

# Transboundary cooperation for the conservation, sustainable development and integrated management of the Pantanal - Upper Paraguay River Basin

**Review PIF and Make a recommendation**

## **Basic project information**

**GEF ID**

10554

**Countries**

Regional (Bolivia, Brazil, Paraguay)

**Project Name**

Transboundary cooperation for the conservation, sustainable development and integrated management of the Pantanal - Upper Paraguay River Basin

**Agencies**

IADB, UNEP

**Date received by PM**

3/23/2020

**Review completed by PM**

4/28/2020

**Program Manager**

Christian Severin

**Focal Area**

International Waters

**Project Type**

FSP

## PIF

### Part I – Project Information

#### Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): the proposed investment is aligned with the IW focal area, however it is not reflecting on the discussions that the agencies and GEFSEC had previously.

- 1) The STAR financing that was discussed does not seem to feature in this proposal. Please include.
- 2) The IFI loan financing that was discussed to be leveraged by the proposed investment, seem to be missing, please include.
- 3) The proposed split between the two GEF agencies, seems arbitrary and not justified. The split of GEF financing should be based on activities to be implemented and based on the agencies comparative advantages.
- 4) The proposed funding envelope needs to be lowered.

13th of April 2020 (cseverin): No, The originally discussed concept included STAR financing, we understand national priorities change. Even though STAR financing is not required in IW financed investments, it would have strengthened the signal of national buy in tho this investment. Secondly, the loan financing, as discussed, to get this proposal to facilitate substantial stress reduction operations to complement the TDA/SAP process is missing. Due to the missing loan operation, the suggested budget is too high. Finally, the arbitrary 50-50 split of resources between the two implementing agencies needs to be changed. GEF resources are to be split between implementing agencies based on cost of activities implemented.

Finally, please ENSURE to insert ALL review responses into the portal, attaching them in a seperate document is not the appropriate way to address comments. More detailed comments to all sections of the review, may be added, when agency responses to initial review will be included in the portal.

23rd of April 2020 (cseverin): Addressed, but with the note that these above issues are to be further worked at during PPG, especially looking into identifying loan financing or national investments to support the activities.

24th of April 2020 (cseverin): Please include country names under the Regional tag of the project in above intro page.

27th of April 2020 (cseverin): Addressed

## Agency Response

### Agency Response to April 6th comment:

1. The proposed PIF is the result of extensive consultations with countries both at technical and political levels including with foreign affair ministries and GEF focal points through bilateral meetings, a 3 day face to face workshop and several rounds of discussion over the past 9 months. Throughout this formulation/consultation process, countries indicated having already programmed their STAR resources especially those resources from BD and LD which are most relevant to the scope of the proposed project. While Brazil had originally committed USD 4M of BD/LD STAR resources in the project submitted in October 2018 this was a commitment from the previous administration and resources have since been re-programmed. We understood as well from the 11 February 2020 Task Force recommendation, that there was no longer a necessity for blending IW with STAR resources. We, therefore, trust that given the circumstances and the proposed focus on IWRM, the proposed project aligns fully with the IW focal area priorities and will bring a series of co-benefits to the BD and LD focal areas.

2. The proposed project will formulate an agreed Strategic Action Programme (SAP) for the trinational Pantanal. This strategic “multisector master plan” for the region will form the technical and political basis for future investments. Without a plan, it is, therefore, premature at this stage to anticipate the level of required investments.

Indeed, IFIs loan financing (sovereign warranty), subject to country’s request, need to be grounded in robust economic, technical, financial and socio-environmental analysis currently not available in the region. The proposed project will facilitate such process with the formulation of the SAP including a portfolio of potential blended financing options and prioritised bankable multisector investments tentatively estimated at USD 500 million. The IADB has the largest Water Sector related investment portfolio in LAC. It will ensure that the SAP includes a robust prioritised investment programme and support governments in aligning the forthcoming needed investments within national investment plans. The resulting prioritized investments can be funded by IADB blended with other financing sources, including other MDBs, bilateral cooperation or private sector investments. Further detailed technical-engineering and feasibility studies, which are expensive and out of the scope of the project, are typically funded by MDBs as part of loan preparation. A part of this process, IADB will support the process of establishing a Project Preparation Facility capitalising on in-house financing instruments such as IDB Invest, Natural Capital Lab etc.

