



PROJECT IDENTIFICATION FORM (PIF) ¹

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND: GEF Trust Fund

PART I: PROJECT IDENTIFICATION

Project Title:	Low-carbon and Efficient National Freight Logistics Initiative		
Country(ies):	Colombia	GEF Project ID: ²	4603
GEF Agency(ies):	IADB (select) (select)	GEF Agency Project ID:	CO-T1303
Other Executing Partner(s):	Ministry of Transport	Submission Date:	2012-01-05
GEF Focal Area (s):	Climate Change	Project Duration (Months)	48
Name of parent program (if applicable): ➤ For SFM/REDD+ <input type="checkbox"/>	N/A	Agency Fee (\$):	300,000

A. FOCAL AREA STRATEGY FRAMEWORK³:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Co-financing (\$)
CCM-4 (select)	Sustainable trucking industry and regulatory frameworks adopted and implemented	Colombia adopts the National Logistics Policy	GEFTF	400,000	2,000,000
CCM-4 (select)	Increased investment in low-carbon energy efficient trucking industry	Investment mobilized Expected GHG emission reductions	GEFTF	2,460,000	13,500,000
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)	Others		(select)		
Sub-Total				2,860,000	15,500,000
Project Management Cost ⁴			(select)	140,000	700,000
Total Project Cost				3,000,000	16,200,000

B. PROJECT FRAMEWORK

Project Objective: To reduce greenhouse gas emissions from freight transportation operations in Colombia						
Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Cofinancing (\$)
1. Policy and institutional framework strengthening and capacity building	TA	A sustainable fleet renewal framework is designed and implemented in the trucking industry. The trucking industry	(i) Design of the Vehicle Renovation Fund (ii) Design of the Vehicle Retrofit Demonstration Pilot	GEFTF	400,000	2,000,000

¹ It is very important to consult the PIF preparation guidelines when completing this template.

² Project ID number will be assigned by GEFSEC.

³ Refer to the reference attached on the [Focal Area Results Framework](#) when filling up the table in item A.

⁴ GEF will finance management cost that is solely linked to GEF financing of the project.

		implements low-carbon and efficient operating standards	(iii) Design of a Sustainable Renewal and Retrofit Financing program (scale-up instruments) (iv) Training and dissemination activities (seminars, workshops) across the trucking industry (v) Programs to promote the low-carbon and efficient trucking industry			
2. Vehicle Retrofit Demonstration Pilot	Inv	Reductions in GHG emissions Savings in energy consumption (diesel fuel) and operational costs	(i) 10 truck companies commit to partner with the GOC in the Demonstration Pilot (ii) 2 Energy Service Companies (ESCOs) commit to partner with the GOC in the Demonstration Pilot (iii) 80 trucks have been retrofitted to energy efficient technologies	GEFTF	2,000,000	100,000
3. Vehicle Retrofit Scale-up Program	Inv	Reductions in GHG emissions Savings in energy consumption (diesel fuel) and operational costs	(i) Mobilized investments towards energy efficient technologies (ii) 560 trucks have been retrofitted to energy efficient technologies	GEFTF	460,000	13,400,000
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
			Sub-Total		2,860,000	15,500,000
			Project Management Cost ⁵	(select)	140,000	700,000
			Total Project Costs		3,000,000	16,200,000

C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
GEF Agency	IDB	Soft Loan	2,000,000
National Government	Republic of Colombia	In-kind	4,200,000
Private Sector	Trucking companies and ESCOs	Unknown at this stage	10,000,000

⁵ Same as footnote #3.

(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Cofinancing			16,200,000

D. GEF/LDCF/SCCF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY¹

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (a)	Agency Fee (b)²	Total c=a+b
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
Total Grant Resources				0	0	0

¹ In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

² Please indicate fees related to this project.

