

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

EL SALVADOR

RURAL ROADS PROGRAM

(ES-L1155)

LOAN PROPOSAL

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CONTENTS

PROJECT SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	1
A.	Background, problem addressed, and rationale	1
B.	Objectives, components, and costs	14
C.	Key results indicators	15
II.	FINANCING STRUCTURE AND MAIN RISKS	17
A.	Financing instruments	17
B.	Environmental and social risks.....	18
C.	Fiduciary risks	20
D.	Other key risks and issues	20
III.	IMPLEMENTATION AND MANAGEMENT PLAN	21
A.	Summary of implementation arrangements	21
B.	Summary of arrangements for monitoring results	23

ANNEXES	
Annex I	Development Effectiveness Matrix – Summary
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

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

OPTIONAL LINKS	
1	Summary of sample projects
2	Economic analysis of the sample
3	Diversity and inclusion annex
4	Integration, value chains, and MSMEs annex
5	Gender and employment annex
6	Climate change annex
7	Draft program Operating Regulations
8	Project prioritization methodology
9	National freight logistics plan for El Salvador
10	Infrastructure for development: Strengthen the rural road network in El Salvador
11	Implementation plan annex
12	Road safety annex
13	Analysis of program governance

ABBREVIATIONS

AADT	Annual average daily traffic
BCR	Banco Central de la Reserva [Central Reserve Bank of El Salvador]
CoST	Iniciativa de Transparencia en el Sector de la Construcción [Infrastructure Transparency Initiative]
CCR	Corte de Cuentas de la República [Audit Court of the Republic]
DACGER	Dirección de Adaptación al Cambio Climático y Gestión Estratégica del Riesgo [Office of Climate Change Adaptation and Strategic Risk Management]
DIGESTYC	Dirección General de Estadística y Censos [Bureau of Statistics and Censuses]
ECLAC	Economic Commission for Latin America and the Caribbean
EIRR	Economic internal rate of return
ENPV	Economic net present value
ESMF	Environmental and social management framework
FOVIAL	Fondo de Conservación Vial [Road Maintenance Fund]
ICAP	Institutional Capacity Analysis Platform
INE/TSP	Infrastructure and Environment Sector/Transport Division
MOPT	Ministry of Public Works and Transportation
MSME	Micro, small, and medium-sized enterprises
PEU	Program execution unit
PWD	Persons with disabilities
SIGESVIES	Sistema de Gestión Vial de El Salvador [El Salvador Road Management System]
VMOP	Viceministerio de Obras Públicas [Office of the Deputy Minister for Public Works]

PROJECT SUMMARY

EL SALVADOR RURAL ROADS PROGRAM (ES-L1155)

Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(b)	
Republic of El Salvador			Amortization period:	25 years
Executing agency:			Disbursement period:	5 years
Ministry of Public Works and Transportation (MOPT)			Grace period:	5.5 years ^(b)
Source	Amount (US\$)	%	Interest rate:	SOFR-based
IDB (Ordinary Capital): ^(d)	100 million	100%	Credit fee:	(c)
			Inspection and supervision fee:	(c)
Total:	100 million	100%	Weighted average life:	15.25 years
			Currency of approval:	U.S. dollars
Project at a Glance				
Project objective/description: To improve the transit conditions of the tertiary and rural unpaved national road network, contributing to increased economic activity and the creation of inclusive employment opportunities for the population benefitted by the program actions. The specific objectives are: (i) to improve service quality; and (ii) to ensure resilience of the unpaved roads financed by the operation.				
Special conditions precedent to the first disbursement: The first disbursement of the loan proceeds is contingent on the executing agency meeting the following conditions to the Bank's satisfaction: (i) a program execution unit (PEU) has been formed, and at least the key personnel of the PEU have been appointed and/or contracted: program coordinator, procurement specialist, financial specialist, and planning and monitoring specialist (see paragraph 3.2); and (ii) the program Operating Regulations have been established and have entered into effect (see paragraph 3.5) on the terms and conditions previously agreed upon with the Bank (see paragraph 3.3); as well as the environmental and social special contractual conditions precedent to the first disbursement in Annex B of the Environmental and Social Review Summary (required link 3).				
Other special obligations of execution: Technical supervision of the projects will be contracted prior to the start order being given for each work (see paragraph 3.4). The other environmental and social special contractual conditions of execution are in Annex B of the Environmental and Social Review Summary (required link 3).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(e)	SI ☒		PI ☒	EI ☒
Crosscutting themes: ^(f)	GE ☒ and DI ☒		CC ☒ and ES ☒	IC ☒

^(a) 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.

^(b) 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.

^(c) 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 relevant policies.

^(d) In accordance with document AB-2990, the pace of disbursement of the loan proceeds will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted in all instances from the date the loan operation is approved by the Board of Executive Directors (see paragraph 2.2).

^(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 **Macroeconomic context.** El Salvador is a small economy, highly dependent on the economic performance of the United States and on remittances.¹ Its economic growth is limited by the low productivity of its tradable goods sector, high rates of violence, lack of training for its human capital, and high vulnerability to natural disasters, which are the causes of low levels of public and private investment.²
- 1.2 Although the impact of the COVID-19 pandemic caused a contraction of 8% of GDP in 2020, El Salvador had economic growth of 10.3% in 2021,³ owing to a 26.8% increase in remittances.⁴ The economy also benefited from growth in public spending between 2020 and 2021. However, public debt rose from 70.2% to 88.1% of GDP in 2020, falling to 80.1% in 2021 due to economic growth.⁵ For 2022, growth is projected at around 3%, returning to El Salvador's potential growth level of less than 2.4% in the medium term.
- 1.3 **Socioeconomic context.** El Salvador is the smallest and most densely populated country of Central America⁶ with an estimated population of 6.3 million.⁷ The rural population represents approximately 38% of the total⁸ and is distributed among 248 small or medium-sized municipios.⁹ Despite its progress in poverty reduction¹⁰ and being counted among the countries with the lowest level of income inequality (Gini coefficient of 38.8 in 2019)¹¹ in Latin America and the Caribbean, El Salvador still has opportunities for economic growth. In 2020, the percentage of poor households was 26.2% at the national level and 28.5% at the rural level,¹² with more women than men living in poverty.¹³
- 1.4 **Employment.** The employed population in El Salvador is approximately 2.7 million, 35.5% of whom live in rural areas. Of the employed, 35% are covered by some type of social security system.¹⁴ The pandemic¹⁵ has exposed the

¹ Remittances represent 20% of GDP ([IDB, 2020](#)), and 94.9% of their value in 2021 came from the United States ([Central Reserve Bank of El Salvador \(BCR\), 2022](#)).

² Level of capital formation (2015-2019): 16.8% versus 23.7% of GDP in the subregion ([BCR, 2021](#)).

³ [BCR, 2022](#).

⁴ [BCR, 2022](#).

⁵ [Ministry of Finance, 2022](#).

⁶ El Salvador has 300.4 inhabitants/km², according to the Bureau of Statistics and Censuses ([DIGESTYC, 2020](#)), compared to 107 inhabitants/km² for Central America ([Central American Integration System, 2021](#)).

⁷ [DIGESTYC, 2021](#).

⁸ [DIGESTYC, 2020](#).

⁹ Total: 262 municipios.

¹⁰ From 2008 to 2018, poverty fell 13%, with a 19% reduction in rural poverty ([DIGESTYC, 2018](#)).

¹¹ [World Bank, 2019](#).

¹² [DIGESTYC, 2020](#).

¹³ [Ibid.](#) Femininity index in poor households: 121.7 women for every 100 men.

¹⁴ [Ibid.](#)

¹⁵ El Salvador had reported 169,646 infections and 4,152 deaths as of 7 July 2022 ([Government of El Salvador, 2022](#)).

vulnerability of the labor market, with approximately 64,000 (7.4%) formal jobs¹⁶ lost between February and July 2020. Formal jobs increased 4.0% between March 2021 and March 2022, surpassing prepandemic levels,¹⁷ due to revitalization of sectors such as telecommunications, commerce, transportation, and construction.¹⁸

- 1.5 **The principal rural economic activities include agriculture, commerce and hospitality, manufacturing, and construction.**¹⁹ The government has expressed interest in strengthening agriculture and tourism through rural productive and institutional transformation by taking actions to ensure food security, make the coffee sector more profitable,²⁰ and turn tourism into a driver of economic activity.²¹
- 1.6 **The agriculture and livestock sector is significant to national production and rural employment.** Of the country's total land area, 75.3% (15,840 square kilometers) is used for agriculture, and 36.2% is arable land.²² Agriculture and livestock account for 4.9% of GDP,²³ 14.7% of the total labor force, and 33.2% of rural employment.²⁴ The agriculture subsector generates 56% of agriculture and livestock GDP, with 27% of production destined for sale, and 73% for subsistence. The most significant crops are corn, coffee, and sugar cane, which occupy 40%, 19%, and 11% of arable land, respectively ([optional link 9](#)).
- 1.7 **Coffee: a driver of economic recovery and employment.** Coffee is the second most important agricultural product in El Salvador, providing 40,000 jobs, 61,700 tons of exports, and revenue of approximately US\$108 million during the 2020-2021 season.²⁵ Under the Strategic Agricultural Takeoff Plan, the government aims to increase the competitiveness of coffee and its export capacity through processing coffee beans further to obtain high-quality lines of instant and decaffeinated coffee, as well as other coffee byproducts.
- 1.8 **Tourism.** El Salvador has major tourist attractions, most of which are natural encounter.²⁶ Between 2011 and 2019, the average annual rate of tourism GDP growth was 6%,²⁷ which is 2.4 times the country's average rate of growth.²⁸ In 2020, the number of international tourist arrivals fell 68.9% from 2019²⁹ due to the

¹⁶ Formal employment: workers with some form of social insurance coverage.

¹⁷ [COVID-19 Labor Markets Observatory, IDB.](#)

¹⁸ [Ministry of Labor, 2021.](#)

¹⁹ Prioritized activities based on participation in the rural labor market ([DIGESTYC, 2020](#)).

²⁰ [Strategic Agricultural Takeoff Plan, 2021.](#)

²¹ [National Tourism Plan, 2020.](#)

²² [IDB, 2020.](#)

²³ [BCR, 2022.](#)

²⁴ [DIGESTYC, 2020.](#)

²⁵ [Salvadoran Coffee Council, 2022.](#)

²⁶ Recreational activities in direct contact with nature and culture.

²⁷ World Travel and Tourism Council, 2020.

²⁸ Own calculations based on data from the World Travel and Tourism Council (2020) and the International Monetary Fund (2021).

