

# Supporting the Chilean Low Emissions Transport Strategy CLETS

Review CEO Endorsement and Make a recommendation

## Basic project information

**GEF ID**

9742

**Countries**

Chile

**Project Name**

Supporting the Chilean Low Emissions Transport Strategy CLETS

**Agenices**

CAF

**Date received by PM**

4/29/2019

**Review completed by PM**

9/26/2019

**Program Manager**

Milena Vasquez

**Focal Area**

Climate Change

**Project Type**

FSP

**PIF** ☐

**CEO Endorsement** ☐

**Project Design and Financing**

**1. If there are any changes from that presented in the PIF, have justifications been provided?**

**Secretariat Comment at CEO Endorsement**

There is a slight change in amount of resources from Component 2 to Component 1 (\$100,000) that is not explained. In addition, there is no longer an amount reserved as investment, and instead all of the GEF resources are categorized as technical assistance. Please clarify.

Further, it has been a year and a half since the concept was last approved and yet there is no narrative as to how this sector has changed since then, including national priorities and status of the CLETS. Please provide additional updates on what has transcribed since the project was first approved. It would also be beneficial if the project presented what activities were carried out during PPG and what were the key outcomes.

9/4/2019: Thank you for the clarifications provided. Please make sure you add this information to the Portal submission under Part 1. Project Description.

9/26/2019: Comment cleared.

### **Response to Secretariat comments**

The amount of investment resources in PIF was intended to incentivise the replication of public bicycle schemes in cities out of Santiago through the capitalisation of start-up/s in this specific subsector. Due to the rapid change in expectations that the project (including its co-financing) activity has signalled in the Chilean urban mobility sector, this is no longer needed, since these replication schemes are already taking place unsupported (from 1 January 2018, at least Mobike and Frog have announced operations in regional cities), thus compromising the incrementality of that investment. Therefore, it was considered that it will be more cost-effective to reallocate this funding to further, reinforce incremental knowledge management and policy-related activities, which mostly occur within Component 1. This slight reallocation results in the final slight change in resources from Component 2 (-8,75% over PIF) to Component 1 (+6,6% over PIF), arising from the detailed planification of activities in both Component 2 and Component 1. These changes represent no major change in the scope or aim of the project, but in the reinforcement of more cost-effective incremental activities.

As the previous one, the current administration (from March 2018) has strongly supported the change in public transport governance that is supported by the project. That change is substantiated in a new business model in which service operation and asset provision (buses and terminals) become detached from one another. In this new business model, operation services can be contracted for shorter periods and in smaller units, thus introducing more competition and making it easier for the regulator to replace operators that do not perform to the required standard in a scenario of fast technological innovation. In sum, the new scheme promotes innovation, which shows in the quick pace of positive change that the project has achieved in Transantiago, faster than expected.

This new business model is being implemented gradually, as fleets renew. So far, 200 high-standard all-electric buses have been committed for service in Santiago metropolitan area (100 are in operation from January 2019) thanks to the possibilities open by the model, under a public-private, quadripartite cooperation model in which MTT commits funding (co-funding in this project) and private providers commit asset supply (BYD), operator financing (ENEL X) and demonstrative operation (METBUS). This pilot scheme will be used, with the support of the project, to develop the new invitations to tender, fully under the new business model.

In sum, the only relevant change in the sector from December 2017 to date pertains pace, which due to transversal political commitment and the correct management of policy signals is faster than what was expected during project identification in 2016-17. GEF funding is allocated to support faster innovation in the parts of Chile's public transport system that are most difficult (therefore slow) to change under BAU conditions.

Activity during the project preparation phase has been devoted to the following main activities:

- Consultation and update with MTT and MMA, so as to keep pace during a period of political, sectorial and social changes;
- Detailed design of project activities; and especially
- Detailed design of pilot initiatives

PPG funds have been delivered as necessary, showing 60,9% execution to date.

## **2. Is the project structure/ design appropriate to achieve the expected outcomes and outputs?**

### **Secretariat Comment at CEO Endorsement**

Yes, the structure remains largely the same as when approved at PIF. However, there are no additional details on the planned outputs (we found the descriptions in Annex 2 to be very general and lacking in detail). Overall, the CEO Endorsement Request and Project Document seems to take a lot of specific knowledge of transportation in Chile and of the project itself for granted, making it difficult to review and assess. Please provide additional details on the project activities, how the GEF resources will be used (there is no budget included) and how the co-financing resources will complement those activities.

9/4/2019: Thank you for the clarifications provided.

