



DOCUMENT OF THE INDEPENDENT CONSULTATION
AND INVESTIGATION MECHANISM

MICI-IDB-PR-2016-0101

RECOMMENDATION FOR COMPLIANCE REVIEW AND TERMS OF REFERENCE

**PROGRAM FOR DOWNTOWN REDEVELOPMENT, MODERNIZATION OF
METROPOLITAN PUBLIC TRANSPORT, AND GOVERNMENT OFFICES;
PROPEF – DOWNTOWN REDEVELOPMENT, MODERNIZATION OF
METROPOLITAN PUBLIC TRANSPORT, AND GOVERNMENT OFFICES; AND
SUPPORT FOR THE PREPARATION OF STUDIES FOR OPERATIONS
PR-L1084 AND PR-L1044**

**(PR-L1044, PR-L1056, PR-T1174)
(2419/OC-PR, 2316/OC-PR, ATN/OC-14762-PR)**

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This document contains confidential information relating to one or more of the ten exceptions of the Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. The document will be disclosed and made available to the public upon approval.

NOTE
GUIDELINES FOR THE COMPLIANCE REVIEW PHASE

The following guidelines for the Compliance Review Phase have been prepared on the basis of paragraphs 36 to 41 of the Policy of the Independent Consultation and Investigation Mechanism. Approved version (document MI-47-6).

The Compliance Review Phase is a fact-finding process designed to determine whether the Bank's Management has complied with Relevant Operational Policies in relation to one or more Bank-financed operations and whether the alleged harm is associated with Bank noncompliance with its Relevant Operational Policies.

A Compliance Review by the MICI is subject to approval by the IDB's Board of Executive Directors, which receives a MICI Recommendation for consideration after the MICI has examined the primary documents of the operation, the information provided by Management, the Request, and the Relevant Operational Policies within a maximum term of 21 business days. In its Recommendation, the MICI sets forth its decision whether or not to recommend conducting an investigation, taking into account the added value of an investigation for the case at hand and for the Bank in general in terms of relevance, impact, and efficiency.

In the event that the MICI recommends conducting an investigation, it includes the following in its Recommendation:

- The objectives of the investigation.
- The scope of the investigation, including the proposed investigation questions. The scope is always limited to the allegations made in the Request and is aimed at investigating only the actions or omissions of the Bank in the context of the relevant operation(s) and in respect of compliance with the Relevant Operational Policies.
- The methodology to be used, including the proposed investigative method(s), the activities to be carried out, and the deliverables.
- The investigative team, which is comprised of the Compliance Review Phase Coordinator, acting as Panel Chair, and two members from the Roster. The selection of experts from the Roster is based on their experience in the required technical issues given the scope of the investigation and their availability to participate in the investigation during the required period. These experts are contracted only after the Board approves the investigation, and their contributions are included in the Compliance Review Report.
- The time frame for the investigation activities will generally not exceed a maximum term of six calendar months from the Panel formation date. If a longer time frame is needed, the Recommendation document will indicate the required time frame and the rationale for extending it.
- The estimated budget required to conduct the investigation.

Before being submitted to the Board, the Recommendation is circulated as a preliminary draft to Management and the Requesters, who are given the opportunity to submit comments in writing to the MICI. The MICI reviews these comments and accepts those it deems relevant. The comments received from both parties are included as annexes to the Recommendation. The final version of the Recommendation is submitted to the Board for consideration by short procedure. If at the conclusion of the term provided for approval by short procedure, this procedure is not halted by any of the members of the Board, the

investigation is deemed approved. If the procedure is halted by any of the members of the Board, the issue is scheduled for discussion by the Policy and Evaluation Committee and for subsequent consideration at a Board meeting.

The Recommendation is a public document, and the decision made by the Board regarding the Recommendation is disclosed to the Requesters, Management, and the general public through the MICI Public Registry <http://www.iadb.org/es/mici>).

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Annex II	Comments by one of the Requesters on the preliminary version of the Recommendation for Compliance Review

ELECTRONIC LINKS
1. Original Request http://www.iadb.org/document.cfm?id=40316044
2. Video testimonial #1 http://www.iadb.org/document.cfm?id=40316013
3. Video testimonial #2 http://www.iadb.org/document.cfm?id=40316110
4. Video testimonial #3 http://www.iadb.org/document.cfm?id=40316111
5. Video testimonial #4 http://www.iadb.org/document.cfm?id=40316112
6. Video testimonial #5 http://www.iadb.org/document.cfm?id=40316114
7. Video testimonial #6 http://www.iadb.org/document.cfm?id=40316117
8. Video testimonial #7 http://www.iadb.org/document.cfm?id=40316123
9. Video testimonial #8 http://www.iadb.org/document.cfm?id=40316123
10. Video testimonial #9 http://www.iadb.org/document.cfm?id=40316124
11. Summary of testimonials provided by the Requesters http://www.iadb.org/document.cfm?id=40317033
12. Memorandum of Eligibility http://www.iadb.org/document.cfm?id=40433817
13. Management's Response http://www.iadb.org/document.cfm?id=40387462
14. Program profile, "Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices" http://www.iadb.org/Document.cfm?id=35109799
15. Loan proposal, "Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices" http://www.iadb.org/Document.cfm?id=35382302
16. Preliminary environmental impact assessment (pEIA) Section II: Avenida Eusebio Ayala and Gral. Aquino (Asunción) – Ruta Mariscal Estigarribia (Campus of the National University of Asunción, San Lorenzo), July 2015 http://www.iadb.org/Document.cfm?id=40342552
17. Environmental and social management report (ESMR), Programa Asunción – Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices, July 2010 http://www.iadb.org/es/proyectos/project-information-page.1303.html?id=PR-L1044

ABBREVIATIONS

Board	Board of Executive Directors of the Inter-American Development Bank
BRT	Bus rapid transit
EIA	Environmental impact assessment
ESMP	Environmental and social management plan
ESMR	Environmental and social management report
Executing agency	Ministry of Public Works and Communications
IRMP	Involuntary Resettlement Master Plan
Licensed vendors	Stall or street vendors located in Mercado 4 or along Avenida Pettrossi
Metrobus	Integrated public transport system
MICI	Independent Consultation and Investigation Mechanism
MICI Policy	Policy of the Independent Consultation and Investigation Mechanism. Approved version (document MI-47-6)
Microcenter	Historic Center of Asunción
MOPC	Ministry of Public Works and Communications
OP-102	Access to Information Policy
OP-703	Environment and Safeguards Compliance Policy
OP-710	Policy on Involuntary Resettlement
pEIA	Preliminary environmental impact assessment
Program	Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices (PR-L1044)
PROPEF	Project Preparation and Execution Facility “PROPEF – Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices” (PR-L1056)
RMA	Región Metropolitana de Asunción [Metropolitan Region of Asunción]
Roster	List of technical experts appointed on an ad hoc basis as members of the Panel responsible for conducting a Compliance Review
Street-front business owners	Owners of formal businesses fronting on Ruta Mariscal Estigarribia

EXECUTIVE SUMMARY

This document is a recommendation from the MICI to the Board to conduct a Compliance Review of the operations “Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices,” “PROPEF – Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices” (PR-L1044, PR-L1056) (2419/OC-PR, 2316/OC-PR), and “Support for the Preparation of Studies for Operations PR-L1084 and PR-L1044” (PR-T1174, ATN/OC-14762-PR), in relation to allegations made by a group of Requesters regarding the adverse economic impact that construction and operation of the Metrobus system would entail and the involuntary relocation they expect to undergo as a result of the Program, as well as the absence of adequate public consultations and information disclosure under the Program.

“Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices” (PR-L1044) (the “Program”) is a sovereign-guaranteed loan operation for a total amount of US\$125 million, approved by the Board of Executive Directors on 29 September 2010, that is aimed at rehabilitating and upgrading the urban and transportation infrastructure in Asunción. The main objectives of this operation are: (i) revitalization of downtown Asunción by establishing pedestrian walkways and bicycle paths, renewing and creating parks, building storm drainage and sewerage works, and building government offices and citizen service centers; and (ii) gradually establishing an integrated and efficient transportation system for the orderly, rapid, and mass transport of the population between downtown San Lorenzo and downtown Asunción. The Bank approved several operations to support the Program, including “PROPEF – Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices” (PR-L1056), in the amount of US\$4.9 million to support the preparation of the technical studies necessary for the Program, and nonreimbursable technical cooperation operation “Support for the Preparation of Studies for Operations PR-L1084 and PR-L1044” (PR-T1174) in the amount of US\$366,000 to support the preparation of supplementary technical and socioenvironmental studies.

On 17 May 2016, the MICI received a Request from a group of 11 business owners in Asunción who alleged harm as a result of the imminent construction of the Metrobus system being financed by the Bank under operations PR-L1044, PR-L1056, and PR-T1174. The business owners claim that the Program will adversely affect their livelihoods, since they will lose customer access to their businesses and, in some cases, their parking spaces, resulting in lower sales and employee layoffs, and seriously impacting their household finances. They claim that they have not been consulted or informed regarding the negative impact of the Program or the proposed mitigation measures, and point to the absence of studies on environmental and the impact on historical heritage assets. Those Requesters who will have to vacate their business premises assert that they are unaware of the relocation conditions and have not been offered any relocation alternative or compensation. The Requesters indicate that they are particularly concerned because, at the time of submission of their Request, construction work was about to begin.

On 29 June 2016, the MICI received Management’s Response, and on 26 July 2016 the Request was declared eligible by the MICI Director. Since the Requesters had asked that their Request be processed for both MICI phases, the Request was transferred to the Consultation Phase. On 29 September 2016, the Consultation Phase team issued its Assessment Report. The report concluded that the conditions for conducting a

Consultation Phase process were no longer met, inasmuch as the Requesters had decided not to participate in this process in the belief that their concerns were not being addressed by the other Parties. Following distribution of the Assessment Report to the Board of Executive Directors, the case was transferred to the Compliance Review Phase on 14 October 2016, and the MICI team prepared this Recommendation.

In accordance with paragraph 41 of the MICI Policy (document MI-47-6) and as set forth in detail in the present document, it is recommended that the Board of Executive Directors authorize the MICI to conduct a Compliance Review process with respect to the Program, to impartially and objectively investigate the allegations of the Requesters regarding the Bank's potential noncompliance with Operational Policies OP-703, OP-710, and OP-102, and, should the findings confirm the claims, determine whether such noncompliance gave or could give rise to the alleged harm.¹

This investigation is recommended, considering the significant nature of the harm claimed by the Requesters, several of whom are low-income individuals and female heads of household. Inasmuch as the construction is set to begin imminently, the MICI considers that an investigation can help to identify key issues to strengthen the environmental and social sustainability of the Program and prevent future risks. Furthermore, the MICI considers this investigation appropriate from a broader perspective, namely, the application of the operational policy framework with respect to recurrent three issues in Requests received by the MICI: identification and mitigation of short- and medium-term adverse economic impacts; implementation of adequate public consultations; and the conduct of involuntary resettlement processes. In this respect, the present Compliance Review should help to generate lessons learned regarding the application of Operational Policies OP-703, OP-710, and OP-102 in projects that require consultation and/or resettlement processes, particularly those involving vulnerable population groups.

To assist the Board in its decision-making process, this document contains five sections and an annex. Section I provides a brief overview of the IDB-financed Program; section II lists the allegations made by the Requesters; section III summarizes Management's Response to the Requesters' allegations; section IV describes the steps taken by the MICI to date; and section V lays out the reasons for recommending an investigation and the proposed terms of reference for the Compliance Review: rationale, scope, methodology, timetable, team, and budget.

Pursuant to the MICI Policy, a preliminary version of this document was sent to the Requesters and to Management for comments. The MICI received comments from Management and from one of the Requesters, where were carefully reviewed. This final version reflects this review and its content has been adjusted as the MICI has deemed relevant. The aforementioned comments have been provided in the annexes for consultation.

