

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

HONDURAS

INFRASTRUCTURE PROGRAM FOR THE SAN PEDRO SULA LOGISTICS CORRIDOR

(HO-L1018)

LOAN PROPOSAL

This document was prepared by the project team consisting of Rafael Acevedo, Project Team Leader, Felipe Targa, Melanie Glass, Jean Paul Vélez and Giselle Apat (INE/TSP); Trinidad Zamora (TSP/CHO); and Miguel Coronado (LEG/SGO).

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ELECTRONIC REFERENCES	
Required	
1.	AWP http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1498270
2.	Monitoring and evaluation system http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1498242
3.	ESMR http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1498989
4.	Procurement plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1513335
Optional	
1.	Economic assessment http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486268
2.	Assessment of the SOPTRAVI and MSPS institutional capacity http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1486260
3.	Resettlement plan – Preliminary report http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1492791

APPENDICES

Proposed resolution

ABBREVIATIONS

AADT	Annual Average Daily Traffic
DGC	Dirección General de Carreteras [Directorate General for Highways]
EDCF	Economic Development Cooperation Fund
FSO	Fund for special operations
GGPE	Projects and Execution Management Group
MSPS	Municipality of San Pedro Sula
OC	Ordinary Capital
SOPTRAVI	Department of Public Works, Transportation and Housing
SPS	San Pedro Sula

PROJECT SUMMARY

HONDURAS INFRASTRUCTURE PROGRAM FOR THE SAN PEDRO SULA LOGISTICS CORRIDOR (HO-L1018)

Financial Terms and Conditions				
Borrower: Republic of Honduras Executing agency: Ministry of Public Works, Transportation, and Housing (SOPTRAVI)			OC financing	FSO financing
		Amortization period:	30 years	40 years
		Grace period:	5.5 years	40 years
		Disbursement period:	5.5 years	5.5 years
IDB (OC)	US\$14 million	Inspection and supervision fee:	1	N/A
IDB (FSO)	US\$ 6 million	Interest rate:	Adjustable	0.25%
Local counterpart	US\$ 2 million	Credit fee:	1	N/A
Total IDB operation	US\$22 million	Currency: United States dollar		
COFINANCING				
Cofinancing (pending approval)		US\$20 million		
Local cofinancing		US\$2 million		
Total with cofinancing		US\$44 million		
Project at a glance				
Objective and description:				
<p>The Infrastructure Program for the SPS Logistics Corridor seeks to improve road access to the city of San Pedro Sula, the country's industrial hub, in the context of the program for the integral improvement of the CA-5 Norte Highway. Specifically, this program would expand, rehabilitate, and improve the Second Peripheral Ring Road between the northern headwaters of the Chamelecon river and the Gala intersection, to ease the congestion that occurs as the road cuts through the city, thus affording faster access to Puerto Cortes.</p> <p>The program comprises five components: (i) rehabilitation and repaving of approximately 12.9 km of the existing road, between Chamelecon river and the Calle 6 intersection; (ii) rehabilitation of the existing roadway, and construction of a new roadway and drainage system, including two bridges, between Calle 6 and the Gala intersection; (iii) execution of the plan to resettle the population impacted by the civil works; (iv) institutional capacity building for the Ministry of Public Works, Transportation, and Housing (SOPTRAVI) and the Municipality of San Pedro Sula (MSPS); and (v) cofinancing to build crossroad interchanges. To complement the road rehabilitation and expansion components, the program calls for building traffic interchanges at the principal intersections, rehabilitation and widening of Boulevard Este, and the widening of Calle N27.</p>				
Special contractual conditions:				
<p>(i) Conditions precedent to the first disbursement: (a) submit evidence showing SOPTRAVI and the MSPS have signed a participation and coordination agreement spelling out their rights and obligations in the context of execution of this program (see paragraph 3.4); and (ii) submit the Environmental Management Plan for the program (see paragraph 3.9);</p> <p>(ii) During program execution: submit evidence to the Bank prior to the start of works requiring the involuntary resettlement of persons and families (the section between Calle 6 and Industrias Gala), on the agreements signed between the affected population and the MSPS concerning: (i) the resettlement land; and (ii) contracts for the land development and housing construction works.</p> <p>(iii) For program execution: SOPTRAVI will hire a specialized firm to manage the civil works program</p>				

Exceptions to Bank policies: None					
Project consistent with country strategy:	Yes [X]	No []			
Project qualifies as:	SEQ []	PTI [X]	Sector []	Geographic []	Headcount []

¹ The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provisions of the Bank's policy on lending rate methodology for Ordinary Capital loans. In no case will the credit fee exceed 0.75% or the inspection and supervision fee exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount divided by the number of six-month periods included in the original disbursement period.