This blended approach of intimately involving an IFI from the initial planning stages is novel and will help elevate the traditional TDA/SAP process. Generally, the SAP is a classic strategic document with lines of intervention and general budgets. This project will deliver a robust multisectoral master plan with a prioritised bankable portfolio thereby offering countries a fast track process to secure investments

3. The rationale for an even partnership amongst the two GEF Agencies is as follows.

TDA-SAP projects are typically foundational and planning projects. It is also a recognised fact that planning to be impactful needs to be integrated, mindful of the system multi variables, environmental trade-offs and sustainable development both at national and regional levels in alignment with national priorities and investment opportunities. Therefore, the formulation of a TDA/SAP while normative in nature would benefit from guidance to support the design of meaningful investments. In

that context and at the request of countries, it is believed that a partnership between UNEP whose core mandate is the environment and supports normative work and transboundary cooperation and, IADB bringing investment strengths would benefit the region and facilitate the formulation of a robust SAP, including a portfolio of prioritised bankable multisector investments for the region in alignment with national investment plans and priorities. In order to optimise the impact of the SAP such partnership needs to happen at the SAP formulation stage. Engagement with IFIs once the SAP is formulated while much less efficient will also cause delays in investments. UNEP and IDB have had a historical relationship initiated on wastewater management through the CREW project and feel confident to bring the benefits of such partnership to support watershed management promoting a novel and more sustainable approach to the traditional TDA/SAP process offering a fast track to investments. Such approach would also facilitate strong connection to countries respective ministries/authorities in charge of environment including water management as well as ministries of economy and finance whereby leveraging more sustainable inter-ministerial coordination opportunities.

Bearing in mind that GEF Agencies are facilitators and that project execution will be done by regional and national stakeholders, the PIF has thus been formulated building on the Agencies respective contributions, comparative advantages and technical competencies. While during project preparation phase, the distribution of tasks and responsibilities within and across components will be further defined, it is anticipated that IADB would lead (with the support of UNEP) implementation of Component 3 (SAP formulation for sustainable planning and investment) and Component 4 with the demonstration activities to ensure that the economic dimension is well captured. Whereas UNEP would mostly lead (with inputs from IDB) the implementation of Component 1 to support transboundary cooperation and Component 2 supporting the scientific assessment and analysis as the basis for the SAP and its investment portfolio (“science for investments”). Component 5 and PMC are essentially cross cutting supporting awareness raising and stakeholder involvement and, project management.

4. In consultation with countries, it was agreed to significantly reduce the PIF budget to US\$10,972,500 (i.e. 30% of the original proposed amount) while maintaining the scope of the initially envisioned activities, thus remaining a safe investment for promoting the innovative TDA/SAP approach. The proposed funding envelop will ensure the following:

- Countries Commitment: the Pantanal is of high importance to the region and, managing its valued resources and assets is of top priority. The significant amount of national pledged co-financing around 127M, shows a strong commitment to move the proposed activities forward.
- A Long-Term Pantanal Programmatic Approach: The novel approach to the TDA/SAP formulation described in the PIF has a strong focus on investments, generating the demand for future bankable projects of a programmatic approach for the Pantanal, which will only be feasible if financed appropriately in this first phase. This approach includes a portfolio of potential blended financing options and prioritised bankable multisector investments tentatively estimated at least USD 500 million based on priorities that will be outlined in the SAP. To date, the IADB has approved a total of US\$1M to directly support this process. GEF resources assigned to the TDA/SAP formulation are key to unlocking financing to promote conservation and sustainable development in the Pantanal. The programmatic approach not only incorporates IDB’s Ordinary Capital, but also leverages other sources of financing such as external donors.

A further reduction of the funding allocation will not only the impact the quality of project activities but will also lead to less ambitious outcomes.

#### **Agency Response to April 13th comment:**

**1. STAR Financing:** based on a new round of consultation with countries (April 9th) prior to the submission of the updated PIF and review sheets with answers from Agencies (April 10th), both agencies were able to double check the matter with the three countries who confirmed that there is no STAR resources available for this project.

**2. Loan Financing:** please note that there is not any project with maturity enough (technical, socio-environmental and socio-economic) in the area to be considered as subject for IDB funding nor any project requested by any of the countries through their finance or planning ministries. In addition, is worthy to highlight that under the current COVID-19 pandemic, and as requested by the countries, the IDB pipeline is being reviewed to channel loan resources for emergency response against the coronavirus as first priority. Therefore, there is not IDB loan resources to be offered as co-finance at this time.

However, we do believe that this project will facilitate the origination of funding opportunities for the IDB and other sources (IFIS and others) by the identification of multisectoral investments. Please, refer to answer provided on April 10th:

[.....The proposed project will formulate an agreed Strategic Action Programme (SAP) for the trinational Pantanal. This strategic “multisector master plan” for the region will form the technical and political basis for future investments. Without a plan, it is, therefore, premature at this stage to anticipate the level of required investments. Indeed, IFIs loan financing (sovereign warranty), subject to country’s request, need to be grounded in robust economic, technical, financial and socio-environmental analysis currently not available in the region. The proposed project will facilitate such process with the formulation of the SAP including a portfolio of potential blended financing options and prioritised bankable multisector investments tentatively estimated at USD 500 million. The IADB has the largest Water Sector related investment portfolio in LAC. It will ensure that the SAP includes a robust prioritised investment programme and support governments in aligning the forthcoming needed investments within national investment plans. The resulting prioritized investments can be funded by IADB blended with other financing sources, including other MDBs, bilateral cooperation or private sector investments. Further detailed technical-engineering and feasibility studies, which are expensive and out of the scope of the project, are typically funded by MDBs as part of loan preparation. A part of this process, IADB will support the process of establishing a Project Preparation Facility capitalising on in-house financing instruments such as IDB Invest, Natural Capital Lab etc. This blended approach of intimately involving an IFI from the initial planning stages is novel and will help elevate the traditional TDA/SAP process. Generally, the SAP is a classic strategic document with lines of intervention and general budgets. This project will deliver a robust multisectoral master plan with a prioritised bankable portfolio thereby offering countries a fast track process to secure investments.....].

