



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 22-Nov-2022 | Report No: PIDC34084

**BASIC INFORMATION****A. Basic Project Data**

Country El Salvador	Project ID P178720	Parent Project ID (if any)	Project Name El Salvador Resilient Transport and Infrastructure Project (P178720)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jul 27, 2023	Estimated Board Date Sep 28, 2023	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Republic of El Salvador	Implementing Agency MInistry of Public Works and Transport	

Proposed Development Objective(s)

The Project Development Objectives (PDO) are to (i) strengthen climate-resilient connectivity in selected rural areas and economic corridors, and (ii) enhance climate resilience of selected poor urban areas.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	400.00
Total Financing	400.00
of which IBRD/IDA	400.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	400.00
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Environmental and Social Risk Classification
Substantial

Concept Review Decision
Track II-The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. El Salvador has recently experienced a sharp deterioration in its fiscal deficit, compromising its path to inclusive and sustainable recovery.** With an annual GDP growth averaged at 2.4 percent between 2012 to 2019, El Salvador had a modest yet stable growth before the COVID-19 pandemic. During that time, the official poverty rate decreased from 34.5 percent in 2012 to 22.8 in 2019.¹ At the same time, inflation fell (0.1 percent in 2019) and the current account balance improved (it was positive for the first time since 1988 in 2020).² However, between 2019 and 2021 the level of total reserves decreased from US\$ 4.45 billion to US\$3.43, and the fiscal sustainability worsened, a trend that was magnified by the COVID-19 crisis.
- 2. The COVID-19 pandemic was a major blow to economic growth, as GDP declined by 7.9 percent in 2020, and it had a - negative impact on people's lives.** The poverty rate increased by 4.6 percent between 2019 and 2020, due to the interruption of labor income, especially considering that 56% of the labor force works in informal conditions (IDB 2020, World Bank, 2020).³ Inequality (Gini index) is estimated to have increased from 0.38 to 0.39. Moreover, the fiscal deficit has reached levels that have started to compromise the medium-term sustainability of development and growth plans (16.8 percent of GDP in 2021).⁴ Although in 2021, economic growth rebounded by 10.2 percent, supported by remittance-fueled consumption and exports, El Salvador's recovery is likely to slow due to the growing deficit with the economy expected to grow by 2.4 percent in 2022 and just 2 percent in 2023.
- 3. The country is also strongly marked by inequalities between urban and rural areas, reflected by notable gaps in access to public services.** El Salvador has experienced a decline in poverty and inequality since 2012, but the COVID-19 crisis has reversed hard-won gains, especially in rural areas. The urban-rural disparity is accentuated by wide gaps in the quality and reliability of available infrastructure and access to public services (see Section B). A lack of adequate roads exacerbates the rural population's inequal access to markets, jobs, and services.^{5,6} Poverty is also much higher in rural areas (41.2 vs. 13.5 percent), as is exposure to disasters and climate shocks. These vulnerabilities will remain unless critical without reforms to tackle development constraints, improved access to economic opportunities and instruments to mitigate natural hazards.

Sectoral and Institutional Context

- 4. El Salvador's social and economic development is strongly impacted by climate hazards, and the effect they have on critical urban and transport infrastructures and the country's connectivity.** Changes in rainfall, droughts, and floods have produced damages to the transport infrastructure that have resulted in significant losses to the primary and secondary sectors, hitting rural areas especially hard. While rainfall projections are expected to decrease, rainfall is expected to be more intense in shorter periods of time which increases the risk of flooding, erosion and landslides,

¹ https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2022_SLV.pdf

² <https://data.worldbank.org/indicator/BN.CAB.XOKA.GD.ZS?locations=SV>

³ This was not the worse-case scenario. Estimates indicate that poverty would have increased by up to 7.6 percent without mitigation measures.

⁴ El Salvador rapidly adopted containment measures with a high fiscal response to mitigate the impact of the COVID-19 pandemic.

⁵ It is estimated that 58 percent and 14 percent of the Salvadorans cannot access health or education services within one hour.

