



PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Full-sized Project

THE GEF TRUST FUND

Submission Date: Sep 14, 2009

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PART I: PROJECT IDENTIFICATION

GEFSEC PROJECT ID¹: 4135

GEF AGENCY PROJECT ID: CO-X1008

COUNTRY(IES): Colombia

PROJECT TITLE: Mechanism for voluntary mitigation of greenhouse gas emissions in Colombia.

GEF AGENCY(IES): Inter-American Development Bank

OTHER EXECUTING PARTNERS: *Fundación Natura Colombia*

GEF FOCAL AREA(S): Climate Change

GEF-4 STRATEGIC PROGRAM(S): CC SP-2 and SP-6

NAME OF PARENT PROGRAM/UMBRELLA PROJECT: n/a

INDICATIVE CALENDAR*	
Milestones	Expected Dates
Work Program (for FSP)	Jan 2010
CEO Endorsement/Approval	May 2010
Agency Approval Date	Jun 2010
Implementation Start	Jul 2010
Mid-term Evaluation	Jul 2012
Project Closing Date	Nov 2014

A. PROJECT FRAMEWORK

Project Objective: The objective of the Project is to formulate and establish the technological and institutional platform basis for a Verified Emission Reduction Unit (VER) market mechanism to facilitate efforts of voluntary mitigation of greenhouse gas emissions in Colombia, by: (i) creating a market platform for nationally produced VERs accessible to national or international buyers; (ii) supporting the issuing of VERs from agriculture, forestry and/or REDD projects developed in Colombia; and (iii) fostering local demand of VERs through corporate carbon mitigation and offsetting strategies.

Project Components	Type**	Expected Outcomes	Expected Outputs	Indicative GEF Financing*		Indicative Co-financing*		Total
				M\$	%	M\$	%	M\$
1. Creation of a Colombian-based market platform for Verified Emission Reduction (VERs) Units.	TA, STA & Investments	<p>1.1 An institutional and technological platform supported in a VER standard for the voluntary market in operation, providing a mechanism for voluntary carbon footprint mitigation and offsetting by Colombian or international interested parties.</p> <p>1.2 A voluntary domestic market of VERs generated and operating at a pilot stage.</p>	<ul style="list-style-type: none"> A technological platform for trading nationally-generated VERs accessible to domestic buyers/sellers and international buyers, operating at a pilot operational stage. An institutional and governance arrangement to guarantee the quality, transparency and traceability of the nationally-generated VERs and their commercial transactions. A strengthened national emission reduction approval procedure that brings together CDM and voluntary market projects under one national database, ensuring a single accounting system for all reduction units traded per project. 	\$250	50	250	50	\$500

¹ Project ID number will be assigned initially by GEFSEC.

			<ul style="list-style-type: none"> • A national dissemination and education campaign oriented to investors and the general public on the VERs exchange platform and the opportunities for suppliers and buyers. • A business plan and an operational structure designed for the VER trading mechanism. 					
2. Validation, registration and verification of a nationally-based stock of VERs generated by agriculture, forestry and/or REDD projects in Colombia.	TA, STA & Investments	<p>2.1 204,000 tons of CO₂eq reduced or avoided (to be estimated rectified during project preparation).</p> <p>2.2. 75,000 hectares of forests or agro-forested landscapes conserved, recovered or in which carbon stock has been increased.</p>	<ul style="list-style-type: none"> • A portfolio of at least 5 forestry, agro-forestry or REDD projects in at least two different regions in Colombia validated, registered and generating VERs under an internationally recognized standard that can be traded on the national platform and/or international markets. The project would finance project design, validation and verification if appropriate. • A national capacity building program in carbon accounting and monitoring, project development, and preparation for validation and verification for forestry, agro-forestry and REDD projects aimed at project developers, promoters, communities, local environmental authorities and Colombian certification / verification / inspection institutions, devised and under way. • Tools and institutional capacity building in relevant institutions for generating and disseminating information relating to the potential for carbon capture from native species and its use in the framework of VER generation methodologies developed. • A widely used, internationally recognized certification scheme for VERs that can be compatible with the sustainable development criteria created by the Colombian National Authority on climate change identified and nationally adopted. 	\$1600	20	\$6,366	80	\$7.966

