

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB3804

Project Name	PA Urban Transport
Region	LATIN AMERICA AND CARIBBEAN
Sector	General transportation sector (95%); General public administration sector (5%)
Project ID	P106683
Borrower(s)	GOVERNMENT OF PANAMA
Implementing Agency	Autoridad del Transito y Transporte Terrestre
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Key development issues and rationale for Bank involvement

The City of Panama is at a crossroads in terms of its development. After many years of being constrained in its spatial development by the existence of the Canal Exclusion Zone, the devolution of the Canal Zone to Panama's government as well as its recent economic bonanza has led to rapid urban development and the spatial expansion of the city. At the same time, the rapid growth has magnified the deficiencies of its urban transport system, which has reached its feasible limit in terms of meeting transport demand in an efficient way. This combination of rapid urban development and an inadequate urban transport system is highly undesirable, has led to congestion, pollution and excessive travel time for users, and thereby aggravates city accessibility and mobility problems as well as hinders the growth of the city's economic activities. The implementation of projects and partial mitigation measures in recent years have not been able to keep pace with growing demand. This situation jeopardizes the role of the city as a center of business, finance and dynamic commerce that Panama has had in the past. In view of the recent decision to expand the Panama Canal, the need to better define the city's model of development has become even more urgent, given the likely increase in trade and economic activity.

The City of Panama's potential for a reduced competitiveness due to its functional stagnation jeopardizes the historic role that the city has had in the Centro-American context. The City of Panama has traditionally been a regional business center, with a high concentration of multinational enterprises headquarters linked especially to general commerce, maritime transport and the financial sector. Various reasons explain this historic role, in particular the fact that the Panamanian economy is heavily focused in the service sector, particularly commerce, finance and logistics. But also, the fact that the City of Panama is strategically positioned, with very good access facilities. The increasing road transport congestion in the City reduces the natural advantages of its location and its inverted "T-shape" induces excessive traffic flow through downtown

The negative effects of the city's stagnation and the congestion in the transport system affect the city's population in an unequal manner. The most vulnerable population depends exclusively on the public transport system, which suffers both from the road network congestion and the inefficiency and low quality of the current transport operators. The high inequality in the Panamanian society is fully reflected in the unequal access of the city's inhabitants to transport alternatives, in the distribution of urban space, and in the impact of the consequences of a deficient transport system. The increasing rates of urban poverty make it necessary to provide a solution to the problems of urban transport as a response to the basic needs of the poorest population.

The Panama City Metropolitan Area (PCMA) comprises four districts: Panama, San Miguelito, Arraijan and Chorrera. The city has seen its development constrained by the physical barriers that surround it: the Panama Canal to the west, the Pacific Ocean to the south, and the former Canal Zone to the north. In this way, the urban conglomerate developed along an east-west axis between the Canal Zone and the Pacific, and then towards the North-East along the *Transistmica* Road. This had an impact on the relatively dense development along the east and west road axes, with a limited and inadequate north-south road infrastructure, and leading to the separation of Chorrera and Arraijan from the district of Panama.

As income grows, congestion and mobility conditions will continue to worsen, if changes are not carried out. The backbone of any comprehensive solution to this situation is a good public transport system because it represents the most efficient solution to urban mobility. However, the current public transport service provision arrangements are of such low-quality that they discourage ridership, are particularly frustrating for the poor, and prevent car users from considering this service as a valid alternative. Service provision is nominally in the hands of companies or associations that receive permits from the government to operate routes but that do not own the buses. Individual investors own the 1847 buses believed to be in operation. This arrangement is known as "competition in the market"¹ (or total de facto deregulation) because buses compete on the streets for each additional passenger. Each bus operates as a single-unit company, maximizing profits by maximizing fare collections per trip. Companies or associations, in turn, care more about collecting periodic dues from the bus owners and have a vested interest in increasing fleet size, regardless of actual need. In 2004, for example, there were only 1545 buses, 20% less than two years later.

The result of this arrangement is a service with oversupply in some zones and deficiencies in others, and that uses old, poorly maintained buses (15.6 years old on average in Panamá City) in all zones. There is a high accident rate that is caused partially by unsafe driving practices. One of the worst examples of this occurred when 18 people died in an accident involving buses on October 18, 2006 which generated an uproar in the citizenry that requested action by the government. Other consequences are a high number of transfers per trip, for example 21.8% of public transport trips require one or two paid transfers in Panamá City. The poor suffer the most because they spend a higher proportion of their income on transport (16.0% for the lowest quintile versus 4.6% on average). Also a significant number of households depend solely on public transport as only 28% of the households of the Metropolitan Area of Panama possess one

¹ See Estache and Gomez Lobo. 2004. The Limits to Competition in Urban Bus Services in Developing Countries. World Bank Policy Research Working Paper 3207.

private vehicle or more.² In this context the GoP is planning a comprehensive reform of the public transport sector, driven partly by public pressure to show improvements. The Panamá Urban Transport Program forms an integral part of this government initiative.

