



# GEF-6 PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

TYPE OF TRUST FUND: GEF Trust Fund

## PART I: PROJECT INFORMATION

Project Title:	San Salvador Low-emission Urban Development Path		
Country:	El Salvador	GEF Project ID:	9038
GEF Agency:	UNDP	GEF Agency Project ID:	5462
Other Executing Partner:	Ministry of Environment and National Resources (MARN), acting as the Leader Partner, together with the Ministry of Public Works, Transport, Housing and Urban Development (MOP), Council of Majors of the Metropolitan Area of San Salvador municipalities (COAMSS), and the National Energy Council (CNE)	Submission date:	23 March 2017
GEF Focal Area:	Climate Change	Project Duration (Months)	48
Integrated Approach Pilot	IAP-Cities <input type="checkbox"/> IAP-Commodities <input type="checkbox"/> IAP-Food Security <input type="checkbox"/>	Corporate Program: SGP <input type="checkbox"/>	
Name of parent program:		Agency Fee (\$)	229,952

## A. INDICATIVE FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES

Objectives/Programs	Trust Fund	(in \$)	
		GEF Project Financing	Co-financing
CCM-2 Program 3 <sup>1</sup>	GEFTF	2,420,548	37,914,000
Total Project Cost		2,420,548	37,914,000

## B. INDICATIVE PROJECT DESCRIPTION SUMMARY

Project Objective: To Promote a Low-Emission Urban Path in the Greater Metropolitan Area of San Salvador (AMSS)						
Project Component	Financing Type	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Co-financing
<b>1. Enabling Framework for Low-carbon Urban Environment</b>	TA	1.1 Strengthened institutional capacities for integrated planning and implementation of low-carbon investments in the AMSS.	<ul style="list-style-type: none"> <li>An integrated strategy for low-emissions urban development for transport and energy efficiency, including policy, planning, and implementation, is prepared and validated by the project stakeholders.</li> <li>Capacity building for the establishment of sustainable urban development programs and information systems in the AMSS municipal system, (including TOD, energy audits, and S&amp;L enforcement) are implemented by means of toolkits, training courses, and workshops.</li> <li>A mechanism to increase financial flows to low-carbon investments on urban financing through the El Salvador Development Bank (BANDESAL) -particularly for municipalities and SMEs- is developed and implemented.</li> </ul>	GEFTF	350,236	482,055

<sup>1</sup> CCM-2, Demonstrate systemic impacts of mitigation options; Program 3, Promote integrated low-emission urban systems

	TA	1.2 Increased public awareness and monitoring on sustainable, low-carbon technologies in the urban sector.	<ul style="list-style-type: none"> <li>- Media campaign for information dissemination of knowledge products on low-emission strategies (e.g. best practices, improving operations and changing the behaviour of SITRAMSS passengers and municipal building occupants), is designed and under implementation.</li> <li>- Geospatial data, sustainability indicators, global environmental impacts, knowledge exchange practices and lessons-learned reports are prepared and validated.</li> <li>- Sustainable best practices and Measurement, Reporting, and Verification (MRV) methodologies developed by the GEF Global Platform for Sustainable Cities, are incorporated into the San Salvador urban planning and design.</li> <li>- Replication of low-emission public investments in municipalities outside the AMSS as well as information dissemination with other Central American main urban centres are promoted.</li> </ul>	GEFTF	400,000	550,000
<b>2. Promoting Energy Efficiency Measures in AMSS Public Transport</b>	TA	2.1 Sustainable urban transportation plans enhanced.	<ul style="list-style-type: none"> <li>- An integrated sustainable and resilient transport plan for the AMSS –as part of the integrated planning strategy- is prepared and under implementation, including: <ul style="list-style-type: none"> <li>Setting up institutional arrangements between national and municipal levels</li> <li>Strengthening public transport systems at the municipal level and community-level safety standards</li> <li>Improving public safety in accessing the BRT system.</li> </ul> </li> <li>- A portfolio of low-carbon, climate resilient investments to increase mobility and connectivity along the BRT corridor is developed and assessed for cost effectiveness, including: <ul style="list-style-type: none"> <li>Traffic management projects (improved facilities at local connecting points, traffic light systems, improved feeder routes, pedestrian and bicycle friendly pathways),</li> <li>Traffic management measures (parking charges and restrictions, one-way streets, reversible lanes, traffic signs, bus lanes).</li> </ul> </li> </ul>	GEFTF	540,976	1,000,000
	Inv	2.2 Enhanced SITRAMSS BRT Corridor through low-carbon complementary investments.	<ul style="list-style-type: none"> <li>- Low-carbon, climate-resilient investments to increase mobility and connectivity along the SITRAMSS BRT Corridor -at the municipal level- are financed and implemented.</li> </ul>		550,325	18,000,000

<b>3. Enabling an Energy-Efficient Path in the Municipal Sector</b>	TA	3.1 An energy efficient development path enhanced in the municipal sector.	<ul style="list-style-type: none"> <li>- Mandatory standards and labels for air conditioning units and efficient lighting systems are prepared, officially approved, and enforced.</li> <li>- Methodologies and tools based on the ongoing EEPB program and procurement of public goods in the municipal sector are enforced for air conditioning units and efficient lighting systems.</li> </ul>	GEFTF	263,747	1,000,000
	Inv	3.2 Energy efficient measures fully adopted in the municipal sector.	<ul style="list-style-type: none"> <li>- Investments in energy efficient technologies for municipal buildings founded on public procurement guidelines are implemented.</li> </ul>		200,000	15,000,000
Subtotal					2,305,284	36,032,055
Project Management Cost (PMC)				GEFTF	115,264	1,881,945
<b>Total Project Cost</b>					<b>2,420,548</b>	<b>37,914,000</b>

**C. INDICATIVE SOURCES OF [CO-FINANCING](#) FOR THE PROJECT BY NAME AND BY TYPE, IF AVAILABLE**

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount (\$)
Recipient Government	Ministry of Environment and Natural Resources (MARN)	In-kind	60,000
Recipient Government	Ministry of Environment and Natural Resources (MARN)	Cash	1,000,000
Recipient Government	Ministry of Public Works, Transport, Housing, and Urban Development (MOP)	Cash	19,000,000
Recipient Government	Ministry of Public Works, Transport, Housing, and Urban Development (MOP)	In-kind	60,000
Recipient Government	National Energy Council (CNE)	In-kind	60,000
Recipient Government	National Energy Council (CNE)	Cash	15,000,000
Beneficiaries	Council of Majors of the Metropolitan Area of San Salvador Municipalities (COAMSS)	In-kind	60,000
Beneficiaries	Planning Office of the Metropolitan Area of San Salvador Municipalities (OPAMSS)	Cash	2,554,000
GEF Agency	UNDP	Cash	60,000
GEF Agency	UNDP	In-kind	60,000
<b>Total Co-financing</b>			<b>37,914,000</b>

**D. INDICATIVE TRUST FUND RESOURCES REQUESTED**

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Programming of Funds	(in \$)		
					GEF Project Financing (a)	Agency Fee (b) <sup>b</sup>	Total (c)=a+b
UNDP	GEFTF	El Salvador	Climate Change		2,420,548	229,952	2,650,500
<b>Total GEF Resources</b>					<b>2,420,548</b>	<b>229,952</b>	<b>2,650,500</b>

## E. PROJECT PREPARATION GRANT (PPG)

Is Project Preparation Grant requested? Yes  No

### PPG AMOUNT REQUESTED

Project Preparation Grant amount requested: \$100,000					PPG Agency Fee: 9,500		
GEF Agency	Trust Fund	Country	Focal Area	Programming of Funds	(in \$)		
					PPG (a)	Agency Fee (b)	Total c = a + b
UNDP	GEFTF	El Salvador	Climate Change		100,000	9,500	109,500
<b>Total PPG Amount</b>					<b>100,000</b>	<b>9,500</b>	<b>109,500</b>