3. Creation and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities.	TA & Investments	<p>3.1. At least 20 companies and institutions from at least three different industries have adopted comprehensive strategies for calculating, managing, mitigating, and offsetting their carbon footprint.</p> <p>3.2. Reduction of 100,000 tons of CO₂eq from companies and institutions committed to comprehensive mitigation and offsetting strategies. The quantity of expected reductions will be estimated during the preparatory stage of the project.</p>	<ul style="list-style-type: none"> A technical training and support program for calculating, monitoring, managing, and mitigating corporate or institutional carbon footprints established and operating. At least 20 companies or institutions trained and active within the carbon footprint mitigation and offset program, making use of nationally-generated VERs as an offsetting tool. An incentive package for voluntary mitigation designed, including development of a strategic partnership with financial sector institutions to facilitate financing for technological conversion aimed at reducing emissions in the country's productive sectors. 	\$600	50	\$600	50	\$1200
4. Project management	TA			\$250	38	\$400	62	\$650
Total project costs				\$2,700	26	\$7,616	74	\$10,316

* List the \$ by project components. The percentage is the share of GEF and Co-financing respectively to the total amount for the component.

** TA = Technical assistance; STA = Scientific & technical analysis.

B. INDICATIVE CO-FINANCING FOR THE PROJECT (including project preparation amount) **BY SOURCE and BY NAME** (in parenthesis) if available, (\$)

Sources of Co-financing	Type of Co-financing	Project Amount (US\$)
Project Government Contribution (IDEAM - Creating national capabilities for devising and monitoring REDD projects in Colombia; Oficina de Mitigación de Cambio Climático de Colombia)	Grant/In kind	\$2'041,000
GEF Agency(ies) (Incorporación de biodiversidad mediante deforestación evitada en el Piedemonte Andino-Amazónico; Programa de Integración Regional –Carretera Pasto-Mocoa)	Grant	\$300,000
Bilateral Aid Agency(ies) (US AID MIDAS)	Grant	\$ 2'500,000
Multilateral Agency(ies)		
Private Sector (CECODES-Programa de Líderes del Cambio Climático; BVC –Plataforma para desarrollo mercado de créditos de reducción de emisiones; corporate GHG inventory and mitigation and offsetting strategy development)	In kind/Cash	\$ 1'000,000

NGO (Fundación Natura –Enabling the implementation of REDD projects in Colombia)	Grant/In kind	\$1'680,000
Others (Ministerio de Ambiente, Vivienda y Desarrollo Territorial –Oficina de Mitigación del Cambio Climático)	In Kind	\$95,000
Total Co-financing		\$7'616,000

C. INDICATIVE FINANCING PLAN SUMMARY FOR THE PROJECT (\$)

	Project Preparation*	Project	Agency Fee	Total
GEF		\$2'700,000	\$270,000	\$2,970,000
Co-financing	n/a	\$7'616,000	n/a	\$7'616,000
Total		\$10,316,000	\$270,000	\$10'586,000

D. GEF RESOURCES REQUESTED BY FOCAL AREA(S), AGENCY (IES) SHARE AND COUNTRY(IES)*

Not needed, since project is a single focal area, single country and single GEF Agency project.

PART II: PROJECT JUSTIFICATION

E. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:

1. Climate change in the global context. Climatic change associated with an unusual increase in the concentration of greenhouse gases (GHG) in the atmosphere has been recognized as an irreversible phenomenon with potentially devastating consequences for economic development and the struggle against poverty. All United Nations member countries have ratified the United Nations Framework Convention on Climate Change (UNFCCC), which provides a framework of intergovernmental policies and efforts to respond to the challenges and opportunities raised by this issue. The UNFCCC recommends that all signatory Parties devise national or regional programs aimed at mitigating their emissions. Implementing voluntary mitigation systems or measures can significantly assist in complying with both this recommendation and, generally, the Convention's ultimate objective, especially since developing countries like Colombia do not have any legally binding GHG emission mitigation commitments under the Convention. Thus, only through voluntary initiatives to incentivize mitigation measures will these countries start moving forward to a low carbon economy. In view of the eventual enactment of more stringent international mitigation commitments in the medium and long term, it is advisable that these economies take steps to implement practices and technologies designed to push GHG emission reductions. In addition, the UNFCCC mandate was reinforced when the Bali Action Plan was formulated at the thirteenth conference of the parties (COP 13), in order to emphasize the development of policies and incentives for reducing emissions from deforestation and forest degradation in developing countries as well as sustainable forest management for conservation of forest carbon stores. In parallel to the developments of the "regulated" market under the UNFCCC, over the past decade, numerous international systems, registries and programs have been created to support and encourage voluntary GHG mitigation. A market study conducted in recent years by the Katoomba Group and New Carbon Finance indicates that the voluntary carbon market respectively tripled and doubled during the 2006-2007 and 2007-2008 periods. In 2008, records show a total of 123.4 million tons of CO₂eq and total sales of approximately US\$704 million.

