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PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: PIDC60

Project Name	UY Transport Infrastructure (P125803)
Region	LATIN AMERICA AND CARIBBEAN
Country	Uruguay
Sector(s)	Rural and Inter-Urban Roads and Highways (80%), General transportation sector (20%)
Lending Instrument	Specific Investment Loan
Project ID	P125803
Borrower(s)	Oriental Republic of Uruguay (UTE)
Implementing Agency	Ministry of Transport and Public Works
Environmental Category	B-Partial Assessment
Date PID Prepared	22-Nov-2011
Estimated Date of Appraisal Completion	23-Apr-2012
Estimated Date of Board Approval	14-Aug-2012
Concept Review Decision	Track II - The review did authorize the preparation to continue
Other Decision	The lending instrument for this project may shift, during project preparation, from an Investment Lending to a Program-for-Result instrument, if such instrument is approved by the Board in a timely fashion and the Borrower agrees to use it.

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I. Introduction and Context

Country Context

The Government of Uruguay has a long term vision to place Uruguay as a regional logistic platform; the country has been developing into a regional hub for the Southern Cone for the last two decades. Uruguay's attractiveness as a logistics hub is due to several factors, including its strategic location and an enabling free-trade-zone legislation.

With a network on 1,600 km and about 1.5 million tons transported per year, the railway sector is underperforming; yet, rail transport has a significant potential in Uruguay, both for some kinds of products and to serve logistics centers such as ports. Uruguay has recently initiated a reform of the rail sector and its State-owned enterprise; this reform targets substantial increase of the rail modal share for freight, through efficiency costs brought by increased private sector participation.

The port sector reform, introducing increased intra-port competition based on further private sector participation, resulted in significant port efficiency and maritime traffic increase. Out of the 14 fluvial and maritime ports of Uruguay, more than 80% of the cargo traffic is concentrated in the Montevideo and Nueva Palmira ports. With almost 700,000 TEU containers movements, the Montevideo port ranks fourth among container ports in the Southern cone, but is now facing capacity constraints.

Road transport accounts for more than 90% of inland transport in Uruguay. In terms of infrastructure, the country has one of the largest density of roads in Latin America. The road network in Uruguay is 77,732 km, of which 8,738 km correspond to the primary (national) network; around 90 percent of the primary road network is paved. The main challenge of the interurban road infrastructure network is adequate maintenance. Despite, over the past five years, substantial road maintenance budget increase, public spending on road maintenance remains still insufficient to maintain adequately the network: in 2010, about 49 percent of the primary road network was in good condition, while 51 percent was regular or bad condition. In order to bridge the road infrastructure funding gap and leverage the overall resources of the sector, the government has undertaken an ambitious Public-Private Partnership (PPP) program and is studying other tax instruments.

Sectoral and Institutional Context

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Primary highway network maintenance and management is a one of the core functions of Uruguay#s Ministry of transport and public works (MTOP, as per its Spanish acronym). MTOP#s road department (DNV, as per its Spanish acronym) implements the #Road infrastructure# program, Program 362, as set out in the 2010-2014 budget law. The program objective, as set out by, is to #Rehabilitate, maintain and develop the national road infrastructure (highways and bridges), in order to develop multipurpose road-based transport#. Program 362 is comprised of four Line items, including road development and rehabilitation, development rehabilitation and maintenance of bridges, road routine maintenance and technical assistance activities. The budget law also defines a monitoring and results framework, including physical targets for results indicators.

In 2010, Program 362 approximately accounted for the two-thirds of the total MTOP budget. The program size, in terms of budget credits, is detailed in the table below. However, spending ceilings are annually imposed to DNV: over the past years, actual ceilings tend to be about 60% of credits.

Project rationale and relationship to the Country Partnership Strategy. The second pillar of the 2010-2015 Country Partnership Strategy (CPS) focuses on Improving competitiveness and infrastructure. This pillar acknowledges the Government of Uruguay#s priority to strengthen competitiveness through increased coverage and better quality of infrastructure and establishment of a more conducive business environment. The CPS explicitly mentions improvement of the condition of key transport infrastructure and improved international trade logistics support as strands for action.