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1 the [GEF focal area/LDCF/SCCF](#) strategies:

The proposed project is consistent with Objective 4 “Promote energy efficient, low-carbon and urban systems”– under the Climate Change Mitigation Focal Area. The project will facilitate the demonstration and deployment of more efficient technologies in freight transport and will promote the adoption of low-carbon freight logistics practices. For this purpose, the project will support the adoption of a policy framework and develop the necessary financial incentives to engage freight carriers and shippers in partnerships with the GOC. This framework will enable the introduction of technological and logistical innovations in the freight transport industry that lead to a reduction in their operational costs and GHG emissions. It is expected that this project will mobilize additional investment for clean and efficient freight transport technologies and practices as a result of the demonstrational effect of the project implementation. In this context, the National Government has shown a strong commitment to strengthening and having a more efficient logistical system by adopting the National Logistics Policy. This policy outlines key actions to improve the sector and curb the associated GHG emissions. Finally, the proposed project will also meet the GEF-5 request to measure and quantify global environmental benefits by developing a specific methodology to measure and evaluate the impact of the activities

A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

N/A

A.2. national strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

According to the Colombia UNFCCC Second National Communication (2010), Colombia made a national inventory of GHG for 2000 and 2004 following IPCC directives on Good Practices, and the management of uncertainty. The inventory shows that Colombia emits about 180 Mt CO₂eq per year (0.37% of all the world GHG emissions). The sectors which emitted most GHGs in 2004 were agriculture (38%), energy (37%) and land-use, land-use change and forestry - LULUCF (42%). Estimates indicate that the transport sector in Colombia represents 12% of the country's total CO₂ emissions and 32% of the total CO₂ emissions from national energy consumption. Hence, the transport sector is a priority for targeting mitigation actions, to which the objective of this project aims for.

Moreover, the Government of Colombia (GoC) is aware of the need to reform road freight transportation services as a mean to promote national competitiveness, create innovation on logistics practices (less polluting and more efficient) and to reduce the logistic costs of local products and imports. The previous government administration (2006-2010) issued the National Logistics Policy (*Política Nacional Logística*, CONPES N° 3547), outlining the primary strategies to support the strengthening of the national logistical system. This policy aims at integrating the supply chain with quality transport infrastructure, promote inter-modality and support it with elements of information technology in order to facilitate trade, generating added value through the continued adoption of best business practices in freight logistics and transport.

As a new administration took office, the GoC issued the 2010-2014 National Development

Plan, identifying the key strategies to consolidate the economic gains of the past decade into a path of sustainable development. The Plan supports the implementation of the National Logistics Policy (NLP) identifies the logistic and transport services as priority sectors to foster growth and make the country more competitive. It also proposes the following areas of work in the sector: (a) implementing specialized logistics platforms; (b) improving the complementarities of multi-modal transport; (c) developing the industry of logistical services and; (d) improving trade facilitation and control in border crossings. In this context, the National Development Plan explicitly identifies the GEF as a partner to implement strategic actions in logistics and transport services that promote environmental sustainability and contribute to mitigate climate change effects.

Colombia also conducted its GEF National Portfolio Formulation Exercises (NPFE) and provided a national portfolio of GEF projects in August, 2011. *In this NPFD, Colombia defined priorities for GEF-5, which includes the National Low-Carbon and Efficient Logistics Initiative.* Furthermore, Colombia developed its technology needs assessment (TNA) under the UNFCCC, in which the transport sector is included for mitigation and the coastal marine areas for adaptation.

B. PROJECT OVERVIEW:

B.1. Describe the baseline project and the problem that it seeks to address:

B.1.1 Issues to be addressed:

Colombia's domestic transport of goods experienced sustained growth over the past decades and it is expected to continue expanding given positive economic growth trends of the country's economy. Cargo transport in the country is consolidated in specific market niches for different types of goods: roads (trucks) are used primarily for bulk and general freight; railways and waterways are used for specialized freight transport; and air transportation is used for high value cargo. In 2009, freight transport amounted to about 200 million tons, of which 71.9% were transported by road, 25.3% by rail (mainly coal), 2.5% by water and 1.5% by air. Road transport represents 80% of Colombia's tons-kilometers and the trucking industry corresponds to about 73.4% of the transport sector's GDP. However, most of the 217,000 units operating on Colombian roads are relatively small in size, with inefficient highly pollutant combustion engines, and an extended service age (average is about 18.4 years). Official figures show that 35% of the fleet is more than 20 years old and 28% of the fleet is over 30 years old. The average service age for the Colombian fleet is quite high when compared to international standards (i.e. USA average service age is 7.6 years).

