



<b>1. Project Data:</b>		<b>Date Posted :</b> 05/22/2003	
<b>PROJ ID:</b> P039082		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Toll Road Concession	<b>Project Costs (US\$M)</b>	572.30	Not Available
<b>Country:</b> Colombia	<b>Loan/Credit (US\$M)</b>	137.10	
<b>Sector(s):</b> Board: TR - Roads and highways (100%)	<b>Cofinancing (US\$M)</b>	395.10	
<b>L/C Number:</b> L4370			
	<b>Board Approval (FY)</b>		99
<b>Partners involved :</b>	<b>Closing Date</b>	06/30/2000	04/30/2001

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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**2. Project Objectives and Components**

**a. Objectives**

The overall purpose of the project was to improve transport conditions along a strategic road corridor linking Bogota with Medellin and the ports on the north coast through an effective and sustainable private -public partnership. Specific objectives were to:

- (a) Reduce transport costs and improve the level of service by building and upgrading key sections along the highway corridor
- (b) Attract and maintain adequate private services to mobilize equity and debt through more favorable financing structures than those attained in previous road concessions in Colombia, to finance road improvements and manage operations
- (c) Strengthen the National Institute of Highways (INVIAS) capacity to prepare future road concession projects and put into effect key policies for sustainable development of highway corridors .

**b. Components**

The execution and management of the project, and the mobilization of part of the financing required, was to be done by a private concessionaire selected on the basis of International Competitive Bidding . Components were:

- (i) The operation and maintenance of the existing road from El Vino to Villeta (Link 1; 51 km)
- (ii) The rehabilitation, operation and maintenance of the existing, winding road from Villeta to Honda (Link 2; 72 km)
- (iii) The construction, operation and maintenance of a new highway from Tobiagrande to Puerto Salgar, including about 15 tunnels and about 37 bridges and viaducts (Link 3; 68.4 km)
- (iv) The operation and maintenance of the existing road from Honda to San Alberto (Link 4; 380 km)

The project also included the transfer of the management of about 200 ha. of a sub-Andean land as a natural forest reserve, in order to preserve the environment along the right -of-way of the new road.

**c. Comments on Project Cost, Financing and Dates**

The Bank loan was to finance the government of Colombia 's capital contribution to this project, a public-private collaboration managed by a private concessionaire that was contributing a majority of the financing to implement the project components. This was the Bank's first involvement in supporting a privately funded project within the transport sector in the LAC region .

The Bank disbursed a first contribution of about 26% of the loan amount into a project trust, but no significant implementation of the project was achieved before the loan account was closed on April 30, 2001, ten months after the expected closing date.

### 3. Achievement of Relevant Objectives:

- (a) Reduce transport costs / Build highway corridor
- This objective has not been achieved. Transport costs have not been reduced to the levels expected at appraisal, nor has service improved substantially along the highway corridor. Construction of works along Link 3, the main physical works of the project and the key factor in reducing transport costs, was incomplete at closing. Rehabilitation of Link 2 was completed, and maintenance was undertaken on roads managed by concessionaire.
- (b) Attract private sector financing and services for the road sector
- This objective has not been achieved. While the size and terms of equity and debt financing committed by the concessionaire were unprecedented for road concessions in Colombia (concessionaire secured a \$315 million loan), ultimately the commercial loan was not disbursed by the lending institution, the concessionaire was sued by INVIAS for breach of contract, and the concessions reverted back to government control (pending litigation).
- (c) Strengthen INVIAS' capacity and establish policies for sustainable highway development
- This objective has not been achieved. INVIAS' capacity has not been strengthened. Frequent turnover of technical staff and top management positions, reductions in revenues, as well as unfunded mandates from the government, has limited INVIAS' capacity to structure and supervise road concessions, maintenance and rehabilitation, and construction. Furthermore, the reform agenda for the road sector (particularly road financing reform and regulatory reform) remains unfinished. While the Regulatory Commission for Transport was created within the Ministry of Transport, it had not been funded to operate by the date of loan closing -- more than a year after its existence was decreed.

### 4. Significant Outcomes/Impacts:

No significant outcomes were achieved before the loan account was closed.

### 5. Significant Shortcomings (including non-compliance with safeguard policies):

Project objectives were not achieved. Safeguard policies: the unfinished nature of the works is believed to have created local environmental problems and adverse social impacts.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Not Rated	Unsatisfactory	
Institutional Dev.:	Not Rated	Negligible	
Sustainability:	Not Rated	Unlikely	
Bank Performance:	Not Rated	Satisfactory	
Borrower Perf.:	Not Rated	Not Rated	
Quality of ICR:		Unsatisfactory	

NOTE: ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

### 7. Lessons of Broad Applicability:

- Bidding processes should be designed to discourage the success of "overly" aggressive bids that contribute to added financial and technical risks on the concessionaire. In this project, the requirement that the concession contract be awarded to the bid that represented the least expected cost to the government proved to be shortsighted. The successful bidder proposed a government capital contribution that was USD\$ 83 million less than the immediate competitor and was the only bidder not to request any instruments offered by Government and the Bank to mitigate financial risk. The government should have been able to consider such facts in its award decision.
- Regulatory capacity should be sufficiently established before the bidding process begins for a concession. In this project, the establishment of a regulatory commission with responsibility for road concessions was decreed only after the project had begun, and it was not operational by the close of the Bank loan.

### 8. Assessment Recommended? Yes No

**Why?** The Bank has much to learn from this experience that it can apply to future concession projects.

### 9. Comments on Quality of ICR:

A Project Completion Note (PCN) was submitted to OED rather than a full ICR. The quality of PCN is unsatisfactory for the following reasons:

- A full ICR should have been issued
- The approval of OED should have been secured before issuing the PCN

• The PCN contains inadequate information on project achievements and implementation experience.  
The ratings in this Evaluation Summary are based on information made available to OED by the Region, not just the PCN.