1. Country and Sector Background

Like most Latin American countries in the last decades, Colombia has experienced high population increases in urban centers due to several economic and social factors. Colombia has also experienced several decades of armed conflict that has displaced approximately 2.5 million people from rural to urban areas, of which 50 percent have relocated to the four largest cities. As a result, 75 percent of the population lives in urban areas; there are seven metropolitan areas with an estimated population of more than 600,000, and 22 cities with a population of more than 300,000.\(^1\)

Against this backdrop, public transport has been a long standing concern for planners and decision makers in Colombia. At the national and local levels, urban transport is regarded as a catalyst for higher productivity and urban competitiveness. Furthermore, across urban transport modes, public transport plays a pivotal role in city efficiency. Although the country is undergoing a natural process of motorization, the majority of the population – particularly those belonging to the middle and lower income groups – uses public transportation and relies on transit service provision for carrying out their daily activities.

Notwithstanding, a large proportion of this ‘transport constituency’ does not have access to reliable and affordable transportation, and as a result remains excluded from employment opportunities, health facilities, and interaction with the rest of the community. A transport system which is able to provide efficient, low-cost mobility and accessibility for all inhabitants in the city is a powerful tool to promote growth, alleviate poverty, and achieve social cohesion, while at the same time improving environmental conditions and triggering public space improvements. Improving the quality of life in urban areas is expected to contribute to building a more equitable society.

The NUTP is built upon a premise of collaboration between the National Government and municipalities to improve the quality of life and increase urban productivity in Colombian cities. Its design aims at: (i) improving the efficiency and safety of public urban transport services; (ii) providing reliable transport accessibility for the poor; (iii) enhancing private sector involvement in service provision; (iv) reducing air pollution and greenhouse gas (GHG) emissions; (v) fostering comprehensive sustainable urban development processes; and (vi) promoting inter-municipal coordination within the metropolitan areas.

\(^1\) Census 2005
interagency coordination within the municipalities, and knowledge sharing between the central and local governments.

The NUTP is built on legislation passed in 1996. Two National Economic and Social Policy Council documents (CONPES) approved in 2002 and 2003 have established the policy and institutional framework for the NUTP. The municipalities that comprise the ten participating cities in the NUTP (Barranquilla, Bello, Bogotá, Bucaramanga, Cali, Cartagena, Cúcuta, Medellín-Valle de Aburrá, Pereira and Soacha) have signed Subsidiary Agreements with the Government laying out financial and technical commitments to carry out the program. Under these Agreements, the Government contributes up to 70 percent of the total cost of the program nation-wide, with financial contributions in each city depending on specific project characteristics and their financial/fiscal situation.

2. Objectives

The proposed additional loan of US$300 million requested by the Government of Colombia (Government) would help finance the costs associated with the scale up of project activities related to the physical expansion of the original scope of the National Urban Transport Program (NUTP), by increasing some of the original interventions to enhance their urban and development impact. The loan would also finance land and resettlement compensation as eligible expenditures of the project. The project is expected to continue to foster productivity and competitiveness in participating cities, provide better services to the poor, and improve the quality of life in urban areas.

The proposed expansion of the IMTS will not include any changes to the existing Project Development Objectives (PDOs) to: (i) develop high quality and sustainable BRTS in participating cities to improve mobility along strategic mass transit corridors; (ii) improve accessibility to public transportation for the poor; and (iii) build greater institutional capacity in the Borrower’s public transportation institutions in order to formulate integrated urban transport policies, and to improve urban transport planning and traffic management.

3. Rationale for Bank Involvement

The Bank has extensive experience in supporting urban transport projects in Colombia and in other countries in Latin America. For example, in Brazil, Peru, Argentina and Chile, Bank projects supported the implementation of mass transit systems, including Bus Rapid Transit Systems (BRTS), to improve travel times and overall quality of service. In Colombia, the Bank has had three BRTS interventions: (i) it partially financed the construction of the first phase of Bogota Transmilenio under Loan 4021-CO (Bogotá Urban Transport Project), (ii) it supported the second phase for the improvement of the feeder routes of the system under Project Loan 7162-CO (Bogotá Urban Services), and (iii) it finances Government transfers to the six participating cities of the NUTP (Bogota, Pereira-Dosquebradas, Medellín-Valle de Aburra, Cartagena, Barranquilla and Bucaramanga) through the Colombia Integrated Mass Transit System Project and its first Additional Finance (Loans 7231-CO and 7457-CO). Under this financing, two cities have corridors in operation, namely the Bogota Norte-Quito-Sur Transmilenio corridor (NQS) and the Pereira-Dosquebradas Megabus BRTS system. These three Bank operations reflect the strategic role of the Bank in the implementation of the BRTS in Colombia. The experience