### **Response to Secretariat comments**

Additional details on the planned execution of project activities have been included in Annex 2, and the detailed project budget (total GEF funding + co-funding, disbursement schedule with budget notes) is now included in the ProDoc as (new) Annex 3. The remaining Annexes have been re-numbered accordingly.

The formalised co-financing structure of the project includes work by the MMA to mainstream low-emission mobility as a main feature of Chile's mitigation policy, plus the substantiation of that commitment by the MTT through its support to low-emission regulated transport. The MTT's co-financing letter also commits further efforts, supported by the project as well, to sustain and leverage Transantiago's ongoing success to extend faster uptake of low-emission transport to cities out of Santiago metropolitan area.

**3. Is the financing adequate and does the project demonstrate a cost-effective approach to meet the project objective?**

**Secretariat Comment at CEO Endorsement**

This is not possible to assess without a budget. Please include a detailed budget and additional information on how the GEF resources and co-financing will support specific project outputs.

9/4/2019: A budget has been provided. Comment cleared.

**Response to Secretariat comments**

A project budget with budget notes is now included in the ProDoc as (new) Annex 3, and the remaining Annexes re-numbered accordingly. Sorry for its accidental omission.

**4. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk response measures? (e.g., measures to enhance climate resilience)**

**Secretariat Comment at CEO Endorsement**

Some risks are listed along with mitigation measures. US Council Member comments are relevant here. Please consider and address. Please also incorporate potential climate change risks.

9/4/2019: Climate change risks have been added. Please consider the comment from the US Council Member on the rating of the implementation risks as well.

9/26/2019: Comment cleared.

### **Response to Secretariat comments**

Climate change risks have been included in para. 82 and (new) Annex 12.

#### **5. Is co-financing confirmed and evidence provided?**

### **Secretariat Comment at CEO Endorsement**

Yes, co-financing has increased to \$58 million and letters have been provided confirming \$58 million grant from the Ministry of Transport and Telecommunications and \$72,300 in-kind from the Ministry of Environment. However, we do not see a letter on behalf of CAF confirming the \$150,000 in kind. Please provide.

9/4/2019: CAF cofinancing letter was submitted. Please submit translations of the cofinancing letter to english (these can be done by CAF).

9/26/2019: Comment cleared.

### **Response to Secretariat comments**

#### **6. Are relevant tracking tools completed?**

### **Secretariat Comment at CEO Endorsement**

According to the new Results Architecture, GEF-6 tracking tools are no longer in use, and instead the project must report on core indicators, which it does. However, we note that the tCO<sub>2</sub>e were placed in the wrong sub-indicator on the portal. They should be under 6.2 (sectors OTHER than AFOLU) instead of in 6.1. Also we note the ProDoc in paragraph 36 seems to have a different estimate.

In addition, please include additional information on how the direct and indirect mitigation and beneficiaries targets were estimated.

9/4/2019: The target GHG emissions mitigated have been moved to 6.2. Comment cleared.

Thank you for the clarification provided on the calculation of the indicators. Please add these clarifications to the portal submission right below the core indicator table.

9/26/2019: Comment cleared.

## Response to Secretariat comments

Paragraph. 36 has been corrected. The portal entry has been corrected.

The process for the estimation of emission removals can be summarised as follows (please keep in mind paras. 6, 7, 9, 54-63, 95-96, 105, and (new) Annexes 5 & 6).

All calculations are realised on actual (2017) MTT fleet databases, so they aggregate actual type and age of regulated buses and collective taxis in the biggest 15 cities of Chile including Santiago.

1. Determination of the BAU scenario: the BAU considers Euro V bus and diesel collective taxi of mean age. Since by the time of calculation regional pilots were still not selected, calculations were made on the aggregate 15 urban areas, including Santiago, for which MTT manages data, and then re-scaled to project intervention.
2. Identification of target situation: it was estimated a feasible incremental penetration of electric bus in the whole fleet during the project, which is factored in as a permanent shift towards the ceiling of 30% of the total fleet to be low-emission in 2030 according to this government's political commitment.
3. Modelling of economic and emissions parameters for both BAU and target situation: as per the sensitivity analysis, economic decisions in this field are affected by fuel prices, yearly kilometres, and the dollar price in Chilean pesos, plus non-financial barriers such as access to knowledge and know-how, which are also factored in. Copert IV methodology is applied (Gkatzoflias, Kouridis, & Samaras, 2012) to emissions calculations. Accounted-for emissions are PM2.5, PM10, CO, NOx, and SOx. Health benefits are accounted for as lost years of life (AVP in Spanish). Equivalences and emission factors are IPCC's<sup>[1]</sup> ones.
4. Identification of suitable policy instruments and incremental reasoning: the calculation is made over a timeframe of 20 years. Direct benefits are estimated on actual fleet changed with project intervention, while indirect benefits are a conservative estimate of autonomous growth and replication that it is reasonable to foresee that will be beaten given sector dynamics.
5. Co-financing: as previously mentioned, the formalised co-financing structure of the project includes MTT's support to low-emission regulated transport. The MTT's co-financing letter commits further efforts to those explicitly included in the letter, supported by the project as well, to sustain and leverage Transantiago's ongoing success to extend faster uptake of low-emission transport to cities out of Santiago metropolitan area, by using policy instruments around which the pilots have been identified. Therefore, it can also be foreseen that actual co-financing of the project will be superior to that committed at this time.

