**COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS)**

**CONCEPT STAGE**

**Report No.:** PIDISDSC15430

**Date Prepared/Updated:** 22-Dec-2015

## I. BASIC INFORMATION

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>El Salvador</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project ID</td>
<td>P157568</td>
</tr>
<tr>
<td>Parent Project ID (if any):</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Project Name:</th>
<th>Local Governance and Economic Development (P157568)</th>
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<tbody>
<tr>
<td>Region:</td>
<td>LATIN AMERICA AND CARIBBEAN</td>
</tr>
<tr>
<td>Estimated Appraisal Date:</td>
<td>06-Sep-2016</td>
</tr>
<tr>
<td>Estimated Board Date:</td>
<td>10-Nov-2016</td>
</tr>
<tr>
<td>Practice Area (Lead):</td>
<td>Social, Urban, Rural and Resilience Global Practice</td>
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<tr>
<td>Lending Instrument:</td>
<td>Investment Project Financing</td>
</tr>
<tr>
<td>Sector(s):</td>
<td>Sub-national government administration (55%), Rural and Inter-Urban Roads and Highways (10%), Solid waste management (10%), Agro-industry, marketing, and trade (10%), Other industry (15%)</td>
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<tr>
<td>Theme(s):</td>
<td>Urban Economic Development (50%), Other rural development (25%), Decentralization (10%), Other Private Sector Development (10%), Participation and civic engagement (5%)</td>
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<td>Borrower(s):</td>
<td>Republic of El Salvador</td>
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<td>Implementing Agency:</td>
<td>Ministry of Government and Territorial Development</td>
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### Financing (in USD Million)

<table>
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<tr>
<th>Financing Source</th>
<th>Amount</th>
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<td>Borrower</td>
<td>5.00</td>
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<tr>
<td>International Bank for Reconstruction and Development</td>
<td>100.00</td>
</tr>
<tr>
<td>Total Project Cost</td>
<td>105.00</td>
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### Environmental Category:

- B - Partial Assessment

### Concept Review Decision:

- Track II - The review did authorize the preparation to continue

### Is this a Repeater project?

- No

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Public Disclosure Authorized
B. Introduction and Context

Country Context
El Salvador is the smallest country in Central America and one of the most densely populated in the world. With a per capita GDP of US$7,760 (in purchasing power parity terms) in 2013, and a population of 6.3 million, the country is largely urban (about 66 percent) and ranks in the 83 percentile worldwide for population density.

Since the end of the civil war in 1992, the country has advanced on both the social and political fronts. Within the health sector, it has already met the Millennium Development Goal (MDG) for reducing child mortality. In addition, the poorest segments of the population have been increasing their use of healthcare facilities, helped in part by a policy of free primary care services, which has significantly reduced out-of-pocket expenditures on health care. Immunization rates have increased from 86 percent in the 1990s to 91 percent in recent years (2010-13). The share of the population with access to improved water sources increased from 79 percent to 90 percent. Similarly, the share with access to improved sanitation expanded from only 56 percent to over 70 percent in that same time period. Access to education, particularly primary education, has expanded, and literacy rates have improved, with results most visible in urban areas. Finally, El Salvador has also forged ahead in consolidating democracy since the end of the civil war, with five consecutive democratically-elected governments and peaceful transitions of power.

In terms of economic development, low growth stands out as the dominant feature. Out of 72 countries for which roughly comparable data on household income is available, only five countries had a lower growth of mean income than El Salvador since 2000. Not only has economic growth been low, but the trend since 2000 has been downward. In addition, the 2008 crisis hit the country hard given its heavy dependence on the US for remittances and exports; and recovery has been slow. In fact, in the period 2011-2013 the economy grew at 1.9 percent annually, well below the LAC average (3.7 percent) and the middle-income country average (4.5 percent).

