



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 25-Jun-2021 | Report No: PIDC242502



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P176323		Substantial	Gulf of Fonseca Transboundary Management
Region	Country	Date PID Prepared	Estimated Date of Approval
LATIN AMERICA AND CARIBBEAN	Central America	25-Jun-2021	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Comisión Centroamericana de Ambiente y Desarrollo	Comisión Centroamericana de Ambiente y Desarrollo	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	5.00
Total Financing	5.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	5.00
Global Environment Facility (GEF)	5.00

B. Introduction and Context

Country Context

The Gulf of Fonseca is one of the most important tropical coastal systems along the Eastern Pacific Ocean in Latin America. A large, semi-enclosed bay covering 2,000 km² and shared by El Salvador, Honduras and Nicaragua, it includes 33 islands and 30 protected areas. It is a tropical estuarine system of shallow waters made up of interrelated ecosystems: estuaries, mangroves, saltwater forests, marshes and swamps, and continental and island coasts. The Gulf receives water from six main tributary watersheds and other smaller ones that together cover an area of approximately 21,000 km²; two of these watersheds are transboundary. Its ecological



importance is linked to the size of the estuarine complex and mangrove belt and its proximity to areas with high concentrations of nutrients (seasonal upwellings and seamounts). It is also considered one of the most biologically rich maritime areas of Central America, providing spawning, nursery and feeding areas for a range of species of fish and shellfish, including stocks that have traditionally supported the most productive artisanal fisheries in the region.

Despite the Gulf's importance and natural resources, the poor and vulnerable make up a large part of its population. Poverty rates in all the municipalities bordering the Gulf are significantly higher than the national averages for each of the three riparian countries, and are compounded by multidimensional poverty, high indices of gender inequality, social inequality, unemployment, and informal employment. Population density along the Gulf is generally higher than inland, and access to basic services (drinking water, electricity, wastewater treatment, solid waste management, communications) is inadequate outside the main cities.

El Salvador

The smallest country in Central America, El Salvador suffers from persistent low levels of growth and poverty reduction. With a population of 6.5 million, it is one of the most densely populated countries in the world. It has been suffering from persistently low levels of economic growth in recent decades: annual Gross Domestic Product (GDP) growth has exceeded 3 percent only twice since 2000 and averaged just 2.4 percent in recent years. While the poverty rate (based on a US\$5.5 per person per day poverty line) declined from 32.6 percent in 2015 to 22.3 percent in 2019, El Salvador still has the highest rate of vulnerability in Latin America and the Caribbean (LAC) with 48.2 percent of households vulnerable to poverty (daily income between US\$5.5 and US\$13) in 2019. Inequality measured by the Gini Index decreased in recent years to 38.8 in 2019, with the highest level of equality in LAC.

The COVID-19 pandemic has had a significant negative impact, even though El Salvador was the fastest country in Central America to adopt strong containment measures against the outbreak and the Government took measures to limit the pandemic's impact on households and businesses. The pandemic negatively impacted poverty reduction and economic growth, and El Salvador's GDP contracted by 8.6 percent in 2020, due to diminished economic activity, decreased aggregate demand in international markets and a reduction in remittances sent to households mainly from the United States. GDP is expected to recover to 4.1 percent by 2021, however it will take up to 2022 to return to pre-pandemic levels.

Honduras

Over the past 30 years, Honduras has experienced modest economic growth, insufficient to significantly reduce poverty. Honduras is Central America's second-largest country with a population of over 9.9 million. With a per capita income of US\$2,340 (2020), 49 percent of the population live in poverty according to the international US\$5.50 per day poverty line. Real GDP grew at an average annual rate of 3.8 percent over the past three decades, exceeding the LAC average of 2.6 percent and on par with the average of 3.9 percent for Central America. However, the country is vulnerable to external shocks, and experiences fiscal instability, limited investment, crime, migration, and other challenges to competitiveness. Honduras is also exposed to climate-induced natural hazards, such as tropical cyclones as experienced in 2020 (cyclones Eta and Iota caused



significant damage with catastrophic impacts on local populations, critical infrastructure, crops, private assets and the economy), and a large proportion of the population is at severe risk from hydro-meteorological and associated extreme events (floods, droughts, and landslides).

