

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

NICARAGUA

PROGRAM TO CONSTRUCT AND IMPROVE RURAL ROADS

(NI0033)

LOAN PROPOSAL AMENDMENT

JUNE 1983

NICARAGUA: Loan 491/SF-NI to the Republic of Nicaragua, US\$18 million
Executor: Ministerio de la Construcción (MICONS)
Project: Local roads

Subject: 1. Eighteen-month extension to the time limit for full
disbursement of the financing
2. Consultation on application for waiver of bidding

The purpose of this document is to request an amendment to the contractual period of the abovementioned operation to extend the time limit for full disbursement by 18 months, through September 8, 1984, and to consult on a waiver of the international tender and authorization to use the loan funds to increase the amount established for executing works on force account from US\$4 million to US\$6 million in order to complete the works in accordance with the program's objective and goals.

The proposed amendment would require the following changes in Resolution DE-237/76, as amended by Authorizing Memoranda 107/78, 131/78 and 22/79, by Resolution DE-114/79, and by Authorizing Memorandum 15/83.

Current Provisions

"7. Physical Initiation and Disbursement. The term for physical initiation of all the works of the Program shall expire on March 8, 1980, and the term for disbursement of the resources of the financing shall expire on September 8, 1982, except that for the equivalent of US\$2,220,749 such term shall expire on March 8, 1983."

"8(e) Special Conditions:

The provisions of (d) above notwithstanding, DGC may execute by force account, works for construction and improvement of the roads included in the program, up to a total amount equivalent to US\$4,000,000, as well as repairs of damages made to roads during the civil war, up to a maximum amount equivalent to US\$150,000, when the Bank so agrees upon request of the borrower supported by a justification based on the location, characteristics and other conditions of such works."

Proposed Amendments

"7. Physical Initiation and Disbursement. The term for physical initiation of all the works of the Program shall expire on March 8, 1980, and the term for disbursement of the resources of the financing shall expire on September 8, 1982, except that for the equivalent of US\$2,220,749 such term shall expire on September 8, 1984."

"8(e) Special Conditions:

The provisions of (d) above notwithstanding, DGC may execute by force account, works for construction and improvement of the roads included in the program, up to a total amount equivalent to US\$6,000,000, as well as repairs of damages made to roads during the civil war, up to a maximum amount equivalent to US\$150,000, when the Bank so agrees upon request of the borrower supported by a justification based on the location, characteristics and other conditions of such works."

A. LOAN STATUS

1. Dates

- | | |
|--|-------------------|
| a) Approved by the Board of Executive Directors: | September 7, 1976 |
| b) Signature of the loan contract: | March 8, 1977 |
| c) Eligibility for disbursements: | November 28, 1977 |
| d) Current date for final disbursement: | March 8, 1983 |

2. Amounts as of February 28, 1983

| | <u>Amount (US\$000)</u> | <u>%</u> |
|-------------------------------------|-------------------------|----------|
| a) Of the loan | US\$18,000,000 | 100 |
| b) Disbursed | 16,292,353.28 | 87 |
| c) Committed under letter of credit | --- | |
| d) Available | 1,707,646.72 | 13 |

An application for a disbursement in an amount of US\$295,802.02 for works already executed is being processed. This disbursement would reduce the available balance to US\$1,411,844.70.

B. PROJECT STATUS

The original purpose of the financing was to cooperate in the execution of a program comprising the construction and improvement of approximately 300 km of local roads. The program financing was set at US\$18,000,000 from the IDB loan and US\$4,500,000 from the local contribution of the borrower, to give a total of US\$22,500,000. Amendatory Contract No. 1 reduced the borrower's obligation to a local contribution of only US\$2,000,000, which meant that approximately 80 km were canceled and left a program of 220 km of roads financed by the IDB and the Government of Nicaragua, for a total of US\$20,000,000.

