

<b>Project Information</b>			
<b>Project Title:</b>	Innovative Use of a Voluntary Payment for Environmental Services Incentive Program to Avoid and Reduce Greenhouse Gas Emissions and Enhance Carbon Stocks in the Highly Threatened Dry Chaco Forest Complex in Western Paraguay.		
<b>Country:</b>	Paraguay	<b>GEF ID:</b>	5668
<b>GEF Agency:</b>	Conservation International	<b>Duration in Months:</b>	85
<b>Executing Agency:</b>	World Wildlife Fund, Paraguay  Ministry of the Environment and Sustainable Development Guyra Paraguay	<b>Actual Implementation Start Date:</b>  Second phase with new executing agency start date:	05/15/2016  09/2020
<b>GEF Focal Area(s):</b>	Climate Change	<b>Expected Project Completion Date:</b>	06/30/2022
<b>GEF Grant Amount:</b>	USD 2,201,614	<b>Expected Financial Closure Date:</b>	12/31/2022
<b>Expected Co-financing:</b>	USD 2,117,460	<b>Date of Last Steering Committee Meeting:</b>	A project kick-off meeting was held on 01/10/2020  The next meeting is planned for June 2021
<b>Co-financing Realized as of December 2020:</b>	USD 1,108,500	<b>Mid-Term Review-Planned Date:</b>	07/01/2018
<b>Date of First Disbursement:</b>	05/15/2016	<b>Mid-Term Review-Actual Date:</b>	07/16/2018
<b>Cumulative disbursement as of December 2020:</b>	USD 1,487,126	<b>Terminal Evaluation-Planned Date:</b>	01/03/2022
<b>PIR Prepared by:</b>	Daniela Carrión	<b>Terminal Evaluation-Actual Date:</b>	TBD
<b>CI-GEF Project Manager:</b>	Daniela Carrión	<b>CI-GEF Finance Lead:</b>	Susana Escudero

## **SECTION I: PROJECT IMPLEMENTATION PROGRESS STATUS SUMMARY**

#### PRIOR PROJECT IMPLEMENTATION STATUS (FY20)

In the first three months of FY20, there was no success in certifying areas because of the lack of documentation needed to comply with the ESR requirements. Most of the issues are related to incomplete land tenure documents, and unclear and sometimes overlapping land rights and claims. The project team made efforts to complete the documentation and identify new areas with no success. Only one area of 2.923 hectares of forest out of the 38.061 hectares under review by MADES completed the certification process. In addition, no progress was made in the capacity building program, sustainable agriculture practices, and monitoring system because of poor coordination between the co-executing institutions and lack of areas identified either to implement agriculture practices or to monitor certified areas. One consultancy was completed and approved by MADES - Updating of the nominal values of the Environmental Services Certificates which was presented to key stakeholders in October and approved by MADES in November 2019. In October 2019, CI-GEF completed the last supervision visit during which jointly with the government, the Agency confirmed that no progress was made during the last year and that the project faces significant delays. Given the few results the project has achieved in the past three years of implementation, it was agreed that if no results were presented in the next two months, the Government and CI-GEF would adjust the project.

In December 2019, the Ministry of Environment of Paraguay (MADES) had a meeting with GEFSEC and CI-GEF during the Council meeting. MADES requested CI-GEF to end the grant agreement with the Executing Agency Guyra Paraguay and to start looking for a new Executing Agency to support the government in the adjustment of the project and extend the implementation period at least for one year.

In January 2020, MADES requested CI to change the EA to WWF-Paraguay. Since then, CI-GEF worked to close the grant agreement with Guyra as per the Agency policies and procedures. Also, the Agency worked with MADES and WWF-PY in officializing the new EA through written agreements between the institutions. Subsequently, WWF-PY and MADES worked in adjusting the results framework of the project (see annex I), FY21 workplan, budget, and institutional arrangements. The process to close the grant agreement with Guyra has been significantly delayed due to COVID 19 restrictions in Paraguay. The legal offices have been closed for the past four months, which made it difficult for Guyra to legalize the hand-over process of the vehicles and equipment purchased by the project.