2. Mitigation advances in Colombia. While Colombia's contribution to global GHG emissions is very low (approximately 0.37% of the world's total),² the country's emissions volume has been growing over time. Between 1990 and 2004, emissions increased by 39% and reached an approximate total of 180 billion tons in 2004. Despite uncertainty as to the extent of annual deforestation in Colombia, this is undoubtedly one of the country's major sources of emissions. The Instituto de Hidrología, Meteorología y Estudios Ambientales (IDEAM) [Hydrology, Meteorology and Environmental Studies Institute of Colombia] calculates that the annual average forest cover loss in Colombia is on the order of 101,700 hectares, which, in terms of nationwide emissions, is equivalent to 9.24% of

² Source: IDEAM, Second National Communication, 2009 (in preparation).

estimated 2004 emissions. In compliance with the commitments agreed upon under the UNFCCC, the government of Colombia is taking the necessary steps to deliver the Second National Communication, has created a portfolio of 125 projects under the Kyoto Protocol's Clean Development Mechanism (CDM) with a potential for 15,041,501 tCO₂e (carbon equivalent tons), and has over the past few years been implementing policies and programs to encourage a reduction in GHG emissions at the sector level through intersectoral and interministerial agendas (National Cleaner Production Policy, 2003; National Energy Plan, 2007).

In addition, the Colombian government developed an institutional strategy for the sale of environmental services for climate change mitigation (Document CONPES 3242 of 2003). This strategy, designed to support climate change policy guidelines and promote CDM projects now under way, is currently under review and is expected to be approved in late 2009. The plan also includes support for the development of corporate capacity to devise projects of this nature. Despite these advances, Colombia lacks an institutional and incentive framework that can facilitate comprehensive promotion and support for voluntary mitigation efforts on the part of companies, mixed and/or public-sector institutions.

3. Voluntary corporate mitigation and offsetting potential in Colombia. The aforementioned study on voluntary markets points out that despite a growing presence in these markets of investors interested in adding voluntary reductions to their portfolios for precompliance under the CDM/JI, demand for voluntary verified reductions stems in large part from companies and individuals seeking to offset their carbon footprint. Although no detailed information on the potential demand for verified emission reductions in Colombia has been gathered yet, a study commissioned by Fundación Natura for a preliminary mapping of the demand potential in Colombia confirms a growing interest in the country implementing measures to manage, mitigate and offset GHG emissions. While this study will be deepened during the project preparation stage to gauge corporate interest and willingness to participate in such voluntary program, this first assessment identified an existing corporate interest and willingness based on a sample of 52 of Colombia's major production companies. Results show the following:

- 69% of the companies included in the sample have specific climate change and mitigation objectives, and 62% have objectives particularly relating to GHG mitigation within a range of 5% to 25% of their emissions;
- The sectors most interested in climate change include the extractive industry, especially the petroleum and coal sectors (which account for 33% of the country's exports); cement; silviculture; agroindustry (which accounts for more than 12% of the country's exports); the chemical and pharmaceutical industry; utilities; and the consumer product manufacturing and distribution sector.
- Companies such as Telefónica Colombia and Natura Cosméticos are already building GHG emissions inventories.
- There is a broad range of institutional programs to support the private sector that are creating high visibility for climate change issues, generating certain corporate capabilities in this area, and above all giving rise to commitments and specific actions to reduce environmental impact in general and mitigate climate change in particular.

Moreover, *Fundación Natura* has received numerous expressions of interest in this type of service, primarily from companies in the utilities sector, and has initiated contacts with companies in sectors deemed a priority due to their impact on climate change, such as the air and ground transportation industries, as well as with municipal and departmental governments interested in mitigation strategies for their respective regions. However, the opportunity to foster low-carbon technological transformations and carbon-sensitive management practices is not being nurtured or supported.