A number of salient factors are having direct and mutually-reinforcing impacts on the country’s development potential. Firstly, crime and violence plague El Salvador, which ranks among the top five countries worldwide for homicide rates. This situation has been worsening in 2015 with the end of the truce between delinquent groups (gangs or pandillas). Following current trends, El Salvador’s homicide rate is likely to overtake Honduras’ as the highest in the world. Secondly, the country faces high rates of migration and the consequent weight of remittances in the economy. Around one in three Salvadorans lives abroad, and remittances are estimated to exceed 16 percent of GDP in 2012. El Salvador is also one of the countries in the world that is most affected by weather-related events and other natural hazards. Combined, El Salvador incurs annual losses of around 2.5 percent of GDP due to disasters caused by natural phenomena in highly vulnerable areas. Finally, savings and investments in El Salvador are low, compared both to the LAC regional average and countries with similar levels of economic development.

The new Administration is committed to making El Salvador more “productive, educated, and safe” by promoting inclusive growth and resilience. Specifically, the Government’s Five Year
Plan supports three priority pillars: (a) stimulating productive employment through sustained economic growth; (b) bolstering education with inclusion and social equity; and (c) strengthening citizen security, through an ambitious program of objectives and actions.

Within that framework, the Government has requested consideration for WBG engagement in several areas, including: employability and skills; violence prevention; energy (including possible engagement for IFC); education and ICT; disaster risk management; environment and the “brown agenda,” including water and sanitation; credit to MSMEs with a focus on gender (possible engagement for IFC); and local territorial and institutional development.

**Sectoral and Institutional Context**

The Government’s strategy towards local governance and economic development is centered on the objective of building a conciliatory, citizen-centered, and results oriented state. To support this objective, the 2014-19 Five Year Plan includes a strategic focus on stimulating local economic development and bringing the government closer to citizens. The proposed policy orientations under this area of focus include strengthening the articulation between the national and local governments, but also between municipalities through the promotion of inter-municipal cooperation, as well as between cities, with the objective of developing a system of cities that acts as an engine of territorial and economic development.

These policy orientations are supported by key institutional objectives including (i) the implementation of the Territorial Planning and Development Law, (ii) improving the translation of national public policies into clear territorial development plans at the local level, and (iii) strengthening the capacity of the Ministry of Government and Territorial Development to act as the main governing body in charge of territorial development at the National level.

To support the articulation between the national and local government, the Ministry of Governance and Territorial Development (Ministerio de Gobernación y Desarrollo Territorial, MIGOBDT) has been designated as the key central ministry in charge of supporting and coordinating with the Local Governments. In addition, the National System of Coordination for Territorial Development has been created, composed of the Technical and Planning Secretariat of the Presidency (Secretaría Técnica y de Planificación de la Presidencia, STPP), MIGOBDT, and the Corporation of Municipalities of the Republic of El Salvador (Corporación de Municipalidades de la República de El Salvador, COMURES), a commitment made in the Government’s Five Year Development Plan 2014-2019.

El Salvador is a unitary state and does not have regional governments. The 262 municipalities in El Salvador are the only elected subnational governments. The country is divided into 14 departments (Departamentos) which function as administrative subdivisions. Each department has a Governor - appointed by the President of the Republic of El Salvador – who is in charge of coordinating the activities of the National Government’s line ministries and agencies within the Department, and acts as an interface between the National Government and the Municipalities. The current coordination capacity of the Governor’s offices is however limited, and their strengthening is one of the strategic objective of the GoES.

Successive national policies have been directed towards further decentralization of functions and resources to Municipalities. The main source of revenues for the Municipalities is the National Fund for Economic and Social Development (Fondo para el Desarrollo Económico y Social de las Municipalidades de El Salvador, FODES). Set up in 1988, the FODES represents a transfer of a
percentage (currently 8%) of the central government’s current revenues to the Municipalities. The transfers to each municipality are determined according to a formula based on four parameters: population (50%), equal share (25%), poverty levels (20%) and land area (5%).

