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Paraguay
**Project “Downtown Redevelopment, Modernization of Metropolitan
Public Transport and Government Offices”**
MICI-BID-PR-2016-0101

**Action Plan of the IDB Administration to address the ICIM Compliance
Review Report recommendations of the case of the Project “Downtown
Redevelopment, Modernization of Metropolitan Public Transport and
Government Offices”
(PR-L1044)
REVISED VERSION**

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Case MICI-BID-PR-2016-0101
Project PR-L1044 “Downtown Redevelopment, Modernization of
Metropolitan Public Transport and Government Offices”
ACTION PLAN FOR THE IMPLEMENTATION OF MICI RECOMMENDATIONS
September 2020

1. Background

On December 6, 2018, the Board of Executive Directors of the Interamerican Development Bank (IDB) approved the Compliance Review Report of the Independent Consultation and Investigation Mechanism (ICIM) on the loans 2316/OC-PR, 2419/OC-PR and the technical cooperation ATN/OC-14762-PR for the project “Downtown Redevelopment, Modernization of Metropolitan Public Transport and Government Offices” (Request MICI-BID-2016-0101). This document presents the Action Plan of the IDB Administration to address the ICIM recommendations from the referenced report. Since Board approval of the report in December 2018 the operation has undergone a number of situations, described below, that have resulted in adjustments of the project design and delays in its implementation, affecting the process of preparation of this action plan.

2. The project

The Project PR-L1044 includes two components: “Urban Renewal” (Component 1) and “First Metropolitan Public Transport Corridor” (Component 2); the Borrower is the Republic of Paraguay, represented by the Ministry of Finance (*Ministerio de Hacienda*, MH) and the Executing Agency is the Ministry of Public Works and Communications (*Ministerio de Obras Públicas y Comunicaciones*, MOPC).

The ICIM case is related to Component 2, which consists of the execution of infrastructure works for the implementation of a 15.8 km urban transport corridor (originally named Metrobus, currently SITIBUS – *Sistema Integrado de Transporte Interurbano*). The corridor was divided into three sections: the construction of works in Section 1, located in downtown Asuncion, was awarded to a consortium of construction firms, while the works in Sections

2 and 3, that cross part of the cities of Asunción, Fernando de la Mora and San Lorenzo, to another contractor.

3. Current status

Up to the date of approval of this plan (September xxxxx, 2020) construction had only executed in Section 3, which began in January 2017, reaching progress of 37%. Following difficulties in the execution of the contract of that section, including the submission of a series of claims by the company, in October 2018 both parties agreed through a Memorandum of Understanding to suspend the works of Section 3 (the only section to be intervened by the project) and not to open new areas of construction.

At the same time, it was agreed upon to implement works for the rehabilitation of Section 3 to allow vehicles and pedestrian traffic, which ended in December 2018, the date of expiry of the contractor's contractual term. Subsequently, in January 2019, the Government decided to temporarily suspend the implementation of Component 2 of the project, while additional studies were being carried out to serve as inputs towards making a final determination regarding the future of the component.

In the meantime, the Bank has supported the Executing Agency in the design and implementation of a subsidy plan for the shop-owners (*frentistas*) affected by the works in Section 3, the implementation of which began in December 2018 and concluded in May 2019. In addition, the Bank has been providing knowledge, financing and non-reimbursable technical cooperation resources to continue the technical dialogue on solutions to the challenge of urban transport in the metropolitan area of Asunción.

In July 2019, the MOPC informed the Bank that it had taken the decision to continue the execution of works in the Sitibus corridor indicating that the decision would be officially communicated to the IDB through a note from the Borrower (Ministry of Finance). The continuity of the component would imply its implementation under a simplified design, while maintaining the objective of the Project, thus resulting in a significant reduction of the socio-environmental impacts to the affected parties. The MOPC reported that, in order to resume the execution of Component 2, the works would be

restarted in Section 1, where there is currently a contract in force, provided that an agreement is reached with the contractor involved.

Based on that communication, the Bank supported the Executing Agency in the preparation of the executive project for the design of Section 1. Subsequently, MOPC has initiated a process of technical discussion with the Municipality of Asunción and with the agencies responsible for public utility services, in order to achieve its validation and approval. The adjusted design of Section 1 basically consists of the following:

- Section 1, located in downtown Asunción, consists of the use of two parallel streets (*par vial*), in each of which a lane will be reserved for the exclusive use of public transport, with sidewalk-level stops. Previously, the design allocated a single two-way street for the Sitibus corridor, which would have involved the elimination of private vehicle traffic .
- Improvement of the water and sanitation system in the corridor.
- Construction of an asphalt pavement, which - unlike the rigid concrete pavement previously planned - requires a shorter construction period consequently implying a shorter time of interruption of vehicle traffic during the execution of the works.
- Adjustments in the location of the bus stops in order to reduce the impact on the affected shops and houses during the construction and operation of the system.
- Exclusion of the technical trench (*zanja técnica*) as a component of the project (initially planned for the burial of utility cables) to simplify the project and reduce the impacts to affected parties by not having to carry out major excavations in the construction area.
- Significant decrease in the number of trees to be cut down for construction of the works due to the use of the pair of roads instead of a single track for the corridor.
- The same public transport units currently serving the corridor will circulate; the bus fleet was recently modernized under a state subsidy program. A gradual introduction of electric buses will also take place. The previous version of the project included

replacing the buses currently serving the corridor with a new and different fleet.

An Environmental and Social Impact Assessment (ESIA) of Section 1 is being prepared, with an Environmental and Social Management Plan (ESMP) that includes mitigation and management measures for the environmental and social impacts of the project. These documents will be disclosed and consulted with relevant stakeholders before the start of works in Section 1, which is currently planned for the first quarter of 2021, subject to approval by the Bank of a detailed work plan and schedule to be submitted by the Executing Agency.

On the other hand, the country is facing the health and economic crises associated with the COVID-19 pandemic, which have resulted in fiscal and budgetary constraints and led to the temporary suspension of bidding processes with local counterpart funds. The evolution of the pandemic in the country could cause delays and adjustments to the schedule of execution of works in Section 1, should it be decided to initiate them.

The current last disbursement date of the loan resources for the project is December 27, 2020. The Borrower has requested an extension of this deadline, which the Bank has conditioned on the fulfillment of a series of milestones, among others, the preparation of the EIAS and ESMP of Section 1, the disclosure and public consultation of these documents and the formation of an adequate team for the environmental and social management of the project.

In addition, independent investigations on the project are in their advanced and/or final phase, undertaken by a Congressional Commission, the *Contraloría General de la República* and the *Procuraduría General*, specifically focused on the works carried out to date in Section 3 of the corridor.

4. The Action Plan

On May 21, 2020, the Bank received an official communication from the Borrower related to the decision on the continuity of Component 2. Upon receipt of this notification, the Administration conducted working sessions with the Executing Agency to understand the details of the decision and the project's current design, in order to prepare this Action Plan to respond to the recommendations of the Compliance Review Report issued by the ICIM.

This Action Plan was developed in a scenario in which only the Executing Agency's willingness to continue the works in Section 1 is known and an executive design of the works in that section is available, although a final decision regarding Section 1 has not yet been agreed with the Bank. The plan covers the three sections of Component 2 of the project, however it is feasible that some adjustments will need to be made in the future to the activities of the plan once the final decision on the continuity of the works in each of the sections has been taken.

ACTION PLAN

ICIM RECOMMENDATION	PROPOSED ACTION	EVIDENCE	STATUS / ESTIMATED DEADLINE
<p><u>Recommendation #1:</u> Management should ensure that there is a Resettlement Plan in place as soon as possible for Section 1 that has been prepared in consultation with the affected parties, complies with the requirements of OP-710, and includes, in particular, mitigation and compensation measures that address the specific vulnerabilities of the affected parties and ensure the restoration of their livelihoods.</p>	<p>THE RECOMMENDATION IS NO LONGER APPLICABLE TO SECTION 1 UNDER ITS CURRENT DESIGN</p> <p><i>Note: the current design of Section 1 does not include resettlement of households or businesses</i></p>	Final executive design of Section 1	March 31, 2021
		Environmental and Social Impact Assessment (ESIA) of Section 1	March 31, 2021
<p><u>Recommendation #2:</u> Management should conduct an environmental and social</p>	<p>2.1 As a result of an assessment of economic impacts to formal and informal <i>businesses</i> in</p>	Supplementary compensation plan for	Execution concluded according to the following schedule:

ICIM RECOMMENDATION	PROPOSED ACTION	EVIDENCE	STATUS / ESTIMATED DEADLINE
<p>audit to confirm whether the measures designed to address impacts during the construction stage have been implemented effectively and are sufficient to address impacts on the businesses in the area, and if not, should determine the remediation or corrective measures necessary to effectively address these impacts, pursuant to the noncompliance findings indicated with respect to Operational Policy OP-710 for Section 3.</p>	<p>Section 3 of the Sitibus corridor, a supplementary compensation plan for vulnerable business owners was prepared and executed between October 2018 and May 2019 as a compensation measure for such impacts.</p>	<p>vulnerable business owners in Section 3 already implemented.</p> <p>Documentation related to the execution of the supplementary compensation plan in Section 3</p>	<p>- Preparation of the supplementary compensation plan finished in October 2018</p> <p>- Presidential Decree authorizing the execution of the plan issued on November 1, 2018</p> <p>- Start of execution of the plan on December 15, 2018</p> <p>- Execution of the plan concluded on May 2019</p>
<p><u>Recommendation #3:</u> Management should monitor the contractor's actions to fulfill the guidelines of the socioenvironmental</p>	<p>3.1 Preparation of a Historical and Cultural Heritage Protection Plan (HCHPP) in Section 1 (Downtown Asuncion) by the Executing Agency, in compliance</p>	<p>Historical and Cultural Heritage Protection Plan (HCHPP) as part of</p>	<p>March 31, 2021</p>