## F. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS

Corporate Results	Replenishment Targets	Project Targets
4. Support to transformational shifts towards a low-emission and resilient development path	750 million metric tons of CO <sub>2e</sub> mitigated (include both direct and indirect)	650,000 tons of CO <sub>2</sub>

## PART II: PROJECT JUSTIFICATION

### PROJECT DESCRIPTION

#### I. Global Environmental Problems, Root Causes and Barriers that Need to be Addressed

1. This FSP will provide knowledge resources, technical assistance, and financial services to support urban strategic planning processes and implementation efforts in the Greater Metropolitan Area of El Salvador (AMSS, by its Spanish acronym), with the aim of supporting a low-emission path for sustainable development. The project will bring about opportunities for greater efficiency, integrated planning, and increasing returns on low emission public investments, specifically in Transport Oriented Development (TOD) and energy efficiency, in the most highly populated urban region of Central America.
2. In the context of rising populations in Central America's main urban centres, links must be established between sustainable resource use, good governance, economic growth and competitive strategies to change the current urban development paradigm and achieve sustainable human development, alleviate poverty, increase citizen security, and address climate change challenges. As a matter of fact, El Salvador has the highest homicide rate in Latin America (58 per 100,000 inhabitants), with the public transport sector as one of the most affected by delinquency, extortion, and crime carried out by well-organized gang structures; a perennial situation that has historically contributed to a mass migration to the United States. An integrated governance framework for planning, design, and implementing urban investments will support good practices across sectors and link local needs with global environmental concerns.
3. El Salvador is politically divided into 262 municipalities. The AMSS contains 14 municipalities agglomerated into one single urban block<sup>2</sup>, which concentrates 90% of the country's economic output and poses different levels of organization. Thus, municipalities are responsible for the planning, design, financing, implementation, and maintenance of some public services and are also responsible for compliance with national regulations at the local level, such as management of downtown local traffic.
4. While only three municipalities (San Salvador, Santa Tecla, and Antigua Cuscatlán) enjoy a higher level of development, less vulnerability and more competitiveness, the other eleven mainly provide the workforce required by the neighboring municipalities. On the financial front, the situation for the municipal regimen in El Salvador has always been stressful. This is due to the fact that they are not allowed, by law, to increase their revenues with a suitable tax structure, for instance, there is no municipal property tax, which in turn, limits in many ways their budget availability to carry out long term planning and sustainable actions. In this regard, municipal budget deficits are partially covered by the allocation of direct transfers from the national budget through the El Salvadorian Fund for Municipal Development (FODES, for its Spanish acronym) that in 2015, just for these 14 metropolitan municipalities, was on the order of USD32 million, giving priority to financing basic services and public safety.

<sup>2</sup> Please, refer to Section 2 (Stakeholders – Metropolitan municipalities) for their respective names.

5. Of the 6.3 million people that live in El Salvador, the San Salvador Metropolitan Area –where the capital city is located– has a population of 2.1 million inhabitants in only 3% of the national territory, the highest urban density in Central America (2,500 inhabitants/km<sup>2</sup>). Expected population growth by 2030 will be about 7 million and, coupled with the rapid urbanization it has experienced over the past 30 years (1980: 44%, 2010: 64%), it is clearly subject to the global drivers for environmental degradation identified in the GEF 2020 Strategy. As reported by the Human Development Index, in 2014 this country ranked 116<sup>th</sup> in the category of Medium Human Development. The main economic activities and provision of services in this region consist of housing, commercial services, education facilities, banking, business headquartering, and industrial manufacturing, where the maquila sector and informal economic activities also play a very important role for supporting local employment.
6. Micro, small and medium enterprises (SMEs) play a key role in the overall economic context since they share 96% in the overall entrepreneurial structure in the country (between 1 and 50 workers), of which most are micro enterprises (between 1 and 10 workers) dedicated to subsistence in the informal sector, mainly in transport, commerce, and food processing activities. Currently, El Salvador faces a major social challenge with the unemployment rate, which in 2014 reached 6% of the active economic population, a social issue that demands innovative forms of creating new sources of employment in order to reduce the desire to migrate to the USA or to mitigate the incorporation of this segment of the population into crime gangs, especially for youths where 1 out of 4 is unemployed. A good example of how SMEs can be strengthened in the urban transport sector is the limited use of the popular motorized rickshaw running on LPG as a means of neighborhood transportation, due in part to the lack of an appropriate funding mechanism in place to attract the interest of local SMEs and the insecurity prevailing in many urban neighborhoods.
7. As the AMSS has evolved into a compact metropolitan region it has faced the same problems experienced by the other Central American metropolitan cities with similar growth patterns. Their development has been unstructured rather than planned, and investment in key infrastructure and services has lagged. In transport, rapid, unplanned urban expansion has resulted in an unsustainable transport system that is contributing to the city's increased traffic congestion and air pollution, rather than providing a more enduring solution. Problems include massive urbanization, poor urban infrastructure, deprived public transportation services and increased private vehicle ownership, which in turn, make the transport sector responsible for 50% of total CO<sub>2</sub> emissions.
8. For urban policy development, the municipalities interact through the Council of Mayors (COAMSS) whose planning body is the Technical Planning Office (OPAMSS). Historically, a key limitation in this institutional setup is that most important decisions at the national level are often undertaken independently by different institutions without integrating the municipal level or the role of OPAMSS in seeking sector-based solutions led by large national institutions; meanwhile, each municipality has its own responsibility and planning objectives at the local level, missing out on cost-effective, cross-sectoral opportunities for urban development, under a harmonized low-emission sustainable planning framework.
9. One example is the newly established Integrated Metropolitan Public Traffic System of San Salvador (SITRAMSS, for its Spanish acronym) that in the first phase has started operations without looking at the implications of the limited capacity of the existing street system along its path in the adjacent streets, creating more traffic congestion. Outside the SITRAMSS, the main urban centres are potentially unsafe at night, prone to accidents and assaults, as are the streets connecting to the main roads that will run through disadvantaged districts. As the statistical data of the National Association of the Private Sector (ANEP, for its Spanish acronym) on total robberies reported in 2015 show, 20% occur inside the buses and 7.5% at the bus stop and the surroundings, where women and children are the most affected by violence and sexual harassment, hence, an improved corridor and its feeder route system together with TOD projects and measures is essential.
10. Specifically, San Salvador's metropolitan road system handles approximately 400,000 vehicles per day (42% of the national flow) and consumes 40% of total fuel. Approximately 80% of the AMSS population uses the city's public bus system daily since only 24% of the municipal inhabitants work in their own community. The bus and mini-bus transportation system is made up of a fleet of 4,600 units (42% of the national fleet with an average lifespan of 14 years), operated by the private sector under concession by the Government of El Salvador (GoES), however, with minimum regulation and poor mechanical maintenance characterized by very excessive gas emissions. With few dedicated bus lanes, slow-moving buses contribute to the high concentration of air pollution (the 51% of the PM10 emissions are due to public transport, even though that in percentage public transport vehicles represent only the 2.5% of the entire national fleet), poor safety and traffic problems for metropolitan residents, leading to a vicious circle in

which many people prefer private vehicles to public transportation thereby creating even more traffic congestion, increased travel times, and more greenhouse gas emissions.