In the context of increasing decentralization of functions to the local level, and given the limited administrative and technical capacity at the municipal level, inter-municipal cooperation through Mancomunidades (association of municipalities) has been promoted as an institutional model that allows improved efficiency in administration and service provision through economies of scale. The Council of Mayors of the Metropolitan Area of San Salvador (Consejo de Alcaldes del Área Metropolitana de San Salvador, COAMSS) is the oldest example of successful inter-municipal cooperation in El Salvador, and has also served as a model of metropolitan governance in Central America. The idea behind COAMSS was born out of the earthquake of October 1986 and the realization that the area had become a metropolis with problems that could not be tackled through or by the local governments independently, and hence the need to favor a coordinated and united reconstruction approach for the area. Following the establishment of COAMSS in 1987, a Metropolitan Planning Office (Oficina de Planificación del Área Metropolitana de San Salvador, OPAMSS) was created in 1988, and was given the responsibility to prepare and enforce urban development regulations in the Metropolitan Area.

Building on the successful experience of COAMSS and OPAMSS, other Mancomunidades have been set up in El Salvador over the last two decades. El Salvador’s Municipal Code gives Municipalities the right to form Mancomunidades to pursue joint initiatives, execute projects or provide services in common. A review carried out by the STPP identified 24 Mancomunidades currently active in the country, with a total of 187 municipalities participating in them (some of them participating in more than one Mancomunidad). These numbers can vary as Municipalities may join or leave a Mancomunidad that has been already been legally constituted. Currently, at least 5 new Mancomunidades are in the process of being created with the support of the GoES. In addition, existing Mancomunidades can be liquidated by their participating Municipalities as provided in the Mancomunidades’ respective legal statutes.

The original purpose and current functions of the Mancomunidades vary among them. Some of them were set up within specific donor-funded programs, such as the Mancomunidad Trinacional Fronteiza Río Lempa, or the Mancomunidad Cayaguancua, while some others were created as an autonomous initiative by a group of Municipalities. The main areas of focus and action of the Mancomunidades range from local economic development to the delivery of basic services such as solid waste management and environmental management. Some Mancomunidades have broad mandates, while others have been set up to ensure intermunicipal cooperation with respect to a specific topic. For example, AMUSNOR was created specifically for the management of solid waste collection and disposal. Building on the model of OPAMSS, six of the Mancomunidades are supporting their participating municipalities with the preparation of territorial plans and revision of building permits through inter-municipal planning offices (Oficina de Planificación y Gestión del Territorio, OPLAGEST).

To further promote inter-municipal cooperation, the Government established on October 1, 2015, the Nacional Council for Associations of Municipalities (Consejo Nacional para la Gestión Asociada de los Territorios). This Council includes the STPP, MIGOBDT, as well as representatives from Mancomunidades and Municipal Governments. The objective of this Council is to facilitate the dialogue and coordination between key actors, in order to further define
the legal and policy framework for inter-municipal cooperation, and facilitate knowledge and experience sharing between Mancomunidades.

**Relationship to CAS/CPS/CPF**

The World Bank Group’s Country Partnership Framework (CPF) for the Republic of El Salvador for the Period FY16-FY19 was discussed by the Board of Directors on May 26, 2015. The CPF supports the Twin Goals of poverty reduction and shared prosperity by addressing the reinforcing vicious circles that constrain inclusive growth, as well as sustainability and resilience. It is organized around two strategic pillars: (i) building the reinforcing foundations of inclusive growth, and (ii) fostering sustainability and resilience. The ongoing Local Government Strengthening Project (LGSP) is supporting key objectives of the CPF including Objective 1: Build Capacity to Create Safer Communities for Economic Development, and Objective 5: Promote the Efficiency of Public Spending. The LGSP is now in its final phase of implementation and will close in December 2016, and the Government of El Salvador has requested the Bank to support the preparation of a new Project to consolidate and build on the results achieved through the current Project.

The proposed Project will continue strengthening Local Governments— including Municipalities and Mancomunidades, which can play a key role in the efficient delivery of proposed programs in the areas of employability and skills, and violence prevention on which the GoES has requested the Bank’s support. It will also directly support the CPF’s strategic objective of building the reinforcing foundations of inclusive growth by encouraging Local Governments to develop strategies and implement activities that support economic activity and employment creation at their territorial scale, thus complementing the efforts made at the national level to promote inclusive growth.