I. DESCRIPTION AND OUTCOMES

A. Introduction

- 1.1 **San Pedro Sula (SPS)**, the capital of the Department of Cortes, is located in the Sula valley in northwestern Honduras, 60 km south of Puerto Cortes, a Caribbean sea port. It is the country's second largest city after the capital city Tegucigalpa, with about 900,000 inhabitants in the metropolitan area. SPS is also the country's industrial capital.
- 1.2 Traffic on Honduras' main highways, and on the roads linking SPS to the primary road network, has increased exponentially in the past twenty years causing serious congestion on the SPS access roads. In addition to the traffic generated by local industrial activity, traffic jams and other problems have begun to appear on the city's roads due to the heavy cargo trucks driving through SPS, mostly on their way to and from Puerto Cortes. Puerto Cortes is the only deep water port in Central America, and one of the best equipped, handling almost 90% of the country's maritime cargo.

B. Background, problem, and rationale

- 1.3 **The CA-5 Norte highway**, the main road corridor in the country, cuts through the city of San Pedro Sula. This highway is part of the Atlantic Corridor,¹ and the chief road component of the interoceanic dry canal – the Logistics Corridor – due to become functional when the Cutuco port in El Salvador becomes operational. Once the interoceanic dry canal enters into service, heavy truck transit through SPS could intensify considerably, affecting the mobility and the security of the city's transportation system, thereby impacting the productivity and competitiveness of this important center for the country's economic activity.
- 1.4 **The Second Peripheral Ring Road.** As the CA-5 Norte passes through SPS, it merges with the second peripheral ring road, the principal road crossing the city from north to south between the northern headwaters of Chamelecon river and the Gala intersection, covering a total distance of 18.4 km. This ring road concentrates most of the access roads to the city for traffic either coming from the north (Puerto Cortes), or the south (Tegucigalpa, Villanueva). The ring road comprises three distinct sections: (i) "Boulevard del Sur" (Southern Boulevard) between Chamelecon river and Toyota, 5.8-km long, with two lanes in each direction; (ii) "Boulevard del Este" (Eastern Boulevard) between the Toyota intersection and Olympic Stadium, 3.1-km long, with two lanes in each direction; and (iii) "Segundo Anillo" (Second Ring) between Olympic Stadium and Gala intersection, 9.5-km long, of which a 4-km stretch has two lanes in each direction, and a single lane in each direction for the remaining 5.5 km.

¹ The Atlantic Corridor (1,745 km) is part of the International Network of Mesoamerican Highways (RICAM) under the Puebla-Panama Plan (PPP), linking Mexico, Belize, Guatemala, Honduras, and El Salvador.

- 1.5 Road construction began almost two decades ago, developing in stages as evidenced by the varying solutions adopted for different sections: different roadway widths, different surface treatment, and different condition depending on the age of the structures. This ring road is a mixed highway, crossing both urban and suburban areas, intersecting with many crossroads, causing severe road safety problems, further compounded by poor signposting and deficient design. At present, the average annual daily traffic (AADT) for the Second Peripheral Ring Road amounts to 28,400 vehicles/day, with a maximum of 58,500 vehicles/day in the southern sector, and a minimum of 13,200 vehicles/day in the northern sector. The mean AADT is essentially made up of light vehicles (82% automobiles and light trucks), with medium and heavy vehicles accounting for 18% (buses 5%, and heavy trucks 13%).
- 1.6 **The government's strategy.** The Government of Honduras established specific objectives in the National Plan to upgrade the road infrastructure in order to comply with regional integration requirements, seeking to increase the country's competitiveness while promoting domestic economic activity. To attain this goal, the government identified and is executing specific projects to develop and improve the CA-5 logistics corridor, including improvements to the SPS second peripheral ring road. This project is highly important for Honduras owing to its regional effect, as it will reduce logistic costs for regional and international export activity along the corridor, and its local effect, as it will improve the mobility and road safety conditions in the country's urban economic hub. Local authorities assigned priority to improving this roadway over a decade ago when the decision was made to start construction work on the second ring – a never-completed endeavor. The current condition of the roadway (i.e., average road roughness) and capacity (i.e., one section with a single two-way highway) are not commensurate with the present traffic flows (approximately 28,400 vehicles/day), nor with regional traffic growth projections.
- 1.7 **The Bank's strategy and participation.** The Bank's Country Strategy with Honduras for the period 2007-2010 is structured around four main pillars: (i) business environment; (ii) competitiveness; (iii) human capital; and (iv) institutional framework and risk management. Under the competitiveness pillar, one of the key priorities is to reduce logistic and productive costs, emphasizing the central role of the transport sector and investments in that sector. The Bank has been an active participant in the transport sector of Honduras, financing works and helping build the sector's institutional framework, having financed construction of the Second Peripheral Ring Road via loan 849/SF-HO. At present, Honduras is executing a Bank-financed investment program to expand and improve the CA-5 corridor, and a program to modernize the agricultural and tourism corridors (El Progreso – Tela). In addition, the Bank is considering a possible operation at Puerto Cortes so as to strengthen the port's strategic position on a regional level. Coordination of these programs, especially the CA-5 and the Puerto Cortes projects, with this operation will have a direct impact on the competitiveness of the SPS

