

# World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TF099529  
Printed On: 09/30/2014

Reporting Period: 07/28/2011 to 03/31/2014  
Report Type: Completion  
Report Status: Approved

Assignment: TF099529

## FCPF El Salvador Readiness Preparation Proposal - Formulation Grant FCPFR - FOREST CARBON PARTNERSHIP FACILITY

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Summary Information	
TF Status	ACTV
Recipient Country	El Salvador
Executed By	Recipient
Managing Unit	7632 - LCSAR - HIS
Grant Start Date / End Date	07/28/2011 to 07/15/2014
Program Manager	
Original Grant Amount	200,000.00
Grant Amount	200,000.00
Outstanding Commitments	0.00
Cumulative Disbursements	192,694.81 as of 03/31/2014
Disbursed 07/28/2011 to 03/31/2014	192,694.81
Donor	TF602001 - MULTIPLE DONORS

*This GRM report includes the following sections: Overview, Completion, Disbursements, Procurement Plan, Procurement Actuals.*

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## OVERVIEW

### Overall Assessments

#### Grant Objectives:

The objective of the grant's Formulation Activities is to assist the recipient, as a REDD Country Participant in the Forest Carbon Partnership Facility, to develop its Readiness Preparation Proposal (R-PP) on the basis of its Readiness Plan Idea Note of February 2009 and following the FCPF template for the R-PP, as described in the REDD Country Participation Agreement signed between El Salvador and the World Bank in May 2009.

#### Overall progress from 07/28/2011 to 03/31/2014 with regard to Achieving Grant Objectives:

##### Comment:

The grant successfully achieved its objectives by assisting the GoES in preparing their RPP in time to successfully access the specifically reserved funds for \$3.6 M from the Readiness Fund of the FCPF to implement the RPP.

#### Overall progress from 07/28/2011 to 03/31/2014 with regard to Implementation of Grant Financed Activities:

##### Comment:

The implementation of the grant had a slow start, and was amended in four occasions to extend the closing date. Despite these delays the grant was implemented successfully, both from the technical and fiduciary standpoint. The final audit report has been recently submitted by the GoES for the Banks review. An initial review of this report shows that no outstanding issues were identified by the auditing firm.

### Grant follow-up and structure

#### Description and context of Grant:

The objective of the R-PP Formulation grant is to assist the Recipient to formulate a R-PP (or Readiness Preparation Proposal), on the basis of the Readiness Preparation Idea Note of February 2009, as described in the REDD Country Participation Agreement signed between the Recipient and the World Bank in May 2009, following the FCPF template for the R-PP. The Formulation Activities consist of the following parts: (a) general coordination and preparation of a REDD Plus R-PP, which includes, inter alia: (i) hiring of consultant(s) to manage the process and write the R-PP; (ii) purchasing of supplies and other office goods and; (iii) managing related operating expenses; (b) #Prepare a consultation and information dissemination plan, and conduct an early dialogue with REDD Plus stakeholders about the Readiness Preparation process and the future REDD Plus strategy including inter alia; (i) hiring of consultant(s); (ii) holding workshops and meetings with REDD Plus stakeholders; and (iii) purchasing of office goods and other supplies; (c) Assess drivers of land use change and establish a process to design the REDD Plus Strategy and the REDD Plus implementation framework, including hiring consultant(s) to undertake the analysis; (d) #Design a process to establish and develop a Reference Level on land use change and emissions, including hiring of consultant(s); (e) Design a process to establish an MRV System to evaluate changes in forest cover, carbon stocks, and other benefits or impacts at the national level, including the hiring of consultant(s); and (f) Design a monitoring and evaluation program to assist the Recipient to do an efficient and transparent management of resources, including the hiring of consultant(s), and to keep track of its progress towards readiness.

**Expected follow up (if any):** Follow up Bank project/loan/credit/grant

#### Comment on follow up:

The expected output of this grant is the preparation of El Salvador's Readiness Preparation Proposal to be submitted to the FCPF for accessing an additional grant of for the implementation of the RPP. This submission took place in October, 2012 and was approved by the Participants Committee of the FCPF. Subsequently, the Bank conducted a successful due diligence process that lead to the signing of a FCPF Preparation Grant of US\$3.6M in January, 2014.

#### End Date of Last Site Visit:

#### Restructuring of Grant:

This grant was restructured four times to extend its closing date. The original grant period was from July 19, 2011 to September 30, 2012. After these amendments, the agreed final closing date was January 15, 2014. These restructurings did not result in a change to the Grant objectives; they only responded to requests of the GoES to extend the closing date to

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compensating for delays to complete all project activities.

