

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB5112

Project Name	Income Support and Employability Project
Region	LATIN AMERICA AND CARIBBEAN
Sector	Public administration- Other social services (70%); Vocational training (30%)
Project ID	P117440
Borrower(s)	GOVERNMENT OF EL SALVADOR
Implementing Agency	Secretaria Tecnica de la Presidencia de la Republica El Salvador Fondo de Inversion Social para el Desarrollo Local 10a Av. Sur y Calle Mexico Bo. San Jacinto frente a ex Casa Preside El Salvador Tel: (503)2505-1200 Fax: (503)2244-1370
Environment Category	<input type="checkbox"/> A <input checked="" type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

The substantial gains in poverty reduction and social areas in the last years are being challenged by the recent food, fuel and financial crisis in El Salvador, showcasing the vulnerability of the urban poor. The modest but sustained economic growth helped reduce poverty from 43.6 to 35 percent between 2001 and 2006. Since 2005, these improvements were accompanied by an important Government effort to target the poorest rural population through conditional cash transfers, *Red Solidaria*, which provided cash benefit to families in exchange for school enrolment and health care checkups of their children. Important social gains observed until 2007 seem to have faded during the recent food price crisis and even worsened during the current financial crisis. By 2008, overall poverty had already increased to 42.3 percent, close to the levels observed back in 2001. The urban population is being hurt by both the decline in remittances (more than 10 percent in 2009), reduction in employment (at least 30,000 formal jobs), in a context characterized by high youth unemployment (12 percent) and urban violence (the highest crime rate in Central America). In contrast to the poor population in rural areas covered by *Red Solidaria*, the urban poor is not covered by any intervention that would help them mitigate the impacts of the crisis, or cope with their effects.

The new Salvadoran administration took office in June 2009 and immediately launched a new Anti-Crisis Plan, which included interventions targeted to the vulnerable urban poor in a broader social protection strategy. This Project is the Bank's response to the Government request to help design a short-term intervention to mitigate the impact of the crisis on the urban vulnerable

poor while expanding services that enhance their employability in an articulated social protection system. The existing institutional capacity in the implementation of social programs, such as *Red Solidaria*, provides a solid ground for launching innovative interventions in El Salvador. The existing capacity ranges from policy coordination and planning to the implementation and evaluation of programs in coordination with local governments. The challenge is now, the implementation of an innovative income support program that is well articulated to medium term employability strategies for the vulnerable and poor in urban areas.

2. Objectives

This Project will support the GoES on three development objectives: (i) to provide temporary income support to the urban vulnerable poor, (ii) to improve the GoES capacity to provide labor intermediation and training services, especially to the urban vulnerable poor, and (iii) to improve the institutional capacity of the GoES to develop an integrated social protection system. The target population of the first two objectives is the vulnerable poor urban population as defined by those living in the 548 urban settlements with high levels of precariousness in the 43 municipalities with the largest urban concentration (FLACSO/Censo MINEC/UNDP, 2009), and the urban population affected by the recent financial crisis, respectively. The PDOs reflects the need of an emergency income support program, while the second aims to improve the employability chances for the target population. Expected outcomes of the Project include: (i) increase in participants' household income due to the program; (ii) the GoES capacity is stronger in providing labor market intermediations and training services as measured by an increased participation of vulnerable and urban poor in these programs; (iii) the STP is stronger as measured by the approval of a legal framework regulating the SPSU decision making process in the STP and its coordinating agencies.

3. Rationale for Bank Involvement

The proposed Project would address key priorities identified in the ongoing Human Development for Poverty Reduction analytical work. Previous analysis found that while poverty had been declining in El Salvador, household incomes were very vulnerable to remittances and employment shocks, corroborated by the 2008 data and the limited 2009 evidence (World Bank, 2009a). It also identified that youth unemployment had been very sensitive to changes in economic activity compared to the more stable adult unemployment (World Bank, 2009b). The strategy suggested is to develop a social protection system to better manage these risks, where a combination of interventions (i.e., short and medium term) is articulated in a flexible way to respond to different crisis scenarios. The proposed Project would support the development and strengthening of instruments to manage the risks associated with the decline in unemployment and remittances.

