

RURAL TRANSPORTATION INFRASTRUCTURE PROGRAM

(EC-0196)

EXECUTIVE SUMMARY

Borrower and guarantor:	Republic of Ecuador	
Executing agency:	Ministry of Public Works and Communications (MOP)	
Amount and source:	IDB (OC/IFF):	US\$9 million
	Local:	US\$ 1.2 million
	Total:	US\$10.2 million
Terms and conditions:	Amortization period:	25 years
	Grace period:	3 years
	Disbursement period:	2.5 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollars, under the Single Currency Facility
Objectives:	<p>The objective of the program is to lay the foundations for a sustainable rural road management model, replicable on a larger scale, that will ensure continuous accessibility for poor rural communities to social services, markets, and other income-generating activities, thereby contributing to improving their living conditions. To design and measure the sustainability of the proposed model, 415 km of rural roads and 100 km of nonmotorized paths will be rehabilitated, the scope necessary to ascertain whether the institutional, financial, and technical impact targeted can be obtained.</p>	
Innovative features of the operation:	<p>The innovation of the program is the development and introduction of a sustainable rural road management system, replacing the existing system. Management is currently characterized by uncoordinated intervention by various agencies in response to emerging needs, unsupported by clear assignment of responsibilities or proper planning and resource allocation.</p>	

The program will introduce a road management model that differs in quality from the current model. Its innovative features stem from the institutional relationships to be established; identification of the responsible jurisdiction; reallocation and systematic use of available financial resources; extensive participation by the beneficiary community; and introduction of technical procedures (particularly routine maintenance by microenterprises composed of local residents), duly supported by institutional reforms and the development of explicit assistance and training policy for the rural road and transportation system. These features, in isolation, may not be innovative, but a comprehensive, consensus-based approach to road management is. Therein lies the program's innovation for the sector and the country.

Several hypotheses will need to be tested and their sustainability ascertained. Procedures will also have to be developed through limited rehabilitation of roads whose representativeness is ensured by the selection criteria applied (paragraphs 3.7 and 3.20). The program, developed on the basis of these projects, will make it possible to reach consensus and obtain commitments on the part of the MOP, provincial councils, municipalities, and target communities, and establish innovative technical and community participation procedures for the transportation sector. The flexible nature of an innovation loan will enable the stakeholders to participate in the management system's design, review and consolidate procedures and methods on the basis of lessons learned, and ensure their sustainability prior to structuring a program of wider scope.

The program has a monitoring and evaluation method (paragraphs 4.12 *et seq.*) in which the stakeholders will participate. Adjustments can thus be made during execution and it can be evaluated whether the desired results have been obtained or the methods used have not been adequate. This methodology is based on systematic reviews of institutional and investment activities; independent monitoring of performance; evaluation of short-term socioeconomic impact; analysis of technical and environmental results; and evaluation of institutional, legal, and financial factors considered for rehabilitation and maintenance microenterprises.

Description:

To achieve the proposed objectives, the program consists of four components: (i) institutional strengthening, which focuses on the development, monitoring, evaluation, and consolidation of the innovative aspects; (ii) physical works for rehabilitation of 415 km of rural roads and 100 km of nonmotorized paths; (iii) routine maintenance of the rehabilitated roads by microenterprises composed of local residents, to be created, trained, cofinanced, and monitored by

	<p>the program; and (iv) technical preinvestment studies and works supervision.</p>
The Bank's country and sector strategy:	<p>The purpose of the country strategy is to halt economic decline, create conditions for sustained development, and promote the ongoing fight against poverty. The proposed program is an essential part of this strategy, as it seeks to develop community organization mechanisms and strengthen local rural road management capacity, which will ensure continuous accessibility and connectivity for poor rural areas, thereby creating opportunities for economic growth, diversification of production, and greater use of social services.</p> <p>The proposed program is part of the transportation sector strategy to increase Bank presence in projects with social content, such as rural and urban transportation and road safety, and to improve overall economic efficiency through the provision of adequate transportation infrastructure.</p> <p>In addition, the Bank's recommendations for lending for the construction, rehabilitation, and maintenance of rural roads (paragraph 2.13) also support the program's basic premise that year-round, sustainable accessibility is to be achieved through rehabilitation (under strict technical and cost limitations) associated with routine road maintenance at a cost to be absorbed gradually by subnational governments.</p>
Environmental and social review:	<p>The works are simple and do not include paving or any alterations in alignment. The adverse environmental impact expected is direct and small-scale, associated mainly with the works, and will be avoided or mitigated through well-known, easily implemented measures. The proposed strategy provides for environmental protection criteria at all phases of the rehabilitation projects and the road maintenance activities. The program will support training of an executing unit, by hiring one engineer with experience in environmental issues in road projects and will develop specific rules for rural roads. Environmental protection topics will also be included in the training courses for subnational governments and maintenance microenterprises (paragraph 3.27).</p>
Benefits:	<p>The main benefit of the program will be the development of a road management and maintenance system that is institutionally, technically, and financially sustainable, and replicable on a larger scale. Sustainability will generate other benefits stemming from the accessibility to be afforded to the communities, improving their living conditions, enhancing opportunities to diversify their productive activities and market their products and find employment, and, above all, increasing their access to social and public services. The short-term benefits will be reflected in a reduction in transportation costs</p>

and travel times, and an improvement in transportation services.

Risks:

The main risk lies in the weakness of subnational governments to assume responsibility for administrative, technical, and financial management of rural roads. Resources will be allocated under the program to identify the capacity of the subnational governments involved, analyze options for overcoming current limitations, establish timetables for gradual transfer of responsibilities; and provide the subnational governments with advisory services and training. To this end, the program will have institutional capacity in the Rural Roads Unit (UCV) (paragraph 4.1), which will ensure the continuity of such strengthening.

The sustainability of individual projects will be achieved through community participation from road identification to operation, acceptance by subnational governments of the road management system, obtaining the technical results and impact promised by the program, and scaling of contributions according to the capacity of the subnational governments and beneficiaries. However, there may be roads which, although these results have been achieved, do not receive subsequent institutional and financial support. In that case, the program will withdraw from the municipality and province in question. A large number of beneficiaries must support this system, although some may decline to participate in it. If a clear majority do not support such acceptance, the system will not have produced the anticipated results and will not be replicable on a larger scale.

The environmental and technical risks will be minimized through the use of designs and execution procedures that ensure environmental protection and maintenance of the rehabilitated roads, training of the executing agency staff and supervision works maintenance of the works (paragraphs 3.27 and 4.15).

The local counterpart financing risk is substantially mitigated by the confirmation that the necessary resources are available and the fact that the MOP has already used its own identifiable resources to carry out various preparatory activities (paragraphs 4.1 and 4.9).

**Special
contractual
conditions:***Conditions precedent to the first disbursement:*

1. Evidence must be submitted that the Operating Regulations of the UCV have been approved by ministerial decree (paragraph 4.1).

2. The program's operations manual must have entered into force on the terms agreed upon with the Bank, through the respective resolution adopted by the Executive Director (paragraph 4.8).
3. Evidence must be submitted on the terms agreed upon with the Bank, that the framework agreement has been signed by the UCV and the subnational governments involved in the first two road projects to be executed (paragraph 4.7)

Other special contractual conditions:

4. The executing agency, through the UCV, will submit to the Bank for nonobjection:
 - a. the proposed annual execution plan and a budget for each component, for the following year, by 31 October of each year during program execution (paragraph 4.11);
 - b. quarterly progress reports, within 30 days after the end of the respective quarter (paragraph 4.13);
 - c. annual maintenance reports on the roads rehabilitated under the program for three years after program completion, which reports will include the annual maintenance budget, resources allocated, maintenance microenterprise performance, and the technical, institutional, and financial results obtained (paragraph 4.18);
 - d. the program's financial statements, duly audited by a firm of independent public accountants acceptable to the Bank, at the close of each fiscal year, during the program execution period, including the portion corresponding to 2000, which report will be submitted to the Bank within four months after the end of the respective fiscal year (paragraph 4.31).
5. The UCV's information system, which will support program monitoring activities, will be in operation within six months after signature of the loan contract (paragraph 4.14).
6. The executing agency and the Bank will meet every six months to evaluate progress made and results obtained in program execution and to agree on the plan of activities for the following year. If progress is deemed unsatisfactory, the executing agency will prepare a plan of action containing

corrective measures satisfactory to the Bank within two months after receipt of notification by the Bank of the deficiencies noted (paragraph 4.16).

7. The revolving fund for program disbursements will be 10% of the amount of the Bank loan (paragraph 4.29).
8. The Bank will provide retroactively financing for up to US\$1.3 million in expenses incurred after 19 May 2000 for civil works, consulting services, and administration under the program. It will also recognize up to US\$200,000 in expenses incurred for civil works, consulting services, and program administration as part of the local counterpart funding (paragraph 4.32).

Poverty-targeting and social sector classification:

The program promotes social equity, in accordance with the key objectives for Bank activity (document AB-1704). It also qualifies as a poverty-targeted investment (PTI), since it is geographically targeted to provinces and municipalities with high poverty rates (see map). Works in provinces with greater institutional capacity do not affect this classification. In applying the poverty-targeting classification, it is recommended that the *pari passu* be 88%-12% (paragraph 3.30). The country will thus be using the 8% in additional financing.

Exceptions to Bank policy:

The program will finance up to 81% of the cost of routine maintenance of the rehabilitated roads by hiring microenterprises, allocating less than 3% of the loan proceeds to maintenance, which amount does not include the contribution by the subnational governments. This financing would be an exception to Operations Policy OP-707, "Maintenance and Conservation of Physical Works and Equipment" (paragraph 3.17 and 3.31).