Correct beneficiary figures (erratum in CEO ER) are:

38 000 (total), of which 12 000 f (32%) / 26 000 m (68%)

The number of beneficiary persons refers to participants in project activities, ie. it refers to the narrowest definition of direct beneficiaries. Direct beneficiaries' gender balance, which is not that of the direct-beneficiary population (gender balance in the industry is heavily skewed towards men, with women counting less than 5% of staff such as bus drivers and mechanics), is provided as a feasible goal to be taken into account during project execution. Gender-disaggregated indicators are mandated in the M&E Work Plan whenever possible.

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[1] <https://unfccc.int/resource/docs/2004/sbsta/inf03.pdf>, consultado por última vez 23-jun-2017

**7. Only for Non-Grant Instrument: Has a reflow calendar been presented?**

**Secretariat Comment at CEO Endorsement** N/A

### **Response to Secretariat comments**

**8. Is the project coordinated with other related initiatives and national/regional plans in the country or in the region?**

### **Secretariat Comment at CEO Endorsement**

Please update this section. It mentions coordination with the BUR 1 project, yet that project closed a long time ago. In addition, Chile will be participating in the just approved E-mobility program with UNEP. Additional details under this section are required.

9/4/2019: Thank you for the clarifications provided. Please make sure that this information is also in the portal submission under section A.6. as well as in the ProDoc in section 2.v.

9/26/2019: Comment cleared.

### **Response to Secretariat comments**

Paragraph 23 and others refer to the Biennial Update Report in which STGZ NAMA is reported, which is BUR1 (2014). The section has anyway been updated (new paras. 24-25) to reflect latest developments in the relevant field, including future ones like the UN Environment-IEA Global Electric Mobility Programme.



**9. Does the project include a budgeted M&E Plan that monitors and measures results with indicators and targets?**

**Secretariat Comment at CEO Endorsement**

Yes, the project includes a budgeted M&E plan, as well as a results framework with indicators, but no targets. Please consider adding targets to the indicators in Annex I.

9/4/2019: Targets have been added to the results framework. Comment cleared.

**Response to Secretariat comments**

Quantitative targets have been added to Results Framework (Outcome Level) in Annex 1.

**10. Does the project have descriptions of a knowledge management plan?**

**Secretariat Comment at CEO Endorsement**

Yes, the project document includes a "Capacity Development and Knowledge Management Plan".

However, the project mentions that a Gender plan will be developed at project implementation; however, per the approved Gender policy:

"The GEF Policy on Gender Equality requires GEF Agencies, at or prior to CEO Endorsement/Approval, to provide the following: (a) Gender analysis or equivalent socio-economic assessment that identifies and describes any gender differences, gender differentiated impacts and risks, and opportunities to address gender gaps and promote the empowerment of women that may be relevant to the proposed activity. (b) Any corresponding gender-responsive measures to address differences, identified impacts and risks, and opportunities through a gender action plan or equivalent. (c) If gender-responsive measures have been identified, the results framework or logical framework include actions, gender-sensitive indicators, and sex disaggregated targets."

Thus, please provide a gender analysis or equivalent socio-economic assessment per the policy.

in addition, the GEF Policy on Stakeholder Engagement (2017d) requires that GEF Agencies, at the CEO Endorsement/Approval stage, present "stakeholder engagement plans or equivalent documentation with information regarding stakeholders who have been and will be engaged, means of engagement, dissemination of information, roles and responsibilities in ensuring effective stakeholder engagement, resource requirements, and timing of engagement throughout the project/program cycle."

Please provide a stakeholder assessment at this time in the Portal submission with a table of each stakeholder, their role and responsibility, means of engagement, etc. The information provided in Annex 8 and Annex 9 of the ProDoc does not satisfy this requirement.

9/4/2019: Gender analysis and directions have been provided. These will inform the gender action plan which will be developed at inception. Stakeholder assessment is now provided as well. Comments cleared.