2 As the NUTP progressed, and new participating cities were incorporated, the program also began to target Metropolitan Areas (Areas Metropolitanas) comprising more than one municipality. As such, Soledad was also included to the project in Barranquilla, Floridablanca, Piedecuesta and Girón were incorporated to the NUTP along with Bucaramanga, in Medellin-Valle de Aburrá, Itagüí and Envigado joined the NUTP, and lastly, in Pereira, Dosquebradas was also included in the project.
gained in this sector will be key in assisting the Government and the participating cities to improve the urban transport systems, and a reference for other projects in the region and in the rest of the world.

4. Description

Lending instrument

The lending instrument is a US$300 million Additional Financing for the Integrated Mass Transit Systems Project. This Additional Financing will finance a time slice of the Government’s contributions to the NUTP until the end of 2010. Since the implementation of the NUTP will go beyond 2010, it is likely that the Government will request the Bank to provide subsequent follow on operation(s) to continue supporting the program.

Project development objectives and key indicators

The project supports the Government’s implementation of the NUTP in the participating cities under the IMTS project. This is consistent with the existing project development objectives to: (i) develop high quality and sustainable BRTS in participating cities to improve mobility along strategic mass transit corridors; (ii) improve accessibility to public transportation for the poor; and (iii) build greater institutional capacity in the Borrower’s public transportation institutions in order to formulate integrated urban transport policies, and to improve urban transport planning and traffic management.

Project performance is currently being monitored against the existing intermediate outcome indicator framework specified in the PAD, which is as follows:

- Number of kms. constructed
- Number of construction contracts awarded according to procurement
- Number of operation contracts awarded
- Number of fare collection systems awarded

Furthermore, the Ministry of Transport (MT) is currently developing the methodology to measure the project performance indicators as BRTS start operating in the different cities. The project performance indicators, as laid out in the original Project Appraisal Document (PAD), are as follows:

(i) Improved mobility and quality of public transport services in strategic mass transit corridors as measured by:

- Reduction in generalized door-to-door travel cost (fare, time) to users
- Percentage of people rating the system as being better than the previous system

(ii) Improved accessibility to low-income populations as noted by:

- Increased use by the poor (two poorest quintiles) of public transport services along the area of influence of the planned corridors, with respect to the baseline without the mass transit system, both in absolute (number of passenger) and relative terms (as percentage of total number of passengers:

(iii) Enhanced institutional capacity for urban transport policy formulation and system development, measured by:

- At the local level, system occupation per square meter below a given threshold while maintaining no subsidies
- At the national level, at least three BRTSs schemes operating successfully in targeted participating cities
Progress in Bank-supported NUTP projects

Through the on-going support to the NUTP under the IMTS loan, the following progress has been achieved to date:

(i) Development of quality and sustainable BRTS: Two of the BRTS are already in operation. The Bogota Transmilenio NQS corridor has been in operation since April 2006 with approximately 90,000 daily users, and the Pereira-Dosquebradas BRTS has been in operation since August 2006 with approximately 100,000 daily users. Civil works are underway in the remaining participating cities.

(ii) Improvement of accessibility for the poor through feeder services and fare integration: Feeder services and fare integration have been implemented in the BRTS in operation, and have been included in the designs for the rest of the BRTS.

(iii) Institutional capacity building: Within the MT, an integrated implementing unit was created with the capacity to manage the larger program; In the participant cities, five BRT agencies were created using the Bogota Transmilenio institutional framework as a model (Transcaribe in Cartagena, Transmetro in Barranquilla, Metrolina in Medellín-Valle de Aburra, Metrolínea in Bucaramanga, and Megabus in Pereira-Dos Quebradas). The agencies are adequately staffed in terms of number of professional personnel and appropriate skills to implement and operate the systems.

