

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC27119

<b>Project Name</b>	Dominican Republic. FCPF REDD+ Readiness Preparation Project (P151752)
<b>Region</b>	LATIN AMERICA AND CARIBBEAN
<b>Country</b>	Dominican Republic
<b>Sector(s)</b>	Forestry (100%)
<b>Theme(s)</b>	Climate change (100%)
<b>Project ID</b>	P151752
<b>Borrower(s)</b>	Ministerio de Economía, Planificación y Desarrollo MEPyD
<b>Implementing Agency</b>	Ministro del Ministerio de Medio Ambiente y Recursos Naturales
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	25-Aug-2015
<b>Date PID Approved/ Disclosed</b>	27-Aug-2015
<b>Estimated Date of Board Approval</b>	31-Jul-2020

## I. Introduction and Context

### Country Context

The Dominican Republic (DR) has been one of the fastest growing economies of the region for the past two decades increasing national wealth and diversifying employment opportunities with a GDP growth averaging around 5.5 percent annually between 1991 and 2013. Despite this performance, poverty is higher today than in 2000. Poverty rose from 32 percent in 2000 to almost 50 percent in 2004 following the 2003 financial and economic crisis, before gradually declining to 41.1 percent in 2013. Strong macroeconomic foundations and mining exports and telecommunications services, helped the country rebound from the global market downturn of 2008. However, these sectors tend to generate fewer jobs and have eclipsed job-intensive ones such as manufacturing. Since 2000, a large share of the jobs created has been in low-skilled industries in the informal sector. As a result of the 2003 crisis and the slower growth of the textile industry, real wages have declined by 27 percent since 2000, even as labor productivity rose.

According to indicators of World Bank's Doing Business 2014, the DR ranked 117th out of 189 countries in terms of business environment. The country faces a series of challenges including access to and reliability of electric power service, ease of starting a business and declaring bankruptcy, property registration, and access to building permits. The government has prioritized improvement in these areas and is pursuing reforms in the sectors of education, labor, energy, and fiscal, by building inter-sectoral pacts, with education already agreed, and other reforms currently

under discussion.

GDP of the country is forecasted to be 4.9 percent in 2015; and 4.7 percent in 2016 and 2017. Despite historical and expected growth, a large gap still remains in the distribution of wealth. In 2012 the country had a GINI index of 46. Service delivery coverage of water to rural population was 77% in 2012 but overall access to basic public services remains unequal and of low quality, particularly for people living in poverty in rural areas.

In terms of population growth, the Dominican Republic has seen its population increase from 3 million in 1960 to 9.2 million in 2011. With an annual growth rate of 1.4%, it could reach 11 million by 2020. Additionally, an unknown number of Haitian immigrants enter the country each year.

The DR is closely tied to the United States, its largest trading partner by far and home to a major diaspora. Remittances from US Dominicans account for up to 10% of national income. Its Gross National Income per capita in 2013 was calculated at US\$ 5,770 and the life expectancy at birth was 73 years by 2012.

### **Sectoral and Institutional Context**

#### **Environmental Sustainability and Climate Change Policies**

Institutional reform in the DR began in the 1990s as part of a transition to a more democratic government. Civil society made noteworthy improvements in terms of the level of participation in government activities and decision-making. One of its achievements was the inclusion of citizen participation in a number of laws established during this time period. Of relevance are: the General Law on Environment and Natural Resources, Law 64-00 (Ley 64-00) and the National Development Strategy (END), or Law 01-12 (Ley 01-12). Continued emphasis on the need for civil society's participation in the definition of public policy led a Constitutional reform opening participation platforms and channels in various sectors and levels of government.

