



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 19-Mar-2019 | Report No: PIDISDSA26768

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

Country El Salvador	Project ID P169125	Project Name El Salvador Local Economic Resilience Project	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 06-Mar-2019	Estimated Board Date 17-Apr-2019	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Republic of El Salvador	Implementing Agency Ministry of Finance, Fondo de Inversion Social para el Desarrollo Local de El Salvador	

Proposed Development Objective(s)

The Project Development Objective is to improve institutional performance of municipalities and increase access for citizens to services and resilient infrastructure.

Components

Component 1: Investments on services and resilient municipal infrastructure to support LED
 Component 2: Competitive Fund for high-impact investments on regional economic development
 Component 3: Institutional Strengthening and Capacity Building
 Component 4: Contingent Emergency Response Component
 Component 5: Project management and implementation

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

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS



World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	200.00
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Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **El Salvador is the smallest country in Central America, one of the most densely populated and vulnerable to climate change and natural disasters in the world.** With a population of 6.4 million in 2017, the country is largely urban (65 percent) and ranks in the 83rd percentile worldwide in terms of population density. It had a per capita Gross Domestic Product (GDP) of almost US\$4,000 in 2017 in current terms (\$8,000 based on purchasing power parity, PPP). The country has very high exposure and vulnerability to natural hazards, including earthquakes and volcanic eruptions. It is also highly vulnerable to climate change impacts, including increased occurrences of floods, droughts, and tropical storms. Over 95% of the population lives in areas considered at risk from two or more hazards; (Parker 2006)¹.

2. **In terms of economic development, low growth stands out as the dominant feature.** Economic growth has been lackluster, with the annual GDP growth exceeding 3 percent only twice since 2000 and averaging just 2.3 percent in the last five years. Over the medium-term, GDP growth is expected to remain around 2.5 percent, given persistent structural weaknesses. Private consumption, bolstered by remittances (which amount to US\$5.1 billion, 17.98 percent of GDP), is expected to continue to support growth.

3. **High levels of crime and violence, low investment, poor educational attainment, and lack of economic opportunities, prevent the country from growing at a faster pace (El Salvador 2015 Systematic Country Diagnostic).** While gang-related violence has substantially dropped in recent years¹³ (OSAC, 2018)², El Salvador continues to have one of the highest homicides rate in the world: 60.07 homicides per 100,000 inhabitants in 2017, more than double Mexico’s rate. Limited opportunities for quality education

¹ Parker, Ronald Steven. 2006. Hazards of nature, risks to development: an IEG evaluation of World Bank assistance for natural disasters (English). Washington, DC: World Bank.

² U.S. Department of State Diplomatic Security. 2008. El Salvador 2018 Crime & Safety Report.



and jobs lead thousands to join the “*maras*” (gangs) or migrate to other countries³. At the same time, high dependency on remittances hinders incentives to work. Due to lack of economic opportunities, an estimated 2 million Salvadorian migrants live in the United States (US Census Bureau’s American Community Survey, 2011), with growing concerns for an upward trend as the recent migrant caravans⁴ become more frequent. The primary triggers of migration continue to be lack of economic opportunities, high rates of crime and violence, and family reintegration (OIM survey 2017, self-reported data). Despite progress in poverty reduction, poverty (46 percent)⁵ remains higher than the average for Latin America and declining slower than in most countries in the region.

4. Lack of economic opportunities disproportionately affects women at the formal labor force and in leadership positions. Despite the country’s recent legislative efforts, gender inequalities are still large. In the 2018 World Economic Forum’s Global Gender Gap Report, El Salvador ranks at the 87 position out of 149 countries. There are two key areas in the country where gender inequalities can be mostly observed: (i) *inequality in political participation and decision making*: while women represent 53 percent of the country’s population and 40.7 percent of the workforce, only 11 percent of Mayors (28), 31 percent of Congress Representatives (26), and an estimated 33 percent of municipal staff in decision-making positions are women⁶; and (ii) *inequality in economic opportunities* 72 percent of working women are in the informal sector, while 67.4 percent of occupied men work in informality. In terms of salary gaps, the average monthly salary of women in El Salvador was US\$271 which correspond to 83 percent of men average salary in 2016.

