



Programming Committee

For information

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To: The Programming Committee of Management
From: The Secretary
Subject: Regional. PDF-B Integrated ecosystem management of the Gulf of Fonseca (RS-X1015). Technical cooperation profile

Inquiries to: Ms. Michele Lemay (extension 1838)

TECHNICAL COOPERATION PROFILE

REGIONAL

MARCH 18, 2005

I. BASIC PROJECT DATA

Project name:	PDF-B Integrated Ecosystem Management of the Gulf of Fonseca		
Project number:	RS-X1015		
Country team:	Leader: Michèle Lemay (RE2/EN2); Henrik Franklin (RE2/EN2); Sybille Nuenninghoff, Hernan Romero (COF/CES); Edwin Mateo Molina (COF/CHO); Jaime Cofre (COF/CNI).		
Date of Request:	July 7, 2004		
Beneficiaries:	Governments of El Salvador, Honduras and Nicaragua, coastal communities including artisanal fishers and small producers of the Gulf of Fonseca		
Executing agency:	Inter-American Development Bank		
Financing plan:	IDB (GEF) PDF-B:	US\$600,000	
	Local:	US\$ 90,000	
	Total:	US\$690,000	
Technical and Basic Responsibility:	Environment and Natural Resources Management Division of Region II, Washington D.C.		
Tentative dates:	Profile:	March 2005	
	Plan of Operations:	March 2005	

II. BACKGROUND

- 2.1 The Gulf of Fonseca is one of the most important features of Central America's Pacific Coast, both in terms of the ecological functions it performs and its biological diversity. Bordered by 409 km of coastline, the Gulf encompasses approximately 3,200 km² of marine and inter-tidal waters shared, from north to south, by El Salvador, Honduras and Nicaragua. Ringed by a complex of estuaries, mangroves, lagoons and salt flats, the Gulf of Fonseca has historically supported one of the most productive artisanal fisheries in the region and currently accounts for a significant proportion of Central America's farmed shrimp production. It also functions as critical nursery habitat for marine species of the Tropical Eastern Pacific region. Along with the Gulf of Honduras on the Atlantic coast, the Gulf of Fonseca is one of only two trinational maritime bodies in Central America and, as such, requires particularly close international coordination to maintain the integrity of the ecosystem.

- 2.2 The physical, ecological and social conditions of the Gulf have set the stage for perceived and actual conflicts over resource use that are both local and tri-national in scale. Drastic reductions in forest cover in the last decades, both in mangrove areas and in upstream watersheds have led to increased sedimentation of coastal lagoons and estuaries. Accelerated sedimentation, including during extreme weather events such as Hurricane Mitch, has also resulted in changes in the hydrology of the Gulf. In addition to direct removal of mangroves, shrimp farm construction and operation has also altered the hydrology of coastal waters, particularly highly productive seasonal lagoons that are critical to migratory birds and are traditionally harvested by artisanal fishers. Widespread use of agrochemicals combined with effluent discharges from shrimp ponds have contributed to the eutrophication of coastal waters as well as increased frequency of harmful algal blooms. Operational spills from the port of San Lorenzo (Honduras) and from projected increases in maritime traffic as a result of a US\$120 million investment for Port Cutuco (El Salvador) are of increasing concern as sources of marine pollution.
- 2.3 The Gulf has experienced severe declines in fisheries resources, most likely as a combined result of habitat degradation and overharvesting due to excess capacity in the artisanal fleet. Depleted stocks have affected some of the poorest segments of the population in all three countries and have contributed to persistent heated conflicts between artisanal fishers in all three countries and other users, particularly the shrimp farming industry.
- 2.4 In the early 1990's, the Central American Commission on Environment and Development (CCAD) began promoting an environmental initiative for the Gulf of Fonseca. In 1999, a pioneering project entitled "*Coastal Ecosystem Conservation in the Gulf of Fonseca*" (PROGOLFO) was approved with financing from the Danish Government through its Danish Agency for International Development (DANIDA) and with a regional coordination structure bringing together the Ministries of Environment of all three countries. PROGOLFO also produced a comprehensive regional strategy for integrated management of coastal and marine resources of the Gulf of Fonseca, the contents of which have formed the basis for a proposal for a Full-Sized Project (FSP) to be financed through the Global Environment Facility (GEF).
- 2.5 The overall objective of the FSP would be to prevent the degradation and maintain the ecosystem integrity of the Gulf of Fonseca through an integrated approach to managing its land and water resources and promoting their sustainable use. To this end, the FSP would support the following four components: (a) institutional strengthening for integrated ecosystem management; (b) coastal and marine ecosystem management; (c) management of tributary watersheds for pollution control and prevention; and (d) support for the generation of regional environmental goods and services.

III. OBJECTIVE

- 3.1 The objective of this technical cooperation is to prepare a GEF project (FSP) aimed at prevent the degradation and maintain the ecosystem integrity of the Gulf of Fonseca

through an integrated approach to managing its resources and promoting their sustainable use.