¹ Under the MICI Policy, harm may be either actual or potential.

I. THE PROGRAM²

A. Background

- 1.1 The city of Asunción, Paraguay's capital, covers 11,700 hectares and has an estimated population of 520,000, making it the country's largest urban area in terms of surface area and population. The Metropolitan Region of Asunción (RMA) includes 23 municipios with approximately 1.9 million inhabitants.
- 1.2 One of the main features of the RMA is the growth of suburban cities such as Luque, Fernando de la Mora, San Lorenzo, Lambaré, Ñemby, and Mariano Roque Alonso at clearly faster rates than Asunción. This, coupled with a higher vehicle ownership rate in suburban cities than in the metropolitan area as a whole, has resulted in scattered urban development that requires large investments in infrastructure and services to provide coverage.
- 1.3 Growth in the RMA's population, coupled with the lack of public investment, has led to serious traffic congestion. The Metropolitan Transport Plan (PMT) is a proposal to restructure the metropolitan transportation and mobility system in response to the need to provide the RMA with better infrastructure and especially with public transport services with a view to alleviating congestion in the main radial avenues leading into Asunción.

B. The operations "Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices," "PROPEF – Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices" (PR-L1044, PR-L1056) (2419/OC-PR, 2316/OC-PR), and "Support for the Preparation of Studies for Operations PR-L1084 and PR-L1044" (PR-T1174, ATN/OC-14762-PR)

- 1.4 "Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices" (PR-L1044) is a sovereign-guaranteed loan operation for a total amount of US\$125 million, approved by the Board of Executive Directors on 29 September 2010, that is aimed at rehabilitating and upgrading the urban and transportation infrastructure in Asunción. The borrower is the Republic of Paraguay and the executing agency is the Ministry of Public Works and Communications (MOPC).
- 1.5 The loan contract between the IDB and the Republic of Paraguay was signed on 9 October 2010 and ultimately ratified by the Paraguayan Congress on 27 December 2013,³ in accordance with local legislation. At present, the Program is in its implementation stage.
- 1.6 **Objectives.** The program has the goal of improving the quality of life of the population in the intervention area through the rehabilitation and upgrading of urban and transportation infrastructure. The main objectives of this operation are: (i) revitalization of downtown Asunción by establishing pedestrian walkways and bicycle paths, renewing and creating parks, building storm drainage and sewerage works, and building government offices and citizen service centers; and (ii) gradually

² The information presented on this operation has been taken primarily from the ESMR of July 2010, which is available on the Bank's website and in the electronic links section of this document.

³ Management's Response, page 1.

establishing an integrated and efficient transportation system for the orderly, rapid, and mass transport of the population between downtown San Lorenzo and downtown Asunción. To attain these objectives, the Program will finance two interrelated components for the improvement of public transportation and land use.

- 1.7 The Program has been structured into the following main components: (i) urban renewal of downtown Asunción; (ii) construction of the first metropolitan public transport corridor; (iii) administration; and (iv) audits and evaluations.
- 1.8 Component 1: Urban renewal (US\$45 million). The main objective of this component is to renew and improve public spaces in downtown Asunción, to reverse the current process of urban deterioration, promoting a rise in property values in the zone and creating a hub of urban development for the city. Funds will be provided to finance the following activities: (i) urban rehabilitation and improvement of Barrio San Jerónimo (traditional downtown area); (ii) environmental rehabilitation, opening, and renewal of open spaces for public use; (iii) road network linking the three branches of government and basic services infrastructure (water main, trunk sewer, and storm drain); and (iv) citizen service center to be designed and built in accordance with suitable LEEDS2 parameters in view of the conditions and availability of local materials. This component includes funds for the contracting of consulting services for technical studies, preparation of designs, works inspection, contingencies, and external audits.
- 1.9 Component 2: First metropolitan public transport corridor (US\$115 million). This component will finance the design, structuring, and implementation of an integrated public passenger transport system, giving priority to high-capacity bus transit in dedicated lanes (bus rapid transit (BRT)). The first stage will be built in the San Lorenzo-downtown Asunción corridor along Avenida Eusebio Ayala, the main route connecting the two areas and the one carrying the largest volume of passengers. Funds will be provided to finance the following activities: (i) expansion of Avenida Eusebio Ayala and Avenida Mariscal Estigarribia to include six lanes from downtown San Lorenzo to downtown Asunción, including relocation of public services networks; (ii) construction of overpasses in the case of the main avenues, possibly at three points in the corridor; (iii) construction of bus stations; (iv) construction of the main bus terminal in San Lorenzo, which will be the endpoint for feeder lines from the surrounding towns; (v) construction of a bus terminal in downtown Asunción, possibly including a transfer station for smaller buses and a taxi stop; (vi) construction of bus yards and depots; (vii) upgrading of traffic lights along the corridor; (viii) control and operations center; and (ix) purchase of land. This component includes funds for the contracting of consulting services for technical studies, preparation of designs, works inspection, contingencies, and external audits.
- 1.10 The Bank approved several operations to support the Program, the following being particularly significant for Program implementation: loan operation “PROPEF – Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices” (PR-L1056) in the amount of US\$4.9 million, to support the preparation of the technical studies necessary for the Program; and nonreimbursable technical cooperation operation “Support for the Preparation of Studies for Operations PR-L1084 and PR-L1044” (PR-T1174) in the amount of

US\$366,000, approved on 3 December 2014, to support the preparation of supplementary technical and socioenvironmental studies.

- 1.11 In accordance with the Environment and Safeguards Compliance Policy (OP-703), the Program has been classified as a category “B” operation. Based on the Program documents, the Operational Policies identified for the Program in the ESMR are the Environment and Safeguards Compliance Policy (OP-703), Access to Information Policy (OP-102), Disaster Risk Management Policy (OP-704), Operational Policy on Involuntary Resettlement (OP-710), and Indigenous Peoples Policy (OP-765).⁴
- 1.12 While construction on the Metrobus project had not commenced by the date of receipt of the Request due to a series of delays, it was expected at the time that the initial construction stage would begin in the third quarter of 2016.

II. THE REQUEST⁵

- 2.1 On 17 May 2016, the MICI received a Request from a group of 11 business owners in Asunción who alleged harm as a result of the imminent construction of the Metrobus system being financed by the Bank under operations PR-L1044, PR-L1056, and PR-T1174. The business owners claim that they were never consulted about the project, and in the case of those who will have to vacate the area, have not been offered any relocation alternative or economic compensation. They also report a lack of environmental and historic heritage impact studies.
- 2.2 Regarding the alleged harm, they claim that the Program would adversely affect their livelihoods in two respects: first, they believe that, during execution, sales will be hurt by lack of access, resulting in loss of revenue, staffing cuts, and the concomitant impact on their household finances; and second, those who have been informed that they will have to vacate the area and relocate elsewhere have not received any relocation assistance or compensation. The Request claims that the Bank has failed to properly apply various Relevant Operational Policies and to comply with the provisions of the loan contract, inasmuch as “formal agreements should have been entered into between the executing agency and the municipalities of Asunción, Fernando de la Mora, and San Lorenzo prior to the bidding process for works, to ensure that this component is viable ‘in its entirety,’ making specific reference to the active participation of these parties in designing, implementing, and supporting the communication, resettlement, and economic redevelopment plans for the various affected individuals and ensuring the operability and sustainability of the works in financial, environmental, and social terms.”⁶
- 2.3 In addition, the Requesters supplemented their Request by providing video testimonials that describe the specific adverse impacts they expect to suffer due to the Program, which will also affect their families and in some cases those employed in their businesses.⁷ The nature of the harm varies depending on the areas in which

⁴ The Operational Policies identified as applicable to this Program are listed in Annex 1 to the ESMR.

⁵ The original Request received on 17 May 2016 is available in the MICI Public registry and in the electronic links section of this document.

⁶ Request, page 1.

⁷ See video testimonials in the electronic links section of this document.

their businesses are located. With this in mind, the MICI has divided the Requesters into three groups:

1. Street-front business owners known as “frentistas,” who own traditional brick-and-mortar small businesses located on Ruta Mariscal Estigarribia⁸ and will allegedly be affected primarily by an expropriation of their storefronts, a drop in sales during the Metrobus system construction stage as closure of the avenue impairs customer access to their businesses, and elimination of the parking area during the Metrobus system operating stage. The Requesters in this group also note that the Program has already led them to implement staffing cuts due to the uncertainty surrounding their business activities.⁹
2. Licensed vendors known as “permisionarios,” formal and informal businesses located in Mercado 4 or along Avenida Pettrossi¹⁰ next to the market, whose primary concern is that, while informed that they will have to vacate in order to clear the area for the Metrobus system, they never received any information regarding relocation alternatives and/or compensation. Licensed vendors rely on the daily income generated by their businesses for their livelihood and that of their families and to support their minor children.¹¹ Some have employees that they expect to have to dismiss as a result of the adverse impacts on their businesses. This group includes female heads of household. They claim to represent the interests of a larger group of vendors at this market, which creates approximately 5,000 direct and indirect jobs.¹²
3. Requesters from the Asunción microcenter area.¹³ One Requester from this group is afraid that his property will lose value due to the access limitations resulting from construction of the Metrobus system. The other Requester from this group, who owns a business that employs approximately 300 people,¹⁴ fears that her financial condition will be hurt by the expropriation of part of her business premises to widen the road for construction of the Metrobus system, by the loss of her three parking areas due to access being blocked by the path of the Metrobus, and by the resulting drop in customers. In addition, she alleges a potential adverse impact on the building in which her business operates, which is listed as a historic landmark.¹⁵

⁸ They are small or medium-sized businesses, some of which are industrial, that sell products and/or services to customers whose point of access is from Ruta Mariscal Estigarribia. They include an electronics store, an optical clinic, a restaurant, and a glass products store. Sections 2 and 3 of the Program are to be implemented in this area.

⁹ Video testimonials in the electronic links section and MICI, Memorandum of Eligibility of 5 August 2016.

¹⁰ These Requesters' businesses are micro or small operations that sell products to customers in the market, including clothing, flowers, and food. Section 1 of the Program is to be implemented in this area.

¹¹ Video testimonials in the electronic links section.

¹² Summary of testimonials provided by the Requesters in the electronic links section and Memorandum of Eligibility, page 8.

¹³ Includes a medium-sized or large business and a real estate property owner. Section 1 of the Program is to be implemented in this area.

¹⁴ MICI, Memorandum of Eligibility of 5 August 2016, page 8.

¹⁵ Video testimonials in the electronic links section and MICI, Memorandum of Eligibility of 5 August 2016, page 8.

- 2.4 All Requesters emphasized that the uncertainty they are experiencing is a result of the lack of effective consultation and the absence of complete information on the Program. They indicate that, despite receiving a certain amount of information on the general benefits of the Program, they have not been apprised of the negative impacts of Metrobus construction and operation or the planned mitigation measures. In addition to this are specific allegations regarding the lack of environmental and social impact studies.¹⁶

III. MANAGEMENT'S RESPONSE¹⁷

- 3.1 Management responded to the Request on 29 June 2016. Below is a summary of this Response.
- 3.2 Management provided context for the Program, indicating, inter alia, that several consultants were contracted during the Program preparation stage to identify the environmental and social impacts of the urban renewal and BRT components, and that the identified risks included the potential involuntary resettlement of 47 families in San Jerónimo and of affected businesses, primarily small businesses and informal vendors. Management noted that “vendors in ‘Mercado 4’ in Asunción and in the San Lorenzo market will be particularly affected, as will informal vendors located in the area directly affected by the BRT corridor.”¹⁸ Management argued that, to address this situation, resettlement frameworks were prepared for both Program components during the Bank’s due diligence stage and were included in the ESMR, which forms part of the loan proposal approved by the Board of Executive Directors on 29 September 2010.¹⁹
- 3.3 Management specified that, following approval of the loan and as part of the support actions financed by the PROPEF, the LOGIT-CIA-GSD Plus consortium performed an EIA that included a resettlement and compensation plan based on the criteria of the preliminary resettlement framework. Preparation of the EIA began in late 2010, and the assessment was published in May 2011, with the announcement that public hearings would be held in Asunción, Fernando de la Mora, and San Lorenzo, as well as at the offices of the Governor of the Central Department. An environmental license for the Program was issued by the Ministry of Environment on 18 July 2011. In this regard, Management indicated that “based on the feedback received, the reports and the final version of the EIA were fine-tuned.” On 18 November 2011, the consortium sent the resettlement and compensation plan to the MOPC.²⁰
- 3.4 Management indicated that the Government of Paraguay decided to divide the Metrobus construction work into four sections to be carried out in two stages. The first stage would involve the construction of sections 2 and 3, with an approximate length of 11 km, while the second stage would involve the construction of sections 1 and 4 of the corridor. Management stated that the prequalification process for

¹⁶ Video testimonials in the electronic links section and MICI, Memorandum of Eligibility of 5 August 2016, pages 7 and 8.

