



Board of Executive Directors

For consideration

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From: The Secretary
Subject: Colombia. Proposal for a loan for an Integrated Mass Transit System for Santiago de Cali

Basic Information: Borrower Republic of Colombia
Amount up to US\$200,000,000
Source Single Currency Facility of the Ordinary Capital

Inquiries to: Mrs. Miroslava E. de Nevo (extensión 1875)

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DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

COLOMBIA

INTEGRATED MASS TRANSIT SYSTEM FOR SANTIAGO DE CALI

(CO-L1001)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Miroslava E. de Nevo (RE3/FI3), Project Team Leader; Rodolfo Huici and María Rosa Sosa (RE3/FI3); Jairo Salgado (COF/CCO); Kevin McTigue and Gerónimo Frigerio (LEG/OPIII), José Manuel Cabral, Julio Melgar, and Edgar Sandoval (consultants).

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Proposed resolution

Electronic Links and References	
Basic Socio-economic Data	http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata
Portfolio under Execution and Approved Loans	http://portal.iadb.org/approvals/pdfs/COen.pdf
Provisional Loan Program	http://opsgs1/ABSPRJ/tentativelending.ASP?S=CO&L=EN
Cost table	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=590490
Procurement plan	http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=590429

ABBREVIATIONS

AWP	Annual work plan
BANCALI	Banco de Cali
CCC	Cali Chamber of Commerce
CONPES	Consejo Nacional de Política Económica y Social [National Economic and Social Policy Council]
DNP	Departamento Nacional de Planeación [National Planning Department]
EMCALI	Empresas Municipales de Cali [municipal utilities]
EMRU	Empresa de Renovación Urbana de Cali [Cali urban renewal enterprise]
EMSIRVA	Empresa de Servicio Público de Aseo de Cali [Cali trash collection enterprise]
MHCP	Ministry of Finance
MT	Ministry of Transport
PNTU	Programa Nacional de Transporte Urbano [National Urban Transportation Program]
PSF	Programa de saneamiento fiscal y financiero [fiscal and financial adjustment program]
SITM	Sistema Integrado de Transporte Masivo [Integrated Mass Transit System]
STT	Secretaría de Tránsito y Transporte [Department of Traffic and Transportation]

PROJECT SUMMARY
COLOMBIA
INTEGRATED MASS TRANSIT SYSTEM FOR SANTIAGO DE CALI
(CO-L1001)

Basic Data				
Date: 2 September 2005			Project number: CO-L1001	
Project Team: Miroslava E. de Nevo (RE3/FI3), Project Team Leader; Rodolfo Huici, María Rosa Sosa (RE3/FI3), Jairo Salgado (COF/CCO), Kevin McTigue and Gerónimo Frigerio (LEG/OPIII), José Manuel Cabral, Julio Melgar, and Edgar Sandoval (consultants)			Loan instrument: Investment	
			Sector(s): Transportation	
			CESI review date: 10/22/2004	
Financial Terms and Conditions ¹				
Borrower: Republic of Colombia			Amortization period: 20 years	
Executing agency: Ministry of Transport of the Republic of Colombia			Grace period: 5 years	
Coexecuting agency: Empresa MetroCali of the Municipio of Cali			Disbursement period: 5 years	
Source	Amount	Percentage	Interest rate: Adjustable	
IDB (OC)	US\$200 million	67	Inspection and oversight fee: 0%	
Local	US\$100 million	33	Credit fee: 0.25%	
Other/ Cofinancing	0	0	Currency: U.S. dollars from the	
Total	US\$300 million	100	Single Currency Facility	
Program at a glance				
<p>Project objective: Improve the transportation options of the population of the city of Cali, in particular low-income segments. To this end, the program will finance a modern bus transportation system that will connect the low- and middle-income areas of Cali with the areas where job-generating activities and social services are concentrated, improving service quality, reducing travel time, accidents, and pollution of the environment, and increasing service frequency and reliability. It will also help improve public spaces, by enhancing the Integrated Mass Transit System's collector streets and access roads, bikeways, traffic lights, and road safety. Better traffic organization, reduced congestion, and better use of urban spaces will improve the quality of life of Cali's population.</p> <p>Special contractual conditions: Conditions precedent to the first disbursement: duly signed cofinancing agreement or amending secondary agreement (paragraph 2.10). Special contractual conditions: (i) within eight months of the signature of the contract; the relocation plan for the strata 1, 2, and 3 population affected by the Integrated Mass Transit System will have been initiated (paragraph 4.10); (ii) quarterly progress reports will be submitted (paragraph 3.34); (iii) annually, no later than 30 November of each year, MetroCali S.A. will submit the annual work plan for the following year (paragraph 3.35); and (iv) 12 months after the start of operations of the phase one trunk lines, MetroCali S.A. will commission for the short-term socioeconomic impact study (paragraph 3.40).</p> <p>Exceptions to Bank policy: Revolving Fund: Increase to 10% (paragraph 3.26) The Bank financing may cover payment of taxes and fees (paragraphs 3.30 and 3.31) Project consistent with country strategy: Yes [X] No [] The program is classified as: SEQ [] PTI [] Sector [] Geographical [] % of beneficiaries []</p> <p>Procurement: See paragraph 3.32</p>				
<p>1 The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount. (*)</p> <p>(*) With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount, divided by the number of six-month periods included in the original disbursement period.</p>				

I. FRAME OF REFERENCE

A. Socioeconomic framework

- 1.1 In 2004 the economy posted positive numbers. Preliminary figures indicate GDP growth of 3.8% and a 10% growth in private investment, both in real terms, with inflation at an annual average of 5.9%. In December 2004 the unemployment rate for the 13 main metropolitan areas stood at 13% of the economically active population. The balance of payments was favorable, with international reserves reaching a level of US\$13.398 billion in late 2004.
- 1.2 The fiscal situation is where the greatest challenges are to be found, particularly in light of the efforts the country must make to maintain its levels of public debt. The consolidated public sector deficit fell considerably between 2000 and 2004, from 3.4% to 2.5% of GDP. The vulnerability of the fiscal accounts stems from the relative size of the public debt and the public sector's contingent liabilities derived from the pension system. In late October 2004, total central government debt stood at US\$47.695 billion (approximately 53% of GDP).
- 1.3 Growth in 2005, estimated at 3.8% in real terms, will continue to be driven by private sector investment. While the level of economic activity has increased, prices have remained stable. Although this growth rate consolidates a cycle of economic recovery, it is as yet insufficient for bringing about substantial improvements in employment and poverty levels, since estimates indicate that the country will require a growth rate of almost 6% in order to achieve significant social progress.
- 1.4 The level of international reserves is expected to remain stable. In addition, the consolidated public sector deficit (estimated at 2.5% of GDP) and the level of public debt could be negatively affected by: (i) the national security situation, (ii) the vulnerability of the debt to rapid growth in global interest rates and a readjustment of the real exchange rate, and (iii) the still unresolved imbalances in the pension system. As happened last year, the presidential reelection process will continue to affect the processing of major fiscal reforms (taxes and pensions).

B. The city of Cali and its road system

- 1.5 The city of Santiago de Cali has a population of 2.2 million, which is growing at an annual rate of 2.4%, and is predominantly urban, with only 1.5% inhabiting the municipio's rural areas. Cali is the main center for industrial and commercial activity on Colombia's Pacific coast. Its urban area is home to major industries and first-rate centers of learning.
- 1.6 The urban area is in an irregular, elongated shape, flanked on the east side by the Cauca and Lili rivers and, on the opposite side, by foothills of the Cordillera Occidental; its main axis, running north-south, is approximately 18 km long, while the smaller transverse axis, running east-west, ranges from 6 to 10 km. The urban

area has a single central area, with multidirectional radial avenues connected by a series of approximately concentric rings.

- 1.7 North-south movements within the city are facilitated by a series of uninterrupted avenues and characteristics for public and private transport circulation; consequently, these experience the highest traffic levels. Transport between the city center and the east is more complicated, since the road infrastructure is not continuous and is insufficient to allow current traffic levels to flow freely. The majority of the network of main avenues and secondary corridors and the access streets to residential neighborhoods are paved, but 28% of roads are deemed to be in an unsatisfactory condition. In the areas inhabited by low-income sectors, some of the access roads and a large number of the interior streets are unpaved or in poor condition, which hinders access by public transport.

C. Traffic and public transportation in the city of Cali

- 1.8 It is estimated that the Cali metropolitan area is home to some 400,000 vehicles, including 4,389 duly registered vehicles that provide public transport services; there are also unregistered vehicles that operate illegally. The proliferation of low-capacity vehicles, the inadequate property structure of the public transport fleet, which is distributed among 3,500 different owners, and the sector's deficient business organization have led to an oversupply of public transportation services, which is undermining quality and user safety, causing high levels of air pollution and congestion on much of the road network during morning and evening rush hours, increased travel times, and higher costs.
- 1.9 Some 3 million trips per day are made within the urban area, of which 1,975,000 make up the demand for public transport. Competition among carriers to secure a higher number of passengers is fierce, giving rise to a "penny war." Most drivers are paid according to the number of passengers they carry a day, at a rate of between 50 and 100 Colombian pesos (US\$0.018 to US\$0.036) per passenger, while others rent their vehicles, paying between 150,000 and 200,000 pesos a day (US\$54 to US\$73) and also absorbing the vehicle's fuel, lubricant, and cleaning costs. This gives rise to aggressive behavior on the drivers' part, who try to get ahead of other vehicles to pick up more passengers, or who move slowly, blocking traffic, as they wait for more customers to arrive. By doing so they violate the traffic code, ignore traffic signs and established bus stops, and create friction and accidents that endanger the safety of passengers, occupants of other vehicles, and pedestrians. According to figures from the Automobile Diagnostics Center, in 2003 there were 14,817 traffic accidents, in which 346 people died and another 282 were seriously injured. These accidents involved almost 10,000 public service vehicle drivers.
- 1.10 Business organization is weak and inefficient, particularly because of the preponderance of "afiliadora" companies; these companies operate routes assigned

by the Secretaría de Tránsito y Transporte [Department of Traffic and Transportation] (STT) and are authorized to have a given number of third-party-owned vehicles to cover those routes. These “afiliadoras” do not have their own vehicles and charge vehicle owners a fee (between 10 and 20 million pesos) for the right to service their assigned routes. In addition, each vehicle has to pay from 20,000 to 80,000 pesos (US\$7 to US\$29) a day, to cover administrative costs.