region and the country as a whole, facilitating the flow of goods and persons along one of the most important logistic and industrial corridors in the country.

- 1.8 **Coordination with other institutions.** The Government of Honduras is investing heavily to improve the CA-5 Norte highway, widening it to three or four lanes, as it is part of the Interoceanic Corridor. The total investment program to improve the corridor amounts to US\$230 million, financed by several institutions, such as the IDB, the Millennium Challenge Account (MCA), the World Bank (WB), the Central American Bank for Economic Integration (CABEI), the Organization of Petroleum Exporting Countries (OPEC), inter alia.
- 1.9 In order to coordinate execution of the works, a dialogue and information sharing mechanism was established among the many cooperating agencies, creating a DONORS MEETING to discuss issues relating to execution of the civil works, deal with obstacles that would benefit from donor coordination to identify solutions and make decisions, and to be informed about the physical and financial progress made on all the projects.

C. Objectives, components, and costs

1. Objective

- 1.10 The Infrastructure Program for the SPS Logistics Corridor seeks to improve road access to the city of San Pedro Sula, the country's industrial center, in the context of the program for the integral improvement of the CA-5 Norte Highway. Specifically, this program would expand, rehabilitate, and improve the Second Peripheral Ring Road between the northern headwaters of the Chamelecon river and the Gala intersection, to ease the congestion that occurs as the road cuts through the city, thus affording faster access to Puerto Cortes.

2. Components

- 1.11 The program comprises five key components.
- 1.12 **Component 1 – Rehabilitation and repaving between Chamelecon river and the Calle 6 intersection**
- 1.13 This component includes rehabilitation of a 12.9-km stretch of the existing roadway, between the headwaters of Chamelecon river and the intersection with Calle 6. The rehabilitation works consist of repaving approximately 70% of the section with hydraulic concrete, to strengthen or rebuild the existing road surface, and widening the narrow stretches so the road will have a uniform width of 8.2 m along the entire length. Up to eight pedestrian bridges will be built along this stretch to improve road safety, especially for pedestrians.
- 1.14 **Component 2 – Rehabilitation and construction between Calle 6 and the Gala intersection**
- 1.15 This component includes: (i) rehabilitation of the existing roadway for a 5.5-km long section with one lane in each direction. Works include repaving about 60% of the section with hydraulic concrete, to strengthen or rebuild the existing road

surface, and widening the narrow stretches so the road will have a uniform width of 8.2 m along the entire length; (ii) building a new 8.2-m-wide roadway along the entire 5.5-km length so as to have a double highway with two lanes in each direction between the intersection of the second ring road with Calle 6 and the Gala intersection, thus completing the second peripheral ring road; and (iii) construction of new minor and major drainage works along the entire section, and construction of two 240-m long bridges over the Bermejo and Blanco rivers. Financing will also be provided for an additional lane between the Gala intersection and the toll and related works to maximize road safety along this section, including pavement markings and road signs, bus stop pull-off areas, left-turn lanes where needed, two pedestrian bridges, etc.

1.16 Component 3 – Resettlement

1.17 This component will finance execution of the Resettlement Plan being drawn up as part of the program preparation activities, under TC HO-T1100 (ATN/OC-11025-HO). The following activities will be financed, among others: land purchases, housing construction, management of socioenvironmental impacts caused by the displacements, and implementation of related social and economic programs.

