

Document of  
The World Bank

Report no. 86223

READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT 3.6 MILLON

TO THE

REPUBLIC OF EL SALVADOR

FOR

FOREST CARBON PARTNERSHIP FACILITY READINESS PREPARATION

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## DATA SHEET

*El Salvador*  
*FCPF REDD+ Readiness Preparation Support Project*

### READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

*Latin America and the Caribbean Region*

Basic Information	
Date:	October 31, 2013
Country Director:	Carlos Felipe Jaramillo
Sector Manager/Director:	Laurent Msellati
Project ID:	P124935
Lending Instrument:	Carbon Offset/TF Grant
Team Leader(s):	Gerardo Segura Warnholtz
Sectors: Forestry	
Themes: Climate Change (81)	
EA Category B	
Date of country selection into FCPF: March 2009	
Date of Participation Agreement signed by Country: May 5, 2009	
Date of Participation Agreement signed by Bank: May 28, 2009	
Date of R-PP Formulation Grant Agreement signature: July 19, 2011	
Expected date of Readiness Preparation Grant Agreement signature: December 27, 2013	
Joint IFC: N/A	
Project Implementation Period:	Start Date: January 31, 2014      End Date: January 31, 2017
Project Financing Data	
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee
<input type="checkbox"/> Other	
<b>For Loans/Credits/Others (US\$M):</b>	
Total Project Cost :	Total Bank Financing : US\$3.6 million
Total Cofinancing : N/A	Financing Gap : N/A
Financing Source	Amount
BORROWER/RECIPIENT: Government of El Salvador	
IBRD	
IDA:	
FCPF:	US\$ 3,600,000.00
Others	
Financing Gap	
Total	

Regional FCPF Trust Fund Number: TF093616

FCPF Country Child Trust Fund Number: TF99529

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Recipient: Government of El Salvador

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Responsible Agency: Ministry of Environment and Natural Resources (MARN)

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Responsible Agency: Ministry of Environment and Natural Resources (MARN)

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### **Clearances to the Readiness Preparation Proposal Assessment Note**

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Sector Manager: Laurent Msellati (12/08/2013)

Regional Safeguards Coordinator: Glenn Morgan (10/31/2013)

Safeguards Specialist: Kristyna Bishop/Abdelaziz Lagnaoui  
(11/18/2013 and 10/15/2013 respectively)

Procurement Specialist: Tomas Socias (12/09/2013)

Financial Management Specialist: Jose Simon Rezk (12/09/2013)

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## **PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE**

As part of its responsibilities for the Forest Carbon Partnership Facility (FCPF), the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management.

The World Bank has also been asked to assist Reduction Emissions from Deforestation and Forest Degradation (REDD+) Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this R-PP Assessment Note, therefore, is for the Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD Country Participant in the implementation of its R-PP.

## ABBREVIATIONS AND ACRONYMS

ACOLCHI	<i>Asociación Comunidad Lenca de Chilanga, Cacaopera y Guatagiagua</i>
ACCIES	<i>Asociación Coordinadora de Comunidades Indígenas de El Salvador</i>
ADESCO	Community Development Association ( <i>Asociaciones de Desarrollo Comunal</i> )
ANIS	<i>Asociación Nacional Indígena Salvadoreña</i>
ANP	<i>Áreas Naturales Protegidas</i>
ARDM	Municipal Reconstruction and Development Association ( <i>Asociación para la Reconstrucción y Desarrollo Municipal</i> )
ASI	Salvadorian industry Association
AUPRIDES	Salvadorian Private Universities Association
CCAD	Central American Commission on Environment and Development
CCC	National Climate Change Committee
CCNIS	The National Salvadoran Indigenous Coordinating Council ( <i>Consejo Coordinador Nacional Indígena Salvadoreño</i> )
CEL	Hydroelectric Commission of the Lempa River ( <i>Comisión Hidroeléctrica del Río Lempa</i> )
CNR	National Geographic and Cadaster Institute ( <i>Centro Nacional de Registros</i> )
CONCULTURA	Consejo Nacional para la Cultura y Arte
CORFORES	Salvadorian Forestry Organization
COSALCO	Salvadorian Chamber for Industry and Construction
CO <sub>2</sub>	Carbon dioxide
CPS	Country Partnership Strategy
DA	Designated Account
DGCCAE	General Directorate of Climate Change and Strategic Affairs
EA	Environmental Assessment
EASE	Strategic Social and Environmental Assessment ( <i>Evaluación Ambiental y Social Estratégica</i> )
EHPM	Multiple Purpose Household Survey
ENA-REDD+	National REDD+ Strategy ( <i>Estrategia Nacional REDD+</i> )
EOP	End of Project
ESMF	Environmental and Social Management Framework
FCPF	Forest Carbon Partnership Facility
FM	Financial Management
FMA	Financial Management Assessment
FMT	Facility Management Team (FCPF)
GDP	Gross Domestic Product
GEF	Global Environmental Fund
GHG	Green House Gases
GIZ	German Agency for International Cooperation
GoES	Government of El Salvador
GRM	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFR	Interim Financial Report

ILO	International Labor Organization
IMF	International Monetary Fund
IP	Indigenous Population
IPCC	Intergovernmental Panel on Climate Change
IPP	Indigenous Peoples Plan
IPPF	Indigenous Peoples Planning Framework
IPSAS	International Public Sector Accounting Standard
ISA	International Standards on Auditing
ISTA	Salvadorian Institute for Rural Transformation
LULUCF	Land Use, Land-Use Change and Forestry
MAG	Ministry of Agriculture and Livestock ( <i>Ministerio de Agricultura y Ganadería</i> )
MARN	Ministry of Environment and Natural Resources ( <i>Ministerio de Medio Ambiente y Recursos Naturales</i> )
MbA	Adaptation-based Mitigation ( <i>Mitigación basada en Adaptación</i> )
MH	Ministry of Finance ( <i>Ministerio de Hacienda</i> )
MIES	Indigenous Movement of El Salvador ( <i>Movimiento Indígena de El Salvador</i> )
MIREX	Ministry of Foreign Affairs ( <i>Ministerio de Relaciones Exteriores</i> )
MITUR	Ministry of Tourism ( <i>Ministerio de Turismo</i> )
MOP	Ministry of Public Works, Housing and Urban Development ( <i>Ministerio de Obras públicas</i> )
MRV	Monitoring, Reporting and Verification
M&E	Monitoring and Evaluation
NFMS	National Forest Monitoring System
NFI	National Forest Inventory
NGO	Non-governmental organization
OM	Operational Manual
ORAF	Operational Risk Assessment Framework
PAS	Sustainable Agriculture Platform
PC	Participants Committee (FCPF)
PCI	Interministerial Consultative Platform ( <i>Plataforma Consultiva Intersectorial</i> )
PDO	Project Development Objective
PIU	Project Implementation Unit
PNACC	National Plan for the Adaptation to Climate Change ( <i>Plan Nacional de Adaptación al Cambio Climático</i> )
POA	Annual Operations Plan ( <i>Plan Operativo Annual</i> )
PREP	National Program for the Restoration of Ecosystems and Landscapes ( <i>Programa Nacional de Restauración de Ecosistemas y Paisajes</i> )
PROFOR	Program on Forests (WB)
RAP	Resettlement Action Plan
REDANP	Natural Protected Areas Co-Managers Network
REDD+	Reduction emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries
REL/RL	Reference Emission Level/Reference Level

RENAPES	Private Reserves Network ( <i>Red de Reservas Naturales</i> )
RF	Resettlement Framework
R-PIN	Readiness Preparation Idea Note
R-PP	Readiness Preparation Proposal
RUTA	Unidad Regional de Asistencia Técnica
SAFI	National Integrated Financial Management System ( <i>Sistema de Administración Financiera Institucional</i> )
SEPA	Procurement Plan Execution System
SESA	Strategic Environmental and Social Assessment
SINAMA	National Environmental Management System ( <i>Sistema Nacional de Gestión Ambiental</i> )
SOE	Statement of Expenditure
TOR	Term of References
UFI	Institutional Financial Unit
UNDRIP	UN Declaration on the Rights of Indigenous Peoples
UNFCCC	United Nations Framework Convention on Climate Change
USAID	U.S. Agency for International Development

**EL SALVADOR**  
**Forest Carbon Partnership Facility REDD+ Readiness Preparation**

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# EL SALVADOR

## Forest Carbon Partnership Facility REDD+ Readiness Preparation

### I. Introduction and Context

#### A. Country Context

1. El Salvador is a lower middle income country which stands out in the Latin America region for its structural economic reforms and stable macro policies. A small and densely populated country in Central America, with a population of 6.3 million people and a GNI per capita of US\$3,580 (2012), El Salvador has pursued an outward oriented development strategy, including being the first nation to implement a regional free-trade agreement (DR-CAFTA) with the U.S. in March 2006. Facilitated by a dollarized monetary regime, a sound macroeconomic framework and a strong record of economic reforms, El Salvador has diversified its export sector, and improved its access to international financial markets.

2. Since emerging from a 12-year civil war in 1991, El Salvador has made remarkable progress in consolidating peace and democracy. Major economic reforms in the 1990s helped spur El Salvador's 4.9 percent annual average growth in Gross Domestic Product (GDP) between 1991 and 2000. Poverty levels in the country declined significantly between 1991 and 2002 (about 27% points), with extreme poverty dropping by half over the same period. There were also important social advances, as infant and maternal mortality rates were reduced and school enrollment and access to reproductive health and water services increased. Since then, annual GDP growth has slowed to an average of only 2%, while reaching again close to previous levels of growth at 4.7% in 2007. However, the effects of the global financial crisis in 2008 resulted in a drop in exports and remittances, higher levels of unemployment and rising food and energy prices. Between 2007 and 2008, the percentage of people in poverty increased from 35.5% to 42.3%. In 2009, the Salvadorian economy experienced a GDP contraction of 3.1%. Since then, it has begun to recover at a slow pace from the impact of the international crisis: it registered a modest growth of 1.4% in 2010, 1.5% in 2011, 1.3 % in 2012, and it is forecasted to grow 2.3% in 2013.

#### B. Sectoral and Institutional Context

3. El Salvador faces severe environmental degradation, especially its natural forests, soil, and water resources. According to a recent study<sup>1</sup>, only 2 percent of natural (i.e. primary) forests remain, which in the region compares only with Haiti. The following demographic and geographic features characterize the pressure that environmental resources face in El Salvador: a small territory of around 21,000 square kilometers; the highest population density in Latin America (approximately 310 people per square kilometer); a hilly topography (50 percent of total land mass has slopes of over 15 percent); highly erodible soils; and the lowest per capita availability of freshwater in Central America. On the positive side, there is evidence of a significant recovery of secondary forests and biodiversity. Water availability of 1,600 cubic

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<sup>1</sup> Republic of El Salvador Country Environmental Analysis. Improving Environmental Management to Address Trade Liberalization and Infrastructure Expansion (Report No. 35226 – SV). March 20, 2006. Environmentally and Socially Sustainable Development Department, Latin America and the Caribbean Region, World Bank.

meters per year (m<sup>3</sup>/year) for human consumption and productive activities is increasingly critical, generating severe water shortages, constraining economic activity, and generating conflicts among users. The health impact of environmental degradation has been estimated at around 2.5 percent of GDP, of which inadequate water and sanitation services, poor hygiene, and ambient and indoor air pollution constitute the highest costs.

4. ***Vulnerability to Climate Variability.*** In El Salvador is highly vulnerable to extreme climatic variation and associated natural disasters, which in turn is exacerbated by problems of severe environmental degradation. According to MARN, around 10 percent of the country is exposed to floods, 20 percent is prone to landslides, and 50 percent can be affected by drought. Vulnerability to extreme climate variability also compromises the country's sustainable development and long-term economic growth. The country has the second highest economic risk exposure, according to the World Bank funded Natural Disaster Hotspot study<sup>2</sup> (natural disasters have increased from one or two to 8 events in the last two decades). According to MARN, data on natural disasters indicates 41 events for the period 1982 to 2007, with total economic damages estimated at US\$4.57 billion; and a direct impact to 90% of the population, 95% of the territory, and 90% of the GDP.

5. ***Recent Environmental Reforms.*** Significant progress has been made by the GoES to broaden and strengthen the existing environmental legal framework. Achieved under the leadership of the MARN, and through a close coordination with other relevant line ministries, important milestones include: the approval of the Territorial Planning and Development Law - which became effective in July, 2012; the new Water Law (*Ley General de Aguas*), -which was recently submitted to Congress for evaluation, and characterized having gone through a broad and inclusive process of consultations-; a new approach for the National Environmental Management System (*SINAMA*); and amendments to the Environment Act (*Ley del Medio Ambiente*), incorporating a specific chapter on Climate Change, and establishing specialized environmental tribunals, to be created by the Supreme Court.

6. MARN is the country's leading sectoral agency on environmental and climate change policies. In 2012, the Ministerial Council<sup>3</sup> approved the National Environmental Policy (*Política Nacional de Medio Ambiente*) to reverse environmental degradation and reduce vulnerability to climate change. Amongst other elements, this policy promotes specific actions for an inclusive restoration and conservation of natural resources, including biodiversity and water; incorporation of the environmental dimension to strategic territorial planning instruments; adaptation to climate change and associated risk reduction; and contribution to improve food security and poverty reduction. The main instrument to implement this policy is the National Environment Strategy, composed by four interrelated National Strategies: Climate Change, Biodiversity, Water and Environmental Sanitation.

7. ***National Program for the Restoration of Ecosystems and Landscapes (PREP).*** Within this new institutional framework, MARN launched PREP as its most prominent program to halt environmental degradation and restore key ecosystem services. PREP also provides the

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<sup>2</sup> World Bank, Natural Disaster Hotspots, A Global Risk Analysis (Washington, DC: Disaster Risk Management Series, 2005).

<sup>3</sup> The Ministerial Council or *Gabinete de Gobierno*, is a government entity, established in the Constitution of the Republic of El Salvador, and integrated by the President and Vic-President, and all the State Ministers.

framework used by MARN to prepare the national REDD+ strategy, with an emphasis on an innovative approach called *Adaptation-based Mitigation* (MbA). This approach seeks to respond to conditions where critical environmental thresholds have been reached and are now magnified by the impacts of climate change variability, as well as address current dynamics that threaten livelihoods and governance conditions. It simultaneously combines strategies, goals and resources that seek to contribute to mitigation actions, while at the same time laying the groundwork for climate change adaptation, and thus address the challenges of high the vulnerability affecting rural communities, including food security. Despite the innovative and strategic nature of PREP, and the expectations to access new financial resources through a future REDD+ regime, for now, the scope and impacts of the program have been limited. A larger budgetary allocation and institutional support will be needed from the government before significant results are seen at the local level.

8. ***Forest Sector.*** El Salvador has a total land area of 21,041 km<sup>2</sup> and an estimated forest area of 2,743 km<sup>2</sup>, (approximately 13%; MARN 2010). Coffee plantations also make an important contribution to tree cover, as they are mainly managed in the modality of shade coffee, serving as a complex agroforestry system. Coffee plantations are also undergoing a sharp decrease at the national level, due to threats by devastating pests, and high land use opportunity costs. The country does not yet have a comprehensive natural resources/forestry policy that recognizes the strategic value of the sector in rural development. Sustainable forest management is limited to a few isolated areas, and has failed to create synergies with other related sectors. The demand for forest products, mainly for rural home construction and fuel wood consumption, is obtained, mostly illegally, from the scarred remaining forest areas. The current administration, under the Ministry of Agriculture and Livestock (MAG), in close coordination with MARN, has launched a new National Forestry Policy based on principles of sustainability and oriented to promote a more comprehensive approach to sustainable forestry activities (e.g. integration of forestry activities into territorial zoning, improved stakeholder participation in program design and the legal/fiscal basis for long term investments in forestry activities and watershed management).

9. ***Deforestation and Forest Degradation.*** El Salvador has an annual rate of deforestation of -1.47%, which is above average, and one of the highest of the region<sup>4</sup>. The main causes of deforestation in El Salvador are complex and vary from one zone to another. For many decades, policies that promoted agricultural exports (e.g. cotton, coffee, sugar cane and livestock), and the country underwent the conversion of its forested areas to a variety of agricultural uses since the end of the 19<sup>th</sup> century. In addition, the intensive use of agrochemical and mechanization has led to severe soil erosion, loss of soil fertility, water and soil contamination, and loss of biodiversity. A preliminary analysis included in the R-PP indicates that key drivers of forest loss and landscape degradation include: expansion of non-sustainable agricultural and livestock activities; urban growth and infrastructure development; illegal logging and firewood extraction; forest fires; and the expansion of productive activities into mangrove ecosystems. Other indirect causes driving forest loss include a strong rural-to-urban migration (with the associated demand for urban land and fragmentation of rural lands);

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<sup>4</sup> FAO. Global Forest Resources Assessment 2010. Main Report. FAO Forestry Papers No. 163. Rome, Italy. 2010. 344 p.

the remittances of migrants that distort the prices of land; and the lack of economic opportunities in rural areas. Also, as noted in the recent El Salvador Land Sector Assessment conducted by the Bank, given the high population density, there is significant pressure for land use change for agriculture in rural areas. Opportunity costs for forest lands have also increased due to the elevated rate of urban expansion and the decrease in agricultural productivity in degraded landscapes.

10. ***El Salvador's involvement in REDD+ and the FCPF.*** El Salvador became a member of the FCPF in 2008. The Bank has been assisting the country's REDD+ process since early 2009, when a *REDD+ Country Participation Agreement* was signed with the Bank under the FCPF. In early 2011 El Salvador also signed a grant agreement with the Bank for US\$200,000.00, from the FCPF's readiness fund, to formulate their Readiness Preparation Proposal (R-PP; see Annex VII). This document contains a detailed assessment of the drivers of deforestation and forest degradation, a preliminary methodology to define its emissions reference level based on past emission rates and future emissions estimates, a Monitoring, Reporting and Verification (MRV) system for REDD+, and actions for integrating environmental and social considerations into the REDD+ Readiness process, including the national REDD+ strategy (ENA-REDD+). The R-PP was approved by the FCPF Participant Committee on October 2012, and a "completeness check" was issued by the Facility Management Team (FMT) of the FCPF in March 2013 (for a more detailed background on REDD+ and the FCPF's policies and procedures see Annex XII).

11. The proposed grant would support El Salvador's sectoral policies and programs through the development of REDD+ actions at the landscape level, which are conducive to the adoption of land use practices to restore degraded ecosystems, improve resilience to climate change, and mitigate greenhouse emission. Within the framework of the National Climate Change Strategy and PREP, El Salvador suggests options to address, not only drivers of deforestation and forest degradation, but the underlying causes that limit restoration efforts in critical rural landscapes with severe loss of biodiversity, and soil cover and fertility. An indicative list of strategic options for an ENA-REDD+ has been elaborated in the R-PP (see Annex VIII) and will serve as the basis for further dialogue on REDD+ options. The final selection of strategic options and the eventual formulation of the REDD+ Strategy will require further analytical work, consensus building, prioritization and operationalization during the Grant implementation period.

### **C. Relationship to the CPS**

12. In 2009 the World Bank Board of Directors approved a Country Partnership Strategy (CPS) covering the period from 2010 to 2012 (Report No. 50642-SV) with a proposed \$650 million lending program, technical assistance and analysis to support Government efforts to reduce poverty. After the 2011 Progress Report, the current CPS period was extended to 2014 (Report No. 61113-SV). The El Salvador CPS focuses on addressing poverty and inequality through the following three strategic objectives: (i) strengthen fundamentals for economic recovery by addressing the macroeconomic and institutional vulnerabilities; (ii) improving the provision of social services for vulnerable groups; and (iii) expand economic opportunities, particularly for the poor. The country Environmental Assessment (EA), completed in FY08 also remains valid.

13. The ultimate goal of the proposed REDD+ Readiness support is to harness the potential of forest ecosystems in reducing poverty, integrating management of natural resources into sustainable development, while protecting vital local and global environmental assets. To this end, this project is therefore fully in line with the objectives pursued in El Salvador's CPS. The CPS 2011 Progress Report explicitly states that as other Central American countries, El Salvador is increasingly embracing the climate change agenda—both on the adaptation and mitigation side. Further to the on-going dialogue and support to the national disaster risk mitigation and reduction agenda, the Bank will provide support to the REDD+ agenda, which is widely recognized as a key strategy for climate change mitigation/adaptation at the global level. El Salvador's engagement with the FCPF will help develop a vision for managing and monitoring its forest resources and prepare for possible forest carbon transactions.