5. In the past five years, the Government has vowed efforts to make El Salvador more “productive, educated, and safe” by promoting inclusive growth and resilience. The 2014-2019 National Development Plan supports four priority pillars: (i) stimulating productive employment through sustained economic growth; (ii) bolstering education with inclusion and social equity; (iii) strengthening citizen security, through an ambitious program of objectives and actions; and (iv) moving towards an environmentally sustainable economy, resilient to the effects of climate change.

Sectoral and Institutional Context

6. Municipalities are integral actors for service delivery, local development, and disaster risk management. El Salvador is a unitary state comprised of the Presidency and 262 municipalities. Municipalities are the only elected subnational government, while the 14 departments or governorates (*Departamentos*) function as administrative subdivisions. Municipalities have the mandate to improve service delivery (public transportation, solid waste collection and management, local or secondary roads, public spaces, housing and urban regeneration), nurture local economic development, manage and

³ While *maras* offer relatively attractive economic returns (due to their role in drug trafficking and illegal activities), the chances of getting killed are very high. Migration offers a safer alternative, but the path is uncertain and often dangerous, especially for the poorest.

⁴ New form of collective terrestrial migration that originated in March 2018.

⁵ The poverty line in El Salvador is \$5.50 a day (2011 PPP) (World Bank Poverty & Equity Data Portal 2019).

⁶ Preliminary estimates based on the early results of the Municipal Institutional Capacity Assessment (MICA) baseline survey (February and March 2019). Overall, an estimated 32.82 percent of municipal staff in decision-making positions are women, and the gender gaps vary by area of expertise. The largest gender gap for women in decision-making positions is in Basic Service Provision (27 percent women), followed by Governance, Transparency and Citizen Engagement (28.71 percent), Human Resources and Planning (29.63 percent), and Municipal Finance and Public Investment (44.35 percent).



mitigate disasters, and providing better engagement with citizens to enhance local accountability.

7. Despite progress in recent years, municipal governments face challenges in delivering basic services and managing disaster risks effectively. One in four households in the country does not have access to safe drinking water. Over 75 percent of municipalities have inadequate infrastructure to manage disasters appropriately, although institutional capacity is relatively higher (United Nations Development Program's Disaster Risk Management Index 2018). Challenges to deliver basic services and address vulnerabilities to disasters are exacerbated by climate change impacts.

8. Institutional capacity varies greatly across municipalities. Out of the 262 municipalities, only seven are considered high capacity (or Type 1 using the 2007 Typology of Municipalities)⁷. These seven municipalities are those with the largest population, highest rate of urbanization and economic activity, and the lowest level of poverty. In contrast, 74 percent of municipalities are rated Type 4 or 5, and have small populations, high levels of poverty, weak economic activity, and low capacity. Territorial imbalances are also evidenced by the disparate municipal capacities to generate their own revenues. In 2015, Type-1 municipalities reported US\$130.5 million in own-generated revenues while Type-5 registered US\$14.4 million.

9. Municipalities face several challenges related to their investment capacity and fiscal sustainability. Most municipalities: (i) are highly dependent on central government transfers; (ii) highly indebted and have relatively weak financial management systems; and (iii) have limited capacity to raise own-source revenue. The main source of municipal revenues is the National Fund for Economic and Social Development (FODES). Set up in 1988, the FODES transfers a percentage (currently 8 percent) of the central government's current revenues to municipalities (US\$344 million in 2017). The FODES functions to some extent as an equalization grant, and on average represents 51.4 percent of municipal revenue. In line with the slow economic growth at the national level, municipal revenues grew annually at 3.3 percent between 2010 and 2017 (Alfaro 2016)⁸. Following the 2011 Municipal Debt Refinancing Law (FIDEMUNI Law)⁹, municipal debt grew by 155 percent from US\$206 million in 2010 to US\$525 million in 2018 (BANDESAL 2018)¹⁰. The lack of property taxes substantially limits municipalities' ability to collect own-source revenue and exacerbates their dependence on the national Government. On average, estimated own-source revenue is between 9 and 11 percent of municipal income.