¹⁷ Management’s Response to the Request is available in the MICI Public Registry and in the electronic links section of this document.

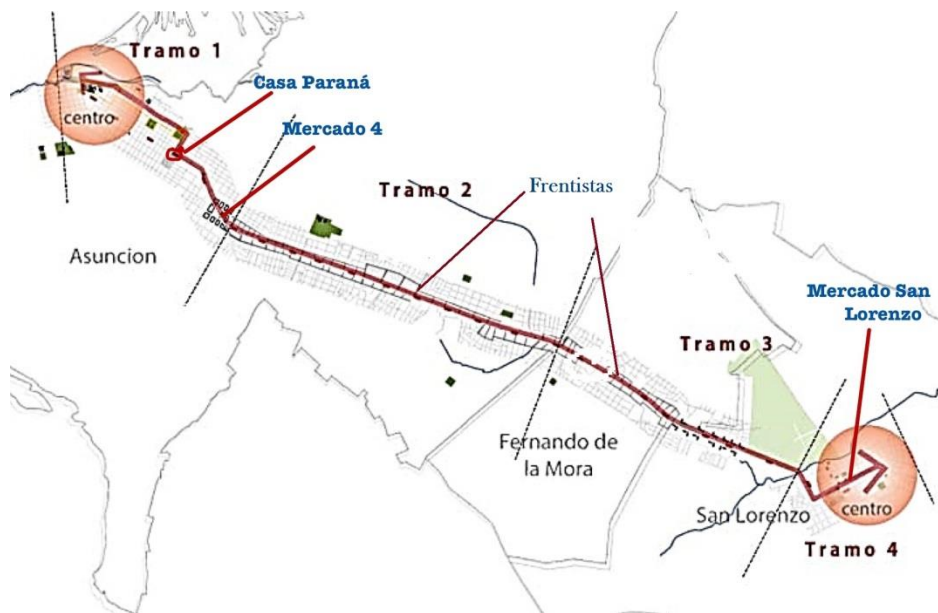
¹⁸ Management’s Response, page 2.

¹⁹ Management’s Response, page 2.

²⁰ Management’s Response, page 2.

construction of the works for the first stage began on 27 March 2015, and the successful bidder was the Portuguese firm Mota Engil Ingeniería & Construcciones S.A., which in late March 2016 was awarded a final design update and construction contract.²¹ Management pointed out that sections 1 and 4, which include Mercado 4 in Asunción and the San Lorenzo market, are not part of the awarded contract. As of the date of its response, Management expected work on sections 2 and 3 to start in August 2016.²²

Metrobus plan – Identification of sections



Source: Management's Response.

Note: The MICI has adopted the term "frentistas" for street-front business owners.

- 3.5 In addition, Management pointed out that since the eligibility date (15 April 2014) the Bank has supported the executing agency with a series of consulting engagements and studies, including the resettlement and compensation master plan of 10 June 2016, which is intended to serve as a guide for the specific involuntary resettlement plans of each section. Management indicated that the adverse effects on the BRT area of influence would not, for the most part, prevent business being conducted in the construction or operation phases of the Program. The involuntary resettlement plan identifies actions to minimize and/or offset the socioeconomic effects on individuals located in the areas in which the construction works will be performed and within the publicly owned strip of land, including property owners, street-front business owners, itinerant vendors, and others.²³ The Bank also noted that the MOPC has led in the design, preparation, and finalization of various plans and programs aimed at mitigating the impacts of resettlement and land-use change.²⁴ It

²¹ Management's Response, page 2.

²² Management's Response, page 7.

²³ Management's Response, page 2.

²⁴ Management's Response, page 6.

furthermore argued that “the involuntary resettlement plan takes into account the guidelines set forth in the Policy on Involuntary Resettlement (OP-710) and national regulations.”²⁵

- 3.6 Moreover, Management notes that the executing agency has conducted ongoing informational and consultation activities since the Metrobus system design was finalized. These activities intensified in 2015 and 2016 after the Program was ratified, and included house-to-house interviews, public hearings, and meetings with various stakeholders. According to Management, more than 20 consultation meetings were held, and teams were assembled to “participate in various meetings in order to address any concerns the public may have, present information about the Program, and raise issues that should be clarified in the future.”²⁶
- 3.7 Lastly, with regard to the Request, Management states that the Bank has complied with the provisions of the loan contract, inasmuch as the MOPC signed three agreements with the municipalities of Asunción, San Lorenzo, and Fernando de la Mora that were valid at the time of prequalification and the call for bids for the first stage of works under the BRT component.²⁷

IV. THE MICI PROCESS TO DATE

- 4.1 The MICI received the Request on 17 May 2016. In accordance with the MICI Policy, the Requesters and Management were to be notified of the registration of Request MICI-BID-PR-2016-0101 within five business days, by 26 May 2016. Delivery of the documents related to the Request was completed on 1 June 2016.
- 4.2 On 29 June 2016, the MICI received Management’s Response. As part of the eligibility determination process, a MICI team conducted a mission to Asunción on 11-13 July 2016, interviewing the various parties involved in the Program. The Request was declared eligible by the MICI Director on 26 July 2016, having been found to comply with the eligibility criteria. Since the Requesters had asked that their Request be processed for both MICI phases, it was transferred to the Consultation Phase to commence the assessment stage.
- 4.3 During the assessment stage, the Consultation Phase team carried out various activities aimed at determining whether the Parties were willing to participate in a Consultation Phase process. These activities included two missions to Asunción to gather information and meet with the Parties. On 29 September 2016, the Consultation Phase issued an Assessment Report. The report concluded that the conditions for conducting a Consultation Phase process were no longer met, inasmuch as the Requesters had decided not to participate in this process in the belief that their concerns were not being addressed by the other Parties, and had asked that the Compliance Review Phase be commenced.
- 4.4 Following distribution of the Assessment Report to the Board of Executive Directors, the case was transferred to the Compliance Review Phase on 14 October 2016. In accordance with the period of 21 business days provided under the MICI Policy, the

²⁵ Management’s Response, page 4.

²⁶ Management’s Response, page 3.

²⁷ Management’s Response, page 6.

- MICI team prepared a draft of the present document and circulated it to the Parties for comments on 14 November 2016.
- 4.5 Both Parties were given a period of 21 business days to provide comments. On 6 and 7 December 2016, the MICI received comments from one of the Requesters and from Management, respectively. The comments received have been carefully reviewed, and the MICI is grateful for the observations and clarifications provided. This version objectively and impartially incorporates those deemed relevant by the MICI. The original comments by the Requester and by Management are available for consultation in the annexes section.
 - 4.6 The final version is submitted for consideration to the Board of Executive Directors, which is the body authorized to approve or not approve the MICI conducting a Compliance Review investigation based on the terms of reference set forth below.

V. RECOMMENDATION FOR COMPLIANCE REVIEW

- 5.1 This Recommendation for Compliance Review and Terms of Reference is submitted to the Board of Executive Directors for consideration in accordance with paragraphs 39, 40, and 41 of the MICI Policy.
- 5.2 Pursuant to paragraph 41 of the MICI Policy, it is recommended that the Board of Executive Directors authorize the MICI to conduct a Compliance Review investigation with respect to the operations “Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices,” “PROPEF – Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices” (PR-L1044, PR-L1056) (2419/OC-PR, 2316/OC-PR), and “Support for the Preparation of Studies for Operations PR-L1084 and PR-L1044” (PR-T1174, ATN/OC-14762-PR), with a view to determining whether the Bank complied with Operational Policies OP-710, OP-703, and OP-102 and, if it did not, whether this noncompliance gave or could give rise to the harm²⁸ alleged by the Requesters in the Request.
- 5.3 The MICI observes that the Requesters have described a series of actual and potential instances of harm associated with the Bank’s potential noncompliance with the Relevant Operational Policies regarding construction and subsequent operation of the Metrobus system. Specifically, the Requesters allege that they were not consulted about the Program and did not receive complete information at the hearings regarding the impact they expect to suffer and the way in which such impact would be mitigated. In particular, the Requesters claim that, during the Metrobus construction and operation stages, their businesses will be adversely impacted due to the lack of access created by the works. Furthermore, they claim to have been advised that the parking area they currently rely on will be inaccessible during the construction period and will be permanently eliminated during the operating period to make room for the Metrobus system. In addition, those businesses located on the sidewalks of Mercado 4 allege that, although informed that they will be required to vacate, they have not received any information on relocation alternatives or on compensation. With regard to these cases in particular, the MICI has confirmed that

²⁸ Under the MICI Policy, harm is defined as “any direct, material damage or loss. Harm may be actual or reasonably likely to occur in the future.” See MICI Policy, Glossary.

- several Requesters are female heads of household and low-income individuals and are therefore especially vulnerable to the potential negative impacts of these actions on their household finances and their already tenuous financial condition. Allegedly, Requesters located in the microcenter have also received no specific information on the Program's impacts or mitigation measures. Lastly, the fact that the MOPC announced through the media that work on the first section was expected to begin on 11 November 2016 aggravated the Requesters' concerns that the potential harm was now imminent.
- 5.4 The MICI notes that there are conflicting assertions and divergent viewpoints between the Requesters and Management regarding the allegations of harm and compliance with the Relevant Operational Policies. Given the significance of the alleged harm, the imminent start of the works, and the discrepancies between the positions of the Requesters and Management, the MICI believes that an investigation should be conducted to clarify the alleged facts as to the Bank's actions and omissions, solely in relation to the Bank's obligations under the Relevant Operational Policies. The MICI considers that, in this case, an investigation can help to identify key issues to strengthen execution of the Program, which is now getting under way, so that the expected benefits to society are fully realized. The MICI believes that the findings of an investigation, given their timing, would help to reinforce the Program's environmental and social sustainability.
 - 5.5 Furthermore, the MICI considers it appropriate to recommend this investigation from a broader perspective, namely, the Bank's application of the operational policy framework with respect to three issues that are becoming recurrent in Requests received by the MICI: identification and mitigation of short- and medium-term adverse economic impacts; implementation of adequate public consultations; and the conduct of involuntary resettlement processes. In this respect, the present Compliance Review should help to expand the knowledge base and serve to generate lessons learned regarding the application of Operational Policies OP-703, OP-710, and OP-102 in projects that require consultation and resettlement processes, particularly those involving vulnerable population groups. It is worth noting that the Board's support to the MICI since 2015 in conducting investigations in cases involving similar issues has been essential for obtaining material to generate constructive lessons on the application of Relevant Operational Policies.
 - 5.6 In accordance with the MICI mandate, the investigation would focus on verifying Bank compliance with the Relevant Operational Policies applicable to the Program. In addition, any finding in this regard would be aimed at providing the Board of Executive Directors with the information to determine not only whether Management did or did not comply with the provisions of the Relevant Operational Policies in reference to the Program but also, if it did not comply, whether this noncompliance gave or might give rise to an adverse impact on the livelihood of residents of the Region.
 - 5.7 In short, the MICI considers that conducting an investigation not only is appropriate but could also have a positive effect on the Bank's activities and on the sustainability of Bank-financed operations. Below are the reasons that have led the MICI to make this recommendation, as well as the proposed scope, methodology, schedule, and budget.