## **II. Proposed PDO/Results**

### **A. Proposed Development Objective**

14. The Project Development Objective (PDO) is to assist El Salvador in the implementation of key REDD+ readiness activities identified in its R-PP<sup>5</sup> including: (i) institutional arrangements and participatory processes, (ii) development of a ENA-REDD+, and (iii) establishment of a national forest reference/emission levels, and a national system to monitor greenhouse gas emissions.

### **B. Key Results**

15. The PDO will be accomplished by financing targeted activities to design and implement policies and programs to reduce emissions from deforestation/degradation, with an MbA approach. This will be conducted under sound social and environmental principles that contemplate the full and meaningful engagement of potentially impacted stakeholders. The main results expected at project closure are presented below. A *Results Framework and Monitoring* strategy containing outcome and output indicators by component and project calendar is also included in Annex IV.

- a. A cross-sectoral coordination body for REDD+ and a multi-stakeholder participatory platform have been established and are under operation;
- b. An ENA-REDD+ including the design of specific legal, economic and technological instruments (i.e. a REDD+ incentives system, an national REDD+ fund, technological packages for REDD+) has been designed with the support of a broad stakeholder participation;
- c. A Strategic Environmental and Social Assessment (SESA) has been carried out and a technically strong safeguard instrument such as an Environmental and Social Management Framework (ESMF) has been prepared, adequately consulted and disseminated;
- d. The capacity and progress to establish a National Forest Reference Emission Level and/or a Forest Reference Level has been significantly improved;

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<sup>5</sup> R-PP: Readiness Preparation Proposal. Included as Annex VIII.

- e. The capacity and progress to develop a National Forest Monitoring System (NFMS) for the Measurement, Reporting, and Verification (MRV) of Green House Gases (GHG) emissions reductions from REDD+ activities has been significantly improved; and
- f. The capacity and progress to monitor the non-carbon impacts of the implementation of the REDD+ strategy has been significantly improved.

16. These results encompass the main elements needed by El Salvador to develop the country's "Readiness Package" (R-Package)<sup>6</sup> under the FCPF, and provide the foundation for the country's participation in any future REDD+ mechanism under the United Nations Framework Convention on Climate Change<sup>7</sup> (UNFCCC) that El Salvador may consider.

### III. Project Context

#### A. Concept

##### 1. Description

17. The Readiness Preparation Proposal (R-PP)<sup>8</sup> identifies a broad set of activities aimed at strengthening the technical and institutional capacities for the GoES to participate in a future REDD+ mechanism. The financial envelope for these activities is estimated at US\$8.187 million. The activities to be financed by the FCPF Preparation grant were selected jointly with MARN, and in coordination with other donors, considering the following criteria: (i) activities needed to strengthen the immediate institutional capacity of MARN to conduct participatory and consultation processes for REDD+; (ii) fundamental readiness activities for which the GoES had specific financial needs, not covered by other donors; (iii) a discrete set of activities that would generate a specific outcome (with no- or minimal parallel-financing that could jeopardize the achievement of the project objective); and (iv) activities that complemented those of other donors and the government, and that could serve to strengthen the achievement of the project objective. Annex V provides an overview of the readiness preparation activities to be financed under the FCPF grant. It should be noted that these activities do not include the implementation of REDD+ programs or activities on the ground. The FCPF support is limited to analytical studies, capacity building, and consultation processes at the national and sub-national levels.

18. The FCPF implementation grant contemplates the following five components (a detailed description of activities under each component is included in Annex III):

**Component 1: REDD+ Readiness Organization and Consultation (US\$1.208M).** This component will assist MARN to: (i) establish and operate a consultative platform for climate change and REDD+; (ii) design and operate a national communications and dissemination

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<sup>6</sup> The Readiness Package is a document generated by a REDD+ country towards the end of the Readiness preparation phase under the FCPF (i.e., at a stage when activities proposed in the R-PP are well advanced or completed). Its content thus mirrors the R-PP components and sub-components. The R-Package is a major milestone and comes at the transition from REDD+ Readiness preparation to REDD+ piloting (i.e., the implementation of performance-based activities), and provides an opportunity to self-assess the progress on REDD+ Readiness. As per the FCPF's Charter, the production of an R-Package and its submission for PC review is voluntary and not a reporting requirement under the FCPF Readiness Fund.

<sup>7</sup> See Cancun Agreements, UNFCCC Decision 1/CP.16 Section C and Appendix I to that Decision.

<sup>8</sup> The R-PP submitted by the GoES is included in Annex VIII and can also be found at: <http://www.marn.gob.sv>.

strategy for REDD+; and (iii) design and implement a consultation and participation strategy that includes a Grievance Redress Mechanism (GRM).

**Component 2: National REDD+ Strategy (US\$0.965M).** This component will assist MARN to: (i) identify and analyze the main direct and indirect cause of deforestation and landscape degradation; (ii) identify effective REDD+ strategy options; (iii) design an implementation framework for REDD+; and (iv) assess possible social and environmental impacts associated to the REDD+ strategic options (SESA and ESMF).

**Component 3: National Forest Reference/Emission Level (US\$0.247M).** This component will assist MARN to identify a national Reference Emissions Level, and/or Reference Level (REL/RL) for the forest sector.

**Component 4: National Forest Monitoring Systems (NFMS) (US\$0.960M).** This component will assist MARN and other government agencies in the design and implementation of: (i) a national forest monitoring systems; and (ii) a national information system for multiple benefits, other impacts, safeguards and governance.

**Component 5. Monitoring and Evaluation Framework and Grant Administration (US\$0.220).** This component will support MARN in the establishment and operation of a technical/administrative implementation unit that will be in charge of coordinating and executing the technical and fiduciary activities of the readiness phase, including a monitoring and evaluation framework.

## 2. Key Risks and Issues

19. ***Institutional capacity.*** MARN does not yet have the multi-disciplinary team needed to lead and operationalize the national REDD+ process in El Salvador. As part of the overall institutional reform undertaken during the current administration, MARN has formally established the inter-ministerial National Climate Change Committee (PNACC) to oversee the implementation of the National Plan of Adaptation to Climate Change and the REDD+ process. Internally, MARN has also established the General Directorate of Climate Change and Strategic Affairs (DGCCAE), as the executive entity to implement these policies and programs. Despite of these efforts, MARN is still understaffed and underfunded to fully take over these responsibilities.

*Mitigation measures:* The project design includes the institutional strengthening of MARN on both climate change and the REDD+ process as an important element of its objective. Funds will be allocated to assist MARN in establishing a Project Implementation Unit (PIU) for the execution of the grant, and measures will be taken to implement an exit strategy to ensure that capacities remain in the institution after project closure.

20. ***Political Transition.*** The current administration, under MARN's leadership, has assigned a high priority to develop and implement innovative climate change policies and programs (including REDD+); becoming the leading government institution, and with the private sector, and civil society, in these important topics. During and after the coming of political transition

following presidential elections in 2014, the GoES may decide to give a lower priority to these initiatives, leading to a loss in the level of engagement with the different stakeholders groups, and reducing its capacity to comply with the commitments currently established, including the future execution of the grant.

*Mitigation measures:* this risk is being mitigated by the Bank by establishing a dialogue with the authorities and opposition parties, where important insights of the portfolio have been shared with all the candidates and their teams. Also, by signing a readiness preparation grant with the FCPF, the GoES, who is already an official member of this entity, will establish international commitments that a future government would need to commit to.

21. ***REDD+ as a combined adaptation/mitigation instrument.*** Due to El Salvador's particular national circumstances (e.g. low forest cover, advanced landscape degradation, and extreme vulnerability to climate variability), the GoES has proposed to develop national REDD+ strategic options as combined adaptation/mitigation instruments. Such an approach has been forged by the GoES to frame and align REDD+ with the country's priorities in the climate change agenda, which have a strong focus on addressing adaptation challenges. El Salvador is the only country in the region (and in the world, as claimed in the R-PP) to explicitly adopt such an approach in its REDD+ strategy. Although the R-PP includes extensive narrative on the concept and outlines specific instruments for its implementation (such as the PREP program), the innovative nature of such approach might be questioned if not appropriately operationalized, both at the technical and communications level. In early 2012, the concept of MbA was questioned by a group of Non-Governmental Organizations<sup>9</sup> (NGOs), who argued that the REDD+ scheme was mainly conceived by the UNFCCC as an instrument for mitigation rather than adaptation. These organizations were also concerned that a REDD+ strategy centered on MbA should not be used by MARN to substitute its commitments under the Durban and Cancun platforms, which require developing countries to design and implement National Adaptation Plans (NAPs) and Nationally Appropriate Mitigation Actions (NAMAs). During the course of the preparation of the R-PP, MARN has made an effort to clarify that the MbA is a valid approach, in line with its commitments under the UNCCC, and that REDD+ is only an element of the broader strategy to address adaptation and mitigation in the country.

*Mitigation measures:* The project team will closely supervise the technical design of the ENA-REDD+ to ensure that it is properly integrated within the country's adaptation efforts, in line with the MbA approach. The communication strategy developed under component 1.b of the grant will put particular emphasis on this issue. In addition, appropriate protocols will be developed as part of component 4.b of the grant to enable the assessment of adaptation benefits during the implementation of the REDD+ strategy.

22. ***Inter-sectorial Harmonization and Coordination.*** Policies and incentives relating to other sectors could conflict with MARN's efforts to build a cross-sectoral REDD+ strategy. The possible negative effects of laws and regulations with respect to agriculture, mining, urbanization and zoning, infrastructure and free trade agreements are only superficially analyzed in the R-PP.

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<sup>9</sup> CSO review of draft R-PP version April 2012

[https://forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/May2012/ANALYSIS-R-PP\\_SV\\_FCPF-Eng-17May2012.pdf](https://forestcarbonpartnership.org/fcp/sites/forestcarbonpartnership.org/files/Documents/PDF/May2012/ANALYSIS-R-PP_SV_FCPF-Eng-17May2012.pdf)

Examples of these effects include MAG's *Agricultura Familiar* and *ALBA Alimentos* programs which are both promoting the production of basic grains (mainly maize and beans) and could indirectly generate increased pressure on the country's remaining forest ecosystems. Similarly, the MOP public investment project along El Salvador's coastal line (comprising almost one third of the country), known as *Franja Costera Marina*, could have negative impacts on the country's mangrove ecosystems if not properly taken into account. This analysis is an essential first step towards inter-sectoral harmonization and alignment of priorities and a necessary building block for government coordination.

*Mitigation measures:* Within the realm and guidance of SINAMA, the National Program for Climate Change Adaptation, and the National Climate Change Committee, the grant will facilitate a coordinated and transparent dialogue with stakeholders for a better understanding of the trade-offs on sectoral developments and REDD+. MARN has established inter-ministerial agreements with MAG, MOP, and MH and steps have also been taken to create multi-stakeholder platforms such as the Forestry Development Roundtable (lead by MAG), and the Indigenous Peoples Roundtable (lead by MARN). Other platforms would be created to address topics such as MRV, safeguards systems, legal frameworks and governance. Sectoral developments and their potential impact on the REDD+ strategy will also be assessed through the SESA process. Also, an in-depth review and analysis of the legal and institutional framework affecting REDD+ activities is considered under component 2a of the project.

23. ***Indigenous peoples.*** The situation of indigenous peoples in El Salvador remains controversial and the widespread denial of the existence of indigenous peoples is a deep and persistent social reality that cannot be underestimated in terms of its influence on development and policy making. This is particularly sensitive in the context of REDD+ as it involves all of the key points of historical conflict – land tenure, use of natural resources and social class-. While violence specifically targeting indigenous peoples is now rare, economic, social, cultural and systemic discrimination continue to be widespread; indigenous peoples tend to be the poorest with limited access to quality health care and education, and the municipalities with the highest presence of indigenous peoples are among the poorest in the country with a conspicuous lack of access to quality basic services and consequent low indicators on education, primary health, and infant and maternal health. For indigenous peoples in El Salvador, as in other countries, REDD+ presents a potential risk to the lives and livelihoods of indigenous peoples as they are highly vulnerable as a result of their lack of formal land tenure, and are extremely dependent upon natural resources for subsistence. They would therefore be especially vulnerable to any changes in land use or access to their traditionally used resources. In addition, indigenous peoples have not been considered as key stakeholders at the national level so have been historically excluded from key decision making, which has made engagement under the FCPF particularly challenging.

24. *Mitigation measures:* The Bank triggered OP 4.10 and has ensured that indigenous peoples and their representative organizations have been actively engaged during REDD+ readiness and the preparation of the R-PP. In order to formally integrate indigenous peoples into the REDD+ dialogue and climate change more generally, MARN established a *Mesa Nacional Indígena*. The *Mesa*, with representation from all three major indigenous groups, has established an initial Terms of Reference for the participation of its members and will be receiving capacity building in REDD+ as part of the initial activities under the SESA Workplan. In addition, key

issues relating to indigenous peoples land and natural resource use are included as part of the SESA analytical work that will be financed by this project under Component 2.d.

25. **Participation.** During the development of the R-PP, MARN initiated a stakeholder analysis and established a dialogue for REDD+ with key actors at the national level. A stakeholder map was reviewed and expanded during the Bank's due diligence. Additional participatory and training events were conducted as part of the launching of the SESA process, culminating in a national SESA workshop and the preparation of a national SESA Workplan to be implemented during the preparation phase. Despite these efforts, there is still no formal multi-stakeholder participatory platform to ensure continuity in the engagement with stakeholders for a future REDD+ process.

*Mitigation measures:* As a specific objective of this project, MARN has agreed to formally establish an Intersectoral Consultative Platform (*Instancia Consultiva Intersectorial*) with defined principles of operation, roles, and responsibilities; and to ensure a broad representation and flow of information to all stakeholders in a systematic manner. Specific efforts for a more formal engagement with sugar cane producers, livestock farmers/cattle ranchers and the urban development sector has also been identified as a priority for the Readiness implementation phase.

## **B. Implementing Agency Assessment**

26. MARN is the country's leading sectoral agency on environmental and climate change policy. The Ministry has experience with different types of consultation processes for its various policy instruments, and has a successful record of implementing environmental programs financed by different donors. Particularly, MARN has implemented several World Bank-financed projects<sup>10</sup> and it has demonstrated its capacity to apply environmental and social safeguards, and comply with fiduciary arrangements. The national REDD+ Readiness Process will be led by MARN, in close coordination with the authorities of the main public institutions related to the process (e.g. MAG, MOP, MH, MIREX, CEL, MITUR). MARN will also lead the work of the technical aspects of the REDD+ readiness preparation phase. In this sense, MARN's leading role at both policy and technical levels will be key for the success and progress of the initiative towards developing the ENA-REDD+.

27. Given the cross-sector and countrywide nature of REDD+, safeguards policies for FCPF activities will apply at more strategic level than in past World Bank-financed projects implemented by MARN. The inter-institutional nature of the dialogue and decision-making on REDD+ issues also poses a major challenge to the capacity of MARN to effectively influence other sectors that are relevant to REDD+ (e.g. agriculture, forestry and urban planning and development). The recent R-PP formulation phase helped MARN organize its vision for REDD+ and start building the mechanisms for the preparation phase. The Bank team has been assisting MARN to establish the required platforms for early dialogue and training on REDD+, design a methodology to engage stakeholders for the SESA process, and initiate inter-institutional coordination at different levels. The FCPF Preparation grant will support the establishment of a technical/fiduciary implementation unit under the Technical Cabinet, an advisory body to the

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<sup>10</sup> E.g. El Salvador Environmental Services Project (P064910) and El Salvador GEF Protected Areas Consolidation and Administration (P092202).

Minister, which coordinates the strategic agenda and has access to the available institutional capacity on climate change. The REDD+ initiative would, at the same time, benefit from and contribute to enhance this national capacity, along with other donors that are supporting climate change mitigation and adaptation agenda in the country.

### C. Project Stakeholder Assessment

28. The updated R-PP contains a comprehensive stakeholder map that includes all the sectors that were identified during the early information sharing and participation process as being potentially impacted by possible REDD+ activities and investments. Details are provided in the stakeholder map regarding how each stakeholder was involved in the preparation of the R-PP, their constituency, role in REDD+ and a proposal for how the key players will be involved in the SESA process (see Annex IX). The latter section of the stakeholder map also includes suggestions for the civil society organizations that may be invited to participate in the various SESA activities (see detailed stakeholder map in page 35 of the R-PP: Annex VIII).

29. Key stakeholders for REDD+ in El Salvador include:

- **Indigenous peoples and other forest-dependent communities.** The role of indigenous peoples and other forest-dependent communities (non-indigenous *campesinos*) will be important to consider during the preparation of the ENA-REDD+. Important analytical work to determine whether the strategic options will negatively impact their rights to land and use of natural resources has been included in the SESA Workplan and the *Mesa Nacional Indígena* is considered by MARN to be a key interlocutor for the indigenous communities.

- **Private forest owners.** Individual, private forest owners are also important for a successful REDD+ program in El Salvador as they hold large proportions of the existing forests and have indicated an interest in directly benefiting from REDD+ activities. These groups includes both small rural land-holders and large landowners who have voluntarily conserved part of their land, as private protected or conservation areas. It is anticipated that these stakeholders will participate in any REDD+ initiative on a voluntary basis.

- **Central Government Institutions.** Strong coordination among central institutions involved in rural development and natural resources management is considered to be critical for the success of the ENA-REDD+. Important advances to increase this coordination have been made by MARN. The key governmental stakeholders include: MAG with their key role in the management and protection of forests, MOP, MH and the MIREX. This coordination would be conducted by MARN, under the framework of the SINAMA, and the National Climate Change Committee, the main coordinating body for climate change issues including REDD+.

- **Local Government Institutions.** State and municipal governments and their associations will be important for the implementation of public policies relating to REDD+ at the local level. These stakeholders will have a key role in the design, implementation and monitoring of REDD+ related activities locally. The state and municipal governments already

involved in the PREP program will lead this effort and will integrate new municipalities as the REDD+ areas for investment are defined during REDD+ readiness.

- **Civil society.** Civil society organizations have been active participants in the preparation of the National Environmental Policy and the initial information dissemination process under the FCPF. They will continue to participate in REDD+ readiness activities and are expected to make key contributions to the preparation of the ENA-REDD+ as part of the analytical work and participation activities included in the SESA Workplan. The SESA Workplan includes a list of the key civil society organizations and an initial indication of how they might be involved in the SESA.

- **Private Sector.** Private operators interested in innovative forest services and carbon finance are vital for a successful REDD+ strategy, and will be involved in readiness preparation and implementation and may benefit from REDD+ initiatives in the future.

- **Academic and research institutions.** Similar to civil society organizations, academic institutions and research organizations have been active participants in many of the early REDD+ information dissemination and participation activities undertaken by MARN. They have provided important contributions to technical areas as well as participated in the National SESA Workshop. Key academic and research institutions will continue to provide important technical assistance included in the National SESA Workplan.

#### IV. Overall Risk Ratings

##### A. Risk Ratings Summary Table

Risk	Rating		Rating
<b>Stakeholder Risk</b>	M	<b>Project Risk</b>	S
		- Design	S
		- Social and Environmental	S
		- Program and Donor	L
<b>Implementing Agency Risk</b>		- Delivery Monitoring and Sustainability	M
- Capacity	S		
- Governance	S		
		<b>Overall Implementation Risk</b>	<b>S</b>

##### B. Overall Risk Rating Explanation

30. The overall risk rating for the project is **Substantial**. The REDD+ Readiness process presents a substantial level of risk, as it depends on several measures that need to be improved in the medium and long term, including institutional arrangement for MARN and a broad number of public institutions, as well as private, and social organizations (including indigenous groups with weak participation platforms), to jointly work on the REDD+ processes in the country. In

addition to the challenges regarding the prerequisites for ensuring a broad and informed participation of the many stakeholders, the REDD+ process will also require developing stronger institutional capacity. A successful REDD+ mechanism involves important changes to the existing institutional and policy frameworks and addressing sensitive issues such as forest tenure and carbon rights and revenue distribution across government levels. In addition, the program has high international visibility due to the high stakes of REDD+ for various stakeholders (including vulnerable forest-dependent communities), the innovative approach to REDD+ based on MbA, and the vulnerability of the country to high climatic variation. Therefore, legitimate and effective stakeholder involvement, and technically sound policies and programs oriented to improve resilience of local communities to extreme climatic events will be critical during preparation phase. See Operational Risk Assessment Framework (ORAF) in Annex I for further details.