10. Economic development also requires investments at the municipal, as well as regional or supra-municipal scale. Investing in local development has the potential to contribute to business development and job creation. With an enabling regulatory mandate and a wide institutional network of deconcentrated agencies¹¹, municipalities can play a key role in improving the services and basic

⁷ Due to the lack of an updated Census (last one was carried out in 2007), the municipal typology prepared by the German Technical Cooperation Agency (GTZ) in 2007 continues to be an important tool for local development planning and analysis. Based on this methodology the 262 municipalities are grouped into five types, with type 1 being the highest capacity and type 5 the lowest.

⁸ Alfaro, Laura and Chauvin, Jasmina, Foreign Direct Investment, Finance, and Economic Development (September 21, 2016).

⁹ Decreto N 502. Ley de creación del fideicomiso de reestructuración de deudas de las municipalidades (FIDEMUNI). November 2010.

¹⁰ BANDESAL (October, 2018). Presentación stock de deuda municipal, reestructuración FIDEMUNI.

¹¹ At the municipal level, local businesses can go to their local municipal office for local economic development (EMPRESA or UDEL). At the regional level, the Support and Development Centers to Small and Medium Enterprises (CDEMYPES) and the Local



infrastructure that support the creation of more and better jobs. While San Salvador (population 2.2 million), San Miguel, and Santa Ana (250,000 residents each) have the scale for local economic development, most municipalities have small populations (average population size of about 25,000), which may not provide the basis for achieving economies of scale. Recent literature ([FUSADES 2018](#)¹²; [Maria 2017](#)¹³; [World Bank 2015](#)¹⁴) highlights that fragmentation of resources at the municipal level may not lead to significant impacts in terms of permanent jobs and economic opportunities created. Strategic Local Economic Development (LED) investments must be made at the supra-municipal scale to achieve the economies of scale needed to make these investments economically sustainable and impactful. Earlier experiences show that there is both a high demand for and a proven track record in LED investments at the supra-municipal level (El Salvador Local Government Strengthening Project (P110826) Implementation Completion and Results Report, FUSADES 2018, and consultations with Mayors on January 30, 2019).

11. The Government's strategy for local development aims at strengthening coordination between the national and local governments, promoting citizen and results centered development, and fostering inter-municipal cooperation. This translated into four national priority areas: (i) increase in investments to promote economic opportunities (the 2014-2019 National Development Plan prioritizes policy interventions that improve livelihoods and promote job creation at the municipal level, with an emphasis on vulnerable populations including young women, single mothers, and female heads of households); (ii) promoting territorial development (the Government created the Technical and Planning Secretariat of the Presidency (SETEPLAN) Directorate for Territorial Development and the National System of Coordination for Territorial Development); (iii) achieving healthier municipal financial management (through the implementation of the Municipal Financial Management System (SAFIM) and efforts to tackle the growing municipal debt levels); and (iv) mainstreaming resilience as a national priority (through the preparation of a sound national risk and climate change strategy, the Ministry of Finance's (MoF) Disaster Risk Financing Strategy (DRFS), the creation of the Ministry of Public Works (MOPTVDU) Direction of Adaptation to Climate Change and Strategic Risk Management (DACGER), and other national commitments under the United Nations Framework Convention on Climate Change (UNFCCC)).