The DR's National Development Strategy (END) 2010-2030 establishes four strategic pillars and governs all development programs in the country for the given time frame. The fourth pillar is the sustainable management of the environment and the implementation of appropriate measures for adaptation to climate change under the END. Article 15 of the END establishes that social participation should be promoted during the design, implementation, auditing and evaluation of public policies through the creation of platforms and institutional mechanisms that facilitate civil responsibility, gender equality, access to information, transparency, accountability, social oversight and the fluidity of state-society relations. The objectives of a strategy to reduce green-house gas emissions from deforestation and forest degradation (REDD+) and its readiness process to be financed under this grant fall naturally under this pillar of the END, both from the environmental sustainability and the social inclusiveness standpoints.

The environmental sector in the DR has a relatively recent history, mainly initiated with reforms during the 1990's, when the Ministry of Environment and Natural Resources (Ministerio de Medio Ambiente y Recursos Naturales) (MENR) was created, and Law 64-00 was passed. Among other elements, this Law assigns MENR the mandate to coordinate, and develop a multi-sectoral, strategic national territorial zoning and land use planning process that incorporates critical environmental variables, including climate change adaptation and mitigation elements. MENR is also mandated to

warrant a broad and inclusive participation, and access to information by civil society in the development and implementation of such plans, as well as other sectoral policies and programs on sustainable management and conservation of natural resources and biodiversity. In accordance with Las 64-00, MENR has created the Department of Public Participation (Dirección de Participación Pública), currently overseeing the establishment of Provincial Councils on Environment (Consejos Ambientales Provinciales). These participatory platforms facilitate and encourage public dialogue and awareness on environmental and natural resources management issues at different territorial scales. It is in this context that a National Strategy to Reduce Emissions from Deforestation and Forest Degradation (ENA- REDD+) is being discussed and would be designed with the support of this grant.

MENR is also implementing a Payment and Compensations for Ecosystem Services (PES) program aiming at both conservation of natural resources and alleviation of rural poverty. The program promotes initiatives in a variety of landscapes and with different stakeholders, encouraging strategic alliances among them. The pilot project of this program has been successful in showing that payments from a nearby hydropower company can be channeled to those landholders that protect the forest upstream of the Yaque del Norte watershed. With support from the GIZ it is expected that the area where this PES project is implemented will also be used as a pilot for carbon payments. A critical landmark for the Law of Payments for Ecosystem Services (Ley de Pagos por Servicios Ambientales) was its approval on April 7th 2015 by the lower chamber (Camara de Diputados) of the DR. The final step will be the endorsement by the executive branch. It is important to mention that the Law sets the ground for carbon payments to take place but further works during the regulation need s to be done in the specifics of the benefit sharing scheme and monitoring. Other national legal efforts aimed at conserving the natural resources and responding to climate change include the Sectoral Law on Protected Areas (Law 202-04), the National Policy on Climate Change (2012), the National Climate Change Strategy (2003), the National Quisqueya Verde Reforestation Plan (2005), and an update on the National Climate Change Strategy (2011).

## The Forest Sector

The DR has a total area of 48,198 km<sup>2</sup>, of which approximately 40% (19,130 km<sup>2</sup>) is covered by forests. The country has an extensive system of Protected Areas, comprised of 123 Areas that cover more than 25% of the national territory.

At the start of the 19th century 85% of the DR was covered with forests. By 1971, this area had dropped to 22%, largely as a result of conversion of forests to agriculture and pasture lands during the 20th century. During this period, a number of legal and institutional reforms were introduced to stimulate agricultural and livestock expansion, unintentionally at the detriment of forests. During the Trujillo era, between 1930 and 1961, there was a total ban on cutting forests in the DR. Cutting a tree was paid with the full force of law. These measures were assimilated by the general public and influenced a generation of forest administrators and regulators, which later influenced the recovery of the forest cover. In the early 2000, measures permitting some uses of the forest were allowed with forest cover continuing to grow up to these days, and now reaching close to 40%.