The high age of the fleet is partly explained by the informality of the trucking sector and the fragmentation of vehicle ownership. The current regulations do not require that transport companies provide the actual service. Less than 5% of the fleet is owned by the trucking companies. In practice, these companies become intermediaries between cargo generators (shippers) and transport service providers (carriers). Carriers are highly fragmented as 70% of the fleet is single-owned. Truck owners are hired by the transport companies through informal arrangements where the service and the pricing conditions are negotiated. In turn, the informality in labor arrangements has prevented transport companies and truck owners from internalizing the higher costs of an aging fleet. While the trucking sector generates more than 280,000 jobs, about 65% of these are informal labor relationships (inadequate access to health, insurance, pension, etc). This informality has allowed truck owners to maintain their service price-competitive.

This aging fleet of the ground carrier industry contributes to the sector's low energy efficiency performance and significant CO2 emissions. The transport sector represents 12% of the

country's total CO₂ emissions (180 Mt CO₂eq per year) and 32% of the total CO₂ emissions from national energy consumption. Of this, road transport accounts for about 90% of the sector's CO₂ emissions. Under a business as usual (BAU) scenario, where no major policy changes are placed to formalize the industry and renew the transport fleet, road freight transport emissions would increase from 3.6 MtCO₂eq in 2004 to 4.6 Mt CO₂eq in 2030.

B.1.2 Baseline project:

The Government of Colombia (GOC) is making a very significant effort to develop the necessary institutional capacities in the public sector to address the inefficiencies and sub-optimal performance of the transportation sector in the country. This effort includes several policies to increase the efficiency of freight transport, such as the National Logistics Policy (*Política Nacional Logística, CONPES N° 3547*), which establishes an action plan to address institutional, data, infrastructure and operational weaknesses towards the development a more efficient national logistics system. Furthermore, the government approved the National Policy for Public Road Freight Transport (*Política Nacional de Transporte Público Automotor de Carga, CONPES 3489*), which promotes measures such as the modification of inefficient pricing policies, the reduction of informal activities, the development of competition, and the rationalization, renovation and modernization of fleets. While these policies are setting Colombia on the path towards a more efficient and competitive logistics system, improvements needed in the quality of services require further measures and institutional arrangements to be put in place. Particularly, upfront investments and demonstrative pilots are needed to obtain the buy-in from private sector stakeholders (i.e. carriers, shippers), which have traditionally operated under sub-optimal regulations and informal arrangements.

In this context, the GOC has requested technical and financial support from the IADB to support the implementation of the National Logistics Policy and the National Policy for Public Road Freight Transport. The Inter American Development Bank will assist the Ministry of Transport and the National Department of Planning through a technical assistance loan operation of US\$15 million to be approved in 2012. The activities that will be funded under this technical assistance loan, which will be executed between 2012 and 2016, include: (i) institutional strengthening to support the implementation of the NLP; (ii) design and implementation of plans and programs to foster the integration of Information Technologies and Communications in the logistical processes of public and private stakeholders; (iii) design and implementation of a National Logistical Information System to support traffic operations in strategic transportation corridors; (iv) development of a robust transportation model to plan and prioritize the provision of multi-modal logistical infrastructure; (v) development of economic evaluations and feasibility studies of new logistic infrastructure projects; (vi) design and implementations of programs to promote the formalization and modernization of the freight transport sector; and (vii) evaluation and design of public policies to improve urban logistics while partnering with local governments.

In order to address issues related to the aging fleet the GOC is designing the Vehicle Renovation Fund, whose goal is to reduce the average service age of the freight trucking fleet. The fund will provide the economic incentives to truck owners to facilitate the scrapping of existing aged vehicles (20+ years) and finance the uptake of new vehicles. The fund will promote the formalization of trucking companies by conditioning access to companies that guarantee a comprehensive fleet management and formal labor arrangements. The Vehicle Renovation Fund has the chief goal of renewing 5,000 vehicles per year during the next 10 years while providing the necessary technical and legal support to trucking companies. Any efforts to renew the truck fleet will not be sustained over time if the financial incentives are not framed under a transport operation scheme that considers the inefficiencies of aging fleet into the companies' cost structure. The design of the Fund's operation will be developed in 2012 through the above-

mentioned technical assistance loan operation. A successful implementation of the Vehicle Renovation Fund is expected to reduce the CO₂ emissions in 2030 from 4.6 Mt CO₂eq to 4.3 Mt CO₂ eq per year.