12. To advance a sustainable and resilient local economic development agenda and unlock the cities' potential to contribute to national economic growth, the proposed Project aims to:

- (i) Address threats to fiscal sustainability by improving public financial management at the municipal level;
- (ii) Support municipalities to create an enabling environment for LED through investment and institutional strengthening activities;
- (iii) Enhance the technical capacity of municipalities to adequately manage, operate, and maintain basic infrastructure and services;

Economic Development Agencies (ADELs) support businesses and local producers through public-private partnerships or through deconcentrated agencies of the Ministry of Economy (e.g. CDMYPES). Some Mancomunidades or Associations of provide substantial support for promoting local economic development in their regions (e.g. Asociacion de Municipios Los Nonualcos).

¹² FUSADES 2018. Desarrollo económico regional y especializaciones productivas en el Salvador.

¹³ Maria, Augustin; Acero, Jose Luis; Aguilera, Ana Silvia; Garcia Lozano, Marisa. 2017. Central America urbanization review: making cities work for Central America (English). Directions in development; countries and regions. Washington, D.C.: World Bank Group.

¹⁴ Calvo-Gonzalez, Oscar; Lopez, J. Humberto. 2015. El Salvador - Systematic country diagnostic: building on strengths for a new generation (English). Washington, D.C.: World Bank Group.



- (iv) Deepen the capacity of municipalities to manage disaster risks, reduce climate change vulnerability, and ensuring that all new infrastructure financed under the Project is resilient; and
- (v) Promote social accountability as a key principle for municipal management to achieve further allocative efficiency and improve transparency.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective is to improve institutional performance of municipalities and increase access for citizens to services and resilient infrastructure.

Institutional performance will focus on four areas: (i) enhanced fiduciary systems and greater transparency in managing debt, income, and public expenses; (ii) improved service delivery systems; (iii) improved municipal government capacity to design and manage infrastructure assets in a resilient manner; and (iv) enhanced accountability and oversight mechanisms. Improved municipal performance in these areas will positively impact services for the population. It will also improve the efficiency of public spending and the sustainability of public investments at the local level.

The term “resilient” refers to the ability of infrastructure and services to reduce the magnitude of impacts and/or the duration off disruptive events such as disasters or shocks. The effectiveness of resilient infrastructure or services depends on their ability to anticipate, absorb, adapt to, and/or rapidly recover (retain their basic function and structural capacity) from a potentially disruptive event (NIAC 2010)¹⁵.

Key Results

PDO Level Indicators

(a) Outcome 1. Improved institutional performance of municipalities:

- Municipalities that register sub-national debt, income and expenses in accordance with MoF standards.
- Municipalities that meet the minimum conditions established in Component 1 (see Annex 3).

(b) Outcome 2. Increased access to resilient municipal infrastructure and services:

- People (female and male) provided with increased access to services and resilient infrastructure.
- Financed subprojects complying with the Social Investment Fund for Local Development (FISDL) Disaster Risk Management and environmental standards¹⁶.

D. Project Description

¹⁵ National Infrastructure Advisory Council (NIAC 2010)

¹⁶ FISDL through its environmental unit identifies the level of risk and the socio-environmental impact of sub- projects. The methodology includes the criteria of the new Environmental Impact Assessment System, MARN's efforts to improve and streamline procedures and the request of a safety and emergency plan, and guidelines for managing disasters.



13. **Overview.** The proposed Project will finance the provision of resilient municipal infrastructure investments for promoting local economic development (Component 1). It will also promote economic development investments at the regional scale through inter-municipal cooperation (via participating eligible municipalities¹⁷) through a competitive fund (Component 2). In addition, the Project will also support local and national efforts to strengthen institutional capacity mainly related with the four areas of Component 1, including efforts to improve municipal public finances, and strengthen institutional capacities on disaster risk management and climate resilience (Component 3). A Contingency Emergency Response Component (Component 4) will allow the Government to allocate funds for disaster response and recovery in the event of disasters. Component 5 will finance project management tasks.