⁶ Access to all-season roads is measured by the Rural Accessibility Index (RAI). The RAI for El Salvador is estimated at 46 percent.



making the road network more vulnerable.⁷ Similarly, lack of access to public services for marginalized rural and urban populations are accentuated, not only by the limited availability of those services compared to medium-to-high-income families, but also by the exposure of these services to climate change events and natural hazards. The impact of climate change on the economy is estimated to be over US\$2.2 billion in lost productivity over the past three decades and is projected to reach 7 percent of GDP by 2030⁸.

5. **In terms of damage to physical infrastructure, transport is most affected by severe hydrometeorological and geophysical events, exacerbating the many challenges facing the sector.** More than 85 percent of the transport network is exposed natural hazards and 40 percent is exposed to climate hazards.⁹ Annual average losses (ALL) of roads and bridges due to climate hazards accounts for 25 percent of total AAL for all natural hazards in the country.¹⁰ Indirect costs due to natural hazard disruptions to infrastructure are significant. It is estimated that Salvadorian firms lose US\$0.3 billion (1.2 percent of GDP) due to these disruptions, the majority of which are to transportation infrastructure.¹¹ The Pacific Coast has higher risk of flooding, while the north part of the country and the region south of San Salvador suffer more from landslides due to the mountainous terrain. The transport and agri-food sectors are the main affected sectors from severe hydro meteorological and geophysical events, in terms of damage to physical infrastructure. Both accounted for more than 50% of damages and losses.
6. **Urban infrastructure, particularly that serving the poorest segments of the population, is also the most affected by severe natural events.** Rapid and unplanned urban growth has led to the settlement of the poorest populations in the urban areas most exposed to natural hazards, and poorly equipped with essential services. The urban population grow at the average growth of 1.4 percent annually. Approximately 30 percent of urban dwellers live in informal settlements with limited public services and exposed to landslides and floods. Many poor urban settlements in the MASS have been established on unstable land, threatened by erosion or on flood-prone areas. This exposure places an additional burden on families in already precarious economic situations and threatens basic urban infrastructures (schools, health centers, roads etc.). It constitutes a latent danger for populations that are only one disaster away from falling into extreme poverty. Securing essential infrastructure and services in these areas is key to improving living conditions and access economic opportunities.
7. **El Salvador's economy is highly dependent on the transport sector, both for the regional economic corridors as well as the domestic economic development.**¹² The transport sector represents 4.5 percent of the country's GDP. It also facilitates the functioning of other important sectors, including sectors that provide employment for low-income populations. For example, the agriculture sector, highly dependent on the provision and quality of the road infrastructure in rural areas, contributes approximately 4.9 percent of GDP. Transport is also crucial to the manufacturing sector, which represents 15 percent of the economy, and for regional trade (. The Guatemala-El Salvador corridor (Guatemala City - Santa Ana - Sonsonate – San Salvador) combines the largest population center (almost 9 million) and by far the largest GDP (US\$63 billion in 2017) concentration in the region as well as a number

⁷ The portion of the road network exposed to flooding under the climate change scenario RCP 2.6, increased in 15 percentage points.

⁸ Samayoa Omar. Climate Change in the Northern Triangle: Challenges and opportunities, Interamerican Development Bank, 2021 (https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/Climate%20change%20impacts%20in%20HO%20GU%20and%20ES_Omar%20Samayoa%20%28005%29.pdf)

⁹ climate hazards include flooding, landslides and hurricanes.

¹⁰ MARN, Análisis de Riesgo en Infraestructura Prioritaria.

¹¹ Hallegatte, Stephane; Rentschler, Jun; Rozenberg, Julie. 2019. Lifelines: The Resilient Infrastructure Opportunity. Sustainable Infrastructure; Washington, DC: World Bank.

