

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC3287

Project Name	Greater Beirut Urban Transport (P146691)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Lebanon
Sector(s)	Urban Transport (100%)
Theme(s)	City-wide Infrastructure and Service Delivery (100%)
Lending Instrument	Investment Project Financing
Project ID	P146691
Borrower(s)	Ministry of Finance
Implementing Agency	Council for Development and Reconstruction, Ministry of Transport
Environmental Category	A-Full Assessment
Date PID Prepared/ Updated	23-Jan-2015
Date PID Approved/ Disclosed	13-Feb-2015
Estimated Date of Appraisal Completion	16-Feb-2016
Estimated Date of Board Approval	28-Jul-2016
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

1. Lebanon is a small and densely populated upper middle-income country, with an average gross domestic product (GDP) per capita of US\$9,928 (2013). The population of Lebanon is around 4.5 million living in Lebanon, with a large first- and second-generation diaspora. More than 87 percent of the resident population lives in urban areas, with more than half in the capital city of Beirut. The population is relatively young, with youth under the age of 14 representing 25.8 percent of the population.

2. Lebanon is a sectarian-based consensual democracy in which political authority is shared among the country's multiple religious confessions. The country's intricate confessional governance system, its volatile domestic politics, and its recent history of conflict, have hindered its efforts at economic development, one consequence of which is inadequate investment in much-needed infrastructure. Consequently, economic growth levels in Lebanon have shown serious fluctuations during the country's modern history. GDP growth averaged a relatively high 8.8 percent over

2007-2010, but fell to two percent in 2012. Economic volatility poses a serious obstacle to the country's ambitions for sustainable growth. With a recent financial crisis in Europe and conflict in neighboring countries, the economy is expected to weather the turbulence but growth projections have been lowered to around two percent.

3. Lebanon's unemployment rate—particularly youth and female unemployment—is high (34 percent youth unemployment, 18 percent female unemployment, and 11 percent total unemployment). Around 14 percent of university graduates and 15 percent of those with secondary education are unemployed, relative to 10 percent among workers with no education, and only 7 percent among those with primary education. Lebanon's service-based industries are particularly important for the economy and represent its most dynamic sectors. Financial services accounted for 10.4 percent of the country's GDP in 2010, communication and transportation 8.2 percent, and education 7.4 percent. However, Lebanon still has to deal with tough competition from neighboring economies that have attracted large portions of foreign direct investment, as well as a share of Lebanon's most educated and talented people. In 2012 the Economist Intelligence Unit ranked Beirut 117 out of 120 cities in a global competitiveness survey, while Abu Dhabi, Dubai, and Doha ranked (respectively) 40, 41, and 47.

4. Compounding Lebanon's lackluster economic performance and high unemployment rate has been the massive influx of Syrian refugees fleeing the neighboring war. In April 2014, the United Nations High Commissioner for Refugees (UNHCR) announced that the number of Syrian refugees in Lebanon had surpassed one million. The presence of these refugees represents an enormous burden on Lebanon's economy, particularly taxing social services such as education and healthcare. Despite the humanitarian aid that has flowed into Lebanon from various international aid agencies and donors, the country is still not well-equipped to deal with the refugee crisis.

5. Considering the constraints that have drained the country's economy, increasing regional competition, and the strain of Syrian refugees, Lebanon needs to undertake the proper programs to ensure that it does not continue to fall behind. In 2010, the Minister of Economy and Trade estimated that the country needed US\$ 20 billion in infrastructure investment across different sectors, including transportation, simply in order to meet demand at the time without taking into account future needs. The current need is certainly now much greater. Such infrastructure investments are particularly important for Beirut, which is the country's political and economic center. Infrastructure investments, particularly in transportation, would dramatically increase the livability and commercial appeal of the Greater Beirut Area. Such investments would significantly decrease living costs for the poor, encourage skilled labor to remain in the country and start businesses, and even attract foreign direct investment, all of which would help unleash Lebanese growth potential.