The proposed Project would focus on areas in which the Bank has expertise. These areas include income-support and temporary employment programs, on-the-job training, skill-building, labor intermediation programs, and institutional capacity building. In Latin America and the Caribbean (LAC), for instance, the Bank has financed temporary employment, training, and labor intermediation programs in Argentina and Bolivia; as well as most of the conditional cash transfer (CCT) programs in the Region including El Salvador's *Red Solidaria* (World Bank, 2005). This intervention also follows the recently completed regional study on social protection

and social assistance systems in LAC that underscores the need to both expand and improve the coverage of social protection interventions, and the need to develop interventions beyond existing CCTs. The Bank also brings considerable global experience in supporting the strengthening of governments' institutional capacity to design and implement national social policy, and the necessary tools such as the unified registration and monitoring and evaluation systems.

Bank involvement in the proposed Project builds on GoES capacity and expertise developed in the last years. The Bank has been a key partner to successive governments in El Salvador in the reform and strengthening of social sectors since the Peace Accords of 1992. Recent social sector support includes: (i) analytical work on Human Development for Poverty Reduction (to be delivered in FY10); (ii) a Public Expenditure Review (to be delivered on FY10); (iii) a Public Finance and Social Sector Development Policy Loan (2009-2011); (iv) a Hospital Reconstruction and Basic Health Services Project (2005-2009); (v) a Poverty Assessment (2005); (vi) support for the development of a Poverty Map to improve poverty program targeting (2005); and (vii) a non-lending technical assistance (NLTA) program to provide assistance to the implementation of Plan 2021 (education) and support to the design, implementation and sustainability of *Red Solidaria* (2005).

4. Description

The proposed lending instrument is a Specific Investment Loan (SIL). The Income Support and Employability Project will have an estimated cost of US\$51.6 million, including US\$4.0 million of counterpart funds, and it will be implemented over a period of five years. It will consist of the following components.

Component 1. Support to the Implementation of the Temporary Income Support Program (US\$37.3 million IBRD; US\$3.2 million GoES)

This component aims at supporting the GoES in implementing a program to provide temporary income support (PATI) to vulnerable population in urban areas, in exchange for their participation in training programs and community projects. The objective of this intervention is to provide income support to poor households living in urban areas which are not covered by GoES' CCT ongoing program focused exclusively in rural areas. This temporary program would meet two purposes. On the one hand, it will provide a 6-month temporary relief to poor families, not covered by the CCT program. The program will last for up to twenty four months providing sufficient time to enable designing the expansion and start implementing the CCT in urban areas, within the broader strategy of a universal social protection system. Experience in other countries in the LAC Region (e.g. Mexico and Colombia) have demonstrated that the process of moving CCT programs focused in rural areas to urban areas is not a straight forward step and that a careful adaptation of designs and a complex planning process is required. At the same time, the program seeks to increase the employability of participants by involving them in training programs to improve basic skills and to link them to a labor intermediation network.

Subcomponent 1.1. Temporary Income Support (PATI) Program (US\$26.5 million IBRD, US\$2.7 million GoES). The Project would finance income transfers under the PATI to selected beneficiaries in return for their participation in community and training activities, called PATI Activity. Targeting of PATI activities is based on a recently developed urban poverty map (FLACSO/Censo MINEC/UNDP, 2009) and additional adjustments made by the STP based on crime indicators. The poverty map has identified 43 municipalities, covering about 56 percent of the country's total urban population, that include 548 communities (*asentamientos*) with extreme levels of unsatisfied basic needs (*niveles de precariedad extrema*). The PATI program will be targeted to these communities that represent about 112,000 households. The program expects to reach about 40,000 beneficiaries within a two year period. As beneficiaries would receive the income support during a six month period, four rounds of registration would be carried out during the two year period. Consequently, the program is expected to reach about 35 percent of households living under extremely precarious conditions in the 43 selected municipalities.

Subcomponent 1.2. Training design and delivery for PATI participants (US\$6.2 million IBRD, US\$0.5 million GoES). Participants in the PATI Program would take part in specific training modules within the six month period that they stay in the program, in order to enhance their employability after they leave the program. In contrast to typical workfare programs that solely focus on temporary employment, the PATI is focused on providing income support conditional on complying with the participation in training activities, in addition to the participants' services within the community activity. The design of a specific training package would be required for all eligible Activity proposals described in subcomponent 1.1, and would respond to the demands from the community and the advice from training specialists from INSAFORP.¹ The training component in each PATI Activity proposal would be flexible in its content and format to adjust to specific characteristics from the participating individuals, type of activity, and Municipality strategy and demands in the labor market. Training activities would be carried out through the network of training providers articulated by INSAFORP. FISDL would be responsible for coordinating with INSAFORP the design and implementation of the training package included in each PATI activity. This subcomponent would include design of the training modules and it would cover financing of the training modules provided to beneficiaries by INSAFORP through training providers. FISDL would subscribe a Training Agreement with INSAFORP that would outline the specific obligations to carry out the training programs.