The impacts of the COVID-19 pandemic and Tropical Cyclones Eta and Iota are significantly impacting Honduras's economy (social and economic costs of the cyclones are expected to approach US\$1.8 billion, equivalent to 7.5 percent of 2020 GDP). GDP contracted by 9 percent in 2020 due to a sharper than expected fall in trade, investment and consumption amid the global slowdown and prolonged containment measures. This increased food insecurity, poverty, and inequality as vulnerable households lost their income. To minimize the impact on economic activity and social welfare, the Government adopted strict containment measures, authorizing new borrowing, and prioritized healthcare and humanitarian services, including basic needs support to the poor, as well as support to firms. The economy is expected to rebound in 2021 supported by an accommodative macroeconomic policy and the restoration of trade and investment. However, a slower recovery is likely if the health crisis persists.

Nicaragua

Recent social and political context took a toll on Nicaragua's economy, aggravated by the COVID-19 pandemic and Hurricanes Eta and Iota. While in 2017 Nicaragua maintained a strong growth rate of 4.6 percent, the sociopolitical context that the country has experienced since April 2018 caused the economy to contract by 4.0 and 3.9 percent in 2018 and 2019, respectively. Nicaragua is still one of Latin America's least developed countries, where access to basic services is a daily challenge.

The COVID-19 pandemic has taken a social and economic toll, further halting progress achieved in poverty reduction since 2005, causing real GDP to plunge 7.5 percent (annualized) in 2020Q2 due to rising uncertainty over the evolution of the health crisis, domestic spread of the virus, voluntary private sector shutdowns, capital outflows, and plummeting tourism. Real GDP closed 2020 contracting by an estimated 2.5 percent, which is less acute than early projections given a stronger than expected rebound in 2020Q4. Growth could be stalled with a more prolonged outbreak amid vaccine rollout delays, late resumption of travel to Nicaragua, intensification of the sociopolitical context, and natural disasters.

Sectoral and Institutional Context

The Gulf of Fonseca is a transboundary source of livelihoods for close to a million mostly poor and vulnerable people. The 21 municipalities that surround the Gulf cover an area of 7,600 km² and are home to a population of about 900,000. The Gulf's ecosystems provide an important source of water, food, fuel and revenue to the riparian population. Subsistence agriculture and artisanal fishing remain the main sources of employment, even though small factories and agribusinesses producing non-traditional exports (e.g., shrimp farming, melon,



watermelon, cashews) are developing rapidly. The Gulf of Fonseca hosts several marine sectors, described below.

- **Fisheries.** Given its physical and ecological characteristics, the Gulf of Fonseca has traditionally sustained one of the most productive fisheries in the region. Fisheries are one of the main livelihoods in the Gulf and are mostly artisanal, employing directly or indirectly approximately 20,000 people in the region. It is done on foot in the estuaries or from small wood or fiberglass boats called *pangas*, using several types of nets, hook-and-line, and traps. Fishers commercialize 70 species of fish, 11 species of crustaceans and 6 species of mollusks.
- **Aquaculture.** The ecosystems of the Gulf of Fonseca, especially in the Honduran and Nicaraguan areas, are particularly favorable to shrimp aquaculture. As a result, the Gulf currently accounts for a significant share of the total production of shrimp farmed in Central America, and all the production of Honduras and Nicaragua. It is a considerable source of employment, including for women in processing plants: the shrimp aquaculture value chains employ 30,000 people in Honduras (45 percent of women) and 26,000 in Nicaragua. Aquaculture farms are mostly large-scale and industrial (65 percent in Honduras, 80 percent in Nicaragua). Shrimps are exported to Taiwan, the European Union (EU), the United States, Mexico, and neighboring Central American countries. In Honduras alone, shrimp farming generated US\$216 million and accounted for 9 percent of the total value of exports in 2016. Honduras and Nicaragua are the world's fifth and sixth exporters of shrimp, in volume.
- **Tourism.** Despite undeniable natural assets, the tourism sector is still underdeveloped around the Gulf of Fonseca. Tourism infrastructure and activities are scarce – limited to hotels, restaurants, some boat tours, and local markets – and disconnected. A weak marketing, an incipient communications network, limited local capacities in tourism management, and limited access to credit limit the development of the sector.
- **Ports.** The Gulf of Fonseca enjoys a strategic location between Panama and North America along the Pan-American highway and hosts two cargo ports, together handling around 1.5 million tons of cargo per year: San Lorenzo in Honduras (80 percent of the total), and Puerto Corsain in El Salvador (20 percent). The planned construction of a large port in La Union (El Salvador) and of a “dry canal” connecting the Gulf of Fonseca with the Atlantic coast at Puerto Cortes (Honduras) represent a significant economic opportunity for the Gulf region and will contribute to increased maritime and overland commercial transportation.