4. Voluntary mitigation from forestry, agroforestry and REDD projects in Colombia.

While participation in some of the voluntary markets from forestry, agroforestry and REDD projects has initiated in Colombia, buyer and seller participation is very limited due to the high transaction costs, lack of familiarity with the subject matter and procedures, technical and information barriers, and inability to guarantee the quality and credibility of the emission reductions offered. Most materials for project development, validation, verification and certification are in English and require specific training in carbon mitigation skills, making it a high-entry and sunken costs to enter into the market. Several initiatives are currently under way to explore feasible financing opportunities that would support conservation, restoration and reforestation efforts throughout the country. Many of these are located in territories that are being threatened by land use conversion to palm oil plantations, subsistence agriculture, forest degradation for high-value timber, mining and other high return economic activities. REDD, forestry and agroforestry initiatives that would be part of the voluntary mitigation portfolio to be supported under the proposed project will be

selected during the project preparation after a national call for submissions. Projects will be evaluated on criteria set by a multi-agency technical committee, which may include: feasibility in terms of type of deforestation driver, and deforestation rates; availability of data and community organizational level; and willingness to participate in the project.

Project beneficiaries in different regions of Colombia have expressed interest in being part of the VER portfolio. Led by local NGOs, indigenous and afro-descendent organizations and communities and the Regional Environmental Authorities (Corporaciones Autónomas Regionales or CARs), with support from international NGOs or carbon projects developers, many of these initiatives have received some support in the form of technical and financial assistance primarily directed toward strengthening community organization, creation of income generation alternatives and forest protection. However, due to legal, financial and institutional barriers, these initiatives are yet far from having formulated and realized carbon finance options associated to GHG mitigation. The proposed project will contribute to overcome the different barriers associated to project development, validation, registry, verification and commercialization of certificates in the voluntary market encountered by forest/land managers and/or owners for mitigation purposes. Some of the initiatives with identified REDD, agroforestry and/or forestry carbon finance potential that have expressed interest in being considered for the VER portfolio include, but are not limited to, the following:

1. *REDD project in the Collective Territory of the Community Council of Bajo Mira and Frontera.* The Afro-descendent Collective Territory of Mira and Frontera is located in the municipality of Tumaco, Narino, south west of Colombia on the Pacific Ocean coast, in the border area with Ecuador. Covers approximately 46,000 hectares in forest areas moist and wet tropics. This territory is inhabited by black communities (about 8,000 inhabitants) to which the Government granted collective property rights in 2003. Total MIDAS program of USAID will have disbursed by May of 2010 is approximately \$1.5 million.

2. *REDD project in the Community Council Collective Territory of the Pacific Coast CONCOSTA.* The Collective Territory of the Pacific Coast Concosta is located in the municipality of Bajo Baudó, Department of Chocó, south west of Colombia on the Pacific Ocean coast. It has an approximate area of 73,033 hectares in forest areas moist and wet tropics. It is inhabited by black communities (about 3,510 inhabitants) to whom the government gives them credit for collective property rights in 2001. MIDAS program of USAID will have disbursed a total sum of approximately \$700,000 by December of 2009.

3. *REDD project in the Collective Territory Indigenous Cabildo Mayor Chigorodó.* The Main Council Collective Territory of American Indian Chigorodo is located in the municipalities of Chigorodo and Mutata, Department of Antioquia. Covers approximately 62,000 hectares of tropical rainforest areas. It is inhabited by indigenous communities (about 3,190 inhabitants) to whom the government awarded them in collective property rights between 1987 and 2003. MIDAS program of USAID will have disbursed a total sum of approximately \$1 million by December of 2009.

4. *REDD project in the Chocó-Darién Ecological Corridor.* This Corridor is a modular environmental services framework under development with rural Afro-indigenous communities living in the Darien region of northwest Colombia (Department of Choco). The framework leverages emerging markets for carbon and biodiversity to provide new livelihood alternatives through activities that conserve and enhance the region's unique ecosystems, native-species reforestation, and sustainable forestry management. To date, two groups of communities have agreed to participate in the pilot program: i) the communities of the Acandí and Tolo River Basins, and ii) the the Cacarica River Basin communities. Collectively, this project has a cover area of 80,000 hectares.