**3. Budget reduction and split of resources between the two Implementing Agencies:**

Following informal guidance received by the GEF Sec, the overall project budget has been further reduced. The project scope and ambitions have been revised accordingly. A further reduction will compromise the project outcomes. Please see the below information on the split based on preliminary activity/output costings :

	UNEP	IADB
<b>Total Project Cost</b>	<b>3,800,000</b>	<b>4,000,000</b>
<b>Split %</b>	<b>49%</b>	<b>51%</b>
<b>PMC</b>	190,000	200,000
<b>Total Project Cost</b>	<b>3,990,000</b>	<b>4,200,000</b>

**UNEP:**

Component 1: US\$ 550,000

Component 2 (act: 2.1, 2.3, 2.4): US\$ 1,400,00

Component 3 (act : 3.1, 3.2): US\$ 850,000

Component 4 (act: 4.1): US\$ 700,000

Component 5: US\$ 300,000

**IADB:**

Component 2 (act: 2.2.): US\$ 500,000

Component 3 (act; .3.3, 3.4, 3.5): US\$ 1,250,000

Component 4 (act: 4.2, 4.3, 4.4, 4.5, 4.6): US\$ 2,250,000

As presented in the PIF Table B and the matching narrative both agencies will leverage their respective national and regional networks to successfully carry out all component activities and oversee the formulation of a robust SAP with portfolio of prioritized bankable multisector investments as summarised below.

**Agency Response to April 24th comment:**

Addressed, the participating countries have been added to the information section of the PIF

## **Indicative project/program description summary**

**2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?**

### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): The GEF previous invested in the Pantanal in a single country intervention. The opportunity for formulating a transboundary diagnostic analysis and a strategic action programme for all three countries in the Pantanal, building on the advances in the initial investment, is a sound rationale. However, in the proposed investment a number of issues needs to be addressed:

- 1) Following the steps of the TD/SAP methodology, it would be natural to have the TDA formulation be the main delivery of component 1.
- 2) As a TDA has been formulated for a large part of the Pantanal basin, please lower the cost of this component considerable.
- 3) In the current component 2, please include description of the housing arrangements of the data sharing mechanism.
- 4) The project is to build on the momentum behind the tri-partite Pantanal declaration, this should be clearer in the document.
- 5) The transboundary SAP should be ministerial signed and endorsed. Currently the project document includes wording that the SAP will be approved, this is not enough.
- 6) Please consider if it makes sense to include national landscape spatial management plans, as part of the overall TDA and SAP formulation for the Pantanal.
- 7) Biodiversity is an important feature of the unique Pantanal habitat, as well as an essential driver in relation to attracting tourism to the wetland. Please elaborate on this relationship.
- 8) Core Indicator 7.1 indicates that the investment will have both formulation of TDA, SAP and implementation of the SAP in one project seems rather optimistic, considering the time needed for TDA and SAP formulation and the SAP endorsement process.

13th of April 2020 (cseverin): Some points addressed, some still missing. As funding envelope request is still to large, the funding requested for TDA formulation will also have to be lowered further. Knowing how sensitive identifying a host for a transboundary data portal. please include wording that reflects upon that such



conversation will be had and that the project will be delivering a solution that has been agreed to by all three countries. SAP signature should happen at ministerial level, if it can also be signed by ANA or other water agency, as appropriate, then that is good, but signature by minister of environment or other ministry responsible of water resources should be obtained. Please reflect upon that in the submission. More detailed comments may be added, when agency responses to initial review will be included in the portal.

23rd of April 2020 (cseverin): Addressed, adequately at this point. However, please note that Strategic Action Programme signatures needs to be obtained at ministerial level. If also signed by entities such as ANA or similar in the countries that is excellent, but Ministerial signature is required. Therefore, during ppg and for the time of endorsement, please ensure that output 3.1 will deliver: "A region wide Strategic Action Programme (SAP) signed at ministerial level. "

28th of April 2020 (cseverin): Since the PIF is back for a few last minute fixes, please address the above comment to, namely to ensure that output 3.1 will deliver: "A region wide Strategic Action Programme (SAP) signed at ministerial level. "

28th of April 2020 (cseverin): addressed adequately at this time. But please during PPG, ensure that output 3.1 will deliver " a region-wide Strategic Action Program, signed at ministerial level"

## **Agency Response**

### **Agency Response to April 6th comment:**

1. As presented in Table B with a summary log frame but also in the ToC and narrative, the project structure is as follows; Component 1 focuses on transboundary cooperation, Component 2 on the science and monitoring including the TDA, Component 3 focuses on planning including the SAP and, Component 4 is the testing component for input to the SAP. Finally, Component 5 covers the cross cutting project management aspects. We feel that the project approach of paralleling development of a TDA along with a SAP and demonstration projects, warrants an over-arching component on transboundary cooperation. Consequently we have placed this as component 1, not for chronological effect but rather for providing overall context to the project.