IV. ACTIVITIES

- 4.1 The technical cooperation will finance the contracting of consulting services to design the GEF FSP and to carry out the analyses required for its approval. The activities have been organized as follows:
- 4.2 **Transboundary diagnostic analysis (TDA):** The objective of the TDA will be to validate and assess the threats as well as sources of stress on different parts of the Gulf of Fonseca system, including those associated with land-based sources of pollution, depletion of fisheries stocks and habitat loss. The existing information will be used to prioritize the environmental and socio-economic problems and understand the transboundary character of these problems. Special emphasis will be placed on documenting the linkages between the Gulf, its physical functioning, and tributary watersheds. The socio-economic information to be assessed will include issues related to resource use conflicts to assist in the design of conflict management measures (particularly at the regional level) and incentives for integrated ecosystem management.
- 4.3 **Legal and Institutional Assessment:** A legal and institutional assessment of the existing national frameworks will undertaken as a basis for recommendations on how the Full GEF Project can strengthen existing frameworks and/or support the development of alternative regional coordination mechanisms for integrated ecosystem management. This will encompass a review of the capacity and needs of most relevant institutions that should participate in the regional cooperative framework and be involved in the Full-Sized GEF Project as well as an evaluation of compliance with existing laws and regulations. The assessment will be complemented by an in-depth 'mapping' of local and civil society organizations involved in conservation efforts across the project area. The institutional assessment will also include an analysis of the long-term financial needs and potential mechanisms for sustainable financing. Finally, the assessment would identify and recommend institutional arrangements for executing the FSP.
- 4.4 **Stakeholder consultations and outreach:** An Advisory Committee will be established to accompany project preparation and ensure adequate representation of key stakeholders. The Advisory Committee will be convened on a regular basis during four subsequent regional workshops (one in each country and a final closing workshop). In addition to these formal regional consultations, the technical cooperation will finance focus group meetings to promote regional interchanges between local governments, fishers associations and other stakeholders. The purpose of these focus group meetings will be to develop in participatory manner proposals for reinforcing regional networks for conservation and sustainable use of the Gulf. Finally, the technical cooperation will finance the

set up and maintenance of a project web site to help keep the public at large informed of progress in developing the FSP.

- 4.5 **Project Design and Formulation of the Full GEF Project:** Resources from the PDF Block B will be used to mobilize the multi-disciplinary team of experts required to design the four components of the project. In addition to the activities described above, the design process will include a complete analysis of baseline vs. incremental cost activities, an analysis of lessons learned from other IW projects, an in-depth inventory of capacity building needs, equipment needs, and identification possible pilot activities as well as the design of the monitoring and evaluation system. Process, stress reduction and environment status indicators will be selected and agreed upon with all three participating countries. Close coordination and regular consultations with other donors will be ensured.

V. COST AND FINANCING

- 5.1 The estimated budget of the technical cooperation is US\$690,000, of which US\$600,000 would be financed by a PDF Block B grant from the GEF and US\$90,000 would be financed by local counterpart contributions in kind to be provided by the three countries. Table 1 provides a summary of the budget by component.

ACTIVITIES	In US\$		
	GEF	LOCAL	TOTAL
Transboundary diagnostic analysis	215,000	20,000	235,000
Legal and institutional assessment	100,000	10,000	110,000
Stakeholder participation and outreach	75,000	40,000	115,000
Full GEF project design	200,000	20,000	220,000
External evaluation	10,000		10,000
TOTAL	600,000	90,000	690,000

VI. BANK STRATEGY

- 6.1 The technical cooperation supports the Bank's core mandate for regional integration in Central America. In July 2003, the Ministers of Environment of El Salvador, Honduras and Nicaragua signed a Memorandum of Understanding for the Mesoamerican Sustainable Development Initiative (IMDS) of the Plan Puebla-Panamá (PPP) and a regional initiative supported by the Bank. A priority of the IMDS is to promote sustainable development programs in transboundary areas. At the Second Technical Meeting of the IMDS in Managua, Nicaragua in September 2004, the Gulf of Fonseca was selected as a priority area. The IDB has received a formal joint request from the three governments to proceed with the development of a regional project for the environmental protection of the Gulf of Fonseca for possible considerable for GEF financing.

VII. EXECUTING AGENCY AND EXECUTION ARRANGEMENTS

- 7.1 The IDB will be responsible for the administration of the GEF PDF Block B grant. Basic and technical responsibility will rest with the Environment and Natural Resources Management Division of Region II at IDB Headquarters in Washington D.C., in close collaboration with the IDB's Country Offices in El Salvador, Honduras and Nicaragua. The execution period for the technical cooperation will be 12 months and the disbursement period will be 18 months from the approval of the operation by the Bank.
- 7.2 Options for the execution of the FSP will be identified and selected with the close participation of the Ministries of Environment of the governments of El Salvador, Honduras and Nicaragua. An ad hoc Advisory Committee will be established to participate in the workshops to be held during project preparation, to review progress, discuss and agree on proposals for the FSP.

VIII. ACTION PLAN

- 8.1 The operation has been presented for inclusion in the official GEF pipeline and is expected to receive clearance. Following its inclusion, a Plan of Operations will be prepared for approval by the Bank in March 2005.

IX. ENVIRONMENTAL AND SOCIAL IMPACTS AND SPECIAL CONSIDERATIONS

- 9.1 The technical cooperation is expected to have a positive environmental and social impact associated with: (a) enhanced regional technical capacity and coordination for environmental management of the Gulf; (b) identification and validation of priority sources of pollution and sustainable mechanisms for pollution prevention and control; (c) improved mechanisms for managing and resolving conflicts over resource use, particularly artisanal fisheries and shrimp aquaculture.
- 9.2 The technical cooperation will not result in foreseeable adverse environmental or social impact due to the nature and scale of the activities to be financed by the GEF grant.