²⁹ [United Nations World Trade Organization, 2021.](#)

pandemic impact. In 2021, daily per person spending increased 11.5% with respect to 2019, but tourism revenues (US\$1.462 billion) were only 83% of prepandemic levels.³⁰ El Salvador has prioritized this sector through its National Tourism Plan 2030, a strategy that includes the design and implementation of a plan to prioritize infrastructure projects that facilitate access to specialized destinations and/or their connectivity.³¹

- 1.9 **Infrastructure plays a key role in productive and rural development, particularly for micro, small, and medium-sized enterprises (MSMEs).** In El Salvador, 99.67% of businesses are MSMEs, employing 80.62% of the workforce (including independent workers).³² El Salvador's Fourth Agricultural Census (2007-2008) recorded 395,000 producers, 82% of which were designated as smallholder farmers (less than three hectares under cultivation).³³ In a context where the cost of overland freight transportation in Central America is close to US\$0.17 per kilometer, compared to US\$0.02 in the United States or US\$0.05 in France,³⁴ and where logistics costs for MSMEs in Latin America and the Caribbean are estimated to be two to three times greater than for large companies,³⁵ access to quality transportation infrastructure has the potential to make MSMEs more competitive. A survey of rural coffee-growing MSMEs found that 87% of respondents consider the condition of the unpaved road network to be a critical factor significantly increasing the costs or decreasing the competitiveness of their product.³⁶
- 1.10 **Rural infrastructure for productivity, competitiveness, and social accessibility ([optional link 10](#)).** Upgrading El Salvador's rural road network is key to establishing the connectivity of rural areas, increasing their economic activity, promoting tourism,³⁷ strengthening agribusiness logistics chains,³⁸ and providing access to jobs and services.³⁹ Those rural roads, largely unpaved,⁴⁰ are the means of moving agricultural produce to bulking or processing centers. They also provide connectivity with the higher-order road network, permitting exports to markets in the United States and Central America, which are the country's main trading partners ([optional link 9](#)), utilizing land borders, airports, and the port of Acajutla. Figure 1 illustrates the location of coffee-growing sectors and tourism areas, the associated trade flows, and their connectivity to the main corridors.

³⁰ [Corporación Salvadoreña de Turismo \[Salvadoran Tourism Corporation\], 2022.](#)

³¹ [Ministry of Tourism, 2020.](#)

³² [National Confederation of Micro, Small, and Medium-sized Enterprises \(CONAPYME\), 2020.](#)

³³ [Economic Commission for Latin America and the Caribbean \(ECLAC\), 2021.](#)

³⁴ [ECLAC, 2019.](#)

³⁵ [IDB, 2015.](#)

³⁶ Survey of member companies of the Women's Coffee Alliance ([IDB, 2022](#)).

³⁷ [United Nations World Trade Organization, 2020.](#)

³⁸ [ECLAC, 2020.](#)

³⁹ [Lucas et al., 2016.](#)

⁴⁰ [MOPT, 2020.](#)

- 1.11 Better coverage and quality of the rural road infrastructure with an inclusive focus vis-à-vis vulnerable populations creates opportunities for breaking the poverty cycle (see paragraph 1.3). For example, better rural connectivity promotes access to agricultural and nonagricultural jobs⁴¹ in both rural and urban areas, enabling families to reduce the time and costs (see paragraph 1.23) of accessing new labor markets, increasing income, and improving options for climbing out of poverty (see paragraph 1.15).
- 1.12 **The poor quality of road infrastructure limits accessibility, productivity, and competitiveness in El Salvador.** Despite sustained investments in road infrastructure, El Salvador sits below the levels of investment for the region: between 2008 and 2019, the average annual rate of investment as a percentage of El Salvador's GDP was 1.4%, compared to 2.2% for Latin America and the Caribbean,⁴² maintaining gaps in quality⁴³ and coverage⁴⁴ and limiting economic growth,⁴⁵ as well as accessibility for productive sectors. The Global Competitiveness Report (2019) ranks El Salvador 104th out of 141 countries evaluated and rates the quality of the country's road infrastructure at 52.6%, below average for Latin America and the Caribbean (61.3%).

⁴¹ [Escobal and Ponce, 2008](#).

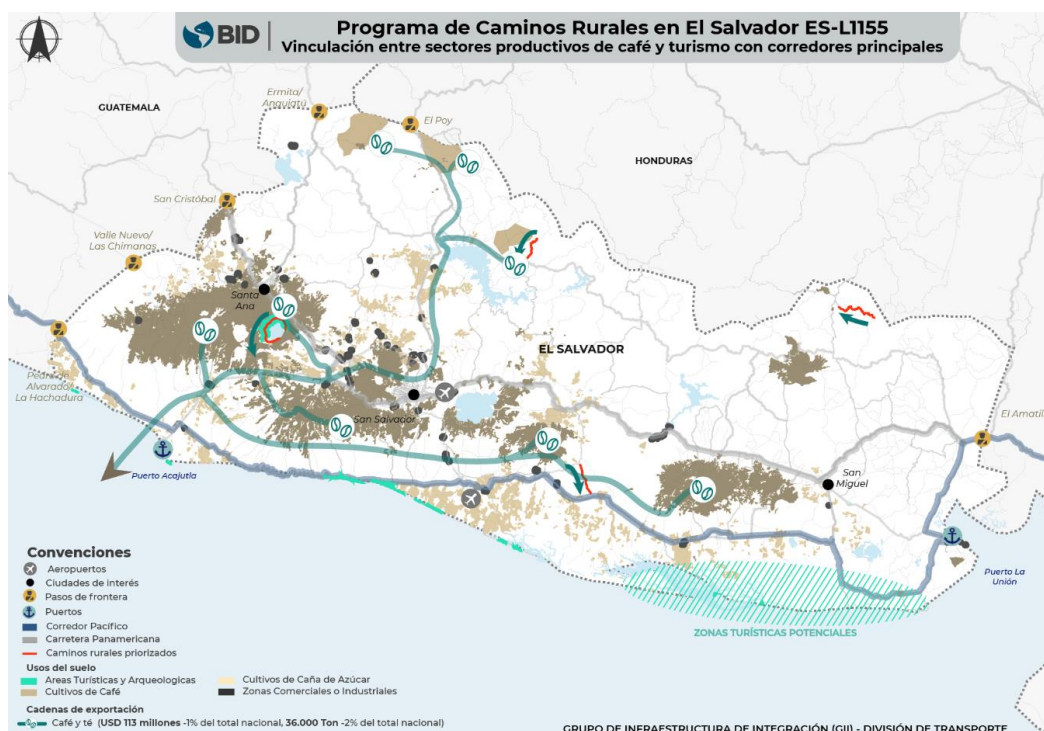
⁴² [Infralatam](#).

⁴³ Between 2012 and 2018, El Salvador slid from 4.42 to 4.2 points on the "Road Quality" indicator ([World Economic Forum, 2013](#) and [World Economic Forum, 2018](#)).

⁴⁴ Tertiary road network density: 0.35 km/km² in El Salvador (2011), compared to 0.36 km/km² in Latin America and the Caribbean ([International Road Federation, 2019](#)).

⁴⁵ [Gertler et al., 2014](#).

Figure 1. Connectivity of coffee and tourism productive sectors with main corridors



Source: Prepared by the authors.

- 1.13 **The unpaved road network has gaps that require attention.** The Ministry of Public Works and Transportation (MOPT) is responsible for the planning, rehabilitation, and expansion of the national road network (6,630 kilometers), which is segregated into the paved road network (3,786 kilometers) and unpaved road network (2,844 kilometers). In 2020, 53% of total unpaved roads were in poor condition, 26% fair condition, and 21% good condition.⁴⁶ The Road Maintenance Fund (FOVIAL), which is responsible for the upkeep of paved and unpaved roads at the national level, has expanded its scope to 96.8% of the road network. But even so, 20 years after its creation, the road repair backlog⁴⁷ is 23%.⁴⁸
- 1.14 **Adequate institutional capacity to improve road management.** The region has opportunities for improvement of its road sector institutions and governance, particularly in such areas as systematic adoption of processes for infrastructure planning and the scope of asset management systems.^{49 50} MOPT institutional

⁴⁶ [MOPT, 2020](#).

⁴⁷ Cumulative percentage of the road network that has not been adequately maintained over time.

⁴⁸ [FOVIAL, 2020](#).

⁴⁹ Institutional and governance variables that potentially impact the sector's efficiency in Latin America and the Caribbean: lack of planning, lack of road inventory, lack of funds for road upkeep, and road network metrics ([IDB, 2016](#)).

weaknesses in the technical planning of projects produce inefficiencies⁵¹ that affect its ability to execute the budget allocated for investment, making it difficult to close the infrastructure gap.⁵² Between 2010 and 2019, the MOPT's average annual budget execution was 43.3% of allocated funds.⁵³ The assessment using the Institutional Capacity Analysis Platform (ICAP) also identifies opportunities for improvement of the MOPT's project management and technical quality management modules.

- 1.15 **Productivity and competitiveness are affected by the poor quality of the unpaved road network.** The poor quality of the unpaved road network (see paragraph 1.13) increases vehicle operating costs and travel times.⁵⁴ This limits rural productivity and the competitiveness of export products. In a survey⁵⁵ of coffee growers in El Salvador,⁵⁶ 67% of small-scale growers using the unpaved road network to transport their product⁵⁷ responded that transportation costs represent between 11% and 20% of their total production costs, and 25% responded that transportation costs represent more than 20% of their total production costs.
- 1.16 **The poor quality of the unpaved road network directly hurts the competitiveness of MSMEs.** Analyses of the four projects in the operation's representative sample ([optional link 1](#)), using a sample of 1,836 businesses (Figure 2), found a potential 28% to 9% reduction in travel times to the country's main logistics nodes (airports, ports, border crossings, and free trade zones) for 1.6% of the businesses reviewed, corresponding to 4.4% of businesses located in rural areas. That reduction would have a favorable impact on the reliability of the associated trading operations and lead to lower transportation costs. Specifically, 90% of the program beneficiary businesses would be MSMEs (12% of those run by women) ([optional link 4](#)).

⁵⁰ The publication [Development in the Americas 2020. From Structures to Services: The Path to Better Infrastructure in Latin America and the Caribbean](#) highlights the importance of the governments of Latin America and the Caribbean prioritizing strategic infrastructure projects that contribute to economic recovery.

⁵¹ One inefficiency identified is the failure to update the El Salvador Road Management System (SIGESVIES) since 2001. This system requires reprocessing tools and other software to process data. The MOPT estimates that updating the system would shorten analysis times by 30% and would add more than 15 functionalities.

⁵² Of the MOPT's investment budget for 2015-2022, an average of 26.5% corresponds to rural road investments. Own calculations based on data from the Ministry of Finance ([Fiscal Transparency Portal](#)).

⁵³ [Ibid.](#)

⁵⁴ The proposed improvements to the wearing course for the representative sample produce an average of 48% savings in vehicle operating costs and 66% savings in travel times when comparing conditions with and without the project ([optional link 2](#)).