¹² <https://tradingeconomics.com/el-salvador/gdp-constant-prices>



of companies in productive sectors.¹³ With the exception of the economic development within and around the corridors that connect El Salvador's most important urban areas, the rest of the country is largely agricultural.¹⁴

- 8. Although El Salvador has the second densest road network in Central America, almost half of the roads are unpaved mostly located in rural areas with poor access to public services.** Roads in remote areas of the country often are unpaved, mostly in poor condition and highly exposed to climate events. According to the latest road network report published by the Ministry of Public Works and Transport (*Ministerio de Obras Públicas y de Transporte*, MOPT (2021), the total length of the road network in El Salvador reached 6,698km¹⁵, giving the country a road network density of 0.34km/km², the second highest in Central America, and a Rural Accessibility Index (RAI) of 46.1 percent in 2019, the highest in Central America.¹⁶ Despite this, it still means that more than 50 percent of the rural population remains without year-round access to a paved road. According to MOPT data, 43 percent (2,859km) of the road network is unpaved and highly vulnerable to climate events jeopardizing access to public services.¹⁷ Some of the poorest areas in the country such as northeast, southwest and southeast at the Pacific coast, have even a lower road coverage.

Relationship to CPF

- 9. The Project is aligned with the World Bank Group's Country Partnership Framework (CPF)¹⁸ for El Salvador (FY16-19) (Report # 95185-SV)¹⁹.** Specifically, it is aligned with i) Pillar 1: Building Reinforcing Foundations to Promote Inclusive Growth, Objective 1: Build Capacity to Create Safer Communities for Economic Development; ii) Pillar 1, Objective 3: Enhance Youth Employability and Skills; and iii) Pillar 2: Fostering Sustainability and Resilience, Objective 6: Build Capacity to Manage Disasters and Environmental Challenges. The Project is also aligned with the draft CPF for FY23-27, currently in preparation. Specifically, it is aligned with the High-Level Outcome (HLO) 3: Improving Resilience to Disasters, HLO 2: Strengthening and Employing Human Capital, and HLO 1: Building Foundation of Private Sector-Led Job Creation, as well as the two cross cutting themes of strengthening governance and gender.
- 10. Finally, the Project is also aligned with the World Bank Group Framework for Green Resilient and Inclusive Development (GRID) Approach²⁰ which pursues poverty eradication and shared prosperity with a sustainability lens, World Bank Group Climate Change Action Plan²¹ (FY21-25) which aims to advance the climate change aspects of GRID and A Roadmap for Climate Action in Latin America and the Caribbean, 2021-2025²².** El Salvador has prepared several technical, legal and governance instruments to enable the achievements of the national and global commitments on Climate Change. The Project will contribute to the implementation of the Nationally Determined

¹³ These corridors are also important for trade in food and agricultural products specifically.

¹⁴ National Freight Logistic Plan 2018-2032.

¹⁵ Data until December 2021, provided by the SIGEVIES (Sistema de Gestion Vial de El Salvador) system managed by MOPT.

¹⁶ The RAI data is taking the road in OpenStreetMap (OSM) that are labeled "primary" and "secondary" as "all-season road". Data source: Assessing Rural Accessibility and Rural Roads Investment Needs Using Open Source Data, World Bank, 2019

<https://openknowledge.worldbank.org/bitstream/handle/10986/31309/WPS8746.pdf?sequence=5&isAllowed=y>

¹⁷ It should be noted that, in addition to 2,859km of unpaved roads based on the data from MOPT, the total road network includes about 15,800km of unpaved roads that are not registered in the national road network, according to the road network data that combines both data from MOPT and OSM, details can be found in Annex 1. Thus, about 82% of the country's entire road network is unpaved.

¹⁸ The CPF FY16-19 was originally approved in 2015. The new CPF is expected to be presented to the Board in January FY23.

¹⁹ <https://documents1.worldbank.org/curated/en/942061467986289288/pdf/95185-CAS-R2015-0105-IFCR2015-0161-MIGAR2015-0039-Box391454B-OUO-9.pdf>

²⁰ <https://thedocs.worldbank.org/en/doc/9385bfef1c330ed6ed972dd9e70d0fb7-0200022021/green-resilient-and-inclusive-development-grid>

²¹ <https://openknowledge.worldbank.org/handle/10986/35799>

²² <https://openknowledge.worldbank.org/handle/10986/38001>



Contribution (NDC) as part of the Paris Agreement by rehabilitating roads according to designs and construction standards that incorporate climate variability and change, providing technical assistance to MOPT design and building sustainable road infrastructure exploring and piloting the use of local materials with lower carbon footprint.

C. Proposed Development Objective(s)

11. **The Project Development Objectives (PDO)** are to: (i) strengthen climate-resilient connectivity in selected rural areas and economic corridors; and (ii) enhance climate resilience of selected poor urban areas.

