I. Project Context

Country Context

Economic growth in Ecuador, combined with falling inequality, has led to important gains in reducing poverty and promoting shared prosperity over the past decade. During 2004-14, GDP per capita growth[1] in the country was above regional average. However, after several years of strong performance, GDP growth decelerated to 3.8 percent in 2014 and to 2.1 percent y-o-y in the first semester of 2015[2]. Income distribution has significantly improved, as expressed by the Gini coefficient, declining from 0.54 in December 2006 to 0.44 in June 2015. As a result, Ecuador is among the countries with the strongest results in reducing poverty in Latin America and the Caribbean. The national poverty rate decreased from 36.7 percent to 22.35 percent between December 2007 and September 2015.[3] Extreme poverty rate fell from 16.45 percent to 7.43 percent over the same period. Similarly, in the 2003-2012 period, the growth rate of the income of the bottom 40 percent has attained roughly 7 percent per annum against 4 percent for the average population, placing Ecuador as one of the top performers in boosting shared prosperity. Notwithstanding these significant strides in poverty reduction and growth of middle class, more than half of the population in Ecuador remains poor or vulnerable to falling back into poverty.

However, the oil boom of the past has given way to a more constrained economic context. Oil
prices have declined by more than half from $85 per barrel in 2014 to prices currently below $40 per barrel. Reduced revenues from oil have resulted in a decline in public sector investments. Nevertheless, strategic infrastructure projects, including large hydroelectric facilities and upgrading of a key refinery, are expected to continue, with the hope to turn the economic tide once they come online. At the subnational level, numerous challenges remain to address the impact of high levels of urbanization on the provision of urban infrastructure services. Urbanization rates have exceeded 65 percent. Effective urban development plans require the articulation of key investments for the provision of transport, housing, water, sanitation, electricity, health and education. As Ecuador’s urban areas continue to expand, demand for urban services will expand beyond the two major cities of Quito and Guayaquil to secondary cities across the country, where urbanization rates are highest.

In 2013, the Government released an updated Development Plan (Plan Nacional para el Buen Vivir 2013-2017) with 12 objectives focused on improving the quality of life of the population and fostering equality, cohesion, inclusion and territorial equity in diversity, among others. Moreover, it also stresses the priority of transforming the productive matrix (e.g. energy matrix, irrigation), creating knowledge hubs, and developing a strategy for the eradication of poverty, which is currently being designed by SENPLADES (National Planning and Development Secretariat).

**Sectoral and institutional Context**

During the last decade, the Government of Ecuador (GoE) has introduced strategies and actions aimed at enhancing the planning and management of urban transport systems, as well as increasing the level of investments in infrastructure. Furthermore, the GoE has committed to support the implementation of context-sensitive urban transport projects both for large and medium-sized cities. In the case of the largest cities, support has been provided for urban mass transit systems (such as with the Quito Metro and Cuenca Tram) and, for the case of medium-sized cities, such as Manta and Ibarra, support has been provided to implement urban road network improvements to benefit transit operations, non-motorized transport, and overall traffic safety and vehicular circulation.

The city of Ibarra is the capital of the province of Imbabura, located 130 km north of Quito, Ecuador’s capital city. Ibarra registered a population of 182,000 in 2010, projected to grow to 190,000 by 2015[4]. Eighteen percent of the population is Indigenous and Afro- Ecuadorian. By Ecuadorian standards, the city is considered as a medium-sized urban agglomeration. Ibarra registers important urbanization and demographic growth rates, and its economy is based on agriculture and tourism. Geographically, Ibarra is located on a small plateau in the Andes mountain range, limited on the north by the Yahuarcocha lagoon, and on the east, south and west by mountains. The Yahuarcocha lagoon is the city’s main landmark, touristic attraction and natural reservoir. Ibarra’s relative proximity to Quito, and the fact that it is a strategic midpoint between Quito and the Colombian border, have contributed to become one of the fastest growing urban agglomerations in the northern part of the country. Additionally, Ibarra is located less than 20 km from Yachay, named by the GoE as the City of Knowledge and planned to be one of the most important educational centers in the country. Ibarra has historically experienced the perks and downsides of its proximity to the Panamericana Highway. Recently, Ibarra has been included among one of the destinations in a touristic circuit identified by the GoE to enhance tourism both on a national and international level. In consequence, investments to increase the touristic attractiveness and capacity of the lagoon area have followed in the aim to improve street furniture, connectivity between the city and other touristic spaces, and mobility within the Lagoon.
Ibarra’s traffic volumes currently register nearly 26,000 daily vehicles entering the city from the highway. In this sense, dealing with through traffic is an important issue for Ibarra, since increasing traffic volumes have been associated with increased transport-related negative externalities, particularly air pollution, road traffic crashes and related losses and injuries. Currently the GoE is building a lateral bypass for the Panamericana Highway. This bypass will reduce the traffic inside the city, especially lowering the number of heavy vehicles across the city center.

The Sustainable Transport Master Plan[5] (PMS) identified key challenges for the mobility sector and proposed short, mid and long term actions to foster transit and non-motorized oriented urban development

The PMS identified that the city is confronting typical mobility challenges associated with rapidly growing intermediate cities. Traffic volumes both for passenger and freight vehicles are now at the level of generating congestion levels in main road network corridors and segments. The historic center is facing severe traffic challenges caused by through traffic that is impacting the quality of its mobility and deteriorating the potential of non-motorized transport public space.