5. *Agroforestry and sustainable cattle ranching Project in the Oak Conservation Corridor.* The 1'000,000 hectares Corridor is located in the Eastern Andes of Colombia (Departments of Santander and Boyacá). The project intends to implement a sustainable cattle ranching productive system with small, poor, farmers, including strategies requiring the plantation of new trees belonging to native species, such as live fences, protection of water springs and small creeks, creation of shadow areas for the cattle, etc. At least 1,500 ha (in 120 farms) will be protected in this first stage, in the Guacha River basin; the long term scenario comprises a total of 14,600 ha dedicated to cattle ranching, that can be sustainably managed. By the end of implementation, Fundación Natura will have invested USD 1'100,000 in cash and USD 425,000 in kind.

6. *REDD project for sustainable use of firewood and implementation of firewood banks in the Oak Conservation Corridor.* One of the main threats to the remaining oak forests of the Eastern Andes of Colombia is the extraction of firewood for cooking and pottery crafting. The project aims to implement between 2,000 and 5,000 improved stoves for cooking with firewood, in 18 municipalities of the Corridor, reducing the emission of at least 4,82 ton CO₂ a year per stove. The project will avoid the deforestation of 1,5 – 2,0 ha of native woods every year, due to the firewood consumption of every 100 families (100 ha a year, in the long term scenario).

7. *REDD CAM-CORMAGDALENA project in Huila.* These two local environment authorities have been working in REDD-type of activities in the region for more than 7 years, with the participation of more than 1,000 rural families. The project would cover 73,000 ha of forest in south-eastern Andes in Colombia.

5. Project description. The project seeks to develop a reliable and lasting market mechanism for promoting and facilitating voluntary GHG emissions mitigation and offsetting in Colombia. The proposed mechanism seeks to foster the supply and demand of Voluntary Emission Reduction Units (VERs) on an exchange-type trading platform, which will operate under principles of market transparency, credibility and competitiveness. Developing a new voluntary carbon market in Colombia requires supporting communities, private owners and other stakeholders to overcome the financial, legal, institutional and market barriers that constrain their capacity to reliably generate, validate and commercialize VERs. In addition, demand for such VERs will be promoted through a GHG-mitigation-and-offsetting program for large-scale, high-impact companies and other relevant entities interested in advancing their climate change mitigation agenda. The market will be promoted and operationalized taking into account existing institutional and technological infrastructure that will be upgraded or adjusted during the execution of the project. In particular, this project will finance the following components:

5.1 Creation of a Colombian-based market platform for Verified Emission Reduction (VERs) units that can be accessed by companies and institutions interested in mitigating or offsetting their carbon footprint, both nationally and internationally. The platform involves: (i) a technological platform (exchange) for trading nationally-generated VERs accessible to domestic buyers/sellers and international buyers, operating at a pilot operational stage; (ii) an institutional and governance arrangement to guarantee the quality, transparency, environmental integrity (by avoiding double counting) and traceability of the nationally-generated VERs and their commercial transactions; (iii) an established mechanism to consolidate information between the official national CDM registry that the National Designated Authority in Colombia for CERs manages and the VER registry proposed with this project under one database, ensuring a single accounting system for all reduction units traded in both compliance and voluntary markets that have been generated by national suppliers; (iv) a national dissemination and education campaign oriented to companies, institutions and the general public on the VERs exchange platform and the opportunities for suppliers and buyers; and (v) a business plan and an operational structure designed for the VER trading mechanism.

5.2 Validation, registration and verification of a nationally-based stock of VERs generated by agriculture, forestry and/or REDD projects in Colombia. This component includes: (i) supporting the creation of a portfolio of at least 5 forestry, agro-forestry or REDD projects in at least two different regions in Colombia. The proposed project will finance each project's baseline assessment; governance scheme development; project formulation, validation and verification; and VERs issuing and registration; it will also support suppliers to put their issued VERs in the national platform and/or international markets. Each project supported with this proposed GEF grant will finance its own implementation activities, including governance scheme operation, area demarcation, alternative productive activities for the local communities, amongst others³; (ii) a capacity building program on carbon accounting and monitoring tools and methodologies, including open software training for GIS analysis and GIS technical skills; and on project development, validation and verification for project developers, promoters, communities, and Colombian certification/verification/inspection institutions, devised and under way; (iii) tools and institutional capacity building for generating and disseminating information pertaining to carbon capture potential from native species, and the possible use within voluntary market standards or methodologies; (iv) a widely used, internationally recognized certification scheme for VERs that can be compatible with the sustainable development criteria created by the Colombian National Authority on climate change identified and nationally adopted. The adoption of an