The more recent increase in forest cover of the last decade has been also associated to ongoing reforestation programs, such as the Programa Quisqueya Verde, which has an annual target of 54 thousand hectares. Another factor helping to maintain and recover forests has been the shift in

consumption from wood charcoal for cooking stoves to the use of natural gas in rural areas, mainly during the 80's and 90's, - a period where close to 90% of rural households converted from charcoal to natural gas-. A more in depth review and analysis of the dynamics and underlying drivers of this positive gain in forest cover, however, is still needed. Given the high relevance of this topic to the design of REDD+ strategies, the grant has earmarked funds to conduct studies to learn from past experiences, and identify ways to continue to support and expand the policies and programs used to expand forest cover and reduce land use change.

Despite the increase in forest cover, deforestation and ecosystem degradation still persist in many areas. According to the Economic Development Plan Compatible with Climate Change (“Plan de desarrollo económico compatible con el cambio climático” (DECCC)) produced by the National Council on Climate Change and the Clean Development Mechanism, the latest deforestation rate was estimated at 6,200 ha/year for 2010. The majority of deforestation (60%) continues to be caused by the expansion of agriculture and livestock in hot spots that have been pre-identified mainly in protected areas in the borders with Haiti. Other direct causes of deforestation/degradation include illegal logging, unsustainable cattle grazing, natural disasters, forest fires, and infrastructure projects for mining, energy and tourism. The main underlying causes of deforestation and forest degradation include population growth, poverty and social inequality, and unsustainable agriculture and rural development programs. The regions most affected by deforestation and ecosystem degradation are the south side of Cordillera Central, the highest mountain range in the country; Sierra de Neyba; and along the country's border with Haiti. In these regions, forests are being threatened by extensive slash and burn agriculture, intensification of unsustainable agricultural production, and the absence of land conservation practices.

Four additional factors have been identified as affecting stakeholder behavior regarding land use change (Geilfus 2002): (i) high opportunity cost to maintain forest cover; (ii) insecurity of forest tenure and use rights, which induce open access behaviors in detriment of natural resources ; (iii) perverse incentives associated to subsidies for agricultural crops and agrochemicals; and iv) lack of adequate legal and institutional frameworks, and limited capacity of government agencies to ensure and enforce sustainable forest management and conservation practices.

A diverse group of forest sector stakeholders have established a platform to review and discuss political, legal and socioeconomic issues through the Roundtable for Dialogue on Forests (Mesa de Diálogo sobre Bosques, MDB). Representatives to the MDB include the private sector, NGOs, government (national and subnational), and academic institutions. The MDB has been an important forum for the early dialogue, dissemination and discussion of the DR's REDD+ Readiness Preparation Proposal (R-PP). Additionally, the MDB is credited with preparing and submitting a draft of a new Forest Law to the executive branch of the government.

The draft of the new Forest Law focuses on creating effective provisions to protect, conserve and restore forest ecosystems using appropriate guidelines and incentives. Specifically, the Law would reduce deforestation/degradation and increase forest cover by slowing unsustainable agricultural expansion; promote reforestation, restoration and conservation of ecosystem services and biodiversity; and foster commercial forestry. The law would also promote participatory and inclusive processes for sustainable forest management (SMF), forest protection from fire and pests, and control of illegal logging. It would create economic and fiscal incentives for 20-year periods to land owners interested in investing in plantations and commercial forest management based on principles of sustainability and efficiency. Incentives would be granted in the form of Negotiable

Certificates of Tax Remuneration (Certificado de Retribución Fiscal Negociable, CRFN). The Forestry Law would be complementary to the PES Law. For instance, landholders to be paid for the ecosystem services they provide could also access incentives for reforestation and SFM, which are considered in the Forestry Law. The PES Law covers broader ecosystem services at the landscape level.