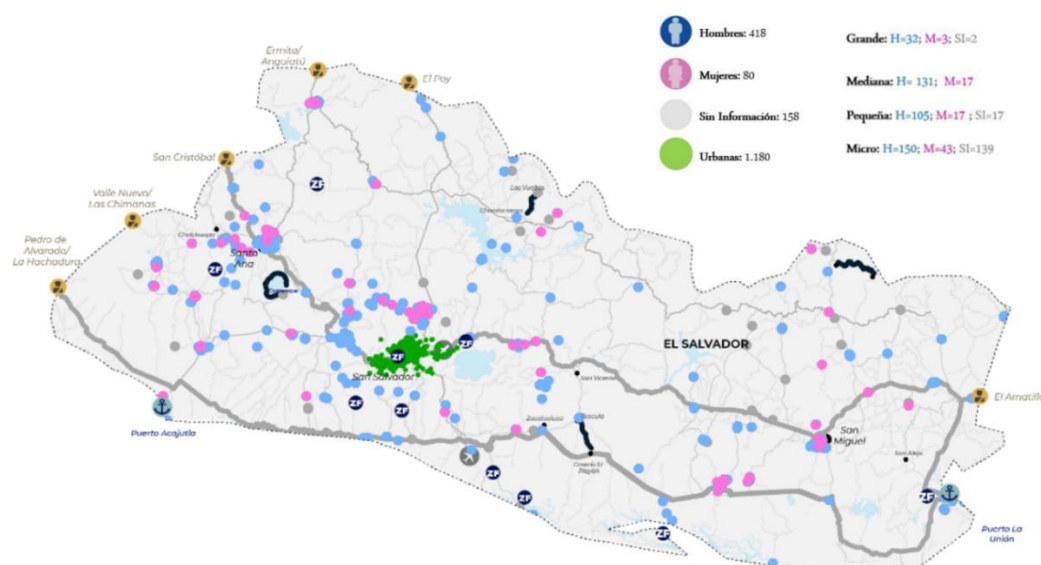
⁵⁵ See footnote 36.

⁵⁶ Location of survey participants: Ataco, Santa Ana, Chalchuapa, Chalatenango, La Palma, El Túnel, La Joya, La Pandadura, Tacuba, Ahuachapán, Sonsonate, La Libertad, Berlín and Ahuachapán, San Miguel, and Morazán.

⁵⁷ These users represent 80% of survey participants.

1.17 **Climate change gaps.** In 2021, El Salvador was ranked third in Central America and 18th worldwide in terms of climate risk.⁵⁸ The increase in extreme weather events and the country's vulnerability to the impact of climate change affect the ongoing accessibility and serviceability of the unpaved road network.⁵⁹ In the last three extreme hydrometeorological phenomena, more than 1,138 accidents were recorded on the unpaved road network.⁶⁰ Between 2001 and 2020, infrastructure losses due to hydrometeorological phenomena amounted to approximately US\$1.8 billion,⁶¹ equivalent to six times the average annual investment in transportation infrastructure since 2008.⁶² This has significant economic and social consequences and exacerbates structural problems such as rural poverty and inequality (see paragraph 1.3). To mitigate the vulnerability of road infrastructure, reports on damage caused by hydrometeorological phenomena⁶³ suggest that the resilience criteria used in road designs need to be refined ([optional link 6](#)).

Figure 2. Classification of businesses by size and key person gender



Source: Prepared by the authors.

⁵⁸ [World Risk Report, 2021](#).

⁵⁹ [United Nations Development Programme/MOPT, 2015](#).

⁶⁰ Own calculations based on data from the MOPT/Office of Climate Change Adaptation and Strategic Risk Management (DACGER) 2022. Incidents include mudslides, landslides, collapsed bridges, etc.

⁶¹ [DACGER/MOPT, 2021](#).

⁶² [InfraLatam](#).

⁶³ Storms: [Stan \(2005\)](#), [Ida \(2009\)](#), [Agatha \(2010\)](#), and [Tropical Depression 12 \(2011\)](#).

- 1.18 **Gender gaps in labor markets.** Women's workforce participation in El Salvador (46.8%) is significantly less than men's (80.5%). In rural areas, limited access to employment opportunities particularly affects women (36.80% female participation rate versus 84.39% male participation rate).⁶⁴ There is evidence of a problem of occupational segregation in the working population by branch of economic activity: at the rural level, women are more represented in the services sector (69.7% women versus 31.1% men) and less in agriculture⁶⁵ (9.5% women versus 48.6% men), which is perceived as primarily men's work. In the construction sector, only 3% of workers are women, compared to 6% in the transportation, warehousing, and communications sector.⁶⁶ In rural areas, 49.5% of women are engaged primarily in domestic work.⁶⁷
- 1.19 The MOPT reports that at the 16 companies with active contracts between November 2015 and May 2016 women represented 3.5% of skilled workers and 6.3% of unskilled workers. IDB studies reveal that greater workforce integration of women in road construction is possible because those projects do not require skills specific to men.⁶⁸ However, cultural barriers and gender stereotypes, such as associating the road sector with the male gender, limit greater women's participation. Other barriers seen in construction activities are the absence of infrastructure meeting the needs of women, long work days and work sites far from home, and limited training opportunities ([optional link 5](#)).
- 1.20 **Road safety gaps** ([optional link 12](#)). El Salvador has one of the highest road accident mortality rates in Latin America and the Caribbean (22.2 deaths per 100,000 inhabitants versus an average of 17.8 in Latin America and the Caribbean). In the last five years, El Salvador has reported more than 1,200 deaths each year caused by traffic accidents. Of total deaths each year, 49% are pedestrians, 32% are drivers and passengers of light vehicles, and 13% are motorcyclists.⁶⁹ The primary cause of the deaths and injuries for victims ages 21 to 30 is speeding. Between 2015 and 2021, 57.31% of road accidents occurred in urban areas, versus 42.69% in rural areas.⁷⁰ In 2019, 83.5% of fatalities occurred in rural areas.⁷¹ While there are more road accidents in urban areas, there are more fatalities in rural areas. Consequently, safe rural road infrastructure is necessary to protect the lives of all road users.
- 1.21 **Diversity and inclusion gaps for persons with disabilities (PWD).** There are approximately 411,000 PWD in El Salvador, which is equivalent to 6.4% of the population. Of those, 27% (150,000 PWD) live in rural areas. As part of the inclusion gaps faced by this population, 57% do not currently attend school but

⁶⁴ [Gender Statistics Observatory of El Salvador](#).

⁶⁵ Of land-owning agricultural producers in rural areas, 60,891 are men, and 9,432 are women (Ministry of Economy, Gender Statistics Bulletin 2020).

⁶⁶ [DIGESTYC, 2020](#).

⁶⁷ Data obtained from CEPALSTAT ([Gender Equality Observatory for Latin America and the Caribbean](#)).

⁶⁸ Gender study on construction in Uruguay (IDB, 2018).

⁶⁹ World Health Organization, 2018.

⁷⁰ [Road Observatory, 2022](#).

⁷¹ Office of the Deputy Minister for Transportation, 2019.

attended in the past; 12% currently attend; and 31% have never attended. Moreover, just 30% of PWD are employed.⁷² For PWD living in rural areas, there is a notable lack of access to education services and employment opportunities, which leads to greater exclusion ([optional link 3](#)).

- 1.22 **Transparency and integrity gaps.** According to the fourth assurance report prepared by the Infrastructure Transparency Initiative (CoST),⁷³ 37% of information disclosure by the MOPT is reactive rather than proactive, i.e., information is not made publicly available unless specifically requested. Those figures are not unfavorable when compared to the central government, where 40% of information disclosure is reactive. The MOPT has made significant progress in transparency and integrity: the Access to Public Information Unit, known as the Transparency Office, was created in May 2011 to direct and follow up on public information requests. It also collects, manages, and publishes official public information mentioned in the Law on Access to Public Information through the transparency portal. Nonetheless, transparency and integrity require ongoing efforts to achieve significant improvements, so those efforts should be strengthened.⁷⁴
- 1.23 **Rationale.** The poor quality of the unpaved road network in El Salvador (see paragraph 1.13) is due to: (i) low levels of investment (see paragraph 1.12); (ii) weak management of road assets and poor prioritization of rural road upgrade and rehabilitation projects (see paragraph 1.14); and (iii) climatological factors that affect the serviceability of that network (see paragraph 1.17) and increase vehicle operating costs and travel times (see paragraph 1.15), which adversely affects the productivity of small and medium-sized agricultural producers by restricting access to centers of production and consumption and to new markets (see paragraph 1.9). It further impacts the competitiveness of activities such as tourism and accessibility to better employment opportunities and basic services at the rural level (see paragraph 1.10). This operation aims to increase rural productivity and to support MSMEs by ensuring a direct reduction in vehicle operating costs and travel times, and improving the resilience of rural roads, thus improving access to the country's logistics nodes for these business segments. It will also help close the identified gaps (see paragraph 1.17 to paragraph 1.22) by improving the quality of road segments within the unpaved road network, increasing their serviceability, and incorporating resilience, gender and inclusion, road safety, and universal accessibility parameters in population centers (see paragraph 1.29). Progress will also be made towards efficient management of road infrastructure assets through technological innovations and effective planning systems (see paragraph 1.33), which will have a positive impact on the efficiency of sector public spending and enable more and better transportation infrastructure services, as well as build capacity in the areas of transparency and integrity.

⁷² [National Council for Inclusion of Persons with Disabilities \(CONAIPD\), 2016.](#)

⁷³ CoST originated in the United Kingdom with the purpose of improving transparency and accountability in public sector construction projects. CoST was established in El Salvador in 2013 with the purpose of helping to strengthen transparency in public infrastructure project management and to establish partnerships with various institutions.