A. Rationale

Regarding compliance with the Policy on Involuntary Resettlement (OP-710)

- 5.8 The Requesters located in the area of Mercado 4 claim not to have received information on the involuntary resettlement to which they will be subjected due to implementation of the Program. They are unaware of any alternatives or whether they will in any way be compensated, and they emphasize that removal from their business location will entail serious financial losses for them, possibly including the loss of their jobs, which they rely on for their livelihood. They say this will affect not only them but their families, particularly their minor children, and, as the case may be, their employees.²⁹ They also express their fear of not being able to afford the higher cost of daily transportation once the Metrobus system is in operation.³⁰
- 5.9 Operational Policy OP-710 provides that, when displacement is unavoidable, an involuntary resettlement plan must be prepared to ensure that the affected people receive fair and adequate compensation and rehabilitation.³¹ The policy requires preparing a preliminary resettlement plan as part of the environmental and social impact assessment. This plan must be put through a significant process of consultation with the affected population and must be available as part of the EIA prior to the analysis mission. In addition, a final resettlement plan will be submitted to Bank Management for approval prior to distribution of the operation documents for consideration by the Board of Executive Directors.³²
- 5.10 The policy identifies a series of criteria for the design and appraisal of the resettlement plan, including the need for the plan to contain the results of consultations carried out in a timely and socioculturally appropriate manner with a representative cross-section of the displaced and host communities; a definition of the final package of compensation and rehabilitation options; and a reasonably accurate estimate of the number of people who will receive each option or a combination of options.³³ In addition, the policy's special considerations include the need to perform an impoverishment risk analysis when a significant number of the persons to be resettled belong to marginal or low-income groups and their situation could become worse due to loss of employment, loss of access to education, breakdown of social networks, or other consequences. In this regard, Operational Policy OP-710 specifies that a detailed analysis will be carried out at the earliest opportunity, covering gender, ethnicity, income, and other socioeconomic factors, in order to determine the risks and design preventive measures to minimize them.³⁴
- 5.11 Management indicated that, during the Bank's due diligence stage, resettlement frameworks were prepared for the urban renewal and BRT component of the Program and were included in the ESMR submitted as part of the loan proposal approved by the Board of Executive Directors in September 2010. Management also noted that, following approval of the loan and as part of the PROPEF-financed

²⁹ Video testimonials in the electronic links section.

³⁰ Memorandum of Eligibility, page 7.

³¹ OP-710, III.2.

³² OP-710, V.6.

³³ OP-710, V.2 and V.6.

³⁴ OP-710, IV.3.

- activities, the LOGIT-CIA-GSD Plus consortium performed an EIA that included a resettlement and compensation plan³⁵ based on the criteria of the preliminary framework prepared during the Bank's analysis process.³⁶
- 5.12 During the period of preparation of this document, Management³⁷ made a series of documents available to the MICI, including some relating to involuntary resettlement and which, judging from an initial review, appear to be of a preliminary nature and provide a general framework to support subsequent development of specific resettlement plans.³⁸ In other words, although the loan was approved by the Board of Executive Directors in September 2010 and by Paraguay's Congress in 2013, it appears that, as of the present date, the Program still lacks a final resettlement plan on the terms required under Operational Policy OP-710.
- 5.13 In addition, in this initial review, the MICI has been unable to identify information on the consultation processes and participation by the affected population during their preparation stage. In this regard, the Mercado 4 Requesters assert that they have no knowledge of when they will be relocated, the terms of their relocation, and whether they have any relocation alternatives or options.
- 5.14 In view of the above, the MICI considers that an investigation would help to clarify whether the Bank has complied with the provisions of OP-710, specifically whether a resettlement plan was developed in keeping with the criteria and time frame provided in OP-710 and in consultation with the affected population, taking into account the particular circumstances of this population.

Regarding compliance with directives B.4, B.5, B.6, and B.9 of the Environment and Safeguards Compliance Policy (OP-703) and with the Access to Information Policy (OP-102)

- 5.15 The Requesters who own street-front businesses and those located in the microcenter area fear suffering serious economic harm as a result of restricted access to their businesses due to street closures and detours during the construction stage, as well as the elimination of parking and reduced vehicle traffic when the Metrobus system becomes operational. They allege that they do not have complete information on the Program, its impacts, or the proposed mitigation measures.³⁹ They also fear that the implementation of construction will be considerably delayed due to a lack of execution capacity on the part of the responsible authorities, extending the adverse impacts in the construction stage. They point out that these impacts will affect their families and will require them to dismiss employees. Some Requesters note that not all Program impacts have been assessed, and one Requester expresses concern about the potential effects on the historic building in which her business operates.⁴⁰

³⁵ The MICI has not had access to this plan from this preliminary document analysis.

³⁶ Management's Response, page 2.

³⁷ We are grateful to Management for its willingness to cooperate with the MICI during this process.

³⁸ In particular, the MICI had access to the 2010 resettlement frameworks and the 2016 resettlement master plan.

³⁹ Video testimonials in the electronic links section and Memorandum of Eligibility.

⁴⁰ Request, video testimonials in the electronic links section, and Memorandum of Eligibility, pages 6-8.

- 5.16 Directive B.3 of OP-703 establishes that the potential negative impacts of a project will be considered during the screening process and the project will be classified according to its potential impacts. A project's classification defines the appropriate environmental safeguards and environmental review requirements for the project. Thus, category "B" projects require an environmental analysis and an ESMP, while category "A" projects require an EIA.⁴¹ Directive B.5 provides that the executing agency is required to submit all environmental assessment outputs to the Bank for review, and the Bank will consider the quality of the environmental assessment process and documentation for approval of the operation.⁴² In addition, the directive establishes that an environmental analysis should be performed, including an evaluation of the potential environmental, social, health, and safety impacts and risks associated with the operation and an indication of the measures foreseen to control these risks and impacts. The policy also establishes that the EIA should be prepared together with its ESMP, both of which should be ready for review during the environmental analysis mission. It indicates that the EIA will be made available to the public prior to the analysis mission, consistent with the Access to Information Policy (OP-102). The EIA process is subject to minimum requirements, including screening and scoping for impacts; and timely and appropriate consultation and information dissemination process. In addition, due consideration will be given to direct, indirect, regional or cumulative impacts, using adequate baseline data as necessary; impact mitigation and management plans presented in an ESMP; and the incorporation of environmental assessment findings into project design.⁴³
- 5.17 Directive B.9 specifies that the environmental assessment process will identify and assess impacts on critical cultural sites,⁴⁴ and Directive B.4 requires that, in addition to risks posed by environmental impacts, the Bank identify and manage other risk factors that may affect the environmental sustainability of its operations, such as the operating capacity of the executing agencies/sponsors or third parties.⁴⁵
- 5.18 Furthermore, Directive B.6 establishes that Category "B" operations will require consultations with affected parties at least once, preferably during the preparation or review of the ESMP, as agreed with the borrower. For consultation purposes, appropriate information will be provided in location(s), format(s), and language(s) to allow for affected parties to be meaningfully consulted, form an opinion, and comment on the proposed course of action.⁴⁶
- 5.19 In addition, the Access to Information Policy (OP-102) of 2010⁴⁷ establishes the general principle of maximum access to information, reaffirming the Bank's commitment to transparency in all its activities, and therefore seeks to maximize access to any documents and information that it produces and to any information in its possession that is not on the list of exceptions set forth in the policy. Similarly, the Disclosure of Information Policy (OP-102) of 2006 ratifies the Bank's commitment to

⁴¹ OP-703, B.3.

⁴² OP-703, B.5.

⁴³ OP-703, B.5.

⁴⁴ OP-703, B.9.

⁴⁵ OP-703, B.4.

⁴⁶ OP-703, B.6.

⁴⁷ The applicable version of Operational Policy OP-102 will depend on the date on which the information being analyzed by the MICI has been generated.

- transparency and accountability in all its activities and is based on a series of principles. These principles include that, in the absence of compelling reasons for confidentiality, information concerning the Bank and its activities will be made available to the public in a form and at a time that enhances the transparency and therefore the quality of Bank activities.
- 5.20 Management stated that, following approval of the loan, the LOGIT-CIA-GSD Plus consortium performed an EIA, which it began preparing in late 2010. Management notes that the EIA was published in May 2011 along with the announcement that public hearings would be held in Asunción, Fernando de la Mora, and San Lorenzo, as well as in the offices of the Governor of the Central Department.⁴⁸ Management also asserts that, since the Metrobus design was finalized, multiple dissemination activities have been conducted under the Program, as well as more than 20 consultation meetings and a series of activities to present information about the Program and address concerns.⁴⁹
- 5.21 The MICI has found that the aforementioned EIA was prepared before a final Program design was available. This is because, according to the Program, the final design is the responsibility of the firm that is awarded the contract⁵⁰ and is to be performed subsequent to the analysis mission and approval of the loan by the Board of Executive Directors. In addition, the MICI found that a preliminary EIA (pEIA) was performed in July 2015 for one of the sections.⁵¹ In this initial review, the MICI was unable to determine whether there is an updated EIA for all sections of the Program and whether the EIA complies with the provisions of OP-703.
- 5.22 The MICI also confirmed that the Program has an environmental and social management plan (ESMP), prepared in May 2016 for the occupants of the public space forming part of sections 2 and 3 of the first Metrobus corridor. This document is aimed at the informal vendors who operate in that corridor, and its general objective is to encourage them to formalize their operations.⁵² The MICI has not had access to an ESMP preceding the 2016 version or referring to the other Metrobus sections and/or addressing the situation of other groups affected by the Program, such as the Mercado 4 vendors, street-front business owners, or merchants in the microcenter area.
- 5.23 With regard to consultation activities, the 2011 EIA mentions that three informational and consultation meetings were held to provide information about the Program; the EIA includes the presentations used as well as several photographs as annexes.⁵³ On the other hand, in reviewing the 2015 pEIA, the MICI did not find specific

⁴⁸ Management's Response, page 2.

⁴⁹ Management's Response, page 6 and Annex II.

⁵⁰ According to Management's Response, the successful bidder was the Portuguese firm Mota Engil Ingeniería & Construcciones S.A., which in late March 2016 was awarded a final design update and construction contract. Management's Response, page 2.

⁵¹ In its comments on the draft of this recommendation, Management indicates that the preliminary EIA contains no information additional to the EIA of 2011. See, Management's Comments presented on 7 December 2016, paragraph 3.12.

⁵² Environmental and social management plan (ESMP) for the occupants of the public space forming part of sections 2 and 3 of the first Metrobus corridor, pages 6 and 7.

⁵³ LOGIT-CIA-GSD Plus, Volume 6: Final Socioenvironmental Study, Contract S.G. Minister 337/210, BRT Corridor Eusebio Ayala–Mariscal Estigarribia, 18 November 2011, pages 28 and 29 and Annex 6.C.