1.18 Component 4 – Institutional strengthening

1.19 SOPTRAVI has improved its planning and road security management expertise, and built up its environmental management and contracting capacity, with support from several Bank operations, including 1106/SF-HO and 1907/BL-HO. In the case of this program, SOPTRAVI will be working with the Municipality of San Pedro Sula (MSPS). This component will therefore seek to strengthen the capacity of both entities in environmental matters, and, more importantly, in social issues, to ensure continuity of the Resettlement and Environmental Management plans. This component consists essentially of technical support and training.

1.20 **Component 5 – Cofinancing to build road intersections.** To complement the road rehabilitation and expansion components, the program calls for building traffic interchanges at the principal crossroad intersections, rehabilitation and widening of Boulevard Este, and the widening of Calle N27. Negotiations are under way to obtain cofinancing from the Korean government's Economic Development Cooperation Fund (EDCF), expected to be approved once the Board of Executive Directors finalizes consideration of this operation. If the financing from the Korean government is not approved, there are other sources of funding, including the possibility of additional funds from the Bank in the future.

3. Cost

1.21 The total cost of the Bank program will be US\$22 million, including US\$2 million in local counterpart funds, equivalent to about 10% of the Bank financing. A complementary project will finance the construction of several grade-separated intersections at an additional cost of US\$22 million, to be cofinanced by the EDCF.

This amount includes US\$2 million in additional local counterpart funds for the second operation.

Components	Total	Bank	Local contribution	Cofinancing
Engineering and administration				
Project administration	100,000	100,000		-
Project management	1,400,000	1,400,000		-
Civil works and environmental supervision	2,000,000	1,500,000	500,000	-
Component 1 - Rehabilitation and repaving between Chamelecon river and Calle 6 intersection (*)	4,900,000	3,920,000	980,000	-
Component 2 - Rehabilitation and construction between Calle 6 and the Gala intersection (*)	11,300,000	11,300,000		-
Component 3 - Rio Bermejo resettlement	1,335,000	1,085,000	250,000	-
Design / Supervise the Bermejo resettlement	165,000	75,000	90,000	-
Component 4 - Institutional strengthening	200,000	200,000		-
Road safety works / pedestrian bridges	320,000	320,000		-
Miscellaneous	180,000	0	180,000	-
Financial audits	100,000	100,000		-
TOTAL IDB LOAN COMPONENTS	22,000,000	20,000,000	2,000,000	-
TOTAL IDB FINANCING	22,000,000	20,000,000	2,000,000	
COMPLEMENTARY PROJECT (Cofinancing)				
Component 5 - Construction of interchanges				
Interchanges with major roads	9,000,000			9,000,000
Rehabilitation and construction of Boulevard Este and widening of Calle N27	9,400,000			9,400,000
Supervision Component 5	1,200,000			1,200,000
Expropriations for the interchanges	2,190,000		2,000,000	190,000
Pedestrian bridges and other works	110,000			110,000
Evaluation and audit	100,000			100,000
TOTAL COFINANCING	22,000,000		2,000,000	20,000,000
<i>Final amount including cofinancing:</i>				
TOTAL IDB PROGRAM + COFINANCE	44,000,000	20,000,000	4,000,000	20,000,000
(*) Includes contingencies				

D. Results matrix and principal indicators (PPMR monitoring)

- 1.22 The chief specific outcomes expected from the program are summarized below and described in greater detail in the Results Matrix (Annex 1).

Expected outcome	Indicator
Reduction in travel times	Driving time for each section
Improved volume-to-capacity ratio	Peak hour vehicle counts
Reduction in accident rate	Number of incidents / traffic accidents
Reduction in motor vehicle accident deaths	Number of deaths (pedestrians and vehicle users)

II. FINANCIAL STRUCTURE AND PRINCIPAL RISKS

A. Financing instrument

- 2.1 The Infrastructure Program for the SPS Logistics Corridor operation will be structured as an investment loan. The loan will have a 30-year term for the Ordinary Capital component and a 40-year term for the FSO component, and the disbursement period will be five-and-one-(5.5) years as shown in the schedule below:

Annual Disbursement Schedule– US\$ million						
YEAR	2009	2010	2011	2012	2013	TOTAL
IDB	25,000	4,447,272	6,841,090	6,359,090	2,507,547	20,000,000
Government of Honduras	25,000	689,000	584,000	486,000	36,000	2,000,000
TOTAL	50,000	5,136,272	7,425,090	6,845,090	2,543,547	22,000,000