Procurement:

International competitive bidding will be mandatory for the awarding of contracts for works valued at over US\$3 million and for the procurement of goods and related services valued at over US\$250,000. An international call for proposals will be mandatory for the hiring of consulting services valued at over US\$200,000 (paragraph 4.22).

Contracts for rehabilitation works valued at under US\$400,000 will be awarded through the procedure of issuing a written call for proposals from no less than six qualified contractors (paragraph 4.23).

Exceptions to procurement procedures: (i) works: direct contracting of executing units, rural road committees, or microenterprises will be permitted for nonmotorized path rehabilitation works or routine rural

road maintenance valued at US\$50,000 or less (paragraphs 4.24 and 3.15); and (ii) consulting services: direct contracting will be permitted for individual consultants whose contracts are valued at US\$10,000 or less (paragraph 4.26).

I. INTRODUCTION

- 1.1 Ecuador's recent economic decline has led to a marked deterioration in the population's living conditions and income levels, resulting in a great increase in levels of poverty, mainly in rural areas. The immediate challenge facing the country is how to achieve political and social stability and sustained economic development by promoting a social protection system that ensures human capital development and the ongoing fight against poverty. To that end, an important element of structural poverty that must be overcome is the isolation of the rural communities, a result, among other factors, of the deterioration of the existing rural transportation infrastructure.
 - 1.2 Ecuador's current legal framework does not establish a clear mandate for rural road management which, in addition to local governments' financial, institutional, and technical limitations in exercising their authority, leads to disorganized and uncoordinated action. All levels of government allocate financial or in-kind resources with little effectiveness, no planning, duplication of effort, dealing with emergencies, with consequently poor results in ensuring the serviceability of roads.
 - 1.3 The Rural Transportation Infrastructure Program (the program), a fundamental component of the Bank's strategy, is designed to develop a rural road management system that ensures continuous, sustainable accessibility for poor rural communities to centers of social services and regional markets. The proposed system is based on a system for assigning responsibilities among the three levels of government and the target communities. It involves establishing new institutional and financial relationships, consensus-building and developing innovative technical, organizational, and community participation procedures for the road sector.
 - 1.4 Accordingly, the program is flexibly designed to allow all the stakeholders to participate in the design and implementation of the management system, building consensus primarily on institutional authority and cofinancing mechanisms, and making it possible to adjust and consolidate the program execution procedures through systematic monitoring and evaluation prior to launching a program of greater scope and wider geographic coverage. In view of these features, this program will be financed as an innovation loan.
- A. Innovation loan**
- 1.5 The guidelines for the use of innovation loans include a need to: (i) demonstrate a given problem-solving approach; (ii) build consensus on project execution; and (iii) gain institutional and technical experience before applying it to a larger-scale program.
 - 1.6 The program proposes a management model that will replace the current rural road rehabilitation, maintenance, and operation system, the main features of which are: (i) lack of clear definition of institutional responsibilities at the various levels of

government; (ii) interventions in response to emergencies, unsupported by adequate planning and resource allocation; (iii) concentration of technical and financing training for rural road activities in the central government while the local governments which are legally responsible for road management, do not have the necessary capacity to carry out such functions; (iv) communities, both users and beneficiaries, are not included in the current model; and (v) reproduction in road system management of the traditional model of rehabilitation, neglect, deterioration, and need for further rehabilitation, resulting in the isolation of poor communities.

- 1.7 The proposed system will integrate elements not currently present, resulting in a qualitatively different, sustainable model that has the support of the parties concerned. It would thus contain the following elements: (i) *institutional*: it will involve, assign responsibilities to and provide training for provincial and municipal governments, the roads' legal owners, so that they assume leadership in managing them; (ii) *financial*: it will establish a cofinancing system for maintenance activities, jointly with the subnational governments; (iii) *social*: it will give the beneficiary communities a predominant role throughout the useful life of the road, underscoring their importance as stakeholders, with rights and responsibilities in the process; (iv) *technical*: it will demonstrate that inexpensive road rehabilitation works, in association with routine maintenance, will ensure continuous accessibility and will help generate limited employment; and (v) *jurisdictional*: it will review and resolve, with the subnational governments, the existing discrepancy between assignment of responsibilities, fiscal and financial capacity, and the technical scope of the rural road system intervention. Comprehensive, consensus-based treatment of these elements constitutes the innovation of the program for the sector and the country.
- 1.8 Several assumptions need to be proven and their sustainability verified, as well as procedures developed through limited rehabilitation of roads, whose representativeness will be ensured by the selection criteria applied (paragraph 3.7). The flexible nature of an innovation loan will make it possible for the stakeholders to participate in the design of a management system, and to review and consolidate procedures and methods on the basis of lessons learned, reaching consensus and ensuring the sustainability of the management system before launching a larger-scale program.
- 1.9 Chapter II sets forth the frame of reference in which the program was conceived; chapter III describes its objectives and main characteristics; chapter IV describes the execution procedures established by the Government of Ecuador; and, lastly, chapter V evaluates the main benefits and risks associated with its implementation.

II. FRAME OF REFERENCE

A. Rural development and poverty

- 2.1 Ecuador is facing an unprecedented economic crisis in terms of its complexity and force. In 1999, the economy contracted by more than 7% over the previous year¹, urban unemployed almost doubled and the rate of inflation exceeded 60%. The sudden economic decline affected the entire Ecuadorian population, but had the greatest impact on low-income groups. Furthermore, the crisis drove into poverty many Ecuadorians who had had expectations of improving their living standards. From the beginning of the crisis in 1998 to October 1999, the poor population grew by 11%. Today, the poor are poorer than ever; the poverty gap (a measure of the consumption deficit of the poor population) rose from 11% in 1995 to 20% in 1999.
- 2.2 Poverty is unevenly distributed. The greatest disparity is seen between the cities and the countryside. In 1999, 77% of the rural population was living in poverty, compared with 42% in urban areas. Extreme poverty was also considerably higher: almost four of every 10 rural residents (36%) were living in extreme poverty, four times more than in urban areas (9%). The rural indigenous and small farmer population is the poorest nationwide: in 1999, 89% of these groups lived in poor households. These social groups also had the highest rate of extremely poor households in Ecuador.
- 2.3 Poor rural communities face many difficulties as a result of the deterioration in the transportation systems,^{2,3} such as the following:
- (i) *Limited access to social services (health and education), citizen security (police), and justice (justices of the peace).* Limited access to centers providing these services is mainly due to distance, long travel times, high transportation costs, and the lack of transportation services. The result is that the population only uses such services in extremely urgent cases, mainly women and children. Difficult access also hinders technical assistance and social welfare service providers in reaching remote localities where the poorest and most vulnerable

¹ *El Ecuador frente a los compromisos de la Cumbre Mundial sobre Desarrollo Social.* Ministry of Social Welfare of Ecuador, Social Front, Integrated Social Indicador System, Ecuador, 6/2000.

² Several activities and recommendations included in this program are based on experience gained by the Bank during the execution of loan 901/OC-PE for the *Rural Roads Rehabilitation and Maintenance Project*. This program (1995-2000) has improved accessibility for poor communities in 283 district municipalities in the 12 poorest departments in the country, with the rehabilitation of 11,000 km of rural roads and 3,000 nonmotorized roads; 410 microenterprises have been established for routine maintenance and training provided for them, generating 4,500 permanent jobs.

³ *Peru - Second Rural Roads Rehabilitation and Maintenance Project - Project Concept Document (Draft).* World Bank. Washington, D.C. February 2000.

groups lives. Experience has shown that road rehabilitation and the consequent improvement in transportation systems attracts other public services.

(ii) *Lack of integration of rural producers into regional markets.* Without a regular, reliable transportation system, transportation and transaction costs⁴ are high (scant knowledge of demand and market prices, lack of opportunities to negotiate contracts on better terms, etc.), which diminishes opportunities for integration of producers into the market, and perpetuates subsistence agriculture.

(iii) *Perception of economic and social isolation.* Extremely difficult access may cause communities to become isolated, contributing to perpetuation of the poverty cycle. Communities that feel isolated because it is so difficult to get to and get out of them do not learn of employment opportunities in other centers and cannot establish potentially income-generating economic and social relations beyond their own geographic limits. Awareness of new technologies and of technical assistance and social services which are essential to eliminate subsistence farming and lay the foundations for sustainable development, practically never reach these communities.

B. The road sector

1. The road system

2.4 There are approximately 43,200 km of roads comprising the road system in Ecuador, of which 5,600 km (13%) are paved, 59% have surfacing or a thin coat of asphalt (25,500 km), and the remaining 28% are dirt roads or roads with an upgraded surface (12,100 km). More than half (51%) of the road system is concentrated in the sierra (22,000 km), 38% on the coast (16,400 km) and the remaining 11% in the eastern and island regions of Ecuador. The main system (primary and secondary system), for which the Ministry of Public Works and Communications (MOP) has direct responsibility, consists of 9,500 km (22% of the total).

2.5 Rural roads (tertiary and rural roads), which encourage the development of local and regional socioeconomic relationships, account for 77% of the total national road system. Close to 52% of rural roads are found in the sierra in a very poor state of repair, largely due to management (if any) based on the cycle of rehabilitation, neglect, deterioration, and new need for rehabilitation.

Type	km	%
Primary	5,610	13
Secondary	3,880	9
Tertiary	11,110	26
Rural	22,150	51
Local	450	1
Total	43,200	100

This results in long travel times, poor accessibility in some seasons of the year, and

⁴ *Los Activos de los Pobres en Perú.* GRADE – Grupo de Análisis para el Desarrollo. Lima, Perú, March 1999.

accidents involving people and animals, thereby aggravating the isolation of rural communities.