11. As a national policy, El Salvador has in recent years enacted a group of eight mandatory norms for energy efficiency, known as NSO standards, including minimum energy performance indicators for energy consumption, information labelling, and testing methods for commercially driven technologies such as lighting systems, air conditioners, refrigeration units, and electrical motors. However, current implementation of this policy does not cover a comprehensive public-procurement practice at the municipal level for the acquisition of more energy-efficient technologies that is coherent with the Procurement and Contracting Law for Public Administration (known as LAPAC Law for its Spanish acronym) due to the lack of capacity and knowledge for this specific energy policy in the municipal management staff. As a result, low-carbon investments are rarely assessed within municipal public spending plans, and hence experience with such investments is very limited, for instance, by opting for cheaper inefficient public lighting systems, rather than incorporating the annual fuel bill into the life-cycle cost analysis.
12. Investments in more efficient energy use in the existing municipal facilities has also lagged, resulting in a loss of at least 30% of efficiency through the intensive use of air conditioning units and inefficient indoor lighting systems. There are about 75 municipal buildings in the entire AMSS that have the potential to reduce their electricity consumption while improving staff comfort, creating a better space environment for visitors, and serving as an energy-efficiency showcase for community dwellers; which represents an underdeveloped potential for energy savings due to these end-uses of at least 2.8 GWh per year.
13. The Second National Communication (2013) indicates that El Salvador's GHG emissions were 9.35 million tCO<sub>2</sub> in 2005. Total energy consumption was responsible for 5.62 million tCO<sub>2</sub>eq. of which 2.46 million tCO<sub>2</sub> were from transport, 2.63 million tCO<sub>2</sub> from industry and power generation, and the remainder from residential, public and commercial sectors. El Salvador's power generation (1537 MW of installed capacity in 2013) is based on fossil fuels (49%) as well as hydropower (31%); geothermal (27%); and biomass (7%).
14. The AMSS, as for other Central American metropolitan regions, has been harshly affected by natural disasters. In 2011, for instance, El Salvador was severely affected by Tropical Depression 12E which resulted in the loss of about USD902 million, almost 4% of the country's GDP in only 10 days, due to impacts on infrastructure, mainly the road system, and on the urban scenery. Vulnerability to climate change has increased due to rapid urbanization that has transformed the urban setting in a disorganized manner with the proliferation of slums, another issue that makes it more vulnerable to recurrent natural disasters; the metropolitan region of San Salvador is one of the areas recurrently affected by landslides, floods, and frequent disruptions of the public water supply; a context that is hugely affected by its hilly landscape, active volcanoes, and seismic conditions, which pose additional challenges to sustainable transport, urban mobility, and connectivity.
15. In the context of this FSP, UNDP used a participatory approach during the preparation of this PIF to identify the following barriers that limit the potential of the AMSS to plan and implement a low-emission, climate-resilient development path that enhances the wellbeing of its urban citizens. The comprehensive analysis of the above barriers, confirming their extent, root causes and interrelationships, will be included in the Project Document at the CEO endorsement stage.

Barrier Type	Barrier Descriptions
<p><u>Institutional:</u></p> <p><i>Lack of coordination between national policymakers and municipal agencies to implement low-emission public policies in the AMSS.</i></p>	<ul style="list-style-type: none"> <li>• Public investments in transport are often undertaken independently by different institutions at the national level seeking sector-based solutions without the coordinated integration of the affected municipalities, resulting in major inefficiencies and overlapping of the allocation of public budgets.</li> <li>• Lack of institutional capacity, both at the national and municipal levels, to mainstream climate change into urban development, for instance, increasing traffic congestion on connecting streets due to the operation of the first phase of the BRT system and inevitable GHG emissions.</li> <li>• Weak performance of municipal institutions to enforce compliance with existing technical standards and labelling for electrical equipment in high demand by the municipal facilities, i.e. lighting systems and air conditioning units.</li> </ul>
<p><u>Technical:</u></p> <p><i>Lack of institutional and human capacities to develop low-emission investments in the municipal sector.</i></p>	<ul style="list-style-type: none"> <li>• Insufficient emphasis has been placed on the means through which AMSS urban citizens will access the BRT system, whether it is on foot (walkways), bicycles (paths), or public transport feeder routes, due to the lack of an integrated planning context to structure top-down decisions incorporating the municipal sector and the lack of in-house technical capacities at the municipal level.</li> <li>• Policymakers, key-administrative officers, and engineers at the municipal level lack capacity to prepare strategies, business plans for energy-efficiency, long-term investments, the use of planning tools, acquisitions and monitoring under the existing legal framework (the so-called LAPAC regulation), which enforces the procurement of “green-public goods”.</li> <li>• Lack of information, skills, and knowledge on energy-measures and urban technologies that would help create a long-term market shift in current electricity use at the municipal level.</li> <li>• Lack of properly trained energy management staff to carry out more energy-efficient public investments by the municipal sector.</li> </ul>
<p><u>Financial:</u></p> <p><i>Very limited access of market-oriented, public and private financing for low-carbon investments.</i></p>	<ul style="list-style-type: none"> <li>• Historically, public investment in key infrastructure and services, such as energy efficiency and sustainable passenger transport, has lagged, especially in the municipal sector, due to their limitation, by law, to increase their revenues with a suitable tax structure and where budget deficits depend on allocations from the central government that do not always arise on time nor are they sufficient to cover 100% of the deficit.</li> <li>• Municipalities are constrained by a lack of capital to undertake energy efficiency measures to improve their competitiveness, reduce vulnerability, and increase road safety and security in public areas.</li> <li>• Local privately-owned small and medium-size enterprises (SMEs) lack the financial capacity to access up front-capital for implementing cost-efficient energy investments at the local level without the appropriate technical assistance.</li> </ul>

16. Despite the barriers described above, the AMSS is in a development stage where some of the negative trends can be mitigated and even reversed. The GoES recognized the need for a more harmonized urban path where significant actions on transport-oriented development can contribute to improved resilience, mobility, health, and a less violent urban environment. On the other hand, the fourteen metropolitan municipalities also recognized the need to become more proactive along this path, so any means to contribute to improve the quality of life of their constituencies is welcome. In this context, the main issues the GEF project will address are twofold: one is the need to maximize synergies for planning and implementation between national and municipal decision makers to mainstream low-carbon initiatives into their investment plans to achieve global environmental benefits and improve public safety; and the other one is to cope with a critical element, reduce public budget deficits and improve capital access for municipal entities and local entrepreneurs respectively, which limit their ability to engage in developing low-carbon investments.

## II. Baseline scenario and associated baseline projects/activities

17. The FSP will build upon ongoing efforts of the Government of El Salvador (GoES) to implement its National Plan for Climate Change which aims at reducing GHG emissions to contribute to the voluntary mitigation of climate change, as well as strengthening collateral socioeconomic and environmental sustainability processes at the national level, through engagement with key ministries, other development agencies, as well as the banking system and the private sector. This project will also build on important baseline programs that are under execution and others that will be implemented in the coming years to address main urban problems. However, these baseline actions have limitations and can be enhanced to ensure the maximum delivery of global environmental benefits and boost climate change resilience.

18. From a transport standpoint, to ease traffic congestion problems, reduce air pollution and increase urban safety, the Ministry of Public Works, Transport, Housing and Urban Development (MOP) through a public-private partnership, has put forth a high-volume Bus Rapid Transportation (BRT) Corridor connecting seven hubs for metropolitan

passengers through a transversal corridor in the existing road arrangement, known as SITRAMSS. This system, once completed, will connect the Santa Tecla station in the western side with the San Martin station in the eastern side by operating an exclusive bus lane of 19 kilometres. In 2015 the authorities commissioned the first phase, which consists of an interconnection of the first three terminals (Las Americas Plaza, Civic Center, and Soyapango), with the operation of 37 new diesel buses and a length of 6.4 kilometres. About 200,000 passengers will be transported daily (approximately 5,600,000 each month) when the second phase becomes fully operational by 2025. This second phase is already in the planning stage, considering an extension of 12.6 kilometres to connect the other four terminals (Santa Tecla, Antiguo Cuscatlan, Santa Lucia, and San Martin). Once it is fully operational, this action has an associated global impact in terms of CO2 reductions of about 17,000 tons eq. per year over the current public transportation system, it will improve air quality in the AMSS by reducing the current concentrations of CO and NOx by 84%, using the year 2014 as a baseline. Data on reducing violence in the AMSS public transport system are still being analysed.