The Gulf's capacity to provide critical environmental services is jeopardized however by increasing pressure on these ecosystems. Declining fish stocks, decreasing coverage of healthy mangrove forests, increasing pollution from inland sources and aquaculture, increasing sedimentation resulting from upstream deforestation, all point to uncontrolled anthropogenic pressures that are being aggravated by the impacts of climate change.

- **Overfishing.** The increasing size of the fishing fleet and number of fishers, and declining volumes of catch, catch per unit effort, and number of individuals caught for infractions are worrisome indicators of declining stocks in the Gulf of Fonseca. Species such as catfish, grouper, and shark are practically no longer caught, while shrimp is sporadically caught. Many species of mollusks and crustaceans associated with the estuaries, mangroves and rocky reefs have been overexploited by artisanal fishing and have also



been affected by the loss of habitats, sedimentation, and pollution. The catch of wild shrimp post-larvae and the associated by-catch above recruitment rates have placed significant pressure on all juveniles' stocks in the estuaries and at sea. The depletion of coastal stocks within the Gulf is increasingly causing conflict between artisanal fishers of the three countries.

- **Pollution.** The dense population surrounding the Gulf of Fonseca, aquaculture and agriculture farms and industries, combined with inadequate collection networks and treatment capacity, lead to worrisome levels of pollution in the Gulf of Fonseca. Solid waste, including plastics, organic matter from human and animal waste, and contaminants from agrochemicals, industrial and mining waste are being discharged into the waters of the Gulf in significant amounts. Data comparable across the Gulf is limited; there is, however, evidence of reduced dissolved oxygen levels in some estuaries, especially during the dry season, of the presence of residual pesticides and heavy metals in the tissues of fish. There is also growing concern that effluents from shrimp farms are degrading the Gulf's health to an extent that the industry recognizes the need for autoregulation.
- **Sedimentation.** Excesses in sediment discharge from the tributary watersheds have led to intense sedimentation of the Gulf of Fonseca in recent decades, affecting the Gulf's ecosystems and the waters' turbidity. Deforestation is one of the main causes, leading to severe erosion, soil loss and downstream sedimentation. Data is however lacking to identify the critical areas for action across the 21,000 km² of tributary watersheds, some of them transboundary.
- **Mangrove degradation.** Mangroves cover more than 730 km² in the Gulf of Fonseca, accounting for close to a quarter of all mangroves along the Pacific coast of Central America. They are a critical ecosystem for the Gulf: they provide fuel, food and livelihoods to the riparian communities, habitats for aquatic species, serve as filters as they retain contaminants from the mainland, retain sediments, and provide a first line of protection against coastal erosion and the impacts of frequent tropical storms. Mangrove cover decreased by 38 percent between 1969 and 2019, because of encroaching aquaculture farms and salt flats, sedimentation, agriculture run-off and pollution, including from aquaculture effluents. A large part of the remaining mangrove suffers from fragmentation and degradation.
- **Climate change.** The 5th Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) projects a continuation of the warming already observed in Central America, where temperatures increased by 0.7 to 1°C since the mid-1970s and are expected to gain an additional 1.6 to 4°C by 2100. Annual rainfall has decreased by 1 millimeter per day in the last fifty years, and the IPCC projects changes ranging from -22 percent and +7 percent by 2100. The last 30 years saw a steady increase in extreme events, including storms, floods, and droughts, that is projected to continue. Climate change is modifying the distribution of marine species and their productivity. Temperatures will also affect the physiological processes of fish and crop species. The aquaculture sector will face potential future water shortages and increased competition from other users such as agriculture and livestock.

The sustainable management of the Gulf's natural resources remains a challenge. The Gulf has 30 protected areas in the three countries covering 762,000 hectares. These cover much of the coastline of the Gulf, and are largely aligned with the main mangrove areas. The protected areas of Honduras were declared Ramsar sites of international importance in 1999. However, the conservation status of these protected areas is often poor, either because of a lack of effective management or because the causes of environmental threats lie outside the borders of protected areas (e.g. sedimentation or pollution). A major concern is that the access to the fish



resources of the Gulf is still largely unrestricted and the few fisheries management measures (e.g., fisher and vessel licenses, some closures and restrictions on mesh size of gillnets) are not enforced.

