Project Implementation Report (PIR)
FY 2022
GEF - IDB
PIR # 3
IMPORTANT: The reporting period is GEF Fiscal Year (July 1st, 2021, to June 30th, 2022)

PROJECT GENERAL INFORMATION

Project Name	Water Funds: A Conservation/Climate Resilient Model for Stressed Watersheds in Latin America and the Caribbean				
Project's GEF ID	10048	**Project's IDB ID:**	RG-T3177	**Overall Stage:**	Disbursing (from eligibility until all operations are closed)
Country/ies	Regional: Argentina, Brazil, Chile, Colombia, Guatemala				
GEF Focal Area	Biodiversity, International Waters				
Executing Agency	THE NATURE CONSERVANCY				
Project Finance	GEF Trust Fund	$1,826,484			
	Co-finance at CEO Endors./Approv.	$8,114,951			
	TOTAL Project Cost (GEF Grant + co-finance)	$9,941,435			
Disbursements	GEF Grant disbursed as of end of previous fiscal year	$382,184			
	GEF Grant disbursed as of end of this fiscal year	$519,850			
Project Dates	Agency Approval Date	10/04/2018			
	Effectiveness (Start) Date	3/29/2019			
	First Disbursement Date	7/9/2020			
	Expected Completion Date (in Convergence: OED)	9/29/2022			
	Current Closing Date (in Convergence: CED)	9/29/2023			
	Expected Financial Closure Date (in Convergence: EOC)	12/28/2023			
	Actual Date of Closure (in Convergence: CO)				
Project Evaluation	Mid-term Date (Planned)	12/29/2021			
	Mid-term Date (Actual)	2/1/2022			
	Terminal evaluation Date (Planned)	3/29/2023			
	Terminal evaluation Date (Actual)				

Development Objective

The objective of this project (TC) is to consolidate and expand the Water Funds (WF) model throughout LAC. The four specific objectives of this TC are: (i) to improve and consolidate existing Funds; (ii) to expand the WF model to additional urban watersheds affected by water stress; (iii) to promote policy change and an enabling regulatory environment (national and/or local) to unlock public and private funding for land/water conservation activities; and (iv) to systematize the model's methodology through knowledge, capacity building and dissemination tools and platforms. With these resources, five WFs will be created/strengthened to protect upper watershed biodiversity and improve the water security of 14 million people in five major LAC cities by connecting water users in urban areas with upper watershed land stewards.

Development Objective Rating (DO) & Assessment	PREVIOUS RATING	NEW RATING
The project was rated as Marginally Unsatisfactory (MU) as performance of the project is progressing with most components delayed and not in substantial compliance with the plan. Severe delays related with the COVID-19 pandemic were identified, affecting activities related with on the ground interventions, such as, the implementation of restoration techniques and data collection on site, mainly due to the fact of access restrictions in host countries. For these reasons, a 12-months extension of the project execution period was processed and approved by IDB, in order to comply with the project's objectives. The current disbursement expiration date is September 2023.	MU	**MU**

Project Status Update

The project implementation is ongoing. Despite COVID-19 pandemic related delays, the implementation of ecosystem-based adaptation strategies (known as EbA) was satisfactorily executed on the ground in the countries we work. Said delays were mostly related to access restrictions in many places that did not allow consultants to travel and implement the interventions on-site (for example, restoration programs and agreements with farmers). For these reasons, a 12-months extension of the project execution period was internally required in March 2022 and approved by the IDB. The current disbursement expiration date is September 2023.

For technical and quality minimum criteria, Cali Water Fund was deleted from the original project structure. As a replacement, a call for proposals for the development of feasibility studies of 2 new water funds were called. The decision was made considering the methodology agreed by the Latin American Water Funds Partnership, named as "Desire State", which indicates best practices for water funds creation and operation.