## **V. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date**

31. The Bank has been assisting the REDD+ process of El Salvador since early 2009, when a *REDD+ Country Participation Agreement* was signed under the FCPF. Following a period of limited activity in the transition into the current government, the GoES ratified its interest in continuing its REDD+ process in early 2011; and a US\$200,000.00 grant from the FCPF was signed with the Bank to formulate the R-PP. The Bank has been providing close technical support to the GoES for the preparation and approval of its Readiness Plan Idea Note (R-PIN; in 2008), and more recently, the completion of their R-PP. This work has helped MARN organize and progressively improve the REDD+ process overall, notably in the areas of social communication and participation and to advance in the several early drafts of the R-PP. The Bank team provided extensive technical support for the preparation for the GoES's informal, and then formal presentation of the document to the FCPF Participants Committee, which in October 2012 issued a resolution to provide access to El Salvador to a US\$3.6 M grant to implement their R-PP. During this process, the team has also participated in field visits, workshops and training sessions organized by MARN to discuss REDD+ themes with different stakeholders involved in early dialogue activities. The team's support to MARN also contributed to update and improve the R-PP for which the FMT of the FCPF issued a completeness check in March 2013.

32. Following the resolution of the PC to provide access to the GoES to an implementation grant, the Bank, as delivery partner, initiated its due diligence process and assessment of the GoES REDD+ preparation initiative. During 2013 the Bank conducted three due diligence mission (April 8-12, July 8-12, and August 25-31, 2013). A multi-disciplinary team (i.e. forest carbon, rural development, social development, communications, legal, environment, procurement, and financial management) worked with MARN to assess the overall status of the REDD+ process and to identify risks as well as opportunities in moving forward with the REDD+ readiness phase. The mission involved discussions in San Salvador, and during field visits, with MARN, MAG, NGO/Indigenous Peoples (IP) roundtable, and local stakeholders and governments. The team also held coordination meetings with the GIZ, which together with the Bank is the most relevant partner of the GoES on REDD+ through their Central America Program.

33. The Bank team worked closely with MARN to refine the stakeholder participation sections in the R-PP and the FCPF Assessment Note and to better define the SESA Workplan and methodology. During the last mission in August 2013, the Bank team assisted in finalizing the format and materials for the National SESA Workplan and participated in a national SESA workshop that took place on August 26, 2013. This mission was also used to discuss and finalize the main technical and institutional elements needed to complete the Assessment Note.

34. Once the FCPF Preparation grant is approved, the team will continue to support MARN during the readiness phase to develop the ENA-REDD+. The expected budget for the Bank support and technical assistance would be approximately US\$80,000 per year, over a three-year period of implementation, including approximately US\$50,000 for variable expenses (i.e., consultants, and mission's travel). The World Bank team supporting the GoES in its REDD+ Readiness process is included in Annex II.

## VI. Assessment Summary

### A. Technical

35. The Task Team reviewed the various versions of the R-PP and related documentation (see Annex VIII) and feels that El Salvador is prepared to advance through the Readiness Preparation phase. Overall, the country has identified the critical issues relevant to REDD+ and has developed adequate processes to address them during preparation. The R-PP contains the key elements required for a future REDD+ mechanism as defined by the COP16 in December 2010. After a slow start, the Government has made a good faith effort to take into account and incorporate the views of key stakeholders and their systematic inclusion in the process of preparing the ENA-REDD+. A stakeholder analysis, early dialogue actions, and the proposed consultation-participation arrangements and strategy are reflected in Component 1 (b), (c) and 2 (d) of the R-PP (see Annex VIII), and in the SESA Workplan (see Annex XIV)). Given its experience and commitment to explore innovative REDD+ strategies with an MbA approach, and to conduct these with the active participation of communities, indigenous peoples and other local actors, the GoES could provide important lessons to other REDD+ countries experiencing similar conditions of climatic vulnerability and landscape degradation.

36. ***Rationale for REDD+ and the Adaptation-based Mitigation Approach.*** There are three main elements that motivate El Salvador to design and adopt innovative and strategic REDD+ policies and programs: its low remaining percentage of forest cover, its advanced level of landscape degradation, and its high vulnerability to extreme climatic events and related natural disasters. Adaptation has become a priority in El Salvador in areas where critical environmental thresholds have been reached, and where the vulnerability of agricultural practices and food security is at historical limits. Failing to address these phenomena, will continue to exacerbate the negative economic impacts already affecting many regions of the country (e.g. alteration of hydraulic cycles and water availability; soil loss, degradation and sedimentation; and slope instability).

37. El Salvador intends to develop REDD+ strategies that respond to these conditions, based on an *Adaptation-Based Mitigation* approach, and within the framework of the National Ecosystem and Landscape Restoration Program (PREP). Using this approach the GoES intends

to improve the basis on which policies and programs are developed, with an objective that is threefold: to promote the resilience of local communities to extreme climatic variation; to contribute to improve sustainable agricultural practices and an increase food security; and to conserve and sequester carbon. In this way, strategic activities that the ENA-REDD+ prioritizes would include: (i) transformation of agricultural practices to introduce and take to scale new tree-based ecosystem approaches (e.g. agro-silvo-pastoral systems); (ii) sustainable forest management that increases carbon storage; and (iii) increase emission reductions by improving forest conservation and reducing rates of deforestation/degradation of transformed and remaining natural forests (e.g. mangroves, riparian forests, agroforestry systems such as shade coffee).

38. **Legal Situation of Indigenous Peoples.** The Constitution of El Salvador does not formally recognize the collective legal rights of indigenous peoples to own land at the national level. The only reference to indigenous peoples is found in Article 62 of the Constitution which states that the indigenous languages are part of the country's cultural heritage. Environmental legislation also does not recognize any traditional user rights and in fact allows for the eviction of human settlements under certain conditions. Similarly, at the international level, El Salvador has not yet ratified International Labor Organization (ILO) Convention 169 and is therefore not bound by it. The country has, however, adopted the legally non-binding United Nations Declaration on the Rights of Indigenous Peoples, and ratified ILO Convention 107 which remains in force in El Salvador. However, given that the country already made clear, at the time of ratification in 1958, that in its opinion there were no indigenous peoples in El Salvador, the Convention never gained any practical relevance. In particular, the meaning of its provisions regarding land in the context of El Salvador have not been addressed and analyzed. This and other recent developments still have not been studied in detail and warrant further analysis during the preparation phase.

39. **Land Tenure.** The Constitution of El Salvador only recognizes individual private property. In 1882 all communal properties and the institution of the *ejido* as such were abolished by law<sup>11</sup>. There has been noticeable progress in the area of land regularization and titling at an individual level, as well as for some agrarian cooperatives as a result of the 1980 agrarian reform. However, results have been mixed and collective property rights have never been restored, and collectivization processes have been reversed so that the overwhelming majority of small farmers and indigenous peoples do not have title or any other formal land use rights.

40. In terms of gender, under the current laws, land can only be acquired in three ways: (i) social relationships and family ties (e.g. marriage, divorce, inheritance); (ii) state concessions; and (iii) the land market (e.g. renting and buying). Gender inequalities regarding land distribution -a highly relevant concern in El Salvador- are mainly attributed to male preference in inheritances, male privileges in marriage, bias towards men in governmental land distribution programs, and bias towards men in market participation. No national policy on dual titles (both husband and wife are named on the title) exists.

41. In the last few decades El Salvador has experienced high population growth and density leading to an accelerated process of urbanization and land scarcity, both in urban and rural

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<sup>11</sup> Decreto 62 de Extincion de Terrenos Ejidales, dated March 14, 1882.

environments, and a highly speculative market of lands. In the formulation of their R-PP, the GoES has recognized that the traditional differentiation between the rural and urban space has changed and that national policies addressing deforestation/degradation and overall climate change adaptation need to emphasize the rural-urban continuum and the need of coordinated development policies and territorial planning instruments.

42. In discussions with MARN and various stakeholders, the issue of land and forest rights (particularly of IPs) was selected as a high priority for further analysis. During project execution, MARN will need to establish coordination mechanisms with the various legal instruments and national government agencies dealing with inter-related issues of demand for urban land, and rural land fragmentation (e.g. Law of Territorial Planning and Development [2011] and the National Council for Territorial Planning and Development). With funds from the PROFOR program, the Bank is also conducting a forest tenure analysis and its relationship with REDD+, which is also expected to shed light in this area.

43. **National Forest Reference Emission Level/Reference Level (REL/RL) and Monitoring System.** The task team has had satisfactory technical discussions with MARN on the development of the National REL/RL and NFMS during several missions. MARN has showed a good understanding of its strengths and weaknesses with respect to these issues, as well as the opportunities that arise through the process of REDD+ preparation. The R-PP shows a good level of familiarity with relevant UNFCCC guidelines and IPCC Good Practice Guidance, and the right institutions have been identified and involved so far. As part of the R-PP formulation, a preliminary institutional structure has been established (National Forest Monitoring Group) that will be consolidated during the preparation phase. In summary, the approach seems reasonable, is consistent with UNFCCC guidelines and the R-PP outlines the necessary analytical work.

44. El Salvador will use a combination of remote sensing and ground-based forest carbon inventory approaches to establish a multi-purpose NFMS for REDD+, in line with UNFCCC guidelines. The country does not yet have a National Forest Inventory (NFI). Although the NFI is a responsibility of the MAG, there has not been a dedicated unit within the Ministry assigned with this task to date, and this will be a key challenge during the Readiness phase. The task team has noticed with satisfaction the efforts of MARN and MAG's to coordinate this task. Given El Salvador's approach to REDD+, the NFMS will be adapted to reflect the country's strong emphasis on increasing its forest cover as an adaptation strategy. In parallel, El Salvador will also develop a series of complementary monitoring systems that will allow the country to assess a variety of environmental and socioeconomic co-benefits (as well as potential negative impacts) expected to be generated through the implementation of the REDD+ strategy, as a result of its adaptation-based approach.

45. **Carbon Ownership.** Like most other countries, El Salvador does not have specific legislation or jurisprudence on carbon rights. The question of carbon ownership is especially acute in a country like El Salvador where, as outlined *supra*, the vast majority of forest dependent communities do not own the land on which they depend. Therefore, the issue of a fair and equitable distribution of potential future carbon revenues arises with greater urgency in the context of El Salvador compared to countries where *campesino* and indigenous communities have collective titles to their lands. MARN is exploring different options to ensure a fair distribution of benefits including to individuals and communities that do not enjoy any property

rights and has expressed its interest in receiving technical assistance from the Bank in this matter.

46. ***Benefit-sharing Arrangements.*** As of now, the GoES has not yet developed explicit benefit-sharing arrangements for REDD+. The Protected Areas Law, however, contemplates the development of management plans that allow for different forms of joint management of these areas. This and other formal or informal granting of forest usufruct rights to local communities could serve as a potential starting point for a future REDD+ regime.

## **B. Financial Management**

47. A Financial Management Assessment (FMA) was carried out to evaluate the adequacy of financial management arrangements under the proposed FCPF Preparation grant. This assessment has been performed in accordance with OP/BP 10.00 and the Financial Management Manual for World Bank-Financed Investment Operations. The summary Financial Management (FM) arrangements and evaluation are as follows:

- (i) FM aspects would be implemented using country systems (budgeting, accounting, internal control, funds flow, and financial reporting);
- (ii) MARN will be in charge of the FM aspects for the activities under the components and subcomponents of the project. These will basically include: (a) budget formulation and monitoring; (b) cash flow management (including processing payments and submitting Grant withdrawal applications to the Bank); (c) maintenance of accounting records, including the maintenance of an inventory of fixed assets for the project; (d) preparing annual and semester reports; (e) coordinates the project audits; and (f) furnish to the Bank the financial statements audited by external audits;
- (iii) The fact that MARN has prior experience implementing World Bank financed projects, which overall had suitable implementation of financial management arrangements, puts MARN in an advantageous position to manage the FM aspects of the proposed grant;
- (iv) In addition, a PIU will be established in MARN to coordinate project implementation and staffed with a Financial Specialist. The Financial Specialist will support the Institutional Financial Unit (UFI) with respect to the FM activities generated by the proposed grant.

The detailed implementation arrangements are described in Annex VI.

## **C. Procurement**

48. Procurement for the proposed project would be carried out in accordance with the World Bank's Guidelines: Procurement under International Bank for Reconstruction and Development (IBRD) Loans and International Development Association (IDA) Credits, dated January 2011; and Guidelines: Selection and Employment of Consultants by World Bank Borrowers, dated January 2011; and the provisions stipulated in the Grant Agreement. The general description of various items under different expenditure category is described in Annex VII. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank in the Procurement Plan. The Procurement Plan will

be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity (for details see procurement Annex VII).

49. ***Assessment of the agency's capacity to implement procurement.*** In accordance with the implementation arrangements, MARN will be responsible for procurement. An assessment of the capacity to implement the procurement actions of MARN was conducted in July 2013. The assessment looked into: (a) organizational structure, (b) facilities and support capacity, (c) qualifications and experience of the staff that would work in procurement, (d) record-keeping and filing systems, (e) procurement planning and monitoring/control systems used, and (f) capacity to meet the Bank's procurement contract reporting requirements. MARN has the staff, experience and capacity from the previous operations (financed by the Bank -PACAP-) to manage the Project, implement World Bank procurement procedures, monitor implementation and provide technical assistance to beneficiaries.

50. Considering the country risk and the agency's capacity to implement procurement, as outlined above, the overall project risk for procurement is **Moderate (M)**. To strengthen the capacity of MARN to manage the project, the following measures have been agreed: (i) a detail project operational manual, including organizational procedures will be prepared; (ii) a procurement specialist, with prior experience of Bank-financed projects will be hired as part of the project's PIU; (iii) the Bank will conduct a close monitoring and supervision of procurement issues; and (iv) MARN will use the Procurement Plan Execution System (SEPA) system for Procurement Plans and Project Management; and (v) the procurement capacity of the PIU will be reassessed once a year after the starting of the Project in order to determine whether the procurement risk rating should be modified.

## **VII. Social and Environmental (including Consultation, Participation, Disclosure and Safeguards)**

51. ***The Strategic Environmental and Social Assessment (SESA).*** This grant will, in part, support the country's activities to identify the potential risks associated with REDD+ activities and mitigation options. The activities of the Grant itself will not have specific impacts per se but may lead to recommendations for actions in the future associated to possible risks assessed during the Grant period. Given the highly specific nature of REDD+ Readiness, the Participant's Committee of the FCPF proposed using SESA as a way to address social and environmental concerns and risks during Readiness. To identify both risks and benefits, and provide an opportunity for stakeholders affected by potential REDD+ mitigation activities to offer their perspectives and concerns, the SESA process includes a detailed analysis of the drivers of deforestation and the potential environmental safeguard issues that will need to be considered during the preparation of the ENA-REDD+.<sup>12</sup>

52. As contemplated by the FCPF Participant's Committee, the SESA combines analytical work and consultation/participation in the process of analyzing the strategic options being proposed in an iterative fashion that will inform the preparation of the REDD+ strategy. It is generally expected that the SESA process will culminate in the preparation of an ESMF (and/or

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<sup>12</sup> The FCPF SESA guidelines are currently found in Annex B and D of version 6 of the R-PP template

other safeguard instruments to be prepared as appropriate) that will provide guidance for the management of environmental and social risks and the mitigation of potential adverse impacts during the implementation of the ENA-REDD+. It is generally expected that the ESMF, with a stand-alone Indigenous Peoples Planning Framework (IPPF)/ Indigenous Peoples Plan (IPP) and a Resettlement Framework RF/Resettlement Action Plan (RAP) will be submitted as part of the R-Package for the Carbon Fund<sup>13</sup>.

53. As an important element of the formulation of the R-PP, MARN initiated a participatory dialogue on SESA following the approval of the R-PP by the FCPF Participants Committee (PC) in November 2012. Between December 2012 and August 2013, MARN held multi-stakeholder SESA workshops and training sessions, where early drafts of a national SESA Workplan were discussed. This process led to the convening of a multi-stakeholder National SESA Workshop held on August 29-30, 2013 where the final draft of the SESA Workplan was again discussed and validated. The full version of this plan is included in Annex XIV.

54. ***Institutional capacity.*** MARN has moderate capacity to manage social and environmental safeguards. Going forward, MARN has agreed to strengthen its capacity on social and environmental issues by appointing highly qualified specialists in these fields to assist with the implementation of SESA process. With this technical support and a broad stakeholder engagement, MARN will be able to mitigate this risk. MARN has also agreed to increase institutional support for consultation and participation activities with governmental agencies and NGOs, including those representing IPs. Incremental budget for compliance with environmental and social safeguards has been considered in the project's budget.

#### **D.1. Social (including Safeguards)**

55. Important social risks that will need to be addressed during the design of REDD+ strategic options include: i) insecurity of land tenure for vulnerable groups including indigenous peoples, women and poor rural farmers; ii) potential restricted access to natural resources; and iii) limited access to REDD+ benefits due to lack of clarity regarding carbon ownership. In terms of land tenure, indigenous peoples articulate a very close relationship and dependency on natural resources, and their organization and economy is based primarily on subsistence agriculture. However, while 95 % of non-indigenous families live on their own land, only 5 % of indigenous people own their land. The impact of the global financial crisis on agriculture, and the low wages for harvesting coffee and sugar cane has resulted in more insecurity of land tenure, increased food insecurity and more migration to the USA, which weakens the social fabric and contributes to overall instability in rural areas.

56. ***Indigenous peoples (OP/BP 4.10).*** This policy is triggered as there are indigenous peoples in El Salvador that meet the four criteria outlined in the policy<sup>14</sup>. These populations are especially vulnerable to changes in land use or restrictions on their use of natural resources due

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<sup>13</sup> Basic guidelines for the Terms of Reference for the ESMF are contained in Annex C of version 6 of the R-PP template.

<sup>14</sup> (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language, often different from the official language of the country or region

to insecure land tenure and an economy based on subsistence agriculture. The potential impacts of a future ENA-REDD+ on indigenous peoples will be identified during the SESA process and measures to mitigate any impacts or maximize the benefits associated with future REDD+ investments will be reflected in an ESMF and other appropriate safeguard instruments that will be prepared for use during the implementation of the ENA-REDD+. See Annex XI for full assessment of application of OP 4.10.

57. ***Involuntary Resettlement (OP/BP 4.12)***. This policy has been triggered as there are potential restrictions on the use of natural resources in national protected areas associated with the strategic options. During REDD+ readiness, an assessment of the nature of these impacts as well as a survey of the potentially affected populations will be carried out as part of the SESA process. Depending upon the geographical focus of REDD+ investments and determination of the strategic options for the final ENA-REDD+, mitigation measures including support for improving livelihoods of those impacted will be included in the ESMF or other necessary safeguard instruments.

## **D.2. Environmental (including Safeguards)**

58. Since early 2012, MARN initiated a multi-stakeholder participatory dialogue to assist in the design of the ENA-REDD+, and identify and prioritize key issues associated with the risks and benefits of strategic options. Between December 2012 and August 2013, MARN organized six SESA workshops, attended by over 230 participants from 90 institutions. This process culminated in a National SESA Workshop at the end of August 2013, where a broad stakeholder platform was proposed to conduct the SESA process during the preparation phase. The feedback gathered in these discussions served to prepare a SESA Workplan that includes the design of instruments such as the ESMF, which will outline ways to mitigate potential adverse impacts during the implementation of the ENA-REDD+. It is envisioned that the following safeguards policies will be triggered in the REDD+ Readiness process.

59. ***Environmental Assessment (OP/BP 4.01)***. This policy is triggered; however, since the explicit goal of the REDD+ strategy is to promote the reduction in rates of deforestation and degradation by rewarding measures to protect and conserve forests, the environmental impacts of the strategy are expected to be mostly positive. It is expected that benefits associated with forests will improve as forest cover. Not only as a sink for carbon but also for the many environmental services, forests provide such as watershed protection, provision of important habitats, and sustainable source forest based livelihoods. The REDD+ strategy itself would not finance the harvesting or conversion of forests so there is little to no direct adverse impact associated with activities planned as part of the strategic options.