2. Institutional organization and program strategy

- 2.6 The MOP is the governing body for all road activity in Ecuador. However, the legal and institutional framework is weak, which has led over the years to operational, financial, and corporate management problems. Several levels of government are involved in the road sector, with high administrative costs and low efficiency and productivity. Budgetary allocations have been inadequate to meet actual needs, giving rise to poor maintenance and insufficient rehabilitation of existing infrastructure. Lack of institutional coordination and inappropriate assignment of responsibilities has caused difficulties in reaching efficiency objectives in transportation service delivery.
- 2.7 Jurisdiction over rural roads⁵ is distributed among provincial governments and municipalities, with no clear definition of their respective responsibilities. Municipalities are responsible for rural roads located in within their respective cantons, and provincial governments for the other roads. However, given the technical, financial, and institutional inadequacies of the two levels of government, that authority cannot be fully exercised, with responsibility in reality being shared by the two and the MOP. This institutional arrangement, characterized by "legal ownership" of rural roads by local government and "actual ownership," represented by concentration of technical and financial capacity at the central level, is in large part responsible for poor road management and rural isolation.
- 2.8 The MOP is not responsible for the rural road system and therefore does not have the organizational and institutional capacity to handle it. However, it does work on rural roads⁶ to mitigate social and economic problems arising in general from weather-related emergencies, but it operates in a disorganized, unplanned fashion, without coordinating activities.
- 2.9 The proposed program will introduce a rural road management system, replicable on a larger scale, which will change this situation by working with the three levels of government to resolve the discrepancy between the distribution of responsibilities, financial capacity, and the technical scale of intervention in the rural road system.
- 2.10 The program will support administrative decentralization, under which the municipalities and provinces will assume responsibility for management of the tertiary road system. The central government will establish policies and regulations

⁵ State Decentralization and Social Participation Act, Law No. 27, RO/169 of 8 October 1997.

⁶ The MOP has almost 300 agreements with provincial councils, municipalities, and regional development agencies, involving mainly loans of machinery to execute rural road works.

and will provide institutional and financial support to the subnational governments. The provincial government and municipalities will formulate road policies and oversee, plan and finance activities. The proposed road management system is based on the current economic, fiscal and sector context and is an acceptable alternative under consideration by the Government of Ecuador.

C. The Bank's country and transportation sector strategy

- 2.11 The Bank's strategy in Ecuador emphasizes halting the deterioration of the economy, creating conditions for sustainable development and promoting the ongoing fight against poverty. The proposed program is an essential part of this strategy, as it seeks to develop mechanisms for community organization and strengthen local capacity for rural road management, which will ensure the connectivity of poor rural areas, thereby generating opportunities for economic growth, diversification of production, and increased use of social services.
- 2.12 The program is part of the Bank's strategy for the transportation sector to increase the number of infrastructure programs whose content is consistent with the targets of the Eighth Replenishment, such as rural and urban transportation and road safety, as well as raising overall economic efficiency through the provision of adequate, affordable transportation infrastructure.
- 2.13 The Bank's recommendations for lending for construction, rehabilitation, and maintenance of rural roads support the program's basic premise, which is continuous, sustainable accessibility for villages, to be achieved through rehabilitation (under strict technical and cost constraints) associated with routine road maintenance, at a cost to be absorbed gradually by subnational governments⁷.

⁷ *Infraestructura: Mantenimiento de Caminos Rurales*. IDB, Evaluation Office (EVO), Washington, DC. July 1995.

III. THE PROGRAM

A. Objective

- 3.1 The objective of the program is to lay the foundations for a sustainable rural road management model, replicable on a larger scale, that will ensure continuous accessibility for poor rural communities to social services, markets, and other income-generating activities, thereby contributing to improving their living conditions. To design and measure the sustainability of the proposed model, 415 km of rural roads and 100 km of nonmotorized paths will be rehabilitated to ascertain whether the institutional, financial, and technical impact targeted can be attained.

B. Program conceptualization

- 3.2 The program introduces a road management model that differs in quality from the current model, as it includes elements that will enable procedures and mechanisms for action to be developed and consolidated in order to obtain: (i) clear assignment of institutional responsibilities among participating jurisdictions in the short and medium terms; (ii) strengthening of the capacity of subnational governments in rural road management; (iii) cofinancing of routine maintenance by the MOP, subnational governments, and beneficiary communities; (iv) community consultation and participation at all stages of the project cycle; (v) training for and monitoring of routine maintenance microenterprises, made up of residents of the localities adjacent to the roads; and (vi) socioeconomic, technical, and environmental procedures to be applied during the useful life of the individual projects. Such elements, in isolation, may not be innovative, but comprehensive, consensus-based treatment of rural road management is indeed, innovative. The project team has prepared the strategies to be applied in implementing these approaches. The performance indicators and the corresponding monitoring and evaluation parameters are given in Annex 1.
- 3.3 Several hypotheses need to be tested, their sustainability ascertained, and procedures developed, through limited rehabilitation of roads whose representativeness will be ensured by the selection criteria used. The program is based on the concept that all stakeholders participate in the rural road management system, and in fact must participate in the program design. Their participation will give them a sense of ownership that is fundamental to achieving program sustainability, reaching consensus, strengthening institutional capacity, and adjusting and consolidating execution procedures, through systematic monitoring and evaluation. A tested management system that has institutional support and a financing mechanism for the responsible authorities is essential for the development of a program of broader scope and wider geographic coverage.

- 3.4 The above-mentioned elements are based on the following components of the tertiary road management system: (i) *legal and regulatory*, taking into account the responsibilities assigned by law; (ii) *institutional*, establishing the short- and medium-term roles of subnational governments and the training required for them to gradually fully assume their responsibilities; (iii) *social*, seeking to maximize community participation in road management and operation; (iv) *financial*, taking into account the economic capacity of local governments to ensure that the cofinancing mechanism for maintenance is sustainable and establishing a system of limited central government contributions; and (v) *technical*, based on the size and functionality of the road system and rehabilitation and maintenance standards, to provide for efficient management at lower cost, including environmental considerations.

C. Components

- 3.5 The program consists of two types of basic activities: (i) *institutional*, implementation, monitoring, and consolidation of the mechanisms and procedures for the innovative approaches; and (ii) *technical*, involving project execution, and including rehabilitation, routine maintenance, and studies on rural roads and nonmotorized paths.

1. Institutional strengthening (US\$426,000)

- 3.6 This component will include five main areas of activity:
- (i) development of procedures and mechanisms for institutional, financial, social, technical, and environmental action (paragraph 3.2);
 - (ii) program evaluation system (paragraph 4.19), including evaluation of the short-term socioeconomic impact by conducting surveys in the areas directly benefiting from a sample of rehabilitated roads, for which purposes a baseline data will be compiled as a benchmark;
 - (iii) technical assistance for the UCV and development of its capacity, including support for the preparation of policies and a regulatory framework for rural road management, bidding conditions, contracts for works and supervision, technical and environmental guidelines and manuals, investment programming, and monitoring and evaluation of program activities;
 - (iv) institutional assistance for provinces and municipalities in planning and technical and financial management of rural roads, including support for the execution of road master plans, training workshops, institutional organization, etc.; and

- (v) assistance and technical, environmental, and administrative training for routine maintenance microenterprises, and their monitoring and evaluation.

2. Rehabilitation of rural roads and nonmotorized paths (US\$7.18 million)

- 3.7 This component will finance the rehabilitation of 415 km of rural roads⁸ and 100 km of nonmotorized paths (for nonmotorized transportation), a minimum amount to design and evaluate the institutional aspects of the program. This physical scale of this component is based on: (i) the number of provinces in which it will operate (paragraph 3.21); (ii) the length of the municipal and provincial tertiary road system (200 km and 1,600 km on average, respectively) and the minimum percentage of system to be rehabilitated in each municipality for it to have an impact in operational terms (from 20% to 30%); and (iii) the concentration of investment in adjacent municipalities to optimize socioeconomic benefits (avoid dispersion).
- 3.8 Rural roads (tertiary and other local roads) to be rehabilitated are local transportation routes that link small settlements to connector roads or larger towns, which provide access to centers for services and consumption. They are unpaved, single-lane roads (typically 4m to 4.5m wide) with average daily traffic of 15 to 20 vehicles on holidays or market days. The population will participate actively in the process of selecting the rural roads to be rehabilitated.
- 3.9 An essential technical point to be determined is the rural road rehabilitation standard. The low cost of the rehabilitation works will ensure that the program benefits reach the largest possible number of rural residents, and at the same time provide for continuous accessibility, under preestablished conditions of passability. Also included will be a study on cofinancing alternatives for works (in cash or in kind), should local governments and target communities opt for higher standards. Community participation may take the form of unremunerated community labor (*minga*) in which case the program will need to establish a system to estimate its value.
- 3.10 The proposed works are simple and do not include paving, widening, or any changes in alignment; in no case do they involve the construction of new roads. Rehabilitation will include patching; laying of gravel or flagstones; removal of landslides and mudslides; small-scale works for stabilization and slope containment; upgrading of drainage systems; cleaning of culverts and ditches; and erosion control.

⁸ This is equivalent to approximately 20 rehabilitation projects, distributed over six provinces. Geographic coverage is necessary to achieve institutional and technical representativeness, thus making it possible to replicate the results.