As described, in the baseline project Colombia will implement the National Logistics Policy and the National Policy for Public Road Freight Transport. This includes the implementation of the Vehicle Renovation Fund. The GEF Low-carbon and Efficient National Freight Logistics Initiative will further advance the implementation of these policies by providing a demonstrational pilot to induce fuel efficient technologies take-up by the trucking fleet that has not yet reached their age limit (<20 years), transforming it into low-carbon and efficient one. Additional CO₂ mitigation benefits will be obtained through the scaling-up of the demonstration pilots enabled by accessible financing opportunities provided to trucking companies that will be designed and financed under the proposed initiative.

B. 2. Incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF financing and the associated global environmental benefits (GEF Trust Fund) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

This project will build on the implementation of the Vehicle Renovation Fund to support activities that result in additional GHG emission reductions, which would not happen otherwise. While the Vehicle Renovation Fund is aimed towards financing the uptake of new vehicles, funds could also support the retrofit of vehicles (trucks) in order to bring efficiencies in energy consumption and lower GHG emissions and air pollution. The proposed GEF project aims towards vehicles that are not yet at a scrapping (retirement) age, but which could be transformed to lower-carbon emitting units by installing mechanical and aero dynamical innovations to provide a more efficient operation. The proposed project will help address barriers that currently have impinged the retrofitting the aging fleet, thus lowering energy consumption and GHG emissions in road freight transport. These barriers include lack of understanding and trust (perception) of the new combustion technologies; limited financing options for covering upfront costs associated to the technological conversion; and lack of technical knowhow from the trucking owners and servicing companies that would ensure long-term maintenance of the installed technologies.

The project will be catalytic for the adoption of the existing policy framework and implementation of voluntary partnership arrangements between the freight transport industry (carriers and shippers) and the Ministry of Transport. This is essential for the trust-building needed to gain private sector buy-in and commitment with low-carbon and efficient freight transport. The demonstrative nature of the pilot investments will provide the basis for expanding the retrofitting program through the financing mechanism that will be designed and implemented using the Vehicle Renovation Fund. Without GEF financing, GHG emission reductions associated with the National Logistics Policy would be limited and Colombia would lose a strategic opportunity to transform its freight sector to a low-carbon and efficient one.

Comparable experiences around the world have shown the effectiveness of the proposed approach for enhancing the efficiency and reduced carbon intensity of freight transport. Some examples include the USA SmartWay Program and the recently GEF approved Green Logistics Program for the Guandong Province in China. During the project design, the project team will estimate the GHG mitigation potential of the proposed initiative, as well as the local benefits such as a reduction in local pollutants, reduction in operational costs (including energy savings) and in road accidents.

The proposed project will include the following three components:

Component 1: Policy and institutional framework strengthening and capacity building (GEF financing: US\$ 0.4M, co-financing: US\$ 2M)

This component will support the GOC's efforts to implement the National Logistics Policy (NLP) with the aim of materializing low-carbon and efficient freight logistics. In particular, this component will finance policy and institutional framework strengthening as well as capacity building, training and dissemination activities that relate to the vehicle renewal and vehicle retrofitting programs. The following five activities are expected to be part of this component:

- Design of the Vehicle Renovation Fund: This activity will finance the institutional, technical and financial structures for the Vehicle Renovation Fund as described in the baseline project for materializing the low-carbon and efficient logistics. This entails the definition of: (i) involved stakeholders and their responsibilities; (ii) drafting new legal elements such as decrees or resolutions; (iii) technical elements such as truck specifications, requirements for trucking companies and means of verification; (iv) financing aspects and fiduciary mechanisms.
- Design of the Vehicle Retrofit Demonstration Pilot: This activity will finance the institutional, technical and financial structures for the Vehicle Retrofit Demonstration Pilot as described in Component 2. This activity will recommend elements for the pilot such as: (i) the definition of required stakeholders and responsibilities; (ii) the detailed recommendations of technological alternatives for vehicle retrofitting; (iii) the fiduciary mechanisms to ensure adequate flow of funds
- Design of the Vehicle Retrofit Scale-up Program: This activity will finance the necessary instruments to implement a Vehicle Retrofit Scale-up Program as described in Component 3, which hinges on the results of the demonstration pilot. This activity will finance elements such as: (i) defining involved stakeholders and their responsibilities; (ii) defining a financial structure for and business plan for the participation of intermediating Energy Service Companies (ESCOs); (iii) recommending the requirements for trucking companies to participate from the program; (iv) the fiduciary mechanisms and means of verification for the program implementation
- Training and dissemination activities across the trucking industry: This activity will finance communication activities regarding the Vehicle Renovation Fund, the Vehicle Retrofit Demonstration Program and the Vehicle Retrofit Scale-up program. This involves activities that will facilitate the learning, understanding and participating of the trucking industry into any of these three activities. It includes the organization of seminars, conferences and workshops with this purpose.
- Programs to promote low-carbon and efficient trucking industry: This activity will finance technical and institutional elements that can support a transformation of the trucking industry towards one that materializes low-carbon and efficient logistics. Some potential elements that can be financed include: (i) design of a roundtable to provide legal advice towards the requirements of industry transformation; (ii) design of a workshop to foster operational best practices in the trucking industry; and (iii) design of a training program for drivers and other industry employees. The programs will be established taking into account on the results of the Vehicle Retrofit Demonstration Pilot (Component 2) and the Vehicle Retrofit Scale-up (Component 3), contributing to the sustainable fleet network.

