

**PROGRAM-FOR-RESULTS INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: 112853

Program Name	Road Rehabilitation and Maintenance Program
Region	Latina American and Caribbean
Country	Oriental Republic of Uruguay
Sector	Transport
Lending Instrument	Program for Results-Additional Financing
Program ID	P162110
Parent Program ID	P125803
Borrower(s)	Oriental Republic of Uruguay
Implementing Agency	Ministry of Transport and Public Works
Date PID Prepared	February 14, 2017
Estimated Date of Appraisal Completion	February 23, 2017
Estimated Date of Board Approval	March 24, 2017

I. Country Context

In 2015, the Uruguay national gross product per capita income stood at US\$15,720, according to the Atlas method. Two country's main characteristics —a solid social contract and economic openness— paved the way to the reduction in poverty and the promotion of shared prosperity that Uruguay successfully followed in the last decade. Moderate poverty went from 32.5% in 2006 to 9.7% in 2015, while extreme poverty has practically disappeared: it went down from 2.5% to 0.3% in the same period. In terms of equity, income levels among the poorest 40% of the Uruguayan population increased much faster than the average growth rate of income levels for the entire population. In relative terms, its middle class is the largest in America, and represents 60% of its population.

Its robust macroeconomic performance was also reflected in the labor market, which registered historically low unemployment levels in 2014 (6.6%), although in view of a marked slowdown in growth, the latter has increased to 8.6% in July of 2016. Concerning export markets, these have been diversified with the aim of reducing the country's dependency on its main trade partners; currently, 77% of exports go to 15 different destinations.

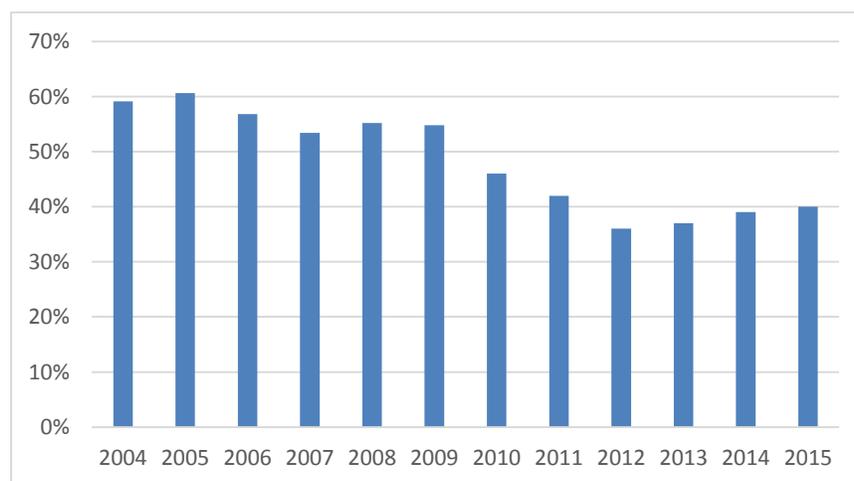
Between 2006 and 2015, Uruguay grew at an average rate of 4.8%. Today, Uruguay continues to maintain an adequate macroeconomic framework although in a much more complicated external environment.

II. Sectoral and Institutional Context

Highway infrastructure in good condition is critical for the competitiveness of Uruguay's economy and its aspiration to become a Southern Cone logistics platform. The quality of road infrastructure is a key enabler of logistics services, as about 95 percent of cargo (in ton-kilometers) are transported by road. Transportation costs still severely hamper logistic efficiency and export competitiveness, calling for continued support for better national roads condition. Road-based transport costs represent up to 70% of total logistic costs in some of the most relevant logistic chains.¹ The average cost of a ton-kilometer transported by road in Uruguay is estimated at US\$0.19, while international benchmarks range between US\$0.08 and US\$0.10, making Uruguay's road transportation at least twice as expensive compared to best performers.

The Uruguay 2013-2016 National Road Rehabilitation and Maintenance Program (NRMP), supported by the Program has reduced the rate of deterioration of Uruguay's road network. Since 2013, about US\$500 million have been invested in roads through the NMRP to maintain the 9,000 km of the Uruguay national road network and, specifically, to rehabilitate more than 500 km of highways. Prior to the initiation of the NRMP, 35% of the road network was in good or very good conditions; today, it is estimated that about 40 percent of the national road network is in good or very good condition.

Percentage of the Uruguay national road network in good or very good condition



Going further, the Government of Uruguay elected in 2015 has scaled-up the priority given to transport infrastructure upgrading, as evidenced by several concrete actions. First, the Ministry of Transport and Public Works (MTO) budget for roads has been increased by about 20% over the 2015-2019 period (compared to the 2010-2015 budget period). The Uruguay government coordinated across International Financing Institutions (IFIs) to contribute funding the NRMP. Second, the scope of the Uruguay Road Corporation (CVU), a public concessionaire managing Uruguay's key highway network, has been expanded, both in size (CVU now manages 2,600 km of highways, up from 1,600 km in 2013) and in its capacity to leverage funds. Finally, Uruguay

¹ Soybean logistics – Argentina, Paraguay, Uruguay. World Bank, 2016

has given a strong push for private sector participation in road financing and management. MTOP has identified 1,630 km of national roads to be managed under PPP arrangements; the *Ruta 21* and *Ruta 24* PPP bid (approx. 170 km) is currently in the final phase of negotiations.