- 1.11 There are also business practices aimed at avoiding the payment of taxes and vehicle fees. Several companies have their dispatching bases outside the city limits and are based in other municipios; thus, they pay no tax to the Municipio of Cali, and they avoid fuel surcharges by filling up in neighboring municipios. Also frequent is the use of “cloned” vehicles, which make illegal use of the documents and plates of other vehicles that are duly registered and that have passed the technical inspections.
- 1.12 The administrative and operational disorganization prevailing in the city’s traffic and transportation is largely due to institutional shortcomings and the resource shortages of the agencies responsible for managing and overseeing those activities; the situation is further complicated by the lack of a clear demarcation of responsibilities and the coordination that must necessarily exist between those agencies.
- 1.13 In the current situation, it is the users who are directly affected; however, the problems also have a negative impact on all productive, commercial, and social activities in the city, as well as on the wellbeing of the entire population.

D. Legal and institutional framework relating to the project

1. The Government of Colombia

- 1.14 Three institutional actors are of relevance in urban public transport: the National Planning Department (DNP), the Ministry of Finance (MHCP), and the Ministry of Transport (MT); transportation and decentralization policies, which have been under way for more than 10 years, and their funding are other relevant components of the sector.
- 1.15 The DNP is an administrative body at the ministerial level; it reports directly to the Office of the President of the Republic and serves as the executive secretariat of the National Economic and Social Policy Council (CONPES). Its main functions include preparing and consolidating the following, and submitting them to CONPES for consideration: (i) annual macroeconomic planning; (ii) the National Development Plan; (iii) the policies, strategies, plans, programs, and projects of the national government; (iv) the public sector financial plan; (v) the public sector’s external credit disbursement program; and (vi) input on the execution of loan contracts by the state or public agencies.

- 1.16 The MHCP sets the external and internal financing policies of the State, its subnational entities, and its decentralized bodies; it manages the State's public debt, and records and oversees its execution and service; it coordinates the execution of the subnational entities' plans and programs that involve external funding, and it provides them with advice, cooperation, and technical assistance; and it establishes mechanisms to guarantee the correct and timely payment of the State's obligations vis-à-vis the subnational entities. In addition it ensures that those long-term term commitments are in accordance with fiscal and macroeconomic projections.
- 1.17 The MT is the government agency in charge of the sector. It formulates national government policy for traffic, transportation, and related infrastructure; it coordinates, promotes, oversees, and evaluates the execution of those policies; and it supports and provides technical cooperation to the subnational entities in its spheres of competence.
- 1.18 In 1993 the Government of Colombia passed Law 105, which provides for the transfer of responsibility for managing urban transport and traffic to the local authorities. By means of a surcharge on gasoline of up to 20% of the price, this law established a fund intended exclusively for transport and traffic projects within the corresponding municipal jurisdiction. Similarly, Law 310 of 1996 established a regulatory framework to govern the State's participation in urban infrastructure projects, in particular as regards the funding of mass-transit systems. Article 2 of this law allows contributions to be made through cofinancing or investments; irrespective of how they are made, these are restricted to a minimum of 40% and a maximum of 70% of the project's debt service,¹ leaving the local governments responsible for the amounts needed to cover the remainder. This system allowed execution of the Transmilenio project in Bogota² and today it is still being used for its expansion.
- 1.19 In November 2004, the MT set up a Coordinating Unit, responsible for the integrated mass transportation systems (SITM) that are part of the National Urban Transportation Program (PNTU), attached to the office of the Deputy Minister for Transport, and in charge of coordinating and participating in the management of operations intended to finance urban transportation improvements. Its functions are to: monitor the technical consistency of projects; agree with the subnational entities on the presentation of information by each managing entity to the multilateral banks; coordinate the creation of transport authorities in the subnational entities; link regional and national entity processes that are required for project development

¹ CONPES document 3166 interprets the term "debt service" as all the investment resources channeled into the correct execution of the project.

² Transmilenio (TM) is a system of segregated lanes for high-capacity buses in Bogota. Curitiba and Porto Alegre in Brazil have similar systems, as does Quito, Ecuador.

or stemming from technical, legal, and financial organization studies; represent the State in any issue involving its participation.

- 1.20 The project has CONPES documents 3166 of 23 May 2002 and 3369 of 1 August 2005, by means of which the State's participation strategy for implementation of the *Integrated Mass Transit System* (Sistema Integrado de Transporte Masivo—SITM) was approved, with a contribution of US\$241 million from the national budget.

2. The municipio of Santiago de Cali

- 1.21 The municipio of Santiago de Cali is working on the implementation and development of the SITM and, to this end, has included strategies, policies, and investment resources in its municipal development plans to support the project. Thus, the municipal administration devised and approved its Land-use Management Plan, which defines the road and transport system and ranks the SITM's corridors and stations. Regulation, operation, and management of traffic and public transport are the responsibility of the STT.

3. MetroCali S.A.

- 1.22 MetroCali S.A. is a joint stock company and decentralized municipal entity, established on 25 February 1999 with the following shareholders: the Municipality of Santiago de Cali (32%); the municipal utilities EMCALI E.I.C.I. (17%); the Empresa de Servicio Público de Aseo de Cali [trash collection] (EMSIRVA E.S.P) (17%); the Banco de Cali (BANCALI), through the Specialized Financial Fund (F.F.E.) (17%); and the Empresa de Renovación Urbana de Cali [urban renewal enterprise] (EMRU) (17%). The capital stock authorized at incorporation was 1.5 billion pesos (equal to US\$1 million in 1999). MetroCali operates as a commercial company with public contributions and has legal status, administrative autonomy, and independent capital; it is governed by the legal provisions applicable to State industrial and commercial companies (Law 489 of 1998) and, as regards its budget, by Decree 0115 of 15 January 1996.
- 1.23 MetroCali was established to take charge of all management, organization, and planning activities related to the construction and launch of the Integrated Mass Transit System (SITM) (paragraphs 2.2 to 2.6) for passengers in the city of Cali and its surrounding area, respecting the autonomy of the neighboring municipios for system access and including the main and accessory works projects needed for its effective operation. To make the SITM a reality, on 22 October 1999 a dividend-right share contract was signed, granting the Government of Colombia a controlling majority in the shareholders' meeting, which involves a majority of the Board of Directors. Under this agreement, the beneficial interest of 13.33% of the stock of EMSIRVA, EMCALI, and EMRU, and 11% of the stock of BANCALI (of the

17% held by each of them), was irrevocably transferred to the Government of Colombia until the conclusion of the construction phase of the SITM.

- 1.24 The Board of Directors of MetroCali is made up of the Minister of Transport or his delegate, three representatives of the President of the Republic, the Municipal Mayor, and two municipal representatives. MetroCali is monitored by municipal agencies (comptroller's office, municipal council), national agencies (Office of the Attorney General, General Accounting Office), and civil society (citizens' audit committee), most of which receive regular reports on the company's operations. MetroCali's institutional structure is described in paragraphs 3.23 and 3.24.

E. The country's strategy in the sector

- 1.25 In Colombia, 75% of the population lives in urban areas; this is the result of migration caused by changes in the economy, the concentration of public investment, and a large number of political, social, and cultural factors. Also as a result of the urban concentration process, the country's most significant problems related to poverty are found in cities, not in rural areas. Two thirds of the population surviving beneath the poverty line live in urban areas. The nation's major cities—such as Bogota, Medellín, Cali, Barranquilla, Bucaramanga, Cartagena, and Pereira—generate almost 70% of GDP and account for 50% of the country's total population (some 22 million people), of whom more than 70% (approximately 15 million) are classified as low-income. The population is expected to continue to grow over the coming years because of the natural trend toward concentration of economic activities in urban centers, generating new needs for public services and for transportation.
- 1.26 Urban transport in Colombia is based on public transport; only 25% of families own a vehicle and only 14% of commuters use private transport. During the 1990s, the number of private vehicles increased by 125%, due to a drop in import duties; nevertheless, even today 75% of the population uses public transport. The traditional policy of increasing the infrastructure supply as a solution for urban transportation not only implies high costs, it also benefits individual transport, thus neglecting the 80% of the population that uses public transportation. People unable to own a car have been left with one option: low-quality, slow, and dangerous services that produce significant pollution. The inefficient operation of public transport generates major negative externalities on quality of life and the productivity of urban economies; environmental pollution has harmful effects at the local and global levels, and accidents lead to loss of life and impaired health.
- 1.27 Consequently, the challenge facing Colombia's cities is to reduce the trend toward the costly use of private vehicles by encouraging efficient travel on public transportation and non-motorized means of transport. To support the implementation of integrated transport systems, the Government of Colombia began its participation in urban projects with the Medellín metro during the 1980s,

guaranteeing the debt incurred by the city in building the necessary infrastructure. After 12 years of financial and legal problems, the metro was opened in 1994 with an investment of approximately US\$3 billion. The metro currently transports 500,000 passengers a day. After that experience, and thanks to the example given by Bogota, the Government of Colombia has abandoned the strategy of building metros and has turned to bus rapid transit systems.