The state of advance of the program is as follows:

| <u>P r o j e c t</u> | <u>Percentage advance</u> | <u>D a t e</u> | |
|--|-------------------------------|-------------------|-------------------|
| | | <u>Initiation</u> | <u>Completion</u> |
| Villa 15 de Julio-Malpaisillo (29,5 kms) | 100 | Jun. 1978 | Jun. 1980 |
| San Cayetano-El Salto La Trinidad (31,5 kms) | 100 | Jul. 1978 | Sept. 1980 |
| Abisinia-Valle del Cuá (33,0 kms) | 50 | Jan. 1979 | --- |
| Juigalpa-La Libertad (32,9 kms) | 100 | Jan. 1980 | Dec. 1981 |
| Rivas-Veracruz (5,7 kms) | 100 | Oct. 1979 | Jul. 1980 |
| Somotillo-Cinco Pinos (30,0 kms) | 100 | Jan. 1978 | Dec. 1979 |
| Villanueva-El Sauce (40,6 kms) | 100 | Jan. 1978 | Sept. 1980 |
| Asturias-Pantasma (24,7 kms) | 100 | Feb. 1980 | Sept. 1981 |

As may be seen, all the projects were initiated and completed within the original time limit for loan disbursements, except for the Abisinia-Valle del Cuá project which, although it was started, could not be completed; the Government of Nicaragua therefore requested an extension to the period for full disbursement of the financing through December 31, 1984. However, a dry season is required to complete the works and it is therefore recommended that the extension be granted only through September 8, 1984. In addition, owing to the nature of the circumstances for completion of the project (details given below), the Government of Nicaragua is requesting that it be permitted to execute the works by force account.

C. NATURE OF THE QUESTION RAISED

The purpose of the extension requested and of the increase in the amount authorized for the execution of works by force account, is to use all the loan resources and duly complete the program that has been started.

1. Original time limit and previous amendments

The original time limit for full disbursement of the financing was March 8, 1982, as established by Resolution DE-237/76 that approved the loan. That resolution was amended by Resolution DE-114/79, which extended the deadline to September 8, 1982. By means of an authorizing memorandum the Operations Manager again extended the deadline to March 8, 1983.

In a letter received on February 23, 1983 at the Bank's Field Office in Nicaragua, the Ministerio de la Construcción (MICONS), which is the executing agency of the program, requested a 22-month extension to the deadline for the final disbursement, i.e., through December 31, 1984. The Management considers that an 18-month extension is necessary to finish the outstanding works and to use all the loan resources.

Concurrently with the application for an extension to the period for disbursements, MICONS is requesting that it be allowed to complete the outstanding works of the Abisinia-Valle del Cuá project (33 km) on force account. For that purpose, subparagraph 8(e) of Resolution DE-237/76 must be amended, to increase the amount established for executing the works for the construction and improvement of the roads included in the program from US\$4 million equivalent to US\$6 million equivalent.

D. JUSTIFICATION

The extension to the deadline for loan disbursements and the increase in the amount authorized to pay for works executed by force account are necessary to complete the section of the road between Abisinia and Valle del Cuá (33 km), the physical advance of the construction of which is to date approximately 50%. MICONS stated that owing to the small amount of works to be executed, the difficult access to the project site, and the short dry season (90 days), it is of the opinion that there would be no international or national interest in participating in a public tender.

1. Plan of execution

The works to be executed are the normal works required for the construction of all-weather local roads, in this case principally: unclassified excavation (286,000 m3), selected borrow (62,000 m3), additional haulage (228,000 m3), concrete pipe 24" to 72" (1,120 m), barbed wire fence (61,000 m), structural concrete (139 m3) and masonry (2,195 m3). The cost estimated by MICONS for executing the works on force account is C\$51,829,000. This amount would be funded by resources amounting to approximately US\$1,500,000 equivalent in cordobas (29%), which represents the balance of the IDB financing, and C\$37,000,000 (71%) in cordobas as the counterpart contribution from the Government of Nicaragua.

For climatic reasons, the plan of execution envisaged by MICONS schedules the start of work in November 1983. The program is as follows:

| <u>Description</u> | <u>1983</u> | | <u>1 9 8 4</u> | | | | | | |
|-----------------------|-------------|-------------|------------------------------|------------------------------|-------------|-------------|------------|-------------|-------------|
| | <u>Jan.</u> | <u>Dec.</u> | <u>Jan.</u> | <u>Feb.</u> | <u>Mar.</u> | <u>Apr.</u> | <u>May</u> | <u>June</u> | <u>July</u> |
| Movement of equipment | XXX | | | | | | | | |
| Clearing and grubbing | | | XXXXXXXXXXXXXXXXXXXXXXXXXXXX | | | | | | |
| Earthworks | | | XXXXXXXXXXXXXXXXXXXXXXXXXXXX | | | | | | |
| Selected borrow | | | | XXXXXXXXXXXXXXXXXXXXXXXXXXXX | | | | | |
| Minor drainage | | | XXXXXXXXXXXXXXXXXXXXXXXXXXXX | | | | | | |
| Major drainage | | | XXXXXXXXXXXXXXXXXXXXXXXXXXXX | | | | | | |
| Other works | | | XXXXXXXXXXXXXXXXXXXXXXXXXXXX | | | | | | |

2. Background

The tender for the construction of the Abisinia-Valle del Cuá project was put out (April 4, 1978) and the works were awarded (July 18, 1978) to the CYPISA-CIESA consortium. Because of the weather at the project site, the contractor was not given the order to begin work until January 2, 1979. A limited amount of the contractor's equipment was not moved to the site until March 1979 and adequate progress was made up to May 1979 when work was suspended because of the civil war. It was not until January 1980 that equipment again began to be moved to the project site.

Because of the limited equipment moved, the contractor's work fell behind schedule. During August 1980 it was estimated that the contractor did not have the resources for making up for his lost construction capacity during the civil war. To overcome that difficulty, MICONS decided to lease him the necessary equipment. It was received in February 1981 and made it possible to carry out the unclassified excavation well in advance of the schedule although, generally speaking, the other items lagged behind the estimated advance. During June and July 1981 bad weather in the region hindered the progress of the works, so much so that the contractor stopped the work and decided to withdraw the equipment. In addition, the Dirección General de Vialidad of MICONS urgently

needed equipment for new projects and it was therefore impossible to continue leasing heavy equipment to the contractor. Consequently, MICONS decided to cancel the contract with CYPASA-CIESA on October 6, 1981 and requested an extension to the deadline for disbursement from September 8, 1982 to March 8, 1983 in order to complete that task. MICONS stated that it would submit to the IDB alternatives to be analyzed during the additional time granted, but the Field Office did not receive the application in question until February 22, 1983.

3. Support for the application

In support of the application for extension and execution of works on force account, MICONS has: a) submitted an execution plan for reinitiating the works in November 1983 and completing them in July 1984; b) submitted a detailed analysis of unit prices for each construction item according to which MICONS would be reimbursed for works executed; c) undertaken to provide necessary and sufficient equipment and labor in a timely fashion to execute the works on force account. Finally, the Government of Nicaragua has undertaken promptly to provide the additional resources needed for completing the program.

In addition, the Government of Nicaragua still accords high priority to the Abisinia-Valle del Cuá project and is seriously interested in completing it.

The Ministerio de la Construcción has requested the continuation of the outstanding works of the program on force account, and is of the opinion that, owing to the small size of the works, the difficult access to the site and the short construction period available because of the region's climate, an international public tender would be unworkable. The Dirección General de Vialidad (DGV) of MICONS has demonstrated its capacity to construct this type of road and is considered capable of executing the work.

4. Impact of the subprogram

The service area of the Abisinia-Valle del Cuá road measures 430km². The region is highly productive and is devoted to agricultural and livestock farming (milk, vegetables, garden produce, bananas, coffee, sugarcane, beet, cattle and maize); agricultural industries (basic coffee processing, cheesemaking, saddlery, and workshops of the services in the area); and forest products, principally logs estimated at 5,500,000 board feet (10,055 metric tons). The technical-economic feasibility study indicates that the area of influence of the road has great production potential and that the lack of an adequate road to this area seriously impeded the development of the region in general. It is projected that with the road improvements, the agricultural surplus available for marketing, which was 341,000 quintals in 1980, will increase by about 654,000 quintals in 1990 and to 1,450,000 quintals in the year 2000.

E. CONSIDERATION OF THE BOARD OF EXECUTIVE DIRECTORS

Accordingly, the Management of the Bank submits to the consideration of the Board of Executive Directors the request for approval presented by the Government of Nicaragua of the proposed extension and expansion of the authority to execute the project by force account. For that purpose the relevant proposed resolution is attached.