B. Fiduciary risk

- 2.2 The Bank carried out an institutional capacity assessment of SOPTRAVI and the IDB Unit in the San Pedro Sula Municipality, using the Institutional Capacity Assessment System (ICAS) developed by the Bank, somewhat modified to conform to the particular characteristics of these institutions.
- 2.3 In the case of SOPTRAVI, the institutional capacity assessment focused essentially on the Dirección General de Carreteras (DGC) [Department of Highways], as shown in the results matrix.² The most important recommendations are to:

² See Annex 8

- (i) migrate from a project-driven management style to a managing for results style;
 - (ii) incorporate risk analysis criteria in the internal control system;
 - (iii) ensure that key personnel remain in their posts for the full life cycle of the project;
 - (iv) retain the services of a consulting firm to assist the DGC, particularly its Management Unit, to assure continuity of the processes and their management; and
 - (v) coordinate with the MSPS during execution of the different components.
- 2.4 In other words, given SOPTRAVI's vast work experience and demonstrated execution capacity, the fiduciary risks appear to be minor. Building on the experience gained from earlier operations, work will proceed with a management company to ensure proper execution. To secure the support and cooperation of the MSPS, the entities will enter into a cooperation agreement guaranteeing the active participation of all the required local authorities to facilitate the effective implementation of the program.

C. Other issues and risks

- 2.5 *Preinvestment studies.* The Bank has obtained technical cooperation funds from Infrafund to finance the engineering designs required for this operation, for the planned interchanges to be cofinanced, and for feasibility studies for a future plan to by-pass the San Pedro Sula city areas. Technical-cooperation operation HO-T1100 (ATN/OC-11025-HO) was approved on 10 June 2008.
- 2.6 *Economic assessment.* A program economic assessment was carried out as part of the program preparation work. The results show a 21.5% internal rate of return (IRR), well above the break-even point of 12%, and a net present value (NPV) of US\$38.3 million (at a 12% discount rate), equal to 122% of the planned investment. This analysis confirms the program's profitability and its economic viability.
- 2.7 It should be noted that the planned works financed by this operation make sense on their own. Also, should the cofinancing not materialize, profitability will increase given the lower investment level (economic internal rate of return (EIRR) of 23.2%, and an NPV of US\$33.7 million).
- 2.8 The Korean fund could reject the request to cofinance the complementary components. In this event, other potential sources of cofinancing would need to be identified, or a second complementary phase developed in the future.
- 2.9 There is the risk the country may be unable to come up with sufficient counterpart resources. This is a minor risk as counterpart funds only account for 9% of the program value, therefore only a few interventions may have to be curtailed.
- 2.10 Another risk is that either SOPTRAVI or the SPS Municipality may fail to execute satisfactorily the involuntary resettlement plan designed as part of the program. To minimize this risk, a participation and coordination agreement will be signed between SOPTRAVI and the MSPS for program execution, specifying the responsibilities of the parties (see paragraph 3.4).

III. IMPLEMENTATION AND ADMINISTRATION PLAN

A. Summary of the implementation measures

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Honduras, and the executing agency the Ministry of Public Works, Transportation, and Housing (SOPTRAVI), acting through the Projects and Execution Management Group (GGPE), attached to the Department of Highways (DGC). The GGPE receives support from a specialized firm financed with resources for previous Bank-financed loans.³ Also, the GGPE will work in coordination with the IDB Project Executing Unit at the SPS Municipality in some specific matters.
- 3.2 As part of program preparation, the institutional capacity of the entities involved in implementing this program was analyzed using the IDB Institutional Capacity Assessment System (ICAS). This assessment certified that both SOPTRAVI and the DGC have the capacity to carry out this program. In addition, SOPTRAVI gained experience executing previous Bank programs (HO-L1013, HO-T1071, HO-L1020), with satisfactory outcomes.
- 3.3 **Execution plan.** As the executing agency, SOPTRAVI, working through the GGPE, will be in charge of all program preparatory activities, procuring the works, goods, and services, overseeing contracts for works, supervising studies, and verifying compliance with existing technical and environmental standards. The executing agency will also have the following responsibilities: (i) preparing the annual work plans (AWP); (ii) developing the annual budget; (iii) handling financial management, particularly financial programming; (iv) verifying the civil works budgets; (v) drafting the bidding documentation; (vi) coordinating and evaluating the execution of the works; and (vii) coordinating with the Ministry of Finance (SEFIN) to ensure the timely allocation of counterpart resources.
- 3.4 The SPS Municipality will provide its support to SOPTRAVI for program execution, cooperating actively in a number of areas, including the declaration of public need and usefulness of the areas affected by the program, the contribution of the necessary land, and the implementation of the planned resettlement process. As a special condition precedent to the first program disbursement, a participation and coordination agreement will be signed by SOPTRAVI and the MSPS, spelling out the rights, obligations, and responsibilities of the parties for program execution. This agreement will include: (i) the declaration of public necessity and public utility for the public good relating to the projects and the areas where they will be carried out; (ii) the allocation of resources to acquire legal possession and grant the rights of way to the affected areas and the land earmarked by the MSPS for the resettlement plan; and (iii) the assignment of responsibilities to both SOPTRAVI and the MSPS for the implementation, follow through, and supervision of the

