



1. Project Data :
OEDID: L3457
Project ID: P006379
Project Name: Sao Paulo Metropolitan Transport Decentralization Project
Country: Brazil
Sector: Urban Transport
L/C Number: Loan 3457-BR
Partners involved : None
Prepared by : Antti P. Talvitie, OEDST
Reviewed by : Hernan Levy
Group Manager : Gregory Ingram, Manager
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2. Project Objectives, Financing, Costs and Components :
Objectives : There were three objectives: (i) support the Federal Government in its efforts to transfer Sao Paulo subdivision of the Brazilian Train Company (CBTU-SP) to the State of Sao Paulo to enhance its management and operations; (ii) introduce institutional, organizational, and financial policy reforms to ensure long -term financial sustainability, improved multimodal integration, expanded capacity and reduction in subsidies; and (iii) contribute to poverty alleviation and environmental improvement. **Components :** *Institutional development (10%):* policies and action programs to: (a) establish organizational, financial and institutional reforms for improved cost recovery and transfer of CBTU assets to their respective States; (b) operationalize multi-modal tariff integration between rail and feeder bus systems and non-motorized vehicles and introduce cost based fare structures which reflect peak and off-peak services and improve targeting of subsidies; (c) identify an investment program to consolidate the rehabilitation and decentralization program in Sao Paulo; (d) study and recommend management, technical and financial improvements for operating efficiency and for franchising or concessioning rail services to the private sector; and (e) provide technical and management training to entities participating in the project. *Investment (90%):* Civil works and goods to implement the rehabilitation of stations, track, rolling stock, signaling, power supply, telecommunications fencing of the right of way, traffic engineering equipment and construction of transfer points .
Costs and Financing : The project costs were USD294 million (USD280.8 million at appraisal). The costs were financed by a Bank loan for USD126 million, which was fully disbursed, and by a USD168 million government contribution. The loan was approved in March, 1992 and closed in March, 1998, year and half later than planned.

3. Achievement of Relevant Objectives :
The project objectives were achieved in large measure . Decentralization of the CBTU-SP to the state of Sao Paulo was accomplished. Institutional and organizational restructuring took place and much improved tariff regime was adopted providing for improved, though not full recovery of the operating costs, and intermodal coordination became better. The project did reduce air pollution and improved traffic safety . However, the project's contribution to poverty alleviation is unclear, although it is likely that travel conditions of the poor improved somewhat . The economic rate of return of the completed project was relatively high : 18.6 percent. However, this was substantially less than estimated at appraisal (46%). The main reason for the lower ERR was lower than anticipated traffic, longer implementation period and higher than anticipated operating costs .

4. Significant Achievements :
There were three significant achievements in this project . The devolution of significant, previously federally owned and operated, regional rail assets and their operation to the State of Sao Paulo; the creation of Sao Paulo metropolitan wide organizations to coordinate and plan regional public transport services; gaining a consensus how to undertake similar interventions in other metropolitan regions of the country; carrying out a study, not originally part of the project, that evaluated options for concessioning the newly created state railway company (CPTM) and laid foundation for the concessioning process currently underway .

5. Significant Shortcomings :
There are no significant shortcomings

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	One would like to rate Bank performance in conceptualizing and carrying out this project as highly satisfactory . The only reason for not doing so is that it is too early to judge the final outcome of the project.
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

The most important lesson was to learn how to decentralize rail transport assets and operations to States or metropolitan regions. This complex undertaking is best accomplished gradually and with an agreed upon strategy emphasizing the strengthening of the institutional framework and focusing on important issues --in this case those having to do with labor relations and the condition of assets . A related lesson is that decentralization creates favorable conditions for the privatization or concessioning of metropolitan rail operations . Finally, a lesson learned is the significant effect fare evasion has on revenue; it was shown in this project that reducing fare evasion can materially improve the financial viability of rail services .

8. Audit Recommended? Yes No

Why? This was an extensive urban transport operation and rich in its institutional component . It should be audited to learn more how to decentralize urban transport operations and how to deal with complex issues in a complex political environment.

9. Comments on Quality of ICR :

The ICR is comprehensive and covers the issues involved in this complex project . The tariffs, subsidies and the 'Future Operation' would have merited a more thorough discussion on how the achievements of this project will be sustained, especially if the planned concessioning does not materialize .