This Project is being prepared in close coordination with two other Projects under preparation: the Safer Cities Through Social Resilience Project (P156864) and Youth Employment Project (P156454). The coordination between the three Projects offers the opportunity to ensure complementarity between efforts and their efficiency in building the reinforcing foundations of inclusive growth. Coordination between the Local Governance and Economic Development Project can ensure that the employment services provided under the Youth Employment Project are informed by the Regional Economic Development Strategies prepared under the LGED Project. In addition, since both the LGED and the Safer Cities through Social Resilience Projects will be supporting investment at the local level, coordination between the Projects should ensure that there is no duplication of efforts in terms of investments supported at the local level.

**C. Proposed Development Objective(s)**

**Proposed Development Objective(s) (From PCN)**

The Project development objective is to improve the capacity of Mancomunidades and Municipalities in El Salvador to support local economic development.

**Key Results (From PCN)**

Success in achieving the results will be measured by the following project development indicators:

(i) Number of Mancomunidades having prepared a regional economic development strategy
(ii) Number of functioning regional economic development units
(iii) Number of regional economic development sub-projects planned and executed as per the agreed guidelines.
D. Concept Description

The Project will build on the experience and results of the ongoing Local Government Strengthening Project (LGSP, P118026), and will support the GoES objectives of (i) stimulating economic growth through local economic development, (ii) promoting inter-municipal cooperation through the Mancomunidades, and (iii) improving the coordination between the different levels of government, including national, departmental and local. As part of its government reform program, the GoES has positioned the MIGOBDT as the main national ministry responsible for territorial development. Accordingly, the MIGOBDT is proposed as the lead agency in charge of Project implementation and coordination at the central level.

This operation introduces two shifts in focus from the LGSP; (i) a sectoral shift from local investments supported by the Project from basic infrastructure and services to local economic development, and (ii) an institutional shift of the focus from the Municipal to the inter-municipal (Mancomunidades) level.

The shift in sectoral focus, from provision of basic municipal infrastructure to projects supporting local economic development, directly supports the Government’s objective of stimulating economic growth through regional and local economic development. Local Economic Development (LED) is an approach to economic development that involves strategies and activities through which cities or regions can support economic activity and employment creation at their territorial scale. Local Economic Development has been supported by the World Bank and other development partners as a process through which public, business and civil society partners work collectively to facilitate conditions for local firms and industries to create jobs, raise productivity and increase incomes. Key building blocks of LED strategies include (i) institutions and regulations that improve the business environment, (ii) provision of adequate infrastructure and land for economic activities, (iii) programs and policies aimed at developing skills and innovation, and (iv) enterprise support and finance. Given El Salvador’s high population density and the small average size of El Salvador’s 262 municipalities, the inter-municipal scale appears as the relevant territorial scale for LED, as local value chains and job markets extend well beyond municipal boundaries.

Beyond its relevance for LED, strengthening and promotion of inter-municipal cooperation through Mancomunidades is one of the main strategic orientations of the GoES’ decentralization strategy, and is one of the specific objectives outlined in the 2014-2019 five-year development plan. As mentioned in the previous section, El Salvador has developed experience with inter-municipal cooperation through Mancomunidades over the last decades. The ability of El Salvador’s municipalities to associate within a Mancomunidad is provided for under the country’s Constitution of 1983 (Article 207), and the Municipal Code of 1986 (Chapter II).

Over the last two decades, Mancomunidades have emerged as a relevant territorial scale for planning and delivery of specific services, such as Solid Waste Management (SWM). The Territorial Development and Planning Law of 2011 (Ley de Ordenamiento y Desarrollo Territorial - Decreto No. 644) introduces the territorial scale of the Mancomunidades — the micro-regions — as part of the country’s institutional framework for territorial planning, and the Vice-Ministry of Housing and Urban Development has been supporting the creation of inter-municipal offices for
terrestrial planning and management (Oficina de Planificación y Gestión del Territorio, OPLAGEST) within the Mancomunidades. The OPLAGEST allow municipalities to pool resources to support a technical unit in charge of the preparation of territorial plans, and revision of applications for building permits. This allows the participating municipalities to benefit from higher technical capacity at the local level, and to improve the processing of application for building permits by removing the requirement for the technical review of building permit applications at the central ministry’s level. Mancomunidades have also emerged as an adequate institutional structure to manage services at the inter-municipal scale, such as the operation of regional landfills or composting plants. The Mancomunidades are also considered as a relevant scale for the decentralization of key services as part of an ongoing study on decentralization models for the Health, Education, and Water Supply and Sanitation sector, which is being funded under the LGSP.