Component 2. Vehicle Retrofit Demonstration Pilot (GEF financing: US\$ 2M, co-financing: US\$ 0.1M).

This component will fund an energy-efficient vehicle improvement pilot in trucking companies. A demonstration fleet will be retrofitted with mechanical and aero dynamical

innovations that provide fuel savings and reduce GHG emissions. This demonstration fleet will be deployed and tested by truck companies (carriers) in order to measure the actual efficiency gains. The investment may be a combination of one or more of the following technologies: (a) Idle reduction devices; (b) Trailer aerodynamics, (c) Aluminum wheels and/or low resistance tires, (d) Driver behavior diagnostic system, (e) Dual gas/diesel engine. The investment per vehicle will range around US\$ 25,000 and the efficiency gains from these improvements range between 7% and 26% (EPA). Based on these cost estimates, the demonstration pilot could fund improvements in up to 80 trucks.

This component will require full commitment of GEF resources in order to minimize the financial risks for truck owners at this initial stage. Therefore, the investment amount that per vehicle will be 100% GEF resources. Specific Energy Service Companies (ESCO) catering trucking services and retrofitting will be developed as part of the pilot exercise. ESCOs will develop contractual relationships with truck owners and small trucking companies to provide technical assistance towards the implementation of said improvements. In Component 2 ESCOs are expected to play a technical role, procuring the technologies and implementing the retrofit in selected trucks.

A monitoring system will be set in order to track the impacts of vehicle upgrades in variables such as emissions reductions, fuel savings and maintenance costs. A testing and measurement protocol will be developed to ensure transparency and results credibility. The Demonstration Pilot is expected to address knowledge and financing barriers to generate trust and confidence in the truck energy-efficient technologies. This component will leverage the experience of the EPA's SmartWay Transport Partnership in the United States. All results will be widely disseminated and will provide the necessary conditions to develop voluntary partnerships between more carriers and the Ministry of Transport in order to multiply the effect of the demonstration fleet to other vehicles

Component 3. Vehicle Retrofit Scale-up (GEF financing: US\$ 0.46M, co-financing: US\$ 13.4M)

This component will fund a soft credit line to finance a larger truck fleet retrofit based on positive results shown by the demonstration pilot. GEF grant resources will be blended with public funding and private investments in order to provide accessible financing opportunities to trucking companies towards the uptake of energy efficient technologies at a larger scale. The program will provide the necessary economic incentives to commit both shippers and carriers into voluntary partnerships, under the proven premise that their participation will translate into operational savings, business improvements and greater visibility at a national level.

As in component 2, Energy Service Companies (ESCO) would develop contractual relationships with carriers to provide technical and financial assistance towards the implementation of said improvements. ESCOs would recover their initial investments through the reduction in operational costs resulting from the improvements. GEF resources will co-finance the vehicle upgrade investments by ESCOs and minimize their financial risks. The component is expected to draw about US\$ 13.7 M from private and public sources, in order to finance the vehicle retrofit of about 560 trucks. Moreover, since this component is expected to be on-lending (instead of a grant as Component 2), funds may revolve and finance the retrofit in a much larger truck fleet. In Component 3 ESCOs are expected to play a technical role but may also participate in the project financing, lowering their risk based on the successful experiences of the Demonstration pilot.

Fiduciary mechanisms will be put in place to ensure the flow of funds to the targeted vehicles.

