



1. Project Data:		Date Posted : 05/28/2003	
PROJ ID: P004175		Appraisal	Actual
Project Name: Kr-pusan Urb Transport	Project Costs (US\$M)	365.4	202.0
Country: South Korea	Loan/Credit (US\$M)	100.0	92.0
Sector(s): Board: TR - General transportation sector (90%), Sub-national government administration (9%), Central government administration (1%)	Cofinancing (US\$M)		
L/C Number: L3828			
	Board Approval (FY)		94
Partners involved :	Closing Date	06/30/2000	06/30/2002
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2. Project Objectives and Components

a. Objectives
The project's overall objective was to promote the effectiveness of urban rail transit system in Pusan City . The specific objectives of the project were :

- 1) Increase ridership and cost recovery of the subway network through an integrated strategy of transport demand management (TDM), construction of intermodal facilities, and expansion of the transit system .
- 2) Enhance Pusan Urban Transport Authority's (PUTA) subway capacity to accommodate future growth and serve as an alternative to auto use.
- 3) Strengthen the institutions' capacity to plan and program urban transport investments .

b. Components
The project had three components :

- 1) **Congestion Management (\$29.4 million):** (i)TDM measures (parking management, construction of modal-integration facilities at Nopo and Tongnae); (ii) Transport System Management (TSM) strategies for East-West Bus Lane, and (iii) a 5-year TDM/TSM program.
- 2) **Expansion of Pusan Urban Transport System Capacity (\$171.0 million)**, through investments for additional 310 subway cars by 1999, of which 258 cars were for Line 2 (Phase 1) and 52 cars for Line 1.
- 3) **Institutional Development (\$1.6 million)** : (i) training program for the Ministry of Transportation (MOT) staff at local and national levels in transport planning, transport economics and finance, investment planning and project appraisal, project management and monitoring and public transport operations; (ii) technical assistance for Pusan City Government (PCG) to identify, evaluate and implement TDM and TSM strategies; supervise the project and consultants engaged by the city to implement the 5-year TDM/TSM program; and provide support and training in the sector; and, (iii) Studies: Pusan Transit Fare Structure Study, Alternative Long -Term Financing Strategies for PUTA, and 5-year TDM and TSM program study.

c. Comments on Project Cost, Financing and Dates
Total project cost was \$ 202 million (including physical and price contingencies) compared to the appraisal estimate of \$365.4 million. Bank loan was \$ 92.1 million compared to the appraisal estimate of \$ 100 million. Counterpart financing was \$110 million compared to the appraisal estimate of \$265.4 million. A loan amount of \$7.9 million was cancelled in November 2001, per request by the government .

- Actual project cost is lower than appraised estimates as a result of lower bid price for train cars, and the depreciation of the Won.
- Loan agreement was amended on March 22, 1999 to allow for the purchase of additional subway cars from savings generated from the depreciation of the Won .
- The project's closing was extended twice to June 30, 2002.

3. Achievement of Relevant Objectives:

1) **Increase ridership and cost recovery of the subway network through an integrated strategy of transport demand management (TDM), construction of intermodal facilities, and expansion of the transit system** . *This objective was not achieved*. Overall metro ridership has declined and cost recovery targets were not met (although transit system capacity expanded with the opening of Line 2, TDM measures and TSM strategies implemented, and inter-modal facilities constructed and made operational).

2) **Enhance Pusan Urban Transport Authority's (PUTA) subway capacity to accommodate future growth and serve as an alternative to auto use** . *This objective was achieved with only minor shortcomings*. Subway capacity of PUTA has been enhanced with the purchase of a total number of 336 subway cars, 26 more than the targetted 310, for Lines 2 (Phase 1) and Line 1. Completion of Line 2 (Phase 1), however, experienced delays of one and a half years .

3) **Strengthen the institutions' capacity to plan and program urban transport investment** . *This objective was achieved*. MOT carried out the training program, as planned, through short -and long-term training courses, workshops, and overseas training programs . Studies, including the Transit Fare Structure Study and the Subway Financing Study were also carried out, as planned . The TA component, however, was not undertaken . Instead, Pusan Development Institute, a semi-autonomous body created in 1995, provided the analytical support to the city government, and together with the city's Transportation Planning Division, continued to develop TDM /TSM measures initiated under the project.

- An Environmental Impact Assessment was prepared in compliance with the Basic Environmental Policy Law of Korea.

4. Significant Outcomes/Impacts:

- Tariff setting for public transport, which used to be a central government function, was decentralized to local governments.
- Pusan Development Institute was established, which together with the city's Transportation Planning Division, coordinated the implementation of the TDM/TSM measures within and outside the project .
- Recommendations of the Transit Fare Structure study were used as basis for adjusting tariff levels for metro and bus transport.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- The 1997 economic and financial crisis, increased auto ownership, suburbanization, and inadequate inter -modal integration severely affected metro ridership .
- Lack of a debt management strategy to address PUTA's precarious financial position .
- Network expansion focused on addressing future growth without first responding to current demand contributed to PUTA's high cost structure and low revenue streams .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Moderately Satisfactory	Although the project achieved its physical targets, the objective that underpins the operational and financial viability of PUTA (increase ridership and cost recovery) was not achieved.
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Unlikely	PUTA's financial position had deteriorated over 1994-2001. It remains a highly indebted company (its total debt exceeds or is equal to total assets since 1997, and 75 percent of its debt have maturity of 3-5 years). PUTA continues to rely on central and local government subsidies, along with short term debt financing, to meet its current debt service and capital investment requirements. A debt management strategy has yet to be articulated by central government to address PUTA's debt problems.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- 1) Increasing capacity and access to public transport are necessary but not sufficient conditions for increasing metro ridership. Income levels, settlement patterns, and the relative price of private transport to public transport are other factors that need to be considered when designing projects that promote greater metro use .
- 2) Improving the financial performance of public transport requires central government support in setting the framework and an enabling environment for prudent debt management, including providing appropriate debt-instruments for capital investments.

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The quality of the ICR is rated as Satisfactory. The ICR, however, could have been further improved in the following areas: (i) internal consistency, particularly in its discussion of PUTA's financial performance and sustainability; (ii) accounting for compliance with agreements reached during the negotiation, including implementation of environmental mitigation measures; (iii) selectivity in the quantity of data presented in the main text, of which some could be presented as Annexes; and (iv) consistency of Annex 2 (Project Costs and Financing) with the SAR.