60. The principal risk from REDD+ would arise in the event that the strategies fail to achieve their objectives thereby creating unexpected indirect adverse impacts through the unintended creation of incentives to clear forests for other purposes. This could occur, for example, if incentive schemes are insufficient or failed to provide sufficient incentive to retain areas under forest cover. Similar risks could occur for example if lack of land tenure security were to undermine commitment to maintain land under forest cover for long time periods. For these reasons, and due to the critical nature of strategic options and choices being considered, OP 4.01

is applicable to the REDD+ activities. The principal instruments to document the environmental benefits and risks of the REDD+ strategy will be SESA.

61. **Natural Habitats (OP/BP 4.04).** This safeguard will apply considering that the REDD+ strategy will likely involve work both within existing protected areas as well as other forest habitats of varying significance. If the REDD+ strategies are successful, the impacts on critical forest habitats are expected to be positive, nevertheless SESA will evaluate the possible risks associated with strategic options on forest habitats within protected areas as well as other sensitive forest habitats under private or communal control. During the formulation of the REDD+ strategy consultations will be carried out with key stakeholders to identify potential issues of concern.

62. **Forests (OP/BP 4.36).** This policy will apply considering the importance of REDD+ as part of El Salvador's long term forest and environmental management programs and due to the fact that El Salvador faces severe degradation of its natural resources, especially its natural forests, soil, and water resources. Only two percent of its primary forests remain. Yet, there is evidence of a significant recovery of secondary forests and biodiversity. These remaining forests are of great importance for the livelihoods and wellbeing of local indigenous and non-indigenous communities. The R-PP will not finance the harvesting or conversion of forests. During the preparation phase, these and other forestry and rural development initiatives will be evaluated in order to ensure lessons are incorporated early in the design and key social and environmental risks and potential impacts associated with REDD+ are considered in the ESMF or other appropriate safeguard instrument.

63. **Physical Cultural Resources (OP 4.11).** This policy will apply given the uncertainty regarding the exact locations of activities to be carried out under the REDD+ Strategy. Some forests or landscapes concerned by the REDD+ strategy might be considered to have historical or cultural significance such as spirit forests, sacred valleys or other features of the natural landscape. The ESMF or other safeguard instrument would include specific provisions to assess the possibility of such impacts prior to any activities being undertaken on the ground. Under the preparation grant, funds have been reserved to conduct studies to identify sacred sites.

64. **Pest Management (OP 4.09).** This policy is triggered since it is conceivable that some forest management practices may involve pesticide use. At present it is not envisioned that the REDD+ strategy would finance or lead to an increased use of pesticides or other agricultural chemicals. The SESA will evaluate the potential for such use of chemicals in forest management and, if necessary, appropriate guidelines and analytical approaches would be defined in the ESMF or other appropriate safeguard instrument.

### **D.3. Consultation, Participation and Disclosure**

#### **i. Experience to Date**

65. **Participation.** The REDD+ readiness process involves multiple sectors and stakeholders at various levels (national, regional and local). MARN has used workshops and other information dissemination and trainings events as the main vehicle to conduct the initial participation processes for the REDD+. Resulting from these and other participatory processes the Ministry has recently established a formal inter-governmental (the *National Climate Change*

*Committee*), and two sector-specific dialogue platforms (the *National Indigenous Peoples Roundtable* and the *Forest Development Roundtables*) to conduct an open dialogue on climate change adaptation and REDD+ issues. The most relevant participatory processes to date are summarized below (a summary of the outcomes of the participation and early dialogues is also included in Annex IX).

66. ***National Climate Change Committee (PNACC)***. This deliberative body of SINAMA oversees the design and implementation of policies, plans and programs related to climate change adaptation and mitigation. PCNCC is integrated by the Ministries of Finance, MH, MARN, MOP, MAG, and MIREX. The PCNCC meets twice a year and it has been designated as the directive body to oversee the development of the national REDD+ strategy. In its efforts to institutionalize the mandate of the PCNCC, MARN recently signed three inter-institutional agreements with MAG, MOP and MH, to establish formal commitments and guidelines to address climate impacts on road infrastructure, agriculture, and the development of appropriate institutional conditions to attract private sector investment and other funding sources to climate change mitigation-adaptation efforts. Specifically the agreement signed with MAG established a general framework to develop resilience approaches to climate change within the framework of the PREP program, and in consistency with MAG's Small Farmer Agriculture Plan, which is the most important government effort in food security.

67. ***National Indigenous Peoples Roundtable (Mesa Nacional Indígena)***. It is noteworthy that in order to address the historical gap in the relationship between the government and indigenous peoples, MARN created a special platform during the preparation of the R-PP formally called, "*Mesa de Dialogo con Pueblos Indígena y Ministerio de Medio Ambiente y Recursos Naturales*".<sup>15</sup> The "*Mesa Nacional Indígena*" currently includes 15 leaders representing all four of the indigenous areas in the country and its members have participated in some of the REDD+ early information sessions as well as several of the pre-SESA dialogues hosted by MARN. In addition, MARN financed two special meetings of the *Mesa Nacional Indígena* on May 17<sup>th</sup> and 30<sup>th</sup>, 2013 in order to provide the indigenous leaders with an opportunity to discuss REDD+ issues among themselves and to assist them with formally establishing the framework for the *Mesa Nacional Indígena* and to define their participation in the National SESA Workshop and other FCPF related events in the region. In general, the key issues raised by indigenous leaders regarding REDD+ in El Salvador include: the need for culturally relevant information dissemination and capacity building in REDD+ themes; insecure land tenure; link between the REDD+ process and ILO 169; and incorporation of traditional knowledge into the design and implementation of the government's innovative MbA approach to REDD+.

68. ***Forest Development Roundtables***. These participatory platforms were established and are coordinated by the Ministry of Agriculture through the Directorate General of Forest, Watershed and Irrigation. They include representatives from the forest sector, government entities, local environment and tourism offices, community associations and cooperatives. Their

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<sup>15</sup> The organizations participating in the *Mesa Nacional Indígena* are: the ANIS, *Asociación Coordinadora de Comunidades Indígenas de El Salvador* (ACCIES) / MUPOCH, ACOPOC, ANITISA, CCNIS, Consejo de Estado Nahua Pipil / Nahuizalco, Fundación Feliciano Ama, Movimiento Indígena de El Salvador (MIES), XICACACALCO, Organización WINAKA and Asociación Comunidad Lenca de Chilanga, Cacaopera y Guatagiagua (ACOLCHI), and Comunidad Lenca YUKUAKIN.

mandate is to serve as participation forums for discussion and analysis regarding forestry sector policies, including incentive and environmental compensation mechanisms. At local/regional levels, key participatory platforms include: *Mesa Forestal Productiva de Chalatenango*; *Mesa Forestal Productiva de San Vicente*; *Mesa de Concertación Forestal de Cabanas Cuscatlán in Cinquera*; and *Mesa de Concertación de Usulután Norte, Usulután Sur, Mercedes Umaña y Jiquilisco*.

69. **Engagement with stakeholders.** Civil society was moderately engaged during the formulation of the R-PP. As MARN made progress in their stakeholder analysis and built a more robust stakeholder map, participation became more inclusive and reaching an acceptable level of engagement. Many NGOs and universities provided technical assistance and were actively involved in the discussions of the National Environmental Policy and PREP, both precursors of the ENA-REDD+. At the local level, forest or resource dependent communities (e.g. the *Asociaciones de Desarrollo Comunal*; ADESCOs) also participated actively in these discussions. Local leaders were aware of how their current activities might be impacted and benefited under a future REDD+ regime. A stakeholder map including the main contributions of these early dialogue activities can be found in Annexes IX and XIV.

70. **Gender.** Women were adequately represented in the REDD+ early dialogue activities conducted by MARN for the formulation of the R-PP (representing 36 % overall of the total participants). The stakeholder analysis (see Annex IV) indicates that, in addition to the sector specific participation as forest dwellers and IP members of local organizations, several additional women's organizations were interested in participating actively in the on-going consultations for REDD+ and SESA and they will be engaged during the implementation of the SESA Workplan.

71. **Other relevant stakeholders.** There were three key stakeholder groups that were not effectively engaged in the early information sharing and participation process for REDD+: cattle ranchers (*ganaderos*), coffee growers, and urban developers. Given their potential role in REDD+, it was agreed with MARN that they would be formally integrated to the ongoing dialogue for the preparation of the ENA-REDD+. The updated stakeholder map contains an initial proposal for how these groups may participate (e.g. through "owner producers": *productores propietarios*, and municipal level associations).

72. **Information Dissemination workshops.** MARN has conducted over 46 workshops reaching 1192 participants (431 women, 761 men). The SESA process has provided additional spaces for participation focused on the stakeholder analysis of strategic options and causes of deforestation (see SESA Workplan in Annex XIV). For these events MARN has used the Guidelines on Stakeholder Engagement in REDD+ Readiness with a Focus on the Participation of Indigenous Peoples and other Forest-Dependent Communities. In these early dialogue activities the following issues were addressed: (i) national environment context and its relationship to Climate Change, Forests and REDD+; (ii) SESA methodology for the REDD+ preparation phase; (iii) causes of deforestation and degradation, and strategic options for REDD+; and (iv) risks and benefits of strategic options of REDD+.

73. A knowledge and attitudes survey was applied to 63 people from 8 key stakeholder groups participating in early dialogue activities. Key results show that 91% knew the R-PP and 60% knew about REDD+. Most participants have a medium to high understanding about climate

change issues and a high awareness and positive attitude on the role of forests in mitigation/adaptation. MARN has made an effort to make the key documents of the R-PP (e.g. all versions of the R-PP with matrix of comments from stakeholder, reports from REDD+ workshops and lists of participants, information materials and SESA) available to stakeholders in the Ministry's website, or in hard copies to stakeholders with limited access to internet.

## ii. Proposal Going Forward

74. **Creation of the Consultative Platform for dialogue on REDD+.** MARN will formally establish the Intersectoral Consultative Platform (*Instancia Consultiva Intersectorial*) with a well-defined mandate that includes principles of operation, criteria to select participant's representatives, roles, financial resources and responsibilities to ensure that representation is achieved in the REDD+ dialogue and information reaches all key stakeholders in a systematic manner. The platform's main goal is to promote an inclusive dialogue of national stakeholders for the formulation and implementation of the National Action Plan on Climate Change and the strategies, programs and projects that will emerge from it.

75. **Engagement with new stakeholders.** Sugar cane production, cattle ranching and urban development are identified in the R-PP as important sectors influencing deforestation and forest degradation. Representatives from these sectors have participated marginally in the ongoing dialogue on climate change and REDD+. A more formal and targeted approach needs to be implemented to ensure their involvement. It was agreed that MARN would develop an action plan to engage with these sectors before at the initial stage of implementation of this grant.

76. **Communication Strategy.** As part of the FCPF Preparation grant, MARN will hire a communication specialist to develop and implement a communication strategy to support information dissemination, dialogue and participation. The strategy will follow the principles of communication for development in the design and implementation of the REDD+ strategy. A differentiated approach will be used for IPs and rural communities including tailored activities and products. A more systematic effort will also be needed to ensure a timely and continuous access to information during the preparation phase.

77. **Consultation and Participation Plan.** MARN will continue to refine the Stakeholder Map contained in Component 1 (b) of the R-PP to ensure the full and effective participation of all relevant actors. The proposed grant would support the design and implementation of a national participation and consultation plan for REDD+, which will have specific elements to ensure a broad and culturally appropriate engagement with IPs. The grant will also finance the establishment and operation of a national GRM as outlined in the R-PP.

78. **Grievance Redress Mechanism (GRM).** El Salvador requested an additional \$200,000 from the FCPF to strengthen the national feedback and grievance redress mechanism (GRM) that will be an important part of their REDD+ institutional arrangements. Per the FMT Note 2011-12 on Enhancing Capacity for Dispute Resolution, a national feedback and GRM needs to be effectively available, and if necessary strengthened, as part of the country's REDD+ institutional arrangements. Such a mechanism needs to be available to REDD+ stakeholders from the earliest stages of R-PP implementation in order to facilitate handling of any request for feedback or

complaint by any REDD+ Readiness stakeholders, with particular attention to providing access to geographically, culturally or economically isolated or excluded groups. Component 1 of this REDD+ preparation grant will support key activities to strengthen the existing grievance mechanism<sup>16</sup>.

#### D.4. Safeguards Policies Triggered

<b>Safeguard Policies Triggered (please explain why)</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
<b>Environmental Assessment (OP/BP 4.01)</b>	<b>X</b>		
<p>The policy on Environmental Assessment (OP/BP 4.01) is triggered. However, since the explicit goal of the REDD+ strategy is to promote the reduction in rates of deforestation and degradation by rewarding measures to protect and conserve forests, the environmental impacts of the strategy are expected to be mostly positive. The REDD+ strategy itself would not finance the harvesting or conversion of forests so there is little to no direct adverse impact associated with activities planned as part of the strategic options.</p> <p>The principal risk from REDD+ would arise in the event that the strategies fail to achieve their objectives thereby creating unexpected indirect adverse impacts through the unintended creation of incentives to clear forests for other purposes.</p> <p>For these reasons, and due to the critical nature of strategic options and choices being considered, OP 4.01 is applicable to the R-PP activities. The principal instruments to document the environmental benefits and risks of the REDD+ strategy will be the SESA. This instrument will assess key social and environmental risks and potential impacts associated with REDD+, and will develop a safeguard instrument (ESMF or other appropriate instrument) to manage and mitigate any possible risks and potential impacts during the implementation phase.</p>			
<b>Natural Habitats (OP/BP 4.04)</b>	<b>X</b>		
<p>The policy on Natural Habitats (OP/BP 4.04) will apply considering that the REDD+ strategy will likely involve work both within existing protected areas as well as other forest habitats of varying significance. If the REDD+ strategies are successful, the impacts on critical forest habitats are expected to be positive, nevertheless SESA will evaluate the possible risks associated with strategic options on forest habitats within PA as well as other sensitive forest habitats under private or communal control. It is expected that the ESMF or other safeguard instrument will include provisions to assess possible impacts prior to any actions being undertaken on the ground. Monitoring activities will be established during implementation to ensure that critical natural habitats are not adversely affected.</p>			
<b>Forests (OP/BP 4.36)</b>	<b>X</b>		
<p>The policy on Forests (OP/BP 4.36) will apply considering the importance of REDD+ as part of El Salvador's long term forest and environmental management programs and due to the fact that El Salvador faces severe degradation of its natural resources, especially its natural forests, soil, and water resources. Only two percent of its natural forests remain. Yet, there is evidence of a significant recovery of secondary forests and biodiversity. The R-PP will not finance the</p>			

<sup>16</sup> For more details on the GRM mechanisms go to: <http://www.forestcarbonpartnership.org/grievance-redress>.

<b>Safeguard Policies Triggered (please explain why)</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
harvesting or conversion of forests.			
<b>Pest Management (OP 4.09)</b>	<b>X</b>		
The policy on Pest Management (OP 4.09) is triggered since it is conceivable that some forest management practices may involve pesticide use. At present it is not envisioned that the REDD+ strategy would finance or lead to an increased use of pesticides or other agricultural chemicals. The SESA will evaluate the potential for such use of chemicals in forest management and, if necessary, appropriate guidelines and analytical approaches would be defined in the ESMF or other appropriate safeguard instrument.			
<b>Physical Cultural Resources (OP/BP 4.11)</b>	<b>X</b>		
The policy on Physical Cultural Resources (OP 4.11) will apply given the uncertainty regarding the exact locations of activities to be carried out under the REDD+ Strategy. Some forests or landscapes concerned by the REDD+ strategy might be considered to have historical or cultural significance such as spirit forests, sacred valleys or other features of the natural landscape. The ESMF or other safeguard instrument would include specific provisions to assess the possibility of such impacts prior to any activities being undertaken on the ground.			
<b>Indigenous Peoples (OP/BP 4.10)</b>	<b>X</b>		
The policy on Indigenous Peoples (OP 4.10) is triggered as there is a significant population of indigenous peoples in El Salvador that meet the four criteria outlined in the policy. These populations are especially vulnerable to changes in land use or restrictions on their use of natural resources. The potential impacts on these populations will be further identified during the SESA process and measures to mitigate any impacts or maximize the benefits associated with future REDD+ investments will be reflected in an ESMF and other safeguard instruments as appropriate for use during the implementation of the ENA-REDD+. See Annex XI for full assessment of application of OP 4.10.			
<b>Involuntary Resettlement (OP/BP 4.12)</b>	<b>X</b>		
The policy on Involuntary Resettlement (OP 4.12) has been triggered as there are possible restrictions on the use of natural resources in national protected areas. During REDD+ readiness, an assessment of the nature of these impacts will be carried out as part of the SESA process and depending upon the geographical focus of REDD+ investments and the strategic options selected for the final version of the ENA-REDD+, mitigation measures including support for improving the livelihoods of those impacted will be included in the ESMF or other safeguard instrument prepared to manage these issues.			
<b>Safety of Dams (OP/BP 4.37)</b>		<b>X</b>	
This policy is not triggered as the project will not support the construction or rehabilitation of dams nor will it support other investments which rely on the services of existing dams.			
<b>Projects on International Waterways (OP/BP 7.50)</b>		<b>X</b>	
The proposed activities are not the types of projects or studies covered by the policy.			
<b>Projects in Disputed Areas (OP/BP 7.60)</b>		<b>X</b>	
The proposed activities are not the types of projects or studies covered by the policy.			

## Annex I

### Operational Risk Assessment Framework (ORAF) EL SALVADOR: REDD+ Readiness Grant

1. Implementing Agency Risks (including fiduciary)			
<b>3.1. Capacity</b>	<b>Rating: (S) Substantial</b>		
<p><b>Description:</b> MARN does not currently have a dedicated multi-disciplinary team responsible for leading the national REDD+ process, resulting in a weak institutional presence at the technical and political levels.</p> <p>The impact of other sector policies and programs (such as agriculture, infrastructure, energy, transport, urban development, and others) may not be consistent, or MARN may not be able to influence their alignment with a successful REDD+ program.</p>	<p><b>Risk Management:</b> With the support of the FCPF Preparation grant, it has been agreed that MARN will establish and maintain a competent technical team composed of the needed expertise (e.g. social, forest carbon, safeguards, legal, communications, procurement and financial management) to manage the REDD+ process and strengthen the Ministry's institutional capacity. It will be important for MARN to gain the technical capacity from the very beginning of project implementation in order to support of the ambitious inter-sectoral and multi-stakeholder engagement proposed in the R-PP. The need to have a functional project implementation unit as a requisite by MARN will be included in the grant agreement. An exit strategy will also be identified and implemented to ensure that the gained capacity remains in MARN after project closure.</p>		
	<b>Resp: Client</b>	<b>Stage: Implementation</b>	<b>Due Date: Dec., 2013</b>
			<b>Status: Pending.</b>
<b>3.2. Governance</b>	<b>Rating: (S) Substantial.</b>		
<p><b>Description:</b> REDD+ fits well with MARNs mission and track record with rural communities on forestry, agroforestry, and ecosystem restoration issues; in particular with rural forest-dependent communities, and more recently also with indigenous peoples. MARN has shown commitment in following international good-practice standards, including the Bank's Safeguards</p>	<p><b>Risk Management:</b> Ensure broader stakeholder engagement and support to the SESA process, and further preparation of the ESMF. This process will need to be maintained at the higher level of the ENA-REDD+ governance structure, including specific commitments by the relevant public institutions, at both national and local levels. Provisions need to be taken to ensure a coordinated design and support the main actions under the agreed Framework. Close supervision of the operation will also help to identify any issues and prompt necessary mitigation actions as needed.</p>		