19. However, the operation of this first phase has exposed several issues: one is the lack of planning considerations for streets adjacent to the main Corridor regarding the means by which metropolitan citizens will access the BRT, whether on foot, bicycle, or public transport feeder routes, causing major traffic congestion troubles during rush hours. Another issue is the lack of coordination for its implementation at the institutional level between the leading ministry (MOP) and the involved metropolitan municipalities. This activity requires a similar level of design and implementation effort (although a much lower up-front financial investment) in order to maximize the local and global benefits of the entire BRT system.
20. To enhance energy efficiency actions, this FSP is also building upon the outcomes of previous UNDP/GEF interventions in this region. One is from the Climate Change Regional Program (PEER 2006-2011) that triggered markets for energy efficient electrical equipment in Central America's commercial and industrial sectors, particularly in the development of technical NSO standards and labels. Also, one key outcome of the UNDP/GEF MSP 'Energy Efficiency in Public Buildings (EEPB), 2011-2014' executed by the CNE, the GoES was able to implement a "National Energy Efficiency Strategy for the Governmental Sector", an ongoing program that has formulated guidelines for the procurement of goods in the public sector taking into account energy efficiency criteria in the context of the LAPAC regulation, the formation and training of Energy Efficiency Committees in large public institutions, as well as practical tools for the analysis of energy efficiency investments in public facilities, however, this strategy does not include the municipal sector. While the focus of the EEPB initiative so far is more on national-level government buildings, a significant gap exists to extend the methodologies, knowledge, learning, and role of these energy efficiency committees to the municipal buildings.
21. The EEPB initiative has paved the way to include more integrated action on energy efficiency at the ground level. This makes sense for the entire municipal sector because it can play an important role in awareness creation on energy efficiency and green development. The use of air conditioning units in municipal buildings represents 51% of total electricity consumption, while power consumption in indoor lighting systems shares 28%, and the remaining 21% is for other end-uses.
22. Another key outcome of the EEPB initiative was to raise the participation of the Japan International Cooperation Agency (JICA). This agency is advancing bilateral financial and technical assistance of USD72 million to enhance the substitution of conventional and energy inefficient technologies with more efficient ones in public sector facilities, including municipalities that comply with the mandatory NSO standards and with the procurement procedures of the aforementioned LAPAC legal framework. This financial facility, which is in the initial planning stage, will be operated by the El Salvador Development Bank (BANDESAL). As part of the due diligence, a project investment portfolio for low-carbon investments in the municipal sector and a search for opportunities to strengthen the role of the SME sector still need to be structured.
23. In Central America, UNDP has also had a successful track record in the creation and management of financial mechanisms for development, such as the Rural Electrification Fund, the City Urban Fund, and the Security Fund recently created for El Salvador in 2015. Another experience is the FOPESIC Fund established in Honduras in 2008 for the financing of energy efficiency projects in the industrial sector with support from GEF and ACDI. In this regard, the UNDP Country Office has already established institutional links with CNE, BANDESAL, and JICA under their program on sustainable energy (2013-2017), to participate in the design and structuring of the governance of this long-term, financial mechanism to support an investment portfolio for energy efficiency markets in El Salvador.
24. From the urban perspective, the current Administration (2015-2019) -acknowledging the sustainable development issues that the metropolitan region faces- recently formed the Metropolitan Council for Development (CODEMET),



made up of representatives from the national government (MARN and MOP), and the Council of Majors of the AMSS (COAMSS). CODEMET –through the Ministry of Public Works- has proposed an integral plan covering major development challenges. This Plan includes a response to financing, technology transfer, and capacity-building needs for its implementation, considering among other important challenges, the on-schedule commissioning of the second phase of the SITRAMSS and a significant component for social awareness of climate change mitigation targeting urban citizens. Along this Plan, OPAMSS is undertaking a practical model of governance for sustainable urban development called “Strengthening Participatory Processes in the Territorial Development Planning of AMSS”, which includes both a transit oriented development and energy efficiency actions. In turn, even though the current administration has launched an institutional bridge –CODEMET- to overcome the need for an integral development approach in the AMSS at both national and municipal levels, the lack of capacity is still a huge burden to effectively guaranteeing coordination and addressing endemic urban challenges faced by the AMSS region.

25. The baseline situation summarized in the table below shows that an integrated approach to planning and creating synergies between the national and municipal levels is needed to enhance multiple benefits, both locally and globally.

<b>Component</b>	<b>Business-As-Usual / Baseline Scenario</b>
<p><i>1. Enabling Framework and Capacity Development for Low-carbon Urban Environment</i></p>	<p>The Metropolitan Area of San Salvador is undertaking important baseline programs to address significant problems in urban subsectors, including climate change. However, plans and public investments to be implemented in accordance with the national development plan are usually made separately per subsector. In addition, each of the 14 municipalities independently have their own responsibilities, planning objectives, budget constraints, and very limited capacities.</p> <p>CODEMET and COAMSS are leading an effort for territorial development planning by the AMSS to enforce coordination between the national and municipal levels in order to carry out important baseline actions to address the principal problems in urban subsectors, notably transport infrastructure, violence, and budget deficits. However, ample opportunities still exist to align this ongoing activity with the National Plan for Climate Change implemented by MARN and with the EEPB initiative carried out by the CNE.</p>
	<p><i>SUBTOTAL Component 1 = \$1,032,056</i></p>
<p><i>2. Promoting Energy Efficiency Measures in the AMSS Public Transport</i></p>	<p>To ease traffic congestion problems, the authorities commissioned the first phase of the SITRAMSS; however, insufficient emphasis has been placed on transport network integration and TOD opportunities, for instance, on how passengers will access the Corridor system, whether on foot, bicycle, or improved transport feeder routes.</p> <p>The COAMSS is adopting a more proactive role for the SITRAMSS (current system and the upcoming design for the second-phase) in terms of roads connecting to the main transport corridors that will run through disadvantaged districts, as well as other TOD measures to be considered in the new metropolitan passenger hubs.</p>
	<p><i>SUBTOTAL Component 2 = \$19,000,000</i></p>
<p><i>3. Enabling an Energy-Efficient Path in the Municipal Sector</i></p>	<p>The existing EEPB program led by the CNE cooperates with national-level ministries with very satisfactory results. However, the municipal sector, which must also comply with the LAPAC regulation for the procurement of green goods has been left out as a specific target group and has lagged in the enforcement of the NSO standards for more efficient energy technologies. The CNE is committed to integrating this sector into the “National Energy Efficiency Strategy for the Governmental Sector (EEPB)” and is willing to extend its approach to integrate the AMSS municipal buildings.</p> <p>The metropolitan municipalities are willing to consider innovative financial mechanisms to replace inefficient air conditioning units and indoor lighting systems. For energy efficiency, the JICA/BANDESAL-proposed financial investment mechanism constitutes part of the project’s baseline activities and provides essential co-financing for the proposed project at an estimated amount of USD15 million.</p>
	<p><i>SUBTOTAL Component 3 = \$16,000,000</i></p>
<p><b>TOTAL = \$36,032,056</b></p>	

26. The baseline assessment show that there is an ongoing effort from policymakers to address the main issues through a portfolio of national policies and public investment projects, mainly in the transport sector. The aggregation of these initiatives results in a set of actions that are likely to create positive local and global impacts, nonetheless, since the activities are taken independently by different institutions seeking sector-based solutions; these are not coordinated and do not maximize synergies. This situation creates inefficiencies and misses opportunities for inter-sectorial

collaboration between national and municipal levels, with much less attention paid to the private sector, SMEs in particular, which an important factor in the regional economy. As a result these initiatives are unlikely to have a full transformative impact on the AMSS but they lead into this GEF project strategy.

