

PROJECT ABSTRACT

Project number	UR-0029
Project name	Montevideo - Punta del Este Toll Road
Country	Uruguay
Total project cost	US\$65.0 million
IDB participation	IDB A-Loan: US\$12.0 million IDB B-Loan: US\$13.0 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	September 17, 1997

I. DESCRIPTION OF THE PROJECT

- 1.1 The Montevideo- Punta del Este Toll Road entails: (a) the operation and maintenance of a 132 kms highway system, that links Montevideo and Punta del Este; and (b) the construction of Section II and III which require an expansion of the highway from two lanes to four lanes; the length of these sections is 31 and 39 kms, respectively. The remaining sections (I, IV, V and VI) need improvement and non-routine maintenance works. For the purpose of the project, this highway has been subdivided in six sections.
- 1.2 On December 19, 1994, following a competitive bidding process, the Government of Uruguay signed with Consorcio del Este a 13-year concession to build, operate and transfer (BOT) the above mentioned highway. The existing highway requires both expansion and improvement of its lanes to improve Punta del Este's position as a major seaside resort and one of the main vacation destinations in South America. The share of tourism income in Uruguay's total export earnings represented about 25 percent in 1996.
- 1.2 This is the first highway concession granted by the Government to the private sector to operate a facility which was formerly in the public domain. Consorcio del Este has operated the highway system with a total traffic volume of about 3.4 million vehicles in 1995, 3.6 million vehicles during 1996, and 2.1 million vehicles during the first semester of 1997.

II. THE SPONSORS

- 2.1 The sponsor is Consorcio del Este. The ownership of the Consorcio is constituted by four experienced and well-known civil construction companies from Argentina, as follows: (i) Construcciones Civiles J.M. Aragón S.A. (Aragón, 39.0%); (ii) Burgwardt y Cía S.A. (Burgwardt, 20.34%); (iii) ESUCO S.A. (ESUCO, 20.33%); and (iv) Contreras Hermanos S.R.L. (Contreras, 20.33%). Consorcio del Este S.A. has been incorporated as a special purpose company and is the borrower under the IDB loan.

III. FINANCING PLAN

3.1 The proposed Financial Plan is shown below:

	Financial Plan US\$ millions	Composition %
<u>Equity/Sponsors' Funds:</u>		
Sponsor's Cash Contribution	15.5	23.8
Internal Cash Generation	24.5	37.7
Total Equity	40.0	61.5
<u>Debt:</u>		
IDB "A" Loan	12.0	18.5
IDB "B" Loan	13.0	20.0
Total Debt	25.0	38.5
Total Financial Plan	65.0	100.0

3.2 The Sponsors have requested IDB financing in the amount of US\$25.0 million. The amount to be syndicated through a "B" loan would be US\$13.0 million. IDB would participate with US\$12.0 million from its own account through an "A" loan.

IV. TIMETABLE

4.1 The road expansion of Section II was completed by the end of November 1996. The expansion of Section III started April 1997 with a projected completion date of March, 1998. The total road expansion (Sections II and III) represents 75% of the total project cost. The remaining 24% is represented primarily by non-routine improvement and maintenance, auxiliary works and installation and accessory road improvements.

V. PROCUREMENT

5.1 The decision to purchase a determined item or contracting individual works is made by Consorcio del Este's Board which is represented by all its Sponsors, and it is based on price, technical merits and timely delivery according to construction schedule. A conservative contingency and escalation provision of 10% of total project costs is made.

VI. ENVIRONMENTAL FACTORS

6.1 Since Section II and III of the project consist of the construction of a new parallel road next to the existing one, most of the environmental impacts have already occurred during the construction and operation of the existing road. The remaining sections only require maintenance and operation, therefore eventual impacts will be reduced to a minimum and localized. The Sponsors have submitted the Environmental Impact Study to the national authorities and to the Bank, which was approved November 5, 1996.

VII. ROLE OF THE IDB

7.1 The Bank's participation in the financing of this project contributes to support the Government of Uruguay in their initiative to give way to private capital participation in key economic infrastructure area. Particularly, in the transportation sector where the involvement of the private sector requires significant risk capital contribution with returns on the long term. The presence of the Bank would facilitate raising long term

financing through a Bank syndication ("B" loan), which otherwise might not be available. The Uruguayan capital markets have little room for mobilizing relatively large sums of long-term financing of infrastructure projects at accessible terms and conditions.

- 7.2 The Bank's contribution will facilitate the development of future infrastructure projects. It will therefore provide comfort to the project's investors as well as support the Government in its privatization endeavors. The expansion and improvement of the highway which links Montevideo to Punta del Este conforms to the Bank's strategy for support of infrastructure projects through lending to the private sector without government guarantees. This project is a mechanism to incorporate the private sector to participate in BOT's with the purpose of investing, operating and maintaining a public service, where the Government will be in charge of establishing norms and supervision.