<p>policies. REDD+ is being mainstreamed into the GOES's climate change adaptation/mitigation policies and programs, as well as in terms of international visibility, and is therefore likely to remain a national priority.</p> <p>Nonetheless, during the preparation of the National REDD+ Strategy, adequate engagement with relevant stakeholders may fall short, particularly in the implementation of the National SESA Work Plan. This could increase the risk of developing an ESMF, and the subsequent action plans that may not be appropriate.</p>	<table border="1"> <tr> <td data-bbox="905 237 1190 561"><b>Resp:</b> Client</td> <td data-bbox="1190 237 1488 561"><b>Stage:</b> Implementation</td> <td data-bbox="1488 237 1772 561"><b>Due Date :</b> n.a.</td> <td data-bbox="1772 237 1990 561"><b>Status:</b> Pending</td> </tr> </table>				<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date :</b> n.a.	<b>Status:</b> Pending
<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date :</b> n.a.	<b>Status:</b> Pending					
<p><b>4. Project Risks</b></p>								
<p><b>4.1. Design</b></p>	<table border="1"> <tr> <td data-bbox="905 597 1190 699"><b>Rating: (S)</b> Substantial</td> <td colspan="3" data-bbox="1190 597 1990 699"></td> </tr> </table>				<b>Rating: (S)</b> Substantial			
<b>Rating: (S)</b> Substantial								
<p><b>Description:</b> The design of REDD+ strategies, MRV and Reference Level may be technically complex. REDD+ is a new and still evolving initiative. Moreover, the GOES has decided to use an innovative approach to REDD+ that focuses on adaptation, which may pose additional challenges. Preparation and implementation will necessarily involve a broad array of government and non-governmental actors, adding to the complexity of coordination. Adequate consensus may not be built at a national level to pursue the REDD+ strategies.</p>	<p><b>Risk Management:</b> REDD+ Readiness is designed to utilize a flexible and adaptable approach that builds on the best inputs from analytical studies and stakeholder consultation over time. The implementation grant includes the adequate budgetary coverage to assist MARN in the technical design of the strategy, the reference level and the monitoring systems defined in the R-PP. The Task Team will closely follow and assist MARN with technical assistance, including from other donor sources (e.g. Program for Forest (PROFOR)) Participation and involvement of key public and civil society stakeholders, and donors working in these thematic areas will be crucial to ensure a good REDD+ strategy outcome.</p>							
<p><b>4.2. Social &amp; Environmental</b></p>	<table border="1"> <tr> <td data-bbox="905 1110 1190 1179"><b>Rating: (S)</b> Substantial</td> <td colspan="3" data-bbox="1190 1110 1990 1179"></td> </tr> </table>				<b>Rating: (S)</b> Substantial			
<b>Rating: (S)</b> Substantial								
<p><b>Description :</b> The principal risk from REDD+ would arise in the event that the strategies fail to achieve their objectives thereby creating unexpected indirect adverse impacts through the unintended creation of incentives to clear forests for other purposes. This could occur, for example, if incentive schemes are insufficient or failed to provide sufficient incentive to retain areas under forest</p>	<p><b>Risk Management:</b> The Strategic Environmental and Social Assessment (SESA) will be used to address the potential environmental risks and benefits associated with the strategic options in the REDD+ strategy. The SESA process will culminate in the preparation of a safeguard instrument (ESMF or other appropriate instrument) to manage and mitigate any possible risks and potential impacts during the implementation phase.</p> <p>The SESA process envisioned a wide range of stakeholder consultations as well as a</p>							

cover. Similar risks could occur for example if lack of land tenure security were to undermine commitment to maintain land under forest cover for long time periods. There is also a risk of elite capture of benefits from REDD+ program giving unfair/disproportionate advantage to a specific group of stakeholders.	number of targeted analytical work planned to better understand risks as well as the GRM mechanisms as ways to mitigate and manage risks associated with the potential elite capture of benefits from REDD+ programs.			
	<b>Resp:</b> Client	<b>Stage:</b> Implementation	<b>Due Date :</b> ?	<b>Status:</b> Pending
<b>4.3. Program &amp; Donor</b>	<b>Rating: (L) Low</b>			
<b>Description:</b> GIZ, USAID, and other donors are playing an important role in the REDD+ process in El Salvador. Coordination with these donors and around the same government's priorities (namely, the R-PP), and to continue receiving the needed technical and financial support from them will be complex yet essential.	<b>Risk Management:</b> There was a fruitful support and coordination with GIZ during the R-PP formulation stage. GIZ has a successful program in Central America, which has been extended to 2016. This agency has expressed commitment to continue providing support in a programmatic manner during project implementation. MARN has reached a similar coordination with USAID, which is also coordinating well with GIZ. The Task Team will work with MARN to ensure lines of communication between donors are open.			
	<b>Resp:</b> Client and Bank	<b>Stage:</b> Formulation and Implementation	<b>Due Date :</b> n.a.	<b>Status:</b> Ongoing.

**Annex II**  
**Preparation Schedule and Resources**

**Preparation Schedule**

Milestone	Basic	Forecast	Actual
AIS Release			
Concept Review	10/31/2013		
Auth Appr/Negs (in principle)			
Bank Approval			

**Sector Unit Estimate of Resources Required from Preparation through Approval**

Source of Funds	Preparation Expenses to Date (USD)	Estimate of Resource Requirements (USD)	
		Fixed	Variable
<b>Bank Budget</b>			
<b>Trust Funds</b>	US\$140,000.00	US\$240,000.00	US\$150,000.00

**Team Composition**

Bank Staff				
Name	Title	Specialization	Unit	UPI
Gerardo Segura Warnholtz	Sr. Rural Development Specialist	TTL	LCSAR	187035
Augusto García	Sr. Operations Officer	Rural Development and former TTL	LCSAR	316207
Kristyna Bishop	Sr. Social Development Specialist	Social	LCSAR	243584
Abdelaziz Lagnaoui	Sr. Environmental Specialist	Environment		240969
Julius Thaler	Counsel	Legal	LEGEM	335926
Maria Carolina Hoyos	Communication Specialist	Communications	LCSAR	368129
Stavros Papageorgiou	Forest Carbon Specialist	Forest Carbon	LCSAR	444456
Jeannette Ramirez	Operations Officer	Operations Officer	LCSAR	113368
Fabienne Mrocza	Financial Management Specialist	Financial Management	LCSFM	237634
Jose Simon Rezk	Sr. Financial Management Specialist	Financial Management	LCSFM	254086
Tomas Socias	Sr. Procurement Specialist	Procurement	LCSPT	335182
Ketty Morales	Language Program Assistant	Assistant	LCSAR	151514

### **Annex III. Detailed Project Description.**

#### **A. Proposed Development Objective**

1. The Project Development Objective (PDO) is to assist El Salvador in the implementation of key REDD+ readiness activities identified in its R-PP<sup>17</sup> including: (i) institutional arrangements and participatory processes, (ii) development of a ENA-REDD+, and (iii) establishment of a national forest reference/emission levels, and a national system to monitor greenhouse gas emissions.

#### **B. Key Results**

2. The PDO will be accomplished by financing targeted activities to design and implement policies and programs to reduce emissions from deforestation/degradation, with an MbA approach. This will be conducted under sound social and environmental principles that contemplate the full and meaningful engagement of potentially impacted stakeholders. The main results expected at project closure are presented below. A *Results Framework and Monitoring* strategy containing outcome and output indicators by component and project calendar is also included in Annex IV.

- a) A cross-sectoral coordination body for REDD+ and a multi-stakeholder participatory platform have been established and are under operation;
- b) An ENA-REDD+ including the design of specific legal, economic and technological instruments (i.e. a REDD+ incentives system, an national REDD+ fund, technological packages for REDD+) has been designed with the support of a broad stakeholder participation;
- c) A Strategic Environmental and Social Assessment (SESA) has been carried out and a technically strong safeguard instrument such as an Environmental and Social Management Framework (ESMF) has been prepared, adequately consulted and disseminated;
- d) The capacity and progress to establish a National Forest Reference Emission Level and/or a Forest Reference Level has been significantly improved;
- e) The capacity and progress to develop a National Forest Monitoring System (NFMS) for the Measurement, Reporting, and Verification (MRV) of Green House Gases (GHG) emissions reductions from REDD+ activities has been significantly improved.
- f) The capacity and progress to monitor the non-carbon impacts of the implementation of the REDD+ strategy has been significantly improved.

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<sup>17</sup> R-PP: Readiness Preparation Proposal. Included as Annex VIII.

3. These results encompass the main elements needed by El Salvador to develop the country's "Readiness Package" (R-Package)<sup>18</sup> under the FCPF, and provide the foundation for the country's participation in any future REDD+ mechanism under the United Nations Framework Convention on Climate Change<sup>19</sup> (UNFCCC) that El Salvador may consider.

### C. Project Description by Component.

4. The Readiness Preparation Proposal (R-PP)<sup>20</sup> identifies a broad set of activities aimed at strengthening the technical and institutional capacities for the GoES to participate in a future REDD+ mechanism. The financial envelope for these activities is estimated at US\$8.187 million. The activities to be financed by the FCPF Preparation grant were selected jointly with MARN, and in coordination with other donors, considering the following criteria: (i) activities needed to strengthen the immediate institutional capacity of MARN to conduct participatory and consultation processes for REDD+; (ii) fundamental readiness activities for which the GoES had specific financial needs, not covered by other donors; (iii) a discrete set of activities that would generate a specific outcome (with no- or minimal parallel-financing that could jeopardize the achievement of the project objective); and (iv) a activities that complemented those of other donors and the government, and that could serve to strengthen the achievement of the project objective.

5. Below is a detailed description of the grant components and the activities to be financed by the FCPF as portion of the REDD+ Readiness in El Salvador:

#### **Component 1: REDD+ Readiness Organization and Consultation (US\$1,208,000.00M).**

***1.a National Readiness Management Arrangements. (US\$318,000.00).*** This subcomponent will support efforts initiated by MARN to establish, strengthen and operate the national Committee on Climate Change, integrated by MARN, Ministry of Public Works, Housing and Urban Development (MOP for its acronym in Spanish), MAG, *Ministerio de Hacienda* (MH), and Ministry of Foreign Affairs (MIREX for its acronym in Spanish) under the SINAMA. Within this institutional framework, MARN will also complete the participatory design and initiate operations of the Interministerial Consultative Platform (PCI for its acronym in Spanish), as the consultative body for climate change, including REDD+. The PCI will operate at both national and local levels and will be integrated by a broad array of actors previously identified by MARN under a stakeholder analysis and mapping developed during the formulation phase of the R-PP. Activities to be funded by this subcomponent include salaries for consultants to administrate the platforms, travel costs for participants, studies, workshops and meetings.

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<sup>18</sup> The Readiness Package is a document generated by a REDD+ country towards the end of the Readiness preparation phase under the FCPF (i.e., at a stage when activities proposed in the R-PP are well advanced or completed). Its content thus mirrors the R-PP components and sub-components. The R-Package is a major milestone and comes at the transition from REDD+ Readiness preparation to REDD+ piloting (i.e., the implementation of performance-based activities), and provides an opportunity to self-assess the progress on REDD+ Readiness. As per the FCPF's Charter, the production of an R-Package and its submission for PC review is voluntary and not a reporting requirement under the FCPF Readiness Fund.

<sup>19</sup> See Cancun Agreements, UNFCCC Decision 1/CP.16 Section C and Appendix I to that Decision.

<sup>20</sup> The R-PP submitted by the GoES is included in Annex VIII and can also be found at: <http://www.marn.gob.sv>.

***1.b. Information Sharing and early Dialogue with Key Stakeholders Groups. (US\$ 280,000.00).*** Under this sub-component a national communications and dissemination strategy for REDD+ will be designed and implemented. This activity will strengthen the communications capacity of MARN in the areas of climate change and REDD+ by designing and implementing a national communications strategy. A communications specialist will be hired to develop and produce knowledge, attitudes and abilities baseline, and a communications and training strategy based on annual implementation plans. The strategy and its plans will be designed based on the principles of communication for development, which emphasizes the broad and effective participation of all REDD+ stakeholders with a culturally sensitive approach. The subcomponent will finance salaries for a communications specialist, studies for the design of the strategy, dissemination campaigns, operating costs and materials.

***1.c. Consultation and Participation Process and Grievance Redress Mechanism. (US\$ 610,000.00).*** This subcomponent will support the design and implementation of a national participation and consultation plan for REDD+, which will be developed in close coordination and with the support of the communications and dissemination strategy. The strategy will include specific guidelines and activities for the engagement with indigenous communities. In addition, this subcomponent will also finance the strengthening of the national Grievance Redress Mechanism (GRM) as outlined in the general R-PP template. The general R-PP template indicates that such a mechanism needs to be available to REDD+ stakeholders from the earliest stages of R-PP implementation in order to facilitate the handling of any requests for feedback or complaints by any REDD+ Readiness stakeholders, wherever they originate, with particular attention to providing access to geographically, culturally or economically isolated or excluded groups. The Bank considers the GRM to be a key element of social accountability and meaningful participation. In terms of activities, the subcomponent will finance consultancies and analytical work required to prepare the participation and consultation plan and the GRM as well as implementation costs such as workshops (national and regional) and production of materials including necessary adaptation and translation.

## **Component 2: National REDD+ Strategy (US\$965,000.00).**

***2.a Drivers of Deforestation and Landscape Degradation. (US\$150,000.00).*** This subcomponent will focus on expanding and deepening the analysis of the critical direct and underlying causes of deforestation and degradation, focusing on those identified during the engagement of national and local stakeholders and in the first phase of the SESA process. Emphasis will be put in those drivers that reduce the resilience of local communities to climate variation and that continue to exacerbate ecosystem degradation in areas that have already lost forest cover. Attention will also be given to the analysis of legal and institutional elements that need to be in place to ensure the harmonization, coordination and synergy of policies and programs of the various relevant sectors affecting REDD+. Among others, these will include a revision of access to land and

forest tenure rights by local stakeholders<sup>21</sup>. The subcomponent will finance specialized national and international consultancy services, studies, and dissemination/consultation activities.

**2b. REDD+ Strategy Options (US\$250,000.00).** This subcomponent will contribute to the design of policies and programs for the implementation of REDD+ activities with an MbA approach and under the institutional framework of the PREP program currently in implementation by MARN. Some of these would include incentive and compensation mechanisms and technology transfer packages to promote the conservation and sustainable management of natural resources and agricultural/livestock practices (e.g. agro-silvo-pastoral systems). The technical and social soundness, and long term viability of these instruments will also be assessed at the local level, and with additional technical support from the Bank<sup>22</sup>. The subcomponent will finance specialized national and international consultancy services and studies, and dissemination/consultation activities.

**2c. REDD+ Implementation Framework (US\$200,000.00).** This subcomponent will focus on the design of legal and technical instruments needed to ensure effective implementation of the national REDD+ strategic options. These include a legal framework analyses to identify possible legal/institutional perverse incentives that induce deforestation/degradation, inter-sectoral harmonization plans, and a national entity to be in charge of managing REDD+ funds in a transparent fashion, with robust fiduciary and safeguard standards. The subcomponent will finance specialized national and international consultancy services and studies, and dissemination/consultation activities.

**2.d Social and Environmental Impacts (SESA and ESMF). (US\$365,000.00).** This subcomponent will finance activities that are outlined in the National SESA Workplan, including an update of the stakeholder map, analytical studies to evaluate possible social and environmental impacts associated with the REDD+ strategic options and a comprehensive consultation and participation process. One of the main products of the SESA will be an ESMF, or other safeguard instrument as appropriate, that will be prepared in order to manage risks and impacts and maximize the potential benefits of any future REDD+ investments. A preliminary list of the analytical work that will be undertaken includes research on: indigenous rights; land tenure and property rights in forest lands (including protected areas); carbon ownership and benefit sharing for REDD+; social and environmental assessments of areas that may be subject to REDD+ activities; traditional knowledge related to climate change adaptation; and gender analysis and role of local governments in REDD+ processes. This subcomponent will finance

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<sup>21</sup> With funds from the PROFOR program, the Bank is conducting a comparative forest tenure analysis in 6 countries in Latin America (including El Salvador) to identify effective approaches needed by governments to leverage sustained political, institutional, financial, and technical support to strengthen and operationalize forest tenure reforms, in the context of REDD+.

<sup>22</sup> With funds from the PROFOR program, the Bank is currently conducting a study in three experimental areas of El Salvador and Honduras to identify and scale up land use policies and institutional measures to recover ecosystem services, improve resilience of local communities to the negative effects of extreme climatic variation, and generate mitigation co-benefits from the reduction of greenhouse gas emissions and the sequestration of carbon.

consultancies, studies, training events, and consultation and participation workshops as outlined in the budget in the attached National SESA Workplan.

### **Component 3: National Forest Reference/Emission Level (US\$247,000.00).**

Establishing a national Reference Emissions Level/Reference Level (REL/RL) for the forest sector based on historical data is one of the key pillars of a ENA-REDD+, as it constitutes the benchmark against which future REDD+ efforts will be assessed as measured by the national forest monitoring and MRV system. The GIZ will play an important role in the development of the REL/MRV system in El Salvador as it is providing the bulk of technical support as well as the necessary hardware/software through its Regional REDD Program for Central America and the Dominican Republic.

The component will complement existing support from GIZ to assist MANR in the definition of methodologies, identification and collection of major data requirements, and institutional capacity needs to design and establish a REL/RL scenario for El Salvador. Given the emphasis of El Salvador's REDD+ strategy on adaptation, particular attention will be given to define reference levels for the conservation of remnant forests lands (e.g. mangroves, native and riparian forests), sustainable forest management, and enhancement of degraded forest lands (e.g. agroforestry and silvo-pastoral systems). The component will finance studies, equipment, software, training; and information sharing, outreach, and consultation with key stakeholders to conduct the following activities: (i) establish a forest definition for REDD+ (US\$ 25,000.00); (ii) develop a consistent time series of land use change based on standardized protocols (e.g. Intergovernmental Panel on Climate Change (IPCC)) as a basis for the country's REL/RL (US\$ 100,000.00); (iii) Develop potential Business as Usual scenarios based on econometric and spatial modeling (US\$ 17,000.00 with parallel financing); (iv) strengthen the capacity of key institutions on IPCC methodologies for the compilation of GHG inventories for the Land Use, Land-Use Change and Forestry (LULUCF) sector (US\$ 105,000.00).

### **Component 4: National Forest Monitoring Systems (NFMS) (US\$960,000.00).**

As in the case of the REL/RL GIZ will play an important role in the development of the MRV systems in El Salvador. Complementary support is necessary to conduct several key activities at the national level and to strengthen the focal team of staff across the key agencies in charge of the design, planning and implementation of the national MRV system (MARN, MAG, National Geographic and Cadaster Institute (CNR)). In addition, given the contribution of GIZ to the national REL/MRV systems the FCPF preparation grant will place a strong emphasis in supporting the design of the information system for multiple benefits responding to El Salvador's national circumstances, related to environmental degradation and extreme climate variability.

**4.a. National Forest Monitoring Systems. (US\$460,000.00).** This subcomponent will complement existing support by GIZ to assist MANR in developing national forest monitoring systems to measure, report and verify (MRV) GHG emissions reductions and removals from the implementation of REDD+. As in the case of REL/RL, special

attention will be given to activities related to sustainable management, conservation, and enhancement of carbon stocks. Protocols for the monitoring of multiple benefits and other impacts potentially generated from the implementation REDD+ activities will also be designed and established. The subcomponent will finance salaries, studies, computer equipment, software, and information sharing, outreach, and consultation with key stakeholders in order to carry out the following activities: (i) establish the logical framework and required institutional arrangements for MRV (US\$ 50,000.00); (ii) strengthen the institutional capacity of key agencies involved in the NFMS for REDD+ (hiring of four specialists, hardware and software) (US\$ 310,000.00); (iii) develop and pilot community-based carbon monitoring methodologies (US\$ 50,000, co-financed); (iv) support a research program on forest monitoring (US\$ 50,000.), with parallel financing).

***4.b National Information system for Multiple Benefits, Other Impacts, Safeguards and Governance (US\$500,000.00).*** Given El Salvador's priorities on climate change adaptation, it is important to develop systems and protocols to report on the co-benefits generated by the country's REDD+ strategy. This sub-component thus will assist MARN in assessing non-carbon benefits, and design protocols and methodologies for their monitoring. This system will also address other impacts related to the implementation of the REDD+ strategy including information on safeguards compliance. The component will finance studies, equipment, software, training; and information sharing, outreach, and consultation activities with key stakeholders to conduct the following activities: (i) development of monitoring protocols to assess the environmental impacts of the REDD+ strategy (e.g. biodiversity, soils, water) (US\$ 150,000.00 co-financed); (ii) development of monitoring protocols to assess the socioeconomic impacts of the REDD+ strategy (livelihoods, governance, safeguards, adaptation) (US\$ 300,000.00 co-financed); (iii) develop and pilot community-based, non-carbon monitoring methodologies (US\$ 50,000.00 with parallel financing).