### **III. The proposed alternative scenario; GEF focal area strategy, with a brief description of expected outcomes and components of the Project**

27. This GEF-funded/UNDP-supported intervention is geared to develop a strategic vision and an integrated implementation plan for low-emission, sustainable urban development in the AMSS. It will take action at two stages. The first one will focus on the enabling framework for a more sustainable metropolitan region by enhancing a more integrated and sustainable public transport system based on the on-going BRT system. The second stage is the incorporation of an innovative financial mechanism to support low-scale public and private investments over time that would enhance global environmental benefits and local development, including municipal progress, SME participation, the improvement of public safety, and better citizen public health through a large investment facility bridged by the GoES with financial support from an international cooperation agency as proposed in the components below.
28. **Component 1: Enabling Framework for Low-carbon Urban Environment**. The heart of this component is to develop and implement a more coherent and integrated low-emission urban development path for the AMSS, in which common goals govern policy, planning, and investment decisions. This FSP will provide a comprehensive range of advice on the issues of new public policies at the national, metropolitan, and municipal levels, focusing on Transport Oriented Development (TOD) and the rational use of energy in the municipal sector.
29. Under the leadership of CODEMET (climate change policies and centralization of the decision-making process at the national level) and OPAMSS (coordination for implementation at the municipal level), the main outcomes of Component 1 include (1.1) strengthened institutional capacities for the integrated planning and implementation of low-carbon investments in the AMSS. Related activities will be building the necessary institutional capacity for policy, planning, and implementation in order to structure an integrated strategy for low-carbon emissions for transport and energy efficiency as well as building capacity for the establishment of sustainable urban development programs and information systems in the AMSS municipal system (including TOD, energy audits, and S&L enforcement). Active participation in the overall design and launch of the CNE/JICA/BANDESAL financial mechanism will take place to support low-emission investments in the public and private sectors, for instance, the structure of a project investment portfolio from the municipal sector; for interested SMEs, this is a key output of Component 1. The scope, governance, and market conditions of this mechanism will be fully detailed at the PPG stage.
30. Another outcome (1.2), increased public awareness and monitoring on sustainable, low-carbon technologies in the urban sector, includes a media campaign for information dissemination of knowledge products on low-emission strategies (e.g. improving operations and changing the behaviour of SITRAMSS passengers and municipal building occupants). Based on geospatial data gathering and analysis, local governments will validate with their local urban citizens the implementation of municipal policies and investment plans, as part of the integrated metropolitan management strategy in order to tailor solutions to the context of each urban municipality. To promote replication of low-emission public investments in municipalities outside the AMSS as well as information dissemination with Central American main urban centres is another output of this Component.
31. Through Component 1, this project will also link with the GEF-supported Global Platform for Sustainable Cities Integrated Approach Program. Although the project is not a child project of this Pilot program, it will commit project funding to engage in the Global Platform's policy dialogues and benefit from the technical assistance provided by the program on integrated solutions regarding transport, energy, vulnerability, and other issues of relevance to the global environment. The specific services to be requested will be defined during the PPG phase, whose timing will coincide with the establishment and launch of the Global Knowledge Platform. However, a key set of innovative tools and common metrics -key indicators to ensure global environmental benefits delivery- for measurement, reporting, and verification (MRV) of the sustainability of the proposed and implemented measures will need to be developed, incorporated, and tracked, including but not limited to: energy consumption, urban resilience, and greenhouse gas emission reductions.
32. **Component 2: Promoting Energy Efficiency Measures in AMSS Public Transport**. The core of this component is the reduction of GHG emissions from public transport resulting from the implementation of low-carbon, cost-effective measures. UNDP/GEF will assist the preparation of a Transit Oriented Development (TOD) approach. It includes an assessment of issues, options and resource needs in AMSS urban cities, which will be carried out with an emphasis on

the public transport in district linkages with main roads and the SITRAMSS Corridor for both the existing operation (phase 1) and the one to be designed (phase 2).

33. The first activities of this component –as sub-elements of the integrated planning strategy- are to develop an integrated and resilient transport plan that includes existing municipal zonal and transport planning in order to improve connections with the SITRAMSS Corridor and promote low-carbon transportation in the participating municipalities following TOD principles promoted by the GEF GP-SCI. The quality of accessing routes to the SITRAMSS system can be improved with walkways and bicycle path options, making use of native vegetation that connects with green areas and with low-cost municipal transport measures. The precise infrastructural works will be defined in the PPG phase.
34. The activities planned under this component are also used to help AMSS cities achieve local benefits following the principles being planned by OPAMSS under the aforementioned participatory process to strengthen AMSS territorial development planning, and measure progress against a common baseline. This enhancement of the SITRAMSS overall system has the opportunity to carry out investments to be low-carbon oriented and to have positive impacts on improving public safety in accessing the system, addressing gender considerations for women as they are particularly vulnerable, and contributing to increasing metropolitan climate resilience.
35. The lead on this component will be MOP (transport) and COAMSS (coordination at the municipal level). Two key outcomes include: First (2.1), the enhancement of sustainable urban transportation plans with two outputs, the first of which includes an integrated sustainable and resilient transport plan for the AMSS incorporating the institutional arrangements between national and municipal levels, strengthening public transport systems at the municipal level and community-level safety standards, and improving public safety in accessing the three hubs of Phase 1 of the BRT system already in operation (Las Americas Plaza, Civic Center, and Soyapango). The second output is to develop a portfolio of low-carbon, climate resilient investments to increase mobility along the whole BRT corridor, also considering the scheduled design of Phase 2 of the SITRAMSS hubs (Santa Tecla, Antiguo Cuscatlan, Santa Lucia and San Martin), with TOD projects such as traffic management projects and traffic management measures.
36. The second outcome (2.2) of the enhanced SITRAMSS BRT Corridor through low-carbon complementary investments, will support the financing of climate resilience investments through the financial mechanism, based on the preparation of the TOD investment portfolio mentioned above. At the local level, strengthening of small-scale traffic infrastructure and public transport systems (public bus management), and improvement of safe community and living standards (optimized local bus lines, traffic management measures, bicycle and pedestrian paths), will be also prepared and implemented. The size of these investments will be indicated at the PPG stage, however, it is expected that direct allocations from co-investors will vary between USD500k and USD3 million, depending on the specific TOD measure to be executed.
37. **Component 3: Enabling an Energy-Efficient Path in the Municipal Sector.** While the focus of the ongoing program under the leadership of the National Energy Council (CNE), the “National Energy Efficiency Strategy for the Governmental Sector (EEPB)”, has concentrated its implementation on national-level government institutions only, there is both a need and political will to extend the methodologies and the formation of energy efficiency committees to the lower levels of government (municipal buildings). This makes sense as there are 262 municipalities in the country that need to become more sustainable; these can play an important role in awareness creation on energy efficiency, green development, climate change mitigation, and increased municipal revenues.
38. This component will be coordinated by the CNE (S&L, green procurement of public goods) in close collaboration with COAMSS (municipal buildings and street lighting), since commitments by the metropolitan municipalities are crucial; changes in their current practices can also contribute to future GHG emissions for their constituencies, for instance, lighting systems and air conditioners are widely used in existing municipal buildings so that the enforcement of existing S&L for these technologies can lead to stronger market development and to implementation of construction codes in the future.
39. Key outcomes of Component 3 will be to enhance low-carbon infrastructure for municipalities and energy efficiency plans and support measures in municipal facilities. The expected outcome (3.1) is geared toward strengthening the efforts that El Salvador has achieved regarding S&L practices, integrating, as a national policy, the need to also prepare mandatory S&L for air conditioning units and efficient lighting systems used in municipal facilities. This outcome will also consider activities to expand to the municipal sector the methodologies and tools developed and experiences grounded in the UNDP/GEF EEPB Initiative. While these were initially focused on national government entities, this

GEF initiative will support expansion and replication in the AMSS municipalities. This implies that Energy Efficiency Committees will be set up in municipal offices to carry out energy audits, develop energy efficiency investment plans, monitor savings, as well as collect and feed data into an integral energy information system for the municipal sector.

