

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TF099264
Printed On: 09/21/2017

Reporting Period: 07/01/2016 to 06/30/2017
Report Type: Progress Report
Report Status: Approved

Assignment: TF099264

FCPF Nicaragua Readiness Preparation Proposal - Formulation Grant FCPFR - Forest Carbon Partnership Facility

Task Team Leader: 00000316207 - Augusto Garcia
Approving Manager: 00000273940 - Klas Sander

| Summary Information | |
|------------------------------------|-------------------------------|
| TF Status | ACTV |
| Recipient Country | Nicaragua |
| Executed By | Recipient |
| Managing Unit | 9272 - GEN04 |
| Grant Start Date / End Date | 08/31/2011 to 06/30/2018 |
| Original Grant Amount | 200,000.00 |
| Grant Amount | 3,800,000.00 |
| Outstanding Commitments | 0.00 |
| Cumulative Disbursements | 3,125,480.03 as of 06/30/2017 |
| Disbursed 07/01/2016 to 06/30/2017 | 1,100,249.23 |
| Donor | TF602001 - MULTIPLE DONORS |

This GRM report includes the following sections: Overview, Components, Outcome, Execution, Program(FCPFR), Disbursements.

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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 Participant Country in the FCPF, to develop its Readiness Preparation Proposal (R-PP) on the basis of the Readiness Plan Idea Note and following the FCPF template for the Readiness Plan. Later stages of the grant may also assist with further development of R-PP components, thus helping the country to move toward 'REDD Readiness'.

Overall progress from 07/01/2016 to 06/30/2017 with regard to Achieving Grant Objectives:

Comment:

The PDO for the second installment of this grant (\$3.6M) is to help the Recipient become ready for future ENDE - REDD+ implementation by preparing its key elements, systems, and/or policies needed, in a socially and environmentally sound manner.

At the end of FY17, the grant is helping achieve the PDO as the preparation of Nicaragua's REDD Readiness Package (R-Package) is well advanced; a first draft R-Package would be presented at the 24th meeting of the FCPF Participants Committee, in September 2017. Also, in June 2017, the grant disbursements had reached 81 percent and 100 percent of remaining funds were committed to be implemented by the end of 2017.

Nicaragua is establishing robust national REDD+ management arrangements, while progressing relatively well in the design of the ENDE-REDD+ strategy. The country is progressing well in establishing the Forest Reference Emission Level / Forest Reference Level and the National Forest Monitoring System, as well as in designing and implementing a Monitoring and Evaluation framework for the project. MARENA has yet to achieve more progress in the design of an information system on multiple benefits to stakeholder groups, resulting from ENDE-REDD+ activities. These activities are well identified in the project operational plan to be undertaken with the remaining grant funds until December 2017, as well as in the proposed additional financing to the readiness grant. In late October 2016, Nicaragua successfully presented its Mid-Term Review of the REDD process to the FCPF Participants Committee and was granted access to up to USD 5 million to finance the remaining activities of the country readiness process.

The Forest Carbon Partnership Facility (FCPF) has consolidated as the main funding source for Nicaragua to prepare its Readiness Package. In the process, the country has increased its institutional capacity, ownership, and understanding of the REDD process. The recent dialogue on the Nicaragua Emission Reduction Program Document (ERPD) proposal has benefitted from this increased capacity, which is allowing to speed up ERPD preparation. Other development partners, however, continue supporting REDD Readiness through direct technical collaboration with MARENA and INAFOR (i.e. the GIZ program to support REDD+ in Central America) or with the Northern and Southern Caribbean Coast Regional Autonomous Governments.

The government continues highly committed to increase the role of the forest sector in achieving the national development and environmental goals. MARENA undertook a multi-stakeholder assessment of the country's Readiness towards REDD+. The results were satisfactory and are presented in the R-Package submitted by Nicaragua to the FCPF Participants Committee on July 28, 2017. MARENA and the Project Management Unit receive broad support from top-level ministries including the Presidential Secretariat for National Public Policies, the Ministry of Finance and Public Credit, and the Presidential Secretariat for Development of the Caribbean Coast of Nicaragua. Since Nicaragua intends to access resources from the FCPF Carbon Fund, the Readiness process is instrumental to establish the foundations to prepare a solid Emission Reduction Program Document with strong stakeholder support. As a result, MARENA has focused its Readiness efforts mainly in the Caribbean Coast regions, the accounting area of a future Emission Reduction Program.