E. Implementation

Institutional and Implementation Arrangements

14. **The MoF will be responsible for overall project coordination.** The MoF will enter into a Subsidiary Agreement with FISDL to establish, operate and maintain an internal Project Implementation Unit (PIU-FISDL) for Components 1,2,3 and 5. The PIU-FISDL will respond directly to the President of FISDL and will be responsible for the Project's technical, fiduciary and safeguard aspects. The existing technical units of FISDL, reinforced by staff hired by the PIU-FISDL, will be the Government's technical counterparts to the Bank for fiduciary aspects, risk management, and social and environmental safeguards¹⁸. FISDL will initiate the hiring of key PIU staff immediately after the Project has been declared effective. The PIU is expected to be fully staffed within the first three months of project implementation. The objectives, structure and responsibilities of the PIU-FISDL will be outlined in the Project Operations Manual. A full draft of the Project's Operational Manual is being finalized and its adoption is an effectiveness condition. Fiduciary assessments verified that FISDL has the needed capacity to implement this Project. Component 4 (CERC) will be implemented in line with the provisions of the Civil Protection Law and under the coordination of MoF. Depending on the type and scale of the triggering event and the implementation priorities established in case of activation by the National Commission for Civil Protection, CERC will be implemented by one or more of the following implementing agencies: (i) MIGOBBDT; (ii) MOPTVDU; or (iii) MAG, depending on the nature of the triggering event. Implementation arrangements for Component 4 (CERC) will be detailed in a specific Operational Manual.

15. **A Project Steering Committee (PSC) will be established to oversee project planning, and execution, and to facilitate effective coordination of Components 1,2,3 and 5.** The MoF will be responsible for establishing, chairing, and maintaining the PSC throughout project execution. The PSC will be comprised of representatives from MoF, SETEPLAN, FISDL, ISDEM and COMURES. Other government and private agencies will be invited to join as needed depending on the issues to be addressed at each session of the Committee. The PSC will meet at least every quarter to resolve strategic issues affecting the project

¹⁷ "Participating Eligible Municipality" means a group formed by Municipalities organized in associations or any other form of incorporation with a legal personality, duly established in the Borrower's territory in accordance with the applicable laws, and/or an individual Municipality, which, upon meeting the criteria set forth in the Operational Manual, is eligible to receive support for the carrying out of a Regional-Scope Subproject.

¹⁸The Ministry of Finance published (February 19, 2019): (i) an Environmental and Social Management Framework; (ii) an Indigenous Peoples Planning Framework; and (iii) an Involuntary Resettlement Policy Framework. These documents were publicly disclosed by the Government of El Salvador on February 19, 2019 and available at http://www7.mh.gob.sv/pmh/es/Documentos_Ministerio_de_Hacienda.html#nxt:nxtDMH0000001



execution, provide policy guidance, and review project implementation progress and results indicators. It will be responsible for the final selection of projects to be financed under Component 2. The roles and responsibilities of the PSC will be detailed in the Project’s Operations Manual.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project’s geographical scope is the entire country. It is expected that 262 municipalities, ranging from urban to rural, will participate, independently and through their respective mancomunidades. As a mountainous country with very high deforestation (less than 10% of its forest land remaining), El Salvador is amongst the top ten most vulnerable countries in the world with high risk for natural disasters (e.g. floods, earthquakes, hurricanes, droughts, etc). Water resources are much polluted and coastal areas are prone to natural disasters, with all risks exacerbated by climate change. Due to its national scope, the project will be implemented in areas where indigenous communities are present. Likewise, the social context, characterized by socioeconomic vulnerability and a history of conflict, also involves the risk of exacerbating potential social tensions already present in the area of the subprojects, and occupational risks for the workers.

