will include an ex post

⁴ Includes nonconsulting services.

⁵ In the case of consulting services, this involves a shortlist containing firms of different nationalities, as per the Bank's policy for the selection and contracting of consultants (document [GN-2350-9](#)), paragraph 2.6.

review of procurement processes.⁶ Given its fiduciary capacity, GAMEA is assigned ex post review for 20% of the ICB threshold, according to the tables below. For the FPS, given its fiduciary capacity, the system of ex post review will be maintained for contracts below the ICB threshold. Procurement not mentioned in this table will be subject to ex ante review. Also, whenever a selection method is used by GAMEA for the first time, that procurement will be reviewed on an ex ante basis.

Ex post review for GAMEA

Works	Goods/nonconsulting services	Consulting firms	Individual consultants
Procurement for less than US\$600,000 will be subject to ex post review	Procurement for less than US\$40,000 will be subject to ex post review	Procurement for less than US\$40,000 will be subject to ex post review	All procurements of this type will be subject to ex post review, irrespective of amount

Ex post review for FPS

Works	Goods/nonconsulting services	Consulting firms	Individual consultants
Procurement for less than US\$3,000,000 will be subject to ex post review	Procurement for less than US\$200,000 will be subject to ex post review	Procurement for less than US\$200,000 will be subject to ex post review	All procurements of this type will be subject to ex post review, irrespective of amount

- 5.8 **Recurring expenses.**⁷ Recurring expenses will be contracted using the executing agency's administrative procedures.
- 5.9 **Records and files.** Both executing agencies will be responsible for identifying the support documents, procedures, and controls needed for program execution, as well as their conservation as established in the loan contract and local laws.

6. FINANCIAL MANAGEMENT

- 6.1. **Programming and budget.** The Bureau of Administrative Affairs, in coordination with the PEU, will undertake programming based on the execution of activities and works scheduled in the annual work plan (AWP), as agreed upon with the Bank.
- 6.2. **Accounting and information systems.** The SIGMA system will be used as the main basis for recording funds, integrating the various accounting processes (budget, assets, cash management) into a single record. For purposes of reporting to the Bank on investments made by category, GAMEA will prepare a chart of accounts in line with the government chart of accounts, in order to produce financial accounting reports in the currency of the operation.

⁶ This procurement supervision plan may be adjusted according to project risks.

⁷ These are the operating and maintenance expenses required to implement the program during its useful life, including: the rental of radio, written, or televised communication services, translations, bank charges, basic office supplies, advertising expenses, photocopies, postal expenses, fuel, short courses. Such expenses will be funded by the project within the annual budget approved by the Bank, and have been included in the program's procurement plans.

- 6.3. **Disbursements and cash flow.** Disbursements for GAMEA and the FPS will be released mainly as advances of funds, notwithstanding any other mechanism the Bank may use to make payments or reimburse expenses. Approval of subsequent advances will require justification of 80% of cumulative funding released in prior advances.
- 6.4. **Management of the loan proceeds.** The funds disbursed to the project will be deposited in a special account opened at the Central Bank of Bolivia (BCB), and subsequently transferred into the local currency in its respective account, pursuant to the procedures for managing loan proceeds established by the Office of the Deputy Minister of the Treasury. This mechanism applies to both executing agencies, which will provide this account information to the Bank prior to the first disbursement.
- 6.5. **Internal control and internal audit.** The program will be supervised by the UAI, and will include an item in its annual work plan for evaluation of: (i) the project's internal control system; and (ii) actions by the PEU to correct findings and implement recommendations made by the external auditors to the project's internal control system. The evaluation will be submitted to the Bureau of Administrative Affairs (DGAA) and the PEU, with a copy to the Bank for information purposes.
- 6.6. **External control and reports.** An external audit will be performed annually, financed out of the loan proceeds. The audit reports will include a comprehensive report on procurement processes and disbursements. The first report will be submitted within 60 days after the end of the first six-month period of each year; and the second will be submitted with the audited financial statements, as an integral part thereof.
- 6.7. **Financial supervision plan.** Although GAMEA and FPS expenses will be supervised on an ex post basis, at a minimum, the following activities will be included in the annual supervision plan:
- (i) two comprehensive visits (procurement and financial) by an external audit firm;
 - (ii) one onsite visit to the investment sites and the technical offices for works supervision and monitoring;
 - (iii) a visit to verify on fulfillment of the internal control recommendations made by external audit and the UAI for the project.
- 6.8. The supervision activities may be adjusted on the basis of the evaluation of project risks which will be conducted annually by the fiduciary team in conjunction with the executing agency and external audit reports.
- 6.9. **Execution arrangements.** GAMEA will use a professional fiduciary team to handle the project's fiduciary operations. Given GAMEA's incipient fiduciary capacity on procurement issues, it is recommended that it contract a specialized procurement firm using the loan proceeds. Execution of Component 2 will be delegated to the FPS, under the guidelines of GAMEA.

- 6.10 For financial and administrative issues, two professionals will be hired to ensure timely and appropriate record-keeping of project expenditures. The specific responsibilities of these two professionals will be defined in the program's Operating Regulations.
- 6.11 In terms of fiduciary control of resources, GAMEA, through the PEU, and the FPS will be responsible for: (i) the implementation and maintenance of adequate systems for contract management, accounting-financial administration, and the project's internal control system, pursuant to the Bank's requirements; (ii) timely submittal of disbursement requests and justifications of eligible expenses; (iii) preparation and submission of semiannual financial reports; (iv) maintenance of an exclusive bank account for managing IDB funds, separate from other sources, and use of the Bank's SIAP for accounting records and financial reports and the submission of disbursement requests; (v) maintenance of a suitable system for filing documentation supporting eligible expenses, for verification by the Bank and the external auditors; and (vi) maintenance of all public information up-to-date on the entity's website, including that related to contracting processes, outcomes achieved, and financial statements.