Key Results (From PCN)

The following PDO level indicators will be used to measure each outcome specified in the PDO statement:

- PDO (i): strengthen climate-resilient connectivity in selected rural areas and economic corridors
 - Climate-resilient connectivity in rural areas: Share of population with access to an all-season road in selected rural areas (Percentage)
 - Climate-resilient connectivity in economic corridors: Days of traffic interruption due to climate events in selected economic corridors (Number)
 - Connectivity in economic corridors: Travel time on selected roads (min)
- PDO (ii): enhance climate resilience of selected poor urban areas
 - People benefiting from decreased vulnerability to natural hazards in selected urban areas (Number)

The complete result framework will be developed during preparation. It will also include Intermediate Results Indicators to measure the Project's impact regarding other key challenges such as:

- Road safety: Traffic fatalities in the roads intervened under the Project
- Gender: Number of roads selected based on women's mobility priorities that follow a gender responsive design
- Gender: Number of women officially trained on medium skilled jobs who are certified and hired in qualified construction jobs in the Road Sector

D. Concept Description

12. **To address the climate-resilience gaps in poor rural and urban areas and on the main economic corridors**, the Project will focus on: (i) improving the resilience of selected road sections in poor rural areas most vulnerable to climatic disasters, thus ensuring road access to basic services in all seasons, (ii) improving the resilience of the critical road infrastructure in main economic corridors, and (iii) protecting and adapting poor urban areas vulnerable to natural hazards.

13. **The Project will develop an inclusive and climate-informed framework approach to select the physical interventions.** The framework will be established during project preparation for the selection of the works to be implemented in each component. It is envisaged that this framework will have a two-level filter criteria. The first criterion will be the vulnerability of the intervention areas to climate and natural hazards. The second level criteria will depend on the objectives of each component. They will include development indicators, such as (i) poverty levels, (ii) access to basic health and education services, (iii) access to markets and economic activities, (iv) socio-cultural characteristics of indigenous peoples, and (v) socioeconomic potential and opportunities for national and regional



integration. In the case of interventions in poor rural and urban areas, the Project will engage the most marginalized and fragile local populations (including women and Indigenous populations) during the selection and the design of the works to be implemented. The prioritization and selection of roads will also consider women’s mobility patterns and barriers, as well as their priorities (eg. safety and security) to define the design features of selected roads.

- 14. **Component 1. Climate-resilient Road access in selected rural areas.** This Component will consist of two subcomponents aiming at reducing vulnerability of roads to climate change impacts:
 - a. **Subcomponent 1.1 Road upgrades and spot improvements in rural areas.** This subcomponent will finance civil works for road climate-resilience and adaptation to climate-change through paving and spot improvements in rural areas selected through the framework approach, to ensure year-round transitability and road access tailored to the specific transport needs of the local communities.
 - b. **Subcomponent 1.2 Road maintenance in rural areas.** This subcomponent will finance the designs, works, and supervision of periodic and routine maintenance of the rural roads upgraded under Subcomponent 1.1.
- 15. **Component 2: Improvement of climate-resilient connectivity on the main economic corridors.** This component will finance civil works to improve the reliability and capacity of transport infrastructure in the main economic corridors incorporating climate-resilience and adaptation to climate-change design standard.
- 16. **Component 3: Technical assistance for the sustainable development of climate-resilient, safe and inclusive road infrastructure.** This component will support the implementation of Components 1 & 2 by providing the Implementing Agency with technical assistance in different fields of support.
- 17. **Component 4: Improving climate resilience of selected poor urban areas.** This component will include works to protect selected urban areas from the increasing disaster risks. Interventions under this component could include gully stabilization or flood protection works in the San Salvador Metropolitan Area's high-risk and high-poverty areas and other urban areas.
- 18. **Component 5: Contingency Emergency Response Components (CERC).** This Component allows the Government to access resources for eligible expenditures in the event of an Eligible Crisis or Emergency to provide an immediate and effective response to said Eligible Crisis or Emergency.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No
Summary of Screening of Environmental and Social Risks and Impacts	



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APPROVAL

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