- 1.28 In 2002, following its successful experience with Transmilenio and in spite of its fiscal problems, the Government of Colombia found the fiscal capacity necessary to consolidate the intervention it initially made in the first phase in Bogota, with the creation of the PNTU. This program uses transfers of national resources to support continuing the next phase of Bogota's Transmilenio and SITM projects in other cities (Cali, Pereira, Cartagena, Soacha, Bucaramanga, Barranquilla, and Medellín).

F. The Bank's strategy in the sector and lessons learned

- 1.29 The Bank has been involved in the development and implementation of urban public transport improvement programs in the Brazilian cities of Curitiba and São Paulo, and is currently carrying out other programs in Fortaleza, São Bernardo, and Curitiba in Brazil and in Lima, Peru.
- 1.30 In the countries assisted by the Bank there are three clear levels of development in privately-run urban public transport services: (i) *low*, characterized by weak companies, with low levels of capitalization, no credit access, organized on the basis of independent vehicle owners banded together in a fragile service-delivery association, generally based on uncertain permits and a state apparatus lacking the ability to regulate, oversee, and control; (ii) *intermediate*, with medium-sized and large companies, with adequate organization and capitalization, stable concessions and permits, and the backing of an appropriate legal framework. The intermediate level of development rating is more a reflection of how the services are operated, characterized by the fact that public transport does not receive operational preferences in the use of the urban road infrastructure; and (iii) *high*, where an operating system with extensive public-sector planning and regulation gives rise to a high-capacity and reliable system that enjoys wide acceptance.
- 1.31 Cali will build on the experiences of Bogota and the cities in Brazil to take a qualitative leap from a low level of development to one situated among the most highly advanced, without requiring the massive infrastructure investments necessary for a train or metro.
- 1.32 Several lessons learned from the execution of other programs are being incorporated into this operation, including: (i) an executing agency with a suitable legal and institutional framework for implementing the system, with an agency capable of structuring and operating it; (ii) a global, comprehensive approach to public transport as the spine of the city's economic and social development and

urban traffic, avoiding limited or partial projects and incorporating activities to reclaim and appreciate the value of public spaces; (iii) owner-operators join together in trained and efficient business organizations to provide the access to the capital and organizational discipline needed by modern systems; and (iv) a sound financial structure for the project.

G. Project strategy

- 1.33 The Bank's strategy with the country focuses on the following objectives: (i) laying the foundations for reviving the economy and jump-starting growth, (ii) promoting social development and ensuring protection for the most vulnerable, and (iii) improving governance and supporting modernization of the State.
- 1.34 In the context of this strategy, the Bank's financial support for this project would help lay the foundations for reviving and energizing the local economy, by supporting improvements in economic infrastructure, chiefly projects of high social importance, such as mass public transport, increasing economic efficiency by providing low-income sectors with a suitable and accessible transport system, with a large capacity and the flexibility to respond to the city's future needs and improved traffic conditions. The project will also further the State's modernization process by helping build local management capacity.

H. Coordination with other multilateral agencies

- 1.35 Responsibility for implementing the PNTU lies with the MT and the DNP. The MT acts through the Coordinating Unit, which ensures that the actions of the various multilateral agencies are coordinated and complementary. The PNTU, among other sources, receives multilateral funding. The World Bank financed the construction of a number of feeder routes for the Bogota Transmilenio; in 2004, it also approved a US\$250 million loan to finance part of the Government of Colombia's contributions to cities such as Pereira, Cartagena, Bucaramanga, Barranquilla, Soacha, and Medellín, in order for them to build and launch mass transit systems. Similarly, the Andean Development Corporation (CAF) approved a loan totaling US\$150 million: US\$85 million to support the transfers that the Government of Colombia has undertaken to make for the Bogota Transmilenio, and US\$65 million in unearmarked funds for the national government's priority budget appropriations.

II. THE PROGRAM

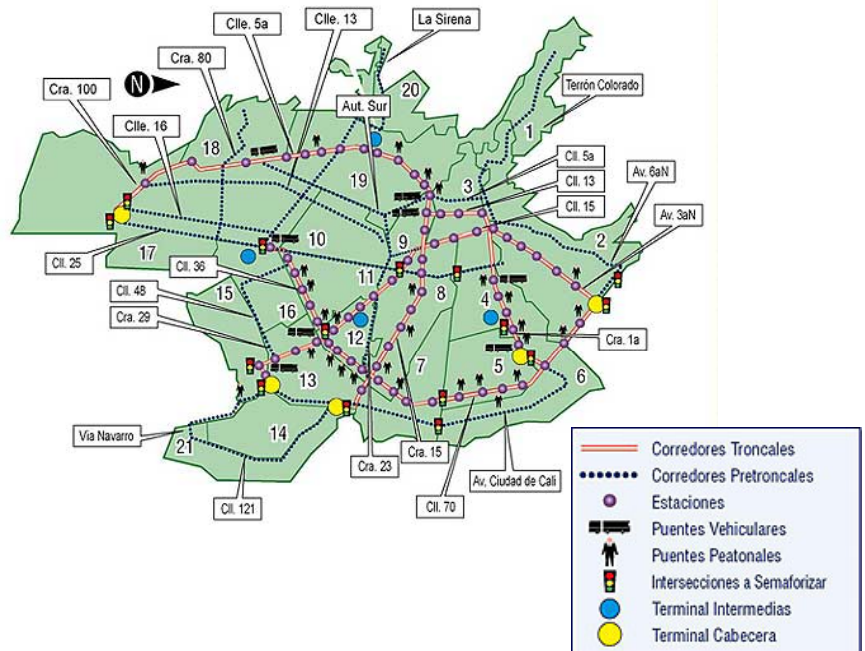
A. Objective of the program

- 2.1 The objective of the program is to improve the transportation options of the population of the city of Cali, in particular low-income segments. To this end, the program will finance a modern bus transportation system that will connect the low- and middle-income areas of Cali with the areas where job-generating activities and social services are concentrated, improving service quality, reducing travel time, accidents, and pollution of the environment, and increasing service efficiency and reliability. It will also help improve public spaces, by enhancing the SITM's collector streets and access roads, bikeways, traffic lights, and road safety. Better traffic organization, reduced congestion, and better use of urban spaces will improve the quality of life of Cali's population.

B. Program description

1. The Integrated Mass Transit System

- 2.2 The SITM is a rapid mass-transit system composed of a number of *trunk lines*³ with segregated thruways intended exclusively for the operation of high- and medium-capacity buses.⁴ This network of trunk lines will be connected to the secondary lines⁵ and *complementary corridors*,⁶ which will offer passenger transportation services using lower-capacity vehicles. Traffic planning and control along the corridors will be done at an operations center, which will regulate the supply to be provided



³ Routes where the transportation demand exceeds 60,000 passengers per day.

⁴ Articulated buses with a capacity of 160 passengers, and buses for 100 passengers.

⁵ Routes with a demand ranging from 20,000 to 60,000 passengers per day.

⁶ Routes that serve as feeders for the trunk and secondary lines.

by bus operators and monitor the system's performance, in order to be able to adjust the number and frequency of vehicles in service in accordance with demand.

- 2.3 The SITM will carry almost 880,000 passengers a day, with some 96,000 passengers per hour being transported, during peak morning hours, while during non-peak times total demand has been estimated at 79,000 passengers per hour. Once the entire SITM is operating, it will have 180 articulated buses on the trunk network and 852 conventional buses on the secondary and complementary networks, organized in such a way as to allow an average commercial speed of 25 km/h on the trunk line. The trunk service network will have nine routes, on three trunk lines, with lengths of between 7.4 km and 16.5 km.

- 2.4 The startup and operation of the SITM are designed on the basis of a public-private partnership. The infrastructure investments will be financed by the Government of Colombia and the Municipio of Cali; concessions for the operation of the buses will be granted to private operators who will be responsible for providing the vehicles and equipping the repair shops and will be paid for their services in accordance with the kilometers traveled by their buses in compliance with the scheduling and frequencies set by the Operations Center; that Center will be administered by MetroCali, which will also oversee service quality and take charge of customer service. Road infrastructure maintenance will be funded by the Municipio of Cali.
- | Activities | Public | Private |
|-------------------------|----------|------------|
| Road Infrastructure | C; M | |
| Workshops and yards | P (land) | P, C, O; M |
| Integration terminals | C; O; M | |
| Stations | C; O; M | |
| Control Center | P; O | |
| Vehicles | | P; O; M |
| Fare collection systems | | P; O; M |
| Payment trust | | O |
- C: Construction
M: Maintenance
O: Operation
P: Purchases/Equipment

- 2.5 Fare collection will be awarded to a private company, hired by MetroCali through competitive bidding; this company will be independent of the bus operating companies. A trust fund will be set up for resource administration. This fund's resources will be used to: (i) make payments to bus fleet operators, in accordance with the terms of the corresponding concession contracts; (ii) cover the expenses of the fare collection system; (iii) cover MetroCali's administration and operation costs, including oversight and control of operations and safety in the corridors; and (iv) establish a reserve fund for fare management.

- 2.6 The system's integrated operation will allow physical transfers between the feeder and trunk networks, following payment of a single fare, which will result in reduced costs for those passengers who have to make transfers. The fare collection system, involving the issuing of tickets and monitoring of fares, will make it possible to integrate fares for SITM services.

