I. Project Context

Country Context

1. An Interim Strategy Note (ISN) for Ecuador was discussed at the Board in early April 2013. The ISN identifies transport and access to basic services at the subnational level as key priorities for the authorities to contribute to their goal for inclusive and sustainable growth. The country has seen a period of relative political stability and the Government has invested unprecedented amounts of resources in infrastructure and the social sectors in an effort to reduce inequality and promote inclusion.

2. Poverty has fallen considerably in recent years, making Ecuador one of the LAC countries with the strongest results in reducing poverty. Between 2006 and 2012 income poverty at the national poverty line fell from 37.6 percent to 27.3 percent, while extreme poverty fell from 16.9 percent to 11.2 percent. Despite these significant reductions, the Government recognizes poverty remains a challenge. In Quito the poverty rate is 12.8 percent, while absolute poverty is 2.3 percent (2011 data).

3. Ecuador is interested in receiving Bank financing and capacity building support for
infrastructure for subnational governments. At the provincial level, rural connectivity remains a challenge, and medium-size cities such as Cuenca and Manta need to preserve and upgrade their road networks to accommodate increased vehicular flows, improve road safety, eliminate bottlenecks, and improve access. In a city such as Quito, which is located in a narrow long valley, investments to expand and upgrade the urban public transport system—including the proposed construction of an underground metro—will significantly improve the quality of transport services and reduce travel times, particularly for low-income users. Poor and very poor citizens are frequent users of urban public transport. In addition, people with disabilities will benefit because public transport projects are designed with universal access features. Designs also give priority to women’s safety considerations.

**Sectoral and institutional Context**

1. In the 1990s Quito became internationally recognized for urban transport planning after emulating Curitiba’s Bus Rapid Transit (BRT) technology and for continuing to expand the network. The Trole project opened in 1995 and even goes through the narrow streets of the Historical Center of Quito (CHQ). Quito subsequently expanded its BRT network to Ecovia (2002), the Central North Corridor (2004), the Southeast Corridor (2010), and the Southwest Corridor (2012). The MDMQ has also started building a sixth line in the Northeast Corridor. This BRT network is called Metrobus-Q and now totals 83.8 km, one of the largest in Latin America. The expansion of this network in 2010 and 2012, together with significant investments in the existing facilities and bus fleet, resulted in a jump in demand from 400,000 to 828,000 passengers a day. On average, the Metrobus-Q system moves 9,880 trips per km of network, which is 110 percent higher than Washington D.C.’s Metro figure of 4,600 passengers per km of network. This development shows that integrating bus services serves riders well and demand increases as a result.

2. In addition to the trips moved by Metrobus-Q, there are 1.8 million daily trips in Quito by buses in mixed traffic which experience long travel times because of the lack of exclusive lanes, affecting particularly the poorest people living in the southern part of Quito. About 2,500 buses provide these services. This number is low relative to other cities in Latin America, indicating the success that the MDMQ has had in regulating the transit industry and preventing an oversupply of buses. There are also 400,000 trips a day in school- and office-related buses, 1 million a day by car, and 650,000 walking trips, for a grand total of 4.7 million trips a day in Quito. The number of cars in Quito jumped from 175,000 in 2002 to 405,300 in 2009.

3. Transport demand, moreover, has been rising in Quito because of a growing population and because of suburbanization. The combined effect is more and longer trips. Quito lies in a long, narrow valley that runs south to north, with the poorest population concentrated in the south and other outlying fringes of the metropolitan area. Today 2.4 million people live in the Metropolitan District of Quito (MDMQ). The population in the urban area is growing by 1.7 percent a year, while in suburban areas by 4.2 percent. Lengthy suburban trips are expected to account for nearly a third of trips in the MDMQ by 2020. The CHQ, a World Heritage site, accounts for nearly half of motorized trips. Residents on the southern peripheries have longer trips.

4. The Metrobus-Q system operates on all the corridors that can fit a BRT system and that can cross the CHQ. As the main line in the system, the Trole has peaks of 14,000 trips per hour per direction (pphpd) and 237,000 trips per day. The Trole has no overtaking lanes, so its buses go in line, one after the other. Buses during the peak hour carry 175 passengers per bus, well above the
160-passenger maximum capacity. Users, particularly the poor who have no alternative means of transport, experience a low quality service.

5. Demand analyses show that ridership on the Trole corridor at the CHQ would be 18,500 by 2016 and 23,000 pphpd by 2020, well above the Trole’s current capacity which cannot be increased because of bottlenecks in the CHQ. A main bottleneck is the CHQ, which has narrow streets that cannot be widened unless historic buildings are demolished. A second is the Panecillo Hill in the core of CHQ, which leads to having crossings only to the west of this hill, including two tunnels that cannot be widened further. It therefore seems infeasible to increase the capacity of the Metrobus-Q system to accommodate the growing demand, moreover in the context of a heritage site.