Implementation will involve a consultation period with active stakeholders such as government officials, shippers, carriers and truck owners, manufacturers and regulatory bodies. A monitoring program will be in place where performance and impact will be evaluated. Example of indicators to be used include: a) number of partners involved; b) total GHG emissions avoided; c) reduction in fuel consumption d) improvement of fleet utilization

- B.3. Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF). As a background information, read [Mainstreaming Gender at the GEF.](#)":

The Project will have an impact in reducing the logistics cost of imports, exports and products for domestic consumption in Colombia. It is built on the premise that energy efficient freight transport strategies and clean technologies will be translated into operational efficiencies (fuel consumption and maintenance) thus, reducing the cost of freight transport. Shippers will benefit from better contractual arrangements with carriers and the production sector will benefit from higher competitiveness in foreign markets. The formalization of the trucking industry will also bring benefits for the sector workers which will be operating under formal contractual arrangements. Thus, guaranteeing minimum labor conditions and a greater degree of stability. Finally, the fleet renewal and retrofitting will also induce a cleaner breathing environment (by mitigating local air pollutants) and safer roads (older vehicles are in general more prone to accidents).

The proposed project is cost effective and a full implementation is expected to leverage public and private sector financing directed to introduce energy-efficient technologies (vehicle and operational practices) and low-carbon technologies. An economic analysis and a comprehensive GHG and local emissions reduction estimation will be performed (financed with a Project Preparation Grant) to fully assess the benefits derived from implementing the Low-Carbon and Efficient National Freight Logistics Initiative.

- B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

The proposed Project faces the following risks:

1. Lack of experience on public private partnerships for advancing low-carbon sector policies and technology adoption in the transport sector. Colombian transport institutions will have to support new partnerships with shippers and carriers, based on a new set of incentives and policy framework. To manage this risk, the Ministry of Transport in Colombia will draw on the experience from similar GEF Programs elsewhere such as Brazil and China GEF green road freight projects.
2. Potential delays in the adoption and execution of the policies and legal reforms that will provide the enabling environment to incentivize more efficient freight transport technologies and systems. The implementation of the institutional strengthening loan from IADB will provide additional capacity to policy-makers at the national and local level to carry on the implementation of the policy arrangements already approved. The policies and legal reforms that refer to this project will be part of an ongoing technical discussion to mitigate delays.
3. Effect of government changes in the Low-Carbon and Efficient National Freight Logistics Initiative. The National Logistics Policy is part of a long term effort and has been institutionalized through a CONPES document. In addition, during the PPG phase the project

foresees a participatory and integrated dialogue amongst public and private sector interested parties. This will help set the foundation for trust-building, buy-in and identification of the benefits of the Initiative from multiple parties.

4. Potential increase of import of used vehicles to take advantage of the program. Colombia has in place legislation to specifically prevent the import of used vehicles. This mitigates the risk of a massive entrance of old trucks that may want to take advantage of the retrofitting program. Moreover, the program will hinge on the National Vehicle Registry (RUNT) to ensure that only selected vehicles that meet the program requirements can participate from it.

B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:

The following are the main public and private stakeholders regarding road freight transport in Colombia:

- *Public entities:* (i) The Ministry of Transport (MT) is the National government body responsible for formulating and adopting policies, plans, programs, projects and economic regulation road, sea, river, rail and air transport in the country. MT will lead the project preparation and will oversee the execution of the project's activities; (ii) The Ministry of Environment, Housing and Territorial Development (MEHTD) is the National body that formulates and implements policies, plans, programs and regulations in matters of renewable natural resources, land use, land, water and sanitation and environmental, territorial development and urban, as well as in integrated housing. The MEHTD will participate in the project preparation and participate in project execution. (iii) The National Department of Planning (NDP) is a technical entity that promotes the implementation of a strategic vision for the country in social, economic and environmental aspects. Oversees the design, orientation and evaluation of National public policies, the management and allocation of public investment and the realization of these plans in specific programs and projects. NDP will participate in the project preparation and participate in project execution;

- *Shippers:* Industrial National Association (ANDI) and Commercial National Federation (FENALCO): ANDI and FENALCO are amongst the guilds and organizations that represent the industrial and commercial sectors. These organizations could play a role for purposes of outreaching and mainstreaming the project scope to potentially interested shippers.