Overall progress from 07/01/2016 to 06/30/2017 with regard to Implementation of Grant Financed Activities:

Comment:

Overall, implementation progress over the reporting period is satisfactory. The REDD+ management structures, including a three-level decision-making platform (policy, technical and general public), are fully operational and, during FY17, have worked to speed up both the dialogue on the R-Package and the ERPD. Also, Indigenous Peoples and Afro-Nicaraguan

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representatives participate more actively in both the policy and technical working groups of the Readiness process. The Presidential Secretariat for National Public Policy (SPPN) and the Ministry of Finance and Public Credit (MHCP) closely participate in the working group and help MARENA increase the convening power required to engage the Ministry of Agriculture (MAG), the Ministry of Family Economy (MEFCCA), and the National Forest Institute (INAFOR) in the dialogue on the drivers of deforestation and strategic actions to avoid it. Although MARENA has promoted social inclusion and is broadening the scope of REDD+ readiness actions beyond the Caribbean Coast regions, there is room to reach out to many other local stakeholders and their organizations.

The Project Management Unit completed several assessments to improve the first draft ENDE-REDD+ strategy and its consultations. The assessments included the drivers of deforestation, legal and governance aspects of deforestation (including land and resource rights), the Strategic Environmental and Social Assessment, (SESA) and existing redress mechanisms. The assessments were evaluated in the round tables clustered under the Working Group I and II (policy and technical). However, the project experienced delays in completing these activities to inform the preparation of a draft R-Package for consideration at the FCPF PC23 meeting. Also, additional dialogue and consensus building was required to reach agreement amongst different stakeholders on the safeguards policies to be triggered in the ESMF, as well as to prepare the additional finance proposal. The outstanding items were sorted out in late July and the R-Package is scheduled to be presented at the FCPF PC24. The processing of the additional financing would be completed in mid-October. Successfully presenting an R-Package in early FY18 is a key milestone for the Government of Nicaragua, as it will allow to submit a first version of the Emission Reduction Program Document to the FCPF Carbon Fund at the end of FY18.

Grant follow-up and structure

Description and context of Grant:

The last implementation support mission of the REDD Readiness grant took place between April 24 - May 22, 2017. See Aide Memoire attached. Other subsequent follow up missions were undertaken as part of ERPD missions.

Expected follow up (if any): Expanded capacity

Comment on follow up:

In August 2016, MARENA presented its Mid-Term-Report with a request for additional finance (US\$5 million) to the FCPF Readiness Fund. In the first draft R-Package, which MARENA submitted to FCPF on July 28, 2017, it provided progress updates and identified next steps to get ready for REDD+ implementation. MARENA is planning to use the Additional Finance (AF) resources to elaborate a second version of the ENDE-REDD+ Strategy, which would include specific policy options to address forest degradation and the lack of support to reforestation, particularly in the Pacific Coast and Northern-Central part of the country. With the AF, MARENA will also improve its Forest Reference Emissions Level (FREL), the Measurement, Reporting, and Verification (MRV) system, and the Feedback Grievance Redress Mechanism.

This grant is linked to the preparation of a Sub-National Emission Reduction REDD+ Program, through which MARENA could have access to US\$55 million in results-based payments. To support this process, the Bank team is working with an inter-institutional team led by the Ministry of Finance, the Presidential Secretariat for National Public Policies, and MARENA. The Bank's support includes hiring international consultants/firms to help prepare the Emission Reduction Program Document (ERPD), in time for submission to the 18th Carbon Fund meeting, in June 2018.

End Date of Last Site Visit:

Restructuring of Grant:

No restructuring to report

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OUTCOME

Comments on outcome achieved from 07/01/2016 to 06/30/2017

In late July 2017, the country completed the preparation of the first draft R-Package. The documents comprising the package are those indicated in the FCPF guidelines. The package will now be commented on by the Technical Advisory Panel and considered at PC24.

Grant Outcome Indicators

Grant outcome indicators are listed below.