2. The envelope for proposed activities has been reduced by 30%. As noted above, while Brazil already has developed a diagnostic analysis and a strategic action programme under a previous GEF project which ended in 2004 the scope was entirely national and on issues of national significance as opposed to transboundary issues. Moreover, and very importantly, the context and situation in Brazil has evolved over the past 15 years warranting a review of the previous TDA in the context of their transboundary impacts. Importantly, both Paraguay and Bolivia have very little information and research is required, particularly with respect to the ecology

and hydrology of the basin. Consequently, the formulation of a transboundary TDA will be challenging and resource intense given not only the lack of transboundary information but most certainly the complexity of the ecohydrological dynamics of the Pantanal Wetland especially considering the upstream/downstream relationship both from a socio-economic and environmental perspectives. Additionally, one of the key outputs is a ecological-hydrological model which will be used not only for SAP development, but beyond the project for future development planning, including hydropower, tourism and infrastructure. Modelling is very resource intensive, not only from a data point of view but also from a cost perspective.

3. In this day and age, with everything being in the cloud, the resulting data management system is likely to be internet based accessible by all 3 countries. Subject to further discussion during PPG, given the current sophistication of Brazil's information systems including with their environmental situation room, it is reasonable to say that the resulting basin wide system will capitalise on Brazil's experience and might be temporary hosted by Brazil although equally accessible through national landing pages in Paraguay and Bolivia . This will be elaborated as part of the PPG phase, but will require the development of data and information sharing agreement, amongst others.

4. The text in Section 2 with Baseline scenario and any associated baseline projects has been adjusted accordingly to emphasise how this project through the formulation of its SAP will help operationalise the Pantanal Declaration as far as IWRM is concerned.

5. It is expected that the SAP will be endorsed by the highest relevant authorit(ies) within each country. As an example, in Brazil, it is likely that the SAP will be signed by ANA as the national Water Authority and endorsed by the Operational Focal Point given that it is an international basin. It is not a ministry and thus does not have a minister for approval. Nevertheless it is the highest authority in the country dealing with water issues and is the technical authority for international water issues. The text in table B and narrative section 3 has been nuanced accordingly.

6. Point 6 is noted and will be considered during PPG.

7. The relationship between biodiversity conservation and tourism has been strengthened in Section 1.1 Global environmental and/or adaptation problems, root causes and barriers that need to be addressed

8. Core indicator 7.1 was erroneously reflected in the portal and its rating has been adjusted to 1. See also response to question 6 as well.

#### **Agency Response to April 13th comment:**

1. The TDA formulation have been lowered as requested It should however be noted that Component 2 covers more than just the TDA formulation per se. It will also support the creation of a sustainable data sharing and monitoring system to ensure long term generation of data for periodic state of the environment reports and ecosystem health monitoring. Component 2 also covers environmental modelling to support the formulation of the TDA. Using the TWAP methodology, the TDA will not only provide the science basis for the SAP but it will also support the demonstration activities in Component 4 and the formulation of the investment portfolio feeding into the pre-feasibility studies (see Component 3).

2. Language qualifying the data portal has been nuanced in the narrative section.
3. Likewise, the SAP level of endorsement has been further qualified in Table B and the narrative section to read
  - 3.1 A region wide Strategic Action Plan (SAP) approved by Ministries or same level government authorities including water agencies.

**Agency Response to April 28th comment:**

Addressed, output 3.1 now reads: 'A region wide Strategic Action Programme (SAP) signed by relevant Ministries.

**Co-financing**

**3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): No, when discussed with GEFSEC, there was indications on IADB bringing in loan financing to be aligned with the investment.

13th of April 2020 (cseverin): It is acknowledged that IADB has included 1 mio for TA for Paraguay and Bolovia, however, explanation on the missing loan financing still needs to be elaborated upon.

23rd of April 2020 (cseverin): Addressed, explanation has been included. Further, it is expected that the PPG phase will offer vast opportunity to continue to work towards identifying loans or national investments to support the proposed project activities.

24th of April 2020 (cseverin): There is substantial (125M) in-kind co-financing from the governments that has been identified as investment mobilized. Please provide more details and note that where co-financing truly meets the definition of "in-kind", it should typically be classified as "recurrent expenditures" rather than "investment mobilized".

27th of April 2020 (cseverin): Addressed

28th of April 2020 (cseverin): No, please change classification/categorization of the co-financing that is currently labelled as Investment Mobilized. This can either be done by changing the TYPE OF COFINANCING to “grant” in which case the classification under INVESTMENT MOBILIZED, as “investment mobilized” is

correct. Or alternatively, keep the TYPE OF COFINANCING as “In-kind” and then the classification under INVESTMENT MOBILIZED to “recurrent expenditure”.