1506N

PROPOSED RESOLUTION

NICARAGUA. LOAN 491/SF-NI TO THE REPUBLIC OF NICARAGUA
(Amendment of Resolution DE-237/76)

The Board of Executive Directors

RESOLVES:

That paragraph 7 and subparagraph 8(e) of Resolution DE-237/76 of December 9, 1976, amended by Authorizing Memoranda 107/78 of October 26, 1978, 131/78 of December 27, 1978, 22/79 of March 13, 1979, by Resolution DE-114/79 of August 20, 1979 and by Authorizing Memorandum 125/83 of February 7, 1983, be further amended as follows:

"7. Physical Initiation and Disbursement: The term for physical initiation of all the works of the Program shall expire on March 8, 1980, and the term for disbursement of the resources of the financing shall expire on September 8, 1982, except that for the equivalent of US\$2,220,749 such term shall expire on September 8, 1984."

"8. Special Conditions:

.....

(e) The provisions of (d) above notwithstanding, DGC may execute by force account, works for construction and improvement of the roads included in the Program, up to a total amount equivalent to US\$6,000,000, as well as repairs of damages made to roads during the civil war, up to a maximum amount equivalent to US\$150,000, when the Bank so agrees upon request of the borrower supported by a justification based on the location, characteristics and other conditions of such works."

7)

INFORME DE PROGRESO DE LOS PRESTAMOS AL 31/MAR/83
(CONFIDENCIAL)

H0J

20/MAY/83

PAIS: NICARAGUA

PRESTAMO: 491/SF-NI

-----2.DATOS BASICOS-----

| | |
|---|---|
| *DEUDOR: REPUBLICA DE NICARAGUA | *MODALIDAD: |
| *GARANTE: | *GLOBAL DE OBRAS MULTIPLES |
| *EJECUTOR: MINISTERIO DE OBRAS PUBLICAS (MOP) | * |
| *OBJETO: TRANSPORTE: CAMINOS VECINALES | *3.CIFRAS BASICAS: (EN U.S.\$ EQUIVALEN |
| | * |
| | ORIGINAL |
| | *COSTO PROYECTO 22,500,000 22,5 |
| | *MONTO PRESTAMO 18,000,000 18,0 |
| | *DESEMBOLSOS: 31/DEC/82 31/M |
| | US 16,292,355 16,2 |
| | TOTAL 16,292,355 16,2 |
| | % DESEMBOLSADO 90.5% |
| *SECTOR: TRANSP. OPS: REG-1 DIV-2 PRA: DIV-PIN SFCC-TSP | |
| *AMORT.: 40 ANOS INT : 1%, 2% COMISION: 1/2 | |
| *GRACIA: 10 ANOS | |

AFINES Y NUMERO DE PROYECTO:

* 5.PERSONAL RESP. BID:

TO: NI-0033

* OPS: PENIDO H -VIVES A

A : ATP/SF-1532-NI

U.S.\$ 210,000

* PRA:

-HUTCHINS J

* LEG: RUIZ A

REP: ALVAREZ F

ISNEROS Y CONRADO CIA LTD

LAMSA

CONSORCIO GONZALEZ OPORTA/LOUIZ

AL REQUERIDA: EL EJECUTOR DEBE HACER LOS ESFUERZOS NECESARIOS PARA APROVECHAR ESTA EPOCA SECA (ENFRO-MAYO 1983) PARA EL CAMINO FALTANTE.

ES: (a) Representación: 31.XII.82; (b) Consultores: no hay; (c) Deudor: Progreso: 30.VI.82; Financiero: 31.XII.81.

CAS ULTIMO DESEMBOLSO: (a) Número: 2; (b) Meses acumulados: 12; (c) Fecha de la última: 30.VII.82 por 6 meses (FNI).