2. Proposed objective(s)

The development objectives of the proposed project are: (i) to strengthen the capacity of the GOP for planning, supervising and implementing reforms to the transport sector; (ii) to improve public transport service quality by helping the government consolidate ongoing reforms to the current public transport system; (iii) to implement where demand justifies it, public mass transit facilities to improve service efficiency and throughput; and (iv) to improve accessibility and mobility to low-income areas.

3. Preliminary description

1. Bank engagement in Panamá through the analytical work and the PPIAF grant helped the GoP consider several alternatives, discard some, and arrive at a feasible solution. One alternative discarded by the government for posing a high risk was to concession both infrastructure construction and bus service provision in a Design Build Operate Scheme. The GoP has also studied the possibility of undertaking a rail transit project, but discarded the idea on cost efficiency grounds. The chosen alternative is already under partial implementation by the GoP.

Component 1 - Technical support for the government's implementation of a transition strategy from the existing public transport system to a reformed system:

Component 1 seeks to provide technical assistance and to continue institutional strengthening at Autoridad de Transito y Transporte Terrestre (ATTT) and Gerencia Metropolitana de Transporte (GMT) in order to help the government implement its short term strategy. The strengthening will help these institutions to implement the current plans, ensure that quality of service is improved, and ensure adequate service planning and monitoring can take place once the concessions start operating. Short-term consultants will be hired to aide the government to manage the reforms. Consultants in legal, transport engineering, administrative processes, and social communications are needed. [Individual consultants will be used to speed up contracting in an attempt to match the government's calendar.] These consultants will also prepare terms of reference for the studies proposed in component 2. This component will have a cost of US\$ 1.0 million.

Component 2 – Institutional strengthening:

Component 2 seeks to build capacity in the GoP to plan reforms, implement them, and regulate public transportation services. Current capacity in these areas is not as strong as it should be given the pressing demand. Reforms implemented by the project will require strong management capacity in all areas if they are to lead to satisfactory results. This component has two subcomponents:

² See World Bank. 2007. "La Movilidad Urbana en el Area Metropolitana de Panama: Elementos para una politica integral".

- ⌚ Subcomponent 2.1 – Training: the project seeks to train professionals in areas such as transport engineering and planning, regulation of bus services, among others.
- ⌚ Subcomponent 2.2 – Development of planning tools, which include:
 - Comprehensive demand modeling exercises, including house-hold surveys, an Origin-Destination study (trip generation, trip distribution, modal split and assignment), traffic and passenger counts, and users’ value of time, among others. The resulting model will be used to design bus route restructuring, define fare levels, and study alternatives for mass transit corridors (for example using BRT technology), including transfer terminals and feeder routes.
 - Master Mobility Plan for the PCMA to help guide the city’s overall mobility improvements in a direction that is sustainable in the long term, and more cost efficient.
 - Environmental, resettlement, and social impact studies of the proposed project and to determine mitigation measures. These studies will apply Bank safeguards and policies.
 - Engineering design studies for the implementation of the infrastructure elements.
 - Communications plan to inform the community about the proposed changes.

Component 2 will have a cost of US\$ 7.0 million.

Component 3 – Supporting infrastructure for the improvement of public transport services and urban mobility:

Component 3 includes infrastructure upgrades such as BRT facilities, with segregated lanes for buses, stations, and upgrades to pedestrian infrastructure. This project component also considers improvements to sidewalks, for example by helping the government plan and implement measures to curb parking on sidewalks, among others. Finally, the component has an element that seeks to improve access to low income neighborhoods, specifically for feeder routes that will take passengers to the trunk lines of the BRT. The BRT will be installed along existing road corridors and only minimal widening will be needed at some locations, given the existing street right of way. This widening may in some instances require modest land acquisitions from neighboring residents and commercial properties at specific points, for example, at high-demand stations that will be determined by detailed studies. In case people need to be resettled, adequate social safeguards will be planned and applied. The same approach will be followed for environmental safeguards. All mitigation measures will comply with Bank policies. This component will have a cost of US\$ 92 Million.

Lending Instrument: The team will define during preparation what lending instrument to use. Options are SIL, APL, TAL, among others.

4. **Safeguard policies that might apply:** The project may trigger the following safeguards: Environmental, Involuntary Resettlement, and Physical Cultural Resources.

5. Tentative financing

Source:	(\$m.)
Borrower	50
International Bank for Reconstruction and Development	50

Total 100

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