I. Project Context
   
   Country Context
   
   1. Despite rapid economic growth, the Philippines faces growing income inequality and unequal sectoral and regional distribution of growth. Public infrastructure gaps are widely recognized as binding constraints to job creation, inclusive growth and equitable social development in the Philippines. Enhancing both the quality and quantity of spending remains a priority challenge. Public infrastructure spending remains at less than 2.5 percent of GDP per annum, an amount that government has vowed to double in the medium term. The Government has recognized the need to expand and upgrade the quality of transport infrastructure, supporting capacity development (institutionalizing inter-agency coordination, business process improvements, and integrity strengthening activities to improve governance in the sector progressively) and supporting the introduction of innovative and international good practices in developing and managing transport infrastructure.

   Sectoral and institutional Context
   
   2. Unmanaged growth in transport demand is causing significant negative economic impacts.
In 2008, traffic congestion cost the economy the equivalent of 140 billion PHP (~2% of the country’s Gross Domestic Product GDP) in Metro Manila alone (Formulation of a National Environmentally Sustainable Transport Strategy for the Philippines, Department of Transportation and Communication, Department of Environment and Natural resources, Final Report, May 2011). This economic cost comes from lost man-hours, additional fuel consumption, increased health costs, a larger number of traffic fatalities, and lost investment opportunities. With rising motorization, the transport sector’s contribution to national GHG emissions has increased by 6 to 12 percent per year since 1990, and transport’s relative share of national greenhouse gas emissions has more than doubled, from 15 percent in 1990 to about 33 percent in 2009. Based on the current growth rates in motorization in combination with a projected increase in urban population of 35 million residents by 2030, emission contributions from road transport, estimated at 24 MtCO2e in 2007, are projected to more than triple by 2030 under a business as usual (BAU) scenario.

3. The lack of an integrated approach to multi modal transport hinders government’s efforts to address these challenges. Planning and regulation of public transport in the Philippines is largely under the jurisdiction of the national government. There is currently no entity within Local Government Units (LGUs) with a specific mandate for urban passenger transport. Metropolitan Councils have not been given the legal power and resources to tackle the challenges of metropolitan transportation.

4. Cebu City Context. Metro Cebu is a loosely defined term that describes the conglomeration of several adjacent cities and municipalities that form the principal urban area of Cebu Province. Metro Cebu is the second largest metropolitan area in the Philippines after Metro Manila with a population of 2.5 million inhabitants, and Cebu City is its largest LGU, with a population of about 850,000 people. Cebu has historically been the regional, financial, and administrative capital of the Central Visayas Region. Economically, the city supports a strong and growing tourism industry due to adjacent natural attractions as well as the city’s own history and culture.

5. Congestion. Rising congestion is creating increasingly negative consequences for the city. Over the past decade, as incomes have risen, there has been a shift from non-motorized and public transportation to private modes. This switch, while an indicator of economic success at the individual level, has resulted in increasing traffic accidents and growing congestion; growing local air pollution and noise; and an increase in the consumption of fossil fuels and emissions of greenhouse gases. Growth in vehicle ownership, growing in recent years at about 6 percent annually, is expected to accelerate over the next 10 to 15 years as incomes continue to rise.

6. Vehicle Ownership. Despite recent growth, car use and ownership levels remain comparatively low. Cebu City remains relatively poor compared to Manila, with average household monthly income estimated at only 14,300 PHP (US$330). Vehicle ownership is dominated by motorcycles, with over 18 percent of the households owning one or more; about 10 percent owning a bicycle and less than 3 percent owning a car. In terms of mode split, walking carries about 36 percent of all journeys, jeepneys (the dominant form of public transport) carry approximately 34 percent, motorcycles and motorized tricycles carry 26 percent (including informal motorcycle taxis), and formal taxis and private cars carry only 3.5 percent of overall travel.

7. Urban Growth Patterns. In the absence of a coordinated response, the transport situation is likely to degrade. Most of the economic and land development in Cebu City continues to occur at the city’s extremities at relatively low densities, particularly in the northeast. This sprawling pattern
of urban development combined with increased motorization will only exacerbate the current conditions if not promptly addressed. Meanwhile, new high density development in concentrated areas in the center (for example, the new area around Ayala Mall), designed without careful transport integration or any addition to the public transport supply (other than increased concentration of jeepneys and taxis) will worsen the transport situation.