Consistency with Country Partnership Strategy

The proposed Additional Financing is consistent with the Country Partnership Strategy (CPS) discussed by the Board in April 2008. The CPS recognizes that to assist Colombia’s quest for peace, it is necessary to achieve fast and sustainable growth. To reach such a goal the CPS gives high priority to the promotion of competitiveness in the productive sector and to the improvement of access to high quality basic public infrastructure services for the least privileged segments of the population. In this area, an organized mass transit system is expected to foster productivity and competitiveness, provide better services to the poor, improve environmental conditions (i.e. better air quality and GHG emission reductions), and quality of life in urban areas. Additionally, the proposed IMTS project enhances institutional capacity both at the national and local level, particularly as it relates to strengthening implementation capacity of municipalities in large-scale infrastructure projects.

Project Components

The Additional Financing will continue the support Component 1 and Component 2 the Integrated Mass Transit Systems project. The requested Additional Financing would support a scale-up of the project’s components in the following manner:

- Project Component 1: Capacity Building – US$2.5 million. The scale-up of the NUTP under Component 2 will sustain the ongoing support and institutional capacity at the national and local level. Hence, at the national level, this component will continue to provide technical assistance and policy advise to the Government (Ministry of Transport’s Project Coordination Unit- PCU), in areas such as performance evaluation and monitoring of the NUTP, regulatory and institutional framework for NUTP, and communication strategies, all aimed at supporting the implementation and beginning of all BRTS operations. Furthermore, this component will also finance consultant services, which corresponds to most of the staff that currently works at the PCU, including urban transport engineers, economists, and legal, financial, social and environmental consultants. At the local level, this component will continue to provide support to the BRTS agencies in the cities
participating in the NUTP in issues related to operation start-up, Bank environmental and social safeguards, technical matters related to bus operation and fare collection concessions, tariff-setting and tariff integration with other transport modes (if applicable), and communication strategies, among others.

- **Project Component 2: BRTS Development** – US$297.5 million. This component will finance a time-slice until 2010 of the scale-up of the NUTP based on an increase in the program’s physical scope, including extension of BRTS corridors and feeder routes, public space upgrading and improvement of public utility networks. As noted earlier, the NUTP has increased its coverage by incorporating, through the expansion of BRTS corridors and feeder routes, new adjacent municipalities to extend system coverage to the greater Metropolitan Areas, where most of the lower income population resides. In fact, in Barranquilla, and Pereira, the localities of Soledad (Barranquilla), and Dosquebradas (Pereira) are populated in large part by lower income strata families who commute from the city’s periphery to carry out their daily economic activities in the urban center. In Cartagena, the system has gone from targeting 70 percent of the city’s public transit users, to aiming for a 100 percent coverage of such demand. Likewise, the NUTP’s scale up in physical scope includes enhancing the project’s intervention in terms of urban upgrading, and improvement/replenishment of public network utilities (particularly in low income neighborhoods). All in all, the increase in the program’s physical scope being financed by this Additional Financing, will include, *inter alia*: (i) construction of segregated busways; (ii) construction of terminals and transfer centers; (iii) construction of mixed-traffic lanes adjacent to busway corridors; (iv) construction of sidewalks; (v) rehabilitation of feeder routes; (vi) construction of pedestrian ways along busway corridors; (vii) construction or adaptation of complementary transport corridors to the segregated busways; (viii) required interventions or upgrading of public service networks adjacent to the construction areas; (ix) construction supervision; (x) land acquisitions and (xi) resettlement compensations. Component 2 will also continue to finance Bogota’s NQS line. This 20 km throughway was constructed during the original loan and inaugurated in 2006. However, the National Government has committed resources to this line until 2016. Therefore, this component will finance the fiscal transfers (*vigencias futures*) that correspond to the 2009 and 2010 contributions.

### 5. Financing

<table>
<thead>
<tr>
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6. Implementation

Partnership Arrangements

The NUTP is an ambitious program in terms of scope and funding requirements, and therefore its implementation will take more than a decade. The structuring of the NUTP under the National Development Plan resulted in the expansion of the Program to ten participating cities to date (Barranquilla, Bello, Bogotá, Bucaramanga, Cali, Cartagena, Cucuta, Medellín-Valle de Aburrá, Pereira and Soacha). The Government transfers that are currently committed to pay for the corresponding share of the civil works in the participating cities set up in the Subsidiary Agreement. The committed funding amounts to approximately US$1.4 billion to date.