#### The Dominican Republic's involvement in REDD+ and the Forest Carbon Partnership Facility (FCPF)

The Bank has been assisting the DR's REDD+ process since July 2013, when the country started formulating their Readiness Preparation Proposal (R-PP) under the Forest Carbon Partnership Facility (FCPF). Among other elements, this document contains: (i) a preliminary assessment of the drivers of deforestation and forest degradation; (ii) reasoning and actions related to strategic REDD+ options; (iii) a preliminary methodology to define its emissions reference level based on past emission rates and future emissions estimates; (iv) a Monitoring, Reporting and Verification (MRV) system for REDD+; (v) actions for integrating environmental and social considerations into the REDD+ Readiness process; (vi) a National REDD+ Strategy (ENA-REDD+); and (vii) the proposed institutional arrangements for a REDD+ regime.

The Participants Committee (PC) of the FCPF issued a resolution at its 16th meeting in December 2013 to provide access to the DR to a \$3.8 M grant to move ahead with REDD+ readiness. To assist in the REDD+ readiness process, the Bank signed a Country Participation Agreement with the DR in June 24, 2014. A revised version of the R-PP was finally submitted to the FCPF addressing comments and suggestions after which a "completeness check" was issued by the FCPF in November 2014 (for a more detailed background on REDD+ and the FCPF's policies and procedures see Annex XI. The approved R-PP document is included in Annex VIII).

The proposed grant would support the DR's sectoral policies and programs through the development of REDD+ actions, which are conducive to the adoption of land use practices improve resilience to climate change, and mitigate greenhouse emission. As line Ministry, MENR, within the framework of the National Development Strategy, will propose options to address, not only drivers of deforestation and forest degradation, but the underlying causes that limit restoration efforts in critical rural landscapes with severe loss of biodiversity, and soil cover and fertility. An indicative list of strategic options for an ENA-REDD+ has been elaborated in the R-PP (see Annex X) and will serve as the basis for further dialogue on REDD+ options. The final selection of strategic options and the eventual formulation of the ENA- REDD+ will require further analytical work, consensus building, prioritization and operationalization during the Grant implementation period.

#### **Relationship to CAS**

The Project is aligned with the World Bank Group Country Partnership Strategy (CPS) FY2015-2018 for the DR (Report 89551-DO), discussed by the Executive Directors in September 2014, which supports the country's development priorities as established in the National Development Strategy 2010-2030. The WBG's overall strategic goal is to provide support to the Government's efforts to achieve sustainable and more inclusive growth. Bank support is focused around five strategic result areas: i) improving the investment climate and fostering private sector development; ii) improving access to efficient and reliable electricity networks, ICT and other infrastructure; iii) supporting the government in building resilience to external shocks; iv) promoting equitable, efficient, transparent and sustainable management of public resources; and v)

strengthening social services delivery. The objectives of the proposed FCPF project are closely aligned specifically with the third and fourth results area (supporting the government in building resilience to external shocks, and promoting equitable, efficient, transparent and sustainable management of public resources), which is consistent with the DR's development goals of sustainably managing the environment and adapting to climate change.

Given the country's geographic location, Bank support to the DR has included, and continues to include, knowledge and convening services related to disaster risk management planning. The CPS recognizes that the country's high vulnerability to economic and climate related shock is a limiting factor of progress towards shared prosperity. The proposed FCPF project would aim to contribute support to decrease vulnerability to climate change through its technical, analytical and financial assistance.

## **II. Proposed Development Objective(s)**

### **Proposed Development Objective(s)**

The Project Development Objective (PDO) is to assist the Dominican Republic in the implementation key readiness activities to develop a national REDD+ strategy.

### **Key Results**

The main results expected at project closure are presented below. A Results Framework and Monitoring strategy containing outcome and output indicators by component and project calendar is also included in Annex IV.