#### CURRENT PROJECT IMPLEMENTATION STATUS (FY21 Mid-Year Update)

The CI-GEF Agency finalized the process to change the Executing Agency for the project. The project started working with WWF Paraguay as the new Executing Agency in close coordination with MADES. The FY21 workplan, budget and institutional arrangements were developed by WWF and approved by MADES and CI-GEF. The grant agreement between CI-GEF and WWF Paraguay was signed in September 2020 and the new Executing Agency started hiring the project team in line with the agreement with MADES as well as resuming activities from phase 1, starting those agreed with the government. The challenge was to continue working on the project while closing the agreement with Guyra Paraguay and managing the COVID-19 restrictions in the country. However, the EA has managed to resume activities and execute in line with the workplan although activities are executed slower due to the restrictions. Activities started execution in October 2020 (Q2 FY20). The close collaboration between WWF Paraguay and MADES as well as the good relationships between both institutions has made it possible to restart the project prioritizing actions for the next year. Below is a detail summary per project component.

**COMPONENT 1:** Establishment of a PES Incentive Scheme for Carbon for the Dry Chaco Forest Complex

**Outcome 1.1:** The existing environmental services regime (ESR) of Paraguay has met all enabling conditions needed to fully operate the natural forests modality.

**Output 1.1.1:** ESR assessment report identifies the enabling conditions needed to fully operate the natural forests modality.

The inter-institutional working group related to the ESR between the Paraguay Indigenous Institute (INDI in Spanish) and MADES was reactivated. INDI, through an official note, has designated focal points and roles for the coordination of the joint work. This working group is key to support the certification process of indigenous territories. As a result of this working group both institutions are working together to facilitate the certification process of indigenous communities, specifically in the FPIC process.

Regarding the assessment of requirements for joining the ESR mechanism, several meetings to analyze and propose changes to the Regulatory Decree of Law 3001/06 for current holders of environmental services certificates were held last year. As a result, a draft regulatory decree was sent to the certificate holders, requesting comments and inputs that they considered relevant for inclusion in the decree. These comments and inputs will be analyzed and included by the project Legal Advisor who was hired in March 2021. The first draft of the decree will be submitted for MADES Legal Department review by the end of May.

**Output 1.1.2:** Ministerial resolution drafted and submitted for approval by MADES with the updated requirements for the incorporation of indigenous peoples' territories into the Environmental Services Regime.

Regarding the legal framework the regulation with the requirements for indigenous peoples to join the ESR, was updated and approved by MADES. With the new regulation, the requirements are simplified, and indigenous communities can access the ESR easier acknowledging the role of these communities in the conservation of large forest areas; the link to access the website is the following:

<http://www.mades.gov.py/resoluciones/por-la-cual-se-establecen-los-requisitos-y-condiciones-para-que-las-comunidades-indigenas-puedan-adherirse-al-regimen-de-servicios-ambientales-en-el-marco-de-la-ley-no-3001-06-de-valoracion-y-retrib/>

At the same time the National Forestry Institute - INFONA, together with the INDI are preparing a document for exemption from payment of tax for registering of indigenous community forests into the ES Regime.

**Output 1.2.1:** Analysis of areas owned by private landowners and indigenous communities that are eligible for certification completed and presented to MADES.

With respect to the progress of the private and indigenous community properties that were already in the process of certification during the first phase of the project, the new EA assessed their potential for certification. It was decided to resume the certification process of 2 areas owned by indigenous communities with a proposed area to be certified of 21,000 hectares and 5 private land owned areas with a proposed area to be certified of approximately 3,900 hectares. Certification process has started with the open call for consultants. It is expected that the 7 areas are certified by the end of 2021. This will add to a total of 3.819 hectares certified during phase 1.

**COMPONENT 2:** Field assessments and monitoring mechanisms for the certification of areas

**Outcome 2.1.** Identification of priority areas relevant for certification in the Environmental Services Regime.

In this second phase, the project has advanced in the certification process of 2 areas owned by indigenous communities and 1 private owned area, which together result on approximately 21,500 hectares to be certified within the ESR. In addition to this, 7 properties with potential areas to be certified are in the feasibility analysis phase, 2 owned by indigenous communities and 4 private properties. Considering all the properties, the project expects to certify approximately 64,000 hectares under the ESR by the end of 2021.