⁷⁴ [CoST, 2020.](#)

- 1.24 **Evidence of investment effectiveness.** Experience shows that appropriate development and upkeep of rural roads stimulates economic activity, resulting in employment opportunities, higher incomes, and diversification of activities by facilitating the establishment and development of trade and new industries. It also permits access by the rural population⁷⁵ to essential services such as health, education, and social interaction.⁷⁶ Infrastructure investment incentivizes productive investments in the best-connected areas, facilitating industrialization and the positive impact of agglomeration economies.⁷⁷ Investments in rural roads in Colombia increased productivity by 62% by providing access to agricultural inputs and increased the likelihood of sales by 5%.⁷⁸
- 1.25 **The Bank's experience and lessons learned.** The Bank has extensive experience in El Salvador implementing and financing road infrastructure programs executed by the MOPT, which will serve as a benchmark for this operation: (i) Rural Roads for Development Program (loan [2369/OC-ES](#)), approved in 2010 for US\$35 million; (ii) Rural Connectivity Program in the Northern and Eastern Zones (loan [2581/OC-ES](#)), approved in 2011 for US\$15 million; and (iii) Productive Corridors Program (loan [3170/OC-ES](#)), a double-booking operation that includes rural road development on the country's marine-coastal strip, approved in 2014 and now in execution for US\$40 million. The projects executed with resources from these programs have demonstrated the MOPT's technical knowledge and experience in the execution of similar rural roads. This is shown by meeting 100% fulfillment of the rural roads targets in those programs, as well as the existence of local and El Salvador-based international construction and supervision firms with the technical capability to execute projects of this type. For example, the works under program [2369/OC-ES](#) were completed on time with savings of 11.8% on the program total, making it possible to build other projects. Since the operation includes actions involving the country's productive sectors, it will be double-booked with the Environment, Rural Development, and Risk Management Division (CSD/RND), coordinating closely during the selection of projects outside the program's representative sample as a way of tying into CSD/RND operations now in execution: one related to improvement of the country's coffee forests ([4870/OC-ES](#))⁷⁹ and another supporting the tourism sector ([ATN/OC-18092-ES](#)). Those sectors are also potential beneficiaries of this operation (see paragraphs 1.11 and 2.5). Table 1 presents lessons learned relevant to the operation.

⁷⁵ According to the Organisation for Economic Co-operation and Development, which defines rural population as people living in towns with a demographic density of less than 150 inhabitants/km² or located one hour from a city with less than 100,000 inhabitants, 38% of the Salvadoran population is rural.

⁷⁶ Improvements in human capital investment in Peru: (i) school attendance by adolescents and girls using motorized roadways increased 7%; and (ii) morbidity decreased 4% overall and 9% in children under 5 ([Valdivia, 2011](#)).

⁷⁷ [Suk Park et al., 2019](#).

⁷⁸ [Ortega, 2018](#).

⁷⁹ Efforts will be made to capitalize on the experiences of operation [4870/OC-ES](#), particularly as they relate to the part of the specific objective of increasing the productivity and incomes of producers in the coffee forests through the promotion of incentives for marketing and cooperative initiatives.

Table 1. Lessons learned

Topic	Lessons learned	Application
Preinvestment studies	Obtain engineering studies in a timely manner prior to the start of procurement processes, to reduce uncertainty as to scope and costs.	Build technical and operational capacity in the project planning phase (see paragraph 1.29).
Road management systems	Have an effective asset management system for prioritization and future maintenance of investments.	Strengthen road management by the MOPT (see paragraph 1.33).
Remote execution of works	Have technology tools that facilitate monitoring of execution of works.	Develop operational capabilities in the project execution phase (see paragraph 1.29).
Gender mainstreaming in infrastructure operations	In the case of initiatives to foster employment in nontraditional areas, training processes should include incentives and opportunities for women to access those spaces.	Implement gender-based initiatives (see paragraph 1.32).

Source: Prepared by the authors.

- 1.26 **IDB Group country strategy with El Salvador.** The program is aligned with the IDB Group Country Strategy with El Salvador 2021-2024 (document GN-3046-1) through the objective of developing inclusive and sustainable infrastructure services.
- 1.27 **Strategic alignment.** The program is consistent with the second Update to the Institutional Strategy 2020-2024 (document AB-3190-2) and aligned with the development challenges of: (i) social inclusion and equality, by promoting better access by the rural beneficiary population to employment opportunities and services; (ii) productivity and innovation, by providing adequate, reliable, and safe road infrastructure and services that help lower overall transportation costs, particularly for rural productivity and tourism activity; and (iii) economic integration, by contributing to improving infrastructure for connectivity and rural development, which ties in to strengthening agricultural value chains. The program is also aligned with the crosscutting themes of: (i) gender equality and diversity, by promoting and expanding opportunities for women's workforce participation in nontraditional activities in the infrastructure sector, and obtaining road infrastructure designs that take vulnerable users and PWD into account; (ii) institutional capacity and rule of law, by promoting digital transformation and strengthening technology and management tools, to improve public service delivery by the benefitted government agencies, with an impact on integrity and transparency; and (iii) climate change and environmental sustainability, by providing an infrastructure planning system that includes climate change resilience criteria and the modification of designs for drainage works and the road wearing courses of the projects to be financed, to adapt them to climate change risks and reduce the impacts of extreme events on infrastructure. Capacity-building activities will also be financed for conducting Blue Spot analyses to identify vulnerable road infrastructure in the priority national road network at an early stage of the planning process. A total of 33.41% of the operation's resources are invested in climate change adaptation activities ([optional link 6](#)),

- according to the [joint methodology of the multilateral development banks for tracking climate change adaptation finance](#). These resources contribute to the IDB target of increasing financing for climate-related projects to 30% annual approvals. The operation will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicators for “Roads built or upgraded (km)” and “Agencies with strengthened digital technology and managerial capacity (#).”
- 1.28 The program is aligned with the IDB Infrastructure Strategy: Sustainable Infrastructure for Competitiveness and Inclusive Growth (document GN-2710-5), by supporting the provision of road infrastructure that ensures continuous road usability, increases accessibility, improves the quality of transit and user safety, and helps reduce transportation costs and travel times. It is also consistent with: (i) the Bank’s [Vision 2025 “Reinvest in the Americas: A Decade of Opportunities”](#) in the areas of: (a) Digital Economy (see paragraph 1.33); (b) Support for Small and Medium-sized Enterprises (see paragraph 1.23); (c) Gender and Diversity (see paragraph 1.32); and (d) Climate Change (see paragraph 1.30); (ii) the sector frameworks for: (a) Transportation (document GN-2740-12) (see paragraph 1.29); (b) Climate Change (document GN-2835-8) (see paragraph 1.30); (c) Labor (document GN-2741-11) (see paragraph 1.31); (d) Capacity-building (document GN-3012-2) (see paragraph 1.31); and (e) Gender and Diversity (document GN-2800-8) (see paragraph 1.32); and (iii) the Employment Action Framework with Gender Perspective (document GN-3057) (see paragraph 1.32). The program is included in the 2022 Operational Program Report (document GN-3087).
- 1.29 **Proposed interventions.** The program includes works to rehabilitate and upgrade rural roads in the unpaved road network⁸⁰ through interventions that may include reconfiguration of embankments and pavement structure, protection works, drainage works, bridges and overpasses, pavement markings and road signs, etc. Various actions to strengthen road management by the MOPT will also be taken that are focused on improving processes and building technical and operational capacity in the planning, execution, and supervision phases of infrastructure projects through upgrades to planning information systems, incorporation of new technology initiatives, and capacity-building in climate change, gender and inclusion, road safety, universal infrastructure, and transparency and integrity. Transparency and integrity will be strengthened using the Bank’s own resources and will focus on transparency training and awareness-raising for internal stakeholders.
- 1.30 **Sustainable infrastructure that is climate change resilient ([optional link 6](#)).** The criteria set out in the [General Framework for Sustainable Infrastructure](#) will be incorporated, so that the projects to be financed include sustainability standards. The MOPT will be strengthened in terms of design criteria that take disaster risks and climate change resilience into consideration by generating basic information to conduct Blue Spot analyses. This will make it possible to develop: (i) methodologies for determining vulnerability indices; (ii) geotechnical studies and topographic surveys for works that include climate change adaptation (e.g., impact evaluation for extreme rainfall) and risk management

⁸⁰ On rural and tertiary roads.

criteria; and (iii) modeling and estimation of economic losses due to hydrometeorological disasters and cost-benefit analyses of climate change adaptation investments, among other actions.

- 1.31 **Quality job creation with a gender and inclusion lens.** Key actions will be incorporated to promote employability and the quality of direct employment related to rural road construction.⁸¹ The bidding documents will explicitly state the priority of hiring local labor and PWD and will require the widespread and equal promotion of opportunities for both women and men through gender-sensitive recruitment processes.
- 1.32 **Gender actions.** This program will help close the gaps in women's workforce participation in the sector by promoting the hiring of women for construction of the works included in the operation. The following activities will also be designed and implemented: (i) training program targeting women based on the labor demand previously identified by the MOPT and through the Employment Dashboard;⁸² (ii) mentoring program with paid internships for a portion of the women trained; (iii) paid internship program within the MOPT targeting women who are recent graduates or are in their final year of coursework in fields related to the functions of the ministry; and (iv) workshops on gender equity and violence against women for the contracted companies. These actions are consistent with implementation of the MOPT's Gender Equity and Equality Policy 2022-2026 and its Action Plan ([optional link 5](#)).
- 1.33 **Strengthening of road management.** The program will strengthen planning capacity for road infrastructure projects and improve road asset management with the purpose of increasing the efficiency of public spending directed to providing infrastructure services. The program will also strengthen the process of prioritizing projects through an update to the El Salvador Road Management System (SIGESVIES), to incorporate "layers" of information derived from the Blue Spot analyses and from information systems developed by the IDB, such as Pavement 2 and the Employment Dashboard. This will make more elements available for prioritizing projects executed by the MOPT and for road maintenance activities.⁸³ Additionally, the program will provide support through technical consulting services for project analyses, gender training programs, computer software and hardware, transportation, laboratory equipment, etc.
- 1.34 **Safe infrastructure.** The program seeks to improve road network safety using safe road design criteria meeting the safety and universal infrastructure standards for PWD in all new investments, principally for use in the urban or semiurban environments of rural roads. In addition to incorporating the design criteria to be used in the projects, technical manuals will be developed to ensure that safe rural road projects are designed, built, and operated under universal accessibility criteria (access for PWD), provide the greatest benefits to the

⁸¹ As a point of reference for the potential impact on postpandemic recovery of employment, the BCR has estimated a multiplier of 115 jobs for every US\$1 million invested in the construction sector ([IDB, 2020](#)).

⁸² Online dashboard that estimates employment effectively associated with contracts for infrastructure works, according to categories of gender, territorial characterization, and classification.

⁸³ Information generated by the MOPT through SIGESVIES is one of the main inputs for FOVIAL.

community, and make public expenditure more efficient ([optional link 3](#)). This program seeks to increase inclusive development opportunities and road accessibility.⁸⁴

- 1.35 **Transparency and integrity.** Capacity-building activities have been planned in the areas of transparency and integrity in the investment phases, both within the MOPT and for external stakeholders involved in execution of the projects. Capacity-building workshops will be held on transparency in public infrastructure for public servants, civil society, contracted companies and supervisors, the media, and academia. Those workshops will be implemented using the Bank's own resources.⁸⁵ Together with the Office of Institutional Integrity (OII), management of integrity risks and reputation impact will be monitored on an ongoing basis.