G. Environmental and Social Safeguards Specialists on the Team

Raul Ivan Alfaro Pelico, Environmental Specialist
Kattia Esmeralda Acuna Sossa, Environmental Specialist
Rodolfo Tello Abanto, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project will support multi-purpose municipal infrastructure subprojects aimed at enhancing local economic resilience. Under Component 1 (US\$ 118 million), the project will finance small-scale projects to be prioritized by the beneficiary municipalities. Under Component 2 (US\$55 million), sub-projects of a multi-municipality scope will be allocated on a competitive basis. These subprojects will be identified by the mancomunidades based on their priorities, and may include investments in basic



services and infrastructure such as roads, bridges, water systems, sanitation works, markets, and tourism infrastructure, among others. Depending on the size and type of the infrastructure of the subprojects, some of them may require an environmental impact assessment and an environmental license from the Ministry of Environment and Natural Resources (MARN).

Since the site-specific investments will be defined during project execution, during project preparation it was not feasible to assess the potential impacts and risks of the subprojects. Accordingly, the Bank required the Borrower to prepare an Environmental and Social Management Framework (ESMF) to prevent and mitigate their potential environmental and social impacts. The preparation of the ESMF was based on an environmental and social assessment, taking as a reference projects with a similar scope previously implemented in El Salvador, such as the Local Governments Strengthening Project (LGSP - P118026) and USAID's Proyecto de Gobernabilidad Municipal. This assessment included the identification of vulnerable and disadvantaged populations, with a gender, ethnic, and generationally sensitive approach.

The ESMF will guide the inclusion of elements like a grievance mechanism, gender considerations, potential labor influx, community and occupational health and safety, and potential labor issues, among others, at the level of the subprojects. The ESMF also includes a provision to screen and exclude from project funding subprojects likely to cause irreversible or significant adverse environmental or social impacts that are sensitive, diverse, or unprecedented (Category A). Likewise, the Bank will assess the environmental and social aspects, and provide its non-objection, to the subprojects considered for funding under Component 2, before they are declared eligible under this operation. The ESMF also includes mitigation activities, implementation arrangements, capacity building activities, and monitoring and evaluation provisions. The ESMF also includes a section describing the safeguard requirements aspects of the CERC



(Component 4), establishing that its activities will need to comply with the same environmental and social requirements than non-CERC activities. The ESMF also establishes that the subprojects will need to consider the WBG EHS Guidelines, general and specific, as applicable. In addition, the project includes financial support for staffing of the PIU, improvement of environmental and social management at the PIU, and capacity building for the mancomunidades on environmental and social aspects. The ESMF was consulted prior to appraisal, and it is expected to be disclosed by appraisal. The project will also promote the participation of the local communities and other relevant stakeholders during project execution, in the context of the preparation of the subprojects.

Based on the available information on the planned investments, and the measures developed to manage the potential adverse environmental and social impacts of the subprojects, this project was classified as a B category, since its subprojects are not expected to cause irreversible or significant adverse environmental or social impacts, and the proposed arrangements will exclude Category A subprojects. However, in the potential scenario that the new government may decide to use the funds of Component 2 for infrastructure investments with greater environmental and/or social impacts than the ones originally anticipated (Cat. A subprojects), this operation would need to be restructured as a Cat. A project, and request internal Bank's approval.

Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	Yes	The Environmental and Social Management Framework (ESMF) includes procedures to screen-out locations of the subprojects. The project will need the required financial support for mitigation and compensatory measures, as necessary, under national law and this Bank's safeguard policy.
Forests OP/BP 4.36	No	The ESMF includes screening criteria to exclude any subprojects with potential adverse impacts on forested areas and a budget to prevent, mitigate or compensate potential negative effects.