Implementation Progress

Implementation Progress Rating (IP) & Assessment	PREVIOUS RATING	NEW RATING
For fiscal year 2022, the project's implementation progress was rated as Marginally Unsatisfactory (MU) due to significant delays in its execution as explained below: 1. The TC was approved in October 2018. There was a delay in fulfilling the eligibility conditions, mainly agreeing on the Operations Manual of the TC which includes the execution process between The Nature Conservancy (TNC) as executing agency, and the Bank. The eligibility was declared in September 2019 and the project started its execution.	MU	**MU**

2. The COVID-19 crisis has continued and has led to severe restrictions and cumulative delays in project implementation. Due to seasonal weather restrictions and quarantine in most of the LAC countries, restoration activities have continued to be delayed due to limitations on staff mobility and access to certain sites. Meetings, workshops, and field visits (e.g., partners engagement and technical support) are still being adapted to reach the best results under the scenario of social isolation. The following considerations have been implemented in all contracts' terms of reference due to pandemic restrictions: 1. Communication between each Fund and the consulting company that is contracted are being held by telephone, e-mail, or teleconference. 2. The exchange of information is being done by email or telematic download. The meetings are held virtually. In cases where a face-to-face meeting is necessary, the protocol adopted by each Water Fund to access its facilities must be strictly followed and, in its absence, all the measures provided by the health authorities (use of masks) must be observed, distance, etc.). 3. The Guatemala WF is experiencing governance and financial sustainability shortcomings that need to be addressed before continuing to move forward in the WF model, which has led to delays in compliance with the plan. 4. In the case of Mendoza, it has been agreed that pilot demonstration projects will not begin until the strategic plan is developed and the WF is legally established, to ensure sustainability of actions, and based on previous experience with other WFs. This WF will achieve its legal creation in Q2 of 2022 and interventions could begin. 5. The initial analysis of the Cali WF and the conclusion of its creation not being feasible, has also led to delays in implementation as a decision had to be made for supporting a new WF.		

Project Risks

Risk Rating (RISK) & Assessment	Previous Rating	New Rating
For fiscal year 2022, the project's risk was still rated as Modest Risk (M). Implementation of on the ground activities started in water funds with co-funding activities (Santiago, Guatemala, Mendoza, Curitiba, Bogota). Some delays were identified in relation with the decision to stop works in the Cali Water Fund and transfer it to Bogota Water Fund and the call for new proposals. The rationale behind this change was that the Cali Water Fund was not following best practices for Water Funds Creation and the Operation established mechanism. Moreover, delays linked with COVID-19 pandemic and access restrictions in the countries had an important effect in the ability to execute interventions on the field and in the coordination with local partners that support the work in the Water Funds, such as farmers and agencies. In addition, in order to improve the quality and adequacy of products, the technical revision process that IDB makes of the Terms of References for the activities and sub-agreements between the Executing Agency and other organizations were more carefully processed.	M	**M**

Stakeholder Engagement

Regarding engagement of stakeholders, the early incorporation of the WF staff allows their participation in the process of generating technical documents that the fund will use for it day to day management. Moreover, the role local stakeholders play as champions or part of the "promoting group" is necessary in the early phases of the water fund creation, but it should translate into commitments and an active involvement in the Water Funds.
Moreover, the participation of water utilities is important, as well as other large water users identified as key stakeholders. The legal structure of Water Funds had to allow public and private participation and contribution to the Fund.

Recommendation:
Enhance stakeholder engagement and maintain it through all project-cycle stages as it is key for project success.

Gender

Even though there are no specific gender indicators for this Technical Cooperation, we frequently report on number of direct beneficiaries disaggregated by gender as co-benefit of GEF investments. As example, in 2021 reporting period, 2,277 were female and 2,293 were male.

Recommendation:
Future TCs will have specific gender-related indicators. In addition, diversity-related indicators can be included if issues are identified as applicable. For example, regarding safe water access for vulnerable communities.

Knowledge

Communication has shown to be key from design to maturity phases. The investment in communication activities and support given from the Executing Agency has obtained results such as the positioning of the fund and engagement of stakeholders.

Recommendation:
Continue developing and enhancing communication efforts as part of knowledge management good practices.

Lessons Learned / Best Practices

Lessons from the Mid-term review

Technical documents. Although the standardization of documents is a good parameter for the review and analysis of the studies carried out, WFs internalizing products and making them part of their day-to-day activities should be the expected outcome. It should be considered that in some cases, more than one stakeholder will use the documents. For this reason, it is suggested that formats be adjusted, and contents be developed considering the audience. Santiago WF is an excellent example did for the Strategic Plan.