ACTUAL:

ción del Programa: El proyecto tiene por objeto cooperar en el financiamiento de un programa de construcción y mejoramiento que origina blaba aproximadamente 300 Km. de caminos vecinales en las regiones Central y del Pacífico de Nicaragua. El Banco y el prestatario acord el programa a aproximadamente 222 Kms., como consecuencia de la disminución del aporte local de US\$4,5 a US\$2,0 millones. De los 10 p es se cancelaron dos situados en zonas de difícil acceso y que indicaban menores beneficios económicos debido al incremento de costos y ón del aporte local.

de Ejecución: De los 8 proyectos restantes, se terminaron siete (7) y el faltante, Abisinia - Valle del Cua, se encuentra suspendido, del 52% debido a que el gobierno rescindió el contrato de construcción por falta de capacidad del contratista. El gobierno que había i eaba terminar ese proyecto con fondos propios y utilizar el saldo del préstamo en reparación de vías dañadas por el temporal "Alleta" d a idea. No obstante, el programa no pudo terminarse antes del plazo final de desembolsos, por lo cual se ha solicitado una prórroga esp es y dispensa de licitación pública (administración directa), para la aprobación del Directorio Ejecutivo del Banco, la cual se encuentr dentro de la Administración. Se estima que con esta prórroga y por administración directa, se cumplan totalmente los objetivos del pr ón de Cumplimiento de Cláusulas Contractuales: (i) Vencidas y no cumplidas: ninguna; (ii) Prorrogadas durante el semestre:

| Clausula | Fecha anterior | Fecha actual | Prórroga número | Meses acumulados | Observaciones |
|------------|----------------|--------------|-----------------|------------------|---------------|
| 7.03(a)(i) | | | | | |

Informes de Progreso 30.VI.82

31.08.82

30.09.82

1

1

Cumplida

| | | | | |
|-------------------------|------------------------------------|-------------|-----------------------|--------------------|
| AMERICANO DE DESARROLLO | DEUDOR: REP. NICARAGUA | DIVISION: 2 | SOLICITUDES INCLUIDAS | PRESTAMO: 491/SF-N |
| Q DE OPERACIONES | EJECUTOR: MTOP | | DIRECTO: 040A | TONELAJE TOTAL : |
| ITABLE AL: 26 ABR 83 | % DESEMBOLSADO: 90,51% | | C/C GARAN.: 002 | US. TONELADAS : |
| BR 83 10:10 | FECHA ULTIMO DESEMBOLSO: 08 MAR 83 | | FONDO ROT.: 013 | US. % : |
| | PROC: 02 MAR 83 12:51:34 | | | TONELAD. DISPEN: |

| | | | | | | |
|--------------|-------------------|--------------|-------------|------------|-----------|-------|
| DE LA CUENTA | MONTO APROBADO | COMPROMISOS | DESEMBOLSOS | BALANCE | SIN FECHA | SOLIC |
| | ORIGINAL AJUSTADO | IRREVOCABLES | AUTORIZADOS | DISPONIBLE | | AM 0 |