The scarcity of relevant data, the weakness of local governance and the transboundary nature of many environmental issues hamper the sustainable management of the Gulf of Fonseca. The lack of information is a major constraint to the design and implementation of suitable management measures. Environmental and socio-economic data is incomplete, insufficiently updated, and discontinuous in time, mostly because it depends exclusively on the sporadic financing of external projects. This is particularly noteworthy in the fisheries sector. In addition, weaknesses identified in local governance, due to a lack of human, technical and operational capacity, and the concentration of power in national institutions, impede the implementation of management measures. Subsistence level user groups, among the most vulnerable, are poorly organized and have little say in the management of the resources on which they depend. Finally, addressing most environmental issues in the Gulf requires coordination between the riparian countries, which makes it more challenging – even more in a disputed border and data-poor context.

The legal framework for the transboundary management of the marine and coastal resources of the Gulf of Fonseca was assessed as part of a Transboundary Diagnostic Analysis (TDA) conducted in 2006 to support the preparation by the Inter-American Development Bank of a proposed Global Environment Facility (GEF) operation for the Gulf. This identified a number of national legal provisions that aim to regulate activities affecting the Gulf's ecosystems, including: (i) El Salvador's Law on the Environment which mentions protection of coastal and marine resources, as well as the Law on Fisheries; (ii) provisions of Honduras' General Law on the Environment, aspects of its Potable Water and Sanitation Law covering watershed management, and its Fisheries Law; and (iii) Nicaragua's General Law on the Environment and Natural Resources and Fisheries and Aquaculture Law. In addition to the gaps and implementation challenges of these national laws, the 2006 TDA noted the need for a legal framework to support effective, integrated, transboundary management of the Gulf, related in particular to: (i) the absence of regulations for land use planning and management; (ii) overlapping and/or contradictory regulations for watershed management; (iii) weaknesses in national Fisheries Laws that fail to establish a foundation for managing sustainable fisheries consistent with the Food and Agriculture Organization of the United Nations (FAO) Code-of-Conduct for Responsible Fisheries and international best practice for regulating coastal aquaculture; and (iv) the lack of regulations on the coastal-marine zone covering pollution, sedimentation, dredging, and filling.

The Gulf of Fonseca is included in various natural resource management initiatives at the regional scale. The United States Agency for International Development (USAID) Regional Program for the Management of Aquatic Resources and Economic Alternatives (2010-2015, US\$14 million) facilitated the first tri-national agreement on fishery management in the Gulf of Fonseca. Currently under preparation, the United Nations Development Program (UNDP)-GEF 'Towards Joint Integrated, Ecosystem-based Management of the Pacific Central American Coastal Large Marine Ecosystem (PACA)' project (2021-2025, US\$7 million) will promote ecosystem-based management of the Pacific Central American Large Marine Ecosystem through the strengthening of regional governance. It will develop a TDA and Strategic Action Program (SAP) for the Pacific Central American Large Marine Ecosystem, which comprises the Gulf of Fonseca. The proposed Gulf of Fonseca Transboundary Management project will develop a TDA/SAP on a much finer scale and will liaise with the PACA



project to ensure harmonization, and that information and results are shared. While no activities under this project will be implemented in Nicaragua, the country will benefit from knowledge management exchanges.

Relationship to CPF

The objectives of the proposed project are aligned with the Country Partnership Frameworks (CPF) of El Salvador, Honduras, and Nicaragua. The sixth objective of El Salvador’s 2016-2019 CPF is to “build capacity to manage disasters and environmental challenges”; it targets deforestation and forest degradation. In its sixth objective (“boost resilience to disasters and climate change”), Honduras’ 2016-2020 CPF adopts a preventive response to natural disasters. It identifies the need to address unsustainable land use practices and deforestation and improving management and conservation of critical natural resources and assets to provide cost-effective and long-term adaptation measures. Finally, the sixth’s objective of Nicaragua’s 2018-2022 CPF is to “improve natural resource management and reduce vulnerability to natural hazards”. The proposed project directly targets these three objectives. The proposed project will also contribute to the World Bank Group COVID-19 Crisis Response Approach Paper’s pillars 2 (‘Protecting Poor and Vulnerable People’) and 4 (‘Strengthening Policies, Institutions and Investments for Rebuilding Better’) and is in line with the World Bank’s pledge for a green, resilient, and inclusive recovery. By fostering adaptation to climate change and a resilient development based on sustainably managed natural resources, the proposed project will also support the implementation of the 2021-2025 World Bank Group Climate Change Action Plan.