**Component 5. Monitoring and Evaluation Framework and Grant Administration (US\$220,000.00).** This component will support the establishment and operation of a technical/administrative implementation unit that will be in charge of coordinating and executing the technical and fiduciary activities of the readiness phase, including a monitoring and evaluation framework. This unit will be integrated by highly qualified staff in each of the areas of specialization required by the project (e.g. communications, social, environmental, forestry/carbon, fiduciary). Given the limited capacity of MARN to execute its mandate, and the relevance of the elements of the REDD+ process to El Salvador, an exit plan will be discussed and agreed with MARN at project initiation to ensure that staff, initially hired as external consultants for this project, would remain or formally be incorporated as regular staff of the ministry by project closure. In addition to salaries, the grant under this component would also cover operating costs, office equipment and supplies, computers, software and consulting costs necessary to develop internal grant audits.

## Annex IV: Results Framework and Monitoring

<b>PDO</b>	<b>Outcome Indicators</b>	<b>Use of Outcome Information</b>
Assist El Salvador in the implementation of key REDD+ readiness activities identified in its R-PP <sup>23</sup> including: (i) institutional arrangements and participatory processes, (ii) development of a ENA-REDD+, and (iii) establishment of a national forest reference/emission levels, and a national system to monitor greenhouse gas emissions.	By End of Period (EOP), El Salvador has designed and established policies and programs to reduce emissions from deforestation/degradation, with an adaptation based mitigation approach, and based on sound social and environmental principles, with the full and meaningful engagement of potentially impacted stakeholders.	Information on progress of these policies and programs will be collected and assessed to confirm if this project is having the intended impact. If not, adjustments will be made to project activities so as to achieve the desired impact.
<b>Intermediate Results per Component</b>	<b>Results Indicators for each component</b>	<b>Use of Results Monitoring</b>
<b>Component 1:</b> REDD+ Readiness Organization and Consultation	<p>By Q2, a cross-sectoral coordination body for REDD+, and a participation platform, involving a broad range of key stakeholders, has been established and is under operation.</p> <p>By Q1, a national communications and dissemination strategy for REDD+ has been designed and initiates full implementation by Q2.</p> <p>By Q2, a national participation and consultation plan for REDD+ has been designed and is under full implementation.</p>	Every quarter, these output indicators will be reported on in the project reports and as part of the supervision missions of the Bank. Information will be used to assess planned versus actual accomplishments. Adjustments will be made to the operating plans when needed and justified.
<b>Component 2:</b> National REDD+ Strategy	By EOP, a National REDD+ strategy including the design of specific legal, economic and technological instruments (i.e. a REDD+ incentives system, and national REDD+ fund, technological packages for REDD+) has been designed and is under operation.	Every quarter, these output indicators will be reported on in the project reports and as part of the supervision missions of the Bank. Information will be used to assess planned versus actual accomplishments. Adjustments will be made to the operating plans when needed and justified.

<sup>23</sup> R-PP: Readiness Preparation Proposal. Included as Annex VIII.

	<p>By EOP, a SESA has been carried out and an appropriate safeguard instrument such as an ESMF has been prepared</p>	
<p><b>Component 3:</b> National Forest Reference/Emission Level</p>	<p>By EOP, the capacity and progress to establish a National Forest Reference Emission Level and/or a Forest Reference Level has been significantly improved by:</p> <ul style="list-style-type: none"> <li>(i) By Q3, a forest definition for REDD+ has been established;</li> <li>(ii) By Q5, a consistent time series of land use change has been developed based on standardized protocols;</li> <li>(iii) By Q8, potential business-as-usual scenarios have been developed based on econometric and/or spatial modeling;</li> <li>(iv) By Q10, the capacity of key institutions on IPCC methodologies for the compilation of GHG inventories for the LULUCF sector has been strengthened.</li> </ul> <p>By EOP, the capacity and progress to develop a NFMS for the MRV of GHG emissions reductions from REDD+ activities has been significantly improved by:</p> <ul style="list-style-type: none"> <li>(i) by Q4, the logical framework and required institutional arrangements for MRV have been established;</li> <li>(ii) By Q6, the institutional capacity of key agencies involved in the NFMS for REDD+ have been strengthened.</li> <li>(iii) By Q8, monitoring protocols to assess the environmental impacts of the REDD+ strategy have been developed;</li> <li>(iv) By Q8, monitoring protocols to assess the socioeconomic impacts of the REDD+ strategy have been developed; and</li> </ul>	<p>Every quarter, these output indicators will be reported on in the project reports and as part of the supervision missions of the Bank. Information will be used to assess planned versus actual accomplishments. Adjustments will be made to the operating plans when needed and justified</p>

<p><b>Component 4:</b> National Forest Monitoring Systems</p>	<p>By EOP, the capacity and progress to develop a NFMS for the MRV of GHG emissions reductions from REDD+ activities has been significantly improved by:</p> <p>(i) by Q4, the logical framework and required institutional arrangements for MRV have been established;</p> <p>(ii) By Q6, the institutional capacity of key agencies involved in the NFMS for REDD+ have been strengthened.</p> <p>(iii) By Q8, monitoring protocols to assess the environmental impacts of the REDD+ strategy have been developed;</p> <p>(iv) By Q8, monitoring protocols to assess the socioeconomic impacts of the REDD+ strategy have been developed; and</p> <p>(v) By EOP, an exit strategy to ensure continuity of institutional capacity for REDD+ is developed and agreed with MARN.</p>	<p>Every quarter, these output indicators will be reported on in the project reports and as part of the supervision missions of the Bank. Information will be used to assess planned versus actual accomplishments. Adjustments will be made to the operating plans when needed and justified</p>
<p><b>Component 5: Monitoring and Evaluation Framework and Grant Administration</b></p>	<p>By Q1, a PIU with technical and fiduciary staff satisfactory to the Bank established and operating.</p> <p>By Q2, PIU disbursing funds as programmed, and meeting fiduciary commitments as established in the Grant Agreement.</p> <ul style="list-style-type: none"> <li>- On time delivery of annual fiduciary audits (due by June 30 of each calendar year).</li> <li>- On-time delivery of interim non-audited financial reports (due each calendar semester).</li> </ul>	<p>Every quarter, these output indicators will be reported on in the project reports and as part of the supervision missions of the Bank. Information will be used to assess planned versus actual accomplishments. Adjustments will be made to the operating plans when needed and justified</p>

## Annex V: Proposed Readiness Preparation Activities and Budget Breakdown (in US\$)

REDD Readiness Preparation Activities (main FCPF-funded activities)	FCPF	GIZ <sup>24</sup>	USAID	GoES <sup>25</sup>	To be financed	TOTAL US\$
<b>Component 1: REDD+ Readiness Organization and Consultation</b>	<b>1,208,000</b>	<b>532,000</b>		<b>550,000</b>		<b>2,290,000</b>
<b>1.a National Readiness Management Arrangements</b>	<b>318,000</b>	<b>32,000</b>		<b>250,000</b>		<b>600,000</b>
Strengthening and operation of the National Climate Change Committee and the Inter-sectoral Consultative Platform for REDD+	140,000			150,000		290,000
Support for the coordination of other participatory platforms	0	32,000				32,000
General coordination of the REDD+ readiness process	178,000			100,000		278,000
<b>1.b Information Sharing and early Dialogue with Key Stakeholders Groups</b>	<b>280,000</b>	<b>400,000</b>		<b>150,000</b>		<b>830,000</b>
Design and implementación of a nacional comunicaciones estrategia foro REDD+	200,000			110,000		310,000
Institutional strengthening and training on REDD+	0	400,000		40,000		440,000
Communications specialists	80,000					80,000
<b>1.c Consultation and Participation Process</b>	<b>610,000</b>	<b>100,000</b>		<b>150,000</b>		<b>860,000</b>
Design of a national participation/consultation strategy for RDD+ (includes a specific strategy for IPs)	75,000			10,000		85,000
Implementation of the participation/consultation strategy (includes specific actions for IPs)	255,000			40,000		395,000
Participation/consultation activities in regional events	0	100,000				
Especialista Social	80,000					80,000
Design and implementation of a GRM	200,000			100,000		300,000
<b>Component 2. National REDD+ Strategy</b>	<b>965,000</b>	<b>100,000</b>		<b>500,000</b>	<b>700,000</b>	<b>2,265,000</b>
<b>2.a Drivers of Deforestation and Landscape Degradation.</b>	<b>150,000</b>	<b>25,000</b>		<b>100,000</b>		<b>275,000</b>
Assessment of direct and underlying causes of deforestation and landscape degradation	150,000	25,000		100,000		275,000

<sup>24</sup> **Note:** Both the GIZ and the USAID programs are implemented with the Central American Governments, in coordination with the CCAD. Current contributions to R-PP implementation from GIZ and USAID programs are planned for the next 18 months. Over the next four years, MARN expects additional contributions by these and other donors, which could be enough to account for the current financing gap of US\$2.23 M. needed to conclude the readiness phase. The GoES will also have access to possible additional funds from the FCPF preparation fund, to be explored at mid-term of this grant.

<sup>25</sup> Most contributions by the GOES are in kind institutional resources provided by MARN and other government agencies (e.g. MAG) that will be dedicated to support preparation activities for REDD+.

<b>2.b REDD+ Strategy Options</b>	250,000	75,000		200,000	500,000	1,025,000
Legal framework and intersectoral harmonization reviews and analyses	100,000			100,000		200,000
Design of incentive and compensation mechanisms	50,000			50,000		100,000
Development of technology transfer packages	100,000			50,000	100,000	250,000
Implementation of a pilot project for incentive and compensation mechanisms	0	75,000				75,000
Design, consultation and promotion of regulatory instruments for REDD+	0				400,000	750,000
<b>2.c REDD+ Implementation Framework</b>	200,000			100,000	200,000	500,000
Design and consultation of a national entity to administer REDD+ funds ( <i>Fondo REDD+</i> )	120,000			100,000	200,000	420,000
Specialist in legal issues	80,000					80,000
<b>2.d Social and Environmental Impacts</b>	365,000			100,000		465,000
Participation, consultation and dissemination activities	150,000					
Environmental and socio-economic assessment studies (7 studies)	175,000					
Development of ESMF	15,000			100,000		465,000
Operational costs and publications	25,000					
<b>Component 3: National Forest Reference /mission Level</b>	247,000	905,000		150,000		1,302,000
Establish a forest definition for REDD+	35,000					35,000
Develop a consistent time series of land use change based on standardized protocols	137,000			50,000		187,000
National Forest and Carbon Inventory and LULUCF mapping	0	865,000		100,000		965,000
Develop potential Business as Usual scenarios and econometric modeling	0	40,000				40,000
Strengthen the capacity of key institutions on IPCC methodologies for the compilation of GHG inventories for the LULUCF sector	75,000					75,000
<b>Component 4: National Forest Monitoring Systems</b>	960,000	110,000	200,000	380,000	460,000	2,110,000
<b>4.a National Forest Monitoring System</b>	460,000	100,000		280,000	60,000	900,000
Establish the logical framework and required institutional arrangements for MRV	50,000			50,000		100,000
Strengthen the institutional capacity of key agencies involved in the national forest monitoring system for REDD+	310,000			80,000		390,000
Development of an information platform prototype to monitor LULUCF activities	0	70,000		100,000		170,000
Develop and pilot community-based carbon monitoring methodologies	0	30,000		50,000		130,000

Support a research program on forest monitoring	100,000				60,000	110,000
4.b Information system for multiple benefits, other impacts, governance and safeguards.	500,000	10,000	200,000	100,000	400,000	1,210,000
Development of monitoring protocols to assess the environmental impacts of the REDD+ strategy	150,000			30,000		180,000
Generation of information for the monitoring of carbon in soils and biodiversity	0	10,000	200,000			210,000
Development of monitoring protocols to assess the socioeconomic impacts of the REDD+ strategy	300,000			50,000		350,000
Development and pilot a community-based, non-carbon monitoring methodologies	50,000			20,000	100,000	170,000
Development of baselines for non-carbon benefits	0				300,000	300,000
<b>Component 5: Monitoring and Evaluation (M&amp;E) Framework and Grant Administration</b>	220,000					220,000
Design of a M&E for the preparation phase	20,000					20,000
Institutional strengthening for the implementation of the grant	160,000					160,000
External evaluations and audits.	40,000					40,000
<b>TOTAL</b>	<b>3,600,000</b>	<b>1,647,000</b>	<b>200,000</b>	<b>1,580,000</b>	<b>2,240,000</b>	<b>8,187,000</b>

## **Annex VI. Financial Management**

### **I. Organizational Arrangements and Staffing**

1. The approach to project implementation would be to use existing capacity in MARN to manage operational FM aspects.
2. The UFI is an established unit within MARN with a hierarchical dependency of the Minister's Office. Structurally is comprised of four areas: Budget, Accounting, Treasury and Projects. It is responsible for the financial implementation of the budget under the procedures established in the Financial Management Law (*Ley Orgánica de Administración Financiera del Estado-AFI*) and its regulations, using the computerized system National Integrated Financial Management System (SAFI). For the fiscal year 2013 the approved budget for the ministry is US\$12 million. The Unit is adequately staffed, and the key staff has adequate qualifications and experience in public sector to undertake the task related to the project.
3. The Ministry has some previous experience in the implementation of multilateral financing. The previous relevant experiences are from a US\$5 million grant provided through the World Bank, executed in 2007-2011 (P092202), and the implementation of the US\$200,000 grant for the FCPF initial formulation phase (P124935). Even though the FM performance for both of these grants has been adequate, staff involved in the previous large grants (P092202) is no longer working for the institution and the UFI has limited capacity in terms of availability of staff time to work on additional tasks. Therefore, mitigation measures were identified to ensure the effectiveness of financial management implementation arrangements, namely the hiring of a Financial Specialist for the PIU, with adequate experience and skills. The contracting of the consultant for this position will follow the pertinent Bank Guidelines

### **II. Budget Planning**

4. A change from the previous Global Environmental Fund (GEF) grant managed by MARN is that this grant will use country systems in terms of budgeting , which means that the grant budget will be included in the annual Ministry's, and therefore the national, budget.
5. The preparation of the annual program and budget will follow local regulations established by the Ministry of Finance and specific regulation and instructions that may be issued by the MARN. The Budget is operated under the SAFI. During the second quarter of each year, MARN would prepare its tentative investment program for the next year. The project will be incorporated in the public investment information system and once approved would be reflected in the annual budget proposals of MARN. This budget will be incorporated into the national budget for the President's submittal to the National Assembly in September. With the budget approved in the information system SAFI, the commitment and implementation of Project activities will take place. On the basis of the approved budget, MARN would adjust, as needed, its project annual work (POA) and procurement plan, which would be reviewed by the Bank.

### III. Accounting and Financial Reporting

6. **Accounting Policies and Procedures.** The main FM regulatory framework for the Project will consist of: (i) the Financial Management Law (Ley AFI) which governs the formulation, approval, execution and monitoring of the budget, the treasury system operations, the government accounting system and the investment and public credit functions; (ii) the annual Law of the General Budget of the State; (iii) the Ministry of Finance regulations and manuals; (iv) MARN's policy and procedures; and (v) the Project's operational manual.

7. The FM section of the Project's Operational Manual (OM) would make specific reference to: (i) the internal controls appropriate for the project; (ii) the formats of project financial reports, and (iii) auditing arrangements. It is expected only additional financial management aspects of the project not included in existing operational manual would be reflected in a FM section of the operational manual that would make reference to other complementary regulations.

8. **Information Systems.** Project transactions will be recorded following the accrual accounting basis. The project will use the National Integrated Financial Management System - SAFI, which ensures adequate transparency and specific controls in budget execution. This system will be complemented by a set of subsidiary ledgers, maintained by the PIU, to prepare project financial statements and reports.

9. **Treasury System.** A change from the previous GEF grant managed by MARN is that this grant will utilize country systems in terms of treasury systems. That is the EA would have a dedicated (designated) account held at the Central Bank of El Salvador in the name of the project and as expenditures/commitments arise, once recorded and approved, funds are withdrawn from the Designated Account and transferred to an operational account of the project to make payments to suppliers, contractors or consultants.

10. **Financial Reports.** On a *semester* basis, MARN through the PIU will prepare and submit to the Bank, an unaudited interim financial report (IFR), containing at least: (i) a statement of sources and uses of funds (with expenditures classified by subcomponent) and cash balances; (ii) a statement of budget execution per subcomponent and (iii) a reconciliation of the Designated Account. The interim reports will be submitted not later than 45 days after the end of each semester. In this case, the IFRs are not expected to be utilized for disbursement purposes. The format of IFRs should be included in the operating manual.

11. On an *annual* basis, the PIU will prepare project financial statements including cumulative figures for each fiscal year of the financial statements. The financial statements will also include explanatory notes in accordance with the Cash Basis International Public Sector Accounting Standard (IPSAS) that would be submitted audited to the Bank.

12. The supporting documentation of the semester and annual financial statements will be maintained in the EA premises, and made easily accessible to WB supervision missions and to external auditors and will be kept as long as established in the legal agreement.

#### **IV. Flow of Funds**

13. **WB Disbursement Methods.** Considering the results of the assessments, the following disbursement methods may be used by EA to withdraw funds from the loan: (a) reimbursement, (b) advance, and (c) direct payment.

14. **WB Designated Account.** For this project, it is expected that one Designated Account (DA) will be used for expenditures under all components, maintained in USD in the Central Bank of El Salvador, to be used exclusively for deposits and withdrawals of loan proceeds from the loan account. Funds deposited into the DA as advances, would follow Bank's disbursement policies and procedures, as described in the Disbursement Letter and Disbursement Guidelines. For payment purposes, an operational account will be opened in a commercial bank.

15. The ceiling for advances to be made into DAs would be USD 300,000, estimated to be sufficient for project execution for a period of 4 months. The reporting period to document eligible expenditures paid out of the DA is expected to be on a quarterly basis.

16. Supporting documentation for documenting project expenditures under advances and reimbursement methods would be records evidencing eligible expenditures (e.g. copies of receipts, invoices) for payments for consultant services, goods, training and operating costs against contracts valued at USD 200,000 or more. For all other expenditures below these thresholds, supporting documentation for documenting project expenditures will be Statements of Expenditures (SOEs).

17. All consolidated SOEs documentation will be maintained for post-review and audit purposes for up to one year after the final withdrawal from the loan account.

18. Direct Payments supporting documentation will consist of records (e.g. copies of receipts, supplier/ contractors invoices). The minimum value for applications for direct payments and reimbursements will be USD 200,000. The disbursement deadline date will be four months after the closing date specified in the Loan Agreement.

#### **V. Audit Arrangements**

19. **Internal Audit.** In the course of its regular internal audit activities vis-à-vis the institutional budget, internal auditors of MARN may include project activities in their annual work plans. If such audits occur, EA would provide the Bank with copies of internal audit

20. **External Audit.** The annual project financial statements prepared for the project will be audited following International Standards on Auditing (ISA), by independent firm/s and in

accordance with terms of reference (TORs), both acceptable to the Bank. The audit opinion covering project financial statements will contain a reference to the eligibility of expenditures. These reports will be submitted to the Bank not later than six months after the end of the Government's fiscal year (which equals the calendar year). According to the Bank Policy on Access to Information, Audited Financial Statements will be public and that requirement will be established in the Loan Agreement.

21. The Procurement Plan approved at negotiations should establish the process to hire external auditors for the first external audit within three months after Loan Effectiveness. The audit engagement is expected to cover the expected life period of the project.

## VI. Retroactive Financing

22. Per Government request, the Project would include US\$200,000 of retroactive financing. This portion will also be included in the scope of the financial unit.

- **Disbursement Schedule** is as follows:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in US\$)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, Consultant Services, Non-consultant Services, Operating Costs, and Training under Component 1 of the Project	1,208,000	100%
(2) Consultant Services, Non-consultant Services, Operating Costs, and Training under Component.2 of the Project	965,000	100%
(3) Goods, Consultant Services, Non-consultant Services, Operating Costs, and Training under Component 3 y 4 of the Project	1,207,000	100%
(4) Consultant Services, Non-consultant Services, Operating Costs, and Training under Component 5 of the Project	220,000	100%
<b>TOTAL AMOUNT</b>	<b>3,600,000</b>	

## VII. FM Risk Assessment and Supervision Plan

23. The FM risk for this project has been assessed at *Moderate*. Please note that main FM risk identified relate to MARN's institutional capacity, namely the fact that, even though MARN has prior experience managing the FM aspects of WB grants, its FM capacity still needs improvement (because of the current workload of the FM staff and because the staff involved in

previous grants has left).The following table presents the risk mitigating measures incorporated into the design of the FM arrangements for the project.