28th of April 2020 (cseverin) Addressed

## **Agency Response**

### **Agency Response to April 6th comment:**

1. See above response to question 1 bullet 2. Note however that IADB’ technical cooperation resources of \$1M cash to Bolivia and Paraguay has been added to the total co-financing and Table C.

### **Agency Response to April 13th comment:**

Loan Financing: please note that there is not any project with maturity enough (technical, socio-environmental and socio-economic) in the area to be considered as subject for IDB funding nor any project requested by any of the countries through their finance or planning ministries. In addition, is worthy to highlight that under the current COVID-19 pandemic, and as requested by the countries, the IDB pipeline is being reviewed to channel loan resources for emergency response against the coronavirus as first priority. Therefore, there is not IDB loan resources to be offered as co-finance at this time.

However, we do believe that this project will facilitate the origination of funding opportunities for the IDB and other sources (IFIS and others) by the identification of multisectoral investments. Please, refer to answer provided on April 10th:

[.....The proposed project will formulate an agreed Strategic Action Programme (SAP) for the trinational Pantanal. This strategic “multisector master plan” for the region will form the technical and political basis for future investments. Without a plan, it is, therefore, premature at this stage to anticipate the level of required investments. Indeed, IFIs loan financing (sovereign warranty), subject to country’s request, need to be grounded in robust economic, technical, financial and socio-environmental analysis currently not available in the region. The proposed project will facilitate such process with the formulation of the SAP including a portfolio of potential blended financing options and prioritised bankable multisector investments tentatively estimated at USD 500 million. The IADB has the largest Water Sector related investment portfolio in LAC. It will ensure that the SAP includes a robust prioritised investment programme and support governments in aligning the forthcoming needed investments within national investment plans. The resulting prioritized investments can be funded by IADB blended with other financing sources, including other MDBs, bilateral cooperation or private sector investments. Further detailed technical-engineering and feasibility studies, which are expensive and out of the scope of the project, are typically funded by MDBs as part of loan preparation. A part of this process, IADB will support the process of establishing a Project Preparation Facility capitalising on in-house financing instruments such as IDB Invest, Natural Capital Lab etc. This blended approach of intimately involving

an IFI from the initial planning stages is novel and will help elevate the traditional TDA/SAP process. Generally, the SAP is a classic strategic document with lines of intervention and general budgets. This project will deliver a robust multisectoral master plan with a prioritised bankable portfolio thereby offering countries a fast track process to secure investments.....].

**Agency Response to April 24th comment:**

Addressed, please refer to the revised explanation under Table C for how the investment mobilized was identified

**Agency Response to April 28th comment:**

Addressed. The classification now reads 'Recurrent Expenditure' for all co-financing to align with the 28th april request.

**GEF Resource Availability**

**4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Partly, the investment proposed is aligned with the IW FA guidelines, however STAR financing that had been disucssed, is not included in this submission. The IW financing proposed for for this investment should be lowered.

13th of April 2020 (cseverin): STAR financing is according to agencies not available. The IW envelope should be lowered further.

23rd of April 2020 (cseverin): Addressed.

**Agency Response**

**Agency Response to April 6th comment:**

1. As discussed above, based on consultation with countries, there is not STAR financing available at this time. The IW proposed financing has been lowered by 30% to \$10.9M

**The STAR allocation?**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): STAR financing that had been identified should be included.

13th of April 2020 (cseverin): STAR financing not available, according to agencies.

**Agency Response**

[Agency Response to April 6th comment:](#)

1. See answer above regarding STAR financing under Question 1 bullet 1)

**The focal area allocation?**

**Secretariat Comment at PIF/Work Program Inclusion**

**Agency Response**

The LDCF under the principle of equitable access

**Secretariat Comment at PIF/Work Program Inclusion**

**Agency Response**

The SCCF (Adaptation or Technology Transfer)?

#### **Secretariat Comment at PIF/Work Program Inclusion**

#### **Agency Response**

Focal area set-aside?

#### **Secretariat Comment at PIF/Work Program Inclusion**

#### **Agency Response**

Impact Program Incentive?

#### **Secretariat Comment at PIF/Work Program Inclusion**

#### **Agency Response**

Project Preparation Grant

**5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)**

#### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): PPG has been requested, depending on the final GEF funding allocation, the PPG request may need to be changed. Further, please be aware that PPG funding request and its split between implementing agencies, should be based on activities and therefore, very rarely is an equal split.

28th of April 2020 (cseverin): Since Paraguay has not endorsed a fee for the PPG, please remove fee for the PPG.

28th of April 2020 (cseverin): Addressed

#### **Agency Response**

**[Agency Response to April 6th comment:](#)**

1. Collaboration experience such as most recently with the CREW+ project design has shown that both agencies were equally involved in the design of the project which is to be viewed as one single project rather than the sum of component and have incurred costs above and over the PPG grant itself hence the split has been maintained.

#### **Agency Response to April 28th comment:**

Addressed. The PPG fee has been deleted as per instructions.

