I. Introduction and Context

Country Context

1. The World Bank Group’s Interim Strategy Note (ISN) for Ecuador discussed on April 9, 2013 identified transport and access to basic services at the subnational level as key priorities for the authorities to contribute to their goal for inclusive and sustainable growth. The country has seen a period of relative political stability and the Government of Ecuador (GoE) has invested unprecedented amounts of resources in infrastructure and the social sectors in an effort to reduce inequality and promote inclusion.

2. Poverty has fallen considerably in recent years, making Ecuador one of the countries in the Latin America and the Caribbean region with the strongest results in reducing poverty. Between 2006 and 2012, income poverty at the national poverty line fell from 37.6 percent to 27.3 percent, while extreme poverty fell from 16.9 percent to 11.2 percent. Nonetheless, despite the significant reduction in poverty and growth of the middle class, more than half of the population in Ecuador...
remains poor or vulnerable to falling back into poverty.

3. Public investment has been an important support to economic growth, doubling from nearly 24 percent of GDP in 2006 to about 46 percent of GDP in 2011, and putting Ecuador at levels above comparator countries in the region. The GoE is expected to maintain a high level of public spending in the near and medium term, and, as urban areas continue to grow, the need for housing, infrastructure, and urban services will require increased resources and attention. Ecuador has indeed experienced rapid growth of its urban areas, with an increase in the level of urbanization reaching at least 65 percent by 2011, not only in the two major cities of Quito and Guayaquil, but also in medium-sized cities such as Cuenca, Santo Domingo, Manta and Ibarra.

4. The GoE has requested support from the Bank for sub-national governments to improve transport infrastructure and mobility in several cities and provinces in the country, where the low quality of public transport services affects productivity and creates a trend towards a high-carbon motorized urban footprint. In line with these strategies, the Project seeks to improve equitable access to markets and essential services for poor households, thus contributing, in collaboration with local authorities, to increasing the welfare of the poor and vulnerable in Ibarra and increased shared prosperity.

**Sectoral and Institutional Context**

5. Urbanization has been accompanied by similar increases in motorization rates (from 65 vehicles per 1000 inhabitants in the early 2000’s to approximately 90 by 2011) and a concomitant increase in the related negative externalities, particularly air pollution and road accidents. To arrest the deterioration of mobility in urban areas and particularly in medium-sized cities, actions are urgently needed to ensure the more efficient functioning of urban areas. Historically, the levels of investment in urban transport networks have not kept pace with development needs, but recently the GoE has started to address those trends through enhancement of the planning and management of transport systems and increases in the level of investments in infrastructure. In particular, the GoE, in collaboration with local authorities, has committed support to the implementation of mass transit systems in the largest cities (such as with the Quito Metro and Cuenca Tramway projects) and interventions in the urban road network in medium-sized cities (such as Manta, Ibarra) to improve their conditions for transit operations, pedestrian use, and overall safety.

6. The city of Ibarra (pop. 182,000 in 2010, 18% of which is Indigenous and Afro-Ecuatorian) is a medium-sized fast growing mountain city with agriculture, service industry, and tourism as its main economic activities. Ibarra’s road network has a total length of 430 km consisting 2% asphalt pavement, 50% brick pavement, 33% cobblestone and the remainder earth roads. Approximately 73% of the network is considered to be in regular-good condition, with moderate levels of congestion, with 26,000 vehicles per day entering the city. About 30% of the available sidewalks are considered to be in poor condition. The city has adopted an approach to include non-motorized transport options (cycling and walking) as part of the overall urban mobility plan. There are 246 buses providing public transport services, which may be optimized to enhance service and coverage as well as increase user satisfaction. Proactive planning and incentives for both the demand and supply sides may enable more sustainable growth patterns, ensuring that sustainable transport modes remain available, even as motorization rates and motorcycle ownership increase. Investments in road and bridge infrastructure would increase access and reduce the number of isolated communities.
7. San Antonio de Ibarra is a parish with a rich cultural history and tradition, whose residents depend on the art and craft of woodcarving, painting, sculpture, ceramics, fabrics and embroideries as the main source of income. The Yahuarcocha Lagoon is an emblematic natural resource that provides urban spaces for recreational and active pursuits and has an untapped touristic potential that could be further exploited. The municipality of Ibarra is responsible for the preservation and maintenance of important cultural and tourist assets. Investments to support transport infrastructure upgrading would promote social interaction and foster more sustainable and environmentally friendly uses of recreational spaces, such as increased cycling and walking.