B. Objectives, components, and costs

- 1.36 **Objectives.** The objective is to improve the transit conditions of the tertiary and rural unpaved national road network, contributing to increased economic activity and the creation of inclusive employment opportunities for the population benefitted by the program actions. The specific objectives are: (i) to improve service quality; and (ii) to ensure resilience of the unpaved roads financed by the operation.
- 1.37 **Component 1. Rehabilitation and/or upgrade of tertiary and rural roads (US\$95 million).** This component will finance upgrades and rehabilitation of projects on tertiary and rural roads of the unpaved road network (see paragraphs 1.29 to 1.35). An initial representative sample of projects has been identified for that purpose (see paragraph 2.4), and eligibility criteria have been set for future projects ([optional link 8](#)). The interventions may include the use of various paving technologies, depending on the conditions, soil type, and demand, as well as climate change resilience aspects of the works, universal accessibility criteria (access for PWD), and other features. The component also includes the financing of technical supervision of works execution, to monitor their management and quality. Additionally, it will finance the social and environmental measures included in the projects and, if required by the executing agency, payment of compensation in the event of adverse impacts.
- 1.38 **Component 2. Strengthening of road management (US\$3 million).** This component will include strengthening of the technical directorates of the Office of the Deputy Minister for Public Works (VMOP) dealing with management of investment projects through: (i) improvements in project planning activities through the modernization and increased efficiency of road asset management processes and methods; (ii) improvements in climate change design criteria; (iii) training and internship programs for women in nontraditional construction activities; (iv) procurement of hardware and software; (v) procurement of field equipment;

⁸⁴ Based on studies in Nicaragua, Mexico, and Peru, households with rehabilitated roads had access to higher levels of education and public infrastructure than those located near nonmotorized roads ([Escobal and Ponce, 2002](#)).

⁸⁵ Technical cooperation operation [ATN/FG-18928-RG](#) for operational support in the amount of US\$1 million.

(vi) contracting of professional technical consultants; and (vii) commissioning of specialized technical studies.

- 1.39 **Administration, evaluation, and audits (US\$2 million).** Resources are included for program administration (US\$1.675 million), including financing of the executing agency's activities related to program management. This will cover the contracting of professionals required by the program execution unit (PEU) for program monitoring and evaluation activities and commissioning of the external financial audit (US\$0.325 million).

Table 2. Costs of the IDB program/Total

Components	US\$ million	%
Component 1. Rehabilitation and/or upgrade of tertiary and rural roads	95.0	95.0
Rehabilitation and/or upgrade of tertiary and rural roads. Includes resources for environmental and social compensation	90.5	90.5
Works supervision	4.5	4.5
Component 2. Strengthening of road management	3.0	3.0
Consulting services and technical studies	1.2	1.2
Technical studies	1.0	1.0
Training	0.2	0.2
Goods and software	1.8	1.8
Administration, evaluation, and audits	2.0	2.0
Administration	1.7	1.7
Evaluation and audits	0.3	0.3
Total	100.0	100.0

Note: Costs per good or activity are estimates.
Source: Prepared by the authors.

C. Key results indicators

- 1.40 The main expected outcomes are: (i) to improve the service quality of the unpaved roads financed by the operation, measured in terms of reduced vehicle operating costs and shortened travel times; and (ii) to improve the resilience of the unpaved roads financed by the operation through a reduction in the number of days out of service per kilometer associated with frequent weather events. Moreover, the anticipated impacts are concentrated in improving transit conditions on the tertiary and rural unpaved road network, to help increase economic activity, measured by the condition of tertiary and rural paved roads in the national road network, average brightness in the service areas of the projects, the increase in light duty trucks (class C2) on the targeted road segments, as well as by the creation of inclusive employment opportunities measured as the percentage of women hired who will participate in construction of the financed projects.
- 1.41 **Technical and economic viability.** The Bank reviewed the respective technical and economic viability studies for the projects in the representative sample (see paragraph 2.4). The economic evaluation applies the traditional methodology normally used for road projects, which quantifies the variation in costs to the

government of managing the roadway (investment and maintenance) and the variation in costs to users (consumer's surplus, savings in operating costs, and travel times) for scenarios "with the project" and "without the project." This study is conducted with the support of the HDM-4 model, commonly used to evaluate road sector investments.

- 1.42 Based on the findings of economic viability analyses, the projects in the representative sample are determined to be economically worthwhile. They also comfortably support all the assumptions the sensitivity analyses: (i) 20% increase in the cost of executing the road works (investments, reinvestments, etc.); (ii) 20% reduction in demand expressed as annual average daily traffic (AADT) (indirectly entails a reduction in revenue associated with transit or savings to users); and (iii) 10% increase in the cost of executing the road works plus a concurrent 10% reduction in the AADT. Extrapolating the economic analysis from the representative sample to the program as a whole, and considering all costs and a high-risk scenario, given the uncertainty of postpandemic international conditions, the economic internal rate of return (EIRR) is estimated at 16.3%, and the economic net present value (ENPV) is estimated at US\$33.6 million.

Table 3. Summary of economic analysis of the sample

Project	Length (km)	Investment (US\$)	Base case scenario		EIRR (%) in sensitivity analysis		
			EIRR %	ENPV US\$ million	+20% Cost	-20% AADT	+10% Cost -10% AADT
Tecoluca – El Playón	10.4	7,293,666.9	26.2	5.9	22.5	21.0	21.7
Detour from Guarjila Canton to Las Vueltas Municipio	8.2	7,901,835.2	17.7	2.6	15.2	14.0	14.7
Coatepeque Lake Bypass	13.5	11,498,341.7	24.0	10.0	20.5	19.3	19.9
Detour to El Mozote – Joateca, Municipios of Arambala and Joateca	13.0	7,500,519.3	17.9	2.70	15.4	14.1	14.9
Total, Works in the sample	45.1	34,194,363.1					

Source: Prepared by the authors.

- 1.43 **Beneficiaries.** Considering just the projects in the representative sample (see paragraph 2.4), the direct beneficiaries of the four interventions (see paragraph 1.42) will be the inhabitants of the cities and towns located in the direct service area of the projects, estimated at 43,427 inhabitants, along with 892,082 indirect beneficiaries.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **Modality.** This operation will be executed as an investment loan under the multiple-works program modality since it will finance works that are technically similar but independent of each other, their feasibility does not depend on the execution of a particular number of projects, and their individual size does not justify the Bank directly managing the operation. The works will meet the eligibility criteria set in accordance with the representative sample. Given experiences with programs of this nature, the expected execution period will be five years. The time limit for the physical start of the works in the representative sample included in the program will be two years, running from the effective date of the loan contract. For the rest of the works, the time limit for the physical start of the works included in the program will be three years, running from the effective date of the loan contract.
- 2.2 **Cost and financing.** The cost will be US\$100 million, financed with the Bank's Ordinary Capital. The itemized budget is available in the multiyear execution plan and in the annual work plan ([required link 1](#)).
- 2.3 In accordance with document AB-2990, the pace of disbursement of the loan proceeds will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted in all instances from the date the loan operation is approved by the Board of Executive Directors. These restrictions may not apply if the requirements established in the relevant IDB policy have been met, provided that the borrower has been notified in writing.

Table 4. Disbursement schedule (US\$ million)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB	14.3	15.1	20.4	31.0	19.2	100.0
Cumulative total	14.3	29.4	49.8	80.8	100.0	100.0
Cumulative %	14.3%	29.4%	49.8%	80.8%	100.0%	100.0%

Source: Prepared by the authors.

- 2.4 **Representative sample.** Four rural road projects were selected to prepare and evaluate the program, representing 34.2% of the total financing, with a length of 45.13 kilometers. [Optional link 8](#) provides a detailed description of the projects in the representative sample, the characteristics of which are representative of most of the specific technical and environmental features of the universe of potential projects that will comprise the program (see Table 5) and have preinvestment and technical, economic, and social and environmental feasibility studies at an advanced stage of preparation ([optional link 1](#), [optional link 2](#), and [required link 3](#)). This will make it possible to proceed according to the established timetable for starting the works during the first year of program execution. Additionally, technical cooperation operation [ATN/OC-19229-ES](#) will support preparation of pending technical aspects of the projects in the sample.

Table 5. General characteristics of projects in the representative sample

Project	Predominant productive sector	Region	Type of terrain
Tecoluca – El Playón	Coffee	Central	Flat
Detour from Guarjila Canton to Las Vueltas Municipio	Tourism	Central	Mountainous
Coatepeque Lake Bypass	Coffee and tourism	Western	Mountainous
Detour to El Mozote – Joateca, Municipios of Arambala and Joateca	Tourism	Eastern	Mountainous

- 2.5 **Project eligibility criteria.** The eligibility criteria used to select the projects in the representative sample (see paragraph 1.29), and to be met by all projects in the program, are as follows: (i) the segments to be targeted form part of the tertiary and rural unpaved road network and connect to the priority national or municipal road network with similar or higher levels of service than the project to be built, to provide continuity to a productive development corridor linking centers of consumption, sale, and production; (ii) the projects have been evaluated according to the “Project Prioritization Methodology for the Rural Roads Program (loan ES-L1155)” ([optional link 8](#)), which includes technical and social criteria such as: annual average daily traffic (AADT), benefitted population, regional connectivity, proximity to health centers, agricultural production areas and tourism areas, etc.; (iii) the projects have a sufficiently detailed final design for a solicitation to be issued, including at least the climate change adaptation design criteria that were used for the projects in the representative sample; (iv) the projects have socioeconomic viability studies and an economic internal rate of return (EIRR) of 12% or higher; and (v) the projects have the socioenvironmental studies required by the Bank and do not correspond to Category “A” projects under the Bank’s Environmental and Social Policy Framework.