- 2.7 The implementation plan for the proposed program provides for execution of the work in three phases, all of which are in compliance with the socio-environmental feasibility plan. Each phase includes the reconditioning of the trunk and complementary lines, while the reconditioning and activation of the secondary routes introduces flexibility in the operational design of the SITM. The phases are broken down below:

Phase	Name	Length	Secondary and complementary lines	Terminals
1	Sur Centro	16.0 km 9.6 km	144 km	Cosmocentro, Calima, Sur, and Puerto Mallarino
2	Centro	10.7 km	58 km	Agua-Blanca, Villahermosa, Sameco and Guadalupe
3	Oriental	12.6 km	4 km	Benito Juárez

- 2.8 CONPES 3369 identifies the activities that the Government of Colombia can finance with its resources and even recognize as part of the 30% municipal counterpart contribution. Two large groups have been excluded from this funding and have been addressed as follows:

- a. Institutional strengthening: included in the program with the Bank, to be wholly funded by Municipio of Cali resources. It will support the startup of the SITM, institutional strengthening actions, by devising and regulating the bus service concessions and developing an efficient urban traffic and transportation management system, by means of technical assistance and training for the main stakeholders (MetroCali and STT); and
 - b. Bikeways: explicitly excluded from the Government of Colombia funding and, consequently, from the Bank's funding; the Municipio of Cali will cover the cost of these works with resources other than those committed as the counterpart with the State. The bikeways are covered by the construction contracts for the trunk lines.
- 2.9 Roadworks often require the relocation of elements of the utilities networks (water, sewerage, electricity, etc.); when the relocation work is carried out using existing materials, the cost is absorbed by the program. When relocation involves the upgrading of equipment or materials (pipes, cables), replacement costs will be absorbed by the utility company that benefits. An agreement with EMCALI S.A. ensures that these expenses—which account for most of the works' escalation costs—will not be covered by program funding.
- 2.10 Secondary agreement 4 is the financing agreement signed by the Municipio of Cali and the Government of Colombia, establishing commitments and conditions for financing the SITM. There is a need to sign a new secondary agreement and/or

cofinancing agreement to replace No. 4, which will incorporate the various tasks and activities associated with the implementation of the SITM, and will identify the various bodies responsible for its execution and financing and the requirement of using the Bank's procurement procedures. The signature of the new cofinancing agreement will be a condition precedent to disbursement.

2. Specific issues: fares

- 2.11 The main criterion used by MetroCali in setting the SITM's fares is ensuring that the SITM and the remainder of the existing system stay on an equal footing—in other words, that the fares of both are strictly comparable, to avoid competitive asymmetries between one system and the other. The fare will cover: (i) investment in vehicles and their operating and maintenance costs; (ii) same items for the fare collection system; (iii) same items for yards and repair equipment; (iv) fare collection trust fund; (v) MetroCali's operating costs, as the operator of the SITM; (vi) operation and maintenance of stations and terminals; (vii) SITM safety; and (viii) disposal.
- 2.12 These costs, together with the SITM's rigorous operating parameters, yield a “user fare” that seeks to be as low as possible, to ensure that it is economically accessible to low-income users,⁷ reduce competition with the remainder of the existing system's services, and discourage the emergence of illegal or alternative services.
- 2.13 Once these general principles are satisfied, the fare schedule could accommodate other issues, such as: (i) purchase and construction of yards and repairshops; (ii) roadway maintenance; (iii) other MetroCali operating and administrative costs; (iv) subsidies for certain categories of users, such as school children. MetroCali will submit these items to the authorities, municipal and national alike, for a final decision to be taken regarding what costs the fare will ultimately cover.

3. Specific issues: scrapping

- 2.14 The decision to dispose of the existing public transport fleet for scrap has been taken within the Colombia transportation sector. The Government of Colombia has decided to include the cost of scrapping in the user fare. In economic terms, including this cost in the fare has no impact on the profitability of the operation, since it is a transfer of resources from the users to the vehicles owners. The final decision regarding the number of vehicles will be reflected in the transportation service bidding documents.

⁷ The low-income population spends an average of between 30% and 40% of its income on transportation and takes an average of two trips per day. The operating characteristics of the SITM (rate integration and greater coverage through the implementation of night services) will result in a real reduction in those transportation costs for the low-income strata. In addition, frequency regulation contributes to a significant reduction in waiting times.

4. Specific aspects: citizen oversight

- 2.15 MetroCali and the Cali Chamber of Commerce (CCC) have an SITM audit committee program in place, structured in the context of the Transparency Pact signed by the President of the Republic, the Municipio, MetroCali, and the CCC. The objective is to have adequate citizen oversight in place, with the understanding that transparency and efficiency in SITM operations are essential for social ownership of the project and for the building of public trust in the city.
- 2.16 Among other measures of management control, the audit committee, which has monitored the SITM from its creation, has generated opportunities for consensus-building with entrepreneurs and transport operators, produced periodic public reports on the project's progress, and monitored the procurement and contracting processes. In addition, the CCC is working with the community to pave the way for citizen participation in the supervision of works execution, producing surveys, verifying compliance with environmental management plans, participating in the notification of citizens to ensure that there is equal opportunity in terms of the jobs generated, etc.
- 2.17 The CCC has organized itself through a project management team that addresses various components of the SITM: social and environmental management, physical works, calls for bids and contracts, and financial management. The model adopted has generated significant interest as a social management oversight system for large projects and has earned the respect of the community and the authorities, developed an atmosphere of cooperation with MetroCali, and assumes a high level of involvement on the part of the population. The model has been presented as an example for other cities in Colombia

C. Components

1. Studies and supervision (US\$16.65 million)

- 2.18 This component will finance the execution of: (i) technical, legal, economic, and environmental studies necessary to ensure the technical and environmental quality of the works, including review of the designs for the urban improvement projects related to the public transport corridors, if necessary; (ii) works, socio-environmental, and financial supervision of execution; (iii) strategic environmental assessment studies, relocation plans for the affected population, plan to mitigate impact on operators, and ability of the low-income population to pay fares; and (iv) consulting services and complementary technical support for the launch of the SITM.

2. Improvement of mobility and the urban environment (US\$279.2 million)

- 2.19 This component covers the following activities:

- a. *Implementation of three urban public transport trunk lines (49 km)*, of which three km have been built outside the program. These trunk lines will improve the efficiency of public mass transport and enhance road network safety. The central lanes of the selected corridors will be prepared to bear the weight of articulated buses and will be physically separated from the lanes available for general traffic. The works consist of: (i) road surfacing and upgrading along the entire route; (ii) layout changes at major junctions; (iii) upgrading of public space (including sidewalks and bikeways) to facilitate station and terminal access by pedestrians and non-motorized transport; (iv) road signage, including traffic lights at the trunk line intersections, allowing public transport to flow optimally by giving it priority over general traffic; and (v) introduction of the measures set out in the environmental and social management plans of the SITM project.
- b. *Surfacing and improvement of secondary lines and complementary corridors (approximately 200 km)* that feed into transfer and line terminals, thus integrating those lines with the trunk lines. The bus lane does not require physical separation from the other lanes. The entire section will be improved, with patching and improved signposting, to ensure proper operation of the SITM.
- c. *Line terminals (5) and transfer terminals (4)*. These allow transfers between trunk, secondary, and complementary routes, together with transfers to intermunicipal buses. They are built in such a way that the top of the platforms coincides with the interior floor of the articulated buses, facilitating user access and improving the time spent entering and alighting.
- d. *Construction of 78 stations* – bus stops located on the central median of the trunk lines, at an average spacing of 500 meters from one to the next, with platforms at the same height as the buses' interior floors.
- e. *Infrastructure for pedestrian access to stations on trunk lines*: pedestrian overpasses or tunnels, level crossings with traffic lights and adequate signposts to improve user access.
- f. *Road safety along the corridors and their feeder routes* (information and warning signs).
- g. *Land purchases*: covers the cost of the expropriations needed to implement program work (trunk lines, terminals, and yards).

3. Environmental viability (US\$600,000)

- 2.20 This component includes: (i) implementation of the strategic environmental evaluation and (ii) the air-quality and noise monitoring system.

4. Institutional strengthening (US\$1.14 million)

- 2.21 This component, to be wholly financed by the Municipio of Cali, covers:
- a. Establishment of the specific rules and regulations required for MetroCali to serve as the agency that manages, regulates, and oversees the new transport system, and technical assistance for discharging those tasks. Development of specific procedural manuals (penalty regime, fine collection, emergencies, mechanical inspections of vehicles, psychological and physical examinations of drivers, etc.), organization, coordination, and training of MetroCali's system of inspectors for supervising service operations (mechanical conditions of the vehicles, cleanliness, safety, stations and terminals, etc.).
 - b. Training for the Department of Traffic and Transportation in regulation, planning, oversight, and control of public transportation services and, specifically, restructuring of its supply (paragraph 3.6).
 - c. Training MetroCali and STT staff and consulting services in the areas of: (i) transport planning, demand and operational models, modeling and monitoring SITM service costs, analysis of technical fares and user fares and their impact on demand, socio-environmental evaluation and management of mass passenger transport infrastructure projects; (ii) economic and financial models, and business plans of the SITM and the various operators; preparation, evaluation, and review of the concessions to be awarded; (iii) drafting of maintenance and operation procedures for the various components of the SITM infrastructure; and (iv) engineering for construction contract supervision.
 - d. Procurement of equipment and software for proper operations of MetroCali.
 - e. Training and equipment for security and traffic personnel during the SITM construction and operation phases.