Relationship to CAS
8. The proposed operation is fully consistent with the Interim Strategy Note (ISN) discussed at the Board in April 2013, which includes financing for investment lending operations with a focus on sub-national lending. The GoE has requested World Bank support for sub-national governments in the infrastructure sector as well as improving urban transport in several cities, where limited mass transport services affect productivity and create a trend towards a high-carbon motorized urban footprint. In the ISN, the Government and the Bank agreed to focus on three strategic areas, and the proposed operation is particularly consistent with the first two pillars, namely “Sustainable and Inclusive Growth” and “Access to Social Protection and Quality Services for all”. The proposed project aims to address investment priorities identified through a strategic planning background within which the project sub-components have been selected to support the development plans of the Municipality, as well as address demands expressed through community participation. The Municipality systematically plans for projects in line with strategic development goals outlined in the Plan de Desarrollo y Ordenamiento Territorial, which is regularly updated, and is aligned with the Municipality Mobility Plan and congestion alleviation plans. In addition, the Municipality has an ongoing program of community participation to further the support the identification of development needs at the community level. These efforts resulted in the identification of the proposed project which aims to increase access, promote cultural heritage preservation, facilitate renewal of urban spaces and encourage tourism.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

9. The proposed Project Development Objective (PDO) is to improve accessibility in the Municipality of Ibarra and enhance mobility within its recreational and touristic urban spaces.

Key Results (From PCN)

10. The achievement of the objective will be measured through a series of indicators, which will be further refined and identified during project preparation.

11. The achievement of the objectives will be measured through: (i) increased length of the road network in good/regular condition; (ii) reduced time to access markets and essential services for indigenous population; (iii) increased walking and cycling in the Yuaharcocha area; and (iv) improved access to and increased satisfaction level of users of upgraded cultural and recreational spaces in San Antonio and Yuaharcocha. These achievements will also facilitate an increased number of tourist and resident visitors to cultural and tourist attractions, particularly those arriving on public or non-motorized transport. The indicators would be disaggregated by gender (and ethnicity if feasible).

III. Preliminary Description
**Concept Description**

12. The proposed project would achieve the above mentioned objective through the implementation of four components:

13. Component 1: Municipal road infrastructure improvement (IBRD $7.5 million, local US $2.5 million). This component will support infrastructure investments including: (i) labor intensive brick paving works; (ii) capacity expansion asphalt road improvement works; and (iii) associated works supervision. The brick paving works will take place within the existing right of way. The second sub-component consists of the widening of a major access roadway linking to Yahuarcocha to add capacity (two lane to four lane) and alleviate congestion.

14. Component 2: Neighborhood improvement (IBRD $2.5 million, local US$0.75 million). This component aimed to improve public spaces, will support construction and restoration of infrastructure to support sustainable tourism including the provision of sidewalks, footpaths, cycle infrastructure, as well as enhancing streetscapes, urban environment, green spaces and installation of urban community equipment to promote social interactions and potentially increase economic activities.

15. Component 3: Bridge construction (IBRD $4.5 million, local US$1.25 million). This component will support the rehabilitation of community bridges to improve vehicular (and non-motorized) access to isolated indigenous communities in the peri-urban parishes of Ibarra. The component also includes the two-lane to four lane capacity expansion of the Tahuando Bridge that links to the access road to the Yahuarcocha Lagoon. This component will also seek to incorporate measures to enhance resilience and mitigate the risks of flooding in the future, as some of the bridges were destroyed by flooding in 2010.

16. Component 4: Technical assistance (IBRD US$0.5 million, local US$0.5 million). This component will provide technical assistance to support units in the Municipality of Ibarra responsible for mobility, public works, traffic, and urban planning. The activities will be focused to strengthen institutional capacity for road asset management, transport planning, cycle inclusive planning, and the citizen-municipality interface and engagement on these topics, as well as community participation to support and promote sustainable tourism. During preparation, the team will explore opportunities to incorporate resilience to natural disasters and climate change as well as gender aspects in the project scope and activities, and possibility of leveraging additional grant resources.

**IV. Safeguard Policies that might apply**

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V. **Financing (in USD Million)**

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VI. **Contact point**

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