B. Environmental and social safeguard risks

- 2.6 According to the Bank’s Environmental and Social Policy Framework, the program’s environmental and social impact classification is Category “B” because works will be on existing rural roads, and the construction activities will have local and short-term environmental and social impacts of low to moderate magnitude, typically associated with works of this kind, including the economic displacement of an estimated 33 businesses and a risk of temporary physical displacement of seven dwellings for the four projects in the sample; will generate air pollution; and will generate traditional hazardous waste. The environmental and social risk classification is “Substantial,” related to possible direct impacts on livelihoods and the cumulative indirect impacts on critical and natural habitats and on the health of the community. These impacts and risks will be mitigated by implementing environmental and social management plans in the case of the sample works, and a land acquisition and involuntary resettlement framework that includes a requirement to develop implementation plans for resettlement and livelihood restoration prior to eligibility of the operation and final plans for resettlement and

- livelihood restoration prior to the start of each respective work, based on the finalized designs of the works in the sample.⁸⁶
- 2.7 The four projects in the sample have supplemental environmental and social analyses that meet the requirements of the Environmental and Social Policy Framework. The Environmental and Social Management Framework (ESMF) includes eligibility criteria that exclude works classified as Category “A” under the Environmental and Social Policy Framework. The ESMF establishes procedures for analyzing risks and impacts, preparing the environmental and social management plan, developing monitoring and evaluation procedures, engaging stakeholders, and establishing mechanisms for registering complaints for projects outside the sample. The operation’s environmental and social management system will be finalized prior to eligibility.
- 2.8 The disaster and climate change risk classification is moderate because the works are located in areas exposed to the threat of earthquakes, flooding, and landslides classified as moderate. Criticality is low due to minimal interactions with communities and the environment.
- 2.9 Four meaningful consultations were held, one for each project in the sample, between 25 May and 2 June 2022, attended by 290 people. The MOPT’s consultations related to the potential impacts on businesses and households located in the right-of-way and the type of compensation for expropriation, materials for drainage works, improvement of the detour, safe pedestrian crossings to prevent accidents, gender equity for access to places of employment, overweight vehicles, financial management of the program, and technical data on the final project design. At the end of the consultations, an agreement was reached to form a citizen committee with the primary function of monitoring the project and ensuring timely citizen input to be incorporated into the project. The updated documents with the outcomes of the analysis mission and meaningful consultation process were published on the IDB and MOPT websites prior to the Operations Policy Committee at the following links: (i) [Arambala – Joateca public consultation](#); (ii) [Coatepeque Lake public consultation](#); (iii) [Guarija – Las Vueltas public consultation](#); and (iv) [Tecoluca – El Playón public consultation](#).
- 2.10 **Environmental and social viability.** The environmental and social analyses determined that the program will have a positive environmental and social impact due to the contribution the roads will make to improving opportunities for the socioeconomic and productive development of the rural population benefiting from the road interventions, which will help improve the quality of services in the region. The operation has an environmental and social management system in place to manage the adverse environmental and social risks and impacts identified in the operation’s life cycle, which are considered mitigable and acceptable. Accordingly, the operation is viable, and its environmental and social risks or impacts are local, temporary, not significant, and mitigable.

⁸⁶ As an outcome of the field visit by the social consultant to determine whether the preliminary design has an impact in terms of physical or economic displacement, implementation plans for resettlement and livelihood restoration will be prepared prior to eligibility.

C. Fiduciary risks

- 2.11 The Institutional Capacity Assessment Platform (ICAP) determined that the executing agency has medium capacity for the fiduciary management of this program. The fiduciary risk has been rated as medium-low. The executing agency has recent experience with IDB-financed operations, as it is currently executing a component of operation [3170/OC-ES](#). The program execution unit (PEU) will support program execution and coordinate with the MOPT and its administrative, financial, and procurement units, which will be dedicated part-time to the project. The following risks have been identified as medium-high: (i) finding qualified specialists who are available and dedicated exclusively to the program; and (ii) inadequate dimensioning of the scope of the works, which can result in overestimating costs. The following mitigation measures have been identified: (i) creating the PEU as part of the MOPT's structure and hiring its specialists (see paragraph 3.3); and (ii) supporting the PEU so that under- or overestimation of costs, technical deficiencies, etc. are identified in advance, and alternative solutions can be found in a timely manner using PM4R Agile or similar tools, if necessary.

D. Other key risks and issues

- 2.12 The following medium-high risks have been identified: (i) organizational structure: structuring and implementation of the governance model; (ii) economic/financial environment: increase in bid prices due to inflationary conditions; and (iii) planning: failure to complete the works within the disbursement period. The following mitigation measures were identified: (i) incorporation of the governance model document into the program Operating Regulations ([optional link 7](#)), to be approved by the MOPT, and its effective implementation; (ii) MOPT capacity-building to include inflationary risk scenarios in project budgets, as well as a polynomial formula for price adjustments in awarded contracts; and (iii) planning of the works component to ideally award the works by no later than the first half of the fourth year of the loan contract.
- 2.13 **Sustainability.** To ensure proper performance of the projects during their useful life and sustainability of the investments in the long term, once the works have been completed and after their final acceptance, the MOPT (through an official request from the Minister of Public Works and Transportation, acting as Chair of the Board of Directors of the Road Maintenance Fund (FOVIAL)) will ask that board to update the status of the paved road network under its jurisdiction (see paragraph 1.13) and will transfer over the responsibility for maintenance activities for the projects targeted by the program, which will be designated as priority works ([optional link 7](#)). Additionally, the actions included in program Component 2 will seek to strengthen management of the road assets in the road network under the responsibility of the MOPT and FOVIAL, prioritizing investments in road maintenance activities.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower.** The Borrower will be the Republic of El Salvador.
- 3.2 **Executing agency.** The executing agency will be the Ministry of Public Works and Transportation (MOPT). The MOPT, acting through the Office of the Deputy Minister for Public Works (VMOP) and its Executive Board, which will form the program execution unit (PEU), will be responsible for program coordination as part of its current structure. That structure will be strengthened through the contracting and/or appointment of specialists to manage the operation's activities ([optional link 13](#)). At a minimum, the PEU will include a coordinator and specialists in the areas of planning and monitoring, finance, procurement, engineering design, environment, social, and right-of-way. The executing agency has also agreed to assign a health and safety specialist and three technical design specialists. The executing agency will provide evidence that all the PEU professional staff have been appointed and/or contracted by no later than the second half of the first year of the program. The MOPT, acting through the PEU, will be responsible for program coordination and management and for other tasks including: (i) financial administration; (ii) coordination of monitoring of activities; (iii) management of the external audit; (iv) delivery of operational plans to the Bank, including the financial plan, procurement plan, annual work plan, and others; (v) delivery of audit reports, status reports, evaluations, environmental and social compliance reports, etc. to the Bank; (vi) supervision of works execution and performance of the planned studies for the operation; (vii) submission of disbursement requests to the Bank; and (viii) acting as liaison with the Bank.
- 3.3 **Special conditions precedent to the first disbursement:** The first disbursement of the loan proceeds is contingent on the executing agency meeting the following conditions to the Bank's satisfaction, in addition to the conditions precedent stipulated in Article 4.01 of the General Conditions: (i) a program execution unit (PEU) has been formed, and at least the key personnel of the PEU have been appointed and/or contracted: program coordinator, procurement specialist, financial specialist, and planning and monitoring specialist (see paragraph 3.2); and (ii) the program Operating Regulations have been established and have entered into effect (see paragraph 3.5) on the terms and conditions previously agreed upon with the Bank (see paragraph 3.3); as well as the environmental and social special contractual conditions precedent to the first disbursement in Annex B of the Environmental and Social Review Summary ([required link 3](#)). The first measure is justified to ensure that the project is properly assigned for effective project coordination and execution. The second measure is justified because the Bank's experience in the region indicates that approval of the program Operating Regulations prior to the first disbursement contributes to internal organization of the executing agency for implementation of the operation.

- 3.4 **Other special obligations of execution:** Technical supervision of the projects will be contracted prior to the start order being given for each work. The other environmental and social special contractual conditions of execution are in Annex B of the Environmental and Social Review Summary ([required link 3](#)).
- 3.5 **Program Operating Regulations.** Program execution will follow program Operating Regulations ([optional link 7](#)) that define technical, environmental, fiduciary, financial, and other aspects of the operation. These will include: (i) mechanisms for coordination and reporting between the MOPT, the Ministry of Environment and Natural Resources, the municipal governments, and the Bank; (ii) requirements for project presentation and eligibility; (iii) procurement procedures for goods, works, and consulting services; (iv) guidelines for the use of resources and the program's financial and fiduciary management; (v) disbursement procedures; (vi) the structure of the PEU, identifying the responsibilities of key personnel; (vii) a chapter on the Environmental and Social Management Framework (ESMF) (including the necessary provisions for projects requiring resettlement); and (viii) best practices to promote transparency and management of integrity and conflict of interest risks.
- 3.6 **Procurement of works, goods, and services.** Procurements will be conducted in accordance with the Policies for the Procurement of Goods and Works financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15). There are also plans to implement the agreement for partial use of the country procurement system,⁸⁷ "Libre Gestion" subsystem, which will enter into effect when it has been harmonized with the country. The terms of the loan contract, the guidelines established in the procurement plan ([required link 4](#)), and the rules established in the program Operating Regulations ([optional link 7](#)) will also be taken into consideration. The bidding documents to be used are those made available to the executing agencies on the Bank's website for international bidding, and those harmonized with the country for national bidding. Procurements will be supervised as established in the procurement plan on an ex ante basis,⁸⁸ ex post basis,⁸⁹ or using the country system.⁹⁰
- 3.7 **Disbursements.** The loan will be disbursed under the advance of funds modality. The frequency of disbursements is determined by the financial programming of the project for a period of six months, according to the Financial Management Guidelines for IDB-financed Projects (document GN-2811-1), as described in Annex III. The Bank may make a new advance of funds when justification has been provided for at least 80% of the total cumulative disbursed balances.

⁸⁷ Validated by the Bank on 26 October 2015, and establishing rules for implementation and monitoring after it enters into effect in the country.

⁸⁸ Applicable to all direct procurement processes and/or procurements with an estimated cost greater than: (i) US\$5 million for works; (ii) US\$0.25 million for goods and services; and (iii) US\$0.2 million for consulting services.

⁸⁹ The ex post review will span at least one fiscal year and will be determined using at least 10% of files (preferably electronic) selected at random.

⁹⁰ This supervision will be conducted using the country system after its use has been authorized.

- 3.8 **Retroactive financing.** The Bank may retroactively finance up to US\$10 million (10% of the loan amount), chargeable against the loan proceeds. Disbursement of that amount may take into consideration the restrictions on disbursements (see paragraph 2.2), eligible expenditures incurred by the borrower prior to the loan approval date and associated with the financing of infrastructure projects, as well as personnel costs and administrative expenses associated with operation of the PEU , provided that they have been incurred under conditions substantially similar to those established in the loan contract, and the procurement procedures are consistent with the core procurement principles and the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15), Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15), and the Bank Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (document GN-2259-1). Such expenditures must have been incurred on or after 23 December 2021 (the project profile approval date) but will not in any case include expenditures incurred more than 18 months before the loan approval date.
- 3.9 **Audits.** The external audit of the project will be performed by an entity acceptable to the Bank, contracted and financed with the program resources according to procedures, terms of reference, and request for proposals that have the Bank's no objection. During the program, the MOPT will deliver the audited financial reports to the Bank within 120 days after the closing date of each fiscal year or after the date of the last disbursement.