Strategic Communication. Communication has shown to be key from design to maturity phases. The investment in communication activities and support given from the EA has obtained results such as the positioning of the fund and engagement of stakeholders.
Involvement of key personnel. The early incorporation of the WF staff allows their participation in the process of generating technical documents that the fund will use for it day to day management.

Local Stakeholder engagement. The role local stakeholders play as champions or part of the "*grupo promotor*" is necessary in the early phases, but it should translate into commitments and an active involvement in the WF.

Participation of large water users. The participation of water utilities is important, as well as other large water user. The legal structure had to allow public and private participation and contribution to the Fund.

Country Offices. The technical support of the local teams of the EA has shown to be an adequate way to manage the TC and address local issues as part of the implementation. Channeling this to a regional scale and to lessons learned process requires improvement.

Technical Cooperation. Technical cooperation is important to advance the WF initiative and strengthen the different phases of a WF. Success of the cooperation depends on the capacity to identify necessities and address them according to the local context.

Lessons Learned. All WF processes generate lessons learned and best practices that should be systematized as well as analyzed to study their applicability for new Funds. This requires a close interaction of the person conducting the studies with the technical staff of the EA, and possibility to exchange information with other experiences. The Latin American Water Funds Partnership (LAWFP) would play an important role in publishing the reflections and findings around the development of WF to support not only the WF that are part of the Alliance, but to other initiatives that are emerging in the region.

Monitoring and Evaluation. An adequate M&E is key for the presentation of results obtained from the TC. M&E is also useful for decision making, but ultimately to demonstrate impact. The impact assessment on water security and the specific contribution on the WF should be monitored to generate information that allows benchmarking between funds and as a mark of regional improvement in terms of water security.

Demonstrative projects. For a new WF, the possibility to implement field activities is a great opportunity to gain credibility among stakeholders and the public. For created WFs, interventions would be highly improved with pilots that generate lessons learned and promote an adaptative management of the Fund. Also, in previous phases pilots can encourage stakeholder to join the initiative. In either case, is important to define the objectives of this demonstrative projects previously, the impact this would have in the creation of sustainable WFs, and how this aligns to the Desired State (DS).

Water Funds (WF) sustainability. The objective of the TC is to complement the necessary resources to make WFs sustainable. This requires a deep analysis of each Fund and the establishment of objective criteria to evaluate the path to sustainability. The sustainability of a WF should be seen from different approaches: financial, technical, institutional, social. It is important to align the TC to reach this goal and demonstrate to the end of the TC.

The mid-term review found that all the WFs are concerned about their financial sustainability. The recommendation is to develop a periodical analysis to evaluate the financial information of the WF. Criteria should include periodicity of the contributions, sources of incomes, financial gaps, among other.

From an institutional perspective, the sustainability of a WF depends on a solid legal framework, an adequate administrative structure, clear objectives and procedures, and a transparent monitoring and accountability system. Each Fund has his own specific operation scheme. The EA should analyze these different schemes in order to comprehend possible limitations that could affect the sustainability of the WF. From a socioeconomic perspective, a sustainable Fund require a strong sense of ownership on the part of all active stakeholders, ample participation of large water user, both private and public entities, and public awareness and understanding of the need for watershed protection, as well as the role that nature has in water. The documents generated at the feasibility and design phases made deep analysis and identification of key players (map of actors). The management of key stakeholders must be done continuously and permanently. The commitment of the local stakeholder is indispensable for WF sustainability.

Successes

EXPO Agua Santiago 2021 Participation and Event development (Santiago WF)

The Latin American Waterfunds Partnership, as well as the *Santiago-Maipo* Water Fund were invited to be partners of the Expo Agua Santiago 2021 to provide content and relevant speakers for the Congress. The event was designed to be a for a to discuss the most relevant water security challenges the country faces and showcase international experiences and lessons learnt. Among the participants that the LAWFP was able to invite were the Santiago Maipo´s President of the Board and the Executive Director; a group of specialists from TNC that shared experiences about water governance, challenges, and opportunities for new water sources, in particular groundwater, climate change, ecosystem management and nature-based solutions. Representatives from other Water Funds like Quito or private companies working with Water Funds, like ABI, also attended the workshop. The invitation to join as partners, confirms the Water Funds and the Latin American Water Funds Partnership are increasingly being recognized as relevant stakeholders in the discussions about water security.