Action	Responsible Entity	Completion Date <sup>26</sup>
1. Include in the approved Procurement Plan the hiring of the FM staff required to properly administer the project.	MARN	By negotiations
2. Finalize draft audit TORs as part of the FM section of the Operational Manual.	MARN	By negotiations.
3. Finalize the draft FM section of the project operational manual.	MARN	By negotiations
4. Receive a FM “on the job” training focused in Bank policies and implementation for Bank-funded projects	WB	1 month after effectiveness
5. Finalize Financial Reporting Format that should be part of the OM.	MARN	By negotiations
6. Include in the approved Procurement Plan the hiring of the external audit firms under approved ToRs in the first three months after effectiveness.	MARN	3 months after effectiveness

24. An FM Specialist will perform a supervision mission prior to effectiveness to verify the implementation of the unit at MARN and the FM system. After effectiveness, the FM specialist will perform FM supervision of the project as part of the implementation support plan. Additionally, the FM specialist will review the annual audit reports, the financial sections of the semester IFRs, and should perform at least one formal supervision mission during the first 6 months of project’s execution, and at least one supervision mission annually afterwards. The assigned FM specialist will review the supervision plan periodically and might adjust it as needed.

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<sup>26</sup> This column solely presents the estimated completion date, not an indication of legal conditions.

## **Annex VII. Procurement.**

### **I. General**

(a) Procurement for the proposed Project would be carried out in accordance with the World Bank's "Guidelines Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011; the World Bank's "Guidelines Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011; and the provisions stipulated in the Grant Agreement. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and timeframe are agreed between the Borrower and the Bank in the Procurement Plan.

(b) MARN has prepared a Preliminary Procurement Plan for the entire scope of the Project and a detailed and comprehensive Procurement Plan, which includes all contracts for which invitations for bids and proposals are to be issued in the first 18 months of project implementation. The Procurement Plan will be available in the SEPA. Goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding, National Competitive Bidding, Shopping and Direct Contracting. It is not envisaged that FCPF will finance Civil Works activities. Consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection, Quality-Based Selection, Selection under a Fixed Budget, Least-Cost Selection, Selection Based on Consultants' Qualifications, Single-Source Selection, and Procedures set forth in Section V of the Consultant Guidelines for the Selection of Individual Consultants, including Single-Source Selection for Individual Consultants.

### **II. Assessment of the agency's capacity to implement procurement**

#### **(a) Agencies**

- (i) In accordance with the implementation arrangements, MARN will be responsible for procurement. An assessment of the capacity to implement the procurement actions of MARN was conducted in July 2013. The assessment looked into: (a) organizational structure, (b) facilities and support capacity, (c) qualifications and experience of the staff that would work in procurement, (d) record-keeping and filing systems, (e) procurement planning and monitoring/control systems used, and (f) capacity to meet the Bank's procurement contract reporting requirements. MARN has the staff, experience and capacity from the previous operations (financed by the Bank -PACAP-) to manage the Project, implement World Bank procurement procedures, monitor implementation and provide technical assistance to beneficiaries. The next detailed action plan was prepared to address all risks identified:

MITIGATING MEASURES		STAGE
Prepare a comprehensive, detailed Procurement Plan for the first 18 months of project execution	Executing agency	Before negotiations
Establishment of SEPA as the system to monitor and expedite Procurement Plans	Executing agency–Bank	Before negotiations
Training for procurement staff (Banks Policies/Procedures, Contract Management and Procurement Planning)	Executing agency–Bank	First three months of implementation
Prepare Operational Manual	Executing agency	First three months of implementation
One (1) Procurement Staff to work in the Bank financed project	Executing agency	First three months of implementation

- (ii) Considering the country risk and the agency’s capacity to implement procurement, as outlined above, the overall project risk for procurement is **Moderate (M)**. The level of risk for this Project will be reassessed once a year at the time of the post reviews.

**III. Procurement Plan:** (a Procurement Plan for the first 18 months of the project was presented by the borrower and approved by the Procurement Specialist of the team on 10/30/2013. A copy of this plan can be found in the project files).

(a) **Goods, Works and Non-Consulting services.**

- (i) **Prior Review Threshold:** Procurement decisions subject to prior review by the Bank as stated in Appendix 1 to the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers”:

Thresholds for procurement methods and prior review (US\$ thousands)			
Expenditure Category	Contract Value (Thresholds) US\$	Procurement Method	Contracts Subject to Prior Review
<b>1. Works</b>	>1,500,000.00	ICB	All
	250,000.00 – 1,500,000.00	NCB	First two
	<250,000.00	Shopping	First two
		DC	All
<b>2. Goods</b>	>250,000.00	ICB	All

	25,000.00 – 250,000.00	NCB	First two
	25,000.00 <	Shopping	First two
		DC	All
<b>Note:</b>	ICB = International Competitive Bidding NCB = National Competitive Bidding DC = Direct Contracting		

**(b) Selection of Consultants**

- (i) **Prior Review Threshold:** Selection decisions subject to prior review by the Bank as stated in Appendix 1 to the Guidelines for Selection and Employment of Consultants are as follows:

<b>Thresholds for methods and prior review (US\$ thousands)</b>			
<b>Consulting Services</b>	<b>Contract Value (Thresholds) US\$</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review</b>
<b>3.a Firms</b>	>100,000.00	QCBS, QBS, FBS, LCS, CQS	ALL
	<100,000.00	QCBS, QBS, FBS, LCS, CQS	Terms of Reference
		SSS	All
<b>3.b Individuals</b>	>50,000.00	Comparison of 3 CVs in accordance with Chapter V of Guidelines	ALL
<b>Note:</b>	QCBS = Quality- and Cost-Based Selection QBS = Quality-Based Selection FBS = Fixed Budget Selection LCS = Least-Cost Selection CQS = Selection Based on Consultants' Qualifications (shall not exceed US\$300,000.00) SSS: Single Source Selection		

- (ii) **Short list comprised entirely of national consultants:** The short list of consultants for services, estimated to cost less than US\$200,000 equivalent per contract, may consist entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.
- (iii) In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended annual supervision missions to visit the field in order to carry out a post review of procurement actions.

## **Annex VIII: R-PP Submitted by the REDD Country Participant**

(Due to its length, this document has not been attached, but can be found at the website of the Ministry of Environment and Natural Resources of El Salvador:  
<http://www.marn.gob.sv>)

**Annex IX. Participation and Early Dialogue Matrix (based on the stakeholder analysis).**

STAKEHOLDER	ROLE IN REDD+	DID THEY PARTICIPATE IN WORKSHOPS, CAPACITY BUILDING AND INFORMATION DISSEMINATION ACTIVITIES?	DID THEY PARTICIPATE IN THE DEVELOPMENT OF THE R-PP?	DO THEY HAVE AN EXISTING PARTICIPATORY PLATFORM?	ENGAGEMENT ACTIVITY/TOPIC FOR THE READINESS PHASE
<b>Producers (land owners and small-scale farmers)</b>	Owners who make decisions of land use	Some and there is a gap in participation	Yes.	ADESCO (Community Development Association)  Livestock farmers association	It's important to include them in the participatory process and the SESA.
<b>Indigenous peoples organizations</b>	Small scale farmers producing mainly grains.	Yes	Yes	Indigenous Peoples Roundtable for Climate Change	Their participation in the readiness phase is essential through the roundtable and other platforms. It is important to rescue their traditional knowledge and agricultural practices.
<b>Forest owners</b>	Private, communal and municipal with plantations and natural regeneration forests land owners (broadleaf and conifer).	Yes	Yes	Private Reserves Network (RENAPES), Salvadorian Forestry Organization (CORFORES).	Contribute to the development of the REDD+ strategy including the development of incentive programs to maintain and increase their plantations and regenerated forests. Participate in SESA.
<b>Cooperation and Aid Agencies</b>	Promote sustainable agriculture practices in the country.	No	No		Information dissemination and potential donors for implementation of strategic options.

STAKEHOLDER	ROLE IN REDD+	DID THEY PARTICIPATE IN WORKSHOPS, CAPACITY BUILDING AND INFORMATION DISSEMINATION ACTIVITIES?	DID THEY PARTICIPATE IN THE DEVELOPMENT OF THE R-PP?	DO THEY HAVE AN EXISTING PARTICIPATORY PLATFORM?	ENGAGEMENT ACTIVITY/TOPIC FOR THE READINESS PHASE
NGOs	Co-manage natural protected areas and promote conservation and sustainable agricultural practices and projects.	Yes with co-managers of protected areas and environmental NGOs	Yes	Natural Protected Areas Co-Managers Network (REDANP)..  Sustainable Agriculture Platform (PAS).	Participated in the readiness process to inform the strategic options, participate in SESA and environmental indicators.
Mancomunidades, local governments and ADESCOS	Task with development of communal infrastructure projects and in some cases manage forest resources and negotiate bilaterally with donors to implement environmental activities	Yes	Yes	Municipalities and ADESCOS associations	Essential to implement local environmental governance mechanisms.  ADESCOS will receive capacity building in the territories to implement forest management and agroforestry systems.
Ministry of Agriculture and Livestock	To bring technical assistance and incentive programs	Yes	Yes	National Climate Change Committee under the SINAMA	Participate in the inter-institutional collaboration in the design of the REDD+ strategy and implement REDD+ friendly incentives
Women organizations	Promote environmental conservation and governance mechanisms for women participation in conservation.	No	No	Concertación Feminista Prudencia Ayala	Participate in SESA, the overall design of the REDD+ strategy and help include the gender perspective in the strategic options
Forest dependent community (in mangroves, and natural forests)	Beneficiaries of Non-Timber Forest Products and could have an impact in the forest resources and the natural protected areas in practices are not sustainable	No	No	Communities and second level organizations	Participate in information dissemination activities, provide feedback on strategic options that may benefit or impact them through SESA.

STAKEHOLDER	ROLE IN REDD+	DID THEY PARTICIPATE IN WORKSHOPS, CAPACITY BUILDING AND INFORMATION DISSEMINATION ACTIVITIES?	DID THEY PARTICIPATE IN THE DEVELOPMENT OF THE R-PP?	DO THEY HAVE AN EXISTING PARTICIPATORY PLATFORM?	ENGAGEMENT ACTIVITY/TOPIC FOR THE READINESS PHASE
<b>Academic sector</b>	Provide technical knowledge in the different phases of REDD+	Yes	Yes	Salvadorian Private Universities Association (AUPRIDES)	Participate in informing the readiness phase and SESA+
<b>Ministry of Tourism ministry</b>	Implementation of legal instruments for environmental zones and development of guidelines in coordination with MOP and MAG.	Yes	Yes		To inform the strategic options in relation to territorial planning for tourism activities and alternative livelihoods
<b>Ministry of Public Works, Housing and Urban Development (MOP)</b>	In charge of territorial planning including the environmental zoning.	No	No		Participate in SESA and provide input to the strategic options in terms of territorial planning
<b>National Directorate for Indigenous Peoples and Cultural Diversity (Culture Secretary)</b>	Design and implementation of legal mechanism related to the rights of Indigenous Peoples.	Yes	No		Participate in the design of the REDD+ strategy and SESA.
<b>Urban development sector</b>	Represent a sector that has high impact in land use change, modifies landscapes and uses important ecosystem services.	No	No	Salvadorian Chamber for Industry and Construction (CASALCO). Salvadorian industry Association (ASI).	Participate in the design of the REDD+ strategy, SESA and receive training in environmental impact assessment related to their sector activities

STAKEHOLDER	ROLE IN REDD+	DID THEY PARTICIPATE IN WORKSHOPS, CAPACITY BUILDING AND INFORMATION DISSEMINATION ACTIVITIES?	DID THEY PARTICIPATE IN THE DEVELOPMENT OF THE R-PP?	DO THEY HAVE AN EXISTING PARTICIPATORY PLATFORM?	ENGAGEMENT ACTIVITY/TOPIC FOR THE READINESS PHASE
<b>Salvadorian Institute for Rural Transformation (ISTA)</b>	Committed to the rural development, provides legal security related to land tenure to facilitate agriculture production.	No	No	Regional offices	Provide input to the strategy on issues related to rural development and planning of the agricultural activities, definition of social development indicators, and participation in SESA.
<b>Ministry of Environment and Natural Resources (MARN)</b>	Implementation of the Environment Law and related guidelines and decrees. Leads the REDD+ process. Member of the National Council for Planning and Territorial Development Promotes PREP.	Yes	Yes	Climate Change technical group Working group with MAG, MOP and MARN. National Climate Change Committee under the SINAMA.	Leads the REDD+ readiness activities in the country including SESA.

## Annex X. Strategic options and their relationship with the drivers of deforestation

Opciones Estratégicas	Actividades REDD+	Relación (ejemplos)
1-Aumento de la producción <i>resiliente</i> a los impactos de cambio climática, bajas en emisiones de CO <sub>2</sub> y que contribuyen a la conectividad de los bosques y áreas naturales protegidas.	Mejoramiento de “stocks” de Carbono	-Sistemas agro-forestales con árboles y vegetación permanente aumenta la captura de CO <sub>2</sub>  -Algunos de los sistemas agro-forestales pueden actuar como corredores biológicos que conectan Áreas Naturales Protegidas (ANPs) o son ribereños
2-Desarrollo de un Programa de Incentivos y Compensación para los cambios de uso de suelo y prácticas agrícolas, pecuarias, forestales y agroforestales.	Conservación de bosques  Evitar deforestación de bosques  Revertir la degradación del bosque  Manejo Sostenible de Bosque	-Incentivos directos para actores (individuales y colectivos) para aumentar sus beneficios, compensación por servicios ecosistémico para mantener el bosque.  -Normar y dar Asistencia Técnica y certificación para el Manejo Sostenible del Bosque  Incentivos a sistemas agro-pecuarios que rodean los bosques (no-quema, sistemas agro-silvopastoriles, etc)
3-Promover e incentivar la organización, gobernanza y capacidad de manejo de los recursos forestales y agroforestales a nivel territorial.	Evitar deforestación de bosques  Mejoramiento de ‘stocks’ de Carbono	-Estructurar incentivos para aumentar la organización local de gestión forestal y promover Áreas de conservación comunitarias.  -Promover que las Organizaciones de Desarrollo Comunal asuman un rol protagónico en promover actividades de conservación a nivel de paisaje y cuenca.
4-Investigar y diseñar nuevos instrumentos jurídicos, regulatorios y normativos de reconocimiento de derechos sobre recursos forestales manejados colectivamente	Evitar deforestación de bosques  Revertir la degradación de los bosques	-Reconocer por medio de la Ley de ANPs y de Medio Ambiente , nuevas formas de manejo colectiva de bosques y áreas más amplias de restauración áreas naturales
5-Activar los instrumentos de la Ley del Medio Ambiente y de Ordenamiento territorial, y la Evaluación Ambiental Estratégica de las nuevas políticas, planes y programas, y la Evaluación de Impacto Ambiental.	Evitar deforestación de bosques  Mejoramiento de ‘stocks’ de Carbono	-Zonificación ambiental de territorios vulnerables evitando cambio de uso de suelos por otros cultivos  -Diseñar y poner en práctica las nuevas figuras institucionales para Áreas de Conservación

		Comunitaria -Cambiar prácticas claves nocivas por medio de acuerdos las EASE's y Mesas de actividades agro-pecuarias en gran escala (caña y ganadería-no quema)
6-Armonizar las políticas, planes y programas de sectores vinculados al uso de la tierra, el cambio de uso de la tierra y la gestión ambiental y forestal.	Revertir la degradación de bosques  Mejoramiento de 'stocks' de Carbono	- Coordinar con el Instituto Salvadoreño de Transformación Agraria el traspaso legal de las ANPs  -Reorientar la Política Forestal para que estimule la expansión de los sistemas agro-forestales con especies nativas  -Armonizar las políticas y programas de incentivos con el MAG
7-Desarrollar un marco regulatorio e instituciones para reconocer y regir las actividades que proveen servicios ecosistémicos, incluyendo la captura y almacenamiento del carbono.	Mejoramiento de 'stocks' de Carbono  Conservación de bosques (de todo tipo, incluidas las ANPs)	-Impulsar la aprobación de la Ley de Agua (reconoce la provisión H <sub>2</sub> O como servicio ecosistémico)  -Implementar la institucionalidad que dicta la Ley de Ordenamiento Territorial (Junio, 2012)  -Fortalecer los marcos regulatorios que reconocen Compensación por Servicios Eco-sistémicos (CEL, MAG, MARN, MOP)

Impulsores D&D	Opciones Estratégicas para enfrentar los impulsores de la deforestación y degradación de bosques	Actores relevantes
Cambio de Uso de Suelo por Agricultura	Activación de instrumentos legales de regulación del cambio de uso, prohibición y penalización por cambios de uso ilegales – <u>dificultad baja de implementación</u>	MARN; MAG; PNC; Fiscalía de la República. MARN, MAG, MOP, Municipalidades, CASALCO, MARN, MAG, MH Asociaciones de Agricultores, Asociaciones Ganaderos, Comunidades locales Pueblos Indígenas
Construcción infraestructura Urbanización – Lotificaciones	Activación de instrumentos legales relacionados con la zonificación y ordenamiento territorial – <u>dificultad media de implementación</u> Armonizar las políticas de agricultura, vivienda y medio ambiente y leyes sectoriales que tienen influencia sobre el cambio de uso del suelo – <u>dificultad media de implementación</u>	
Ganadería - expansión de pastizales	Diseño e implementación de un Programa de Incentivos y mecanismos de compensación. Desarrollo de instrumentos legales y políticas de reconocimiento de los derechos sobre recursos naturales y sobre posible manejo colectivo de bosques <u>dificultad alta de implementación</u>	

<p>Incendios Forestales</p>	<p>Activación de instrumentos legales relacionados con la regulación de las prácticas agrícolas y el control de los incendios forestales - <u>dificultad media de implementación</u>  Conservación de ecosistemas forestales y restauración de la conectividad ecológica - <u>dificultad media de implementación</u></p>	<p>MARN, MAG, Cuerpo de Bomberos, Comunidades locales, Comisión Nacional de Prevención y Control de Incendios Forestales</p>
<p>Tala ilegal</p>	<p>Activar los instrumentos legales relacionados con el uso sostenible de los recursos forestales y el control de la tala ilegal, con <u>dificultad alta de implementación</u></p>	<p>MARN, MAG, Municipalidades Productores Forestales, Comunidades Locales Mesas Forestales</p>
<p>Prácticas agrícolas no sostenibles</p>	<p>Activación de instrumentos legales relacionados con la zonificación y ordenamiento territorial – <u>dificultad media de implementación</u>  Armonizar las políticas de agricultura, vivienda y medio ambiente y leyes sectoriales que tienen influencia sobre el cambio de uso del suelo – <u>dificultad media de implementación</u>  Diseño e implementación de un Programa de Incentivos y mecanismos de compensación, incluidos mecanismos legales y de política de reconocimiento de los derechos sobre recursos naturales y sobre posible manejo colectivo de bosques <u>dificultad alta de implementación</u></p>	<p>MARN, MAG, Municipalidades Productores Forestales, Comunidades Locales Asociaciones de Agricultores, Asociaciones Ganaderos, Mesas Territoriales Pueblos Indígenas</p>

## **Annex XI. Indigenous Peoples. The particular case of El Salvador.**

### **Historical context**

1. Indigenous occupation of El Salvador has been continuous since at least 1200 BC. While estimates vary greatly, there is general agreement that there was a sizeable indigenous population living in all regions of the country when the Spanish arrived in 1524. Among them were the Lenca, Maya Chortí, Maya Pocomam, Cacaopera/Kakawira and Nahua Pipil. The Lenca in particular occupied a large territory that also encompassed part of present day Honduras. The Pipils, a migrant Nahua speaking group from central Mexico, settled in the western part of the country.

2. Prior to the arrival of the Spanish settlers, the indigenous peoples of El Salvador had complex customary land tenure that was intricately linked to their social and governance structure. The larger territory was a city-state, or *altepetl*, that was comprised of smaller organizational units, or *calpolli/calpulli*. These may have been family units in some areas. Land use was regulated by the *calpolli/calpulli* and the land was held in trust for the benefit of all the members by the *calpolli/calpulli*.