B. Summary of arrangements for monitoring results

- 3.10 **Monitoring.** The program will be monitored through six-monthly status reports, to be delivered by the MOPT within 60 days after the end of each six-month period. The reports will include the content listed in the monitoring and evaluation plan ([required link 2](#)), as well as fulfillment of the eligibility criteria established in the loan contract and the program Operating Regulations ([optional link 7](#)).
- 3.11 **Evaluation.** The evaluation will include: (i) a before-and-after analysis of the outcome and impact indicators associated with the program specific objectives and general objective; (ii) a review of the intervention's theory of change; (iii) a review of evidence in the literature on the effectiveness of similar interventions in comparable settings; and (iv) a qualitative evaluation providing additional information on attribution of the results achieved to the program. The main questions answered by this evaluation will relate to whether the investments effectively contributed to the program objectives ([required link 2](#)).
- 3.12 **Information for program monitoring and evaluation.** The executing agency will be responsible for maintaining data gathering and tracking systems ([required link 2](#)). The MOPT agrees to maintain a program monitoring and evaluation system that will be used to prepare reports and data to be sent to the Bank. For purposes of the evaluation, the executing agency will compile, store, and retain all necessary information, indicators, and parameters, including annual plans and the midterm and final evaluations for preparation of the project completion report.

Development Effectiveness Matrix		
Summary		ES-L1155
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<div>-Social Inclusion and Equality</div> <div>-Productivity and Innovation</div> <div>-Economic Integration</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change</div> <div>-Institutional Capacity and the Rule of Law</div>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<div>-Roads built or upgraded (km)</div> <div>-Agencies with strengthened digital technology and managerial capacity (#)</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3046-1	Desarrollar servicios de infraestructura inclusivos y sostenibles
Country Program Results Matrix	GN-3087-2	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		9.0
5.1 Monitoring Mechanisms		3.4
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	<div>Financial Management: Budget, Treasury, Accounting and Reporting, Internal Audit.</div> <div>Procurement: Information System, Price Comparison.</div>
Non-Fiduciary	Yes	Statistics National System.
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	EEO#13 Análisis de Gobernanza del Programa

Evaluability Assessment Note:

This US\$100mm multiple works project has the general objective of improving circulation conditions on the national unpaved tertiary and rural road network, helping to increase economic activity and the generation of inclusive employment opportunities for the population benefited by the program interventions. It sets as specific objectives: (i) improve the quality of service; and (ii) ensure the resilience of the unpaved roads financed by the operation. The diagnosis is clear. In 2020, 53% of the unpaved road network (RVNP, for its initials in Spanish) was in poor condition and another 26% in fair condition. This affects the competitiveness of MSMEs dependent on this RVNP to transport their production. In the four roads of the sample, the project analyzed that the potential gains in travel times to the main logistics nodes of the country were between 9% and 28%, affecting around 4.4% of the companies located in rural areas. Surveys on the importance of transportation costs in the total production costs of MSMEs in rural areas, show that for 67% of companies they represent between 11% and 20% of costs, and for 25% of companies they represent more than 20% of the costs. The project proposes the improvement and rehabilitation of sections of the RVNP classified as tertiary and rural, seeking to reduce costs and travel times and increase resilience to climate change by reducing road closings. The design of the works will follow standards that should have a positive impact on road safety, and on accessibility for people with disabilities. Additionally, the program proposes complementary actions aimed at strengthening road management and the transparency and integrity of the Ministry of Public Works and Transportation, and also at increasing the proportion of women hired in the construction of the works. The Results Matrix includes indicators associated with the general objective and specific objectives that are adequate and with reasonable goals. It can be highlighted as novel that one of the indicators associated with the general objective will try to approximate changes in economic activity with satellite information on luminosity.

The economic analysis is appropriate, with reasonable and standard assumptions and sensitivity analyses. The estimated net present value of the program is US\$33.6mm and the internal rate of return is 16.3%. All the works included in the representative sample of the project are economically viable, using the standard discount rate of 12%.

The evaluation plan is appropriate. It proposes to carry out a before and after analysis of the indicators of the specific and general objectives, an ex-post cost-benefit analysis and a qualitative evaluation of the program. This exercise will not allow the empirical attribution of the results obtained.

RESULTS MATRIX

Project objective:	The general objective of this operation will be to improve the transit conditions of the tertiary and rural unpaved national road network, contributing to increased economic activity and the creation of inclusive employment opportunities for the population benefitted by the program actions. The specific objectives are: (i) to improve service quality; and (ii) to ensure resilience of the unpaved roads financed by the operation.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: To improve the transit conditions of the tertiary and rural unpaved national road network, contributing to increased economic activity and the creation of inclusive employment opportunities for the population benefitted by the program actions.							
Indicator I.1: Index of the upgraded tertiary and upgraded rural paved national road network in good and excellent condition	Index	100	2022	2027	106	Report on the condition of the rural national road network (upgraded tertiary and rural paved intercity roads)	<ul style="list-style-type: none"> The index will be updated to reflect the works added to the program. The road network to be targeted using the program resources will be the tertiary and rural roads in the unpaved national road network, which after the planned interventions⁹¹ will become part of the paved national road network reclassified as upgraded tertiary and upgraded rural roads, respectively. The impact indicator is the change in the condition of the paved road network to “good” and “excellent” since this will be the future category for classification of the roads in the program.⁹² The analysis will include the road network in the departments targeted by the interventions.
Indicator I.2: Average brightness in the service areas of the targeted segments	Brightness index	100	2021	2027	103	Black Marble (NASA) ⁹³	<ul style="list-style-type: none"> The index will be calculated for all targeted segments, weighted according to the number of kilometers in each segment. The baseline weighted average for the four segments in the sample is 0.316 watts/m²/sr.

⁹¹ Interventions similar to the projects included in the representative sample of the Rural Roads Program, in which roads will be paved according to the standards set for this operation.

⁹² The monitoring and evaluation plan expands on the rationale for measurement of this indicator.

⁹³ See monitoring and evaluation plan for details.

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
Indicator I.3: AADT ⁹⁴ of class C2 freight trucks	Index	100	2022	2027	115	Traffic study for the targeted segment or the El Salvador Road Management System (SIGESVIES) or projections made by the system	<ul style="list-style-type: none"> • The Ministry of Public Works and Transportation (MOPT) will provide the AADT measurements for the targeted segments, as well as the calculation of the corresponding index value by department. • The index will be updated to reflect the works incorporated into the program.
Indicator I.4: Percentage of women hired that participate in construction of the road segments targeted by the program	Percentage	0%	2021	2027	10%	Works monitoring reports of the executing agency	

⁹⁴ AADT: Annual average daily traffic.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	End of project	Means of verification	Comments
Specific development objective 1: To improve the service quality of the unpaved roads financed by the operation.						
Indicator D.1: Weighted average vehicle operating cost on road segments targeted by the program ⁹⁵	Index	100	2022	60	Analysis of vehicle operating costs using the HDM4 vehicle operating costs module of the Roads Economic Decision model	
Indicator D2: Weighted travel times on road segments targeted by the program ¹	Index	100	2022	40	Analysis of travel times using the HDM4 vehicle operating costs module of the Roads Economic Decision model	
Specific development objective 2: To ensure resilience of the unpaved roads financed by the operation.						
Indicator D3: Annual index of days out of service per kilometer associated with frequent weather events on the targeted roads ⁹⁶	Index	0.002	2022	0	Record of incidents from the Office of Climate Change Adaptation and Strategic Risk Management (DACGER), and precipitation data from the Ministry of Environment and Natural Resources (MARN)	<ul style="list-style-type: none"> This indicator captures the reduction in impact of frequent hydroclimatic events on road serviceability as a result of the upgrades and drainage works to be implemented on the targeted roads.

⁹⁵ The baseline and value obtained will be calculated based on the total number of targeted roads, weighted according to the length in kilometers of each segment.

⁹⁶ The index is estimated as the mathematical expectation of the number of days the roads are out of service per kilometer due to events with periods of recurrence of less than 15 years. See monitoring and evaluation plan for details. The baseline and value obtained will be calculated based on the total number of targeted roads.

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 1: Rehabilitation and/or upgrade of tertiary and rural roads											
Indicator P.1: Number of kilometers of roads built or rehabilitated with universal accessibility criteria (access for persons with disabilities) and road safety criteria that are put into service	Kilometers	0	2022	0	18.6	26.5	44.5	10.4	100	Execution report	
Component 2: Strengthening of road management											
Indicator P.2: Number of agencies strengthened with equipment, software, and furniture	# Agencies	0	2022	0			1		1	Execution report	• Specialized equipment, technology hardware, licenses, field equipment, etc. to strengthen road management.
Indicator P.3: Technical assistance services for strengthening of road management finalized.	# Technical assistance services	0	2022		1	1	1		3	Execution report	• Technical assistance services in road engineering, environmental engineering, road safety, economy and administration, etc.
Indicator P.4: Road management Information system upgraded.	System	0	2022					1	1	Execution report	• Upgrades to SIGESVIES.
Indicator P.5: Consulting engagement on climate change and natural disasters completed.	Consulting engagement	0	2022			1			1	Execution report	• Baselines for Blue Spot analyses.
Indicator P.6: Training provided on gender violence and violence against persons with disabilities.	Training programs	0	2022			3			3	Programs defined and executing agency's report on actions taken.	• Includes: (i) training program for women in nontraditional occupations; (ii) training and awareness-raising on workforce inclusion for persons with disabilities; and (iii) training program for contractor companies on gender equity and violence against women.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Indicator P.7: Paid internship program on gender issues implemented.	Internship programs	0	2022		1				1	Programs defined and executing agency's report on actions taken	• Internships for women in nontraditional occupations and for university students or recent graduates in engineering or similar fields.
Indicator P.8: Training to strengthen road management implemented.	Training events	0	2022	7					7	Execution report	

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Country: El Salvador

Division: INE/TSP

Operation number: ES-L1155

Year: 2022

Executing agency: Ministry of Public Works and Transportation (MOPT)

Operation name: Rural Roads Program

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of the country system. (Any system or subsystem that is subsequently approved may be applicable to the operation, according to the terms of the Bank's validation.)

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

2. Fiduciary execution mechanism

<input type="checkbox"/> Cofinancing	N/A
<input type="checkbox"/> Coexecuting agencies/ Subexecuting agencies	N/A
<input checked="" type="checkbox"/> Specific features of fiduciary execution	The Borrower will be the Republic of El Salvador. The Ministry of Public Works and Transportation (MOPT) will be the executing agency, acting through its administrative, financial, and procurement units, which will be dedicated part-time to the project, for overall operation of the program.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	The evaluation determined that the executing agency has medium capacity for the execution of this program. The fiduciary risk has been rated as medium-low. The executing agency has recent experience with IDB-financed operations, as it is currently executing a component of operation ES-L1075. However, with respect to financial management, and to ensure efficient execution, personnel need to be hired who will be dedicated exclusively to the program. An effective mechanism for coordination with the Ministry of Finance also needs to be developed, to ensure that fiscal space is created in a timely manner and resources are available in the General Budget of the Republic.
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4. Fiduciary risks and risk response

Area (financial management/ procurement)	Risk	Risk level	Risk response
Financial management/ Procurement management	If no specialists are available and dedicated exclusively to the program activities, physical and	Medium-high	- Create the program execution unit (PEU) as part of the MOPT's structure.