³ Financing for these activities will be supported with the cofinancing of the proposed GEF project and the carbon financing generated through the VERs.

internationally-recognized standard for carbon mitigation will facilitate the commercialization of the nationally generated VERs on international markets as well as in the Colombian market. The standard adopted will be selected based on a rigorous analysis of various systems in operation internationally and based on consistency with the priorities of the Colombian mechanism in the areas of climate change, biodiversity, natural resource conservation, and sustainable development. Some potential systems include VCS, VER+, CCBS and CCX. During this first phase of the market mechanism only forestry, agro-forestry and REDD-based projects will be considered for financing. Nonetheless, the market mechanism will allow future commercialization of VERs generated from other sectors.

5.3 Creation and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities. This component is aimed at promoting comprehensive corporate and institutional voluntary mitigation and offsetting strategies that includes elaborating a GHG emissions inventory, identifying mitigation goals, planning for intrinsic reduction and offsetting actions through the purchase of VERs, and generating an incentive/rewards program that facilitates a broad use of the program. This component includes: (i) a technical training and support program for calculating, monitoring, managing, and mitigating corporate or institutional carbon footprints established and in operation; (ii) at least 20 companies or institutions trained and active within the carbon footprint mitigation and offsetting program, making use of nationally-generated VERs as an offsetting tool; and (iii) an incentive package for voluntary mitigation designed, including development of a strategic partnership with financial sector institutions to facilitate financing for technological conversion aimed at GHG mitigation.

6. Project scope. While the project seeks to advance voluntary mitigation of GHG emissions in Colombia, the project will enable VERs transactions both at the national and international level through the adoption of an internationally-recognized standard. This strategic decision is designed to ensure that the trading platform is accessible to both national and international VER buyers, and that nationally generated VERs can, if necessary, be placed in other international voluntary markets, subject to market conditions.

7. Preliminary project indicators. Preliminary project execution indicators include the following: (i) 204,000 tons of CO₂eq reduced or avoided through the commercialization of VERs in national and international markets; (ii) at least 350,000 hectares of forest and agro-forestry landscapes under a conservation-targeted management, of which 75,000 hectares will be directly protected from deforestation or degradation in response to the financial incentives generated by the supply of VERs; and (iii) at least 20 public and private organizations have been trained and strengthened in the various stages of comprehensive GHG accounting, management, mitigation and offsetting.

8. Expected global benefits. The project's global environmental benefits are associated with GHG emissions mitigation arising from: (i) a reduction in emissions by participating companies in the voluntary mitigation program of near 100,000 tCO₂eq; (ii) mitigation of emissions due to an increase in and regeneration of carbon sinks through afforestation/reforestation and avoided deforestation in forestry, agroforestry, and silvopasture projects relating to the supply of verified emission reductions and avoided deforestation in Colombia of 204,000 tCO₂; and (iii) voluntary mitigation in other sectors not yet included in the project's initial phase but for which there will eventually be a trading platform that will stimulate their development. In a first stage, preference will be given to forestry projects offering verified emission reductions which have been implemented in any of the Colombian biological corridors or conservation areas created to preserve diverse natural or cultural areasⁱ. In addition, the project will bring about an institutional strengthening of national and regional environmental authorities in promoting voluntary carbon emission mitigation systems.

9. Planned institutional arrangement for project execution. While the executing agency responsible for general coordination of the project will be **Fundación Natura**, the three components will be executed with the support and leadership of various national players as a function of their competence, interest, and availability. Although the project will contribute to strengthening the role of the various Colombian government agencies involved in emissions mitigation, plans call for creating a Steering Committee composed, at the very least, of Fundación Natura (as project proponent and main executing agency), Grupo de Mitigación del Cambio Climático [Climate Change Mitigation Group] (GMCC) of the Ministerio de Ambiente, Vivienda y Desarrollo Territorial [Ministry of Environment, Housing and Territorial Development] (MAVDT), IDEAM, and the agency selected to operate the mechanism. Representatives of other institutions, academia, and civil society could also be included. This structure will ensure continuous participation and coordination by GMCC, IDEAM, regional environmental authorities, and other relevant institutions.