6. To address this situation, in 2009 the MDMQ commissioned comprehensive planning studies that recommended creating a citywide Integrated Mass Transit System (SITP). In March 2012 a city law created Quito’s SITP. The SITP is intended to provide high-quality transit service by blending mass transit technologies—rail- and bus-based—and by allowing passengers to transfer more easily between the different types of service. According to this city law, the SITP has three components: a Metro system that will serve as the backbone; the Metrobus-Q bus rapid transit system, which is also a high-capacity system, though lower than a Metro in the conditions of Quito; and the buses in mixed traffic that complement and serve as feeders to the first two components. The law calls for gradually integrating the components and for eventually having a fully integrated fare with a citywide fare collection system.

7. After careful analysis, the MDMQ has concluded that an underground Metro is the technology with the capacity to carry more than 23,000 pphpd, cope with the spatial limitations in the CHQ, and serve as backbone to the SITP. With the construction of the Metro and the implementation of the SITP—which entails also expanding the Metrobus-Q network—Quito will consolidate its role as an international leader in urban transport. The future of urban transport lies in Hierarchically Integrated Transit Systems (HITS), which blend efficient technologies such as BRT and metros. Each technology has an efficient role to play given the demand by corridor. Integration also means that passengers can transfer seamlessly in physical, fare, and scheduling terms.

II. Proposed Development Objectives
The proposed Project development objective (PDO) is to improve urban mobility in the city of Quito serving the growing demand for public transport. The Project will reduce travel times, decrease operational costs of the transport service, improve connectivity, security and comfort of the current system and reduce emissions of pollutants and greenhouse gases.

III. Project Description
Component Name
1. Construction of Two Metro Stations of the First Quito Metro Line
Comments (optional)

Component Name
2. Infrastructure and Equipment Investment for the First Quito Metro Line
Comments (optional)
Component Name
3. Provision of Train Sets to Operate in the First Quito Metro Line
Comments (optional)

Component Name
4. Project Management
Comments (optional)

Component Name
5. Technical Studies to Support Implementation
Comments (optional)

IV. Financing (in USD Million)

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V. Implementation

A. Institutional and Implementation Arrangements
31. The Borrower is the MDMQ, which has delegated through a city law implementation of the PLMQ on the Quito Metropolitan Public Metro Company (EPMMQ), a city-owned enterprise created in April 2012. The EPMMQ will manage all aspects pertaining to implementation of the Project, such as procurement, safeguards, reporting on Project status, and supervision of construction contracts and Project implementation. Financial management arrangements assign responsibilities to both the MDMQ and EPMMQ. Detailed implementation arrangements are presented in Annex 3. The World Bank will require a subsidiary agreement between the MDMQ and EPMMQ to implement the Project according to the loan agreement to be signed with the MDMQ.

B. Results Monitoring and Evaluation
32. The intermediate outcome indicators, presented in Annex 1, will make it possible to track project implementation in detail because they measure how progress on the construction of works and track, and laying out of power and signaling systems. Intermediate indicators will also measure implementation of feeder routes and the unified fare collection system. The PDO indicators, in turn, will allow measuring the Project’s goals. Each aspect of the PDO is covered. Annex 1 describes how each will be measured.
33. The EPMMQ will prepare Project progress reports semi-annually and submit them to the World Bank for review. These reports should indicate i) brief background of project status as of the end of each period, including progress on intermediate and PDO indicators (see the monitoring and evaluation framework in Annex 1); (ii) a statement of sources and uses of funds and cash balances; (iii) statement of cumulative investments with cash forecast for the next period (see Annex 3 also); (iv) describe progress on social and environmental aspects of the Project; and describe potential developments that could affect Project implementation, which could consist of a review of the main risks and suggested mitigation measures (see Annex 4).

C. Sustainability
34. The Project helps make urban mobility in Quito more sustainable by providing the backbone to the subsequent SITP. As noted, the SITP will have an integrated fare, and Metro and BRT stations will be integrated. Fare and physical integration make traveling by public transit more convenient. Public transport users will have better service, and car users will see a viable alternative —allowing for a modal shift toward sustainable mass transit. The transport system will have lower total operational costs than without the Metro and the SITP. The carbon footprint of Quito’s transport system will also be lower than that of the current system. Quito will be a more competitive city because the Metro and the SITP will make public transport more accessible and increase mobility. More destinations will be available in the same time period and more trips will occur per time period.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

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