8. Gender. Women make up 55 percent of public transport users in Cebu, and experience a unique set of challenges. Project preparation has supported outreach targeted to understand the needs of women in accessing and using the existing public transport system. Women in Cebu, in general, perform a multitude of tasks in their travels during the day, including ferrying young children to and from school and other activities, as well as grocery shopping and attending to other household needs. Taking public transportation poses a challenge due to the limited space in PUJs and the frequent practice of PUJ drivers overloading their vehicles. Key issues faced by women include safety and security in accessing public transport in terms of absence of sidewalks and poor street lighting, need to make trips during off-peak hours when public transport services are particularly poor, and a need to combine multiple short trips within a single journey which is not well served by current operations and adds to the cost of travel.

9. Public Transport Operations. The operation of Cebu City’s public transport is almost exclusively road-based and provided by the private sector. Public Utility Jeepneys (PUJs) form the backbone of public transport provision in Cebu. Traffic surveys indicate that while PUJs constitute 22 percent of the average daily traffic and carry over 60 percent of the motorized person trips, private cars compose 30 percent of the daily traffic but carry less than 10 percent of the person trips. There are an estimated 8,300 PUJs, 5,800 taxis and 950 buses and mini-buses operating in the City. PUJs currently serve as the main public transport mode for intra-city trips and are mostly operated by single vehicle companies. Shorter trips are often served by tricycles or three-wheelers, which are regulated by LGUs. They are prohibited by law from operating on national roads, although they are allowed to cross them. Most tricycle companies are single unit operators. Jeepneys comprise less than 25 percent of the vehicle traffic stream on major Cebu corridors but their impact on traffic congestion is disproportionately large.

10. Transit Organization and Representation. The 8,300 PUJs are operated by approximately 5,700 franchisees, serving 250 routes within and through Cebu city. About 90 percent of the franchises comprise a single unit. There are two associations of PUJ operators, but both cover relatively small portions of the entire jeepney market: the Cebu Integrated Transport Service Multi-purpose Cooperative and the Visayan United Drivers Transport Services Cooperative. Less than 20 percent of the 5,000 operators belong to either of these two organizations, implying that more than 80 percent of all PUJ operators are not part of any representative structure.

11. Transit Planning and Regulation. The individual PUJs generally operate independently as a micro-business, under route-based non-exclusive franchises issued by the Land Transport Franchising Regulatory Board (LTFRB) for a five-year period. Local government endorsements in the form of “travel lines” are issued by the Cebu City Traffic Operations Management (CITOM). There is no co-ordinated operation of the PUJs on the individual routes, with each operator working more or less independently. There are no formal route associations, no formal terminals for intra-Cebu routes, and no dispatchers to manage operations. The existing terminals at SM and Ayala Mall are provided, organized, and managed by the Mall owners, who charge the PUJs for use.
Strategic context: The overall goal of the WBG’s Philippines Country Partnership Strategy for FY15-18 is inclusive growth through poverty reduction and shared prosperity, which is consistent with the goal of the country’s Updated Philippine Development Plan. The project’s link to the CPS is through support under Engagement Area 3 on Rapid, Inclusive and Sustained Economic Growth, particularly in terms of its introduction of innovative and international good practices in developing and managing transport infrastructure which is expected to lead to an increase in economic activity and productivity.

II. Proposed Development Objectives
The Project Development Objective (PDO) is to improve the over-all performance of the urban passenger transport system in the Project Corridor in Cebu City in terms of the quality and level of service, safety, and environmental efficiency.

III. Project Description
Component Name
Component 1 – BRT Infrastructure and System
Comments (optional)
This component will finance goods, works, and services for detailed design, construction and supervision of BRT infrastructure, and corridor traffic management systems. Land acquisition and resettlement cost will be financed by GoP.

Component Name
Component 2 – Traffic Management
Comments (optional)
This component will finance goods, works, and services for intelligent transportation system components, traffic management, and road and intersection upgrades across Cebu City.

Component Name
Component 3 – BRT Concept Dissemination and Development
Comments (optional)
This component will finance studies, training, and capacity building to support bus improvements and BRT application in the Philippines, as well as preparation of feasibility study and detailed design of the proposed Metro Manila BRT system.