Moreover, the project will identify and establish alliances with institutions that will carry out specific programs or activities within the three components.

10. Comparative advantages of the executing agency. Fundación Natura is an organization with 25 years of experience in biodiversity and natural resource conservation in Colombia. Its significant accomplishments at the national level include: (i) the execution and management of private conservation-production agreements and the development of payment systems for environmental services; (ii) management of private land for conservation; (iii) protective-productive forest management programs in various regions in the country; (iv) implementation of sustainable production practices in agricultural, cattle farming, forestry and tourist systems; (v) climate change vulnerability and adaptation practices associated with strategic ecosystems and production systems. Fundación Natura is associated with organizations in Ecuador and Peru, and forms a part of Fundación Natura Regional, which may offer opportunities for expanding and positioning the mitigation and offset system at the international level. Particularly worth noting is the Foundation's vast experience in the management and administration of national and international funds and its role as executing agency for a US\$750,000 GEF project with the World Bank. In addition, the Foundation participates as co-executing agency in Colombia for a regional GEF project with the UNDP concerning coffee and biodiversity.

E. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL PRIORITIES/PLANS

In the year 2000, Colombia conducted a "Study of national strategy for implementing the CDM in Colombia" and, in 2003, it developed an "Institutional strategy for the sale of environmental services relating to climate change mitigation," exclusively associated with the use of the opportunities offered by the Clean Development Mechanism. Regarding emissions mitigation and, generally, strategies for facing the challenges of climate change, discussion and approval of a new CONPES document delineating a comprehensive national climate change strategy are expected to take place in 2009. This strategy may include certain general provisions for voluntary emission reduction and mitigation systems, which will be taken into account as the project is prepared. In addition, the project would support implementation of the national energy efficiency priorities established by the Colombian government through the National Energy Plan known as "Comprehensive energy strategy, vision 2003-2020."

Progress on strategies within the National Cleaner Production Policy, aimed at the productive sectors, would likewise be strengthened. Furthermore, on the VER supply side, the project seeks consistency with the land-use change and silviculture policies included in the "Colombia 2019 Bicentennial Vision" policy, the "2000 National Forest Development Plan," and the "Commercial reforestation stimulus" policy. This project has been widely discussed with the MAVDT with a view to strengthening institutional government action as well as the mechanisms for collaboration with civil society and private sector players. It also aims to strengthen the Sistema Nacional Ambiental [National Environmental System] (SINA). Thus, the project includes and benefits not only the MADVT but other Colombian government agencies responsible for the protection of natural and productive systems that affect the generation of environmental goods and services.

F. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH [GEF STRATEGIES](#) AND STRATEGIC PROGRAMS:

The project has mitigation components in both the industrial and forestry sectors. The nature of the environmental benefits achieved by the project is consistent with the GEF strategic programs SP2—"promoting energy efficiency in the industrial sector" by promoting corporate GHG accounting, management, mitigation and offsetting that will foster efforts in energy efficiency gains at the corporate level across sectors; and SP6—"management of LULUCF as a means to protect carbon stocks and reduce GHG emissions", by creating feasible financing opportunities that provide incentives to local land and forest managers to enhance and sustain carbon stocks. In addition, the project contributes to the GEF strategic program goals relating to biodiversity and land degradation. The last of the aforementioned strategic programs (SP6) is also significantly related to the GEF cross-cutting program associated with sustainable forest management.

G. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

The project's action framework will include strengthening conservation efforts in the buffer zones of the Unidad de Parques Nacionales (National Parks Unit) and supporting the work of various Corporaciones Autónomas Regionales (Autonomous Regional Corporations), which will be essential project partners. In addition, the project creates complementarity with the project to develop national capabilities for devising and implementing REDD projects in Colombia, which is currently being carried out with the Moore Foundation and includes carbon capture calculation,

monitoring, etc. The activities included in the aforementioned project to develop capabilities to identify, devise and implement LULUCF and REDD projects through transparent and credible procedures, are expected to stimulate the potential supply of VERs for trading in voluntary markets. IDEAM, the MAVDT and Fundación Natura participate in this project, which is part of the counterpart offered.