The proposed project objectives are also aligned with subregional priorities and plans. In 2007, recognizing the Gulf’s importance for regional development as well as its progressive environmental degradation, the heads of state of El Salvador, Honduras and Nicaragua signed the Managua Declaration. In doing so, they committed to making the Gulf a zone of peace, sustainable development, and security, to invest jointly in transboundary projects that reduce the vulnerability of ecosystems and population, and to promote the equitable and sustainable use of natural resources. Following-up on this commitment, they mandated the Central American Bank for Economic Integration (CABEI) to develop a Trinational Masterplan for Investment and Economic Development Projects (‘the Masterplan’), which was adopted in 2019. In addition, the National Biodiversity Strategy and Action Plans (NBSAP) of El Salvador, Honduras and Nicaragua highlight environmental threats to the Gulf of Fonseca.

GEF incremental cost reasoning and global environmental benefit

The Masterplan in its current form does not address in detail threats to the Gulf’s environment and natural resources. Implementation of the Masterplan without GEF support (which constitutes the baseline project) would risk further degradation to the Gulf of Fonseca, jeopardizing the natural assets on which growth and livelihood improvements depend, and would miss an opportunity to use a trinational platform to tackle cross-border natural resource management issues.

GEF support will help mainstream sustainable management of the Gulf of Fonseca’s transboundary natural resources. CABEI and the governments of El Salvador and Honduras have requested the support of the GEF and the World Bank to help ensure sustainable implementation of the Masterplan, minimize negative environmental



externalities, reduce environmental threats and promote the adoption of a blue economy approach to the development of the Gulf of Fonseca. The proposed project will support a regional process to develop a TDA and SAP in order to advance cooperation in addressing the environmental challenges facing the Gulf of Fonseca.

Global benefits will be demonstrated through: (i) increased regional cooperation; (ii) enhanced protection of biodiversity of global importance (e.g., mangroves, coastal and marine protected areas); (iii) reduced transboundary pollution; and (iv) stable and more productive fishery resources. The project will contribute to Objective 1 of the International Waters portfolio of GEF-7 (Strengthening National Blue Economy Opportunities), in particular Strategic Action 1.1, sustaining healthy coastal and marine ecosystems. The project will help formulate and formalize cooperative legal and institutional frameworks building on the TDA/SAP methodology. Through application of the blue economy approach, the SAP will align with and reinforce regional and national efforts to promote sustainable, resilient growth.

C. Project Development Objective(s)

Proposed Development Objective(s)

The proposed project development objective and global environment objective is to improve the capacity of the Project Countries to manage the transboundary natural resources of the Gulf of Fonseca, including for climate change adaptation.

Key Results

The proposed project will prepare key strategic documents, a TDA and a SAP, to be endorsed by El Salvador and Honduras. In parallel, it will put in place an enabling framework for transboundary management of the Gulf of Fonseca, by developing national and regional mechanisms, designing a trinational monitoring system, and improving adherence to the principles of sustainable management. This will strengthen the countries' capacity to manage the transboundary natural resources of the Gulf of Fonseca, leading to a healthier coastal and marine environment, and improved livelihoods of the coastal population in the Gulf.

The **proposed PDO-level results indicators** are:

1. Transboundary Diagnostic Analysis (including climate change impacts) jointly prepared and endorsed at ministerial level in El Salvador and Honduras (yes/no).
2. Strategic Action Program (SAP) jointly prepared and endorsed at ministerial level in El Salvador and Honduras (yes/no).
3. Annual reports prepared by the Gulf of Fonseca Task Force and endorsed at the ministerial level in El Salvador and Honduras (yes/no).
4. SAP activities address climate change issues (yes/no).
5. Direct Project Beneficiaries (number), of which female (percent).



D. Preliminary Description

Activities/Components

The project will be implemented through three components as outlined below.

Component 1: Preparation of key documents for transboundary management (US\$2.0m)

The first component will build the foundation for effective transboundary management of natural resources in the Gulf of Fonseca. It will use the TDA and SAP framework developed by the GEF and its partners.