- 3.11 The rehabilitation works are to be executed mainly by contractors, who must hire unskilled labor available in the target communities. The development of a regional contractor and consultant market is one of the program's benefits and objectives.⁹ Thus, once responsibility for road management is transferred to the subnational governments, there will be a competitive road construction market.
- 3.12 Private companies will be hired for works supervision. An effort will be made to utilize the technical capacity available in the provincial councils and municipalities, which bodies will approve the works carried out.
- 3.13 The nonmotorized paths to be rehabilitated are routes connecting villages to the rural road system, used by people traveling on foot and pack animals. The program will finance 70% of the total estimated cost of rehabilitation works for these paths, entirely covering local contractor costs for materials, equipment, and skilled labor. The target communities will contribute unskilled labor, corresponding to no less than 30%. This cost does not come under the program, as it would be very difficult for the Bank to monitor. However, to ensure the corresponding contribution, agreements will be signed with the beneficiaries, stipulating the commitments undertaken. The program will not finance the maintenance of these paths¹⁰, which will remain the responsibility of road committees made up of local residents.
- 3.14 NGOs that operate in the area will be hired to: (i) conduct the technical and socioeconomic studies for rehabilitation of the nonmotorized paths; (ii) direct and supervise works; (iii) train and assist the road committees that will organize the beneficiaries' unremunerated labor contribution and will be responsible for road maintenance; and (iv) monitor, for a predetermined period¹¹, maintenance activities for the area's nonmotorized paths.

3. Routine maintenance (US\$320,000)

- 3.15 The objective of this component is to establish a routine maintenance system, whose activities are to commence immediately upon completion of rehabilitation works, with a view to ensuring year-round passability of the road to a certain standard, for a period of roughly four to six years. The program calls for the creation of routine maintenance microenterprises composed of the population living adjacent to the roads and their training. Routine maintenance microenterprises will

⁹ The objective is to support the local market for contractors and consultants, to demonstrate that the program activities can be carried out by hiring private enterprises that the subnational governments can afford. The contracts under the program will help provide training and capital for this market.

¹⁰ Nonmotorized paths have clearly identified users (residents of the villages found along and at the end of each path), who will be responsible for their maintenance, as this is the only access such users have, and they are the only beneficiaries.

¹¹ Not less than one year, or two maintenance cycles, usually every six months (before and after the rainy season).

receive technical training, tools, and legal, accounting, and financial assistance for at least 12 months to assist them in establishing and operating their enterprises. Microenterprise development will examine the possibility of integrating daily routine maintenance activities, which are to be remunerated and cofinanced by the MOP and subnational governments, with the project-specific unremunerated community works to be carried out by the target communities (*mingas*).

- 3.16 The subnational governments' contribution to routine maintenance work has not been included in the program's financing table for the same reasons as those given in paragraph 3.13. To ensure the timely flow of resources, agreements will be signed with the subnational governments specifying the necessary contributions. If, due to unforeseen circumstances, a subnational government does not make its respective contribution, the MOP will contribute these resources or will help the subnational government to fulfill its obligations so that road maintenance is not interrupted. If the subnational government does not make the agreed-upon contributions, the program will suspend all new investment in that geographic area and will assume, in principle, maintenance costs while negotiations are underway.
- 3.17 The program will finance up to 81% of the routine maintenance cost of the rehabilitated roads by hiring microenterprises, allocating under 3% of the loan proceeds for such purposes. This percentage does not include the contribution of the subnational governments. This financing is an exception to Operations Policy OP-707 on "Maintenance and Conservation of Physical Works and Equipment".

4. Technical studies (US\$1,075,000)

- 3.18 This component will finance the final designs and socioeconomic and environmental assessments of the rehabilitation projects, as well as supervision of the works.

D. Logical framework

- 3.19 Annex 2 contains the logical framework of the proposed operation, as well as the performance indicators and physical goals to be achieved.

E. Geographic and social intervention area

- 3.20 The projects to be financed will be concentrated primarily in the poorest provinces and municipalities of the sierra (see map). However, in order to test several levels of subnational government participation in rural road management, a small proportion of the funds will be allocated to municipalities in the sierra with greater technical, institutional, and financial capacity. In addition, in order to lay the foundations for expanded activity on the coast in a subsequent, larger-scale program, the program will also include pilot projects in that area, which has its own particular social, cultural, and organizational characteristics.

- 3.21 To identify the geographic intervention areas, the MOP developed the following criteria for geographic distribution of resources: (i) poverty, represented by the poverty index and gap; (ii) management capacity of local government, represented by cofinancing, technical planning and management capacity, and by the presence of local consultants and contractors; (iii) economic growth potential, represented by existing social services and the presence of development projects in execution by other public agencies and NGOs; and (iv) efficiency of program execution, which requires a minimum investment concentration in a specific area to optimize the projects' socioeconomic impact and not generate high administrative costs and logistical problems. Through application of these criteria, the provinces of Bolívar, Tungurahua, Cotopaxi, Chimborazo, Imbabura, and Los Ríos were identified¹².
- 3.22 The rehabilitation and maintenance projects will be selected by the subnational governments and communities. In addition, the roads must meet institutional, technical, environmental, social, and economic eligibility criteria. The institutional criteria are the degree to which the communities living in the area of influence of a specific road identify with it and, in particular, whether they are interested in its future maintenance. The technical criteria are the projects' construction standards, the validity of their environmental protection measures, and their efficiency within the road system of the respective province or municipality. The social criteria concern the need to benefit the greatest possible number of residents and whether there is development potential that could be stimulated by improving the rural transportation infrastructure. The economic criteria are that projects be evaluated on the basis of simplified economic criteria which will measure their economic benefits in a system analysis. Roads with very low traffic (less than 20 vehicles/day) can generally be justified in economic terms by producer surpluses. Above this level of demand, economic justification will be based on savings in the cost of vehicle operation.

F. The proposed road management system

- 3.23 The proposed system is simple and reflects the rules of good road administration: (i) it identifies the intervening agencies and their short- and medium-term roles, and defines them clearly; (ii) it temporarily involves the community in decision-making and affords it an opportunity to monitor and oversee results; (iii) it identifies roads that have the support of communities and authorities; (iv) it executes low-cost works in accordance with demand and its characteristics; (v) the road, immediately upon rehabilitation, becomes part of a routine maintenance program; (vi) the cost of the works and, above all, of road maintenance, is consistent with the financial

¹² The provinces of Bolívar, Chimborazo, Cotopaxi, and Tungurahua are among the poorest in Ecuador and have begun work to coordinate and integrate development and poverty reduction initiatives, and have set up the Central Sierra Provincial Council Management Committee. The subnational government with the greatest institutional and financial capacity will be developed in the province of Imbabura, and the province of Los Ríos will represent coastal roads.

capacity of the agency responsible; and (vii) it creates an agency which, supported by national rural road policy, provides technical, institutional, and financial support to the agencies responsible for the tertiary road system.

G. Distribution of institutional responsibilities

- 3.24 The program will address the issue of the distribution of institutional responsibilities among provincial and municipal governments, as both have authority over the tertiary network. The main source of road management resources, although accrued in the medium term, is rural property taxes, which are under municipal control. But the road system coming under municipal control (200 km on average) is too small to justify the technical and institutional means necessary for good management. Such a scale would only be reached at the provincial level, as the road system under provincial authority would be 10 times larger. The program, by working jointly with the UCV and subnational government officials, will seek to resolve this situation.

H. Potential beneficiaries

- 3.25 The program beneficiaries can be divided into four groups: (i) the rural poor representing 65% of the poor in Ecuador, who will benefit from improved accessibility to health and education services, regional markets, and other income-generating economic activities (see Box 4); (ii) small farmers, manual laborers, and farm laborers who will gain temporary employment during works execution, and microentrepreneurs and organized community groups involved in maintenance. For these groups, the technical and managerial training to be provided under the program will enhance their opportunities for employment in the formal market and in other economic activities upon program completion; (iii) local contractors, consultants, and NGOs who will be involved in the projects; and (iv) the subnational governments, which will improve their road management capacity.

I. Potential environmental impact

- 3.26 The most significant environmental concern is the instability of the slopes along roads in critical areas; the formation of small slippages of mudslide materials on the road; and the lack or inadequacy of drainage systems. Given their very nature, the proposed rehabilitation projects will have a positive environmental impact, since they are designed essentially to resolve such problems. As the works are small scale and do not include paving or alterations in alignment, their impact will be direct, specific, and small scale, primarily associated with the rehabilitation activities, and may be avoided or mitigated by taking well-known, easily-implemented measures.
- 3.27 The program's environmental strategy¹³ establishes environmental protection criteria at all phases of the rehabilitation projects and in the road maintenance

¹³ The proposed environmental strategy was presented and approved at the CESI meeting of 18 August 2000.

activities (see Annex 3). The program will support training of the UCV by hiring an engineer with experience in environmental issues in road projects and will develop criteria that will specifically apply to rural roads. The program will also include environmental protection issues in the subnational government and microentrepreneur training. At the end of the rehabilitation phase, a sample of works will be evaluated with a view to supporting the review and consolidation of the environmental strategy (paragraph 4.19).

J. Community consultation and participation

- 3.28 To develop a sustainable road maintenance and operation system at local level the program will be executed with considerable participation by the beneficiary population in identifying needs, establishing priorities, and managing the rehabilitated infrastructure by making financial or in-kind contributions to its operation and maintenance.
- 3.29 Such participation will be based on community consultations during the planning phase that make it possible to: (i) identify which roads need to be rehabilitated; (ii) analyze, with the population, the projects' technical standard and the consequent cost; (iii) devise alternative solutions; and (iv) propose alternatives for the local contribution and citizen participation to, *inter alia*, upgrade that standard; and, on that basis, (v) determine program priorities. In the planning phase, stakeholders will be consulted, including community leaders in the target benefited, and ensuring the participation of indigenous community and women's representatives throughout the decision-making process. Once the roads have been selected and technical studies begun, consultations will continue in all the localities along the road to: (i) confirm which solutions are to be adopted, utilizing the residents' knowledge of the area; (ii) identify sustainability factors in the specific project; (iii) identify opportunities for citizen participation in unremunerated community works projects (mingas) and in the establishment and consolidation of microenterprises; and (iv) establish development opportunities to be promoted by NGOs and other government programs.