## COMPLETION

### Overall Assessments and Lessons Learned

#### Main lessons learned:

The main lessons learned associated to the development of El Salvador's REDD+ Preparation Proposal can be summarized as follows:

1. 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).
2. 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.
3. 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. 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 collective 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.
4. 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#. 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 17th and 30th, 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+.

#### Overall outcome (and its Sustainability):

##### Comment:

The main outcome of this project was the development of El Salvador's Readiness Preparation Proposal for REDD+ (RPP) in a highly inclusive and participatory manner. This document contains a detailed assessment of the drivers of deforestation and

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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. Following a due diligence process conducted by the Bank, a Preparation Grant Agreement was signed between the Bank and the GoES for USD3.6 M to implement key elements of the RPP.

### Bank Performance:

#### Comment:

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 this 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.

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.

### Additional Assessment

#### Development / strengthening of institutions:

##### Comment:

One of the main contribution of this project was to strengthen MARN's mandate and policies to design and launch the National Program for the Restoration of Ecosystems and Landscapes (PREP), within the framework of the design of the county's REDD+ Readiness strategy. 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 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.

#### Mobilization of other resources:

##### Comment:

The Readiness Preparation Proposal (R-PP) identifies a broad set of activities aimed at strengthening the technical and

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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 with the new US\$3.6M Preparation grant of the FCPF were selected jointly with MARN, and in coordination with other donors. Other sources of funding leveraged to execute the RPP include the German Development Agency (GIZ, with US\$1.674M), USAID (with US\$200,000) and the GOES itself with US\$1.58. Additional sources for the remaining US\$2.24M are being explored.

### Knowledge exchange:

#### Comment:

The REDD+ readiness process involved multiple sectors and stakeholders at various levels (national, regional and local). MARN 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.

In addition, 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 a final draft of the SESA Workplan was again discussed and validated.

### Client's policy / program implementation:

#### Comment:

In parallel to this intervention, and partially supported by it, 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.

MARN, the Bank's direct counterpart for this project, is the country's leading sectoral agency on environmental and climate change policies. In 2012, the Ministerial Council 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.

### Efficiency:

#### Comment:

No financial or economic analysis was conducted for this project. However, the grant was extremely successful assisting the GoES with important elements to access additional funds of US\$3.6 M to implement the main elements of the RPP. Also, based on the good performance of the GoES in complying with the policies and conditions of the FCPF to access these funds, other donors felt more confident in leveraging additional funds for the amount of USD1.8 M.

Finally, with support of this project, MINAM was also able to design and start implementation of their Ecosystem and Landscape Restoration Program, currently under implementation.

### Replicability:

#### Comment:

The Adaptation Based Mitigation approach to REDD+ adopted by the GoES, is an innovative and promising way to address the links of climate change mitigation with deforestation and forest degradation. Such an approach requires stakeholders to center their actions on adaptation measures that respond to situations of high vulnerability to extreme climatic variation, the

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associated natural disasters, and exacerbated by severe environmental degradation.

El Salvador is not alone in this threatening situation, particularly when we refer to other countries in Central America. The experiences generated by this project, many of which are currently under experimentation, will have direct applicability, not only to countries of LAC, but to those of regions of the world experiencing similar conditions.

### Main recommendations to stakeholders:

The main issues that need to be addressed by the client to ensure success in the implementation of the RPP, are summarized as follows:

- 1. 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.
- 2. 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. 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.
- 3. Indigenous peoples issues.** 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.
- 4. Participation and consultation.** 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.

### Main recommendations to Bank Management:

The main recommendations to take into consideration include:

- 1. REDD+ fits well with MARN's 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 policies.**

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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.

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.

2. 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.

3. RPP Partners such as 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.

## DISBURSEMENTS

### Disbursements Summary in USD

Date From	Date To	Planned Cumulative	Planned Period	Actual Cumulative	Actual Period
07/01/2011	12/31/2011	0.00	0.00	30,000.00	30,000.00
01/01/2012	06/30/2012	0.00	0.00	52,148.36	22,148.36
07/01/2012	12/31/2012	0.00	0.00	97,873.19	45,724.83
01/01/2013	06/30/2013	0.00	0.00	150,619.96	52,746.77
07/01/2013	12/31/2013	0.00	0.00	192,694.81	42,074.85
01/01/2014	06/30/2014	0.00	0.00	190,764.57	1,930.24-
07/01/2014	12/31/2014	0.00	0.00	0.00	0.00

## PROCUREMENT PLAN

None

## PROCUREMENT ACTUAL

None