40. Another outcome (3.2) will support the financing of low-carbon investments through the financial mechanism bearing in mind the existing LAPAC regulation; including the procurement of more efficient technologies mainly for lighting and air conditioning systems. The size of these investments will be indicated at the PPG stage, however, it is expected that direct allocations from co-investors will vary between USD15k and USD300k, depending on the specific energy conservation measure to be implemented.

#### IV. 1.4 Incremental cost reasoning and expected contributions from the baseline and co-financing

41. While providing entry points for this FSP, the baseline actions are sustaining an access approach to enhance a low emission urban path in the Greater Metropolitan Area of San Salvador. An integrated planning system approach consists of the identification of the existing working niches between good leadership in the central government (MARN, MOP, CNE and CODEMET) and long-term planning and implementation (COAMSS and the 14 AMSS municipalities), enhancement of opportunities for complementarity, avoidance of duplication and definition of leadership in each of the incremental activities to be implemented by this FSP.

42. Component 1 will provide the political and planning context to structure top-down decisions incorporating the municipal sector, in order to harmonize a region’s ability to integrate investments in low-emission initiatives and measure progress against a common baseline with geospatial data, indicators, and good practice tools. Even though this project is not a child project of the GEF GP-SCI, it incorporates elements of this initiative and is eager to actively participate with knowledge exchange. This approach also provides the means to better mobilize SME participation, provide ongoing communication with metropolitan citizens, and promote information sharing with other metropolitan regions in Central America.

43. Components 2 and 3 take on-the-ground action to address the critical issues within the AMSS, optimizing key baseline programs and delivering solutions to global environment challenges in a cost-effective way. This includes improving the transport system with TOD measures and better governance of the municipalities through energy efficiency opportunities that in turn, will contribute to GHG reduction, greater resilience, public safety, and more competitiveness. While these interventions will be at the sector level (transport and energy), their interconnection with the 14 AMSS municipalities offers substantial opportunities for reaching cross-sectoral benefits and providing inputs and guidance to the integrated system approach for sustainable mobility, improved connectivity, and a more resilient metropolitan region.

44. FSP activities are expected to result in the following incremental outcomes with GEF grant support to the baseline:

Component	GEF-supported alternative
<p><i>1. Enabling Framework for Low-carbon Urban Environment</i></p>	<p>The GEF-supported intervention will develop an “Integrated Institutional Framework” for low-carbon urban development in the AMSS, by strengthening the capacities of policy makers and urban municipal staff under the political guidance of CODEMET. This will be implemented in close coordination with the participatory process currently developed by COAMSS, ensuring harmonization among national and urban municipalities, and involving a partnership between the public and the private sectors (SMEs) to carry out small-scale, low-carbon emission investments in the transport and energy sectors.</p> <p>To support this action over the long-run, a financing mechanism will be engaged during the execution of the 4-year FSP, supported by the structure of an investment portfolio for low-emission transport and energy efficiency investments.</p>
<p><b>\$1,782,291</b></p>	<p><i>SUBTOTAL Component 1 = Cofinancing (\$1,032,055) + GEF (\$750,236)</i></p>
<p><i>2. Promoting Energy Efficiency Measures in AMSS Public Transport</i></p>	<p>TOD measures, as a key element of the integrated planning strategy, will catalyse access to additional finance by the 14 municipalities that make up the Greater Metropolitan Area of San Salvador, and help demonstrate the commercial viability and cost-effectiveness of small-scale, low-carbon investments for different types of interventions region-wide, for instance, last-mile connections, promote public transport and walkways in order to reduce transport mobility time.</p> <p>The successful implementation of investments in local towns connecting the SITRAMSS Corridor as well as in the municipal public transportation system leads to the replication of energy efficiency transit measures across the country, which translates into: (a) increased fuel bill savings, (b) reduced</p>

	GHG emissions; (c) improved small/medium-size enterprise competitiveness; (d) mitigating unemployment; and (e) improved public safety.
<b>\$20,091,301</b>	<i>SUBTOTAL Component 2 = Cofinancing (\$19,000,000) + GEF (\$1,091,301)</i>
<i>3. Enabling an Energy-Efficient Path in the Municipal Sector</i>	<p>Energy efficiency investments, best practices and lessons learned at the AMSS municipal level will contribute to the enforcement of mandatory NSO standards and labels for electrical equipment (lighting systems and air conditioners) for the municipal sector in accordance with the existing procurement context of the public sector in El Salvador (LAPAC regulation) and in tune with the EEPB national program.</p> <p>In addition to the observance of the mandatory S&amp;L provisions, the execution of investments during the FSP adopting the financial mechanism will also lead to (a) increased electricity savings, (b) reduced GHG emissions; (c) reduced high municipal electricity bills; (d) improved public safety; and (e) replication of the practice of “learning-by-doing” for other municipalities at the national level.</p>
<b>\$16,463,747</b>	<i>SUBTOTAL Component 3 = Cofinancing (\$16,000,000) + GEF (\$463,747)</i>

## V. Global Environment Benefits

45. This FSP is expected to yield direct emission reduction benefits of 168,000 tCO<sub>2</sub> (of initiatives directly supported during the execution of the FSP). The implementation of project institutional strengthening and capacity building activities should also trigger additional investments that will lead to an indirect emission reduction of about 482,000 tCO<sub>2</sub>.
46. The GHG benefits resulting from the implementation of a more energy-efficient path in the municipal sector has an estimated mitigation potential of about 300,000 tCO<sub>2</sub> (both direct and indirect) over a 10-year period, due to the implementation of technological changes to replace inefficient electrical equipment with more efficient devices, such as indoor lighting systems and air conditioners, complemented by the execution of end-use best practices. In addition, global benefits in the metropolitan transport sector shows a preliminary calculation of 350,000 tCO<sub>2</sub> over a 20-year lifespan (both direct and indirect), using the GEF project-based methodology for calculating GHG emission reductions from transport projects. A full estimation of direct and indirect emission reduction benefits will be confirmed during the project preparation stage of this proposal.

## VI. Innovation, sustainability and potential for scaling up

47. While this project is on climate change, the three components are innovative and lead to promote project sustainability since they are focused on the medium and long term. The project aims to introduce innovative ways of national policy planning, increasing municipal revenues, financing, and implementing projects in transport and energy efficiency to ensure alignment with an integrated development approach for the AMSS. While Component 1 will ensure that the benefits derived from integrated planning are mainstreamed into the AMSS’s decision making process, Components 2 and 3 will deliver direct benefits within the FSP lifetime.
48. Specifically, the innovative approach of this particular FSP lies first of all in the fact that it creates an integral approach linking national policymakers (MARN, MOP, and CNE) with local authorities and municipal professionals in the participating municipalities, national and local CSOs and private sector entities. Second, the project will create, train and support groups at the local governmental level that look at energy use and consumption in their public offices and will integrate a less-intensive energy path in their work planning following the establishment of the Energy Efficiency Committees; and thirdly, it incorporates private sector stakeholders. The foreseen targeting of SMEs offering a variety of public services in the urban region –mainly in the transport sector- financed by the proposed mechanism to increase financial flows is an unprecedented effort in El Salvador to mainstream this important sector of the economy into the integrated planning approach, contributing to inclusiveness and competitiveness.
49. In terms of sustainability, the development of an integrated implementation plan for low-emission, sustainable urban development in the AMSS as a mechanism to leverage cost-efficient investments and increase financial flows that does not focus solely on large sectorial interventions with large capital access, or show ongoing dependence on national budget allocations, will help urban-metropolitan municipalities understand and scale-up financing for their own implementation of public investments. And although this project is about climate change mitigation, it also fosters enabling conditions to mainstream climate resilience in all investments and the above-mentioned integrated planning approach.