Creation of networks in Guatemala

With the support of GEF, the "*Sembrando agua*" network is currently being implemented, which aims to promote the conservation and improvement of dispersed urban forests in the Metropolitan Region of Guatemala. Due to their coverage, these forests have an enormous potential to support the infiltration and natural groundwater recharge. The network has the document to formalize its creation, operation, and implementation. Currently, 263 hectares have been registered in "*Sembrando agua"* network*,* the polygons will be displayed on the "V*erde+gua"* platform, a geo portal to visualize the protection and conservation actions promoted by companies and private owners in the Metropolitan Region of Guatemala.

Launching of the Santiago Water Fund

The Santiago-Maipo Water Fund was launched on October 15th, 2021, in Santiago de Chile during a press-conference led by the Mayor of Santiago, TNC and IDB, both partners of the Latin American Water Funds Partnership. This Water Fund has the commitment of the Association of Rural Municipalities (AMUR), *Aguas Andinas*, Nestlé, the NGO Adapt Chile, Anglo American, National Federation of Health Services Cooperatives (FESAN) and the Confederation of *Canalistas de Chile*. There are also some collaborative projects that add to this effort with CONAF, the *Cultiva* Foundation and Coca-Cola from Chile.

With an area exceeding 15 thousand square kilometers, the *Maipo* River basin supplies water to more than one third of the Chilean population, a resource that is also used for different productive activities. Today there are threats to water security in the region due to various problems associated with inefficient use and the effects of climate change. For example, rainfall has decreased by 30% in the last 20 years, so - together with the retreat of some glaciers - a 40% reduction in its flow is projected for the year 2050. All this makes it necessary to create an initiative such as the Water Fund which seeks to protect and guarantee water for the region.

Guatemala Demonstrative Project was completed

By the end of year 2021, the Water for the Planet project (PepsiCo) implemented forest conservation and restoration actions on a total of 384 hectares (13.2 ha of reforestation and 370.87 ha of conservation). Of this total, 154 hectares were maintenance from previous years and 230 hectares were newly implemented on year 2021.These areas are in priority zones for water recharge in the Guatemalan Metropolitan Region (GMR). This project generated direct benefits for a total of 2,246 people during the year 2021 and a cumulative total of 4,744 direct beneficiaries throughout the life of the project.

The Mendoza River Water Fund was officially launched

On May 6, 2022, the Mendoza River Water Fund was officially launched. This event was attended by local authorities, including the Governor of the Province of Mendoza, Rodolfo Suarez. The event served as a framework for the signing of the consortium agreement that gives legal life to the Water Fund, in which relevant actors and members of the Champion Group, such as the General Department of Irrigation, Secretary of the Environment, *Aguas Mendocinas, Cervecería* and *Maltería Quilmes* and Danone Argentina. The event was attended by more than 60 guests from the productive sector, academia, and the media. It is an important milestone that closes the Design and Creation Phases, and starts Operation phase, in which work will be carried out on several fronts: implementation of Nature-based Solutions projects (some of them began in 2021), management of new partners and resources, strategic alliances to promote new projects and communication campaigns to improve awareness in the use of water.

A new initiative of Water Fund was initiated by third parties in Colombia at the end of 2021

Colombia will have a new Water Fund in Villavicencio (600,000 pop) and Acacias (75,000 pop). These two cities are the entry point of *Llanos Orientales*, the largest savanna in eastern Colombia. The Water Fund will focus initially on watersheds of *Guatiquía, Negro, Guayuriba, Acacias – Pajure, Guamal* and *Alto Ariari*. These basins provide water for human consumption, agriculture irrigation (sugar cane, palm tree, rice), grasses for ranching and industrial activities. The Water Fund completed the feasibility phase in December 2021, where a Memorandum of Understanding was signed by 16 organizations to formalize the Water Fund`s Champion Group creation and to commit the support of Design and Creation phases.