An additional area of increasing concern is the limited accessibility to public transport in the southernmost, predominantly lower income, neighborhoods and northern sections of Ibarra. The PMS diagnostic identified important deficiencies in the sidewalk network as well as a suboptimal bus network and over supply of taxis. Considering that the poorest are the ones more dependent on non-motorized infrastructure and public transport services, the lack of proper transit options, an entangled road system, poor road infrastructure, and opportunistic taxi services[6] entail significant impacts to their accessibility to opportunities and services, especially considering that they spend a large share of their income on transit (around 20% of the house income).

The five key components of the Municipal Investment Plan to increase accessibility include: (i) the rehabilitation and construction of road connections gives shape to the Ring Boulevard, connects lower income neighborhoods in the north and south of the city with both the historic center and the Yahuarcocha lagoon; (ii) the construction of pedestrian strips and bike paths on the historic center and along the Ring Boulevard, to increase available public space for active transport modes; (iii) the optimization of the bus network, to allow increased coverage to the city’s lower income or peripheral neighborhoods; (iv) the rerouting motorized traffic through the ring-road to reduce travel times, alleviate congestion, and decrease air pollution and risk of road crashes; and (v) the revision of traffic circulation patterns to limit pass-through traffic in the city center, regulate heavy traffic and allow Ibarra’s historic downtown to adopt a human scale for its public space. Along with this, Municipality is considering a road maintenance plan in order to ensure that all these measures are sustainable and conserved in the long term.

II. Proposed Development Objectives
The Project Development Objective (PDO) is to improve mobility of Ibarra and the use of recreational spaces in the Yahuarcocha lagoon area.

III. Project Description
Component Name
Component 1: Improve mobility in the city
Comments (optional)
(US$85.5 m. total; US$47.6 m. IBRD) This component consists of the construction of a Ring
Boulevard, divided into two phases: Phase 1 Northern Segment (US$ 20.8 m total; US$ 18.6 m IBRD) which will finance the construction of 9.5 km and Phase 2, including the Southern Segment (additional US$ 37.4 m total; US$ 19.8 m IBRD) of 12 km. The project will finance construction supervision activities in both phases, starting with the Northern Segment with an expected completion by 2018. Results indicators will be measured separately for each two phases. Overall, the component includes the construction of an urban ring boulevard with two vehicular lanes and non-motorized infrastructure for walking and biking per direction. Most segments of this boulevard will be upgrade

**Component Name**

Component 2: Improve public and tourist space

**Comments (optional)**

(US$2.9 m. total; US$2.6 m. IBRD) This component will improve the quality and quantity of public space including outdoor, recreational and tourist friendly public space. In the highly touristic and recreational area of Yahuarcocha Lagoon, the component will finance the construction and restoration of infrastructure to support sustainable tourism including the provision of sidewalks, footpaths and cycle infrastructure; the enhancement of streetscape, urban environment and green spaces; and the installation of urban community equipment, such as fountains, playgrounds, picnic areas or benches, to promote social interactions and increase economic activities.

**Component Name**

Component 3: Provide technical assistance

**Comments (optional)**

(US$1.57 m. total; US$1.4 m. IBRD) This component will provide technical assistance to support units in the Municipality of Ibarra responsible for mobility, public works, traffic, urban transport and urban planning. Specifically, these activities will be focused on: (i) strengthening institutional capacity for road asset management, (ii) support the reorganization of public transport and the definition of a non-motorized transport and road safety plan, and (iii) assist with the completion of an integration, urban planning, densification and mobility study. During implementation, the Municipality agrees to a reorganization of public transport routes through the Ring Boulevard, and to define a legal framework for the land use in the terrains adjacent to the Boulevard.

**Component Name**

Component 4: Provide Project Management capacity

**Comments (optional)**

(US$0.95 m. total; US$0.85 m. IBRD) This component will finance targeted incremental costs associated with overall project management, including the hiring of a new project coordinator, project-related audits, monitoring and evaluation to follow up the Project indicators described in annex 1, environmental and social management, beneficiary assessments, feedback mechanisms, publication on newspapers of the procurement processes and the purchase of new equipment.

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

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V. Implementation
The GAD (Autonomous Decentralized Government) of Ibarra, through the Department of Public Works (DPW), is responsible for overall project preparation and implementation to achieve the Project’s development objectives. DPW is responsible for execution of all project components and for compliance with the Loan Agreement and fiduciary and safeguards policies. The Director of Public Works reports directly to the Mayor’s Office, and will have the support of a full-time Project Coordinator, who will ensure the efficient and effective workflows on all matters related to the project. The Mayor will establish, through Administrative Resolution, a Project Management Unit (PMU) for the duration of the project, headed by the Project Coordinator, and staffed full time with a Contracts Administrator, Environmental Specialist, a Social Specialist and a Financial Management Specialist. The Project Coordinator will lead the work of the PMU, which will draw upon technical, fiduciary and administrative support from the Directors of Procurement, Finance, Urban Development, Mobility, Citizen Participation, Environment, Tourism and the public transit company (Movilidad del Norte Empresa Pública - Movidelnor EP, a public company integrating the mobility management of several municipalities to achieve economies of scale). The Director of Valuation and Cadaster will supervise a firm hired to carry out the resettlement action plan on behalf of the Municipality. The Environmental Specialist, in coordination with and support from the Department of Environment, is responsible for the implementation of the Environmental Management Plans. The Project Coordinator, working along with the PMU will consolidate all technical, fiduciary, safeguards, and monitoring and evaluation inputs for timely reporting as applicable. Community engagement is overseen by the Citizen Participation Department, which is responsible for community relations and outreach, including conducting gender sensitive consultations and engaging with the indigenous and afro-descendant communities.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

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