Subcomponent 1.3. Institutional strengthening of FISDL (US\$2.4 million IBRD, US\$0.0 million GoES). The nature of projects that would be carried out in the Temporary Income Support Program is different from the typical infrastructure-oriented projects managed by the FISDL so far. However, the PATI brings along new types of projects that would require some strengthening of FISDL capacity for managing the typology of subprojects included in the Project. Consequently, this subcomponent would finance the following activities carried out by FISDL: (i) providing support to municipalities in the identification and preparation of subprojects that involve PATI program participants; (ii) supervision of implementation of PATI activities including the compliance of beneficiaries commitments; and (iii) designing and implementing a monitoring system for the program's management and evaluation of results, articulated with the M&E system being developed by the STP for social protection programs.

¹ INSAFORP is a public autonomous organization funded by payroll taxes and managed by a tripartite board, responsible for the professional training system.

This subcomponent would finance advisory services in the form of consultant services, training activities, and field studies on similar experiences.

Subcomponent 1.4. Institutional strengthening of Municipalities (US\$2.2 million IBRD, US\$0.0 million GoES). The objective of this component is to develop the technical capacity of Municipalities in terms of project cycle management and local governance, particularly in areas related to identification, prioritization, preparation and supervision of community level projects and selection of beneficiaries. The ability of municipalities to identify and formulate subprojects is a key factor in the success of the PATI. Local governments would require specific interventions including training activities for municipality staff in areas such as project preparation, implementation and supervision. It would also provide technical assistance to manage the process of identification of initiatives that may be suitable for a PATI Activity, including aspects of community participation. This subcomponent would finance training activities and consulting services.

Component 2. Improving and expanding the coverage of the intermediation, information, and occupational training systems (US\$10.3 million IBRD, US\$0.6 million GoES).

This component aims to strengthen the GoES capacity to provide labor intermediation and training services, especially to the urban vulnerable poor. Specifically, the component aim to improve: (i) the coverage of labor intermediation institutions in local markets, especially in those Municipalities identified by the urban poverty map; (ii) the quality of the labor market information that guide the policy formulation process; and (iii) the coordination of the current occupational training system in addressing labor market needs.

The Component consists of three subcomponents. The first sub-component involves the expansion of the National Employment Network (*Red Nacional de Empleo, RNE*) in municipalities without coverage, especially those with larger numbers of urban vulnerable and poor, and a redefinition of its current goals and activities. The second subcomponent will create a Labor Market Monitoring Unit at the MTPS to collect relevant statistical information related to labor market performance, including those in self-employment, that will guide policy formulation. Finally, the third subcomponent will contribute to the formulation of a National Strategy for Occupational Training, assessing the relevance and effectiveness of the existing training systems for the labor market, with a medium to long-term goal of providing better opportunities to enter the labor market especially for the vulnerable population such as the youth. The three sub-components are described in detail in the paragraphs that follow.

Subcomponent 2.1. Strengthening the Labor Intermediation System (US\$7.2 million IBRD, US\$0.3 million GoES). This component will support the GoES by supporting the expansion of the coverage and capacity of the labor intermediation activities carried out by the MTPS. This will be achieved by supporting the RNE through the local Employment Offices (*Bolsas de Empleo*, formerly known as *Oficinas Locales de Gestión de Empleo*) in each of the Salvadoran Departments. The labor intermediation system of *Bolsas de Empleo*, which provides information on job vacancies, has been serving primarily the population with secondary or university education, and is still limited in coverage.² The current institutional arrangements of the RNE

² OLGEs are physically present in just 28 out of 262 municipalities, corresponding to 8 of the 14 departments of El Salvador.

also appear to have impaired its performance: for example, some *Bolsas de Empleo* are funded out of municipal resources, and do not regularly report on their activities to the MTPS.