The Government requested IBRD, Interamerican Development Bank (IDB), the Andean Finance Corporation (CAF) and the Organization of Petroleum Exporting Countries to participate in the financing of its contributions to NUTP under independent parallel arrangements. IDB supports the BRTS in Cali, while CAF and OPEP supported the Suba corridor in Bogotá. IBRD plays the broadest role among multilaterals involved in the implementation of the NUTP by: (i) supporting the design and implementation of the program; (ii) supplying oversight role of the MOT Coordination Unit for institutional capacity building; (iii) providing technical assistance to all participating cities; and (iv) supporting the development of six BRTS in Bogotá, Pereira, Cartagena, Medellín, Barranquilla and Bucaramanga and other cities that are included in the program after meeting the agreed eligibility criteria for new participating cities.

Institutional and Implementation Arrangements

The Government established the policy and institutional framework for the NUTP in two National Economic and Social Council (CONPES) documents. These policy documents defined: (i) responsibilities of the key participants (MHCP, MT, DNP and participant cities), (ii) criteria for securing the financing of the BRTS by the cities and Government, and requirements for the flow of funds; and (iii) the mandatory use of fiduciary procedures established by the Multilateral Organizations financing Government’s contribution, when applicable.

When preparatory studies for a BRTS intervention in a targeted city were completed and verifications by DNP that eligibility conditions were met, a CONPES document was issued detailing the specific conditions and arrangements for the BRTS intervention in the selected city. This document provides the basis for the co-financing agreement (Subsidiary Agreement) to be signed between Government (through the Ministry of Finance) and the selected municipality. The scope of the intervention, the financial structure and the obligations of the respective parties were formally established through the Subsidiary Agreement. In particular this agreement: (i) assigns overall responsibility for undertaking and financing any potential cost overrun and/or operational deficit of the BRTS to the participating city; and (ii) defines the schedule of Government’s financial commitments per year, previously approved by the National Fiscal Council (CONFIS) and recorded as future budgetary commitments (vigencias futuras) for proper fiscal accounting.

Project implementation will continue financing BRTS in five cities that have signed subsidiary agreements with the Government (Bogotá-NQS, Cartagena, Barranquilla, Medellín and Bucaramanga).

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Executing Agencies

MT will continue to have overall responsibility for the execution of the project through the Project Coordination Unit (PCU). The MT is the executing agency for the technical assistance component, in charge of managing the funds and the procurement of goods and consultant services, provides technical support to the NUTP and leads the technical committee in charge of monitoring and evaluating the program implementation. The local BRTS agencies created in each participant city through municipal law approved by City Councils, will continue to be the executing agencies of the BRTS development component. These agencies are Transmilenio S.A. for Bogota, Transcaribe S.A for Cartagena, Transmetro S.A. for Barranquilla and its Metropolitan Area, Metroplus S.A. for Medellin-Valle de Aburra, and Metrolinea S.A. for Bucaramanga and its Metropolitan Area. Some cities rely on specialized municipal works agencies (i.e. Instituto de Desarrollo Urbano -IDU in the case of Bogotá) to carry out the construction of the BRTS infrastructure.

7. Sustainability

The sustainability of the project is predicated on the basis of the following grounds:

Institutional Support. There are specific evidences of political support at both the national and local level. On the one hand, the NUTP and the allocation of funds have been included in the National Development Plan which is a National Law. On the other hand, sub-projects in the municipalities require approval and fund allocations by the City Councils. The competition for Government resources among municipalities, that the NUTP implies, is also a powerful incentive for the involvement of municipal authorities.

Ownership and sustainable commitment at the higher government level. Municipalities and the central government are well aware of the high visibility of the proposed interventions and have a clear understanding of the reforms required to put the system into operation, by involving all the key stakeholders (affiliated companies, bus owners, bus drivers, potential new operators, finance institutions and commercial sector).

Financial viability of the BRTS derives from: (i) a policy decision to subsidize the infrastructure with identified public sources to keep tariffs at affordable level; (ii) current tariff design covers operational cost; and (iii) Government has approved budgetary commitments allocated to this program.

Existence and strengthening of local know-how in transport operation. The successful experience of Transmilenio and Megabus has proved that sustainable institutional arrangements for the provision of urban transport services are feasible. This know-how was developed in Colombia and is available to participant municipalities for the building of operational capacity.