### **Response to Secretariat comments**

The document “Gender analysis and directions for the Project’s Gender Mainstreaming Action Plan” has been included as Annex 14.

The document “Stakeholder assessment. Input for the project’s engagement plan” has been included as Annex 13.

### **Agency Responses**

**11. Has the Agency adequately responded to comments at the PIF stage from:**

### **GEFSEC**

**Secretariat Comment at CEO Endorsement** Yes.

### **Response to Secretariat comments**

### **STAP**

**Secretariat Comment at CEO Endorsement** Yes.

## **Response to Secretariat comments**

### **GEF Council**

#### **Secretariat Comment at CEO Endorsement**

No. Please include responses to Council comments from Germany and the United States.

9/4/2019: Thank you for responses provided. Comment not cleared. Please add these comments and responses to Annex B on the Portal submission. Please also make sure to include the ones from the US (see below).

#### **United States**

- 1) We recommend revising the PIF to include information regarding private sector financing; consideration and inclusion of other ministries and private sector entities in stakeholder collaboration; better delineation of risk mitigation strategies; and clearer linkages between startup, sustainability, and broader scale up. On the latter, potential is mentioned yet how it will occur is not very well-delineated.
- 2) The proposal identifies some risks, yet does not yet delineate mitigation strategies for most of them. This holistic, ambitious project delineates barriers and a large number of outputs, and it is somewhat unclear how financial and regulatory risks would be overcome, especially as they may or may not require new legislation.
- 3) Implementation risk appears to be high (not medium) and commercial risk to be medium (not low) due to 1/3 of expected costs' lacking financing.
- 4) The regulatory framework barrier is significant. The environment is not conducive to innovation re: data access, interoperability. How will the project address this hurdle?

9/26/2019: US comment has been addressed. Comment cleared.

## **Response to Secretariat comments**

Germany: section 1.b. Sectorial and Institutional Context and paras. 74-77, among others, explain in detail available information and the local institutional context, allowing (if accessed in full-resolution form) to understand the sectorial and socio-economic elements that shape the proposal. (new) Annex 9 downscales that context to specific local settings where pilot initiatives take place.

Canada: while agreeing with the comment in that this is a particularly cost-effective project, it must be noted that the Chilean public transport system is fundamentally different from others in the region in that it is not only regulated, but also mainly funded and controlled by the MTT. The Ministry funds Transantiago, but also the regional “fondos espejo” that fundamentally fund public transport in regional cities, and it also manages access to and day-to-day conditions of service provision. In contrast, the private sector is the main source of funding and day-to-day conditions in most of the region’s other public transport sectors, with authorities regulating, if with varying enforcing capacity, the operation. This difference is the source of the small ‘mobilization effectiveness’ that is mentioned, which will be only augmented by the ongoing changes to the system (see response to 1. above), which will emphasise the condition of providers of the asset suppliers and service operators. This specificity makes the measurement of leveraging of private funding an unsuitable measure of effectiveness in this project.

US: The project will enhance the environment in which sustainable mobility develops through many measures. Regarding structural barriers to innovation, the CLETS itself is the most potent of the measures taken, providing a policy framework for innovators to start and grow their initiatives. Specific structural barriers to innovation are also tackled through specific measures (in interoperability, vehicle certification, Open Data, among others, and finally, the project widely supports knowledge circulation, training and learning.

Private sector involvement has been thoroughly considered and supported in the project. See for example paras. 9, 19, 59, 82, Annex 6 and pilot interventions, which are fundamentally directed to overcome private-sector barriers to participation in sustainable mobility.

Risk mitigation strategies are embedded in the project’s M&E and CDKM mechanisms, which also contribute to innovation uptake by tackling both financial and non-financial barriers.

Implementation risk: commercial risk has been re-graded as medium (see para. 82), although the change from 1 to 100 electric buses has already been delivered during the formulation phase, thus actually proving the existing level of risk.

Regulatory risk is in fact nil (low, see para. 82) with the MTT actively participating in the project, given that this ministry is in charge of producing new lower-level regulations that the project supports. The new legislation is neither required for the project to be successful nor foreseen.

## **Convention Secretariat**

**Secretariat Comment at CEO Endorsement** N/A

## **Response to Secretariat comments**

### **Recommendation**

#### **12. Is CEO endorsement recommended?**

#### **Secretariat Comment at CEO Endorsement**

Not yet, please address comments above. Further, please consider changing the Rio Marker for Mitigation to 2, as climate change mitigation is a principal objective of this project. The taxonomy selected could also include relevant keywords related to the focal area of climate change and/or theme. Finally, please note that the word "remotion" is found all over the project and is not an English word--we believe it is meant to say removal. Please look through the document and edit as necessary.