Area (financial management/ procurement)	Risk	Risk level	Risk response
	financial execution of the works could be delayed.		- Incorporate a team of specialists and technical staff necessary for the program activities as part of the PEU.
Procurement management	If the MOPT does not adequately dimension the scope of the works contracts, the costs of the works could be overestimated, and the planned financial execution will not be achieved.	Medium-high	- Create a supportive and collaborative environment with the PEU, so that issues such as under- or overestimation of costs, technical capacity, and the keeping processes on schedule can be identified in advance, and alternative solutions can be found before a problem arises.

5. Policies and guidelines applicable to the operation:

Procurements will be defined in the procurement plan approved by the Bank. Procurements will adhere to the Policies for the Procurement of Goods and Works Financed by the IDB (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the IDB (document GN-2350-15), or the current applicable policies. Financial management will follow the Financial Management Guidelines for IDB-financed Projects (document OP-273-12, or the current version).

In accordance with document AB-2990, the disbursement of the loan proceeds will be subject to the following restrictions: (i) a maximum of 15% in the first 12 months; (ii) a maximum of 30% in the first 24 months; and (iii) a maximum of 50% in the first 36 months, counted in all instances from the date the loan operation is approved by the Board of Executive Directors. These restrictions may not apply if the requirements established in the relevant Bank policy have been met, provided that the borrower has been notified in writing.

6. Exceptions to policies and guidelines: None anticipated.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

A firm of independent auditors will be responsible for external control of the program. The executing agency will engage the audit firm, which may be one auditing the financial statements of another operation being executed by the same executing agency. Any competitive process will follow the guidelines established in the New Governance Framework for Management of External Audits of IDB-financed Operations. The audited financial statements will be prepared in accordance with the same framework. To ensure the effectiveness of the audit work, the audit firm is to be engaged by no later than September of the current fiscal year subject to the audit.

Type of audit: Each year, the program's annual financial statements will be audited within 120 days after the fiscal year-end. The program's closing audited financial statements will be delivered within 120 days after the date of the final disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	<p>The Bank's standard bidding documents will be used for procurements of works, goods, and nonconsulting services conducted in accordance with the procurement policies (document GN-2349-15, or the current policy) and subject to international competitive bidding (ICB). The standard request for proposals issued by the Bank will be used for the selection and contracting of consulting services conducted in accordance with the consultant selection policies (document GN-2350-15, or the current policy). For national competitive bidding (NCB) and shopping, the documents used will be agreed upon with the country and the Bank.</p> <p>The project's sector specialist is responsible for reviewing the technical specifications and terms of reference for procurements during preparation of the selection processes. This technical review may be ex ante and is independent of the procurement review method.</p>
<input checked="" type="checkbox"/>	Use of country systems	<p>COMPRASAL will be used to publicize all procurement processes. Additionally, once the country documents have been signed for the purchase of goods, works, and nonconsulting services via the shopping method, those documents will be used as approved by the Bank's Board of Executive Directors.</p> <p>The operation's procurement plan will list the procurements that will use the country system within the approved scope.</p>
<input type="checkbox"/>	Alternative procurement arrangements	N/A
<input type="checkbox"/>	Supplemental procurement support	N/A
<input type="checkbox"/>	Direct contracting and sole-source selection	N/A
<input checked="" type="checkbox"/>	Training	Training will be subject to competitive bidding.
<input checked="" type="checkbox"/>	Recurrent costs	<p>Recurrent costs and maintenance costs required to implement the project and incurred during its useful life will be approved by the Project Team Leader and included in the program's annual work plans, following the administrative procedures of the executing agency referenced in the program Operating Regulations. Those procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of economy, efficiency, and competition.</p> <p>Such expenses may include office rent, public utilities and communications services, translations, bank fees, office supplies, advertising or notices, photocopies, fuel, lodging, travel expenses, event logistics, postage, secretarial and driving services, security, and others agreed upon with the Bank. (According to the treatment of recurrent expenditures and expenditure eligibility policy document GN-2331-15, as updated.)</p>
<input type="checkbox"/>	Projects with financial intermediaries	N/A

<input checked="" type="checkbox"/>	Advance procurement/ Retroactive financing	<p>The Bank may retroactively finance up to US\$10 million (10% of the loan amount), chargeable against the loan proceeds. Disbursement of that amount may take into consideration the applicable restrictions, eligible expenditures incurred by the borrower prior to the loan approval date and associated with the activities under Components 1 and 2, and administration, evaluation, and audit expenses, provided that they have been incurred on terms substantially similar to those established in the loan contract.</p> <p>Such expenditures must have been incurred on or after 23 December 2021 (the project profile approval date) but will not in any case include expenditures incurred more than 18 months before the loan approval date.</p>						
<input type="checkbox"/>	Special procurement provisions applicable to the operation	N/A						
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post for all national processes. The ex ante review modality will apply to all international and extraordinary processes, such direct contracting, sole-source selection, new methods, and processes outside the established thresholds, according to the level of fiduciary risk identified for the program. Procurements using the country system will be subject to the country supervision system.</p> <p>The ([i] ex ante; [ii] ex post; or [iii] country system) supervision method will be determined for each selection process. Ex post reviews will be annual, according to the project supervision plan, which may be subject to change during execution. Ex post review reports will include at least one visit. The inspection verifies the existence of the procurements (leaving verification of quality and compliance with specifications to the sector specialist), selected from the procurement processes subject to ex post review (minimum 10% of contracts physically reviewed). The threshold amounts for ex post review are as follows:</p> <table border="1"> <tr> <td>Works</td><td>Goods/Services</td><td>Consulting services</td></tr> <tr> <td>5,000,000.00</td><td>250,000.00</td><td>200,000.00</td></tr> </table>	Works	Goods/Services	Consulting services	5,000,000.00	250,000.00	200,000.00
Works	Goods/Services	Consulting services						
5,000,000.00	250,000.00	200,000.00						
<input checked="" type="checkbox"/>	Records and files	<p>The administrative, financial, and procurement units will be responsible for maintaining effective controls to safeguard and protect the integrity of original records and files related to procurement processes and the financial information under their control as part of program execution. The Bank may, at any time, verify standards of organization, control, and security of files.</p>						

Main procurement items

Description of procurement	Selection method	New procedures/ Tools	Estimated date	Estimated amount (US\$000s)
Goods				
Technological and specialized equipment	Ex ante	ICB		605.6
Licenses	Ex ante	ICB		694.4
Field equipment	Ex ante	ICB		730

Description of procurement	Selection method	New procedures/ Tools	Estimated date	Estimated amount (US\$000s)
Rural road upgrade – Joateca to Arámbala (MOR 15)	Ex ante	ICB		7,900
Rural road upgrade – Paving of El Coco (SAN 16)	Ex ante	ICB		11,465
Rural road upgrade – Tecoluca to Playón (SAV 27)	Ex ante	ICB		8,100
Restoration of beltway	Ex ante	ICB		7,790
Rural road upgrade – San Alejo (UNI 07)	Ex ante	ICB		6,924
Rural road upgrade – Road to Coatepeque Lake (SAN 24)	Ex ante	ICB		11,500
Nonconsulting services				
Various courses and training events	Ex post	Shopping		100
Firms				
Final evaluation	Ex post	CQS		100
External audit	Ex post	CQS		100
Individuals				
Consulting engagements to support the administrative, financial, and procurement units	Ex ante	3 CVs		1,800

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

<input checked="" type="checkbox"/>	Programming and budget	<p>The executing agency's budget has programmatic categories and other classifications by expenditure item.</p> <p>The executing agency is responsible for the process of annual budget formulation and programming, so all procedures must be completed to finalize the annual budget for approval. As needs arise to increase or reallocate items, the executing agency will request the changes and will be responsible for processing their approval.</p>
<input checked="" type="checkbox"/>	Treasury and disbursement management	<p>The treasury country subsystem will be used. The executing agency will request that a special account be opened at the Central Reserve Bank to receive disbursements and make payments related to the project. This mechanism will form part of the Treasury Single Account of the Ministry of Finance. The Bank will make disbursements via the advance of funds modality for the execution of activities and planned procurements for periods of up to six months. The programming of cash flows prepared by the executing agency will be consistent with the annual work plan and the procurement plan that have the Bank's no objection, and will cover a moving horizon of at least 12 months. The operation is expected to justify 80% of cumulative balances pending justification.</p>

<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The country system will be used. The accounting records will be the responsibility of the executing agency's Administration and Finance Department. The accounting records will be supplemented with manual processes to allow the preparation of special purpose financial statements following the formats provided by the Bank. Safeguarding of supporting documentation will be the responsibility of the executing agency. Supporting documentation is to be retained for a minimum of three years after the date of the final disbursement. The operation's accounting records will be kept on a cash basis. To supplement the policies and guidelines applicable to the operation, the program Operating Regulations will be used with the documented definition of workflows and internal controls.
<input checked="" type="checkbox"/>	Internal control and internal audit	The technical internal control standards issued by the Audit Court of the Republic (CCR) are applicable. All staff and consultants involved in project execution are responsible for internal control in their area of action. The MOPT Internal Audit Office will include internal control activities within the scope of the project in its annual work plans.
<input checked="" type="checkbox"/>	External control and financial reports	The audit will be conducted by an eligible external independent audit firm, or by the CCR, if authorized by the Bank to audit Bank-financed operations. The firm will be engaged using the loan proceeds according to the terms of reference and the request for proposal that have the Bank's no objection. The executing agency will deliver the reports on the annual audited financial statements to the IDB by no later than 120 days after the fiscal year-end, and a final financial statement (closing statement) no later than 120 days after the date of the last disbursement. The external auditor may be engaged for the planned execution period of the loan contract. The terms of reference will establish the type of review, timing, and scope of the audit. The external auditor selected and the audit standards to be applied will be acceptable to the Bank. Given the nature and risk of the operation, a special purpose audit will be required, and engaging an auditor with Eligible Plus status is recommended.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The supervision plan will include at least one visit six-monthly visit, preferably prior to the portfolio reviews, in addition to the external audit and ongoing communication with the executing agency to address any issues that arise.

Other information relevant to the operation (BI): N/A.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

El Salvador. Loan ____/OC-ES to the Republic of El Salvador
Rural Roads Program

The Board of Executive Directors

RESOLVES:

That the acting President of the Bank, or such representative as she 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 El Salvador, as Borrower, for the purpose of granting it a financing aimed at cooperating in the execution of the Rural Roads Program. Such financing will be for the amount of up to US\$100,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2022)