The focus of this Project’s technical assistance and investment support will be for LED activities at Mancomunidades level under Component A (Strengthening institutional capacity of Mancomunidades for local economic development) and Component B (Investments for local economic development). The activities benefitting the Mancomunidades will include the preparation of Regional Economic Development Strategies, the provision of LED services through Regional Economic Development Units, and the execution of LED subprojects prioritized by the Mancomunidades based on their Regional Economic Development Strategies. In addition, to the support provided to the Mancomunidades under Components A and B, the Project will also provide support at the central level and municipal level. The Project will support the MIGOBDT in developing the policy and institutional framework for decentralization and territorial development under Component C. To ensure the sustainability of the results achieved by the LGSP in terms of institutional strengthening of municipalities, and to support inter-municipal cooperation through solid institutions at the municipal level, the Project will provide technical assistance to all the municipalities in the country under Component D. Finally Component E will support Project implementation by the PIU under MIGOBDT and technical support provided by FISDL.

The sections below provide further detail on the proposed components. The amounts allocated to each component and sub-component, as well as the general structure of the components, are still tentative and will be confirmed during Project preparation.

Component A: Strengthening institutional capacity of Mancomunidades for local economic development (US$ 15 million).

This component will finance activities aimed at strengthening institutional capacity of the Mancomunidades under two sub-components.

Sub-component A.1 (US$ 10 million) will finance technical assistance and capacity building programs benefitting the Mancomunidades. The funds under this subcomponent will be assigned to Mancomunidades using the allocation formula of the national fiscal transfer system for municipalities (FODES). This subcomponent will support the Mancomunidades in (i) the preparation of local economic development strategies, (ii) the creation of regional economic development units, and (iii) strengthening the local planning offices OPLAGEST in their localities.
Sub-component A.2 (US$ 5 million) will finance a technical assistance and capacity building program benefitting the Mancomuniades and executed by the MIGOBDT. The specific activities under this subcomponent will be identified based on the identification of institutional gaps in the different Mancomuniades. This sub-component may also support the creation of new Mancomuniades.

Component B: Investments for local economic development (US$ 64 million).

This component will finance subprojects benefitting the Mancomuniades. The focus will be on investments identified as having a positive impact in terms of generation of economic activity and employment within the territory of the respective Mancomuniades. The subprojects will be prioritized by the Mancomuniades in their regional economic development strategy. Financing available under this component will be assigned using the FODES formula in the same way as the funds available for Subcomponent A.1. Each municipality will have the opportunity to use the envelope assigned to it to support subprojects prioritized and executed by a Mancomunidad in which the municipality is participating. Eligible investments may include improvements in connective infrastructure, basic services, buildings, technical assistance, and trainings.

Component C: Policy support to MIGOBDT for decentralization and territorial development (US$ 3 million).

This component will finance technical assistance, capacity building, training, equipment, and workshops to support (i) the preparation and implementation of national policies and regulations to promote the role of Mancomuniades for territorial and local economic development, (ii) strengthen coordination and information sharing between the national government and local governments through the deconcentrated national administrations at the department level (Gobernacion), and (iii) create an information system for territorial management that facilitates decision-making developed within a sharing platform about local, departmental, and national administrations.

Activities financed under this component will be informed by a policy note to be prepared by MIGOBDT outlining the set of ongoing strategies, policies, and reforms for decentralization and territorial development in the country. This policy note will include a tentative work program for the formulation and implementation of these policies, as well as the linkages of these initiatives with the reform of the Municipal Code and the Decentralization Law.

Component D: Strengthening institutional capacity of municipal governments (10 million).