Subcomponent 2.2. Strengthening Labor Information System and Statistics (US\$1.6 million IBRD, US\$0.2 million GoES). This subcomponent supports the creation of the National Labor Market Observatory (*Observatorio Nacional del Mercado Laboral*, ONML) within the jurisdiction of the MTPS. The ONML will be created on the basis of the current activities performed by the Labor Statistics Unit and the Research Division of the RNE, to strengthen its capacity to analyze and monitor labor market indicators that serve as critical inputs in the formulation of labor market policies. The creation of an ONML reflects the need to strengthen the organizational structure and management, and a readjustment of the MTPS role for an effective response to demands for information from various agents, with criteria, quality and timeliness. Specifically, the subcomponent will: (i) support the establishment of the ONML to compile and systematize statistical information from different areas and units in the MTPS, other government agencies, employers, trade unions, and academic institutions, to enrich the policymaking process of the MTPS; (ii) provide technical assistance to design and implement the quarterly Labor Market Indicators System publication, and other special studies, that use information from (i); and (iii) strengthen the technical and research capacity of the ONML personnel, expanding the coverage, frequency and dissemination of the MTPS activity reports and special studies.

Subcomponent 2.3. Strengthening the Occupational Training System (US\$1.5 million IBRD, US\$0.1 million GoES). This sub-component will support the development of a National Strategy for Occupational Training (NSOT), by assessing the relevance of the occupational training system for the labor market, improving the coordination and effectiveness of training institutions, and improving the linkages with the upper secondary education system. The labor market in El Salvador has a range of skill profiles, and a myriad of training institutions that deliver a large number of training programs of uneven quality and unclear impact. The current institutional setting for the occupational training system provides little information on the quality and adequacy of existing training programs, limiting the efforts of better matching existing skills and those needed in the market. This subcomponent will provide technical support and advisory services to the development of the NSOT by: (i) assessing the quality and relevance of skills formation institutions, including INSAFORP; (ii) developing programs to address training needs by specific groups such as the youth and the self-employed, among others; and (iii) improving the coordination within the occupational training system and with the upper secondary education.

Component 3. Support the design and development of the Universal Social Protection System (US\$2.4 million IBRD, US\$0.2 million GoES)

This component will support the improvement of the organizational and technical capacity of the STP to design, articulate, monitor, and evaluate social interventions as part of the SPSU. The new STP roles in leading the development of the SPSU, and the newly established coordinating committees put additional institutional challenges to the STP that require investments in its capacity. Specifically, this component will finance technical assistance including training, technological support, and exchanges of international experiences through two main subcomponents: (i) improvement of the institutional capacity of the STP for managing the SPSU;

and, (ii) development of technical instruments needed for the design and evaluation of social interventions.

Subcomponent 3.1. Improvement of the STP’s Institutional Capacity (US\$1.1 million IBRD, US\$0.1 million GoES). This subcomponent will improve the organizational capacities of the STP by providing technical support and training for the design of the organizational structure and personnel capacity to manage social policies. The STP is the institution responsible for the inter-sectoral coordination and the integration of social development interventions. The successful implementation of the SPSU requires professional staff in the STP capable of managing processes related to social policy planning such as design, piloting, implementation, and monitoring and evaluation. The STP requires also an internal organizational structure that facilitates coordination with other Government agencies, as well as an internal structure that facilitates the roles of the STP itself. This subcomponent will finance technical assistance and material support to: (i) diagnose the organizational structure of the inter-institutional coordinating entities involved in the SPSU, and support the development of the regulatory framework for the institutional coordination of the SPSU; (ii) diagnose the institutional capacity of the STP to implement the SPSU, its technical staff, and staff training requirements; (iii) implement knowledge and training activities to increase the technical capacity of the STP, specifically concerning results based management, processing and analysis of statistical information for policy purposes, and on designing and implementing financial and environmental feasibility studies for social programs; and, (iv) develop a communications strategy for the SPSU, starting with *Comunidades Solidarias*, to ensure transparency in program design and outcomes and political sustainability of the SPSU.