The proposed operation builds on the Transport infrastructure maintenance and rural access project (P057481), the latest transport lending operation, closed on July 31, 2011. This project aimed at upgrading Uruguay#s transport infrastructure, mainly through paved road rehabilitation, bridge widening on international road corridors and unpaved departmental road maintenance. As the Implementation Completion Report project is being prepared, main lessons learnt are: (i) subsequent efforts are still needed to adequately maintain the road network, facing significant traffic increase; (ii) a programmatic approach for a new operation appears to be the most adequate, leaving enough flexibility MTOP to carry out rehabilitation / maintenance programming.

Relationship to CAS

The second pillar of the 2010-2015 Country Partnership Strategy (CPS) focuses on Improving competitiveness and infrastructure. This pillar acknowledges the GoU#s priority to strengthen competitiveness through increased coverage and better quality of infrastructure and establishment of a more conducive business environment. The CPS explicitly mentions improvement of the condition of key transport infrastructure and improved international trade logistics support as strands for action.

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II. Proposed Development Objective(s)

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16. The project development objective (PDO) is to improve transport efficiency through rehabilitation and maintenance of the national road infrastructure and enhanced public sector capacity to plan, regulate and monitor transport and logistics services. Road maintenance and rehabilitation works are expected to improve road quality and to decrease road users' transport costs. The project would also include institutional strengthening activities, aimed at supporting the Ministry of Transport and Public Works (Ministerio de Transporte y obras Publicas, MTOP) in its planning and regulatory duties.

Key Results

17. Tentative PDO monitoring and disbursement-linked indicators (DLIs), as the proposed project would be result-based, are:

#Km of highway rehabilitated (core indicator # scalable);
#Number / meters of bridges rehabilitated (scalable);
Average pavement roughness (IRI) and condition (IES) on selected international corridors;
Possible DLIs for institutional strengthening activities and systems improvement, to be discussed with the Borrower.

III. Preliminary Description

Concept Description

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The proposed US$ 66 million Bank financing would support part of the Government of Uruguay Road program, as above-described; new highway construction and development would not be included in the Bank-financed Program. Most contracts included in the GoU Road program actually deal with road rehabilitation and maintenance; given the density and age of the Uruguay primary road network, the road problematic is more oriented towards maintenance rather than network expansion.

The Bank-financed Program would focus Uruguay primary paved road network rehabilitation and maintenance, including inter alia: (i) routine road maintenance; (ii) pavement and drainage rehabilitation / reconstruction, (iii) local road alignment improvement, including for intersections, in particular to improve road safety; (iv) bridge widening and reinforcement, in order to upgrade some international road corridors to MERCOSUR standards. Beyond works and related studies, the Program would also include institutional strengthening activities aiming at improving MTOP capacity to plan, regulate and monitor transport and logistics services, as well as the Program's safeguards and fiduciary systems.

Within MTOP, the main beneficiary would be the Road department, as the program key implementing entity. Some other entities, inter alia the Topographic surveying department and the Planning and logistics department, would also benefit from the financing.

Based on preliminary assessments, Program objective and content are deemed broadly adequate to address Uruguay's road infrastructure challenges. Improving the primary highway network, including international transport corridors and transversal connections will foster efficient transport and logistics services; such Program will contribute to the 2030 Strategic Plan that envisions placing Uruguay as regional logistics hub. Road rehabilitation projects usually have high economic impact, all the more so as they focus on most circulated networks; activities included in the Program should be no exception.

Based on previous experience with MTOP on Bank-financed projects and preliminary assessment, DNV's capacity and performance to implement the road program are satisfactory; while some weaknesses were identified, DNV can rely on an experienced technical body and manages works contracts in a straightforward fashion. While the past 2005-2009 program financial performance could not yet be fully assessed, it was assessed that (i) there is a sustained increase of credits (and ceilings) over past years; (ii) there still is a significant gap between the spending ceilings and credits, which represent maintenance needs. Credit execution appears to be good, with almost 100% of allowed ceiling committed.

The proposed instrument for this new operation is a Specific Investment Loan. However, the lending instrument for this project may shift, during project preparation, from an Investment Lending to a Program-for-Result instrument, based on adequate Program performance, MTOP#s commitment to enhance the program#s fiduciary and safeguards systems. Implementing a Program-for-Results instrument on this proposed project would contribute to a strengthened long-term partnership between the MTOP and the Bank in this sector.

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IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11	X		
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

V. Tentative financing

Financing Source	Amount
Borrower	987.30
International Bank for Reconstruction and Development	66.00
Total	1053.30

VI. Contact point

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Borrower/Client/Recipient

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