Besides, road safety and road infrastructure resilience towards increasingly frequent adverse climate events have gained traction in Uruguay. In 2015, UNASEV, Uruguay's national agency for road safety, estimated that 506 people lost their lives in car crashes, with 37.5% of fatalities occurring on the national road network. Unsafe roads generate a significant economic and social burden for Uruguay, which is increasingly taking measures to improve safety standards of its road infrastructure, in line with Pillar 2 of the United Nations Decade of Action for Road Safety. In terms of infrastructure resilience, the sequence of violent climate events that struck the country in recent years (severe storms, tidal waves, floods, high speed winds, etc.) have put in evidence the vulnerability of critical road infrastructure, with highly disruptive consequences as regards trade flows and accessibility to basic social services.

III. Program Scope

The Program consists of the following activities within the Uruguay National Road Network, from January 1, 2013 until December 31, 2019:

- Road rehabilitation and/or maintenance works, which consists of, *inter alia*: (i) pavement rehabilitation; (ii) pavement resurfacing; (iii) shoulders' rehabilitation and/or surfacing; (iv) repairing and/or upgrading drainage systems; and (v) rehabilitation and maintenance of road vertical and horizontal signaling.
- Bridge rehabilitation and maintenance works, which consists of, *inter alia*: (i) structure repairing of deck, abutments, piers and foundations; and (ii) the enhancement of bridge functional characteristics, such as increasing bridge extension, deck widening and increasing of bridge bearing capacity.
- Bridge reconstruction works, which consists of the construction of a new structure and its contiguous road accesses, to replace an existing bridge on the same location or in its vicinity.
- Road safety investments, which consists of, *inter alia*: (i) investments to improve visibility; (ii) investments to reduce road crashes severity; and (iii) road equipment investments.
- Provision of technical assistance to DNV, DNTop and DINAPLO, including, *inter alia*: (i) the carrying out of road condition surveys; (ii) the carrying out of training and capacity building activities; and (iii) the carrying out of studies required to implement the Program.

IV. Program Development Objective(s)

To improve the condition of the National Road Network and enhance road sector management.

V. Environmental and Social Effects

Program environmental and social management systems are deemed overall satisfactory. The Program implementing entities and environmental / social systems regulations remain overall the

same as for the original loan. The environmental and social impacts of the Program would not change substantially because of the inclusion of the new road safety activities within the Program.

While the environmental audit reports carried out during Program implementation have reported unconformities (related to, among others: air emissions from asphalt plants, lack of permits from the environmental agency for quarries, contamination of water bodies, management of hazardous materials-diesel tanks- and noise), no major shortcoming has been identified. The main environmental regulatory instrument for the Program is the DNV Environmental Manual, which a document well known in the country and by contractors; this Environmental manual was improved as part of the original loan PAP. The incremental Environmental and Social Systems Assessment (ESSA) shows that the Program implementation entities have actually improved environmental management during the original loan implementation; for instance, the environmental unit of DNV has now been converted to an Environmental Department and DNV has systematized environmental audits.

As regards Program's social management, while some civil works to be financed under the Program may require land acquisition in specific cases, most rehabilitation and maintenance works under the Program would be carried out within the existing right of way and would not require land acquisition. Land acquisition would take place per the provisions of the Expropriation Law, which provides adequate protection to the affected persons. The activities planned under the Program, including those to increase road safety, are not expected to cause physical displacement (relocation). In terms of expropriation and resettlement, the ESSA did not identify significant gaps between the legal framework and the OP9.00 core principles. This analysis is still valid and would apply to the Program as defined in the proposed Additional Financing.

The incremental ESSA included a rapid assessment of the Program compliance with agreed actions to improve environmental management; part of them were complied with and the proposed new Program Action Plan includes several actions continue strengthening Program's environmental and social management systems.

Publication and Public Consultation. A draft ESSA evaluation was disclosed on Bank's website on Feb. 2, 2017, and was consulted during a meeting invited by the Bank and MTOP on Feb. 9, 2017. A total of about 25 people participated. The final ESSA, incorporating public consultation's comments, will be published soon published on Bank's and on MTOP's websites.

VI. Financing

The total estimated cost of the Program is US\$755.4 million equivalent, over the 2017-2019 period. The Program will be financed by Government fiscal resources, as well as IADB, FONPLATA, CAF, FOCEM and IBRD loans.

Source	Amount
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	(US\$ M)
Government	454,4
IBRD	70,0
IADB	81,2
FONPLATA	31,0
CAF	90,6
FOCEM	28,2
Total	755,4

VII. Program Institutional and Implementation Arrangements

The institutional arrangements for Program implementation are the same as for the original loan. The Program will be implemented by the Ministry of Transport and Public Works (MTO) and the Uruguay Road Corporation (*Corporación Vial del Uruguay – CVU*).

Program implementation technical, fiduciary and safeguards systems are primarily the ones implemented with MTO and CVU.

VIII. Contact points

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