Subcomponent 3.2. Design and Implementation of key tools for the development of social protection policy design (US\$1.3 million IBRD, US\$0.1 million GoES). This subcomponent will finance technical assistance in the form of consultancies and material equipment to support the design and implementation of the following instruments: (i) a Unified Registration System of beneficiaries of all social programs, involving the development and utilization of a unified model for geographic targeting (e.g. poverty maps) and the integration of the beneficiary databases of all social programs; (ii) a Monitoring and Evaluation System of social programs that are part of the SPSU, to measure the performance of social development policies and to enhance the accountability of public social spending; and (iii) a Social Information System for citizens that includes a system of public information on all social interventions, allowing citizens to access all the necessary information of this offer. The implementation of these instruments is essential in the development of an articulated social protection system in that they provide informational criteria for policy design, monitoring and evaluation, and policy decision-making to restructure existing programs.

5. Financing

Source:	(\$m.)
Borrower	4.0
International Bank for Reconstruction and Development	50.0
Total	54.0

6. Implementation

As the focal point for coordination of social protection policy in El Salvador, the Technical Secretariat of the Presidency (STP) will be responsible for the overall coordination of this project. However, the project will be implemented by two main executing agencies: the Social Investment Fund for Local Development (FISDL) and the STP. FISDL will be responsible for the supervision, coordination, procurement and financial management of components 1 and 2, while the STP will implement component 3.

Component 1

Under component 1, overall coordination for the effectiveness of the PATI will reside with the STP, legally entitled by the Inter-Sectoral Committee of the Universal Social Protection System (*Comité Inter-Sectoral del Sistema de Protección Social Universal -CISPSU*). As aforementioned, under the new Government, the CISPSU was created to develop and define the strategic direction of the Universal Social Protection System (SPSU), and serve as an advisory group on policies and programs related to social protection. For the proposed Project, the CISPSU has approved the conceptual design of the PATI and has delegated the execution and coordination of the Program to the STP. The STP will manage the coordination of this Program through a Technical Committee (*Comité Técnico*), which the Government has proposed for future creation. The details of these arrangements will be outlined specifically in the Operations Manual.

Within Component 1, the STP will work with the FISDL, the institutional agency responsible for the technical administration and financial implementation of the PATI. More specifically, FISDL will be responsible for the implementation of the Programs activities including the call for proposals, subproject preparation, appraisal, pre-selection for approval, supervision of implementation, and ex-post evaluation. In particular, the FISDL will work directly with Municipalities in order to define the roles and responsibilities for the PATI program. Once municipalities have signed a participation agreement with the FISDL, implementation would begin and FISDL would make periodic transfers to municipalities to cover management expenses. FISDL would also be responsible for reporting the financial activities under this component.

In addition to working with the Municipalities, the FISDL will also coordinate with the Salvador Institute of Professional Training (INSAFORP) the training element in Component 1. More specifically, an inter-institutional agreement will be created between FISDL and INSAFORP, where INSAFORP is responsible for assessing the training needs of the participants, designing the appropriate training components of the PATI activity in the selected Municipalities, and delivering and evaluating the training activities. FISDL will reimburse INSAFORP for these services based on the attendance and training outcomes for PATI participants. FISDL will also use this information to determine the PATI payments.

Finally, under component 1, FISDL will be responsible for the financial management and procurement activities related to the capacity building efforts at the Municipal level. More specifically, FISDL will support the development of training activities to staff from municipalities on project preparation, implementation and supervision.

Component 2

Under component 2, FISDL will be responsible for the financial administration and management of the activities, while the technical elements of the activities will be determined by the Ministry of Labor (MTPS). Given its roles in setting the national policy for labor market intermediation and training, the MTPS will define the technical requirements of the contracting and procurement of equipment, training and advisory services required for the activities. This will require the creation of an inter-institutional agreement between the FISDL and MTPS, where the agencies specify their responsibilities. This institutional arrangement will be elaborated on further in the Operations Manual.

According to its strategy RENACEMPLEO, the MTPS will define the procurement plan and timing of acquisitions. The MTPS will coordinate with the FISDL to develop a timely and effective procurement plan in order to synchronize the activities described in Component 2 and their current strategy RENACEMPLEO. The strategy RENACEMPLEO defines goals in the coverage of their current RNE and their *Bolsas de Empleo*, but requires an instrument to implement the strategy of the Program. The Project provides the opportunity to program the activities of the strategy through the preparation of the procurement and financial plans. These plans will be discussed and agreed with FISDL in order to comply with the procurement and financial management regulations of the overall Project.