³ Loan 1565/SF-HO and operation HO-L1013

- resettlement plan, the execution and maintenance of the works, and the institutional strengthening.
- 3.5 Among the commitments assumed by the MSPS, it should be noted that not only will it acquire legal possession to the land and grant the right of way for the works, but it will also be involved executing the resettlement plan, supporting the resettlement process as needed, making available resources and services from the Superintendency of Public Works and Urban Planning and the Superintendency for Social Action.
- 3.6 **Expansion and rehabilitation contracts.** The program will be executed through individual works contracts for each section of the highway targeted under this operation. However, contractors may be awarded contracts for work for more than one section if warranted by their technical capacity (equipment, professional team, etc.) and financial considerations. The project will be executed in established urban areas where work was carried out in the mid-1990s under operation 846/SF-HO, with extremely positive outcomes. Additional information is provided in the Environmental and Social Management Report annexed to this document. Prior to start-up of the works requiring the involuntary resettlement of persons and families (the section between Calle 6 and Industrias Gala), evidence will be submitted to the Bank showing the affected population and the MSPS have signed agreements concerning: (i) the relocation land; and (ii) the contracts for land development and housing construction works.
- 3.7 **Resettlement plan.** The one issue deserving special attention is the resettlement of some 142 families that invaded the right of way in the areas around the Bermejo river. The project preparation work included developing a plan for the relocation of these families, to be coordinated by the Public Action Secretariat (SAS) of the Municipality of San Pedro Sula. The costs of this plan will be partially covered by this operation. The MSPS will be responsible for clearing and delivering the land for the resettlement, and will offer the families its assistance and the benefits from existing council programs. SOPTRAVI will put out to tender the lot urbanization works and housing development construction, and will supervise the entire process.
- 3.8 **Environmental issues.** To protect against possible traffic accidents involving fuel or hazardous material spills that could endanger the Sunseri aquifer supplying potable water to the city through wells, the bridges over the tributaries will be reinforced, and the city's contingency plan will be strengthened.
- 3.9 Other impacts to the environment have been identified, but do not represent significant risks as they are usual for civil works of this kind. The prevention, mitigation, correction, and compensation costs are covered by the programs specified in the Environmental Management Plan—in the final stages of preparation—that will be part of the bidding documentation. As a special condition precedent to the first disbursement, SOPTRAVI will submit the Environmental Management Plan for the program, together with its commitment to ensure all

construction work is carried out in accordance with the social and environmental specifications set forth therein.

- 3.10 **Contract supervision.** SOPTRAVI has sufficient experience supervising road rehabilitation contracts. The technical and environmental supervision for this program will be entrusted to private consulting firms with demonstrated expertise in the field. The firms will designate an environmental expert to ensure effective compliance with the specifications in the bidding documentation and the Environmental Manuals.
- 3.11 **Procurement.** Procurements for the proposed project will be carried out by SOPTRAVI, through the GGPE, in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-7), and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-7), of July 2006, and with the provisions established in the loan contract and the annexed procurement plan. The expenditures specified in the country's financial parameters will be eligible.