The main components of the Nicaragua REDD Readiness Package are drafted and broadly discussed

Baseline Value: No REDD Readiness Package is available at the moment of preparing the Nicaragua RPP and its Assessment Note

Date: 12/16/2013

Progress to Date: Assessment of drivers of deforestation; draft ENDE REDD Strategy: SESA report and draft ESMF; institutional capacity assessments; draft REL and NFMS. Draft R-Package ready for PC24

Date: 06/30/2017

Target Value: Draft ENDE REDD Strategy, ESMF, REL, and NFMS are prepared and discussed nationwide

Date: 12/31/2017

COMPONENTS

Output and Implementation by Component

Component 1. Organization, Consultation, and Grievance Redress

Status: Under Implementation

Planned Output: consultation of the ENDE-REDD+ Strategy and draft Feedback Redress Mechanism consulted

Actual Output: First version of the ENDE-REDD+ Strategy and Feedback Redress Mechanism have been consulted

Component 2: ENDE-REDD+ Strategy development.

Status: Under Implementation

Planned Output: first version of the ENDE-REDD+ Strategy, draft SESA Report, draft ESMF, draft Indigenous Peoples Plan, and draft Involuntary Resettlement Policy should be completed

Actual Output: first version of the ENDE-REDD+ Strategy, draft SESA Report, draft ESMF, draft Indigenous Peoples Plan, and draft Involuntary Resettlement Policy have been completed

Component 3. Forest Reference Emissions Level (FREL) development

Status: Under Implementation

Planned Output: Finalize a first version of the FREL

Actual Output: First version of the FREL finalized

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Component 4. National Forest Monitoring System (NFMS) design

| | |
|-----------------|---|
| Status: | Under Implementation |
| Planned Output: | Finalize a first version of the MRV system |
| Actual Output: | A draft version of the MRV system has been finalized. |

Comment on planned and actual Output

Comment on component implementation progress

Component 1. Organize, Consult and Feedback Redress Mechanism. During the reporting period, MARENA consulted the first draft of the ENDE-REDD+ Strategy. For this, MARENA organized two consultation events geared towards Indigenous and Afro-descendant communities and one national event. MARENA also consulted the Feedback, Grievance, Redress Mechanism with local stakeholders and incorporated their comments into the current draft version. MARENA organized a national workshop where multiple stakeholders assessed the country's readiness for REDD+ implementation, against the FCPF Readiness Assessment Framework criteria and indicators.

Component 2. ENDE-REDD+ Strategy Development. During the reporting period, MARENA produced revised versions of the following documents: land and resource tenure assessment, SESA Report, ESMF, Indigenous Peoples Plan, and the Involuntary Resettlement Plan. With these inputs, it finalized a first version of the ENDE-REDD+ Strategy. MARENA has yet to complete the implementation framework section of the ENDE-REDD+ Strategy, including institutional arrangements for the ENDE+REDD+ strategy implementation and the definition of benefit sharing mechanisms. However, MARENA has advanced some studies that will inform the implementation framework elaboration, including a compilation of forest governance and benefit sharing cases in indigenous and afro-descendant communities.

Component 3. Forest Reference Emissions Level (FREL). Taking advantage of the synergies with the ERPD process, during the reporting year, MARENA with its MRV partners reviewed existing land use map analysis, emissions factors, and calculated the uncertainty of the FREL. Based on a thorough assessment of existing information and capacity for FREL determination, MARENA equipped an inter-institutional technical working group, comprised of national carbon accounting experts from MARENA, INAFOR, and INETER. This team elaborated and validated land cover national maps for the years 2005, 2010 and 2015, which were the basis for developing a historic land use change matrix. MARENA also contributed to partially update the National Forest Inventory to calculate biomass content per forest class and develop a data base of Emissions Factors to estimate Greenhouse Gases (GHG) emissions. The Working Group elaborated a preliminary national and sub-national FREL, considering the 2005-2015 period.

Component 4. Measurement, Monitoring and Verification System development. Developing an operational NFMS is a long-term effort. So far, MARENA, INETER, and INAFOR have agreed on an institutional arrangement with clear roles for each of them. INETER, for example, is responsible for monitoring land-use change dynamics, and GHG emissions monitoring and reporting. INAFOR monitors and updates Emissions Factors. MARENA is responsible for guaranteeing the MRV system's quality including its consistency with GHG national inventory, and for monitoring non-carbon benefits related indicators. MARENA is also promoting the Ministry of Agriculture and Livestock (MAG)'s involvement in MRV to oversee the drivers of deforestation originated in its sector. Finally, MARENA has analyzed country experiences in forest community monitoring and has identified indicators to measure non-carbon benefits in future ER programs and projects.