**Outcome 2.1.** Identification of priority areas relevant for certification in the Environmental Services Regime.

**Output 2.1.1:** Priority areas to meet ESR certification requirements identified and assessed, including private landowners and indigenous peoples' territories.

Regarding the preliminary analysis of the requirements to enter the RSA, the project is proposing to update the monitoring and auditing procedures of the ESR system. The proposed updates to the methodology are being analyzed by MADES with the support of WWF.

**Outcome 2.2.** Monitoring scheme for natural forests modality in ESR updated and operational.

**Output 2.2.2:** Operational needs of the completed MADES monitoring plan.

The ESR monitoring system is being strengthened by the project. This is happening by: (1) purchasing the necessary equipment and donating it to MADES, (2) GIS training to 6 people from MADES, (3) training to 6 people in drone handling and specialized equipment for monitoring technicians.

### **COMPONENT 3:** Institutional strengthening and training

**Output 3.1.2:** Training for government institutions and key stakeholders conducted.

Regarding the capacity needs assessment, a course on Environmental Services was identified as a clear need. The development of this course is underway with the National University of Asuncion, who are developing the final proposal for approval of both WWF and MADES. In addition to this, in March 2021, the first training on ESR was held for judges and legal advisors of the MADES Legal Advisory Directorate, with the main objective of explaining the Law No. 3001/06 on Valuation and Remuneration of Environmental Services for correct implementation. Twenty-eight people participated in this training.

**Output 3.1.3:** Required equipment to operate ESR obtained

Strengthening the Environmental Services Department with required equipment has been completed. Approximately 85% of the required equipment for MADES has been purchased and donated to the government counterpart.

### ***Challenges***

- Effectiveness: sanitary restrictions because of COVID-19, including travel bans are a major challenge to communicate with indigenous communities and local groups interested in certifying their lands.
- Procurement processes: a key challenge is coordinating procurement processes with multiple institutions (DSA, DPE, WWF and CI). Although it is needed due to the multiple stakeholders involved, the process is time consuming and affects project timeframe.
- No audits have been performed to the project since the EA changed. M&E is advancing as planned in line with the CI GEF Agency guidelines.
- No additional co-financing has been mobilized in Phase 2.

### **ADDITIONAL QUALITATIVE (Mid-Year Update)**

FPIC process was conducted for new interested indigenous communities based on process established in phase 1.

In December 2020, an indigenous community specialist was hired to strengthen the MADES ESR team. In coordination with INDI, a FPIC process will take place in April 2021. It is important to mention that due to the sanitary restrictions of COVID-19, this and other activities may be delayed in the short term. However, the first consultation is planned to be held virtually, depending on the acceptance of the community leaders.

Regarding gender mainstreaming, three staff members of WWF are enrolled in the Strategic planning considering gender aspects course. These people will conduct internal capacity building sessions to the project team. Also, when working with the indigenous communities, the project will seek women representation.

The main challenge to stakeholder engagement is the sanitary measures and restrictions related to COVID-19 because it is not possible to hold face to face events and virtual meetings are difficult when working with indigenous communities. However, the project team is working to finalize the necessary documentation to carry out the field work once restrictions are lifted. Given the nature of the project, field work is required as part of the certification process, including the consultation process for stakeholders to understand the ESR.

Currently, Paraguay is facing a new wave of COVID and the health system has collapsed. This is why travel has been suspended and in person meetings reduced completely. Remote meetings are taking place. With indigenous people, the project is working with those that can connect remotely. For those that internet connection is not available the project is evaluating two options: 1. Hire a local expert able to work from the field and visit communities directly or 2. Purchase mobile equipment and send them to the communities to be able to continue the consultation process remotely. Almost all aspects can be solved remotely although not ideal, except for the verification process needed as part of the certification process.