K. Impact on poverty

- 3.30 This operation qualifies as a social equity enhancing program, as described in the key objectives for Bank activity set forth in the Report on the Eighth General Increase in the Resources of the Bank (document AB-1704). This operation also qualifies as a poverty-targeted investment (PTI), since it is geographically targeted to the poor¹⁴. The program will be implemented in the poor provinces and

¹⁴ During project preparation, appropriate criteria and methods were used to ensure that the provinces and municipalities where the program will be implemented have poverty indicators identifying them as among the poorest. Economic and social impact evaluation studies will make it possible to justify this classification.

municipalities of the country. The fact that work will be done in some provinces with greater institutional capacity, in order to develop comprehensive methodologies to transfer rural transportation infrastructure management does not invalidate this classification. Since the program qualifies as poverty-targeted, it is recommended that the *pari passu* be 88%/12%.

L. Cost and financing

- 3.31 The program's financing plan is estimated at US\$10.2 million, of which US\$9 million would be in dollars of the United States from the Ordinary Capital of the Bank, under the Single Currency Facility. The Bank financing would also include a subsidy from the Intermediate Financing Facility. The Government of Ecuador would contribute US\$1.2 million equivalent, amount which does not include a US\$235,000 contribution by the subnational governments and communities for routine maintenance and rehabilitation of nonmotorized paths (paragraphs 3.13 and 3.16). The costs of civil works and routine maintenance are based on MOP estimates and information from provincial councils. The institutional strengthening component includes the costs of evaluation and of the performance results and of the performance indicators. In addition to the program resources, the Government of Japan has given initial approval to US\$750,000 in technical-cooperation funding to finance additional institutional strengthening studies, which will consolidate the institutional and financial framework of the rural road management system, the development and implementation of the monitoring and information system, and the socioeconomic impact assessment.

Cost and financing (US\$000)				
	IDB	MOP	Total	%
a. Investment	6,600	900	7,500	74
rehab. rural roads	6,165	840	7,005	
rehab. nonmotorized paths	175		175	
Routine maintenance (RRs)	260	60	320	
b. Studies and supervision	962	113	1,075	10
c. Institutional strengthening	375	51	426	4
d. Administration expenses	820	116	936	9
e. Contingencies	153	20	173	2
f. Inspection/supervision	90	-	90	1
TOTAL	9,000	1,200	10,200	100
<i>Percentage</i>	88	12	100	

IV. PROGRAM EXECUTION

A. Borrower, guarantor, and executing agency

- 4.1 The borrower and guarantor will be the Government of Ecuador; the Ministry of Public Works and Communications (MOP) will be the executing agency. The MOP will work through a coordination and execution unit – the Rural Roads Unit (UCV). This unit¹⁵, subordinate to the MOP through the Deputy Minister for Public Works, has administrative, economic, and financial autonomy, and will be governed by Operating Regulations¹⁶, subject to the Bank's nonobjection. The regulations must be approved by ministerial decree prior to the first disbursement. The great progress made by the MOP should be noted, as the Unit, in a very short time, has obtained budgetary resources, recruited its managerial staff, obtained offices, and purchased the appropriate equipment for its operations.
- 4.2 The UCV plays two parts; it is both the investment projects' executing unit and it coordinates and provides training and technical and institutional assistance to subnational governments and communities. Its executing role is temporary; this task will be transferred to the subnational governments as they acquire the necessary institutional and technical capacity and adopt the procedures developed under the program, including the community participation and consultation procedures. The second role is based on the institutional assumption that the UCV will evolve toward a permanent directorate¹⁷, of equal rank with the General Directorate of Public Works (DGOP), that will provide technical, financial, and institutional assistance to subnational governments responsible for road management, in the framework of a rural transportation policy which the MOP will develop on the basis of this experience.

B. Program execution and administration

1. Institutional framework

- 4.3 A three-tiered organization will be responsible for program execution and supervision, with decentralized responsibilities and the participation of provinces, municipalities and communities, as follows:

¹⁵ Created by Ministerial Decree N°57, published in the *Registro Oficial* of 13 September 2000.

¹⁶ The Operating Regulations will establish the organizational structure and basic functions of the program's executing agency. Draft Regulations have already been discussed during the analysis mission.

¹⁷ Establishment of this directorate is not contemplated in the program, as its creation would only be justified if the objectives of this operation are demonstrated to be viable and the support of the Government of Ecuador continues in the form of an innovation loan.

- a. The UCV will be responsible for the program's general management, which involves, *inter alia*: (i) establishing investment programs and budgetary allocations; (ii) coordinating the process of transferring institutional and training responsibilities to the subnational governments; (iii) allocating investment resources by geographic location and in terms of timing, and conducting the consultation and community participation process, including the creation and training of microenterprises and road maintenance committees; (iv) preparing and updating the operations manual; (v) contracting studies and works; and (vi) evaluating and disseminating results and preparing for expansion of the program.
- b. The provinces and municipalities will participate in: (i) identifying subprojects and coordinating investment programs with the UCV; (ii) cofinancing maintenance; (iii) preparing road plans and surveys, final engineering designs, inspection of works and their maintenance, regulation, and control of the operation and other training activities; and (iv) monitoring the program and its performance benchmarks.
- c. The rural communities will be involved in: (i) identifying and prioritizing projects, based on the UCV's allocation of resources; (ii) recommending upgrading alternatives for transportation services; (iii) routine maintenance microenterprises and road committees; (iv) contributing to the cost of works and their maintenance; and (v) monitoring road use during operation and reporting on events that might damage the road's condition.

2. Coordination with other development initiatives

- 4.4 Regarding initiatives of general scope, the MOP will coordinate with the Ministries of Economy and Finance, Social Welfare, Agriculture, and others executing government poverty-mitigation and socioeconomic development strategy. During the operation's preparation, several meetings were held with the aforementioned ministries and with the Integrated Social Indicator System (SIISE), and preliminary agreement has been reached with respect to exchange of the respective databases.
- 4.5 Another significant factor is coordination with NGOs working in the program intervention areas to support socioeconomic development, indigenous communities, gender issues, and microenterprise training. Local NGOs will participate in nonmotorized path rehabilitation and maintenance projects and in supporting community organizations, among them, the road committees and microenterprises and, particularly, in the productive activities that will help increase the benefits generated by rural road rehabilitation.

3. Execution strategy

- 4.6 The program will use the successive approximations method: the first activities will be used to establish preliminary guidelines for implementation, as follows: (i) adapt experiences, such as community participation and microenterprise training, through meetings with national agencies, subnational governments, and bodies representing civil society and communities; (ii) hire consultants for the preliminary design of the community consultation and participation process and the institutional and financial framework for negotiations with the subnational governments; (iii) apply these preliminary procedures in two preselected road projects, meeting with provincial and municipal authorities and the communities benefiting from the projects, to explain the context of the program, ratify the priority assigned to the roads selected, and begin the joint activities; (iv) review the procedures and technical, social, institutional, and financial mechanisms based on the outcome of the meetings; (v) follow the revised procedures in the rest of the roads under the program and in the systematic monitoring and evaluation of the projects to correct approaches and adjust procedures on an ongoing basis; and (vi) at a more advanced stage, review and consolidate the guidelines, procedures, manuals, and other documents to be used in a larger-scale program.
- 4.7 Investment in road rehabilitation will be the exclusive responsibility of the UCV, which will allow the contracting and execution of works to advance simultaneously with the design of institutional and financial mechanisms for maintenance and operation of rehabilitated roads. To that end, for purposes of obtaining the general conditions for distribution of institutional and financial responsibilities among the three levels of government, a framework agreement has been designed¹⁸, to be signed by the UCV and those governments.
- 4.8 The UCV will utilize an operations manual that will establish the guidelines, mechanisms, and procedures to be used in program execution. Initially, the guidelines, procedures, and agreements will be of a preliminary nature; then, based on the results of monitoring and evaluation, they will be revised and consolidated in the operations manual to be used in the larger-scale program. The operations manual¹⁹ must have the Bank's nonobjection, and its adoption by the UCV will be a condition precedent to the first disbursement.

¹⁸ The framework agreement with the subnational governments involved in rehabilitation of the two first roads must be signed as a condition precedent to the first disbursement.

¹⁹ The UCV is preparing the operations manual; such preparation is at an advanced stage. For such purposes, the UCV has available background information on similar operations (*Rural Roads Program*, loan 901/OC-PE). The manual will contain technical, administrative, financial, and other procedures, designed to afford the UCV streamlined, transparent, and efficient management.

- 4.9 The MOP, through the UCV, has selected two roads^{20,21} to begin the consultation process and preliminary design of the guidelines for implementation (paragraph 4.6). During preparation of the operation, consultants were hired to prepare the preliminary design of the community participation process and the institutional and financial framework for negotiations with the subnational governments. In addition, consultation meetings were held with subnational governments (the prefects of three provinces and mayors of four municipalities), parish councils, target communities, community leaders, NGOs, and representatives of indigenous groups living along the respective roads at which road priorities were endorsed and intention to participate in the proposed management system was, in general terms, ascertained.
- 4.10 The rural road and nonmotorized path rehabilitation projects are expected to be executed during the program's first year, and that rehabilitated roads will enter into the maintenance phase in the last four months of 2001, so that 2002 will be devoted to monitoring and evaluation of maintenance activities (paragraph 4.19), consolidation of routine maintenance cofinancing mechanisms, and support for subnational governments in road management.
- 4.11 The UCV must submit, the program execution plan and a budget for 2002 for each component to the Bank for approval by 31 October 2001.

