REPORT NO.: RES33378

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

NATIONAL ROADS AND AIRPORT INFRASTRUCTURE PROJECT

APPROVED ON MAY 5, 2011

TO

PLURINATIONAL STATE OF BOLIVIA

TRANSPORT & DIGITAL DEVELOPMENT

LATIN AMERICA AND CARIBBEAN

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Country Director: Alberto Rodriguez
Senior Global Practice Director: Jose Luis Irigoyen
Practice Manager/Manager: Shomik Raj Mehndiratta
Task Team Leader: Stephen Muzira
I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
</tr>
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<tbody>
<tr>
<td>P122007</td>
<td>Investment Project Financing</td>
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</table>

<table>
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<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<tr>
<td>Partial Assessment (B)</td>
<td>Partial Assessment (B)</td>
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<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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<tr>
<td>05-May-2011</td>
<td>07-Aug-2018</td>
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Organizations

<table>
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<tr>
<th>Borrower</th>
<th>Responsible Agency</th>
</tr>
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<tbody>
<tr>
<td>Plurinational State of Bolivia</td>
<td>AASANA, Administradora Boliviana de Carreteras (ABC)</td>
</tr>
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</table>

Project Development Objective (PDO)

Original PDO

To improve the year-round transitability of the San Buenaventura - Ixiamas national road and improve the safety, security and operational reliability of the Rurrenabaque Airport.

Summary Status of Financing

<table>
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<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Net Commitment</th>
<th>Disbursed</th>
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</table>

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
1. The proposed Restructuring will extend the Closing date of the BOLIVIA: NATIONAL ROADS AND AIRPORT INFRASTRUCTURE PROJECT (CREDIT 4923-BO), P122007 from August 7, 2018 to October 7, 2018 (an extension of two months). This is the second extension of the Project for a cumulative duration of just over 21 months beyond the original closing date. The Government of Bolivia (GoB)’s request for closing date extension is attached. The GoB request is for a total of four years, needed to fully execute the road works and airport civil works contracts and associated activities. However, progress on a longstanding procurement issue with the road supervision contract remains unresolved. Government has committed to have this resolved by July 31, 2018. The two months extension will enable GoB to resolve this issue, as well as finalize the 2017 ABC audit, and allow the Bank to review and process a more fulsome extension. The achievement of these two key actions in conjunction with further actions included in the Government letter will put the Project back on course. The resolution of the supervision contract payment issue is the key prerequisite for the Bank to consider the longer extension requested by GoB. If the issue is not resolved by the new closing date, the Bank will discuss and agree with Government on the appropriate way forward regarding the Project.

2. Project Status: The IDA Credit 4923-BO in the amount of SDR69.65 million (US$109.5 million equivalent at time of approval) was approved on May 5, 2011 and became effective on April 10, 2012. The PDO is to improve the year-round transitability of the San Buenaventura-Ixiamas national road and improve the safety, security and operational reliability of the Rurrenabaque Airport. The achievement of the PDO is supported by the three Project Components: (1) Improving the San Buenaventura-Ixiamas National Road; (2) Improving the Rurrenabaque Airport; and (3) Institutional Strengthening of ABC (road agency) and AASANA (airport agency), and other relevant entities. The first mentioned component is co-financed with GoB, the second is fully financed by IDA and third component is fully funded by GoB. The Project is 51 percent disbursed, for a total of SDR36.24 million (US$50.36 million equivalent).

3. While Implementation Progress (IP) is currently rated unsatisfactory, GoB has taken credible steps towards overhauling the management and technical staff at ABC to improve the execution of investments in the road sector, including the Project-financed San Buenaventura-Ixiamas road. Intermediate results are evident as detailed in the component details below. The AASANA component has had a significant turnaround and is currently progressing satisfactorily. The overall progress towards the achievement of the PDO is unsatisfactory, none of the PDO indicators is achievable within the current lifetime of the Project. However, with the longer extension, along with the processing of a future Additional Financing operation, the Project can be put on course to achieve its development outcomes. Ratings will be revised and updated in August 2018.

4. Component 1 was executed through a two-lot civil works contract and a single supervision. On April 1, 2017, the foreign employees of the contractor Corsan Corviam left the work site; presumably related to the company entering pre-bankruptcy proceedings in Spain the day before. Since then, the contractor has neither maintained presence in the works site nor executed any works on the road. ABC terminated the contracts and they are currently in liquidation. In the interim, the Bank has also agreed to the financing of two small preservation and road safety contracts (approximately US$250,000 each) to ensure that sunk investments are not lost, and road safety is sustained. ABC has fully updated the two road lots designs. The Bank has provided its no objection to the technical design with minor comments; bidding documents should be updated.