B. Summary of measures to monitor outcomes

- 3.12 **Evaluation and monitoring.** Program supervision will be carried out by the Bank's Country Office in Honduras, in regular contact with the SOPTRAVI authorities and technical departments, with special attention to the procurement processes, and technical and financial decisions demanded by the operation. To facilitate program monitoring, the GGPE will prepare semiannual execution reports to be presented to the Bank within sixty days after the end of each calendar six-month period. These reports will contain information of the outcomes of the different projects, measured against monitoring indicators specified in the program's logical framework. These reports will also include the following information: (i) financial programming; (ii) progress measured against the execution indicators and the disbursement schedule agreed for the program; (iii) updated execution and disbursement schedules for the remainder of the program; and (iv) detailed advance work plan and plan of action for the following year, including an updated procurement plan.
- 3.13 **Revolving fund.** A revolving fund equivalent to 5% of the loan amount will be established, in accordance with Bank procedures, for program disbursements. SOPTRAVI will submit to the Bank semiannual progress reports on the status of the revolving fund. These reports will be presented within 60 days after the end of each calendar six-month period for the duration of the program, to control the use of the fund and prepare disbursement requests on behalf of the borrower.
- 3.14 **External audit.** Throughout the execution period, SOPTRAVI will submit annual financial statements of the program to the Bank. The external audit of the program will be performed by an independent audit firm acceptable to the Bank, contracted pursuant to Bank policies and requirements, following the guidelines established in the terms of reference for external audits of Bank-financed projects (document

AF-400 or as superseded). In the selection and hiring of the firm, procedures established in the external audit procurement guidelines (document AF-200 or as superseded) will be utilized. The audit costs are part of the program cost and will be financed with Bank loan resources.

LOGISTICS CORRIDOR HO-L1018

RESULTS MATRIX

Program objective	Help reduce the dry channel transportation costs as it passes through the city of San Pedro Sula, alleviate traffic congestion in the city, and reduce road accidents by improving and expanding the corridor, and building interchanges for the second SPS ring road.
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Outcome indicator		Baseline 2008	Target 2011	Comments
Average travel time (or average speed)				Determined routinely by the SOPTRAVI Planning, Management, and Evaluation Unit
	Section I	11.6 min	8.7 min	
	Section II	11.8 min	7 min	
	Section III	11.8 min	4.4 min	
Second ring road volume-to-capacity ratio				
	Section	> 0.4 5% of the time		
	Section III Calle 6 to Gala	0.85 (2 most congested hours)	0.4 (2 most congested hours)	
Total number of accidents / incidents		130	<90 * FT ⁽¹⁾	Transit Safety Department
Number of people injured		30	<25 * FT	
Improve the quality of life of 142 resettled families:				
Change from precarious tenancy to ownership for all resettled families		0	100%	MSPS Social Action Department
Number of families earning less than one minimum salary (US\$75/month)		25	5	
Reduction in gastrointestinal and skin disease indices in children caused by water use and floods		30%	10%	

⁽¹⁾ FT – Transit factor = DAT (2011)/DAT (2008) – Chamelecón-Toyota-Estadio Olímpico – Boulevard North sections

Component	Base	Year 1	Year 2	Year 3	Target	Comments
Components 1, 2, and 4 (Works)						
Outcomes - Components						
Rehabilitation of the Chamelecon – Toyota – Olympic Stadium - Calle 6 section	0 km	5 km	10 km	18.2 km	18.2 km	Supervision progress reports
Widening of the Calle 6 – Industrias Gala section	0 km	1 km	3 km	5.5 km	5.5 km	
Construction of interchanges	0	0	2	5	5	Supervision progress reports
Number of pedestrian bridges built	0	2	6	10		
Outcomes - Purpose						
Increase the volume-to-capacity ratio for the Calle 6 – Industrias Gala section	0.85	0.7	0.6	0.5	0.4	SOPTRAVI Planning, Management, and Evaluation Unit
Component 3 - Resettlement						
Outcomes - Components						
Housing construction	0	142	142	142	142	SOPTRAVI / MSPS Social Action Department
Family resettlements	0	142	142	142	142	
Construction of community facilities (school / child care center)	0	1	1	1	1	
Full coverage of basic public services (drinking water, electrical power)	20%	100%	100%	100%	100%	
Outcomes - Purpose						
Change from precarious tenancy to ownership for all resettled families	0	0	25%	100%	100%	Statistics gathered by the MSPS Social Action Department through surveys and the review of data from health posts
Number of families earning less than the minimum salary (US\$75/month)	Baseline: 25	20	15	10	5	
Maintain the per capita family income derived from activities carried out presently on their land and dwelling	100%	100%	100%	100%	100%	
Reduction in gastrointestinal and skin disease indices in children caused by water use and floods	30%	30%	20%	10%	10%	