| | | | | |
|----------------------|---------------|---------------|---------------|--------------|
| | 18.000.000,00 | 18.000.000,00 | 16.292.355,28 | 1.707.644,72 |
| USO | | | | |
| EXTRANJERAS: DIRECTO | 6.500.000,00 | 6.500.000,00 | 5.958.396,26 | 541.603,74 |
| INDIRECTO | 7.100.000,00 | 6.100.000,00 | 5.255.764,98 | 844.235,02 |
| LOCAL | 4.400.000,00 | 5.400.000,00 | 5.078.194,04 | 321.805,96 |
| PENDIENTE | | | | |
| MON. EXTR. * | 18.000.000,00 | 18.000.000,00 | 16.292.355,28 | 1.707.644,72 |
| LOCAL | | | | |
| TONELADAS DE USO ** | 18.000.000,00 | 18.000.000,00 | 16.292.355,28 | 1.707.644,72 |
| ORIGEN | | | | |
| DOLLARS | 18.000.000,00 | 18.000.000,00 | 16.292.355,28 | 1.707.644,72 |
| INGENIERIA Y ADM. | 1.990.000,00 | 2.690.000,00 | 2.338.664,47 | 351.335,53 |
| DISENOS INGENIERIA | 750.000,00 | 750.000,00 | 750.000,00 | |
| DISENOS (D) | 525.000,00 | 525.000,00 | 525.000,00 | |
| DISENOS (L) | 225.000,00 | 225.000,00 | 225.000,00 | |
| SUPERVISION DE OBRAS | 680.000,00 | 1.455.000,00 | 1.450.212,83 | 4.787,17 |
| SUPERVISION (D) | 615.000,00 | 665.000,00 | 665.000,00 | |
| SUPERVISION (L) | 265.000,00 | 790.000,00 | 785.212,83 | 4.787,17 |
| UNIDAD EJECUTORA (L) | | 155.000,00 | | 155.000,00 |
| CONSULTORIA | 210.000,00 | 180.000,00 | 134.558,50 | 45.441,50 |
| CONSULTORIA (D) | 140.000,00 | 110.000,00 | 81.200,00 | 28.800,00 |
| CONSULTORIA (L) | 70.000,00 | 70.000,00 | 53.358,50 | 16.641,50 |
| EQUIPAMIENTO (D) | 150.000,00 | 150.000,00 | 3.893,14 | 146.106,86 |
| OSTOS DIRECTOS | 15.360.000,00 | 14.660.000,00 | 13.397.702,00 | 1.262.298,00 |
| CONST. POR CONTRATO | 11.420.000,00 | 10.350.000,00 | 9.416.302,43 | 933.697,57 |
| CONSTRUCCION (D) | 3.070.000,00 | 3.070.000,00 | 2.919.540,45 | 150.459,55 |
| CONSTRUCCION (I) | 5.450.000,00 | 4.450.000,00 | 3.785.861,06 | 664.138,94 |
| CONSTRUCCION (L) | 2.900.000,00 | 2.830.000,00 | 2.710.900,92 | 119.099,08 |
| MEJORAMIENTO POR ADM | 3.240.000,00 | 3.480.000,00 | 3.256.566,61 | 223.433,39 |
| MEJORAMIENTO (D) | 650.000,00 | 650.000,00 | 632.940,90 | 17.059,10 |
| MEJORAMIENTO (I) | 1.650.000,00 | 1.650.000,00 | 1.469.903,92 | 180.096,08 |
| MEJORAMIENTO (L) | 940.000,00 | 1.180.000,00 | 1.153.721,79 | 26.278,21 |
| ADQUISICION EQ. (D) | 700.000,00 | 680.000,00 | 574.832,96 | 105.167,04 |
| REPARACIONES (L) | | 150.000,00 | 150.000,00 | |
| | | | | -195.255,92 |
| | | | | -195.255,92 |
| OSTOS CONCURRENTES | | | | |
| OSTOS FINANCIEROS | 650.000,00 | 650.000,00 | 555.988,81 | 94.011,19 |
| F.I.V. | 180.000,00 | 180.000,00 | 180.000,00 | |
| F.I.V. (D) | 180.000,00 | 180.000,00 | 180.000,00 | |
| INTERESES | 470.000,00 | 470.000,00 | 375.988,81 | 94.011,19 |

| | | | |
|---|--|---|---|
| ERICANO DE DESARROLLO DE OPERACIONES LE ALI 26 ABR 83 83 10:10 | DEUDOR: REP. NICARAGUA EJECUTOR: MTOP % DESEMBOLSADO: 90.51% FECHA ULTIMO DESEMBOLSO: 08 MAR 83 PROC: 02 MAR 83 12:51:34 | DIVISION: 2 SOLICITUDES INCLUIDAS DIRECTO: 040A C/C GARAN.: 002 FONDO ROT.: 013 | PRESTAMO: 491/SF-NI TONELAJE TOTAL : US. TONELADAS : US. % : TONELAD. DISPEN: |
|---|--|---|---|

| LA CUENTA | MONTO APROBADO | COMPROMISOS | DESEMBOLSOS | BALANCE | SIN FECHA | SOLICIT |
|---------------------|----------------|---------------|--------------|---------------|--------------|-------------|
| | ORIGINAL | AJUSTADO | IRREVOCABLES | AUTORIZADOS | DISPONIBLE | AM 004 |
| TERESES (D) | 470.000,00 | 470.000,00 | | 375.988,81 | 94.011,19 | |
| CIPO DE FONDOS | | | | | | |
| CIPO FDS (D) | | | | | | |
| CIPO FDS (L) | | | | | | |
| GORIAS ** | 18.000.000,00 | 18.000.000,00 | | 16.292.355,28 | 1.707.644,72 | -195.255,92 |
| GINAL+AJUST.MONET)* | 18.000.000,00 | 18.000.000,00 | | 16.292.355,28 | 1.707.644,72 | |