This component will finance technical assistance and trainings of all municipalities in the country in critical areas including but not limited to: (i) financial management (accounting, financial reporting, and internal controls), (ii) participatory planning, (iii) environmental management, and (iv) disaster risk management. The activities under this component will be executed through the MIGOBDT. The capacity building and technical assistance program will be further defined during preparation based on the evaluation of the activities supported under the LGSP and consultations with the Municipalities.

Component E: Project management (US$ 8 million).
This component will finance the operation of a Project Implementation Unit (PIU) in the MIGOBDT, and incremental operating costs incurred by the Social and Local Development Investment Fund (Fondo de Inversión Social y de Desarrollo Local, FISDL) in providing technical support to the Project’s implementation.

The PIU will support MIGOBDT in (i) coordinating the Project’s implementation, (ii) ensuring adequate reporting as well as monitoring and evaluation at the central level, and (iii) execution of Project activities considered for execution at the central level.

II. SAFEGUARDS

A. 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 through their respective Mancomunidades.

El Salvador is a mountainous country where deforestation is very high (less than 10% of its forestland remains. It is one of the ten most vulnerable countries in the world and with the highest risk for natural disasters (floods, earthquakes, hurricanes, droughts, etc). Water resources are much polluted and coastal areas are prone to natural disasters.

B. Borrower’s Institutional Capacity for Safeguard Policies

The proposed project will be implemented by (i) MIGOBDT at the national level, and (ii) Mancomunidades at the local level.

The project proposes establishing a new PIU within MIGOBDT to provide oversight of the entire project implementation. Since MIGOBDT has no previous experience implementing Bank projects and applying WB Safeguards Policies, it will be necessary to hire both an environmental specialist and a social scientist with experience in Bank Safeguards policies to coordinate compliance with the Safeguards Policies and coordinate with FISDL, the Mancomunidades, and Municipalities. Lessons learned from safeguards implementation under the Local Government Strengthening Project (P118026) will inform the design of this Project’s implementation mechanisms. However, the new PIU would be subject to different rules and procedures both for decision-making and oversight purposes. Additionally, MIGOBDT’s capacity to operate at a decentralized level would need to be assessed.

FISDL will provide support to MIGOBDT in the supervision and execution of the activities benefitting the Mancomunidades. FISDL has gained experience in the application of Bank safeguards through its participation in the ongoing Local Government Strengthening Project (LGSP). The LGSP has been facing challenges related to environmental management from the beginning of Project implementation, including (i) initial resistance in FISDL to the inclusion of preventive and mitigation measures from the design stage; (ii) low capacity for the design and supervision of environment management measures; and (iii) lack of funding for environmental management plans as required by OP 4.01.

Given that the present project includes substantial technical assistance activities, guidance will be provided during project preparation to guide the MIGOBDT in their design and implementation of socially inclusive Regional Economic Development Strategies. Specifically, the social assessment will cover the identification of vulnerable segments of the population, in addition to focusing on
indigenous peoples, and will outline inclusionary measures for their meaningful participation in these planning processes. This will ensure that these groups also benefit from the positive impacts that these strategies are expected to bring in terms of employment and generation of economic activities. These measures will be established in a document that could be coined as the project’s Culturally Appropriate Participation Protocol or similar title. This stand-alone document will include the social assessment, broader social inclusion actions, and the IPPF.

During supervision of the LGSP, substantial training and capacity building a has been provided to FISDL to improve environmental management, but challenges remain. During preparation, needed actions will be identified and discussed with FISDL for the improvement of environmental and social management and the proposed project will include a specific financial allocation to strengthen environmental capacities of FISDL.

Mancomunidades have not participated in the implementation of the current LGSP Project; thus each Mancomunidad’s capacity to supervise infrastructure and environmental and social management will need to be evaluated.