#### **Core indicators**

**6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)**

#### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): partly, please ensure that core indicator 7.1 is achievable, as included.

13th of April 2020 (cseverin): Addressed

24th of April 2020 (cseverin): The description on results under indicator 4 says “The specific areas of intervention and thus the specific hectares to be improved are currently estimated at 2150 ha” but only 650ha are recorded under sub-indicator 4.3. Please make sure the description is aligned with the values.

27th of April 2020 (cseverin): Addressed. There is now consistency between the amount of HAs listed in the core indicator table and the RF

#### **Agency Response**

#### **Agency Response to April 6th comment:**

1.The policy [https://www.thegef.org/sites/default/files/council-meeting-documents/EN\\_GEF.C.54.11.Rev\\_.02\\_Results.pdf](https://www.thegef.org/sites/default/files/council-meeting-documents/EN_GEF.C.54.11.Rev_.02_Results.pdf) defines indicator 7.1 as the “Level of Transboundary Diagnostic Analysis and Strategic Action Program formulation and implementation” and states that “This indicator is based on a rating for the level of



TDA or SAP formulation and implementation”. Project are asked to provide a rating on a scale of 1 to 4: where 1 = No TDA/SAP developed 2 = TDA finalized 3 = SAP ministerially endorsed 4 = SAP under implementation.

Currently there is no TDA (in the sense of a Transboundary DA) nor any transboundary SAP for the trinational Pantanal system. The rating should be 1 . The portal error was rectified accordingly.

#### **Agency Response to April 24th comment:**

The corresponding text under the core indicator table has been rectified.

#### **Project/Program taxonomy**

**7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?**

**Secretariat Comment at PIF/Work Program Inclusion** 6th of April 2020 (cseverin): Yes

#### **Agency Response**

#### **Part II – Project Justification**

**1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Partly, please make sure that the scientific analysis and capacity building efforts during the Transboundary Diagnostic Analysis formulation will be included under the section of Sustainability. Currently, only the SAP and its implementaiton is mentioned here.

13th of April 2020 (cseverin): Addressed

### **Agency Response**

#### **[Agency Response to April 6th comment:](#)**

1. PIF Section 1.7 has been updated accordingly.

2. Is the baseline scenario or any associated baseline projects appropriately described?

### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Yes

### **Agency Response**

3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Yes

### **Agency Response**

4. Is the project/program aligned with focal area and/or Impact Program strategies?

### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Partly, please elaborate on the fit with the previously identified STAR financing.

13th of April 2020 (cseverin): As STAR financing is not available for this investment, Alignment with IW FA strategy is clearly described.

### **Agency Response**

#### **[Agency Response to April 6th comment:](#)**

1. Please refer to response to Question 1. 1) above.

**5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): No, please expand on the incremental reasoning, especially the activities anticipated by the large ~ \$117 mio cofinancing leveraged by the proposed GEF financing. Further the inclusion of the private sector, especially within the tourism sector and other resource users, should be expanded upon.

13th of April 2020 (cseverin): No, the incremental reasoning section should outline what the increment is of the GEF investment. this is still not clear from what has been included.

23rd of April 2020 (cseverin): Addressed

**Agency Response**

**Agency Response to April 6th comment:**

1. Section 1.5 has been adjusted accordingly.

**Agency Response to April 13th comment:**

The incremental narrative has been further strengthened.

**6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Partly, please carefull reassess to ensure that it is possible to deliver the currently included core indicator 7 outputs.

13th of April 2020 (cseverin): Addressed.

## **Agency Response**

### **Agency Response to April 6th comment:**

1. Please see response to Question 6 above

**7. Is there potential for innovation, sustainability and scaling up in this project?**

## **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): This investment may hold great potential for supporting sustainable development in the Pantanal region, however, it will depend on to what extent the anticipated co-financing will be leveraged as well as to what extent the proposed project will be able to attract private sector financing and engage directly with local communities and stakeholders.

## **Agency Response**

### **Agency Response to April 6th comment:**

1. By improving national and regional institutional and technical capacity for IWRM, developing a SAP from a programmatic perspective which will identify a multisector investment portfolio to be delivered through national sectorial master plans in the three countries and, through the inclusion of new innovative financing mechanisms such as a project facilitation facility, fiscal incentives for sustainable projects, or green-resilience bonds, the project will increase the appeal for private funding and blended finance for the Pantanal. The area has a great potential for investments and there is a high appetite to invest from both public and private sectors (agri-business, tourism, energy, amongst others), but currently there is not enough information nor a well-defined investment portfolio in the Pantanal to support such investment potentials. The project will improve this baseline and will facilitate the enabling conditions to catalyse sustainable investments in the system.

In addition, the IDB will engage with its private branch, IDB Invest, IDB Lab (a specific unit within the Bank dedicated to identify and promote innovative financing instruments with a focus on microbusiness and medium size entrepreneurship) and its PPT Operational Unit for the design of innovative financing mechanisms within the SAP development, mobilizing IDB resources for technical assistance that could be utilized for the design and development of specific and suited instruments for the Pantanal including the design of a Private-Public investment portfolio. Resources from the Biodiversity Lab of the IDB can be also mobilized for the identification and design of specific instruments for green finance and the promotion of ecosystem services based investments and green infrastructure.