C. System for follow-up, monitoring, supervision, and evaluation

- 4.12 The system for follow-up, monitoring, supervision, and evaluation will serve as a tool to correct courses of action, revise the guidelines and procedures used, and consolidate the methods to be applied in a larger-scale program. This system will enable the MOP and the Bank to absorb the expertise to be generated through implementation of the program. In view of the proposed innovative features, the project team will supervise the program closely through the systems described below:

1. Follow-up

- 4.13 Follow-up will include systematic examination of the program's progress and the annual plans implemented by the UCV. The Unit will establish benchmarks²² acceptable to the Bank, and will include them in the Operations Manual. The results will be consolidated in quarterly progress reports to be presented by the UCV to the

²⁰ The Simiatug-Río Blanco road (24 km), Tungurahua and Bolívar Provinces; the Imantag-Quitumba-Coñaqui road, Imbabura Province.

²¹ To support this initiative, the Bank has contracted two consultants in the economic and financial, and social participation areas.

²² A preliminary list of benchmarks is given in Annex 4. Those indicators will be refined and included in the program's operations manual.

Bank one month after the end of each calendar quarter, to contain: (i) the progress made in terms of the physical targets, performance indicators and agreed-upon commitments and disbursements schedule; (ii) updated execution and disbursement schedules for the other program components; (iii) works program and detailed plans of action for the subsequent quarters; (iv) outstanding issues that might compromise program execution.

- 4.14 The program will utilize an information system to follow up on execution of projects dispersed widely throughout the provinces. This system involves establishing a database and procedures to gather technical, environmental, social, institutional, and financial information on each project, meetings and documents on agreements. This information system is to be in operation within six months after signature of the loan contract, and the terms of reference for the services required to develop and implement it must have the prior nonobjection of the Bank.

2. Monitoring of performance indicators

- 4.15 Essential to the innovation concept, independent monitoring of the program will make it possible to identify any deviations, alternatives to correct and improve the procedures used, positive and negative aspects of processes, practical improvements, and lessons learned. Upon program startup, a firm will be hired to check the performance indicators for the innovation areas (Annex 1 contains a preliminary proposal), establish quantitative and qualitative parameters to be monitored, frequency and methods for information-gathering, methods, etc., and monitor a sample of projects in execution and already executed by the UCV. This monitoring will support the Bank in evaluating the program and in its meetings with stakeholders.

3. Supervision

- 4.16 In view of the innovative features, the Country Office and the project team will closely supervise program execution. To that end, a workshop mission on program implementation will be held within 30 days after fulfillment of the conditions precedent to the first disbursement. In addition, two supervisory missions will be carried out every year, one every six months²³.
- 4.17 The missions will supervise the progress made and the findings of the performance indicator monitoring. In addition to UCV and Bank specialists, representatives of the following institutions will also participate in the missions: provincial councils and municipalities in the program intervention area; NGOs that have been involved in nonmotorized path rehabilitation; and entities representing civil society and the beneficiaries. In addition, the missions will discuss technical and socioeconomic impact evaluations and consolidate methodologies and procedures for action in the

²³ In principle, the two missions have been scheduled for May and November.

larger-scale program. If progress is not satisfactory, the executing agency will prepare a plan of action with corrective measures, satisfactory to the Bank, within two months of receiving notification from the Bank of the perceived deficiencies.

- 4.18 One of the program's key aspects is ensuring proper routine maintenance. To that end, the MOP will present to the Bank annual maintenance reports on the roads rehabilitated under the program, for a three-year period after program completion. The reports will include the annual maintenance budget for the tertiary road system rehabilitated under the program, the source of resources allocated (national, provincial, and municipal), maintenance microenterprise performance, and the technical, institutional, and financial results obtained.

4. Program evaluation

- 4.19 Several evaluation studies on the program will be conducted with a view to gathering the qualitative and quantitative information necessary to review, improve, and consolidate the methods and procedures for implementation in a larger-scale program. They are:

- (i) *Evaluation of institutional and financial mechanisms* (to be conducted during supervisory missions) will make it possible to establish the support of subnational governments and communities for the management system put in place, their participation in institutional training programs, financial support, and their willingness to gradually increase their participation in sustainable road management and desire to expand the program.
- (ii) *Evaluation of the rehabilitation stage* (to be conducted once 80% of the investment component has been executed, which it is estimated will take place in 11 months after the effective date of the loan contract). It will evaluate the technical and environmental quality of the studies and works executed under the program, and propose adjustments in the environmental and administrative procedures adopted for its execution.
- (iii) *Evaluation of the short-term socioeconomic impact* (to be conducted at least six months after completion of the investment program and roads have been in operation and under maintenance by routine maintenance microenterprises for a similar period, estimated to take place by month 20 after the effective date of the loan contract). This will involve, in the area of influence of a sample of rehabilitated roads, evaluation of the short-term impact on the following factors: transportation costs and travel times; expansion and diversification of the supply of transportation; perception of the road's standard; increased use of social services; limited generation of employment; diversification of production; and gender relations and development of indigenous

communities. This evaluation makes it necessary to define criteria for sampling and to hire consultants to conduct studies on baseline socioeconomic data. Evaluation of short-term impact will be supported by surveys of the target communities and transportation users and operators.

- (iv) *Evaluation of the routine maintenance system* (for such evaluation, conditions similar to (ii)). Technical factors (influence of the quality of rehabilitation works, the physical characteristics of the road, traffic levels during maintenance activities, and performance, productivity and resulting costs; other problems affecting the quality of services, etc.) and administrative factors (legally established type of entity, number of members, records, etc.) and financial factors (remuneration and expenditure) involved in training and management of routine maintenance microenterprises will be evaluated. The evaluation will be based, *inter alia*, on surveys of microenterprises, records of work performed, and specific analyses.
- (v) *Evaluation of nonmotorized path rehabilitation and maintenance* (for such evaluation, conditions similar to (ii)). Achievements in terms of work executed by the NGOs and by the population in nonmotorized path rehabilitation and maintenance activities will be evaluated. This will be supported by surveys of a sample of NGOs, members of the road committees, and residents along the paths.

- 4.20 Acceptance by subnational governments and communities of the road management system, reflected in support for program activities and in honoring financial commitments, is the main sustainability criterion for the proposed system. A large number of beneficiaries must support this system, although some may decline to participate in it; however, if a clear majority do not support such acceptance, it should be understood that the system has not produced the anticipated results and is not replicable on a larger scale.

D. Procurement of works, goods and services

- 4.21 The procurement of works, goods, and consulting services with Bank funds will be carried out in accordance with Bank procedures. International competitive bidding will not be required.

1. Civil works and goods

- 4.22 International competitive bidding will be mandatory for award of contracts valued at over US\$3 million and for procurement of related goods and services valued at over US\$250,000. In contracting for works valued at over US\$400,000, local competitive bidding (LPN) procedures acceptable to the Bank will be utilized.

- 4.23 To support the development of the local small contractor market, works whose cost is estimated at US\$400,000 equivalent or less will be carried out through local shopping contracts awarded on the basis of bids submitted in response to a written invitation to at least six qualified national contractors on the UCV's register. All bids received will be opened in public on a date specified in the bid document. The contract will be awarded to the contractor with the lowest bid price for the proposed work; if only one bid is made, the process will be declared void and new invitation will be issued. In view of the small contract amount, the technical simplicity, and short execution period, contracts will be for a lump sum, not subject to readjustment, and for a fixed term. The operations manual will clearly indicate that a single contractor may not have more than two contracts in execution at the same time, or contracts whose value exceeds US\$1 million during the program.
- 4.24 To support execution of nonmotorized path rehabilitation and rural road maintenance activities, *executing units* (recognized groups composed of members of a community) and *routine maintenance microenterprises*, established within the program's framework, will be contracted directly to carry out small road works whose value is estimated at under US\$50,000. The nature of these works and the way in which they are executed does not lend itself to competition; thus it is advisable to contract them directly, and supervised them adequately.
- 4.25 Goods procurement will be limited essentially to purchases of office equipment, computers, and appropriate vehicles for travel in the areas of program activity. For purchases of over US\$250,000, international competitive bidding will be required.

2. Consulting services

- 4.26 An international call for proposals will be mandatory in contracting consulting services valued at over US\$200,000. Consultants will be contracted in accordance with established procedures, except for individual consultants whose contracts are valued at under US\$10,000, in which case, direct contracting may be used. This exception is because certain types of work require certain specializations, such as community-related work and short-term evaluations, and because of the speed required to monitor works execution. Among services that may be carried out through direct contracting are: studies, engineering designs, supervision of construction, technical assistance, training courses, and auditing services.

3. Procurement control

- 4.27 Presentation of the program operations manual has been established as a condition precedent to the first disbursement, to include, *inter alia*, the documents and conditions for prequalification and bidding (for civil works, goods, and consulting services) that would be used for all program procurement, except for the terms of reference, which would be developed individually for the institutional component. Therefore, for individual procurement operations, only the Bank's nonobjection

would be required for evaluation reports (prequalification and bidding) and for the aforementioned terms of reference.

E. Bank account, revolving fund, accounting, auditing, and retroactive financing

4.28 **Bank account.** A special account in a commercial bank acceptable to the IDB and the UCV would be opened. This would take place prior to the first disbursement.

4.29 **Revolving fund.** The amount required to cover program expenses will be 10% of the loan amount (up to US\$900,000), which will cover two months of financiable costs²⁴. The Bank will replenish the rotating account when the corresponding disbursement requests have been received from the borrower, together with the resource use and fund replenishment justifications. The UCV will control use of the special account and will be responsible for preparing the disbursement requests in the borrower's name.

4.30 **Recordkeeping and disbursement control.** All payments for works contracts and consulting services will be made by the UCV. All pertinent financial information, including the contracts and construction or maintenance agreements, service contracts, invoices, invoices for works carried out, deeds of sale, etc., will be approved by the party establishing the operations manual before any payments are made. The financial accounting of transactions and disbursements during program execution and administration will be subject to UCV control for purposes of strengthening internal financial control of investments of funds and preventing management and fund allocation errors. Cash management and cash flow activity, including in reconciliation of all bank accounts included under this provision, will be subject to central control and independent verification.