Sectoral and Institutional Context

6. Traffic congestion is undoubtedly one of Beirut's most serious urban development problems. High population density, increased income levels, and increased motorization have all resulted in a rapid increase in traffic volumes in the Greater Beirut Area (GBA). Traffic volumes in GBA's main arterials are in the range of 50 to 80 thousands vehicles per day, with peak hour volumes reaching 7,000 vehicles per hour on the northern approach to Beirut (Dbaye & Jal Eddib). Peak hour speeds range between 30 km/h on main arterials to less than 10 km/h on local streets. There are currently about 1.2 million vehicles in Lebanon, of which about 50% circulate in GBA. Most users rely on private vehicles to meet their transportation needs and private cars consist of

over 80% of vehicles circulating in GBA. The cost of Beirut's congestion to the country's economy is substantial: a study by the Ministry of Environment in 2005 put the cost of urban congestion at about 8 percent of Lebanon's GDP at the time, when traffic volumes would have been lower than today.

7. Transport in GBA is costly, with no reliable alternatives to private vehicles. Import dues on vehicles in Lebanon can exceed 50% of a vehicle's value while gasoline is taxed unlike most countries in the region. Parking space is rare in Beirut and costly. All these factors make owning and operating a vehicle particularly expensive, and in the absence of reliable public transport system, there are no viable alternatives for the population. Surveys show that household expenditures on transport are about 15 percent of total expenditures, among the highest between all categories and only surpassed by housing and health expenditures. Meanwhile, the high housing cost in GBA is largely impacted by unreliable and costly transportation as people leave their hometowns (on average about only 50 km away) and move to Beirut where employment is concentrated, hence further driving housing prices up. High transport costs also contribute to businesses' preference to remain in Beirut despite high real estate costs.

8. There does not exist any form of mass transit in Lebanon, or regular and reliable public transport services, despite the high population density and relatively short distances which generally favor such types of systems. The lack of a proper and reliable public transport system significantly limits the capacity of the network in accommodating the rapidly increasing demand: public transport in Lebanon is primarily provided by taxis and minibuses, with a high number of these vehicles being not properly regulated. While there exists a number of bus and taxi companies, the sector remains highly fragmented and mostly consists of one taxi or minibus owned and operated by one individual. The regulation of public transport is undertaken by the Ministries of Transport (licensing of companies, fare setting, planning) and Interior (licensing of vehicles and drivers, vehicle inspection). The Ministry of Interior, through the Internal Security Forces, is also responsible for the enforcement of the traffic law, including on public transport.

9. The addition of Syrian refugees from the neighboring conflict has only exacerbated congestion problems. There are over 1.5 million Syrian refugees in Lebanon, for a total Lebanese population of about 4 million residing in Lebanon. Affluent Syrian families, concentrated in the GBA, have brought their cars into Lebanon. Other refugees are either purchasing new vehicles (second hand) or utilizing existing public transport. In addition to those trips generated by refugees living in GBA, there is significant number of trips generated between GBA and other regions by refugees seeking labor and services in GBA. Accounting for trips generated within GBA and to/from GBA, it is estimated that the influx of Syrian refugees has resulted in sudden traffic increases in GBA in the range of 15-25%.

10. The Government of Lebanon's (GOL) plans to reduce traffic congestion had so far focused on expanding and optimizing the use of the urban road network. Overall infrastructure spending in Lebanon, including on road construction, have been little for decades and far below the development needs. The GOL had plans, since the 1960s, to build a bypass to Beirut to ease through traffic, however the expansion of the road network in GBA is difficult and costly due to the high cost of land and the mountainous terrain. Recently studies are being undertaken for a second bypass around Jounieh, north of Beirut, to ease traffic at GBA's northern entrance. Meanwhile, the Urban Transport Development Project (UTDP) and its additional financing, financed by the World Bank and other donors, have focused on optimizing the utilization of existing road space in Beirut as a

first step through the installation of traffic signals and a traffic control center, as well as park meters to regulate parking, and building grade separation infrastructure at critical intersections. Within the scope of the UTDP, follow up studies and projects were planned to introduce reliable public transport as a second step to ease traffic congestion.

11. Recently, GOL has been increasingly considering public transport and mass transit solutions for Lebanon. Financed by the UTDP loan, the Ministry of Transport had prepared a bus study for Greater Beirut which has identified about 20 regular bus routes. The Government of Lebanon had approved the purchase of 250 buses as a start, however political challenges had stalled the allocation of funds. Meanwhile, MOT is also assessing introducing a freight and passenger railway on the old railway alignment between Beirut, Tripoli and the Syrian border in the north. However such a project will be both financially and technically difficult (due to dense urban developments) to implement, and will have to be implemented in stages over a long period, starting north and going south to Beirut. Given the long term nature of such a project, it was decided to go ahead with a comprehensive public transport program for GBA that will focus on Bus/BRT solutions for the medium term, to be upgraded to rail on certain sections in the long term when funds become available.