Strengthening of local environmental and social capacity. Bank policies helped enforce existing laws and regulations pertaining to environmental and social dimensions. These policies have also improved environmental management related to road rehabilitation and the management of social impact on affected populations, both at the national and municipal level. As a result, each civil work component has environmental capacity and the involved institutions employ permanent social management teams.

Ongoing policy dialogue. The original project has been instrumental in fostering and supporting a dialogue on environmental and social issues related to road rehabilitation and transport. As a consequence, a resettlement policy framework is close to being finalized for the District of Bogotá and a national resettlement policy framework is also emerging.
8. Selected Lessons Learned from Past Operations in the Country/Sector and From the Implementation Process in the Initial Project to Date

There is a role for the national governments in the implementation of urban transport services reforms. Reforms in the sector normally require large investments and complex technical decisions. Given that municipalities lack both financial and technical resources, the Government’s participation becomes crucial in promoting reforms at the municipal level.

Reliable funds are key to implement long term reform. Urban transport financing should be seen as an integrated whole, justifying the use of taxes on auto users to provide reliable funds to implement public transport projects. In the case of Colombian cities, gasoline surtax, mostly paid by cars users, is providing about 34 percent of total NUTP cost, and more importantly is helping the municipalities to leverage funds from Government.

The regulatory framework is key in advancing sound reform. Within the different planning stages for urban transport reforms, most of the attention goes to the technical aspects of the projects (engineering designs, technology, equipment, etc.), neglecting the regulatory design of the operation. Given the crucial role of the private sector in the operation of urban transport systems, the planning process should concentrate more on the definition of several issues that regulate the public-private partnership. Efforts should focus on improving the regulatory framework to encourage efficient and competitive bus operations.

Environmental and social management are important to ensure successful project implementation. The BRTS agencies include environmental and social management teams. Experience has shown that the earlier these teams are onboard and being able to participate in project design and planning, the higher the rate of success for the particular project activity. On the other hand, examples have shown that where environmental and social teams were not brought onboard early on, unmanaged social issues caused serious implementation delays, and adverse impact on the affected populations.

Implementation strategy should have both high political commitment and strong technical support. Of the several lessons that arise from the successful implementation of Transmilenio and Megabus, two are particularly critical. The first is that the implementation of such an initiative requires visionary leadership willing to take risks and closely involved in the process. The second is that there is the need to create high-performance local BRTS agencies with strong technical capacity to design, plan, control and regulate the BRTS.

BRTS project’s implementation implications are beyond the segregated busway. Another lesson resulting from the Transmilenio and Megabus experiences is that the project can not be limited solely to the construction of the segregated busway. Other complementary actions must be implemented to guarantee the completion of the urban transport strategy within a comprehensive perspective (reorganizing routes, implementing traffic management measures, developing measures to reduce the existing fleet, developing sense of community, etc.). This demonstrates that the value added of a BRTS project goes far beyond the mass transit operation along the main corridors.

Know-how synergies are fostered by simultaneous processes in multiple participating cities. Thanks to the multiple experiences in BRTS implementation under a NUTP, significant synergies are created in the implementation of the project’s participating cities. This has resulted in a continuous flow of know-how and best practices among participating cities, the PCU and the Bank. Through this framework, the NUTP is enhancing institutional capacity, fostering best practices and fast-tracking the learning curve in the local
BRTS agencies that are now implementing the BRTS. Learned lessons are related to works implementation, procurement and fiduciary aspects, financial management, safeguards, operational design, communication strategies, and all other relevant aspects involved in the implementation of a BRTS.

9. Safeguard Policies

<table>
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<td>Environmental Assessment (OP/BP/GP 4.01)</td>
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<td>Natural Habitats (OP/BP 4.04)</td>
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<td>Projects on International Waterways (OP/BP/GP 7.50)</td>
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</table>

The Additional Financing will trigger the same safeguard policies as the original project and will maintain the same environmental category, which is Category "B".

10. List of Factual Technical Documents

Jose Martínez – Procurement Capacity Assessment
Daniel Boyce – Financial Management Capacity Assessment
Juan Lopez – Environmental Assessment
World Bank – Aide Memoire of Identification and Preparation Missions

11. Contact point

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Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas
www.Transmilenio.gov.co
www.Megabus.gov.co
www.Metroplus.gov.co
www.Transcaribe.gov.co
www.Transmetro.gov.co
www.Metrolinea.gov.co