50. Combining good management practices with innovative partnerships between government, local business and citizens, can lead to rapid progress. Over time, it is possible to implement a mix of policies and urban technologies to promote a more decent standard of living (security, jobs, and income) in ways that are efficient, sustainable, and equitable. In addition, the savings generated by integrated resource use can be utilized in several ways to be determined by municipal authorities and the national policymakers. In principle, annual savings of the electricity bill could help increase municipal revenues to finance the infrastructure and policy changes needed to lower the cost of public services to consumers and to mobilize fresh funding to support social programs. Such a strategy would not only establish a clearer link between more efficient resource consumption and social development, it would also prove to be politically attractive. With more equitable, transparent use of local resources, local governments can strengthen local finances, democracy, and a sense of community ownership.
51. The potential for scaling-up is primarily linked to benefits with significant climate change mitigation potential (energy savings performance contracts, operating cost savings, job creation) that the whole municipal sector in El Salvador will realize; and it will also provide lessons for the other main urban cities of San Miguel and Metapan displaying similar vulnerabilities. If managed well, this project could become a driver of sustainable development while addressing low-emission development needs in the densest urban centres of Central America. Since other major cities share similar challenges, this FSP will create innovative tools and a knowledge learning path to help other Central American metropolitan centres become more resilient towards climate change, violence, and sustainable development.
52. The project will be also linked to the GEF supported Global Platform for Sustainable Cities Integrated Approach Program that will further strengthen the project’s replication potential. Urbanization and development challenges faced by the AMSS and the integrated approach proposed by the project can provide feedback to GEF and other partners of a sustainable urban management model for cities with populations of a few million that have huge vulnerabilities to climate change and social issues.

## STAKEHOLDERS

53. The FSP design will be guided by national public institutions responsible for implementation which are listed below. During project design the private sector, donor and financial partners, and civil society organizations will be invited to participate in preparatory activities to define the scope of specific project components such as capacity building activities, governance and market conditions for the financial mechanism, TOD approach, and also to provide inputs on the overall FSP design. During meetings, workshops, and consultations, the role of civil society in project implementation will also be further detailed. Civil society in this case will be mainly represented through national-level NGOs and CSOs that are involved in related socioeconomic issues in the AMSS as well as SMEs through the private sector associations, among others.
54. The project will be executed by MARN in close collaboration with MOP and CNE named as the main responsible implementing parties, political guidance from CODEMET, planning and coordination from OPAMSS, implementation

Type	Stakeholders	Expected Roles
Public sector	MARN	As the Secretariat for Natural Resources and Environment in charge of regulating environmental matters, it is the public sector leading the national policy on climate change. It is also the national interface with the GEF, as it hosts the country’s focal points. During the PPG stage it will ensure that FSP documentation responds to national goals.
	MOP	The Vice-Ministry of Transport, which is under the Ministry of Public Works, Transport, Housing and Urban Development, is in charge of policies, regulations and technical norms for transport; it has led several public initiatives to improve overall efficiency in the transport sector, participating as the main public partner in the SITRAMSS Corridor.
	CNE	The National Energy Council is the leading public entity in charge of implementing national policies on energy efficiency. Thus, it is expected to champion the UNDP/GEF intervention from the PPG stage onwards, and it will lead the overall design with MARN and MOP. Political guidance, lessons learned and best practices from the EEPB ongoing initiative will also help develop a significant intervention in the municipal system.
	CODEMET	The Metropolitan Council for Development is made up of ministries from MARN and MOP, and by the Executive Directors of CNE, COAMSS, and SITRAMSS. It represents the maximum level in order to coordinate efforts to address endemic problems of the AMSS, to integrate metropolitan urban planning, and facilitate public budget investment for this region.
	COAMSS	The Council of Majors of the Metropolitan Area of San Salvador is a public agency made up of 14 urban municipalities responsible for the provision of public services including strategic planning,

		capacity building, and technical assistance for improving urban development and enhancing conditions for a more resilient region. Currently, this Council has asked its planning office to prepare the “Strengthening Participatory Processes in the Territorial Development Planning of AMSS”, which will provide significant political guidance for the final FSP design.
	OPAMSS	The Technical Planning Office of the Metropolitan Area of San Salvador is an agency subordinated to COAMSS. It is made up of qualified technical personnel with direct access to all 14 metropolitan municipalities to coordinate planning and implementation at the local level.
	Metropolitan municipalities	The AMSS is made up of 14 municipalities. The most urbanized are San Salvador, Santa Tecla, and Antigua Cuscatlán while the most densely populated is Soyapango which provides most of the workforce. The others are Ilopango, Mejicanos, Nejapa, Apopa, San Marcos, Cuscantancingo, Tonacatepeque, Delgado, Ayutuxtepeque, and San Martín.
	SITRAMSS	The Integrated Metropolitan Public Traffic System is a public-private partnership to enhance public passenger transportation through a transversal BRT urban corridor made up of seven major hubs, of which three are already built (phase1) and four are in the planning stage (phase 2).
<i>Donor partners</i>	UNDP	The GEF agency that will provide implementation oversight, project assurance and support, in addition to co-financing. It will ensure FSP documentation is completed on schedule.
	JICA	The Japan International Cooperation Agency catalyses technical assistance and long-term financing with a soft loan of USD72 million through the National Development Bank (BANDESAL), by setting up a financial mechanism for TOD and energy efficiency investments in the public and private sectors.
<i>Private sector</i>	BANDESAL	The El Salvador Development Bank is a state-owned and privately-managed financial entity that is participating with JICA and CNE in the preparation of a large soft loan to finance EE investments for both public and private sectors, as an outcome of the former UNDP/GEF EEPB project. In the light of this FSP, the active role of BANDESAL is anticipated in structuring lending operations and technical assistance to support investments on: more efficient lighting systems for public buildings, replacement of inefficient air conditioning systems, and implementation of TOD measures.
	Power distribution companies	Under the regulation of the General Superintendence of Electricity (SIGET), there are eight private utilities in charge of power distribution operating in El Salvador, where four of these that dominate the market are operating in the AMSS.
	SMEs	Micro, small, and medium enterprises comprise a very broad sector, both formal and informal; some of them are already members of the national private chambers, such as the National Chamber of Industry and Commerce (CSO). This organization will serve as the link between its membership and those SMEs interested in the core business of this FSP during project preparation and its implementation, thereby encouraging their participation during the project implementation.

55. UNDP has discussed the outline of the proposed project components with the stakeholders that are considered to be highly relevant to the current urban context. Considering the need to integrate ongoing national initiatives with a variety of challenges faced at the municipal level, an inter-institutional committee will be established during PPG formulation so as to ensure adequate coordination of the proposed activities and timely decision-making at the highest institutional levels per each party’s specific expertise, area of work, and co-finance. At the very least, this committee shall consist of representatives from MARN, MOP, and CNE on behalf of the central government, and COAMSS on behalf of the urban municipalities, plus other representatives from BANDESAL, JICA, the National Chamber of Industry and Commerce, will also be invited to join this Committee.