**INFRASTRUCTURE PROGRAM FOR THE SPS LOGISTICS CORRIDOR/
(HO-L1018)**

SUMMARY PROCUREMENT PLAN

	Estimated cost (US\$)	Procurement method	Review	Financing source and percentage			Pre- qualification (Yes/No)	Tentative dates	Status
				IDB %	Local %	Cofinancing %		Publication of specific procurement notice	
1. GOODS									
No goods will be procured									

Description	Estimated cost (US\$)	Procurement method	Review	Financing source and percentage			Pre-qualification (Yes/No)	Tentative dates	Status
				IDB %	Local %	Cofinancing %		Publication of specific procurement notice	
2. CIVIL WORKS									
Rehabilitation and repaving of section: Northern headwaters Chamelecon river bridge – Toyota – Olympic Stadium – Intersection Calle 6 NW (Includes road safety and environmental works) Length = 12.6 Km	4,900,000	ICB	Ex ante	80	20	0	No	Nov/08	Pending
Rehabilitation and construction of a new two-lane highway for section Calle 6 NW – Industrias Gala (Includes road safety and environmental works, in addition to construction of the Bermejo and Blanco river bridges) Length = 5.5 Km	11,300,000	ICB	Ex ante	100	0	0	Yes	Nov/08	Pending
Construction of housing development for resettlement of the Calle 6 and Bermejo river area dwellers	1,335,000	NCB	Ex ante	81	19	0	No	Sep/08	Pending
Road safety works / Pedestrian bridges	320,000.00	NCB	Ex ante	100	0	0	No	Nov/08	Pending

Description	Estimated cost (US\$)	Procurement method	Review	Financing source and percentage			Pre-qualification (Yes/No)	Tentative dates	Status
				IDB %	Local %	Cofinancing %		Publication of specific procurement notice	
3. CONSULTING SERVICES									
Project administration	100,000	ICS	Ex ante	100	0	0	No	Jan/09	Pending
Project management	1,400,000	QCBS	Ex ante	100	0	0	No	Jan/09	Pending
Supervision of rehabilitation works: Northern headwaters Chamelecon river bridge – Toyota – Olympic Stadium – Industrias Gala, and expansion of section: Calle 6 NW – Industrias Gala Additional lane (Includes road safety and environmental works, and Bermejo and Blanco river bridges)	2,000,000	QCBS	Ex ante	75	25	0	No	Jan/09	Pending
Design and supervision of human resettlement for Calle 6 and Bermejo river area dwellers	165,000	QCBS	Ex ante	45	55	0	No	Sep/08	Pending
Institutional strengthening	200,000	QCBS	Ex ante	100	0	0	No	Feb/09	Pending
Financial audit	100,000	QCBS	Ex ante	100	0	0	No	Nov/08	Pending
Miscellaneous	180,000	QCBS	Ex ante	0	100	0	No	Nov/08	Pending

ICB: International competitive bidding; LIB: Limited international bidding; NCB: National competitive bidding; PC: Price comparison; DC: Direct contracting; FA: Force account; PSA: Procurement through specialized agencies; PA: Procurement agents; IA: Inspection agents; PLFI: Procurement in loans to financial intermediaries; BOO/BOT/BOOT: Build, own, operate / Build, operate, transfer / Build, own, operate, transfer; PBP: Performance-based procurement; PLGB: Procurement under loans guaranteed by the Bank; CPP: Community participation procurement; QCBS: Quality- and cost-based selection; QBS: Quality-based selection; Fixed budget selection; LCS: Least-cost selection; ICS: Individual consultant selection; CQS: Selection based on the consultants' qualifications; SSS: Single-source selection.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

Honduras. Loan ____/BL-HO to the Republic of Honduras
San Pedro Sula - Logistical Corridor Infrastructure Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the San Pedro Sula - Logistical Corridor Infrastructure Program. Such financing will be for the amount of up to US\$14,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Executive Summary of the Loan Proposal.

(Adopted on __ _____ 2008)

LEG/SGO/CID/IDBDOCS#1511809
HO-L1018

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/08

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RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Honduras, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the San Pedro Sula - Logistical Corridor Infrastructure Program. Such financing will be for the amount of up to US\$6,000,000, from the resources of the Bank's Fund for Special Operations, 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 __ _____ 2008)

LEG/SGO/CID/IDBDOCS#1607445
HO-L1018