Finally, as part of its Water Funds Program under the LAWFP, the IDB is supporting currently a UNEP GEF funded project in the Trifinio system for the design of the first transboundary Water Fund. This can also be explored within the project for the Pantanal along with other financial related mechanisms as Water Markets

#### **Project/Program Map and Coordinates**

**Is there a preliminary geo-reference to the project's/program's intended location?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

13th of April 2020 (cseverin): yes

#### **Agency Response**

**Stakeholders**

**Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Partly, please explain why private sector entities will not be a stakeholder group that the project is planning to engage with. It is understood to be important to include resource users (small holders, as well as larger and small and medium sized private sector stakeholders.

13th of April 2020 (cseverin): Addressed.

#### **Agency Response**

**[Agency Response to April 6th comment:](#)**

1. There seems to have been a portal entry error as indeed engaging with the private sector to support project execution will be key namely with the agriculture sector both small scale and large scale as well as with the tourism sector and potentially energy sector. Their mode of engagement will be defined during PPG which will include input from the private sector (the wording has been strengthened and clarified in the PIF section 2) Details of private sector involvement were saved for section 4 (see below).

The private sector is one of the main drivers of change in the basin, as well as benefactors of ecosystem services. The private sector is involved with: sanitation, agriculture and livestock, industry, hydroelectricity, waterways, fishing, tourism and leisure. The project will emphasize involvement of the private sector in the following key ways:

- (i) In implementing land management practices for the reduction of non-point source pollution and sedimentation (Output 4.1-), the project will work with industrial agriculture and subsistence farmers at the local levels. It is anticipated that their inputs will help inform the policies and recommendations resulting in the basin wide Proposal for Land Management to reduce threats (Output 3.2).
- (ii) In identification and testing innovative approaches for water use permits to sewage discharge (Output 4.5) the private sector will be consulted and involved in implementing pilot tests.
- (iii) Under Output 5.2 targeted training will be given to utilities and industry, amongst others, particularly with respect to mining and industrial discharges, but also to the agricultural sector which will be involved in helping to develop some of the awareness tools (Output 5.1)
- (iv) In testing innovative financing mechanisms (Output 4.6) the private sector will participate in their design and implementation. This will be particularly important as there is a need determine effective incentive mechanisms for the private sector.

#### **Gender Equality and Women's Empowerment**

**Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?**

#### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Partly, please explain why the project will not be working towards, 1) improving womens participation and decision-making and 2) generating socio-economic benefits of services for women.

These are important incentives for engaging in an investment like the proposed. if the project will not be aiming towards utilizing these, it is far from possible that the project will be able to close the gender gap, that has identified to be interested in working towards.

13th of April 2020 (cseverin): Addressed.

## **Agency Response**

### **Agency Response to April 6th comment:**

1.The portal entry error has been rectified accordingly.

## **Private Sector Engagement**

**Is the case made for private sector engagement consistent with the proposed approach?**

## **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Partly, considering the private sector has not been identified as a stakeholder group to be engaging with, it is interesting that it is mentioned here. Please ensure to have coherency between stakeholder groups identified and section descriptions.

13th of April 2020 (cseverin): Addressed.

## **Agency Response**

### **Agency Response to April 6th comment:**

1.Portal entry errors and inconsistencies were addressed accordingly. Text under Section 2 has been strengthened.

## **Risks**

**Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?**

## **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Please explain if the included table/matrix includes both risk ratings from UNEP and IADB. the IADB risk rating document has been included, but it is not clear if the included reflects upon both agencies risk analysis.

13th of April 2020 (cseverin): Addressed.

## **Agency Response**

### **Agency Response to April 6th comment:**

1. The UNEP Environment and Social Safeguard Risk matrix has been appended.

## **Coordination**

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

## **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Please elaborate on proposed executing agencies/entities for the investment.

Further, it is essential to note that GEF implementing agencies can not undertake both implementation and execution in the same investment.

13th of April 2020 (cseverin): Addressed.

## **Agency Response**

### **Agency Response to April 6th comment:**

1. The final choice of the regional entity in charge of coordinating project execution will be decided during PPG in consultation with the 3 countries. Neither IDB nor UNEP is intended to act as an executing agency in this project. During PIF formulation, the countries explored different options including possibly OAS, GIZ, FONPLATA, CIC Plata etc. Criteria for the executing agency was developed during PIF consultation including inter alia at their presence in the region, experience in managing multi-country projects, GEF project experience, fiduciary standards and procurement policies, overhead cost etc.

## **Consistency with National Priorities**



**Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Yes

**Agency Response**

**Knowledge Management**

**Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project's/program's overall impact and sustainability?**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Yes

**Agency Response**

**Part III – Country Endorsements**

**Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?**

**Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): Yes, national endorsements have been included, however, it seems that the STAR financing that had been discussed previously is missing in the submitted endorsement letters.