## ***GENDER EQUALITY AND WOMEN’S EMPOWERMENT***

56. Under its three components this FSP will do its utmost to ensure gender equality and women’s empowerment for the overall planning and execution of the activities that encompass awareness-raising, capacity-building and training. For El Salvador, a very important point is the violence against women in the public transport system. The statistical data gathered by ANEP, as mentioned before, shows that the most affected users of public transport are women, girls, and elderly women who suffer sexual harassment either inside the vehicle, at the bus stop, or in its surroundings. Furthermore, in daily life, metropolitan urban citizens are continuously exposed to exhaust gases resulting from congested traffic where the 51% emissions are due to public transport, producing undesired impacts on human health.

57. From the gender perspective, increased mobility and accessibility also have positive impacts on women and children because these increase their safety and comfort at night, especially for those women living in marginal housing neighbourhoods since they are the most vulnerable to violence, robbery, and sexual harassment.

## ***RISKS***

58. The approach set forth for this FSP faces several inherent risks. Particular attention will be paid to at least the following three kinds of risks during its preparation:

<b>Risk</b>	<b>Rating</b>	<b>Mitigation Measures</b>
<p><i>Political</i></p> <p>Changes in public sector representatives (at technical and political levels) affect project design, implementation, and the adoption of the proposed integrated approach.</p>	Medium	<p>The FSP will develop institutional mechanisms at national and municipal levels under the highest political umbrella of CODEMET, for coordinated planning and budgeting across sectors involving multiple stakeholders; these are expected to withstand changes in individuals, as well as political shifts.</p> <p>Furthermore, a strong FSP Management Unit will be put in place to ensure adequate coordination among all institutions and stakeholders, with clearly defined roles and responsibilities and decision-making channels.</p>
<p><i>Financial</i></p> <p>Low levels of motivation from municipal policymakers to implement further low-carbon investments after the project is completed.</p>	Low	<p>During the PPG design stage, it shall be ensured that the mechanism for financing low-carbon urban investments clearly adapts to capital needs of the target sectors, based on the structure of an investment portfolio prepared and validated with the project's stakeholders under Outcome 2.1 and implemented under Outcomes 2.2 and 3.2.</p>
<p><i>Technical</i></p> <p>Construction of the 2<sup>nd</sup>. phase SITRAMSS Corridor is delayed and poor integration with the feeder routes reduces FSP impacts.</p>	Low	<p>It shall be ensured that the key stakeholders of SITRAMSS (MOP, COAMSS, and private partners) take part and effectively coordinate with the municipalities involved, e.g. through the FSP Management Unit, in order to achieve the projected urban passenger volume. Also, COAMSS has expressed high interest in learning more about TOD principles to improve mobility and accessibility, for example, the introduction of the last-mile concept.</p> <p>During the PPG design phase, it shall be ensured that representatives from COAMSS, MOP, and SITRAMSS are the same as those taking part in discussions regarding GEF-funded incremental activities so as to efficiently coordinate implementation.</p>
<p><i>Technical</i></p> <p>Delays occur in the implementation of EE measures by municipal institutions.</p>	Low	<p>Regarding EE measures in municipal buildings, the FSP will build on the awareness and momentum created by the UNDP/GEF MSP 'EE in Public Buildings' by extending methodologies, tools, and best practices to the municipal sector; this initiative has high priority for CNE and COAMSS in order to reduce the municipalities' high-electricity bills.</p> <p>In line with this policy, the FSP will facilitate appropriate training and capacity for municipal staff through the formation of energy efficiency committees at the municipal level.</p>

## COORDINATION

59. Through the Metropolitan Council for Development (CODEMET), the Ministry of Environment (MARN) will coordinate with the Vice-Ministry of Transport (MOP), the National Energy Council (CNE), and the Council of Majors (COAMSS) in tune with the National Plan for Climate Change to create the needed institutional synergy between the national policymaking level and the actions carried out by the metropolitan municipalities to enhance the conditions for a more resilient region. At the municipal level, the execution of FSP's incremental activities on energy efficiency will be closely coordinated with CNE and COAMSS.

60. During its execution, the FSP Management Unit will include a technical team that has the capacities for designing, implementing, and supervising specific technologies, determining how to fit them into an integrated decision-making framework and how to design policies so that low-carbon investments are implemented to strengthen the metropolitan economy. As part of the aforementioned integral approach, at a minimum, a "Regional Advisory Board" will need to be established to monitor progress, coordinate with local-national governments and businesses as appropriate, anticipate and solve problems before they happen, and when necessary, resolve disputes.

## CONSISTENCY WITH NATIONAL PRIORITIES

61. This FSP is directly relevant to El Salvador's development policy and national obligations as a UNFCCC party. As mentioned before, the most relevant is the National Plan for Climate Change which was prepared and is implemented in line with the El Salvador National Communication of 2013. Moreover, the Five Year National Development Plan



(2015-2019) of the current administration sets environmental goals to promote energy efficiency and reduce current emissions from the transport (2.46 million tCO<sub>2</sub>), industry and power sectors (2.63 million tCO<sub>2</sub>), while achieving economic and social benefits from lower carbon development and increasing the country's economic competitiveness.

62. The FSP is consistent with the long-term National Environmental Policy (effective since 2005) and will contribute to the implementation of the central government's National Development Plan 2014-2030 which promotes, as a general strategy, urban development that results in better quality of life and optimizes resources and services based on adequate zoning and territorial articulation between public and private sectors.

63. The project is aligned with the model of governance for sustainable urban development called "Strengthening Participatory Processes in the Territorial Development Planning of AMSS", developed by OPAMSS, which includes both transit-oriented development and energy efficiency actions. It is also consistent with sectorial plans that include a Strategic Framework for the largest municipal entity, the Municipality of San Salvador. It will also build on support for the ongoing SITRAMSS development plan that will be completed by late 2025.

### **KNOWLEDGE MANAGEMENT**

64. The experience to be gained by this FSP in AMSS urban planning and climate change will provide three-fold knowledge management. First, even though it is not part of the Sustainable Cities Integrated Approach Program (SC-IAP), through UNDP and its role in the Asuncion Green City of the Americas Project in Paraguay, this project will look for synergies. It will also take advantage of the learning process gained in the framework of the GEF Global Platform to facilitate information exchange and knowledge sharing; a common feature of these two initiatives to be implemented by UNDP is the existing operation of a BRT system. In return, the AMSS offers the knowledge gained by a small metropolitan region with the other pilot cities that have been struggling with small but very complex challenges, like the highly-delicate issues on urban citizen's security and climate change vulnerability.

65. Secondly, it also creates a space to exchange lessons learned for public awareness and information outreach, as a key output of Component 1. At the national level, it will provide guiding principles for long term engagement of policy makers as well as peer-to-peer learning for other urban cities in El Salvador (San Miguel and Metapan), on issues related to TOD and energy efficiency, and thirdly,

66. In the regional context, it presents an opportunity for UNDP and GEF to facilitate the transfer of knowledge to the other six, fast-growing Central American main metropolitan centres already addressing the same urban environmental degradation. It provides innovative approaches to help a metropolitan municipal system become more resilient and a demonstration on how to integrate climate change into more sustainable urban planning, and a cost-effective demonstration on how to translate knowledge into investments.

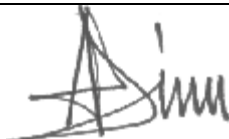
### **PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT AND GEF AGENCY**

#### **A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT ON BEHALF OF THE GOVERNMENT:**

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
MR. Walter Gonzalez	GEF Operational Focal Point	Ministry of Environment and Natural Resources	03/08/2017

#### **B. GEF AGENCY CERTIFICATION**

**This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation under GEF-6.**

Agency Coordinator, Agency name	Signature	Date (MM/dd/yyyy)	Project Contact Person	Telephone	Email
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