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EXECUTION

Bank project related to the grant

Project ID / Name: P120657 - NI FCPF REDD Readiness
Project Status: Lending
Global Focal Area: Climate change
Product Line: CN - Carbon Offset

Implementing agency and contact details

Agency: Ministry of Environment and Natural Resources (MARENA)
Contact: Ms. Juanita Argenal
Address: Frente a la Zona Franca Las Mercedes, Managua, Nicaragua
Phone: +505 22631273 Email: jargenal@marena.gob.ni
Website: www.marena.gob.ni

PROGRAM

Program Specific Questions

1. Describe progress in how the Grant activities are being coordinated with other REDD+-related initiatives, including those funded by Describe progress in how the Grant activities are being coordinated with other REDD+-related initiatives, including those f

MARENA has been coordinating with GIZ and the Government on Taiwan on MRV. Also, the ENDE-REDD+ team provides information to inform the design of GEF and other land-use projects.

2. Describe any important changes in the technical design or approach related to the Grant activities.

No changes in the technical design.

3. Describe progress in addressing key capacity issues (implementation, technical, financial management, procurement) related to this Grant.

During the reporting year, MARENA and its REDD+ partners substantially improved their capacity on REDD+ . The ERPD process, which started in 2017, allowed MARENA to deepen the drivers of deforestation analysis and review the FREL and MRV system. Also, MARENA along with the Ministry of Finance and Public Credit and the Secretary of the Presidency for National Policies actively participated in discussions about future trends of deforestation. MARENA also re-initiated the dialogue with local stakeholders on benefit sharing and transfer of title to ERs.

4. Describe progress in addressing social and environmental issues (including safeguards) related to the Grant. Is the SESA conducted in accordance with the Common Approach?

During the reporting year, MARENA finalized the SESA Plan implementation, with a strong focus on indigenous and Afro-descendent communities. MARENA produced a draft SESA report, draft ESMF, draft Indigenous Peoples Plan, and draft Involuntary Resettlement Plan.

5. Is the ESMF prepared in accordance with the Common Approach?

Yes, the draft ESMF complies with World Bank's safeguards policies.

6. Describe progress in stakeholder consultation, participation, disclosure of information, and the FGRM related to this Grant.

MARENA used the ENDE-REDD+ dialogue and consultation platform to consult the first version of the ENDE-REDD+ Strategy. MARENA also published all information produced in the working groups in the ENDE-REDD+ website. MARENA produced a first

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version of the FGRM which focuses on indigenous and Afro-descendent communities.

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 | 40,000.00 | 40,000.00 |
| 01/01/2012 | 06/30/2012 | 0.00 | 0.00 | 122,846.99 | 82,846.99 |
| 07/01/2012 | 12/31/2012 | 0.00 | 0.00 | 168,839.82 | 45,992.83 |
| 01/01/2013 | 06/30/2013 | 0.00 | 0.00 | 200,000.00 | 31,160.18 |
| 07/01/2013 | 12/31/2013 | 0.00 | 0.00 | 199,185.14 | 814.86- |
| 01/01/2014 | 06/30/2014 | 0.00 | 0.00 | 577,525.63 | 378,340.49 |
| 07/01/2014 | 12/31/2014 | 0.00 | 0.00 | 831,320.48 | 253,794.85 |
| 01/01/2015 | 06/30/2015 | 0.00 | 0.00 | 1,008,812.42 | 177,491.94 |
| 07/01/2015 | 12/31/2015 | 0.00 | 0.00 | 1,423,763.78 | 414,951.36 |
| 01/01/2016 | 06/30/2016 | 0.00 | 0.00 | 2,025,230.80 | 601,467.02 |
| 07/01/2016 | 12/31/2016 | 0.00 | 0.00 | 2,387,612.31 | 362,381.51 |
| 01/01/2017 | 06/30/2017 | 0.00 | 0.00 | 3,125,480.03 | 737,867.72 |
| 07/01/2017 | 12/31/2017 | 0.00 | 0.00 | 0.00 | 0.00 |
| 01/01/2018 | 06/30/2018 | 0.00 | 0.00 | 0.00 | 0.00 |