- information on the consultation processes carried out during the preparation process. The existence of minutes or detailed information regarding the meetings and their content would have to be confirmed during the investigation stage.
- 5.24 In addition to the quantitative information provided by Management on the informational meetings and consultations conducted between 2011 and 2016,⁵⁴ the MICI had access to photographs taken at some of the meetings, as well as to three attendance sheets for workshops conducted in 2016 and a table indicating that contact was established with street-front business owners in 2015 and 2016.⁵⁵ During the investigation, it would be important for the MICI to have access to reports, minutes, or attendance lists for these meetings so as to determine what information was provided on the Program's impacts and mitigation measures, whether the parties affected by the Program were invited, and whether their comments on the proposed course of action were set down. On this point, the MICI notes that, in addition to the Requesters' assertions that they were not informed or consulted, the 2016 ESMP indicates that "the fears expressed by the affected population are largely due to disinformation regarding the Program, which is why there is an urgent need for a Program outreach strategy aimed at the affected population."⁵⁶ Similarly, the MICI recalls that, while conducting its eligibility process, it carefully reviewed the printed materials distributed as well as the Bank's and executing agency's websites to learn what content is being disclosed, and found no information on impacts or mitigation measures.⁵⁷
- 5.25 In addition, the MICI notes that, according to Management, the Program was approved in 2010, consultations started in 2011, ratification by Congress occurred in 2013, and consultations were resumed in 2015.⁵⁸ In view of this and the fact that the pEIA is from 2015, the MICI considers that the investigation should clarify whether the affected parties were consulted during the Program preparation stage; determine what documentation and information about the Project was provided in the consultations described by Management; and establish whether a comprehensive and up-to-date overview of the Program's impacts and planned mitigation measures was provided in these consultations, so as to allow the affected parties to form an opinion and submit comments on the proposed course of action, as required under Directive B.6.
- 5.26 In addition, the MICI performed a search on the Bank's website and found a reference to the 2011 EIA and the 2015 pEIA. However, there is limited public access to the 2011 EIA, so the MICI was unable to gain access to its content.⁵⁹ Based on this and on the alleged lack of consultations and information about the Program, the MICI considers that an investigation would be in order, to determine whether the Bank has complied with Operational Policy OP-102 in relation to the Program.

⁵⁴ Management's Response, Annex II, and information provided by Management on 3 November 2016.

⁵⁵ Information provided by Management on 3 November 2016.

⁵⁶ Environmental and social management plan (ESMP) for the occupants of the public space forming part of sections 2 and 3 of the first Metrobus corridor, page 10.

⁵⁷ Memorandum of Eligibility, page 12.

⁵⁸ Management's Response, Annexes I and II.

⁵⁹ See <http://www.iadb.org/es/proyectos/project-information-page,1303.html?id=PR-L1044>.

5.27 In short, the MICI believes that a Compliance Review would make it possible to determine whether an environmental and social assessment process was in fact conducted and whether adequate consultations were carried out with the affected community regarding Metrobus construction and operation as required under Operational Policy OP-703, and whether information about the Program was made available to the public in compliance with the criteria of Operational Policy OP-102.

B. Scope

5.28 This Recommendation proposes that the Board of Executive Directors conduct an investigation of the operation focused on verifying Bank compliance with Operational Policies OP-710, OP-703, and OP-102.

5.29 The output of the investigation will be a Compliance Review Report on the operation, describing the investigation process, its findings, and the evidence-based conclusions on compliance or noncompliance with the Relevant Operational Policies, as well as the connection, if any, between any noncompliance and the harm alleged by the Requesters.

5.30 In view of the information that Management has already provided to the MICI, the investigation will focus on answering the following questions:⁶⁰

5.31 With regard to the requirements for preparing a resettlement plan under Operational Policy OP-710:

- Is there a resettlement plan for the Program that complies with the requirements and time frames established in OP-710?
- Were timely and socially appropriate consultations conducted with the affected individuals? If so, is there a resettlement plan that reflects the outcomes of these consultations?
- Were the most vulnerable subgroups, particularly female heads of household and low-income individuals, identified to ensure that their interests are duly represented in the resettlement process?
- If consultations were not conducted in accordance with OP-710 criteria, did this result in harm to the Requesters?

5.32 With regard to the environmental and social assessment process and the requirements for consultations with affected communities and access to information requirements under Operational Policies OP-703 and OP-102:

- Were environmental and social assessments performed in accordance with the requirements of OP-703?
- Were informational and consultation processes carried out with the affected community in accordance with OP-703?
- Were impacts on the historical heritage assets assessed, and were mitigation measures considered?

⁶⁰ The investigation questions are aimed at guiding the investigation process and the search for relevant facts that can shed light on the case in question. With these facts in hand, the Panel can determine how and why a Bank action or omission, if any, could have resulted in noncompliance with the applicable operational policies.

- Did the Bank analyze the applicability and observance of Directive B.4? If so, what steps did it take to mitigate this potential risk?
- Were the environmental assessment documents disclosed in accordance with OP-102?
- If the Bank failed to comply with the requirements of OP-703 and OP-102, did this result in harm to the Requesters?

C. Proposed methodology

5.33 The proposed investigation would utilize documentary review and targeted interviews as a primary fact-finding method. The results would be compared against the directives of the Relevant Operational Policies to determine compliance or noncompliance. Lastly, in the event of a finding of noncompliance, a causal analysis would be performed to determine whether there are links between the noncompliance and the alleged harm.

5.34 Based on the above, the MICI would carry out the following activities:

- (i) **Preparation of terms of reference for the experts.**
- (ii) **One-on-one interviews with the following actors:**
 - Bank staff involved in the Program at Headquarters and at the Country Office in Paraguay.
 - Requesters.
 - Executing agency (MOPC) team.
 - Other actors identified as relevant during the investigation.
- (iii) **Documentary review:**
 - Review of both public and confidential documents in the Bank's possession regarding the Program and relevant to the investigation.
 - Reports issued by the executing agency and other third parties in accordance with their respective contractual requirements with the Bank.
 - Other relevant reports and studies.
- (iv) **Mission to Asunción, Paraguay, by the Investigative Panel for context purposes and to contact the Requesters and other parties.**
- (v) **Review of the Roster experts' reports.**
- (vi) **Comparison analysis and determination regarding the main findings.**
- (vii) **Preparation of preliminary report.**

D. Timeline and team

5.35 In accordance with the provisions of the MICI Policy, the proposed investigation would be conducted within a maximum period of six calendar months, running from the formation of the Compliance Review Panel.

ANNEX I

MANAGEMENT'S COMMENTS ON THE PRELIMINARY VERSION OF THE RECOMMENDATION FOR COMPLIANCE REVIEW

MEMORANDUM

File classification: IDBDOCS# 40774067

Date: 7 December 2016

To: Victoria Márquez Mees, MICI Director

From: Néstor Roa, Chief, Transportation Division

CC: Vice President for Countries; Vice President for Sectors and Knowledge; Manager, Infrastructure and Energy Sector; Country Representative in Paraguay; Chief, Environmental Safeguards Unit.

Matter: Management's comments on the draft document "Recommendation for Compliance Review and Terms of Reference."

Reference: Case MICI-IDB-PR-2016-0101. Paraguay: "Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices" (PR-L1044).

I. INTRODUCTION

- 1.1 This memorandum presents the comments of Bank Management (hereinafter, "Management")⁶¹ on the draft document "Recommendation for Compliance Review and Terms of Reference," delivered to Management by the MICI on 14 November 2016 in relation to case MICI-IDB-PR-2016-0101 on the program "Downtown Redevelopment, Modernization of Metropolitan Public Transport, and Government Offices" (PR-L1044), loan contracts 2420/BL-PR and 2419/OC-PR (hereinafter, the "Program").
- 1.2 Management is grateful to the MICI for providing the above-referenced document for comments.
- 1.3 The structure of this memorandum is the following: (i) Section I, which provides an introduction; (ii) Section II, which provides the context of the operation; (iii) Section III, which describes the actions taken by Management with regard to the Relevant Operational Policies, including the preparation of environmental and social management instruments; (iv) Section IV, which summarizes Management's position on conducting a Compliance Review investigation; and (v) Section V, which provides Management's comments on the draft document "Recommendation for Compliance Review and Terms of Reference."

⁶¹ The comments herein were prepared by the Transportation Division (INE/TSP) jointly with the Environmental Safeguards Unit (VPS/ESG) and with support from the Legal Department (LEG/SGO).

II. CONTEXT OF THE OPERATION

- 2.1 The Program was approved by the Board of Executive Directors of the Bank on 29 September 2010. The loan contract between the Republic of Paraguay and the Bank was signed on 9 October 2010. For legislative confirmation, the Executive Branch submitted the Program to Congress for ratification in May 2011; one year later, it was rejected by the Chamber of Deputies. The Program was resubmitted to Congress in July 2012 and was again rejected by the Chamber of Deputies the following September. It was submitted to Congress a third time in early 2013 and was finally approved on 27 December 2013. On the first two occasions, the Program was rejected due to issues regarding bus service technology, stemming from a preference for electricity over liquid fuel. The Bank declared eligibility on 15 April 2014, subsequent to the entry into force of the Program (27 December 2013).
- 2.2 The Program includes two main components: (i) urban renewal; and (ii) the first metropolitan public transport corridor (BRT-Metrobus). The operation was jointly structured by the Transportation Division (INE/TSP) and the Fiscal and Municipal Management Division (IFD/FMM). The Program is implemented by an execution unit reporting directly to the Ministry of Public Works and Communications (MOPC).
- 2.3 Close to four years elapsed between approval of the loan in September 2010 and eligibility for disbursements in April 2014. Consequently, the degree of detail of the information continues to increase as the Program advances. When the Bank's Board of Executive Directors approved the loan proposal, the Program existed in the form of an initial design, which has since undergone adjustments as a result of consultations with the institutions involved and with the community. During this time, the design information was revised and updated, and the routing alternatives were also once again revised, in order to avoid affecting the markets in Asunción (Mercado 4) and San Lorenzo. This led, in late 2014, to the need to subdivide the procurement of Metrobus construction into two stages, leaving the sections that encompass the markets for a second stage, which is being analyzed in great detail. As the design moved forward, a detailed environmental impact assessment (EIA) was prepared along with resettlement master plans.
- 2.4 The construction work, located in an urban setting, is being carried out in sections and subsections, such that the right of way is released, little by little, before work begins on a particular sector. There is no effect on ecosystems of any type, aside from the removal of a few trees, which will be offset. Physical impacts are solved through measures planned as part of the design and execution of the works, while social impacts inherent in this type of project are mitigated through compliance with the resettlement master plan, which is the responsibility of a dedicated team of social management specialists. See Figure, Metrobus Sections, in Annex III.

III. ACTIONS TAKEN BY MANAGEMENT IN RELATION TO THE RELEVANT OPERATIONAL POLICIES (OP-710, OP-703, AND OP-102), INCLUDING THE PREPARATION OF ENVIRONMENTAL AND SOCIAL MANAGEMENT INSTRUMENTS

- 3.1 As indicated above, at the time of approval of the operation there was only a conceptual design of the Metrobus project. Consequently, there was not enough information available to prepare a resettlement plan, aside from the "Framework for

- Resettlement Plans for Urban Renewal of Barrio San Jerónimo and Relocation of Informal Businesses in the BRT Section” (IDBDOCS# [35363897](#)), completed in September 2010. The environmental assessment of the Program was included in the environmental and social management report (ESMR) for the operation and published simultaneously with the program document – loan proposal.
- 3.2 In parallel with the preparation of loan operation PR-L1044, the Bank approved a Project Preparation and Execution Facility (PROPEF) (PR-L1056) for contracting of the final engineering designs, the EIA, and the resettlement framework plan. Volume IV of the final design report contains all the information related to environmental and social issues. The process of preparing the EIA and the resettlement framework plan included the relevant public consultations. Based on these reports, the Department of the Environment (SEAM) granted the Program’s environmental license on 18 July 2011. The EIA and the resettlement plan are available at IDBDOCS# [40342747](#).
 - 3.3 Given the delay in the loan’s entry into force, as explained in the preceding section, and the fact that a new government administration was in office when the loan became eligible, the engineering studies needed to be revised. At that point, the MOPC decided to review the alternative routes for Metrobus entry into Asunción and San Lorenzo, in order to find a way not to affect Mercado 4 and the San Lorenzo market. As a result of this, the project was divided into two stages: (i) an initial stage for construction of an 11-km section between Universidad Nacional de Asunción and Calle General Elizardo Aquino; and (ii) a second stage for construction of the section leading into Asunción, including the portion along calle Pettirossi where Mercado 4 is located. The section leading into San Lorenzo was postponed due to a political decision by the municipal authorities.
 - 3.4 The Program’s execution unit prepared an involuntary resettlement master plan that has been made official by ministerial resolution and outlines a general strategy for the entire Program (IDBDOCS# [40752373](#)). Specific, detailed resettlement plans are prepared by subsections, according to the schedule of construction works, since the contractor needs to review the project in detail so as to minimize its impacts. Only when there is certainty regarding a specific impact is a dialogue initiated (on a case-by-case basis), in order to arrive at an agreement as to mitigation and compensation.
 - 3.5 The delay in starting the Program also meant that the environmental license, required to begin construction work, expired. For this reason, an EIA was prepared in 2015 for sections 2 and 3 for the sole purpose of renewing the environmental license.
 - 3.6 Annexes I and II provide an itemized list of the activities carried out with regard to Bank policies. Specifically: (i) the Operational Policy on Involuntary Resettlement (OP-710), by preparing a resettlement framework upon approval of the loan proposal and preparing a detailed framework plan as part of the program design stage, and lastly the Involuntary Resettlement Master Plan (IRMP); (ii) the Environment and Safeguards Compliance Policy (OP-703), by preparing the ESMR simultaneously with the loan proposal and preparing a detailed EIA; and (iii) the Access to Information Policy (OP-102), by disclosing Program information through the publication of various studies and the development of a plan for informational meetings, consultations, and house-to-house field visits, as described in Annex II.