4.31 **Auditing.** The UCV will contract independent public accountants acceptable to the Bank. They will be responsible for evaluating and auditing the program's financial statements, special accounts, the program's accounts, and expenditure statements, beginning with the audit corresponding to fiscal year 2000, in accordance with terms of reference agreed with the Bank. During execution, the UCV will present to the Bank once a year certified copies of the duly audited financial statements within four months of the close of the fiscal year.

4.32 **Retroactive financing.** The loan will finance retroactively the eligible costs incurred after 19 May 2000 for execution of the program's initial roads (paragraph 4.6). Execution is being effected in consultation with the Bank, which involves, *inter alia*, examination by the Bank of all procurement. It is estimated that all payments made in relation to the contracts corresponding to the program's civil

²⁴ The recommended percentage, which is twice the usual amount, is due to the high concentration of rehabilitation works in the dry season months (April to November, those most favorable to execution).

works, consulting services, and administrative costs will amount to approximately US\$1.3 million. In addition, the Bank will recognize up to a total of US\$200,000 in expenses incurred for the program components after that date, as part of the counterpart contribution.

F. Execution and disbursement periods

- 4.33 The execution period is 24 months. It is envisaged that the proposed loan will be completely disbursed in 30 months.

V. VIABILITY AND RISKS

A. Institutional viability

- 5.1 Institutional viability is ensured by the support given to the program by the highest government authorities and, in particular, by the MOP's commitment as executing agency. Such viability would be insufficient if the program did not have the support of the subnational governments. To obtain such support, meetings have been held with the Consortium of Provincial Councils (CONCOPE), whose members are the provincial prefects, and the Association of Ecuadorian Municipalities (AME), whose members are the mayors. Meetings have also been held, and continue to be held, with prefects and mayors in the areas where the roads to be rehabilitated under the program are located.

B. Socioeconomic viability

- 5.2 There are four mainstays to the program's socioeconomic viability: (i) the significant socioeconomic benefits anticipated, which will lead to an improvement in the rural population's quality of life; (ii) full community participation at all stages of the projects; (iii) the low cost of the works, which ensures broad geographic and social coverage, maximizing the number of beneficiaries to be reached with investment resources; and (iv) development of a road maintenance and operation system that ensures the continuity and ongoing use of the benefits.
- 5.3 The routine maintenance microenterprises, composed of low-income rural residents from the communities through which the rehabilitated roads pass, will be a source of permanent employment, generate new and sustained income for the population, and increase and diversify local demand for products and services.

C. Financial viability

- 5.4 The financial viability of the program is based on the Government of Ecuador's support for and commitment to the program. The subnational governments will also participate by partially financing the rehabilitated roads' routine maintenance costs. Moreover, the MOP will commit its own resources to guarantee such maintenance in case of subnational government financial restrictions. The amounts committed to program road maintenance are small (US\$350,000/year).

D. Environmental impact

- 5.5 The program works will be small scale, involving road rehabilitation with surfacing or laying gravel, without any changes in alignment, and their subsequent maintenance, as well as upgrading of nonmotorized paths. The potential adverse

environmental impact is therefore small scale, associated with the construction phase, and may be avoided and mitigated through the use of well-known methods.

E. Benefits

- 5.6 The main benefit will derive from the implementation, at the subnational government level, of a road management and road maintenance system that addresses the current problems of the distribution of institutional responsibilities and establishes clear technical guidelines for planning and community participation, with technical solutions in keeping with demand requirements and fiscal and budgetary constraints.
- 5.7 Other benefits will accrue from the increased accessibility afforded communities today suffering from isolation as a basic obstacle to improving their living conditions, by opening up new opportunities to diversify their productive activities, the markets for the goods they produce and employment, and above all their access to social and public services. The short-term benefits will take the form of a reduction in transportation costs and travel times, diversification, expansion, and greater geographic coverage and reliability of transportation services, and lower costs for users. This will lead to greater accessibility to the aforementioned services. The benefits related to the expansion and diversification of the productive base will be seen in the medium-term as the benefits of continuous accessibility are consolidated.

F. Risks

- 5.8 The main risk lies in the weakness of subnational governments to take administrative, technical, and financial responsibility for rural road management. The program will allocate resources to identify the capacity of the governments with which it is carried out, review alternatives for overcoming current limitations, establish a timetable for gradual transfer of responsibilities, and provide the governments with advisory services and training. To that end, the program will have institutional capacity in the UCV, lending continuity to such strengthening. The sustainability of individual projects is based on acceptance of the road management system acceptance by the subnational governments and community participation during road identification and prioritization.
- 5.9 Any environmental and technical risks will be minimized through the project designs and procedures for execution and oversight that will ensure environmental protection, the durability and maintenance of rehabilitated roads, and training of supervisory bodies for works and maintenance. The environmental viability and monitoring and evaluation strategies proposed by the project team were conceived taking into consideration the need to prevent possible problems and adjust procedures during program execution, if necessary.

- 5.10 The local counterpart financing risk is substantially mitigated by the Ministry of the Economy and Finance's confirmation that the necessary resources are available and the fact that the MOP is already incurring expenses, with own identifiable resources, for various preparatory activities.

**RURAL TRANSPORTATION INFRASTRUCTURE PROGRAM
PROGRAM IMPLEMENTATION GUIDELINES**

Area	Strategy	Performance indicators	Monitoring and evaluation
1. Assignment of short- and long-term institutional responsibilities Strengthening of local rural road management capacity	<p>(i) Develop the institutional participation scheme of the MOP, provinces, municipalities, and communities in rehabilitation, maintenance, and operation of rural roads</p> <p>(ii) Develop central government policies, strategies, and procedures to support the rural road system.</p> <p>(iii) Develop local rural road planning, management, and operation capacity</p>	<ul style="list-style-type: none"> • Institutional framework for rural road system management, revised and agreed upon by the MOP and subnational governments. • Timetable for partial transfer of program execution responsibility to subnational governments agreed upon. • The MOP's national rural transportation policy agreed upon with subnational governments and approved • Executing unit strengthened and operating • Training manual and strengthening of subnational governments and training workshop schedule • Unit's Operating Regulations and consolidated operations manual 	<ul style="list-style-type: none"> • UCV meetings with representative associations and subnational governments (number, record of topics, and conclusions). • Agreements signed with participating subnational governments. • Functional survey of rural roads, identifying responsible authorities • Program of institutional strengthening with subnational governments. • Development of plans for routine maintenance and transportation for which selected provinces are responsible
2. Routine maintenance cofinancing mechanism	<p>(i) Prepare an analysis and negotiation method for subnational governments and communities regarding their participation in the routine maintenance cofinancing mechanism. Operational, technical, and financial agreements.</p>	<ul style="list-style-type: none"> • Financial framework for rural road maintenance reviewed and agreed upon (responsibilities; contribution schedule compatible with road rehabilitation schedule and schedule for transfer of responsibilities; operating procedures) 	<ul style="list-style-type: none"> • UCV meetings with subnational governments, Ministry of the Economy, etc. (number, record of topics, and conclusions) • Agreements signed by the UCV and subnational governments, and other documents necessary to make the routine maintenance cofinancing mechanism operative

Area	Strategy	Performance indicators	Monitoring and evaluation
	<p>(ii) Determine the contributions of each body and of the communities and their future trends in keeping with the road rehabilitation process and transfer of responsibilities</p> <p>(iii) Cofinancing operating agreement</p>	<ul style="list-style-type: none"> Contribution of sectional government resources to the routine maintenance cofinancing mechanism in accordance with provisions of agreements 	<ul style="list-style-type: none"> Number of governments and flow of funds. Amount of contributions. Percentage of routine maintenance costs to be covered by subnational governments
<p>3. Consultation and participation by the population from identification of needs, to prioritization and selection of projects, to formation of microenterprises, to road operation</p>	<p>(i) Develop, implement, monitor, and evaluate the community consultation and participation process.</p>	<ul style="list-style-type: none"> Consultation and participation manual revised and consolidated, taking into account social and cultural characteristics of the various ethnic groups and ensuring participation by the most vulnerable groups Technical rehabilitation and maintenance standards for each type of road reviewed and consolidated 	<ul style="list-style-type: none"> Meetings with communities (number, record of topics, and conclusions) Survey of comprehension and accessibility of consultation process Survey of communities and local governments for a sample of roads (acceptance of road rehabilitation standard and responsibilities after rehabilitation) Agreements on possible operating restrictions
<p>4. Creation of routine maintenance microenterprises and road committees</p>	<p>(i) Establish the costs of routine maintenance</p> <p>(ii) Provide training for routine maintenance microenterprises (legal, administrative, and financial) and training of microentrepreneurs</p> <p>(iii) Provide training for road committees</p> <p>(iv) Develop the monitoring and evaluation process for maintenance work</p> <p>(v) Develop an incentive and sanction system that promotes the quality of work performed by routine maintenance microenterprises</p>	<ul style="list-style-type: none"> Average cost per km reviewed and consolidated on the basis of the technical, financial, and institutional results of monitoring and of community participation Training manual for routine maintenance microenterprises reviewed and consolidated Training manual for road committees reviewed and consolidated Technical and environmental maintenance training manual reviewed and consolidated 	<ul style="list-style-type: none"> Technical database of maintenance activities executed Number and record of training of routine maintenance microenterprises and road committees Training courses executed Survey of communities and local governments on a sample of roads (perception of maintenance quality) Survey of a sample of routine maintenance microenterprises