5. Social viability (US\$2.2 million)

- 2.22 This component will finance the activities relating to: (i) mitigation, relocation, and compensation of low-income population groups affected by the SITM; (ii) monitoring of indicators and evaluation of short-term socioeconomic impacts; and (iii) social management of the SITM.

6. Financial auditing (US\$250,000)

- 2.23 The cost of the independent external auditing, will be financed with Bank resources.

D. Cost and financing

- 2.24 The program is a multiple-works operation, in which the Bank will finance the execution of the infrastructure projects necessary for its startup. The total cost of the SITM has been estimated at US\$345 million, of which the program will finance US\$300 million (US\$200 million from the IDB and a local contribution of US\$100 million). The cost not covered by the program (US\$45 million) will be covered by the Government of Colombia and the Municipio of Cali.

Program Cost and Financing Table (US\$000s)

Components		Total	Bank ¹	Local Contr.
1.	Studies and supervision of works	16,650	1,000	15,650
2.	Improvement of mobility and the urban environment	279,155	195,950	83,205
3.	Environmental viability	600	600	
4.	Institutional strengthening (funded solely with Municipio of Cali resources)	1,145		1,145
5.	Social viability	2,200	2,200	
6.	Financial audit	250	250	
7.	Inspection and supervision			
Total for the program		300,000	200,000	100,000

¹ The Bank's resources may finance the payment of taxes and fees.

III. PROGRAM EXECUTION

A. Borrower and executing agency

- 3.1 The borrower will be the Republic of Colombia and the executing agency will be the Ministry of Transport, through the Coordinating Unit attached to the Office of the Deputy Minister of Transport (paragraph 1.19). The company MetroCali S.A., which belongs to the Municipio of Santiago de Cali and is responsible for developing and implementing the Integrated Mass Transit System of the city of Cali, will act as coexecuting agency (paragraphs 1.22 to 1.24).
- 3.2 MetroCali S.A. is a company incorporated in order to design and pursue all the activities necessary for building, launching, and operating the SITM. The Municipio of Cali provides the resources necessary to cover its administrative and operational costs during construction of the SITM. During program execution, MetroCali will evolve from being strictly a construction and startup company to one responsible for operating and regulating the SITM, the main services of which will be provided by private companies and whose administrative and operational costs will be covered by collected fares.
- 3.3 The Ministry of Transport will support MetroCali in executing the SITM and will monitor the contributions made by the national government.

B. Program execution and administration

- 3.4 The SITM includes: (i) development of specialized physical infrastructure; (ii) procurement of goods and equipment for the Control Center, communications system, etc.; (iii) contracting for institutional strengthening activities and social viability actions; (iv) awarding of concessions for public transportation services and fare collection; and (v) management, operation, monitoring, and control of the new transport system. The program supports activities (i) and (iii) and, partially, through its institutional strengthening efforts, activities (iv) and (v).
- 3.5 MetroCali will be directly responsible for: (i) commissioning technical studies; (ii) conducting bidding processes, hiring, managing execution, and works supervision; (iii) awarding concessions for public transportation services and fare collection; and (iv) carrying out the institutional strengthening activities and social and environmental viability actions.
- 3.6 The STT will be responsible for managing and overseeing the public transport system other than the SITM, ensuring that they are restructured as the SITM's trunk lines come into service. To achieve this, the STT will rationalize the routes and improve its systems for awarding concessions and for regulating, supervising, and controlling services, thereby ensuring that the SITM and the operators of the

remainder of the mass public transportation system that supplements the SITM complement each other.

C. Financial commitments of the State and of the Municipio of Cali

3.7 Financial relations between the State and the Municipio of Cali are governed by the “Agreement for the funding of certain components of the urban platform of the Integrated Mass Transit System for the city of Santiago de Cali” and its amending secondary agreement (Otrosí No. 4, December 2002). This agreement sets the financial commitments assumed by the parties and the related obligations, in particular the application of national contributions. These are subject to the provisions of Law 310 of 1996, which sets certain eligibility requirements: (i) constitution of a single transport authority for the administration of the SITM; (ii) inclusion of the SITM in the National Development Plan; (iii) sufficient commitment of municipal revenues to cover the requested contributions; (iv) registration of the SITM in the National Investment Projects Bank; and (v) go-ahead from the CONPES, based on a study into feasibility and profitability from the technical, economic, socio-environmental, and physical space standpoints.

3.8 These commitments are reflected in document CONPES 3166, which governs relations between the Government of Colombia and the Municipio of Cali and has enabled the preparation of the SITM, the contracting of project engineering designs, the economic, financial, and operational feasibility study, and the commencement of work related to the SITM. CONPES 3369 expands the scope to include functions that are essential for the proper execution of the program, in particular technical assistance activities essential for its launch (institutional strengthening of MetroCali and the STT) and the program’s environmental and social viability.

3.9 During 2002-2004, the Government of Colombia and the Municipio of Cali have rigorously met their SITM financial contribution commitments with respect to the SITM. For 2005 and subsequent years, the Government of Colombia’s contributions will be supported by the budgetary approval of future appropriation set-asides, whereas the Municipio of Cali’s contributions have been authorized by Municipal Agreement 151, approved by the Municipal Council at its session on 14 April 2005. The commitments of the Government of Colombia and the Municipio of Cali, in millions of U.S. dollars, are shown on the table. The Municipio of Cali’s contributions will be financed from resources from the gasoline surcharge (paragraph 3.16).

Year	Col. gov’t contrib.	Cali Munic. contrib.
2002	3.99	5.5
2003	15.19	11.2
2004	69.17	11.0
2005	71.93	10.8
2006	35.38	10.5
2007	33.90	9.7
2008	11.44	9.5
2009		9.3
2010		9.1
2011		8.8
2012		8.6
Total	241.00	104.0

D. Financial situation of the Municipio of Cali

- 3.10 Up until the year 2000, the financial situation of the Municipio of Cali could be summarized in the following terms: (i) growing accumulation of liabilities to employees, pensions, semigovernmental agencies, banks, and suppliers; (ii) excessive operating expenses, and an inability to cover them with regular unallocated income; (iii) inability to generate operational savings that would allow it to enter into debt with national financial entities; and (iv) the presence of an anachronistic administrative structure and excessive staff.
- 3.11 In conjunction with national policies to return to a sound fiscal footing, and given its high levels of debt with public and private banks and the general imbalances in its public accounts, the Municipio of Cali asked the MHCP for legal authorization for application in its case of Fiscal Adjustment Law 617 of 2000, thereby obtaining the guarantee of the State in order to devise a program in pursuit of fiscal and financial soundness (Decree 192/2001). After obtaining this guarantee, in June 2001 it signed a fiscal and financial adjustment program (PSF) with its creditor financial institutions, undertaking to: (i) keep its normal operational costs below its regular unallocated income; (ii) use the surplus to pay off its accrued deficit; (iii) keep a ratio of less than 50% between its operating costs and its regular unallocated income as of 2002; (iv) not entering into public debt operations, except with the prior approval of the creditor financial agencies; (v) sign an irrevocable trust assignment contract for the collection, administration, guarantee, and payment of funds earmarked for the PSF, identifying the income making up the assignment, including the gasoline surcharge (paragraph 3.12); and (vi) submit regular reports on the status of its fiscal accounts. Since the signing of the PSF, the Municipio of Cali has secured a growing fiscal surplus and has strictly complied with the terms contained therein.
- 3.12 A special provision was established whereby, although the income from the gasoline surcharge was allocated entirely to the trust company, the resources would be distributed as follows: (i) 23.5% for the PSF; (ii) 70% for development of the SITM; and (iii) the remaining 6.5% for maintaining and upgrading the urban road network.
- 3.13 The reports of the MHCP's Support for Subnational Fiscal Adjustment Division, together with those from the Municipio of Cali itself regarding the PSF monitoring matrix, note that the financial situation is improving substantially even though the risks posed by high levels of indebtedness still remain. The fiscal discipline adopted by the Municipio of Cali, together with the external control imposed by the existence of the PSF and monitoring by the creditor agencies of the financial system, indicate that the Municipio of Cali is not likely to return to the situation of financial instability that prevailed less than five years ago.

E. The program's counterpart resources

- 3.14 The cost of the SITM, according to CONPES 3166, totals US\$345 million, of which the Government of Colombia is to contribute US\$241 million and the Municipio of Cali US\$104 million. This figure does not include MetroCali's operation costs, the operation and maintenance costs of the SITM, and those identified in paragraph 2.8.
- 3.15 The program will total US\$300 million; the loan resources will fund the Government of Colombia's financial commitments toward the SITM up to a maximum of US\$200 million. Consequently, the program will recognize two sources for the local counterpart: (i) contributions to the program made by the Government of Colombia with its own resources; and (ii) the Municipio of Cali's contributions for funding the SITM, both of which are eligible according to the Bank's procedures and compatible with the requirements of CONPES 3166 and CONPES 3369. Costs not covered by the program will be financed by the Government of Colombia and the Municipio of Cali.
- 3.16 In previous fiscal years the Government of Colombia has transferred resources to MetroCali, for execution of the SITM, and these could be recognized as program counterpart contributions. However, the bulk of responsibility for local counterpart funds will lay with the Municipio of Cali; to this end, it has established a timetable for contributions to the SITM, backed up by revenues from the gasoline surcharge, which could amount to as much as 70% of that income. The projections for revenue and the committed contributions to the SITM are as follows:

Year	Expected revenue (millions of pesos) (70%) (1)	Expected revenue (US\$ millions) (70%) (2)	Committed contrib. from Cali Munic. (US\$ millions) (3)	Commitment / 70% revenue (%) (4) (3)/(2)*100	Surplus (US\$ millions) (5) (2-3)
2004	30,415 ⁸	11.5	11.0	95.7	0.5
2005	32,328	12.2	10.8	88.5	1.4
2006	36,231	13.7	10.5	76.6	3.2
2007	40,015	15.1	9.7	64.2	5.4
2008	44,079	16.6	9.5	57.2	7.1
2009	48,549	18.3	9.3	50.8	9.0
2010	52,896	20.0	9.1	45.5	10.9
Total	284,513	107.4	69.1	64.3	38.3

⁸ Executed.