a. Operational Policy OP-710 (Involuntary Resettlement)

- 3.7 The loan proposal (document PR-3579) approved by the Bank's Board of Executive Directors in 2010 included the Program's environmental and social management report (ESMR), which included a resettlement framework for the urban renewal and BRT-Metrobus components (IDBDOCS# [35363897](#)). Months later and as progress was made on the Program design, a resettlement framework plan was prepared (IDBDOCS# [40342747](#)) that covers the types of impact and specific management proposals.
- 3.8 Six years following the preparation of the resettlement frameworks included in the loan proposal, the resettlement master plan (IDBDOCS# [40752373](#)) has been prepared as part of the Program execution stage. This master plan was completed in June 2016 and updated to reflect the new characteristics of the Program, fine-tuning the understanding of affected groups, primarily vendors and street-front business owners. The resettlement master plan was the result of focused efforts to follow the construction plan (construction by sections); in other words, it fully reflects the arrangements for construction of the Metrobus works. In preparing this plan, consultations and meetings have been held with the affected parties along the various sections.⁶² Annex II provides details of the informational and consultation activities.
- 3.9 The specific resettlement plans—which provide details of the individuals affected, including their names, location, type of adverse effect, and compensation to be given to each—are prepared section by section shortly before the relevant construction work begins, so as to avoid having to make modifications or adjustments due to changes in the final designs. As of this date, the specific resettlement plan has been completed for section 3.
- 3.10 In addition to the activities described in Annex II, the Program's execution unit has subcontracted cadastral surveys, censuses, assessments, and development of solutions for all those temporarily or permanently affected with various companies, with support from an Asunción city government team and a second team provided by the contractor. The contractor's responsibilities include carrying out the replacement of improvements and payments arising from demolitions, subject to agreement between the parties. Before any work is undertaken, the contractor is required to verify that an agreement has been signed with the affected parties.

b. Operational Policy OP-703 (Environment and Safeguards Compliance)

- 3.11 The ESMR (IDBDOCS# [35294363](#)) prepared together with the design of the operation contains information related to the environmental and social impacts based on the conceptual design available at the time. Subsequently, an environmental impact assessment (EIA) (IDBDOCS# [40342747](#)) was prepared during the Program design stage based on the final design. During the preparation of the EIA, six public hearings were held between February and October 2011 in the

⁶² Contracts are in place with the following firms: (i) GEAM for a census of informal businesses along the corridor that need to be relocated, finding consensus solutions with the affected groups; (ii) CAPYME and Emprender for a survey of all affected street-front business owners, an assessment of the vulnerability of the businesses, and preparation of individualized proposed solutions in each case.

- three municipios within the Program's direct target area (Asunción, Fernando de la Mora, and San Lorenzo) in coordination with the respective municipal authorities.
- 3.12 During the execution stage of the operation, a report was prepared solely for administrative purposes (to obtain a renewal of the environmental license for the sections (2 and 3) that have been put out for bids) (IDBDOCS# [40342552](#)). By national legislative mandate, this report was labeled Preliminary Environmental Impact Assessment (pEIA); however, it contains no information additional to what is contained in the 2011 EIA.
- 3.13 In addition, the public information and consultation activities have gone from informational meetings in 2011 and 2012 to 962 house-to-house visits and more than 15 informational meetings with street-front business owners in 2015 to public hearings and informational workshops in 2016, including 13 meetings with street-front business owners and 8 meetings with licensed stall vendors. The informational work has been conducted on a specialized basis by type of affected group. A complaints and claims unit was created before the start of the construction works. Moreover, in addition to the information booths to be set up along the route jointly with the construction contractor, an information office will be opened on the Mercado 4 premises once work begins at that site. In other words, information disclosure and consultation actions are being carried out effectively on an ongoing basis. Annex II provides a detailed description of all communication efforts undertaken from 2011 to the present date, including all manner of publications, meetings, and informational visits.

c. Operational Policy OP-102 (Access to Information)

- 3.14 In accordance with Operational Policy OP-102, the Bank has disclosed the following on its website: (i) the project profile; (ii) the environmental and social management report (ESMR); (iii) the environmental impact assessment (EIA) of 2011 along with its respective environmental and social management plan (ESMP); (iv) the Metrobus EIA; (v) the EIA for sections 2 and 3 with its respective ESMP; (vi) the loan proposal; (vii) the resettlement framework plan; (viii) the resettlement master plan; and (ix) the monitoring reports, among other Program documents.
- 3.15 The Bank has been disclosing Program information as it becomes available, particularly regarding the environmental and social impacts of each of the Program works, as well as the completed specific resettlement plans. The Bank will continue to disclose Program information, along with any required updates.

IV. MANAGEMENT'S POSITION ON CONDUCTING A COMPLIANCE REVIEW INVESTIGATION

- 4.1 As stated above, the Program's execution phase began only in August 2016 with minor works consisting of felling some trees. Consequently, no harm has resulted to the Requesters or any third parties. In addition, numerous instruments have been prepared (and will continue to be prepared as the Program moves forward) to avoid, mitigate, compensate, and monitor the environmental and social impacts inherent in a project of this nature. The sequence in which these instruments are being prepared reflects the evolution of the Program and the construction plan, which envisages execution section by section.

- 4.2 Management understands that one of the criteria for a Request to be deemed eligible by the MICI is for two or more people to believe that they have been or may be affected by a Bank-financed operation (MICI Policy, Section G – Determination of Eligibility). However, specifically with regard to the Compliance Review Phase, the purpose of this phase is to investigate allegations that the Bank has failed to comply with its Relevant Operational Policies and has caused Harm to the Requesters (MICI Policy, Section I – Compliance Review Phase). Consequently, Management fails to see how an investigation is justified, since given the status of the Program (as explained in paragraph 4.1), the alleged harm has not and could not have occurred as of the present date.
- 4.3 The initial stage of a complex project such as this is when all the mechanisms and instruments created during the preparation stage for execution, management, control, monitoring, and supervision of the works, from a technical, environmental, and social standpoint, are tested. This is why it is a critical stage of any project and requires absolute, full-time dedication by the agencies and teams involved in its implementation. Accordingly, to test these mechanisms and instruments, project execution is starting with a section that does not pose any major risks. Management believes that this sequential structure of the construction plan will provide an opportunity for the executing agency and Bank, as well as for the Requesters, to determine whether the plans and management measures prepared are effective.
- 4.4 Management believes that the Consultation Phase (in which Management confirmed it was willing to take part) has given the Requesters an opportunity to clarify the alleged potential impact they could suffer in the future due to the Program's execution, as hundreds of others have done by participating in interviews, consultations, and public hearings. However, the Requesters elected to directly request activation of the Compliance Review Phase. Management considers that, since construction under the Program has started recently (in November 2016) on a section that does not pose any major risk, this is the time to test the mechanisms and instruments specifically designed to handle the operation's impacts and risks and continue to strengthen the disclosure of information, consultations, and agreements on mitigation measures.

V. MANAGEMENT'S TECHNICAL COMMENTS ON THE DRAFT OF THE MICI DOCUMENT "RECOMMENDATION FOR COMPLIANCE REVIEW AND TERMS OF REFERENCE"

- 5.1 The following are technical comments on the document "Recommendation for Compliance Review and Terms of Reference:"
- Paragraph 2.11: The Operational Policy on Indigenous Peoples (OP-765) is not applicable to the Program, since the Program is not being conducted in territories of indigenous communities and does not affect members of those communities.
 - Paragraph 4.2: "Management argued that, to address this situation, resettlement framework plans were prepared for both Program components during the Bank's due diligence stage...." (Note: In the ESMR, these plans are referred to as frameworks.)
 - Paragraph 4.3: "Management specified that, following approval of the loan and as part of the support actions financed by the PROPEF, the LOGIT-CIA-GSD

Plus consortium performed an EIA that included a resettlement and compensation plan based on the criteria of the preliminary resettlement framework plan.”

- Paragraph 6.17: This paragraph refers to the fact that, under Directive B.4, the Bank is required to identify and manage not only the risks associated with environmental impacts but also other risk factors capable of affecting the environmental sustainability of Bank operations, such as the management capacity of the executing agencies/borrower and of third parties. However, the document does not provide context for citing Directive B.4 in relation to the Program, so this point needs clarification.
- Paragraph 6.19: This paragraph refers to the Access to Information Policy (specifically, to paragraph 2.1, according to footnote 43). Paragraph 10.1 of this policy states that “[t]he provisions of this policy will take effect on January 1, 2011 with respect to information produced on or after that date.” Therefore, in the case of the Program, it should be made clear that documents produced prior to 1 January 2011 are subject to the preceding policy (Disclosure of Information Policy OP-102), which went into effect on 7 August 2006.
- Paragraph 6.21: This paragraph asserts that “[i]n addition, the MICI found that a preliminary EIA (pEIA) was performed in July 2015 for one of the sections. The pEIA is a preliminary document produced in preparation for an environmental impact assessment, which will contain the mitigation measures and environmental and social plan for this section...” This assertion is incorrect, since the title of preliminary EIA is given to this document only to satisfy nomenclature requirements under local legislation (which regards an EIA as “preliminary” until it is approved by the administrative authorities) and does not reflect the depth or scope of the document. The preliminary EIA was prepared for the purpose of obtaining an environmental license from the national environmental authority; hence its title.
- Paragraph 6.22: This paragraph does not accurately reflect the facts. There is a resettlement master plan that contains general guidelines and procedures for the resettlement or economic compensation process. Specific plans have been or are being prepared for different groups of affected individuals as the construction work, which is being performed in sections, moves forward.

ANNEX I SUMMARY OF MAIN ACTIONS TAKEN IN RELATION TO THE RELEVANT OPERATIONAL POLICIES

Operational Policy	<i>Program preparation stage: (2009-2010)</i>	<i>Metrobus project design stage⁶³ (2011-2013)</i>	<i>Program execution stage (2014 – Present)</i>
Operational Policy on Involuntary Resettlement (OP 710)	Resettlement framework plan with preliminary project design.	Involuntary resettlement plans, including a survey of impacts and specific proposals to mitigate social impacts.	Resettlement master plan, adjusted to reflect the new features of the Program, fine-tuning the understanding of affected groups, primarily vendors and street-front business owners. Individualized efforts following the construction plan (construction by sections). This plan has been disclosed in the meetings being held along the various sections. ⁶⁴
Environment and Safeguards Compliance Policy (OP-703)	Environmental and social management report (ESMR)	Preparation of an environmental impact assessment (EIA) based on the final design. During the EIA preparation stage, six public hearings were held between February and October 2011 in the three municipios within the direct target area (Asunción, Fernando de la Mora, and San Lorenzo) in coordination with the respective municipal authorities.	EIA for administrative purposes for the sections that were put out for bids and for renewal of the environmental license so that construction can begin. The Involuntary Resettlement Master Plan (IRMP) has been available on the MOPC website since 13 June 2016.
Access to Information Policy (OP-102)	The documents were made available to the public together with the loan proposal.	The documents were made available to the public on the Bank's portal.	The documents were made available to the public on the Bank's portal.