- a) A cross-sectoral government coordination body (Comité Directivo) and a multi-stakeholder participatory platform (Comité Técnico Asesor) for the management of REDD+ have been established and are under regular operation;
- b) A broad national consultation and participation strategy that mainstreams gender elements, and includes a Grievance Redress Mechanism for REDD+ has been designed and is under operation;
- c) A National REDD+ Strategy (ENA- REDD+) has been designed with the support of a broad stakeholder participation;
- d) A Strategic Environmental and Social Assessment (SESA) has been carried out, and informed the preparation of an Environmental and Social Management Framework (ESMF), as the country's main safeguards instrument for REDD+;
- e) The capacity and progress to establish a National Forest Reference Emission Level and/or a Forest Reference Level has been improved;
- f) The capacity and progress to develop a National Forest Monitoring System (NFMS) for the Measurement, Reporting, and Verification (MRV) of Green House Gases (GHG) emissions reductions and non-carbon impacts from REDD+ activities has been improved.

These results encompass the main elements needed by the DR to develop the country's "Readiness Package" (R-Package) under the FCPF, and provide the foundation for the country's participation in any future REDD+ mechanism under the United Nations Framework Convention on Climate Change (UNFCCC) that the DR may consider.

## **III. Preliminary Description**

### **Concept Description**

The Readiness Preparation Proposal (R-PP) of the DR identifies a broad set of activities aimed at strengthening the technical and institutional capacities for the Government to participate in a future REDD+ mechanism. The financial envelope for these activities is estimated at US\$5.077 million. The activities to be financed by the FCPF Preparation Grant were selected jointly with the Ministry of Environment and Natural Resources (MENR), and in coordination with other donors, considering the following criteria: (i) activities needed to strengthen the immediate institutional capacity of MENR to conduct participatory and consultation processes for REDD+; (ii) fundamental readiness activities for which the GoDR had specific financial needs, not covered by other sources of funding; (iii) a discrete set of activities that would generate a specific outcome (with no- or minimal parallel-financing that could jeopardize the achievement of the project objective); and (iv) activities that complemented those of other sources of funding and the government, and that could serve to strengthen the achievement of the project objective.

The FCPF implementation grant contemplates the following five component (a detailed description of activities under each component is included in Annex III):

Component 1: REDD+ Readiness Organization and Consultation (US\$708,000.00). This component will assist MENR to: (i) establish and operate a multi-sector, multi-stakeholder consultative platform for climate change and REDD+; (ii) design and operate a national communications and dissemination strategy for REDD+; and (iii) design and implement a consultation and participation strategy for REDD+ that includes a citizen feedback mechanism (i.e. Grievance Redress Mechanism; GRM).

Component 2: National REDD+ Strategy (ENA- REDD+)(US\$1,180,000.00). This component will assist MENR to: (i) identify and analyze the main direct and indirect cause of deforestation and degradation; (ii) identify effective REDD+ strategy options; (iii) design a implementation framework for REDD+; and (iv) assess possible social/ environmental impacts associated to the REDD+ strategic options (i.e. SESA) and develop risk management instruments (e.g. ESMF).

Component 3: National Forest Reference/Emission Level (US\$320,000.00). This component will assist MENR to identify a national Reference Emissions Level, and/or Reference Level (REL/RL) for the forest sector.

Component 4: National Forest and Safeguards Monitoring Systems (NFMS) (US\$1,150,000.00). This component will assist MENR and other government agencies to design and operate: (i) a national forest monitoring systems; and (ii) a national information system for multiple benefits, other impacts, safeguards and governance.

Component 5. Monitoring and Evaluation Framework and Grant Administration (US\$442,000.00). To establish and operate a technical/administrative implementation unit in MENR to be in charge of coordinating and executing the technical and fiduciary activities of the readiness phase, including a monitoring and evaluation framework for the Preparation Grant and other REDD+ readiness institutional efforts.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36	x		
Pest Management OP 4.09			x
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

## V. Financing (in USD Million)

Total Project Cost:	3.80	Total Bank Financing:	0.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			0.00
Readiness Fund of the Forest Carbon Partnership Facility			3.80
Total			3.80

## VI. Contact point

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