In the implementation of several activities of Component 2, the MTPS will consult with other agencies through the mechanisms established in the current regulation of the MTPS. Concretely, coordination with the INSAFORP will take place through the participation of the MTPS in the INSAFORP's Board of Directors. Coordination with other Ministries and agencies will take place through the participation of the Ministry of Education, Ministry of Economy, INSAFORP, and others in the *Consejo Nacional del Trabajo* (National Employment Council).

Finally, under component 2, the FISDL will be also responsible for preparing the input for the Operating Manual, and the Procurement Plan, for the first 18 months of the loan corresponding to Components 1 and 2. Moreover, additional inputs from other units involved the implementation of the Project such as the MTPS, INSAFORP, and the participating Municipalities.

Component 3

Finally, the STP will be responsible for the administration, financial management, and procurement of Component 3. The implementation of Component 3 involves the contracting and acquisition of technical support and expertise to strengthen the institutional and organizational capacity of the SPSU and the technical capacity of the personnel involved in the implementation of the SPSU. The STP will be also responsible for preparing the component's Operating Manual and the Procurement Plan for the first 18 months of the loan, with inputs from other units involved in the coordination of the SPSU.

The Project involves the same monitoring and evaluation system, impact evaluation, and harmonized financial management procedures (i.e., budget management and internal control procedures, financial reporting, and external audits) for both executing agencies.

Financial Management Arrangements

Project administration responsibilities will be assigned to two executing agencies: the STP for Component 3 and the FISDL for Components 1 and 2. FISDL and STP will manage the FM aspects of the proposed Project and the proposed FM arrangements are adequate for the needs of the proposed Project. Both executing agencies have prior and ongoing experience managing projects financed by the World Bank, for which they have implemented suitable administrative structures and systems which puts them in an advantageous position to carry out, with relative ease, the financial management tasks associated with the proposed Project. In both agencies, staff capacity, administrative structure and systems are adequate for project FM purposes.

Cash transfers to PATI participants will be made by FISDL using an intermediary agency, and the specific procedures will be defined during appraisal. The Operational Manual specifies that an intermediary institution will be contracted to make the payments to PATI participants. The specifics of this contracting process will be defined during appraisal and will take into account the existing capacity of the FISDL to closely monitor the payment process.

Procurement Arrangements

The STP will have full responsibility for the technical and fiduciary aspects of Project Component 3 while FISDL will have full responsibility for the technical and fiduciary aspects for Project Components 1 and 2. The STP is responsible for the overall coordination and supervision of the Project, and in both cases, the procurement function for the Project will be integrated within the respective procurement units of the aforementioned institutions. Other ministries and agencies will be involved in the implementation of the Project. Institutional actors at the local level such as municipalities, community associations, and others, will also play a role in Project implementation.

FISDL will exercise its procurement responsibility for Components 1 and 2 and it will remain fully in charge of the fiduciary responsibility. Procurement for other subcomponents associated to the strengthening of Municipalities (subcomponent 1.4) will be carried out at the FISDL central level, and in the case of Component 2, FISDL will have to closely coordinate activities with MINTRAB.

The Project's Operational Manual will have a dedicated procurement section that includes general procurement procedures, as well as detailed procedures for every method for the procurement of goods and services, and for the selection and employment of consultants. A complete version of the Manual will be brought to Negotiations for discussion and agreement with the Bank.

Both institutions will implement the Bank's Procurement Plan Execution System (SEPA) for this Project. The Bank will organize and carry out procurement and SEPA workshops to strengthen both agencies' procurement staff capacity in specialized issues (i.e., procurement of goods and non-consulting services, selection and employment of consulting firms and individual consultants and SEPA).

7. Sustainability

Political support to the Project preparation process shows strong GoES ownership and leadership. The main component of the Project, the PATI, was a direct request by the current administration in June 2009 and since then, the GoES has shown strong commitment to the preparation of the Project. The other components that address medium-term challenges for the vulnerable population also respond to the country's approach of taking advantage of the emergency in the short-run to start building opportunities in the medium-term. The preparation of the Project under a tight schedule required the full involvement of the agencies involved and the production of several technical inputs, showing their support to the Project. The Project has strong political support from the GoES due to its alignment to the Government's strategic policies. Still, the political context in El Salvador will require further discussions on the benefits of the Project and its components to ensure a broader support in the medium-term and approval by the Congress.