⁶³ The project design was prepared by the LOGIT-CIA-GSD Plus consortium with PROPEF resources (PR-L1056). An EIA was prepared simultaneously with the project design, in order to be able to examine alternatives, and was included in the final report as “Volume 6: Socioenvironmental Study, Final Report,” dated 18 November 2011 (IDBDOCS# [40342747](#)).

⁶⁴ Contracts are in place with the following firms: (i) GEAM for a census of informal businesses along the corridor that need to be relocated, finding consensus solutions with the affected groups; (ii) CAPYME and Emprender for a survey of all affected street-front business owners, an assessment of the vulnerability of the businesses, and preparation of individualized proposed solutions in each case.

ANNEX II – INFORMATION DISCLOSURE TO THE POPULATION AND CONSULTATIONS

A. ACTIVITIES IN 2011

A1- Informational and consultation meetings

2 February 2011: Informational and consultation meeting at the meeting hall of the San Lorenzo municipal council. Means of verification: photographic archive.

18 September 2011: An informational and consultation meeting was held at the San Lorenzo Municipal Theater. Attendees included local authorities, street-front business owners, and licensed vendors from the San Lorenzo municipal market, totaling approximately 150 people. Means of verification: photographic archive.

A2- Public hearings

17 October 2011: An informational and consultation meeting was held at the San Lorenzo municipal sports center and was attended by the interested general public, totaling approximately 100 people. Means of verification: photographic archive.

B. ACTIVITIES IN 2012

B1- Informational and consultation meetings

May and June 2012

<i>MUNICIPIO</i>	<i>PLACE</i>	<i>DATE</i>
San Lorenzo	City hall, with licensed market vendors	May 2012
	School of Architecture of the National University of Asunción	
	School of Agricultural Sciences of the National University of Asunción.	
	Colegio Saturno Ríos	
	Polytechnic School of the National University of Asunción	
Asunción	Colegio Fernando de la Mora	May 2012
	Colegio Nacional de la Capital (CNC)	
	Asunción municipal council. With licensed Mercado 4 vendors	
	Colegio Pablo L. Ávila	
	Colegio Técnico Nacional	
	Colegio Misión de la Amistad	
	Colegio Verbo Divino	
	Colegio Acuña de Figueroa	
Manzana de la Rivera hall		

Means of verification: Photographic archive (available upon request).

MUNICIPIO	PLACE	June 2012
Asunción	País Solidario Party	Friday 01
Asunción	Paraguayan Construction Industry Chamber	Tuesday 05
San Lorenzo	Autonomous University San Sebastián de San Lorenzo	Wednesday 06
Asunción	Colegio Alvarin Romero	Wednesday 13
Asunción	Colegio Ysaty	Monday 11
San Lorenzo	School of Engineering	Thursday 14
Asunción	Colegio Nuestra Señora Stella Maris	Friday 15
Asunción	Colegio Verbo Divino	Monday 18
Asunción	Colegio Eudoro Cáceres	Tuesday 19
Asunción	Colegio Campo Verde	Wednesday 20
Asunción	Colegio Virgen del Carmen	Thursday 21
Fernando de la Mora radius of influence	Colegio Apostólico San José	Friday 22

Means of verification: Photographic archive (available upon request).

C. ACTIVITIES IN 2015

C1- House-to-house visits / March 2015

Visits were conducted along the central corridor (section 2 and (3) with a view to distributing informational trifold brochures on the Metrobus project to the owners, managers, and tenants of each of the properties and/or street-front businesses in the corridor, while also providing verbal information to each such person.

MUNICIPIO OF ASUNCIÓN	
<i>In the city of Asunción, information was provided to 578 persons responsible for the relevant properties.</i>	
SECTION	NUMBER OF PERSONS INFORMED
Ygurei – Vice Pdte. Sánchez	64
Vice Pdte. Sánchez - Gral. Santos	48
Gral. Santos - Luis Morquio	60
Morquio – Bartolomé de las Casas	82
Bartolomé de las Casas – Médicos del Chaco	61
Médicos del Chaco - Rca. Argentina	79
Rca. Argentina - RI 6 Boquerón	42
RI 6 Boquerón – Avenida de la Victoria	35
Avenida de la Victoria – Avenida Dr. Guido Boggiani	53
Avenida Dr. Guido Boggiani – Defensores del Chaco	54

Means of verification of visits: Reception lists (example and photographic archive, available upon request).

MUNICIPIOS OF FERNANDO DE LA MORA AND SAN LORENZO	
<i>In the cities of Fdo. de la Mora and San Lorenzo, information was provided to 384 persons responsible for the relevant properties.</i>	
SECTION	NUMBER OF PERSONS INFORMED
Defensores del Chaco – 1° de Marzo	74
1° de Marzo – Saturno Ríos	79
Saturno Ríos – Tte. Ettiene	59
Tte. Ettiene – 1° de Mayo	72
1° de Mayo – Avenida Pastora Céspedes	39
Avenida Pastora Céspedes – Campus UNA	61

C.2 Informational and consultation meetings

4 August 2015: An informational and consultation meeting was held at the Bonanza shopping center. Attendees included licensed vendors from municipal market 4, totaling approximately 10 people. Means of verification: photographic archive. (Annex 7).

30 May 2015: An informational and consultation meeting was held at the request of the political party Frente Guazú in the offices of the Frente Guazú caucus. Attendees included licensed vendors from the San Lorenzo market, totaling approximately 25 people. Means of verification: photographic archive. (Annex 8).

October and November 2015

No.	DATE	MEETING PLACE	SECTION	NUMBER OF ATTENDEES
1°	05-08-2015	MELIPO	Luis Morquio - Bartolomé de las Casas	27
2°	15-10-2015	CNC	Gral. Aquino – Ygurei	38
3°	20-10-2015	CAMBRIDGE	Gral. Santos – Luis Morquio	21
4°	21-10-2015	CNC	Ygurei – Gral. Santos	11
5°	22-10-2015	INDUCAUCHO	Rca. Argentina – RI 6 Boquerón	27
6°	10-11-2015	UPV	Defensores del Chaco – Campo Santo	60
7°	12-11-2015	UPV	Campo Santo – Primero de Marzo	35
8°	18-11-2015	MAG	1° de Marzo – Campus UNA	21
9°	19-11-2015	UPV	La Victoria – Defensores del Chaco	35
10°	24-11-2015	Sta. TERESITA	Bartolomé de las casas – R. Argentina	45
11°	26-11-2015	Sh. MULTIPLAZA	RI 6 Boquerón – Avenida La Victoria	11
Total				331 persons

Means of verification: Invitation list, attendance list (model and photographic archive, available upon request).

D. ACTIVITIES IN 2016

D1- Public hearings

Monday, 11 April 2016. 9 a.m.: A public hearing was held in the bicameral hall of Congress at the request of congressman Dani Durand, member of the Works Committee of the Chamber of Deputies. Participants, totaling approximately 200 people, included owners of street-front businesses in the corridor and representatives of licensed vendors from Mercado 4 in Asunción and the San Lorenzo market. Means of verification: photographic archive. (Annex 11).

City of San Lorenzo. Monday, 9 May 2016. 9 a.m.: A public hearing was held in the theater of the municipality of San Lorenzo at the request of the municipal council. Attendees, totaling approximately 200 people, included owners of businesses fronting on Calle Julia Miranda Cueto and licensed vendors from the San Lorenzo market. Means of verification: photographic archive. (Annex 12).

City of Asunción. Monday, 9 May 2016. 5 p.m.: A public hearing was held in the hall of Mercado 4 at the request of licensed vendors located on Calle Pettirosi. Attendees, totaling approximately 40 people, included licensed vendors from Asunción's Mercado 4, three members of the municipal council, the head of the municipality's social cabinet, the director and social team of municipal market Mercado 4, and a group opposed to the Metrobus system from the city of Fernando de la Mora. Means of verification: photographic archive. (Annex 13).

City of Asunción. Tuesday, 1 November 2016. 10 a.m.: A public hearing was held in the bicameral hall of Congress at the request of the chair of the Human Rights Committee, Mrs. Olga Ferreira. Participants, totaling approximately 200 people, included owners of street-front businesses in the corridor, representatives of and licensed vendors from Mercado 4 in Asunción, and licensed vendors from the San Lorenzo market. Means of verification: photographic archive. (Annex 15).

D2- Informational and consultation meetings with street-front business owners. March 2016

No.	DATE	MEETING PLACE	SECTION	NUMBER OF ATTENDEES
1°	08-03-2016	UPV	Calle Ultima – Pittiantuta	98
2°	10-03-2016	UPV	Pittiantuta – Campus	66
3°	15-03-2016	EDESA	Rca. Argentina – Avenida La Victoria	19
4°	16-03-2016	UPV	Avenida La Victoria – Calle Ultima	45
5°	17-03-2016	CNC	Gral. Aquino – Gral. Santos	24
6°	29-03-2016	CITY HALL	Gral. Santos – Kubischek	15
7°	31-03-2016	CITY HALL	Kubischek – Choferes	17
TOTAL				284 persons

Means of verification: Invitation list, attendance list (model, audio, video, and photographic archive – available upon request)

7 July 2016: Meeting to present the involuntary resettlement master plan for the municipio of Fernando de la Mora and the social management plan (GEAM). This meeting was attended by the local authorities involved in the Program.

29 July 2016: Meeting among councilors, street-front business owners, and technical experts on the social component of the Metrobus project to discuss the results of diagnostic assessments and the preparation of social plans for central corridor subsection 3.3, which falls within the municipio of San Lorenzo.

Means of verification: <http://www.Metrobús.gov.py/estudios-de-diagnostico-y-propuestas-de-planes-sociales-fueron-presentados-a-la-junta-municipal-y-audiencia-ciudadana-de-san-lorenzo-1263/>.

D3- Informational and consultation meetings with owners and workers of stationary vending stalls

FIRST MEETING: with vendors from the municipio of Fernando de la Mora

Date: 16/02

Place: Municipality of Fernando de la Mora

Participants: 26 occupants (18 invited and 8 walk-ins)

SECOND MEETING: with vendors from the municipio of San Lorenzo

Date: 17/02

Lugar: Municipality of Fernando de la Mora

Participants: 35 participants (33 invited and 2 walk-ins)

THIRD MEETING: with vendors from the municipio of Asunción

Date: 18/02

Lugar: Hogar Santa Teresita (Asunción)

Participants: 32 occupants (27 invited and 5 walk-ins)

Means of verification: photographic archive. (Annex 14).

FOURTH MEETING: with licensed vendors, Mercado 4 street-front business owners, and municipal authorities.

Date: 21/06

Place: Shed in the former meat-packing area of Mercado 4

Participants: Licensed vendors, street-front business owners, municipal authorities, and PEU social team.

Means of verification: <http://www.Metrobús.gov.py/Metrobús-y-municipalidad-de-asuncion-inician-reuniones-con-permisionarios-del-mercado-4-1235/>

FIFTH MEETING: with medicinal herb sellers from Mercado 4.

Date: 11/10

Place: Paseo de los yuyos [Medicinal Herb Alley] - Mercado 4

Participants: 24 (sellers of medicinal herbs, crafts, and other items)

Means of verification: Photographic archive – available upon request (Publication: <http://www.Metrobús.gov.py/reunion-con-vendedores-del-paseo-de-los-yuyos-sobre-Metrobús-1297/>).