5. The supervision consultant ACCIONA is still under contract. However, ABC during implementation of the contract changed the payment modality for the supervision stage without the Bank’s knowledge. ABC was advised to revert to the payment modality of the contract no-objected to by the Bank. Final reviews have been completed. ACCIONA is submitting the agreed payment certificates for the years 2014-2017 by July 20, 2018; and payments are expected within the proposed short extension timeframe to prevent a mis-procurement review.
6. Both the Contractor and Supervision Firm contracts are under INT review.

7. The implementation of the “soft components” of the Indigenous Peoples’ Plans (IPP) for both the Tacana in the TCO Tacana I community, and Eyiyoquibo Esse Ejja indigenous community has continued even with the stagnation of works. However, the “hard” infrastructure constructions envisaged under the contractor’s contracts have not progressed and the representatives have expressed concern. This issue will be fully fixed once the final closing date arrangements are concluded to enable use of Project funds to this end.

8. The issue of payment of ex-workers, ex-suppliers and other third parties left stranded following the departure of the Contractor is being handled by the court system in Bolivia, with the active follow-up by ABC’s legal and technical teams, and Bank monitoring.

9. The ABC audit for 2017 was delayed. However, the process is underway for a rapid contracting and the final audit report will be sent to the Bank by August 15, 2018. The FM Manager and Disbursements Manager Clearance have been obtained. ABC will also provide information on the planned use of the outstanding balance on the inactive designated account before the indicated date.

10. Component 2 is executed by AASANA, which is responsible for most airports in Bolivia. The scope of the component is upgrading of a small regional airport in Rurrenabaque, including construction of a terminal and air control tower, apron and taxiway to runway, equipment provision, as well as assembly of a fire truck. All civil works, and supervision have been contracted, and works finally started in May 2018 after a prolonged delay that was out of the control of AASANA (compensation to two landowners affected by the construction of the airport’s track financed by the local government before Project approval). This component has had a significant turnaround and is progressing satisfactorily.

11. Component 3 aims at institutional strengthening of ABC and AASANA, as well as SERNAP and ABT, the agencies for protected areas, and forest and land, respectively. The component also envisioned creation and operationalization of a participatory working group for the sustainable development of the project area. The Ministry of Development Planning is responsible for the component, which is fully financed by GoB. To date, very limited financing has been provided to ABC for institutional strengthening, and none to SERNAP and ABT. The working group was never formed as explained by the Ministry at a later point because the GoB wanted any territorial development to take place under established policies and practices of the administration and not via a singular Project. This Component will need to be restructured during the period of the longer extension, if granted.

12. Rationale for Closing Date Extension. The Project had delays relating to the abandonment of the San Buenaventura-Ixiamas road works by the Contractor in April 2017. In the past, both ABC and AASANA have also had technical and procurement capacity constraints that led to delays in the contracting and implementation of the respective components. The commitment of GoB to Component 3 as now formulated will need to be revisited. There are indications of project improvement on several fronts. The GoB took decisive actions in changing management at both ABC (in late May 2018), and AASANA, and the results since these changes have been very encouraging. The current short extension is needed to verify that the longstanding modality payment issue for ACCIONA is successfully completed. This will provide the certainty that Project activities can be resumed immediately. The fuller four-year extension (at RVP-level decision) will be necessary in a subsequent restructuring to enable the achievement of the Project objectives by: (i) completing the construction of the San Buenaventura-Ixiamas road, (ii) implementing the unfinished IPP for both the Tacana and Esse Ejja communities in the project area, (iii) restructuring of Component 3,
and (iv) finalizing contractual obligations for a modernized facility and services at Rurrenabaque airport. The project objectives remain highly relevant. Successful construction of the San Buenaventura-Ixiamas road will be very beneficial to the largely indigenous population in the project area, improving access to economic and social opportunities. Improvement of the capacity, safety and security at Rurrenabaque airport is a significant priority for the promotion of tourism in the region, as is the strengthening of capacities of ABC, AASANA, SERNAP and ABT.

13. Key milestones have been established in an Action Plan, as indicated in the Government’s closing date extension letter, to resolve all issues flagged in this Restructuring Paper.

14. In addition to the long extension, an Additional Financing will be required in the future to cover the increased cost of Project activities.

15. Proposed changes. The sole change at this stage is the extension of the Project closing date for two months, to October 7, 2018.

16. If progress materializes on the Action Plan, especially with regards to the longstanding issue of correcting the payment modality of the ACCIONA contract, a follow-up restructuring for a closing date extension in line with the request of the Government of Bolivia will be prepared.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

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<th>Ln/Cr/Tf</th>
<th>Status</th>
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<th>Proposed Closing</th>
<th>Proposed Deadline for Withdrawal Applications</th>
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