12. This proposed project therefore represents a first phase in a comprehensive public transport program for GBA, primarily focused on introducing a BRT line on the most congested Northern approach to Beirut (Tabarja to Beirut) and possibly BRT and/or bus lines extensions within Beirut to distribute commuters efficiently. Follow up projects will look into extending the BRT line to the southern and eastern approaches to Beirut as needed, and to further improving public transport coverage within Beirut. The BRT line would begin in the Tabarja-Jounieh area, a major populated area and feeder for Beirut, and pass through the densely inhabited northern suburbs of Beirut before ending in the city's center (24 km total). The BRT alignment will be along the existing highway (5x5 on some sections), and will use the dis-used old railway alignment where needed, particularly in Jounieh.

Relationship to CAS

13. The Greater Beirut Urban Transport Project (GBUT) will support the achievement of the following strategic objective outlined in the CPS of July 28, 2010: Strategic Goal 3: Economic Infrastructure, particularly Strategic Goal 3.3: Improve efficiency of existing urban transport infrastructure in the Greater Beirut Area.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

14. The Project Development Objective is to improve transport connectivity and mobility on Beirut's northern entrance between Tabarja and Beirut.

15. This objective will be achieved through (i) the construction of a new BRT system between Tabarja and Beirut, (ii) the establishment of feeder bus services to the trunk BRT line and within Beirut, and (iii) establishing appropriate institutional arrangements for the management, operation and maintenance of the new mass transit system.

Key Results (From PCN)

16. Progress towards meeting the development objective will be measured by outcome indicators which will be further refined during project preparation.

17. At this stage, the proposed outcome indicators at the end of the project are:
- (i) Increase in the number of people using the new public transport service;
 - (ii) Decrease in travel time between Tabarja and Beirut for BRT users, compared to the alternate mode of vehicles using the existing coastal highway;
 - (iii) Establishment of an institutional structure for the management, operation and maintenance of the new transit system;
 - (iv) Project beneficiaries (out of which percentage female).

III. Preliminary Description

Concept Description

18. The Greater Beirut Urban Transport Project (GBUT) would achieve the above mentioned Project Development Objective through the implementation of the following project components:

19. Component 1: BRT Construction (US\$ 150 million IBRD loan). This component will finance the goods and works for the construction of the BRT infrastructure and associated civil works, and the consulting services for the supervision of the BRT's construction. The BRT line will be about 24 km in length and will run into sections of the existing highway and sections of the old railway alignment. Infrastructure works will include the construction/reinforcement of the dedicated bus routes, the construction of stations and access infrastructure (such as pedestrian access), and the construction of park and ride facilities and feeder bus stops.

20. Component 2: Financing of complementary feeder bus services (US\$40 million). This component will largely improve ridership on the BRT line therefore further increasing the success of the project in meeting its development objectives. Component 2 will finance the construction of bus corridors within Beirut and the purchase of new buses to support the government plan for improving regular bus services within Beirut, as well as associated consultancy services. While envisaged in the scope of this project/loan, the Municipality of Beirut could be interested in partly financing this component.

21. Component 3: Institutional Strengthening (US\$ 8 million). This component will include definition of the arrangements for the management, operation and maintenance of the new transit system and the preparation of required studies for concessioning BRT operations to a private operator, preferably international. The project foresees the strengthening of the capacity of the Ministry of Transport and depending agencies such as the Railways and Public Transport Authority to manage concession contracts with private operators, or the establishment of a new transport authority, should the political situation allow, to take the leadership on the planning and regulation of all urban transport. In addition, this component will finance additional studies for further expanding the public transport and mass transit coverage in GBA.

22. Component 4: Project Management (US\$ 2 million). This component will finance technical assistance and outreach activities and other operational support for management of project implementation. It will also include resources for monitoring project performance and results.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	200.00	Total Bank Financing:	200.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			200.00
Total			200.00

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