Component Name
Component 4 – Urban Realm Enhancements
Comments (optional)
This component will finance goods, works, and services to foster integration of land development and BRT system in Cebu City by establishing physical connections from stations and terminals to major trip attractors and generators.

Component Name
Component 5 – Project Outcome Monitoring
Comments (optional)
This component will finance technical assistance, equipment, and other operational support monitoring project performance and results.

Component Name
Component 6 – Project Management
Comments (optional)
This component will finance technical assistance, equipment, vehicles, office equipment, outreach activities, and other operational support for management of implementation of BRT and related measures.

IV. Financing (in USD Million)

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V. Implementation

A. Institutional and Implementation Arrangements

12. The project will be implemented by DOTC, which will have the overall responsibility for its coordination and management. The DOTC has set up a National Steering Committee (NSC) for the overall policy formulation and oversight of BRT system in the Philippines. A National Project Management Office (NPMO) has been set up to support the mandate of the NSC and oversee implementation of all BRT plans, policies, standards, regulations, and projects nationwide. At the city level, a Project Implementation Unit (PIU) has been set up to carry out day-to-day project implementation, including project management, financial management, procurement, reporting, monitoring, and environmental and social safeguards. To support project preparation and implementation, NPMO/PIU will be supported by a Technical Support Consultant (TSC), in the areas of project management, technical support, monitoring and evaluation.

13. Operations Business Model. DOTC will enter into a single contract with a competent BRT System Manager (BRTSM), who will be responsible for all aspects of management of the BRT System. DOTC will be responsible for ensuring that bus operators are procured, who will be managed on a day-to-day basis by the BRTSM, both on the street and in terms of the respective contracts with the operators. All system revenue will accrue to DOTC, who will pay the BRTSM and directly pay the operating contractors for services provided which meets standards. All transportation, customer-facing and support services will be performed by the private sector under contract. The BRTSM will be responsible to manage the contractors through performance agreements. Bus services will be provided by private sector operator(s) who will acquire, finance, operate and maintain their own buses. Bus operators will be paid on the basis of per-kilometer and availability payments. All other support and maintenance services will be provided by private sector suppliers, and will be based on availability payments.

B. Results Monitoring and Evaluation

14. A result framework has been developed and will provide the basis for monitoring and
evaluating the project to make sure investments are on track. The project includes a comprehensive monitoring and evaluation component based on qualitative and quantitative performance indicators for each subcomponent. These include transport, social, environmental, and capacity development indicators. This data would be used, in turn, to estimate project-related GHG emission reductions.

15. Public oversight of the project will be also enhanced by crowd sourcing, smart phone applications, and web tools to better respond to network conditions and public transport service. In addition, civic engagement platform will be established to improve the public’s participation in transport network management issues.

C. Sustainability

16. Once constructed, the BRT system is expected to be financially sustainable over its operating life. Crucially, projections for revenue and costs indicate that as of its opening in 2016, the BRT system will be able to cover all recurring costs including bus purchase or lease cost, vehicle operating costs (fuel, drivers, service personnel, maintenance, etc.), and the costs of management of the BRT system (system managers, control center personnel, terminal staff, fare collection cost, infrastructure maintenance, rapid response vehicles). Once constructed, the scheme is thus expected to be financially sustainable over its operating life, without considering repayment of initial capital costs.

17. In addition, the project addresses issues of sustainability by directly supporting policies that advance broad societal interests over the long term. These interests include:

(a) Provision of mobility and access for Cebu City residents, workers and visitors irrespective of income, gender, age or physical ability and making transport safer, more, environmentally friendly;
(b) Providing a model for financially sustainable, quality public transport;
(c) Developing National Government and Cebu City institutional capacity in disciplines critical to rapidly growing urban economies such as integrated land use and transport planning, traffic management and public transport. In the long-term a BRT System Manager will manage and oversee the operation and maintenance of Cebu BRT; and
(d) Building political support for public transport sectoral and institutional reforms. By improving the quality of people in the city and providing them with better access to public transport, the project would help build political support.

18. Another key to BRT’s long term sustainability in Cebu City is to make sure that the project’s larger social goals are met while mitigating any possible adverse impact on the current PUJ industry. By managing specific concerns of the PUJ operators and drivers and putting in place a mitigating framework, the project would lay the basis of sustainable reform in bus operations.

VI. Safeguard Policies (including public consultation)

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VII. Contact point

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