- *Carriers and Truck Owners:* Carriers Colombia Federation (Colfecar), National Carriers Association (Asecarga) and Carriers Association (Defencarga), Colombian Trucker Association (ACC), Colombian Transport Association (ATC), Colombian Trucker Federation (CCT). These organizations represent freight transportation companies and individual truck owners. These organizations could play an important role during project design to ensure a broad participation of carriers

B.6. Outline the coordination with other related initiatives:

Colombia is currently developing a Low Carbon Development Strategy (LCDS) with the support of various international development institutions. This strategy will analyze the current greenhouse gas emissions baseline at the National and sector levels. This analysis will provide the basis to propose concrete actions for growth under a low-carbon development path. The sector analysis for transport will be developed in parallel to the preparation of the Low-Carbon and Efficient National Freight Logistics Initiative, thus the project will benefit from close coordination with the LCDS recommendations. All components of the Low-Carbon and Efficient National Freight Logistics Initiative, will be articulated with the LCDS, in order to be coordinate aspects such as GHG baseline calculations, methodologies, consultations and the prioritization of policies and measures.

The Ministry of Transport is the institution in Colombia in charge of designing regulations for freight transport services and will therefore coordinate the Project's activities with other related initiatives such as the Observatory of Freight Transportation and Logistics, and the implementation of the National Logistics Policy, currently supported by the IDB. The Ministry of Transport will be responsible for articulating the adequate channels of communication to engage all stakeholders in the Low-Carbon and Efficient National Freight Logistics Initiative. The specific mechanisms for coordination among activities will be defined by the Ministry of Transport during project preparation and during the preparation of the National Logistics Policy loan operation

C. DESCRIBE THE GEF AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:

IDB's comparative advantage for the GEF includes investment projects at the country and regional level in Latin America and the Caribbean. IDB finances operations related to the Climate Change GEF focal areas, energy-efficient initiatives, and Sustainable Transport projects.

IDB's comparative advantage for the proposed GEF project is enhanced by the fact that IDB has offices in Colombia, has a strong experience with the Ministry of Transport from decades of financing and technical assistance, and is currently working closely with the Ministry of Transport and the National Planning Department towards the implementation of the National Logistics Policy, the establishment of a National Freight Transport and Logistics Observatory, and financing specific freight logistics analysis in the country. The Bank has a long history of relations and successful investments in Colombia that guarantees the relevance of the activities proposed and ensures the good receptivity from and good coordination among local stakeholders. IDB prepared in 2011 a policy based loan of US\$300 million, and is a leading agency in the implementation of the Clean Technology Fund in Colombia, which is investing US\$100 million in transportation projects.

C.1 Indicate the co-financing amount the GEF agency is bringing to the project:

The GEF agency (IDB) is providing a technical assistance loan (US\$ 15 M) to the GoC to implement the National Logistics Policy. The loan is currently in preparation stages and the exact definition of its components will be finalized during the first semester of 2012. This loan will support a broad range of activities that relate to the implementation of the National Logistics Policy (as described in section B.1.2). Component 1 indicates those activities that will be supported by the Loan (amounting up to US\$ 2M) and that are directly related to the proposed GEF project.

C.2 How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) and staff capacity in the country to follow up project implementation:


IDB has a long experience of investments and has an internal management commitment in Low-Carbon Sustainable Transportation, reinforced by IDB's Analytical Framework for Climate Change Action and IDB's Transportation Division Regional Environmentally Sustainable Transportation Action Plan (REST Action Plan). The REST Action Plan establishes as a priority the investment in Low-Carbon Sustainable Transportation in the Latin American and Caribbean Region. In addition, IDB is leading the way along multilateral agencies in the development of applied research, studies, technical assistance and projects related to freight logistics in the region, incorporating state-of-the-art operational efficiency and sustainability principles and technologies. In Colombia, IDB's work includes a US\$ 300M Policy Based Loan to support reforms in freight transport and logistics during 2011 and in 2012 the IDB will be working closely with transportation authorities during the preparation of the US\$15 M Technical Assistance Loan and the preparation of the GEF Low-Carbon and Efficient National Freight Logistics Initiative.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Carlos Castaño Uribe	Deputy Minister	MINISTRY OF THE ENVIRONMENT	08/09/2011

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF policies and procedures and meets the GEF/LDCF/SCCF criteria for project identification and preparation.					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Michael Collins		01/05/2012	Carlos Mojica	2026233537	cmojica@iadb.org
			Pablo Guerrero	2026232416	pablogu@iadb.org