SIXTH MEETING: with licensed vendors located on Av. Pettirossi

Date: 13/10

Lugar: Project department of the municipality of Asunción - Mercado 4

Participants: 10 persons (sellers of various items)

Means of verification: Photographic archive (available upon request)

SEVENTH MEETING: with affected fixed stall vendors located in subsection 3.3.

Date: 21/10

Place: Department of Agricultural Education- San Lorenzo.

Participants: eight owners of fixed vending stalls.

Means of verification: Photographic archive (available upon request)

EIGHTH MEETING: with sellers of medicinal herbs in Mercado 4.

Date: 28/10

Place: Paseo de los yuyos - Mercado 4

Participants: 20 persons (sellers of medicinal herbs, crafts, and other items)

Means of verification: Photographic archive (available upon request).

D4- House-to-house visits

D41- Street-front businesses

- House-to-house visits by the PEU social team to invite people to meetings and deliver information: 875 persons. March 2016:
- Visits by CAPYME to street-front businesses in the months of June, July, August, and September to prepare the census:

	Subsection	Number of visits	Total municipio
San Lorenzo	3.3	81	81
Fernando de la Mora	3.2	101	228
	3.1	127	
Asunción	2.4	76	402
	2.3	41	
	2.2	189	
	2.1	96	
	TOTAL	711	711

- Follow-up visits - (CAPYME) subsequent to the census in subsection 3.3:
 - To identify vulnerable businesses: 59 businesses visited
 - To follow up on businesses that need specific measures: 13 businesses.

- Visits by the CC consortium to identify impacts from expropriation/improvements:
 - Section 3.3 San Lorenzo: 36
 - Section 3.2 Fdo de la Mora: 58
 - Section 3.1 Fdo de la Mora: 92Total: 186

- Visits to disseminate information to street-front businesses on the start of works for subsection 3.3. PEU social teams-Mota-CC - November: 84
- Cadastral survey visits together with the PEU social team to notify of impacts in subsection 3.3 - November: 36
- Visits by Mota Engil, together with the PEU social team, to prepare preconstruction certificates for subsection 3.3 - November: 26
- Visits by Mota Engil, together with the PEU social team, to sign preconstruction certificates - November subsection 3.3 - San Lorenzo: 26 properties.
- Visits to subsection 3.2 by the PEU social team to provide information on the start of works in subsection 3.3 and notices of nonimpact - November Fernando de la Mora: 228

D42- Visits to owners of fixed vending stalls and verification of stalls

- Visits by GEAM, together with the PEU, to prepare the census and provide follow-up.

Sections 2 and 3 – January and February: 161

- San Lorenzo: 18
- Fernando de la Mora: 80
- Asunción: 63

Section 1 – August to October: 369 + 369 (2 visits per stall): 738

- Constitución: 12
- Iribas (Gral. Aquino crafts triangle): 7
- Mayor Fleitas: 54
- Rca. Francesa: 38
- Subsection 1.1: 20
- Subsection 1.2: 218
- José A. Flores: 20

TOTAL: 899 visits (Asunción: 801- San Lorenzo 18- Fernando de la Mora: 80)

- PEU-coordinated visits to fixed vending stalls

No.	Date	Activity	Number
1	24/08/2016	Field verification of fixed vending stalls. PEU social team, GEAM, and MOTA ENGL. Subsection 3.3	17 stalls
3	13/09/2016	Visit to owners of fixed vending stalls that are to be relocated to inquire about customers, basic services, and payment of municipal fees. Across from the University of Asunción, subsection 3.3	7 stalls
4	19/09/2016 20/09/2016 21/09/2016	Field verification of fixed vending stalls counted in the census throughout section 3.	98 stalls
5	19/10/2016	Visit to owners of fixed vending stalls to inform them that they will not be affected by the construction work (not relocated). Subsection 3.3.	5 owners
6	19/10/2016	Visit to owners of fixed stalls to inform them that they will be affected by the construction work. Invitation to stall owners that are to be relocated to attend the informational meeting at the DEA. Subsection 3.3	7 owners
7	19/10/2016	Visit to the owner of the fixed stall located in front of CERVEPAR to inform him that he will be relocated; he proposes being relocated to the cross-street. Subsection 3.3	1 stall
9	18/11/2016	Visit to owners of fixed stalls inviting them to attend the courses organized by CAPYME. Subsection 3.3	17 stalls

- House-to-house visits to provide information on the project and the implications of works in alternative streets – Mota Engil social team together with the PEU: 700 dwellings visited.

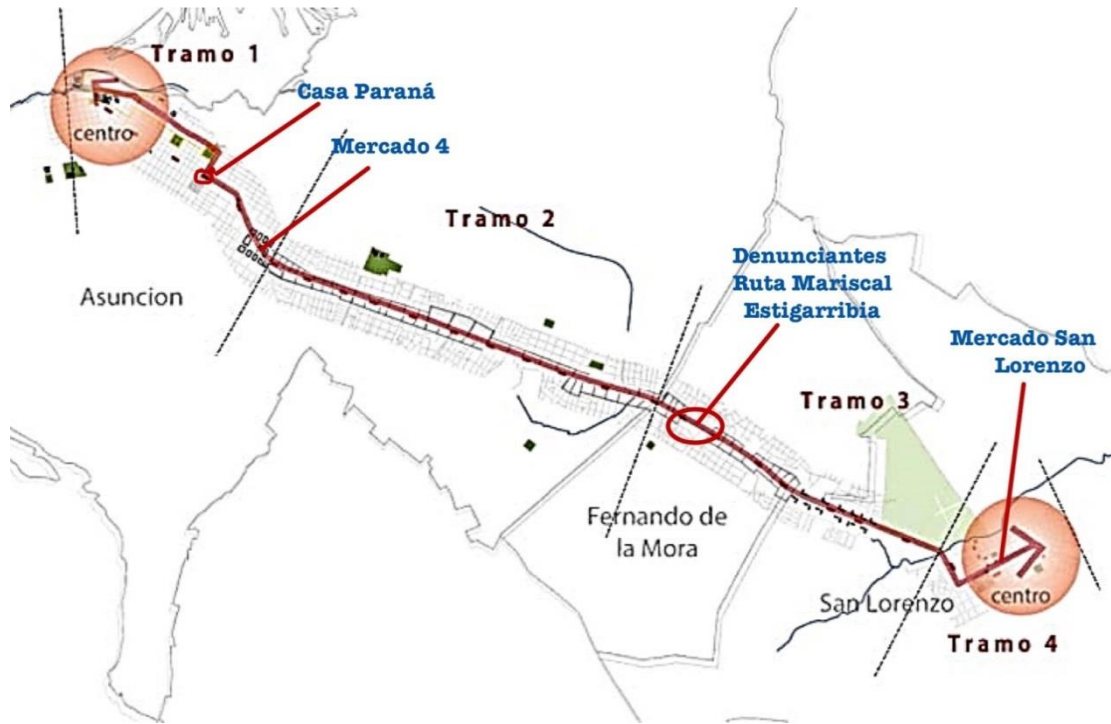
E. OTHER ACTIONS

- Discussions on the project with teachers and students at educational institutions located in the area of subsection 3.3 by the PEU social team.

	Institution	Courses	Total
11 October	Colegio Nacional Dr. Emilio Cubas	8 th and 9 th grades in the basic education cycle	60 persons
		1 st year of middle school	
		4 th , 5 th , and 6 th grades in the basic education cycle	
13 October	Escuela No. 64 Emilia Clotilde Paredes	4 th and 6 th grades in the basic education cycle	20 persons
	Colegio Nacional Dr. Emilio Cubas	1 st , 2 nd , and 3 rd years of middle school	20 persons
17 October	Centro Educativo Privado Nueva América del Sur	1 st , 2 nd , and 3 rd years of middle school	20 persons
Total: 120 persons			

- 7 November 2016 – Distribution of flyers at the National University of Asunción. Subsection 3.3: 400 flyers delivered to faculty and students. PEU social team.

ANNEX III – PLAN OF BRT CORRIDOR. IDENTIFICATION OF SECTIONS



ANNEX II

COMMENTS BY ONE OF THE REQUESTERS ON THE PRELIMINARY VERSION OF THE RECOMMENDATION FOR COMPLIANCE REVIEW

The Metrobus project began with strong support from the Office of the President of the IDB. The loan contract was signed in 2010 for a term of one year, and US\$5 million was disbursed for studies. This is where the consulting firm CIA, which supposedly performed the environmental impact studies, comes into the picture. This consulting firm was recently reported in the media for belonging to a public official and performing studies with resources from international loans in the cases of ANDE and of the IDB financing (news stories are attached).

The Paraguayan Congress rejected the IDB loan for the project. Interestingly, the President of the IDB traveled to New York to meet with the President of Paraguay at the time (Federico Franco) and then, in remarks to the press, promised to forgive the US\$5 million loan, asserting that the funds had been invested in works and studies (as of the present date, we still do not know what works and studies these funds were invested in) and insisting on the need to bring the Metrobus project to fruition (news stories from that date are attached).

Toward the end of the Federico Franco administration, the financing for the project was once again submitted to Congress for approval, with the stated rationale of preventing pollution and saving the country US\$110 million in foreign currency through the electric trolley.

Upon approval of the loan in 2013 via Law 5133, the US\$5 million was immediately reimbursed to the MIF in the absence of any forgiveness, despite the promise made by the President of the Bank.

In addition, this project includes a loan of US\$20 million from the oil exporting countries' fund OFID, which was approved under the same Law 5133, bringing the total loan amount for the Metrobus project to US\$144 million.

The Portuguese firm Mota-Engil was contracted, having no machinery in the country. Firms of this type are known as "portfolio" companies; they are awarded a contract through "godfathers" and another company does the work without any type of guarantee. It is worth noting that the previous IDB Representative in Paraguay, Raul Baginsky, is listed in the Senate as an "external advisor." The aforementioned Representative lives in this country and serves as Honorary Consul of Portugal in Paraguay, a curious coincidence, since the call for bids required prior experience in Metrobus projects. This is a trick, since the concrete pavement that the Metrobus will supposedly have is a basic type of construction that any construction company can perform.

The final Consultation Phase report refers to the Requesters' difficulty in completing this phase. It should be noted that the MOPC did not deliver the bidding documents for audit to the Contraloría General de la República [Office of the Comptroller General of the Republic] (CGR), which is the constitutionally mandated auditing body. If it did not deliver the documents to the CGR, it certainly cannot be expected to deliver them to the requesters. Another point raised in the report is that the Government of Paraguay has authorized that the bidding process be conducted in stages. This is absolutely false; there has been no amendment to Law 5133.

The truth is that they were unable to satisfy the legal requirements regarding Mercado 4 and the San Lorenzo market, so they skipped these steps. It is very easy to show that there is no MOPC policy to comply with the law if one considers what is being presented as an Environmental Impact Assessment: it is a list of the laws in effect in the country and a very basic description of what the construction work would entail. The aforementioned EIA violates the law because public hearings were not held as legally required. In addition, there is only the Eusebio Ayala route and Avenida Eusebio Ayala, while there is no EIA for Mercado 4, the San Lorenzo market, and the most important one: the Asunción microcenter.

In a recent publication, the Deputy Minister of Public Works indicated that only the Eusebio Ayala section would be implemented and then they would see about the rest; in other words, let the next administration do its part.

In fact, the MOPC never intended to address the complaints of the citizenry affected by the project. The arrogance and impunity of the country's public officials and the support for the project publicly voiced by the President of the IDB mean that the complaints are in fact not considered at all. This is the rule in Paraguay, and the Metrobus Project is no exception.

Hoping that the Board of Executive Directors will allow the investigation to proceed, we look forward to supporting this phase and showing in greater detail the lack of compliance with the Bank's "Operational Policies" in the execution of the Project.

Cordially,

Ing. Augusto Ríos Tonina