C. Environmental and Social Safeguards Specialists on the Team
Kimberly Vilar (GSURR)
Mariela Mena (GWADR)
Ruth Tiffer-Sotomayor (GENDR)

D. POLICIES THAT MIGHT APPLY

<table>
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<th>Safeguard Policies</th>
<th>Triggered?</th>
<th>Explanation (Optional)</th>
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<tbody>
<tr>
<td>Environmental Assessment</td>
<td>Yes</td>
<td>The project is proposed as B category. The project will support investments for local economic development under Component B (US$ 64 million). The subprojects will be identified by the mancomunidades based on their regional economic development strategies. No identification of site-specific investments is anticipated to occur during project preparation. Eligible sub-projects may include improvements in basic services and infrastructure including roads, bridges, water systems, sanitation works, markets, and tourism infrastructure. The Project's environmental category will be confirmed during preparation based on the categorization of eligible subprojects, which still needs to be defined. Depending on the size of the infrastructure subprojects to be financed under Component B, an environmental assessment and environmental license from the Ministry of Environment and Natural Resources (MARN) may be required. The client will prepare for project management an</td>
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Environmental Management Framework (EMF) to prevent and mitigate potential environmental and social impacts. The EMF will describe the environmental management procedures applicable to subprojects under Component B, as well as TA under Components A, C, and D. The project will include financial support for staffing of the PIU in MIGOBDT, improvement of environmental management in FISDL and capacity building for the Mancomunidades.

### Natural Habitats OP/BP 4.04
- **Yes**
  - At the concept stage, it is not known whether critical or natural habitats may be affected by specific works or project-financed activities. The Environmental Management Framework (EMF) will include 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 the Bank’s safeguard policy.

### Forests OP/BP 4.36
- **TBD**
  - During project preparation, the team will have more information to define whether there is need to trigger this policy. The EMF will include 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
- **TBD**
  - During project preparation, the team will have more information to define whether there is need to trigger this policy. Road management may require the use of herbicides, and therefore the safeguard policy might be triggered. In such case, the EMF will include appropriate measures to be included in 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. The EMF will require that all bidding documents and construction contracts include chance find procedures, which will define specific measures 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**
  - This policy is triggered given that the Bank’s screening concluded that indigenous populations are present in at least three of the Mancomunidades covered by the project. Therefore, during project preparation the client will prepare a social
assessment and the Indigenous Peoples Planning Framework (IPPF), to be disclosed by appraisal. This would be included in the stand-alone Culturally Appropriate Participation Protocol, as indicated above.

Since the project will also include the preparation of Regional Economic Development Strategies, inclusionary measures for the meaningful participation of indigenous peoples in these planning processes under Components A and C will be outlined in the IPPF. In terms of investment under Component B, once infrastructure sub-projects are defined, Indigenous Peoples Plans (IPPs) will be prepared to address policy principles and requirements in order to mitigate impacts, as needed, based on the IPPF.

| Involuntary Resettlement OP/ BP 4.12 | Yes | The Government of El Salvador will prepare an Involuntary Resettlement Policy Framework according to the World Bank’s OP 4.12 to be approved by the Bank by project appraisal. The Framework will outline procedures that the client will follow during project implementation in order to identify social impacts and prepare Resettlement Action Plans (RAPs) accordingly, as needed, once subprojects have been prioritized. These RAPs will define mitigation measures to be carried out by the client. |
| 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 | TBD | No project activities are expected to involve international waterways as defined under OP/BP 7.50. However, the triggering of this policy will confirmed during Project preparation based on the categorization of eligible subprojects to be determined. |
| 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. |

E. Safeguard Preparation Plan

1. Tentative target date for preparing the PAD Stage ISDS
   06-Jul-2016
2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS. Studies are expected to begin in January 2015 and finalized prior to appraisal including consultation and disclosure.

III. Contact point

World Bank
Contact: Augustin Maria
Title: Sr Urban Spec.

Borrower/Client/Recipient
Name: Republic of El Salvador
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Implementing Agencies
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Title: Director of Territorial Development
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V. Approval

<table>
<thead>
<tr>
<th>Task Team Leader(s):</th>
<th>Name: Augustin Maria</th>
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<tr>
<td>Approved By</td>
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<td>Safeguards Advisor:</td>
<td>Name: Svend Jensby (SA)</td>
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<td>Country Director:</td>
<td>Name: Maryanne Sharp (CD)</td>
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</tbody>
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1 Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.