No, please resubmit making the changes on the actual portal submission and adding responses to the review to the portal review sheet. Please double check the comments in this box which were also not addressed. Furthermore, double check the portal entry for Indicator 6.1 which continues to show a number, while 6.2 was also filled out.

9/4/2019: Not yet. Please address remaining comments. Thank you for adding response to the review sheet itself. Make sure these responses are reflected in the Portal submission itself where necessary.

We also note that the taxonomy was not updated although we saw the updated taxonomy document uploaded. Please clarify if this is something the agency can do or if it has to be IT. This is the list of words in the portal submission under Part I: Project information.

9/26/2019: All comments cleared. PM recommends CEO endorsement.

10/8/2019: PPO has reviewed the CEO Endorsement and found two additional issues that need to be addressed prior to endorsement:

1- Focal Area Outcomes in Table A are not filled out – please add the description of Outcomes B and C per the GEF-6 results framework:

- Outcome B. Policy, planning and regulatory frameworks foster accelerated low GHG development and emissions mitigation
- Outcome C. Financial mechanisms to support GHG reductions are demonstrated and operationalized
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2- The M&E plan includes ineligible expenses. Please refer to the Project Cycle guidelines for a description of eligible and ineligible activities. Specifically, **Audits** should be paid from PMC not the M&E budget. The same goes for the maintenance of records of all project-related documentation, knowledge management, and preparation of progress reports and financial reports for the project, so **Publications** should not be part of the M&E budget. Finally, the **application of GEF Tracking Tool** does not exist anymore as now projects report on Core Indicators. Please amend accordingly.

11/4/2019: Comments above cleared. PM recommends CEO Endorsement.

### Response to Secretariat comments

On the Taxonomy sheet, the Rio Marker was originally 2 and relevant boxes have been ticked in Mitigation and UNFCC. No further action has been taken.

The word remotion can be found in the online versions of, for example, the Collins and Merriam-Webster Dictionaries, as a synonym of ‘removal’. No action has been taken.

On the GEF Portal the taxonomy Romarker has been updated to 2.

### Review Dates

	Secretariat Comment at CEO Endorsement	Response to Secretariat comments
First Review		
Additional Review (as necessary)		
Additional Review (as necessary)		
Additional Review (as necessary)		

## Secretariat Comment at CEO Endorsement

## Response to Secretariat comments

### Additional Review (as necessary)

#### CEO Recommendation

#### Brief Reasoning for CEO Recommendations

Objective: The project aims to demonstrate systemic impacts of integrated zero- or low-emission urban public mobility systems. The project is aligned with GEF-6 CCM Objective 2, Program 3: Promote integrated low-emission urban systems.

Rationale: The transport sector is responsible for over 11% of GHG emissions in Chile, of which public urban mobility accounts for about a fifth. Chile has identified integrated zero- or low-emission urban public mobility systems as a key priority of the Chilean Low Emissions Transport Strategy and related national legislation. The project aims to change the public-transport market in Chile by accelerating the adoption of zero- and low-carbon technologies in public transport systems through targeted investments, while supporting the formalization of the new transport strategy at the national and subnational level.

#### Components:

- 1) Promotion of policy, planning and regulatory frameworks that foster accelerated adoption of integrated low-emissions mobility systems through participation, knowledge management and capacity development in the framework of a Chilean Low Emissions Transport Strategy
- 2) Demonstrative and catalytic actions that demonstrate and operationalize financial mechanisms to support integrated low-emissions mobility systems.
- 3) Monitoring and evaluation

Innovation, sustainability and potential for scale-up: The project will focus on addressing the key barriers to zero- or low-emissions urban mobility systems in several cities in Chile through policy and incentives. It will support the piloting of electric public buses in Transantiago and support the replication in other cities, Concepcion and Temuco. It will also support the demonstration of electric light-duty vehicles for collective taxis in La Serena. Finally, it will pilot integrated urban planning measures such as pedestrianisation, intermodality, and public bicycle systems in Santiago and seek to replicate in other cities. The project will ensure sustainability through the development of policy and systematization at the ministerial level. The project is itself scaling-up approaches outside of Santiago.

Co-financing: The co-financing (\$37 million) comes from the national government, with \$21 million in grant and \$4.5 million in-kind; the private sector with \$11 million investment, and the CAF, with a \$150,000 grant.

The project will lead to at least 719,936 tCO<sub>2</sub>e mitigated through the introduction of zero- and/or low-emissions public buses and collective taxis in the main metropolitan areas of Chile.