24th of April 2020 (cseverin): IADB is the only Agency included in the LoE of Paraguay. If UNEP's participation as a GEF Agency is required, please obtain a new LoE from Paraguay that should include IADB and UNEP alongside the appropriate breakdown for the GEF Financing and the PPG.

27th of April 2020 (cseverin): Please provide new LOE, that reflects upon the above comment.

27th of April 2020 (cseverin): Addressed. New LOE from Paraguay has now been uploaded.

28th of April 2020 (cseverin): Partly, the OFP from Paraguay only endorsed the amounts for the PPG, the GEF Financing and the Agency Fee for the GEF Financing. Paraguay missed to endorse the Agency Fee for the PPG. Since this needs to be addressed ASAP, it is suggested that the Agencies leaves the PPG request in Portal for \$200,000 (splitting the amounts between IADB and UNEP as per the LoE) with no Agency Fee for the PPG. Alternatively a new LOE will have to be acquired, that includes the fee for the PPG.

28th of April 2020 (cseverin): Addressed

## **Agency Response**

### **Agency Response to April 6th comment:**

1. See previous comments regarding STAR financing

### **Agency Response to April 24th comment:**

From the onset of the concept design, all three countries were on board for the tri-national management of the Pantanal and support the co-implementation by IADB and UNEP. However, for now, Paraguay prefers to work through IADB. Should there be any further changes, this will be further reviewed during PPG.

### **Agency Response to April 27th comment:**

The up-dated LoE has been attached to the PIF, reflecting the information requested by the GEF Secretariat.

### **Agency Response to April 28th comment:**

As indicated in response to question 5 above, the PPG fee has been removed from table E.

### **Termsheet, reflow table and agency capacity in NGI Projects**

**Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.**

### **Secretariat Comment at PIF/Work Program Inclusion**

### **Agency Response**

### **GEFSEC DECISION**

### **RECOMMENDATION**

**Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?**

### **Secretariat Comment at PIF/Work Program Inclusion**

6th of April 2020 (cseverin): No, please address comments, and consider engaging in a conversation with the GEFSEC

13th of April 2020 (cseverin): No please address above comments

23rd of April 2020 (cseverin): Yes, the project is recommended for technical clearance.

24th of April 2020 (cseverin): No, please address comments

27th of April 2020 (cseverin): No, please address comments

27th of April 2020 (cseverin): Yes, project is recommended for technical clearance.

28th of April 2020 (cseverin): No, please address comments URGENTLY and resubmit

28th of April 2020 (cseverin): YEs, project is recommended for technical Clearance

#### **ADDITIONAL COMMENTS**

**Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.**

#### **Secretariat Comment at PIF/Work Program Inclusion**

23rd of April 2020 (cseverin): Please note that Strategic Action Programme signatures needs to be obtained at Ministerial level. If also signed by entities such as ANA or other relevant government entities in the countries that is excellent, but Ministerial signature is required.

Therefore, during ppg and for the time of endorsement, please ensure that output 3.1 will deliver: "A region wide Strategic Action Programme (SAP) signed at ministerial level. "

#### **Review Dates**

	PIF Review	Agency Response
<b>First Review</b>		
<b>Additional Review (as necessary)</b>		

	PIF Review	Agency Response
Additional Review (as necessary)		
Additional Review (as necessary)		
Additional Review (as necessary)		

**PIF Recommendation to CEO**

**Brief reasoning for recommendations to CEO for PIF Approval**

In the Upper Paraguay River and specifically the Pantanal, it is of particular importance to balance the competing demands to ensure sustained growth for the region. The majority of the basin consists of Cerrado and is one of the richest savannas in the world, containing 11,627 species of catalogued native plants, 199 species of mammals, and 837 of birds. The Pantanal is the world's largest tropical wetland covering around 158,000km2.

Globally, wetlands account for less than 8% of our land area, yet they are of paramount importance to sustainable development as wetland ecosystem services far exceed those of terrestrial ecosystems. They provide critical food supplies, including rice, freshwater and fish, as well as fiber and fuel. They are a source of and purifier of water and are connected often to important groundwater resources. They provide regulating services, influence climate and hydrological regimes, and reduce both pollution and disaster risk.

Economic development trends and expanding human population growth rates in the Upper Paraguay Basin will undoubtedly result in growing demands on water resources for domestic and municipal uses, industrial processes, agricultural production, navigation, and hydropower energy. This combined with the uncertainty associated with climate change will place increasing importance on sustainably managing wetlands as a key contributor to economic, social, and environmental well-being of the region.

The project will be concretely be delivering a Transboundary Diagnostic Analysis and a Strategic Action Programme for the shared water ecosystem. This process will be catalyzing water security through strengthening transboundary water governance and sustainable development, balancing multiple use and promoting integrated management in the Pantanal-Upper Paraguay River Basin. This process will in turn effect social and economic well-being of the population through ensuring the integrity of the shared freshwater ecosystem.