3. Many accounts indicate that indigenous lands, especially the highly fertile agricultural areas, were unilaterally expropriated by Spanish settlers in the late 1500's but the truth is that there was much resistance by indigenous peoples, who were eventually defeated by the Spanish. The remnants of the indigenous territories were formalized into an *ejido* system and *tierras comunales* in the 1600's. An *ejido* system is a collective form of land holding that was common under indigenous customary forms of law. *Ejidatarios* did not own the land in fee simple, but were allowed to use their allotted parcels indefinitely as long as they continued to use the land for a productive purpose as the *ejido* system was largely agricultural in orientation. *Ejidatarios* could pass their rights on to their children and could lease out their share to non-*ejidatarios* for a short, defined period of time and for a particular purpose. The communal land was primarily used for residential and subsistence purposes; the cultivation of corn and beans and the extraction of balsam wood for export.

4. The disintegration of the *ejido* system began in the late-19th century with a legislative decree dated March 1, 1879 that allowed individual land tenure for parcels of *ejido* land to any community member willing to cultivate at least 25% of the land. This essentially conflicted with the communal nature of the *ejido*. Seeking to take advantage of the high price of coffee, the economic and political elites also passed various land decrees that converted the majority of arable land into huge coffee-producing haciendas. These land decrees mandated that any farm where less than two-thirds of the land was devoted to the production of coffee would become property of the state. In addition, any lands that were communally owned (indigenous lands, for example), had to be divided between their owners, or they too would become state property. According to the government, communal lands were "contrary to the political and social principles upon which the republic was founded. "*Tierras comunales*" were formally abolished in February 1881 and the *ejido* system was abolished in March 1882.

5. A critical event in the history of indigenous peoples in El Salvador was “*La Matanza*” in 1932. It began when 35 *ladinos* were killed during an anti-government protest by indigenous people and rural *campesinos* who were protesting the social and economic imbalances caused by the unequal distribution/ownership of land and social conditions in general. In retaliation, the government of Maximiliano Hernandez Martinez killed between 10,000-50,000 indigenous people and *campesinos*; indigenous peoples were specifically targeted as a revolutionary leader, Marti, had led the uprising. Following the massacre, indigenous peoples went “underground” and began to hide their indigenous identity and tried to assimilate into the dominant *ladino* society; they adopted non-indigenous names, stopped wearing their traditional clothing, stopped speaking their languages in public and held cultural and spiritual ceremonies in private in order to avoid being identified as indigenous and therefore targeted for violence and persecution. This continued until the early 1990s when there appears to have been resurgence in indigenous identity and recognition of the continued existence of indigenous peoples in modern day El Salvador.

### **Current situation**

6. Today, the situation of indigenous peoples in El Salvador remains controversial. Many Salvadorans, especially those in the capital of San Salvador, maintain that there are no longer any “real” indigenous peoples in the country. They say that those who identify as indigenous are in fact “*mestizos*” or “*ladinos*”. This legacy is a deep and persistent social reality that cannot be underestimated and it will need to be addressed with sensitivity and caution in the context of REDD+, as it involves all of the key points of historical conflict – land tenure, use of natural resources and social class.

7. Recent events point to a change in public policy and a growing recognition of the continued existence of indigenous peoples in El Salvador (also called “*pueblos originarios*”, “*pueblos naturales*” or “*indios*”). A comprehensive “Profile of Indigenous Peoples in El Salvador” (*Perfil de los Pueblos Indígenas en El Salvador*) was published in 2003 by a Multi-sectoral Technical Committee that included the *Unidad Regional de Asistencia Técnica* (RUTA), *Consejo Nacional para la Cultura y Arte* (CONCULTURA, Ministry of Education) and *Consejo Coordinador Nacional Indígena Salvadoreño* (CCNIS) with the financial and technical support of the World Bank. In addition, to providing valuable information regarding the social and economic development of indigenous peoples, the “Profile” highlighted that one of the key stumbling blocks to improve the situation is that there is very little data available regarding indigenous peoples. This was partially addressed when a question regarding ethnic identity was included, for the first time in the 2007 national census (option to self-identify as indigenous).

8. In terms of the legal framework, El Salvador, along with 144 other countries, endorsed the UN Declaration on the Rights of Indigenous Peoples (UNDRIP) in 2007. They are not a signatory of ILO 169 but the UN describes UNDRIP as, “setting an important standard for the treatment of indigenous peoples that will undoubtedly be a significant tool towards eliminating human rights violations against the planet’s 370 million indigenous peoples and assisting them in combating discrimination and marginalization.” In 2010, President Carlos Mauricio Funes Cartagena issued a public apology to indigenous peoples:

“The government that I lead wishes to be the first government that in the name of the Salvadoran state...makes an act of contrition and begs the pardon of the indigenous communities for the persecution, for the extermination of which they were victims for so many years. From this day forward we officially terminate our historical denial of the diversity of our peoples and acknowledge El Salvador to be a multiethnic and multicultural society.”<sup>27</sup>

9. The current Constitution of the Republic of El Salvador recognizes indigenous languages but not indigenous peoples as a distinct group. Article 62 provides:

*“El idioma oficial de El Salvador es el castellano. El gobierno está obligado a velar por su conservación y enseñanza. Las lenguas autóctonas que se hablan en el territorio nacional forman parte del patrimonio cultural y serán objeto de preservación, difusión y respeto”.*

10. A constitutional amendment to Article 63 that would recognize indigenous languages and other expressions of indigenous culture was proposed by the Funes government in May 2012 and is awaiting ratification by the Legislative Assembly.

11. Despite these advances, there are few specialized agencies that focus on indigenous issues at the national level. There is only one national level public institution; the Centre for Cultural Affairs/ Indigenous Affairs Unit of CONCULTURA which is part of the Ministry of Education. It was established in 1955 to work for the recognition of and to provide support to Salvadoran indigenous peoples and organizations. The unit has mainly been concerned with cultural issues in the context of education. Since 1988, the most significant activity has been related to preserving and disseminating the Nahuatl language and providing inputs and data for various social assessments including the national poverty map and the preparation of the *Red Solidaria* program.

### **Application of the Indigenous Peoples Policy (OP/BP 4.10).**

12. The Indigenous Peoples Policy of the Bank is triggered in this project as there are indigenous peoples in areas of El Salvador that may become eligible for REDD+ activities, and who meet the four criteria outlined in the policy<sup>28</sup>. These populations are especially vulnerable to changes in land use or restrictions on their use of natural resources due to insecure land tenure and an economy based on subsistence agriculture.

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<sup>27</sup> On the occasion of the establishment of the First National Indigenous Congress of El Salvador: <http://www.laht.com/article.asp?ArticleId=371543&CategoryId=23558>.

<sup>28</sup> (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language, often different from the official language of the country or region.

13. Given the complicated history of the country and the fact that disaggregated data on indigenous peoples is not systematically collected, there is wide variance in terms of estimates of the current population numbers for indigenous peoples in El Salvador. According to the 2007 national census, which included a self-identification option, indigenous peoples currently represent 0.23% of the total population. CCNIS and CONCULTURA maintain that approximately 600,000 or 10 per cent of Salvadoran peoples are indigenous. The Ministry of Education is the only government agency to gather disaggregated data through their *Censo Matricular* but this is limited to indigenous children attending public schools. Some sources refer to the 2005 Multiple Purpose Household Survey (EHPM) that indicates a total indigenous population of 17%. The World Bank has variously referred to a figure of 10-12%.

14. The principal indigenous groups are the Nahua-Pipiles, Lencas and Cacaoperas/Kakawiras. The Nahua-Pipiles are the largest group and they are concentrated in the western and central regions while the Lencas and Cacaoperas are in the eastern part of the country. In areas such as Sonsonate in the southwest, Nahua/Pipil represent up to 80% of the total population especially in the communities of Nahuizalco, Izalco and Santo Domingo de Guzman. The Cacaopera/ Kakawira are primarily located in Morazan. The Lencas, who are related to the Lencas in Honduras, reside in the Eastern departments of Usulután, San Miguel, Morazán and La Unión north and east of the Lempa River. The 2003 Profile on Indigenous Peoples in El Salvador indicates that indigenous peoples live in 62 municipalities.

15. Since the 1992 Peace Accords, there has been resurgence in terms of recognition and pride in indigenous culture and many people now self-identify as indigenous. What distinguishes indigenous peoples from *campesinos* is a territory based cosmivision that doesn't see land as only an economic asset but one that is integral to spiritual, physical and emotional well-being. This strong attachment to a particular territory and dependence upon the natural resources it contains for subsistence, medical, spiritual, religious and cultural purposes is articulated by indigenous peoples in El Salvador in ways that are consistent with indigenous peoples in other regions and territories in Central America.

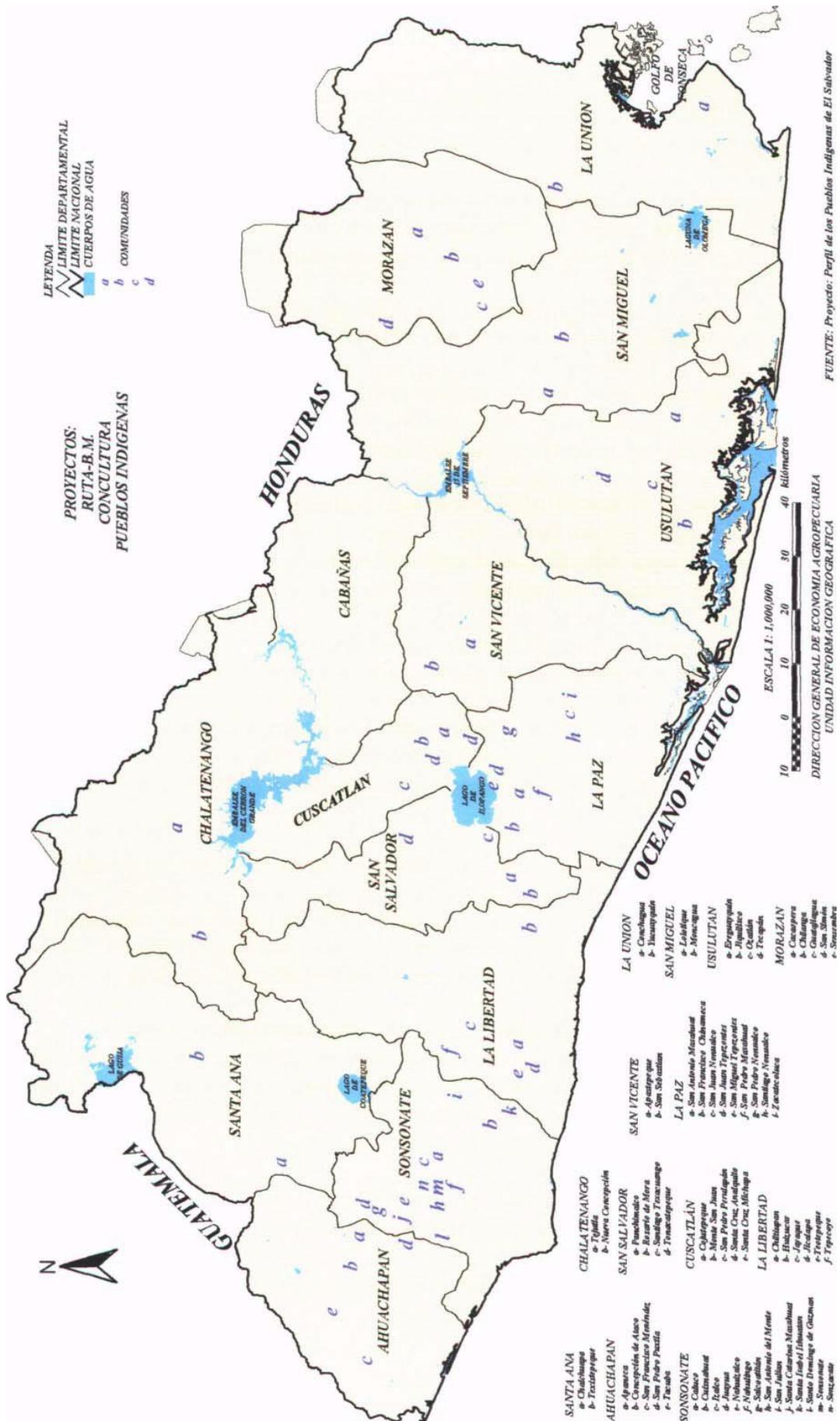
16. In terms of collective attachment to land, indigenous peoples in El Salvador continue to articulate a close relationship with and dependence upon the resources contained in their traditional territories. Their social organization and economy is based primarily on subsistence agriculture. However, while 95 % of non-indigenous people in El Salvador live on their own land and only 5 % are renters, only 5 % of indigenous people own their land. Sixty percent of indigenous people live on communal lands with another 35% being renters.

17. Traditional organizations and leaders in the communities are important focal points for conflict resolution, information dissemination and convening power. This is particularly true in the more remote areas where families look to local leaders for guidance in almost all aspects of their daily lives. In traditional communities, there are three main social groups: 1) Elders (*ancianos*) that make up the Council of Elders, which is the most respected of the traditional institutions; b) *Alcaldia del Comun*, an institution particular to El Salvador where the mayor and *regidores* form the Municipal Indigenous Council (i.e. in Izalco) are

responsible for legal issues, nomination of *Cofrados*, control the religious calendar and the finances of the *Cofradia*; and c) social networks of important service providers such as midwives, *promotores* and traditional healers (*sobadores*). The *Cofradias* are also important social actors at the local level and they have general social responsibilities in terms of religion and culture.

18. In terms of representative organizations, there are two/three national level indigenous organizations. The National Coordinating Council of Salvadoran Indigenous Peoples/CCNIS was founded in 1994 and its membership includes 23 regional and local indigenous organizations. It focuses mainly on increasing the visibility of indigenous peoples and promoting international indigenous rights such as encouraging El Salvador to sign ILO Convention 169. Another national organization, ANIS, was founded in 1959 with a focus on reviving the culture and language of indigenous peoples. In 1990, ANIS hosted the first nationwide gathering of indigenous peoples in San Salvador. There is also the Union of Indigenous Communities of Guacotecti Cushtatan that was established in early 2012 specifically to advocate for the language, culture and land rights of El Salvador's indigenous peoples. The current President is Shandur Kuátzin Makwilkali. The Federation has almost 10,000 members in 14 departments and represents all of the major indigenous peoples. There are also several culture specific regional organizations that represent indigenous peoples that are outlined in El Salvador's final version of the R-PP (see Annex VIII of this document).

19. In terms of language, many older members of the Nahua/Pipil community still speak the Nahuatl language. According to the National Federation of Indigenous Peoples of El Salvador, there are approximately 500 fluent Nahuatl speakers and 1,000 more that have some comprehension. Protection of indigenous languages has been the one area where there has been long term engagement by government despite a lack of formal recognition or a legal framework protecting indigenous peoples. In 1998, the Ministry of Education, with the support of CONCULTURA and the CCNIS, instituted a program for the 'Revitalization of Nahuatl-Pipil language' including the development of instructional texts. In 2012, the Universidad de Bosco and the Ministry of Education launched the Cuna Nahuatl program, an early childhood immersion program for children ages 3-5. Elders, who are native speakers, are the instructors and they use traditional methods of oral instruction to transmit the language and other aspects of Nahuatl culture to preschoolers. For the Lenca, there are only a few remaining native speakers but several Potón Lenca texts have been published by indigenous organizations in order to promote and protect the language and culture. The Cacaopera/Kakawira community has taken advantage of a project promoted by the Ministry of Education to organize cultural rehabilitation programs and they are developing programs for children to promote their indigenous 'language using speakers or 'caciques' (elder leaders) as community instructors.



## **Annex XII. Background on the FCPF and REDD+ Readiness.**

1. The Forest Carbon Partnership Facility (FCPF) is assisting developing countries in their efforts to reduce emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest (REDD+) by providing value to standing forests. It was announced at CoP13 in Bali in December 2007 and became operational in June 2008.

2. The FCPF is helping build the capacity of developing countries in tropical and subtropical regions to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD+. The aim is to enable countries to tackle deforestation and reduce emissions from REDD+ as well as develop capacity for assessment of measurable and verifiable emission reductions.

3. The FCPF's initial activities relate to strategic planning and preparation for REDD+ in IBRD and IDA member countries in the tropics across Africa, East Asia and Pacific, Latin America and the Caribbean and South Asia. Specifically, countries prepare for REDD+ by:

- i. assessing the country's situation with respect to deforestation, forest degradation, conservation and sustainable management of forests and relevant governance issues;
- ii. identifying REDD+ strategy options;
- iii. assessing key social and environmental risks and potential impacts associated with REDD+, and developing a management framework to manage these risks and mitigate potential impacts;
- iv. working out a reference level of historic forest cover change and greenhouse gas emissions and uptake from deforestation and/or forest degradation and REDD+ activities, and potentially forward-looking projections of emissions; and
- v. designing a monitoring system to measure, report and verify the effect of the REDD+ strategy on greenhouse gas emissions and other multiple benefits, and to monitor the drivers of deforestation and forest degradation, as well as other variables relevant to the implementation of REDD+.

4. These preparatory activities are referred to as 'REDD+ Readiness' and are supported in part by the Readiness Fund of the FCPF. This FCPF Readiness Preparation grant activity (referred to as "Project" in the R-PP Assessment Note) will fund only a portion of the R-PP activities, but will help the Country towards achieving REDD+ Readiness, even though the Country may not reach this stage until well after the grant closes; it will not finance any implementation of REDD+ activities on the ground (e.g., investments or pilot projects).

5. It is expected that approximately five to ten countries that will have made significant progress towards REDD+ readiness will also participate in the Carbon Finance Mechanism and receive financing from the Carbon Fund. Specifically, these countries will benefit from

performance-based payments for having verifiably reduced emissions from deforestation and/or forest degradation through their Emission Reductions Programs. The structure of these payments will build on the options for REDD+ that are currently being discussed within the UNFCCC process, with payments made to help address the causes of deforestation and degradation.

6. The experiences generated from the FCPF's methodological, pilot implementation and carbon finance experience will provide insights and knowledge for all entities interested in REDD+. The FCPF thus seeks to create an enabling environment and garner a body of knowledge and experiences that can facilitate development of a much larger global program of incentives for REDD+ over the medium term.

7. Thirty-seven countries have been selected as REDD+ Country Participants in the FCPF Readiness Mechanism, based on Readiness Preparation Idea Notes reviewed by the PC and independent reviews by a Technical Advisory Panel.

8. Many of these REDD Country Participants received grant support to develop a R-PP, which contains a detailed assessment of the drivers of deforestation and forest degradation, terms of reference for defining their emissions reference level based on past emission rates and future emissions estimates, establishing a MRV system for REDD+, adopting or complementing their ENA-REDD+, and actions for integrating environmental and social considerations into the REDD+ Readiness process, including the ENA-REDD+. A Consultation and Participation Plan is also part of the R-PP.

### **Annex XIII: Project Documents**

1. Republic of El Salvador Country Environmental Analysis. Improving Environmental Management to Address Trade Liberalization and Infrastructure Expansion (Report No. 35226 – SV). March 20, 2006. Environmentally and Socially Sustainable Development Department, Latin America and the Caribbean Region, World Bank.
2. COUNTRY PARTNERSHIP STRATEGY FOR THE REPUBLIC OF EL SALVADOR (Report No. 50642-SV). October 29, 2009. Central America Country Management Unit, Latin America and Caribbean Region, International Bank for Reconstruction and Development.
3. COUNTRY PARTNERSHIP STRATEGY PROGRESS REPORT FOR THE REPUBLIC OF EL SALVADOR (Report No. 61113-SV). June 24, 2011. Central America Country Management Unit, Latin America and Caribbean Region, International Bank for Reconstruction and Development.
4. El Salvador Country Land Assessment. June 2012. Environmentally and Socially Sustainable Development Department, Latin America and the Caribbean Region, World Bank.
5. PERFIL DE LOS PUEBLOS INDÍGENAS EN EL SALVADOR. February 2003. Banco Mundial; Unidad Regional de Asistencia Técnica (RUTA); Ministerio de Educación. CONCULTURA y PUEBLOS INDÍGENAS. El Salvador.
6. El Salvador Country Land Note. , Latin America and Caribbean Region, International Bank for Reconstruction and Development.
7. El Programa Nacional de Restauración de Ecosistemas y Paisajes (PREP). Documento elaborado por Deborah Barry, para el PNUD y MARN, Mayo, 2012

## **Annex XIV: Strategic Environmental and Social Assessment Workplan**

(Due to its length, this document has not been attached, but can be found at the website of the Ministry of Environment and Natural Resources of El Salvador:

<http://www.marn.gob.sv>)