- 3.17 As shown in this table, revenues from the gasoline surcharges are sufficient to cover the counterpart contributions to the program and thus to meet the financial commitments assumed by Colombia for execution of the SITM, which should allow execution of the program without any financial shocks.
- 3.18 The difference between the commitments to the SITM and the budgetary surplus in the above table will be channeled into maintenance of the urban road network. However, the Municipio of Cali states that if there are contingencies that render those original allocations insufficient, revenues from the gasoline surcharge will be used for construction of the SITM. In addition, the surcharge revenues in previous years have left some US\$17 million available for the SITM within MetroCali's budget; this demonstrates the Municipio of Cali's ability to cover the program's counterpart contributions.
- 3.19 The trust structure applied to the use of the SITM resources makes the MetroCali investment transparent, ensuring that they are not diverted into uses other than those intended. This structure is based on a legal framework that protects it from any modifications that might be proposed by future administrators of MetroCali or by the Municipio of Cali.
- 3.20 The amounts corresponding to the 2002 and 2003 budgets have been transferred to MetroCali, and the balance, in the amount of some US\$44.8 million, after discounting the investments already made, are included in MetroCali's budget. Of these amounts, the interest earned on the funds transferred by the Government of Colombia are returned to the MHCP, while those corresponding to municipal resources belong to MetroCali, are unrestricted, to cover operating costs. The importance of the income from the interest, even though it is temporary (it will disappear once works contracting begins), has led to a reduction in the Municipio of Cali's contribution for operating costs.

F. Financial situation of MetroCali S.A.

- 3.21 MetroCali's financial situation is sound. In recent years both the Government of Colombia and the Municipio of Cali have met their resource transfer commitments, even over and above the entity's spending capacity. The 2005 budget reflects this situation as regards income and expenses (figures in US\$000s):

Item	Income/spending	Total
Initial availability (resources from previous budgets)		126,519
Contributions from the State	99,084	
Municipal contributions	27,435	
Unrestricted resources	-	
Income		81,204
Transfers from the State	66,136	

Item	Income/spending	Total
Transfers from the municipio	12,534	
Unrestricted transfers from the municipio	2,374	
Other income	95	
Financial return	65	
Total expenses and accounts payable		207,723
Accounts payable	21,483	
Administrative expenses	1,640	
Investments	184,600	

- 3.22 MetroCali resources come from several separate sources: (i) Government of Colombia transfers, which represent the majority of its investment resources, of which some US\$99.1 million are cash on hand; (ii) Municipio of Cali transfers, from the gasoline surcharge (paragraph 3.17), with a balance of US\$27.4 million; (iii) unrestricted Municipio of Cali transfers, for covering operating costs, worth some US\$800,000/year; and (iv) financial income obtained from the municipal resources managed by MetroCali, by means of a trust arrangement. In light of the above, MetroCali's financial situation is sound and it has the resources needed to execute the program.

G. Organizational structure and institutional capacity of MetroCali

- 3.23 MetroCali's organizational structure has evolved from one reflecting the needs of a company involved in designing and organizing the SITM to one that is embarking on an ambitious public works project and is increasingly involved in the operational and functional organization of the SITM. The current structure reflects those two functions, in that it is based on two substantive areas (engineering, planning and operations) and other support areas (administrative, accounting, personnel). MetroCali is adapting to address those responsibilities. With respect to construction, MetroCali earmarks more than 90% of its budget to the execution of works projects and so has gained experience in contracting and supervising road works with support from eight professional staff. In light of the importance of acquiring land and relocating population groups affected by the works, the property team has been strengthened with two officers and a legal team, and the socio-environmental area has hired an environmental specialist and a social specialist. With respect to operations, MetroCali has placed greater emphasis on operational, planning, and traffic management issues by incorporating functions and skills, most particularly by reinforcing its operations team with four young staff professionals, two for the operations area and two for fare collections and control, and an economist for managing the financial model.
- 3.24 Although MetroCali has the basic structure, has recently evolved into a company eminently qualified to operate the SITM, and has undertaken major works, it does have a number of shortcomings that should be addressed with a view to program

implementation. These include: (i) ability to contract and manage large-scale works using the Bank's procurement procedures; (ii) capacity for planning and operations management, particularly as regards the operation and modeling of the SITM and transportation economics (costs and fares); and (iii) bidding processes related to transportation and fare-collection services.

H. Specific account, disbursements, audits, and financing

- 3.25 ***Opening a specific account.*** MetroCali will open a specific account to manage the borrower's contributions financed with proceeds from the Bank's loan.
- 3.26 ***Revolving fund.*** For program disbursement purposes, a revolving fund of up to 10% of the loan amount (US\$20 million) will be established in accordance with Bank procedures. This amount is deemed necessary in light of the tight schedule for execution of the works and the scope thereof. The executing agency will present the Bank with semiannual reports on the status of the revolving fund, within 60 days following the close of each calendar six-month period. The executing agency will control the use of the fund and will be responsible for preparing disbursement requests, on behalf of the borrower.
- 3.27 ***Disbursements.*** The first three disbursement requests must be duly backed up by the support documents required by the Bank. On subsequent occasions, if the Bank has given its nonobjection to the control and filing systems, the support documentation will not need to be submitted and will instead be filed by MetroCali and kept available for reviews by the Bank and the external auditors, when they deem fit.
- 3.28 ***External audits.*** During execution, MetroCali, with prior knowledge of the executing agency, will annually submit to the Bank the program's financial statements, within 120 days following the close of the corresponding fiscal year. External auditing of the program will be carried out by a firm of independent auditors acceptable to the Bank and in accordance with its requirements, based on the guidelines set out in the terms of reference for external audits of Bank-financed projects (document AF-400). In selecting and hiring this firm, the procedures set out in the document on procurement of audit services (document AF-200) will be followed. Auditing costs will be considered part of the cost of the program, and will be covered by resources from the Bank's loan.
- 3.29 ***Retroactive financing and recognition of expenses.*** The loan will finance eligible expenses related to works on the Calle 5 trunk line (Carrera 15-Carrera 52) and the Carrera 15 trunk line (Calle 5-Calle 15 Autopista Sur), contracted in the 18 months prior to approval, in an amount of up to US\$20 million. It will also recognize as program local counterpart contributions eligible expenses incurred in those works projects and the corresponding expropriations made in the 18 months prior to approval, in an amount of up to US\$30 million.

- 3.30 ***Exception to Bank policies.*** The Government of Colombia has already given its approval for the country financial parameters proposed by the Bank, which has not yet completed the approval process. This prevents the entry into force for Colombia of the policy on “Modernization of policies and practices that restrict the use of resources in investment loans” (document GN-2331-5). Once the financial parameters have been published, which is expected to occur shortly, the Bank will be able to finance taxes and fees.
- 3.31 Accordingly, the Government of Colombia has proposed that the new policy apply to this project. The analysis of taxes and fees that are part of the project cost indicates that they are reasonable in the context of its cost structure; in addition, the entity responsible for contracting and payment for project works and services is MetroCali (paragraph 3.5), which is independent of the Government of Colombia and the Municipio of Cali, both of which are the beneficiaries of the collection of taxes and fees. For this reason, an exception to the aforementioned policy is requested, so that the proceeds of the Bank’s loan may be applied to the payment of project-related taxes and fees.

I. Procurement of goods and services

- 3.32 The procurement of goods, construction works and consulting services will be carried out in accordance with the procedures established in the Bank’s procurement policies and procedures. International competitive bidding will be compulsory for procurement financed in whole or in part from foreign-exchange loan proceeds that are worth more than the equivalent of US\$350,000 for the procurement of goods, the equivalent of US\$5 million for construction works, and the equivalent of US\$200,000 for consulting services. Procurement involving amounts below those thresholds will be made, in principle, in accordance with procedures set by national law, bearing in mind that if loan proceeds are used, they must allow participation by providers of goods, works, and services from the Bank’s member countries and be in compliance with its procedures.

J. Execution period and disbursement timetable

- 3.33 The program execution period will be 54 months, with a disbursement period of 60 months, following the entry into force of the contract. This timeframe is deemed sufficient for requesting tenders, hiring, and executing the works and for launching the commercial bus service.

K. Monitoring and evaluation

1. Monitoring

- 3.34 Within 30 days following the end of each calendar quarter, MetroCali will submit program progress and monitoring reports. The main indicators to be included in those reports are set out in the logical framework. These report will cover, at the

very least, the following: (i) progress with regard to the execution indicators and disbursement calendar agreed upon; (ii) fulfillment of contractual clauses; (iii) data and information on the operation of the system; (iv) detailed program of activities and plan of action for the following two quarters; and (v) issues that could adversely affect program progress.