Pest Management OP 4.09	Yes	Road management may require the use of herbicides, and therefore this safeguard policy might be triggered. The ESMF includes appropriate measures for the ongoing management of these works.
Physical Cultural Resources OP/BP 4.11	Yes	This Policy is triggered to prevent any potential impact to local archaeological structures or sites of historic and cultural importance. Is it not expected that material cultural heritage and landscapes with some level of cultural significance might be adversely impacted by the project. As such, it is unlikely that known physical cultural resources will be impacted. Nevertheless, as a precautionary measure, a chance finds procedure was included in the ESMF. The ESMF includes a provision that bidding documents and construction contracts include chance find procedures, which will define the steps to be taken in the event that Physical Cultural Resources (PCR), as defined under the policy, are found during construction.
Indigenous Peoples OP/BP 4.10	Yes	Given the national scope of the project and its implementation in all 262 municipalities of El Salvador, it will include Indigenous Peoples in the area of the project. Accordingly, an Indigenous Peoples Planning Framework (IPPF) was prepared. The IPPF establishes that sub-project-level activities will be screened to identify the presence of Indigenous Peoples in the area of influence of the subprojects. If indigenous peoples are identified, the Borrower will require the municipalities or mancomunidades to prepare specific Indigenous Peoples Plans (IPP), following the guidance from the IPPF, through an open, fair and culturally appropriate manner, and following a free, prior and informed consultation process that leads to broad community support for the sub-projects. The IPPs will assess the potential impacts to Indigenous Peoples and define the necessary mitigation measures, as well as provide information on practical ways in which the Indigenous Peoples can benefit from the project activities. Gender considerations will also be addressed so that indigenous women and men are able to benefit from the project. The IPPF also includes a provision that IPPs will need to identify culturally-appropriate



		mechanisms to address any grievances that may arise through project implementation, as part of the project’s grievance mechanism. The IPPF was consulted with Indigenous Peoples organizations at the national level prior to appraisal. Once infrastructure sub-projects in areas with Indigenous Peoples are identified, the Indigenous Peoples Plans (IPPs) to be prepared will operationalize the policy principles and requirements established in the IPPF.
Involuntary Resettlement OP/BP 4.12	Yes	Subprojects involving infrastructure works, particularly under Components 1 and 2, may involve small-scale involuntary resettlement, economic displacement, easements and/or restriction in access. However, since the infrastructure works will be determined during project execution, the Borrower prepared a Resettlement Policy Framework (RPF) to guide the preparation of specific Resettlement Plans or Abbreviated Resettlement Plans to address the cases of impacts associated with OP 4.12 on involuntary resettlement, as needed, during project execution. The RPF will be disclosed by appraisal.
Safety of Dams OP/BP 4.37	No	This policy is not triggered given that the project will not support the construction or rehabilitation of dams, nor will support other investments which rely on the services of existing dams for water systems, irrigation, or others.
Projects on International Waterways OP/BP 7.50	No	No project activities are expected to involve international waterways as defined under OP/BP 7.50. To ensure this provision, the project will exclude subprojects likely to pollute international waterways.
Projects in Disputed Areas OP/BP 7.60	No	No project activities are expected in disputed areas as defined under OP/BP 7.60. Thus, the Disputed Areas policy is not triggered.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

This is a Category B project that triggers OP 4.01 Environmental Assessment, OP 4.10 Indigenous Peoples and OP 4.12 Involuntary Resettlement. Both the environmental and the social risk of the project are SUBSTANTIAL. In addition to



potential impacts related to occupational and community health and safety, particularly in the project activities that involve construction works, the environmental rating is mostly due to the limited capacity of the executing agency to implement the environmental management measures included in the environmental and social management plan, in addition to the contextual risk posed by the fact that El Salvador is a country with significant levels of water pollution in coastal areas, which are prone to natural disasters and may be exacerbated by climate change. On the social side, the project may involve impacts associated with small-scale involuntary resettlement at multiple locations, and it will need to include socio-cultural adaptations when implemented in areas with indigenous peoples. The social context, characterized by socioeconomic vulnerability and conflict, also involves the risk of exacerbating potential social tensions already present in the area of the subprojects. While the project may involve investments with regional impact, subprojects with potentially significant adverse environmental and social impacts will not be funded by this operation. An exclusion list of activities in the subprojects has been prepared and is included in the ESMF and as an annex to the PAD.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The project could cause involuntary resettlement and economic displacement, particularly as a result of potential investments of component 1 and 2. Construction activities, particularly those that involve labor influx, could produce occupational and community health and safety issues, for the surrounding population, which could lead to impacts like the intensification of gender violence and the transmission of diseases, particularly if the mitigation procedures included in the ESMF are not properly implemented and supervised. Likewise, indigenous communities historically excluded from development project benefits may experience cultural change, disruptions in their internal organization, and unequal distribution of benefits.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The project will be implemented at a national scale so the alternatives to avoid or minimized potentially adverse impacts will be analyzed in the context of each of the subprojects, based on the provisions of the following safeguard instruments:

- An environmental and social Management Framework (ESMF), to guide the preparation of environmental and social management plans (ESMPs), which includes measures such as grievance mechanisms, ongoing consultations, and the need for codes of conduct among contractors and its subsequent subcontractors, among others.
- An Indigenous Peoples Planning Framework (IPPF)
- A Resettlement Policy Framework (RPF)
- Other provisions and measures:

-List of environmental and social activities that will not be eligible to be financed under the project

-The need to incorporate applicable provisions in the bidding documents for contractors

-Local consultation activities in the context of each subproject before they are approved.

-Preparation of ESMPs for each of the subprojects to be financed under this operation

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

This project will be implemented at the national level by FISDL (PIU), with local municipalities and mancomunidades at the local level benefitting from the project. The project will establish a PIU within FISDL to provide oversight of the entire project implementation. At the local level, knowledge of the Bank's safeguards is expected to be limited at best, and capacity to implement safeguards policies is unknown at this stage, but is expected to need substantial support from the PIU. Since the PIU has no previous experience implementing Bank projects and applying WB Safeguards Policies, to strengthen its capacity the following measures will be needed: (a) strengthening the PIU safeguards team,



drawing from its experience in the application of WB safeguards through its participation in the Local Governments Strengthening Project (LGSP, P118026). While the LGSP faced challenges related to environmental management from the beginning of Project implementation, some of them were later resolved through before project closure; (b) hiring both an environmental specialist and a social specialist with experience in Bank safeguard policies to coordinate compliance with the safeguards policies; (c) the gradual improvement of the environmental and management system (ESMS) to track the environmental and social management aspects of the subprojects, as defined in the ESMF; (d) the specialists involved in the implementation of the safeguard measures at FISDL/PIU will also need safeguards training before beginning its implementation activities, and reinforcing activities will need to be conducted as part of the Bank’s implementation support missions.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The borrower prepared and disclosed the ESMF, IPPF, and RPF on February 27, 2019 in a manner satisfactory to the Bank, on the basis of the tables of contents agreed with the Bank, and incorporated the feedback of the consultation in these documents. FISDL carried out consultations with national-level organizations at the national level in December 2019 and January 2019, on the basis of stakeholder analysis carried out as part of the ESMF preparation process. The disclosed documents include the documentary evidence of the consultations carried out during project preparation. As part of the stakeholder engagement process, the project also includes consultation activities in the context of each of the subprojects to be financed by this operation. The ESMF also includes guidelines for the establishment of grievance mechanisms at the level of the subprojects.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank 19-Feb-2019	Date of submission for disclosure 27-Feb-2019	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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"In country" Disclosure

El Salvador
19-Feb-2019

Comments

Document published by the MoF with comments that were resolved on February 27th.

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank 19-Feb-2019	Date of submission for disclosure 27-Feb-2019
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"In country" Disclosure



El Salvador
19-Feb-2019

Comments

Document published by the MoF with comments that were resolved on February 27th.

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank

19-Feb-2019

Date of submission for disclosure

27-Feb-2019

"In country" Disclosure

El Salvador
19-Feb-2019

Comments

Pest Management Plan

Was the document disclosed prior to appraisal?

NA

Date of receipt by the Bank

Date of submission for disclosure

"In country" Disclosure

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment



Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

NA

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

No

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

NA

OP/BP 4.12 - Involuntary Resettlement



Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

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APPROVAL

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Country Director:	Andrea C. Guedes	20-Mar-2019