Sub-component 1.1: Transboundary Diagnostic Analysis. The TDA will identify, quantify, and set priorities for transboundary environmental challenges such as overfishing, mangrove degradation, pollution, and sedimentation. It will involve: (i) the identification and prioritization of the transboundary problems and the potential for climate variability and change to affect these problems; (ii) the determination of the environmental and socio-economic impacts (including on ecosystems, their services and values); and (iii) the analysis of the immediate, underlying, and root causes. Thematic reports will be prepared (e.g. on ecosystem status, stakeholder analysis, governance arrangements, etc.) and the findings of the TDA will be submitted to the approval of national authorities.

Sub-component 1.2: Strategic Action Program. The SAP will establish priorities for action (e.g. policy, legal, institutional reforms, investments) to resolve the priority transboundary problems identified in the TDA. It will be prepared using a highly cooperative and collaborative process among the riparian countries to identify investments and management approaches, which may include enhanced and/or expanded protection of key natural resources. The SAP will be a negotiated policy document that will be submitted for endorsement at the highest level of all relevant sectors.

Component 2: Enabling framework for the improved management of the Gulf of Fonseca (US\$2.765m)

The second component will finance investments to kick-start the implementation of the SAP and build support for its principles.

Sub-component 2.1: Institutional strengthening. A key element of the preparation and implementation of the SAP will involve the development of national and regional institutional mechanisms for transboundary collaboration in the management of the Gulf of Fonseca. After a thorough institutional review, the second component will help develop these mechanisms for concerted management of natural resources by: (i) building the capacity of relevant national institutions; (ii) building inter-governmental capacity for transboundary management, including a Gulf of Fonseca Task Force that will be tasked with supervising the preparation of the TDA and SAP; and (iii) harmonizing legislation and standards related to the sustainable management of the Gulf's natural resources.

Sub-component 2.2: Environmental, social and economic monitoring. The project will finance the design of a trilateral environmental, social and economic monitoring system for the Gulf of Fonseca, building on the existing national systems. It will first assess the current data collection and monitoring systems for the Gulf of Fonseca and the connected waterways. It will then propose recommendations to improve these systems



and expand data collection, and will recommend a trinational architecture to harmonize data collection and reporting processes, and foster synergies and cooperation between the riparian countries. The recommended environment, social and economic monitoring system will be designed as a key decision-making tool and a source of information for the different stakeholders of the Gulf of Fonseca. It will aim in particular to help measure the effectiveness of the SAP implementation outcomes. The sustainability of the system (i.e. the capacity of the stakeholders to keep maintaining it and using it far beyond the life of the project) will be at the center of its design.

Sub-component 2.3: Communication and awareness-raising. With a view to fostering the public understanding of and adherence to the principles of sustainable management of the Gulf's natural resources, this proposal will finance dedicated education and awareness-raising initiatives based on a sound strategy. It will also enhance non-governmental regional capacity, providing *inter alia* training, limited equipment, and support for networks, information centers, and clearing houses for the technical and scientific community, the private sector, the industrial and agricultural community, and non-governmental organizations (NGOs). This sub-component will also finance knowledge sharing publications and events, including via the GEF's International Waters Learning Exchange and Resource Network (IW:LEARN) web platform and conferences. Lessons will be systematically documented and shared through the project's website, national and regional websites and IW:LEARN. The project's website will be developed and maintained following the IW:LEARN guidance. Project experience will be documented and disseminated using the GEF International Waters templates for experience notes and results notes. Country representatives and the project team will participate in IW:LEARN meetings and the International Waters Conferences.

Sub-component 2.4: Pilot sustainable community investments. The project will support selected riparian communities engaged in sustainable resource use to foster their adherence to a sustainable management framework for the Gulf of Fonseca. This support will involve a pilot small grants program and potential pilot projects to develop innovative models for managing shared resources under different biophysical and geographic realities, seeking opportunities to incentivize the entrepreneurship and participation of women. In the context of COVID-19 recovery, these investments will also include an initial set of no-regrets initiatives (initiatives that can be justified from economic, social, and environmental perspectives before the environmental diagnostic and sustainable management measures are decided, for example mangrove restoration and the refurbishment of small-scale eco-tourism infrastructure) to stimulate job creation and revenue generation while the TDA and SAP are being finalized.