- 3.35 MetroCali will submit, on an annual basis and no later than 30 November of each year, the *Annual Work Plan (AWP)* for the following year, including the activities and projects to be funded, timetables, and estimated budget. The AWP for 2005 was presented by the executing agency on 18 May 2005.
- 3.36 The Bank will monitor the program through its Country Office and through administration missions. Two annual Bank supervision and evaluation missions are planned, at least until the system's first corridor is brought on line; after that point, the frequency will be reduced to annual missions. These evaluations will provide an opportunity for examining: (i) works execution; (ii) performance of MetroCali and progress with institutional strengthening; (iii) suitability of the procedures used; (iv) justification of the investment made, institutional proposals to be executed, and plan of action; (v) construction works status; (vi) budget for the following year; (vii) program execution timetable and performance indicators; and (viii) launching of corridor operations. Should the evaluation conducted by the Bank and MetroCali reveal that execution has not been satisfactory, MetroCali will, within two months of receiving notification from the Bank of the shortcomings detected, draw up a plan of action with corrective measures.

2. Evaluation

- 3.37 The program evaluation system consists of five stages or reports, the scope and sequence of which are as follows:
- 3.38 *Baseline.* MetroCali has a baseline, with detailed data on the socioeconomic conditions of potential system users.
- 3.39 *Midterm evaluation.* The Bank, 30 months after the program starts or when 50% of the proceeds have been disbursed (whichever occurs first), will examine: (i) initial results from the operation of the central trunk line; (ii) processes and results of the tendering of works and procurements of goods and equipment; (iii) processes and results of the concessions awarded for routes and fare collection systems; (iv) MetroCali's regulatory and operational capacity; (v) the STT's capacity for planning, regulation, oversight, and control; (vi) progress mitigating the impact on and providing support to operators; and (vii) levels of acceptance and satisfaction among users.
- 3.40 *Evaluation of short-term socioeconomic impacts.* Twelve months after the trunk corridors of phase one of the SITM have begun full operations, MetroCali will

proceed, using program resources, to collect detailed data related to the project's defined baseline in order to effect a comparison with that baseline and to assess the SITM's short-term impact on the living conditions of the user population.

- 3.41 *Project Completion Report (PCR)*. At program conclusion, the Bank will prepare its PCR; this is expected to take place in late 2010.
- 3.42 *Ex post evaluation*. The project team consulted with the Ministry of Transport and MetroCali regarding the inclusion in the program of the ex post evaluation of medium-term impacts. They both indicated that they deemed it important but, since it would be necessary to carry it out at least three years after startup of operations of the entire system, in order to properly reflect the SITM's effects on the users' living standards and the city's competitiveness, they decided it was not advisable to include its funding in the program. Should the Bank decide, in the future, to fund this study with its own resources, MetroCali agreed it would grant unrestricted access to all the information collected and available in its files as of that date.

IV. VIABILITY AND RISKS

A. Technical and institutional viability

- 4.1 The program is aimed essentially at increasing the capacity and efficiency of the urban public transport service, improving its organizational and functional structure through technological and operational enhancements involving articulated buses, stations, transfer terminals, and line terminals. Earlier experiences in similar cities indicate that the chosen scheme is viable; no problems in implementation are therefore expected, since the program includes the actions needed to address those requirements.
- 4.2 The infrastructure works pose no technical problems in the construction of the corridors and other works needed for their operation; the construction industry has the technical and operational capacity, and MetroCali has the organizational structure and experience needed to direct construction projects of this kind. The engineering designs and environmental management plans for most of the projects to be financed by the Bank are complete, and those projects are already being tendered or could be shortly. Works supervision is to be carried out by independent consulting firms, hired for that purpose. The designs and plans have incorporated the relevant road safety elements.
- 4.3 The program will be carried out by MetroCali, whose functions have focused on contracting and executing civil works projects, activities in which it is eminently qualified. MetroCali was recently restructured to include functions and capabilities for the operation and regulation of the SITM; the program includes a technical and managerial strengthening component to enable it to respond appropriately to its demands.

B. Socioeconomic viability

- 4.4 The feasibility study conducted—which covered the full SITM investment, even those components not necessary for system operation (improving the urban environment) and the cost of vehicles (private investment, operation, and maintenance) on the cost side, and the differential between vehicle operation costs, time saved by passengers, and savings in emissions costs on the benefit side—yielded a cost/benefit ratio of 1.16, using a discount rate of 12% and an internal rate of return of 15%. This is a conservative assessment, in that it does not include the benefits arising from a lower number of accidents, improvements in the urban habitat, etc.

C. Financial viability of the operator

- 4.5 The profitability of the SITM operation over a term of 10 years, coinciding with the fleet amortization period, was assessed. Analyses of the economic and financial cash flows show that the operation has positive profitability, with internal financial rates of return in excess of 17%.

D. Environmental impact

- 4.6 The SITM is viable in environmental and social terms. Its anticipated impact is mostly positive, and the foreseen negative aspects could be mitigated and controlled by means of known preventive, mitigating, and compensatory measures, the cost of which has been provided for in the program.
- 4.7 *Legal and institutional framework relating to the environment.* Colombia has a suitable legal and institutional framework for ensuring the proper implementation and operation of the SITM. Current legislation expressly excludes “all infrastructure works for mass transportation systems” carried out, like the SITM, under the aegis of the 2000 Land-use Management Plan of the municipio of Santiago de Cali from environmental licensing requirements and, consequently, from having to prepare an environmental impact assessment. Specific legislation also exists to guarantee due process in the expropriation and purchase of property affected by development projects such as the SITM. In accordance with the decision of the Ministry of the Environment, Housing, and Subnational Development (MAVDT),⁹ the environmental authority with jurisdiction over the SITM is the Valle del Cauca Autonomous Regional Corporation (CVC), which enjoys well-earned prestige for its institutional capacity for environmental supervision and control over infrastructure projects. MetroCali, in turn, usually hires works supervisors to ensure technical quality and compliance with the environmental and social requirements established in current legislation and in the management plans devised for the projects. In addition, this agency has been gaining experience in property purchase operations and in the relocation of families affected by the projects it finances with its own resources.
- 4.8 *Main environmental impacts.* The SITM will have a number of positive impacts (paragraphs 4.15 and 4.16), many of them significant. With respect to the negative impacts, the project could have low- to medium-level repercussions during the works execution period, including: (i) dust, noise, vibrations, and emissions from the operation of construction equipment, machinery, and vehicles; (ii) vehicular congestion, difficult driving conditions, increased likelihood of traffic accidents, and temporary obstruction of accessways to residential, commercial, and service areas; (iii) risks of occupational diseases and accidents for operators; (iv) water and

⁹ Resolutions 0373 and 0478, both from 2004.

soil pollution, and landscape degradation caused by waste and effluents (garbage, waste water, oil, grease, fuel, paint, etc.) generated on the work sites; (v) landscape degradation and water pollution caused by inappropriate disposal of waste materials and rubble from construction sites; and (vi) accidental breakages of public utility lines or pipes, and temporary interruption of services due to earthworks and pavement removal.

- 4.9 The SITM will generate the following negative impacts: (i) approximately 900 properties,¹⁰ primarily residential and mostly privately owned, will be affected, including a small number of commercial and industrial sites, of which approximately 600 properties will be partially affected. Residential properties affected involve 719 family groups and, of these, 93 are highly vulnerable, in terms of their income levels;¹¹ (ii) the efficient organization of the public transport routes will directly affect almost 7,200 operators and drivers; the new system will create some 6,600 new jobs, and those not absorbed by the system will be retrained; and (iii) trees will be affected, some of which are of relevance to the landscape. For the first two of these, specific impact mitigation and compensation programs were designed, which are included in the program's environmental and social management system. For the third impact, specific measures were defined in the environmental management plans already drawn up, including the transplanting of the affected trees and the planting of 60,000 new ones along the corridors.
- 4.10 *Environmental and social management report.* A number of studies were carried out during the preparation of the operation, and these helped define and specify the measures required to implement the SITM's environmental and social viability measures, contained in the report. These are: (i) *Strategic environmental evaluation*, intended to assess the indirect, long-term, synergistic, and cumulative effects of the SITM on the city's structure and operation; (ii) specific *Environmental management plans* (PMA), for the trunk and secondary lines into which the SITM was divided, which include an evaluation of the associated terminals; (iii) *Compensation, rehabilitation, and relocation plan for the population directly affected by the SITM*, which assesses the losses caused by direct impact on residential, commercial and industrial properties and establishes the appropriate alternatives for pertinent compensation, rehabilitation, and relocation in consultation with the affected population; (iv) *Plan for the incorporation into the SITM of operators and workers of the current passenger public transport system, and for the economic reintegration and outplacement of operators and workers displaced by the system.* Preparation of these studies included an intense consultation process with the affected population and with the various interest groups involved; the results of these consultations were incorporated into the environmental and social management report, and the final reports that have been

¹⁰ This number includes 330 properties for the secondary lines, and is expected to fall.

¹¹ Monthly income of the head of household equal or below two minimum wages.

concluded and made available to the public by MetroCali. The program's environmental and social management report included the following components: (i) impact prevention and mitigation; (ii) supervision, tracking, and monitoring; and (iii) institutional strengthening. These components are described below.