The institutional sustainability of the Project is supported by recent strengthening of the STP. The new administration assigned the STP additional roles in coordinating social policies in El Salvador, like the CS Urbanas and the PATI. Although the STP is still limited in its staffing, its technical capacity and role in policy direction has demonstrated a strong capacity in coordinating several Ministries and agencies during the preparation of this Project. The Project will also support the STP in these roles (Component 3) by strengthening its coordination mechanisms and technical capacity for social policy planning.

The Project also brings support from local governments along the GoES strategic objective of 'territorialidad'. The new administration has emphasized the importance of municipalities in the development agenda under the concept of territorialidad. In this process, FISDL plays a critical role because the institution has developed strong linkages with local governments and has a good understanding of the local decision-making dynamics. Selected Municipalities have been addressed during preparation and showed strong commitment providing suggestions in terms in terms of eligible community activities. Furthermore, selected Municipalities have been part of the technical team discussions on the implementation of the SPSU and the PATI in particular.

The GoES will ensure the fiscal sustainability of the Project, that has a limited fiscal impact due to the larger – though limited in time - contribution of the Bank. The Project covers most of the actual cost of activities, including the short-term income support through the PATI. The income transfers through the PATI – the largest component of the Project – are expected to last for the first two years after which it is expected fall due to faster economic growth and increased employment. This way, this Project finances mainly a short-term intervention (PATI) that phases out in two years, leaving then expenditures for the institutional strengthening efforts. The counterpart financing in Component 1 is expected to reach about US\$4 million which represents about 10 percent of recurrent expenditures of the FISDL.

The Project design has included adequate and timely mechanisms to measure the Program's impact and progress and to ensure that future decisions about its sustainability incorporate analytical and transparent information. As explained before, the Project involves a process evaluation of the institutional arrangements during the first stage of the PATI and a thorough impact evaluation to measure the impact of the PATI intervention on households' incomes. The

process evaluation will provide timely information about the program which will provide analytical ground for measures that improve its functioning. The monitoring mechanisms will provide accurate information of the financial flows and actual expenditures that could flag unexpected patterns. These monitoring and evaluation mechanisms in Colombia and Mexico have been effective in strengthening the functioning of the programs but also in providing support through different political cycles.

The Project will be implemented in a five-year period, starting in 2010 and ending in 2014 to ensure continuity and sustainability of the implemented reforms.

8. Lessons Learned from Past Operations in the Country/Sector

The Bank was a key partner in the design and implementation of *Red Solidaria*, the CCT program launched by the previous administration. The Bank provided technical support for institutional design and sustainability, for sharing international best practices on CCTs and strengthening the development of impact evaluation to make program adjustments as needed. There is wide consensus that *Red Solidaria* is fulfilling its main objectives, and an independent evaluation found that its targeting is among the best in the region (IFPRI-FUSADES, 2009).

Several lessons were drawn from the Bank's involvement in the *Red Solidaria* program which was implemented with non-lending technical assistance though without World Bank funding; the Bank operation was canceled as it failed to become effective within the expected timeframe. These lessons, which have been incorporated in the design of this new operation include:

- (i) Analytical work is an extremely important tool to identify gaps, inform stakeholders, build consensus around important development issues and prepare the groundwork for future engagement. Experience in El Salvador has shown that the Government values the range of global expertise the Bank can bring to complex development issues.
- (ii) New operations need to be designed based on an assessment of the capacity available in the country and with due consideration of the country's political economy, with special attention to the need to build political consensus among different stakeholders.
- (iii) Complexity in design, particularly multiplicity of implementing agencies, should be reduced to the extent possible and clear implementation plans must be available before the Project becomes effective.
- (iv) During project preparation, the Bank needs to have an information, education, and communication strategy in order to engage with the country's legislative branch of government and other stakeholders.

9. Safeguard Policies (including public consultation)

Environmental issues have been flagged as potentially risky in the project implementation and will be assessed during Appraisal. The implementation of the Project, particularly the PATI activities in Component 1, could represent environmental risks at the community level. The Project will include the Environmental Assessment that describes the adequacy and effectiveness of the Environmental Framework used by the Project executing agency to identify

and mitigate possible risks. This Assessment will be also examined during the Appraisal Mission.

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

10. List of Factual Technical Documents

- Brauw, Alan, and E. Murrugarra (2009). *How CCTs Help Sustain Human Capital During Crises? Evidence from Red Solidaria in El Salvador During the Food Price Crisis*. Paper presented at the World Bank Economists' Forum April 27th, 2009. Mimeo
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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

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