Component 3: Project management (US\$0.235m)

The last component will finance the implementation of the project through a regional steering committee and project implementation unit. The steering committee will exercise a strategic guidance and oversight role, while the project implementation unit will manage the project.

Innovation, sustainability and scaling up

Key innovations include the use of the TDA/SAP process to promote collaborative transboundary governance in a complex environment, the design of an environmental, social and economic monitoring system,



measures to build stakeholder commitment to principles of sustainable management, and the development of innovative models for managing shared resources.

Environmental and natural resources sustainability is the objective of the project. Social and institutional sustainability will be fostered through a participatory approach emphasizing the involvement of all key stakeholders (local and national governments, fishers, aquaculture Small and Medium Enterprises (SMEs) and industries, tourist operators, shipping companies) in the development of the TDA and SAP. In addition, anchoring the project in the environment and fisheries authorities of the participating countries will help ensure sustainability of the institutional arrangements for transboundary management. The involvement of the regional organization, Central American Integration System (*Sistema de la Integración Centroamericana*, SICA), and its relevant agencies will also help sustain regional integration and cross-border coordination. Financial sustainability will be facilitated by the use of cost-efficient approaches (for instance for the design of the monitoring system) and the integration of the project in institutional budgets.

The scaling-up of project activities will be facilitated through close coordination with investments planned by CABEI and other development partners, which may be further augmented through a potential follow-up investment by the World Bank.

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Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies



Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	Yes	The application of this policy will be further assessed during project preparation as more detailed information becomes available.
Projects in Disputed Areas OP 7.60	No	The application of this policy is not applicable at this stage, but will be further assessed during project preparation as more detailed information becomes available

Summary of Screening of Environmental and Social Risks and Impacts

The environmental and social risk rating is considered substantial at this stage. The project will mostly finance technical assistance, and capacity building activities to strengthen the transboundary institutional framework for the sustainable management of the marine and coastal resources in the Gulf of Fonseca. The project will also finance a range of small-scale sustainable community investments in selected areas to engage riparian communities in the sustainable use of the Gulf's living natural resources, such as mangrove restoration, beach clean-ups, and refurbishment of small-scale eco-tourism infrastructure, among other activities to be defined during project preparation. These activities are not expected to have significant negative environmental risks and impacts. Overall, the project will contribute to the conservation of local and national important ecosystems and biodiversity, increase the provision of environmental services, reduce coastal flooding, and stabilize the coastline. The principal environmental risks and impacts are expected to result from any minor civil works to be financed under the sustainable community investments to be identified during project preparation. These risks and impacts expected to be site-specific, short-term, and reversible, are related to (i) generation and management of waste; (ii) nuisance related to dust generation, vibration, and noise during construction; (iii) generation and discharge of wastewater from civil works; (iv) temporary disruptions to local traffic during construction activities and; (v) occupational health and safety hazards for the workforce. The ESMF prepared for the project includes measures to manage these risks and impacts in accordance with the mitigation hierarchy and in an appropriate manner to the scale and nature of the activities. Given the current global situation caused by the COVID-19 pandemic, the project will also include measures for transmission prevention. While the context in which the project will operate can intensify the social risk levels, it is still uncertain the extent to which contextual risks may be influential in project activities. Honduras and El Salvador have experienced, over the last decade, numerous social conflicts related to, among others, poverty, exclusion, citizen security, and access to water, which are all present in the Gulf area. Community groups and organizations in the region have faced conflicts over maritime borders, sovereign disputes, and historical tensions due to access to resources. Other identified social risks related to the context include: (i) rural communities in the area, particularly those living in poverty and extreme poverty, have been sensitive to the impacts of climate change along the Dry Corridor, with droughts and irregular weather patterns affecting crops and food availability, (ii) in Honduras and El Salvador, the impact of crime and violence has affected local communities, more so in the absence of robust institutional presence; (iii) vulnerable groups, including small pockets of Indigenous communities, subsistence farmers, persons with disabilities, and LGBTI people, among others, face discrimination and have had limited access to job opportunities and access to services tailored to their needs; (iv) women, particularly those living in extreme poverty and in charge of their household, face disproportionate social limitations and lack of opportunities in

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all the Gulf's region. Determining if the project overlaps with any indigenous territories will be a key priority early in preparation to more accurately understand the full scope of risks facing the project. The complex social context in the Gulf of Fonseca may also pose challenges in designing, implementing, and monitoring inclusive transboundary management activities in a tri-national coastal region.

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