- 4.11 *Prevention and mitigation of impacts.* (i) The PMAs include prevention and mitigation measures covering: water management; soil management and erosion control; management and final disposal of solid waste; conservation, restoration, and replacement of plant/tree coverage; signposting and traffic management; control of atmospheric emissions; handling of fuel, oils, and grease; handling of construction materials; social management; information and communication; hiring of workers and replacement of social infrastructure; purchasing of properties and relocation of families; occupational health and safety; training; and waste management. The PMAs include contingency, monitoring, and tracking plans, and require that socio-environmental specialists be hired by the works supervisor and the contractor, and monitoring activities to be carried out by the works supervisor. The PMAs are included in the bidding documents of the corresponding trunk and secondary lines and terminals, and represent a contractual obligation for the contractor; in addition, the works supervisor is required to ensure compliance therewith. The costs of the PMAs are included in the corresponding works costs. (ii) The plan for the relocation of the affected population includes the identification of programs and activities for the affected people, mechanisms for information, participation, and consultation, implementation strategies and mechanisms, timetables, and plan implementation costs. (iii) The plan for the incorporation of system operators includes outplacement, job retraining, and training. (iv) The bidding documents and conditions include socio-environmental specifications, and penalties applicable for noncompliance. The costs involved in the relocation plans for the affected population groups and system operators are included in the social viability component.
- 4.12 *Socio-environmental supervision, tracking, and monitoring.* These actions will be carried out at the following levels: (i) the corresponding competent environmental authority, in accordance with the responsibilities set out in Colombia's environmental legislation; (ii) the executing agency (MetroCali); and (iii) the environmental auditors hired by the executing agency. In addition, during construction of the SITM, noise and atmospheric pollution levels will be monitored.
- 4.13 *Institutional strengthening of MetroCali.* Work has begun on building MetroCali's capacity in the socio-environmental area, with the incorporation onto the team of an environmental specialist to support works supervision, a social specialist who will assist with the implementation and monitoring of the population relocation and economic reintegration and outplacement plans, and a legal team, hired as temporary consultants, who are supporting the processing and resolution of legal issues related to the aforesaid plans; and training is provided for, to be funded with

program resources, which will entail a theoretical/practical workshop on the socio-environmental assessment and management of similar projects.

E. Social equality and poverty reduction

- 4.14 This operation does not qualify as a social equity enhancing project, nor does it qualify as a poverty-targeted program.

F. Benefits

- 4.15 Increased efficiency in the provision of public mass transportation services will generate significant benefits for the inhabitants of the Santiago de Cali metropolitan area. These benefits include: (i) significant savings in travel times for public transport users; (ii) improved accessibility to basic social services, such as health, education, and public safety, and to commercial and recreational centers; (iii) improvements in the physical accessibility of the public transport system for the disabled, elderly, children, etc. (iv) reduced traffic congestion in its area of influence; (v) reduced operating and maintenance costs for public transport vehicles; (vi) lower consumption of fuel and lubricants; (vii) enhanced security in the movement of pedestrians and non-motorized vehicles; (viii) reduced accident numbers, chiefly those involving public transport vehicles; and (ix) a notable improvement in air quality.
- 4.16 The SITM will make a significant contribution to improving the urban environment, reclaiming and enhancing the value of public spaces, improving the circulation of pedestrians and non-motorized vehicles, encouraging the management and development of land use and occupation in areas near the corridors, and enhancing public safety in its area of influence. Another benefit will be improved access by the lower-income segments of the population to jobs and to social, civic, and public services, thus enhancing their quality of life. The new mobility will enhance the efficiency of social and economic relations in the city.

G. Risks

- 4.17 The main foreseeable risks are not related to the works phase, with the exception of the administrative learning curve, because of MetroCali's lack of experience in operations with multilateral agencies; rather, they stand to emerge in the service operation phase. The main risks are the following: (a) *The informal status of the operators affected by the SITM* hinders the restructuring of the remainder of the existing services; in addition, this restructuring will be continuous, in that it will be carried out as the SITM progresses with its construction and launch; (b) *Competition from unregulated services* which do not meet standards, operate in the city and are seeking to expand their activities; (c) *The tendering of transportation and fare-collections*, which require very specific technical

experience on the part of MetroCali; and (d) The difficulties implicit in *regulating, operating, and supervising* these services.

- 4.18 These risks will be mitigated or eliminated through publicity on the SITM, which MetroCali has already started and will be stepped up in the following phases of the program; by providing training for the affected operators, many of whom will be absorbed by the new services; and by the efforts pursued with the transport operators with a view toward their reorganization and retraining to compete for the SITM market. With respect to competition with unregulated services, through the support given to the STT and the Traffic Police, in terms of planning, regulation, oversight, and control, these risks are expected to be kept within manageable limits.

INTEGRATED MASS TRANSIT SYSTEM FOR SANTIAGO DE CALI (CO-L1001)

LOGICAL FRAMEWORK

Objective	Indicators	Means of Verification	Assumptions
Goal			
Help improve the quality of life of the population of Santiago de Cali, in particular those lower-income groups who will be users of the SITM.	By the end of the program, average satisfaction levels among the SITM-using public will be at least 60%—an increase of 15 points over the survey conducted in 2004, which yielded a result of 45%.	User surveys	
Purpose			
Improve the transportation options of the population of Cali, in particular lower-income segments, by implementing an efficient, reliable, environmentally friendly, rapid, and safe public mass transportation system.	<p>Medium-term indicators</p> <p>Six months after the launch of the first phase (Centro-Sur trunk lines), from the north of the city to the south, travel times will have fallen by 12 minutes from their current level of 60 minutes.</p> <p>Six months after the launch of the first phase the waiting time at SITM bus stops will fall from the 25 minutes of the current public transport system to an average of 15 minutes.</p> <p>Impact indicators at program conclusion</p> <p>The average travel time along the Norte-Centro-Sur corridors, between the Calima and Lili terminals, is reduced by 28% (from 65 minutes at present to 47 minutes).</p>	Operations information from MetroCali	<p>Appropriate municipal management of public transport.</p> <p>Appropriate operations scheduling of the SITM by MetroCali.</p> <p>Current public transport operators are capitalized and organized in order to participate in the new concessions.</p> <p>Transport operators maintain a constructive dialogue with MetroCali and work to improve how their businesses are managed.</p>

Objective	Indicators	Means of Verification	Assumptions
	Average travel times along the Oriente-Centro corridors, between the Agua Blanca terminal and Calle 13, are reduced by 22%.		
	Average bus-stop wait time at SITM stations is reduced from 25 to 10 minutes.	User surveys	
	15% reduction in the rate of accidents per vehicle/km along the SITM's trunk lines.	Information from the Department of Traffic and Transportation (STT)	
	5% average reduction in atmospheric pollution from vehicles (total suspended particles, sulfur oxide, and carbon monoxide) along the trunk lines; the current (2004) average total for the trunk lines measured total suspended particles at 108 µg/m ³ , sulfur oxide at 6.8 µg/m ³ , and carbon monoxide at 4 ppm.	Regular reports on air quality monitoring	
Components			
Improving mobility and the urban environment	Output indicators at mid-term and program conclusion:	Program information system Quarterly reports from MetroCali Bank mission reports	The program has continuous financial and institutional support from the Municipality of Cali.
Trunk lines	25 km of trunk lines built by the end of year two, and 49 km by program conclusion.		Support for execution of the environmental and social impact measures continues.
Secondary and complementary lines	70 km of secondary lines built by the end of year two, and an additional 74 km by program conclusion.		All the agencies involved in the program will discharge their functions as planned.
Line terminals and transfer terminals	42 km of complementary corridors built by the end of year two, and 111 km by program conclusion. 5 line terminals and 4 transfer terminals by program conclusion.		

Objective	Indicators	Means of Verification	Assumptions
Stations Pedestrian access infrastructure	78 stations built by program conclusion. 8 pedestrian bridges built by program conclusion.		MetroCali has implemented an adequate strategy of communication and negotiation with the operators.
Property purchases	By the end of the second year, 600 properties from phases 1 and 2 are to have been expropriated. By year three, all the required properties are to have been expropriated.		
Environmental viability actions Monitoring of air quality Strategic environmental evaluation	Output indicators at mid-term and program conclusion: Five air quality monitoring points established and operational by program conclusion. Ongoing implementation of strategic environmental evaluation. End of implementation simultaneously with the project works.	Regular air quality monitoring reports Bank mission reports	
Institutional strengthening Establishment of specific institutional, legal, and regulatory frameworks STT support MetroCali support Support for security and traffic employees	Output indicators at program conclusion: Development of technical and operational manuals for specific procedures. Modeling of demand, restructuring of routes, legal clearance of permits and concessions. No fewer than 10 MetroCali officials trained in transport planning, environmental impact, demand modeling, economic and financial analysis, concession analysis. No fewer than 50 officers trained for security at stations.	Program information system Quarterly reports from MetroCali Bank mission reports	

Objective	Indicators	Means of Verification	Assumptions
Social viability actions Mitigation, compensation, and relocation of low-income population affected by the SITM Monitoring of indicators and evaluation of impacts Social management of SITM	Output indicators at mid-term: At eight months from signature of the contract, the plan for compensating and relocating the population affected by the SITM will have been initiated. Baseline indicators updated by year two of operation of the phase one trunk lines. At 30 months into program execution, no fewer than 1,400 affected individuals will have had their professional and/or business capacities strengthened.	Program information system Reports from MetroCali Bank mission reports	
Activities			
Improving mobility and the urban environment Studies and works supervision Environmental viability actions Institutional strengthening Social viability actions	See cost chart.	Program information system Reports from MetroCali Bank mission reports	There are qualified contractors with the technical, financial, and human resources needed to support the program. MetroCali has the institutional capacity and financial resources needed to conduct those activities.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/05

Colombia. Loan ____/OC-CO to the Republic of Colombia
Integrated Mass Transit System for Santiago de Cali

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Colombia, as Borrower, for the purpose of granting it a financing to cooperate in the execution of a program on integrated mass transit system for Santiago de Cali. Such financing will be for an amount of up to US\$200,000,000 from the Single Currency Facility of the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

LEGIII/CO-588141-05
CO-L1001