Challenges

Curitiba Water Fund Demonstrative Project Implementation

Due to the drought faced since 2019 in southern Brazil, and especially state of Paraná, and the COVID-19 pandemic, which was intensified in the middle of the second semester of 2021, the implementation of restoration activities in Curitiba Metropolitan Region was postponed by partners to 2022. Nevertheless, we had the launch of an open call for payment for ecosystem services program in late November 2021, that would be open for subscriptions until end of January 2022 and agreements with farmers will occur until June 2022. This initiative has the potential to achieve up to 228 ha of forests and 85 families located in priority areas for water security in *Miringuava* watershed. Also, in *Piraquara* watershed, another priority water source for Curitiba Metro region, forest protection occurred in 202 ha, with direct benefits for 8 families in the *Manantial Vivo* Pogram. We are working to expand activities to other watersheds.

Project Results Framework Modifications

Category	Fiscal Year	YES NO	APPROVED BY	DESCRIPTION OF CHANGE AND EXPLANATION
Outcome	2020	YES	IDB	Update Baseline and/or Baseline Year (when there was a previous value): Values were adjusted for 2020. The Baseline was updated from 0 to 1, including Guatemala City
	2021	NO	IDB	NONE
	2022	NO	IDB	NONE
Output/Activities	2020	NO	IDB	NONE
	2021	NO	IDB	NONE
	2022	NO	IDB	NONE

Project Extension or Other Modifications

A 12-months extension of the project execution period was processed and approved by the IDB in March 2022. It was necessary to comply with the project's objectives. The current disbursement expiration date is September 29, 2023. No other project modifications were processed during the period 2021-2022.

ANNEX 1. DEFINITION OF RATINGS

Development Objective Ratings

1. Highly Satisfactory (HS): Project is expected to achieve or exceed all its major global environmental objectives, and yield substantial global environmental benefits, without major shortcomings. The project can be presented as "good practice".
2. Satisfactory (S): Project is expected to achieve most of its major global environmental objectives, and yield satisfactory global environmental benefits, with only minor shortcomings.
3. Marginally Satisfactory (MS): Project is expected to achieve most of its major relevant objectives but with either significant shortcomings or modest overall relevance. Project is expected not to achieve some of its major global environmental objectives or yield some of the expected global environment benefits.
4. Marginally Unsatisfactory (MU): Project is expected to achieve some of its major global environmental objectives with major shortcomings or is expected to achieve only some of its major global environmental objectives.
5. Unsatisfactory (U): Project is expected not to achieve most of its major global environment objectives or to yield any satisfactory global environmental benefits.
6. Highly Unsatisfactory (HU): The project has failed to achieve, and is not expected to achieve, any of its major global environment objectives with no worthwhile benefits.

Implementation Progress Ratings

1. Highly Satisfactory (HS): Implementation of all components is in substantial compliance with the original/formally revised implementation plan for the project. The project can be presented as "good practice".
2. Satisfactory (S): Implementation of most components is in substantial compliance with the original/formally revised plan except for only a few that are subject to remedial action.
3. Marginally Satisfactory (MS): Implementation of some components is in substantial compliance with the original/formally revised plan with some components requiring remedial action.
4. Marginally Unsatisfactory (MU): Implementation of some components is not in substantial compliance with the original/formally revised plan with most components requiring remedial action.
5. Unsatisfactory (U): Implementation of most components is not in substantial compliance with the original/formally revised plan.
6. Highly Unsatisfactory (HU): Implementation of none of the components is in substantial compliance with the original/formally revised plan.

Risk ratings

Risk ratings will assess the overall risk of factors internal or external to the project which may affect implementation or prospects for achieving project objectives. Risks of projects should be rated on the following scale:

1. High Risk (H): There is a probability of greater than 75% that assumptions may fail to hold or materialize, and/or the project may face high risks.
2. Substantial Risk (S): There is a probability of between 51% and 75% that assumptions may fail to hold and/or the project may face substantial risks.
3. Modest Risk (M): There is a probability of between 26% and 50% that assumptions may fail to hold or materialize, and/ or the project may face only modest risks.
4. Low Risk (L): There is a probability of up to 25% that assumptions may fail to hold or materialize, and/ or the project may face only modest risks.