Area	Strategy	Performance indicators	Monitoring and evaluation
		<ul style="list-style-type: none"> • Training for 12-15 routine maintenance microenterprises, enough to cover all rehabilitated roads • Training for 8-12 road committees • Quality of routine maintenance work 	<ul style="list-style-type: none"> • Inspection reports on routine maintenance for which the subnational governments are responsible
5. Socioeconomic, technical, and environmental processes	<ul style="list-style-type: none"> (i) Develop project eligibility criteria (ii) Develop technical and environmental specifications of rehabilitation works taking into account of the road's characteristics, its efficiency and use, the number of beneficiaries, and the maximum cost/km (standard predetermined by type of road) 	<ul style="list-style-type: none"> • Operations manual with consolidated procedures and specifications to make the program technically and environmentally viable • Average cost of rehabilitation per km, by type of road (ecological area; physical characteristics of the road, demand, and type of surface applied) • Quality of rehabilitated roads • Conservation of natural resources • Decrease in transportation costs and travel times • Increased use of social services 	<ul style="list-style-type: none"> • Project database (studies and works) • Inspection and supervision of works • Survey of communities on a sample of roads (acceptance of road rehabilitation standard) • Survey of a sample of routine maintenance microenterprises (quality of works; state of repair of road; problems, etc.) • Survey of transportation users and operators

**RURAL TRANSPORTATION INFRASTRUCTURE PROGRAM
EC-0196**

LOGICAL FRAMEWORK

Narrative Summary	Verifiable Indicators	Means of Verification	Main Assumptions
<p>Establish a sustainable system for optimal rural road management</p>	<ul style="list-style-type: none"> • All beneficiary provinces (6) and municipalities (12) under the program help cofinance the cost of routine maintenance. • The provinces accept the technical, institutional, financial and implementation methodology of the program and gradually assume responsibility for road planning and road maintenance management. • 415 km of rural roads and 100km of nonmotorized paths are rehabilitated under the program and undergo routine maintenance. • National rural transportation policy formulated jointly with subnational governments. 	<ul style="list-style-type: none"> • Program information system (quarterly progress reports) and MOP road survey • Municipal and provincial information. • Program operations manual; routine maintenance manual; nonmotorized path manual; community participation manual • Subnational government training and strengthening manual • Timetables agreed upon for the transfer of responsibilities and training workshop schedule • Supervision of microenterprise work • Findings of independent program monitoring • Financial information on the program • Agreements for cofinancing of routine maintenance signed with provinces and municipalities • National rural transportation policy approved and disseminated 	<ul style="list-style-type: none"> • The government continues to assign priority to the fight against poverty and recognizes the role of rural accessibility in that fight. • Macroeconomic conditions and terms of trade are favorable. • Policy stability and continuity ensure implementation of projects with medium-term maturity. • Central government support for subnational governments with respect to decentralization is maintained. • Central government supports gradual transfer of program resources to subnational governments for their management.

Narrative Summary	Verifiable Indicators	Means of Verification	Important Assumptions
<p>Ensure permanent accessibility for poor localities to basic services and local and regional markets.</p>	<ul style="list-style-type: none"> • Travel time is reduced by 20%. • Commercial traffic (buses, trucks and pickups) increases by 30%. • 12 cantons, with over 45,000 inhabitants, benefit from rehabilitated roads and substantially improved accessibility. • The equivalent of 1,200 unskilled temporary jobs generated as a result of the rehabilitation works. • 150 permanent jobs are created as a result of road maintenance and 12-15 maintenance microenterprises are established and hired. • 8-12 road committees for maintenance of nonmotorized paths are established and trained. • Technical standards for rehabilitation and maintenance are appropriate for type of road. 	<ul style="list-style-type: none"> • MOP statistics, records and inspection of transportation services by local governments. • Surveys of transportation users and operators. • Program information system • Data on contracts for works and routine maintenance and supervision reports • Population censuses • Evaluation of the rehabilitation phase • Evaluation of the maintenance activities 	<ul style="list-style-type: none"> • The communities and municipal and provincial governments identify with the project and associate its objectives with individual and regional advancement. • The participating provinces and municipalities support the maintenance management system and assume responsibility for cofinancing the roads. • The provinces and municipalities assume responsibility for road management, to which they assign the necessary technical and financial resources. • There are favorable climatic conditions in the project area.

Narrative Summary	Verifiable Indicators	Means of Verification	Important Assumptions
<p>Components:</p> <ul style="list-style-type: none"> Rehabilitation of rural roads Maintenance of rural roads Rehabilitation of nonmotorized roads Studies (preinvestment and supervision) Local development <p>Distance to achieve:</p> <ul style="list-style-type: none"> Financing of the executing unit Financing of routine maintenance Development of local road planning and management capacity Participation by the community and microenterprises in identification, planning, management, and maintenance of the rehabilitated roads Local planning and management by the subnational governments Participation of the programs for microenterprises and communities Planning and development of construction companies 	<ul style="list-style-type: none"> 415 km of rehabilitated rural roads have a good level of passability All rehabilitated roads immediately enter a routine maintenance program 100 km of nonmotorized paths rehabilitated with the participation and support of the beneficiary communities Close to 15 local consulting firms and 20 works supervision firms hired 5% of total program resources invested in institutional strengthening <p>By program completion:</p> <ul style="list-style-type: none"> All the beneficiary provinces and municipalities are covering an increasing share of the cofinancing and management of the rehabilitated roads. 20 routine maintenance microenterprises have performance-based contracts Evaluation of hiring practices for rehabilitation of rural roads and cofinancing strategies used is satisfactory. A training policy and strategy for the subnational governments have been developed under the program for planning, financing, management, and maintenance of the rural road system. A mechanism is agreed upon to guarantee funding for rural road maintenance by MOP/UCV, subnational governments, and communities. Local small contractors have executed US\$7 million of the investment amount. 	<ul style="list-style-type: none"> Program information system and MOP road survey Provincial and municipal information Independent monitoring of performance indicators Satisfactory evaluation of execution by UCV and Bank Certification of works carried out according to technical and environmental specifications established in the program operations manual, issued by the works supervisor Register of microenterprises, contractors, and consultants administered by the UCV Evaluation of results of institutional strengthening component Agreements for execution and transfer of responsibility for execution to provinces and municipalities Reports on workshops for provincial and municipal training and rural transportation plans in force Reports on community participation workshops held at various points during project cycle 	<ul style="list-style-type: none"> There are no security problems that prevent execution of works. The local construction industry has the technical, financial, and human resources to support the program. The local population and authorities support the establishment of routine maintenance microenterprises. The communities concerned understand the program principles and are interested in participating, committing resources (financial and in kind). The provinces and municipalities are interested in actively participating in the technical assistance program. The system of government transfers and local source income is in place.

Narrative Summary	Verifiable Indicators	Means of Verification	Important Assumptions
<p>Workshops:</p> <ul style="list-style-type: none"> for community participation with the provincial and municipal authorities for the transfer of responsibilities to the subnational governments <p>Coordination and institutional strengthening</p> <p>Establishment of microenterprises</p> <p>Training of contractors and consulting services (supervision)</p> <p>Other training activities for maintenance and environmental management for subnational governments, microenterprises, and communities</p> <p>Monitoring and evaluation</p>	<ul style="list-style-type: none"> Contracts entered into for consulting services, works supervision, maintenance, etc. Workshops conducted and satisfactory results obtained according to indicators established in evaluations Investments in the execution of the various components 	<ul style="list-style-type: none"> Administrative records of the program Independent audits Workshop records; agreements signed Baseline data 	

PROCUREMENT PLAN (amounts expressed in US\$000)					
PROJECT PROCUREMENT (tentative)	FINANCING			METHOD	DATES
	IDB	LOCAL CONTRIB.	TOTAL		
CIVIL WORKS					
Rural road rehabilitation					
15 contracts	4,400	600	5,000	LB	II/01
5 contracts	1,765	240	2,005	LB	III/01
Nonmotorized path rehabilitation					
4 contracts	100	0	100	DC	III/01
3 contracts	75	0	75	DC	IV/01
Rural road maintenance					
5 contracts	80	20	100	DC	IV/01
15 contracts	180	40	220	DC	II/02
CONSULTING SERVICES					
Designs of rural roads					
2 contracts	44	6	50	LB	IV/00
18 contracts	396	46	442	LB	I/01
Designs of nonmotorized paths					
2 contracts	17	1	18	DC	II/01
3 contracts	25	2	27	DC	III/02
Works supervision					
15 contracts	360	40	400	LB	II/01
5 contracts	120	18	138	LB	III/01
INSTITUCIONAL STRENGTHENING					
Operations manual	26	4	30	LB	IV/00
Socioeconomic evaluation/baseline	53	7	60	LB	IV/00
Information system	13	2	15	LB	I/01
Evaluation procedures	53	7	60	LB	IV/01
Training and strengthening manual	53	7	60	LB	I/02
Microenterprise training manual	35	5	40	LB	III/02
Nonmotorized path manual	18	2	20	LB	III/02
Socioeconomic evaluation other roads	136	19	155	LB	I/01

LB Limited bidding

DC Direct contracting

PROPOSED RESOLUTION

ECUADOR. LOAN ____/OC-EC TO THE REPUBLIC OF ECUADOR
(Rural Transportation 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 Ecuador, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a rural transportation infrastructure program. Such financing will be for the amount of up to nine million dollars of the United States of America (US\$9,000,000) from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the "Special Contractual Conditions" and the "Financial Terms and Conditions" of the Executive Summary of the Loan Proposal.

PROPOSED RESOLUTION

ECUADOR. PARTIAL PAYMENT OF INTEREST ON LOAN ____/OC-EC
TO THE REPUBLIC OF ECUADOR
(Rural Transportation 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 as administrator of the Intermediate Financing Facility Account (the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Ecuador, as Borrower, and to adopt other pertinent measures to use the resources of the Account to pay a portion of the interest due by the Borrower on outstanding balances of the loan authorized by Resolution DE-___/___, in accordance with the provisions set forth in Document FN-263-2, as amended, approved by the Board of Executive Directors on December 21, 1983.