ICIM RECOMMENDATION	PROPOSED ACTION	EVIDENCE	STATUS / ESTIMATED DEADLINE
management plan (PMSA) regarding historic heritage assets and should evaluate, at the appropriate time, whether the proposed mitigation measures comply with the standards of Directive B.9.	with the Socioenvironmental Management Plan (PMSA)	the ESIA of Section 1	
	3.2 Review by the Administration and confirmation of compliance of the plan with OP-703 requirements	IDB non-objection to the plan	March 31, 2021
	3.3 Execution of the plan by the contractor of Section 1	- Monthly reports from the supervision of the works - Biannual report from the Executing Agency	During execution of works in Section 1 (current estimation: start of works in Section 1 in Q1 2021, with a duration of 18 months)
	3.4 Monitoring of the execution of the plan by the Administration	Quarterly supervision reports from the Administration	
<i>Recommendation #4:</i> Within the framework of Operational	4.1 Ex-post evaluation of the livelihood of the population	Livelihood assessment of the	

ICIM RECOMMENDATION	PROPOSED ACTION	EVIDENCE	STATUS / ESTIMATED DEADLINE
<p>Policy OP-710 and within a reasonable period of time, Management should conduct an evaluation to determine the living conditions of the affected population, and depending on the results, should establish corrective measures compatible with the requirements of the Relevant Operational Policies.</p>	<p>affected by the works in the Sitibus corridor</p>	<p>affected population</p>	<p>Once the works in each session are concluded or the decision on the discontinuity of works in each section is taken</p>
	<p>4.2 Depending on the results of the assessment, implementation of corrective measures aligned with the requirements of the pertinent operational policies, in case they are needed.</p>	<p>To be defined according to the results of the assessment</p>	
<p><u>Recommendation #5:</u> Disclose, in a timely manner, all documents produced in the future that are subject to mandatory disclosure and all updates to published documents.</p>	<p>5.1 Disclosure of ESIA of Section 1, including the Environmental and Social Management Plan (ESMP) and the Historical and Cultural Heritage Protection Plan (HCHPP)</p>	<p>ESIA of Section 1, including ESMP and HCHPP, disclosed in IDB website</p>	<p>March 31, 2021</p>
	<p>5.2 Disclosure of the executive design of Section 1</p>	<p>Executive design of Section 1</p>	<p>March 31, 2021</p>

ICIM RECOMMENDATION	PROPOSED ACTION	EVIDENCE	STATUS / ESTIMATED DEADLINE
		disclosed in IDB website	
	<p>5.3 Other Environmental and social documents prepared in Section 1</p>	Disclosure in IDB website of required documents	After IDB approval of the documents
	<p>5.4 Disclosure of environmental and social documents prepared for Sections 2 and 3 in case the decision of continuing works in those sections is taken</p>		
<p><u>Recommendation #6:</u> Evaluate the relevance of introducing language specific to the issue of economic disruption in the Relevant Operational Policies, in order to resolve the current gap in the rules.</p>	<p>6.1 IDB has recently completed a modernization process of its environmental and social policy framework, which includes specific language on the issue of economic disruption</p>	New IDB Environmental and social policy framework	Approved by IDB Board of Directors on September 16, 2020

ICIM RECOMMENDATION	PROPOSED ACTION	EVIDENCE	STATUS / ESTIMATED DEADLINE
<p><u>Recommendation #7:</u> Management should prepare an action plan, in consultation with the MICI, for implementation of the recommendations included in this report that are approved by the Board of Executive Directors, containing an implementation schedule compatible with the operation under investigation, which the MICI will monitor pursuant to paragraph 49 of its policy.</p>	<p>7.1 Preparation of this action plan</p>	<p>Action plan discussed with ICIM and approved by the IDB Board of Directors</p>	<p>At the approval of the action plan by IDB Board of Directors</p>
	<p>7.2 Execution of the action plan</p>	<p>Biannual reports on the execution of the action plan</p>	<p>During execution of the project's Component 1</p>