Moreover, the market scheme could strengthen conservation efforts in buffer areas of national parks and support the Autonomous Regional Corporations with their environmental management strategies in such territories. Finally, the project has synergies and with other REDD initiatives being undertaken in the country, such as the National Bureau for REDD Colombia –created by civil society organizations and the Government. In addition, Colombia will benefit from the Forest Carbon Partnership Facility, which is developed in close collaboration with the government, aiming to increase the capacity of Colombia for REDD and enhance their participation in the emerging incentive schemes for curbing emissions from LULUCF and REDD. The government is preparing a Readiness Preparation Proposal, or RPP, to address the analytical and information gaps needed to scale-up performance-based payment systems for REDD.

H. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH [INCREMENTAL REASONING](#):

The activities to be financed through this project aim to encourage and facilitate the implementation of voluntary GHG emission mitigation and offset strategies in Colombia that will contribute to further current actions by government and non-government entities in land use and land use change to protect and enhance carbon stocks and curb GHG emissions. The project will support the development of capabilities, technical knowledge, and skills at the corporate and institutional levels with a view toward devising and implementing plans and investments leading to GHG emission mitigation and potential offset. Thus, the project provides tools and incentives to generate reductions that would otherwise not occur in the context of the current climate change policy in Colombia or under the Clean Development Mechanism (CDM). Likewise, the mitigation strategies undertaken by the corporate players involved in this market will help to achieve a low carbon technology transfer and investment flow to such technologies, with favorable medium and long-term repercussions in the emissions curve in Colombia. The project also aims at developing knowledge and information platforms that facilitate compliance with the additionality and quality criteria required by the markets. It will also expand the knowledge of communities, private market participants, institutions, and other interested parties regarding the critical issues involved in devising and implementing credible, measurable, traceable, and transparent mitigation practices and investments. Encouraging mitigation through market instruments will make an easier transition towards a future involving binding GHG mitigation commitments for the country.

I. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED, AND IF POSSIBLE INCLUDING RISK MEASURES THAT WILL BE TAKEN:

TYPE	RISK	MITIGATION MEASURE
GENERAL PROJECT RISKS	The project's co-financing resources is insufficient for project size.	<i>Fundación Natura</i> and the IDB will, during the project's preparatory stage, expend significant efforts toward achieving and guaranteeing co-financing from regional environmental authorities, the national government, the private sector, and other local or international donors.
	Unfamiliarity and skepticism on the part of market players regarding the quality and reliability of VERs and the registration and trading system	The project includes selecting a comprehensive verification system, with a detailed methodology designed to determine the projects and activities that are actually subject to carbon emissions reduction verification; in addition, the project involves a comprehensive system for creating national monitoring and oversight capabilities that provides guarantees as to the emissions actually mitigated through local projects.
	Insufficient demand for VERs	The project's third component is aimed at this specific issue. This component is expected to lead to national demand for VERs. In addition, since national demand may initially be low in comparison to the supply of verified emission reductions, the project will use a verification system that is compatible with one or more international systems in order to facilitate the sale of emission reductions to other international players. During the preparatory stage, a study of national and international demand for VERs will be conducted, taking into account the potential development paths of both regulated and

TYPE	RISK	MITIGATION MEASURE
		voluntary markets in the global context.
	Lack of capacity and coordination among the agencies responsible for implementing the project	The project's preparatory activities will include a detailed institutional assessment and the establishment of equally detailed implementation procedures, which will be set forth in an Operational Manual. Clear roles and responsibilities will be delineated for each participating player with a view to strengthening institutional complementarities and augmenting the project's impact.
FORESTRY PROJECT RISKS	Lack of correspondence between the permanence of emissions and the permanence of the trees associated with mitigation in the long term (e.g., due to opportunity costs to landowners and users).	The proceeds from the sale of VERs are an indirect system of payment for environmental services aimed at diminishing the opportunity cost of using land with carbon capture potential and helping to improve the income of the communities. In addition, in the case of projects directed at sustainable productive systems, the project will take advantage of the Colombian experience (especially the experience of Fundación Natura) in executing conservation-production agreements that guarantee the long-term sustainability of processes. The project's preparatory stage will include identifying the criteria for selecting eligible projects for reduction verification, ranging from lower risk area selection issues to deforestation, degradation, and land-use conversion catalysts (e.g. land titling, existence of watershed zoning plans, etc.).
	Impermanence of mitigation due to improper forest management in terms of pest control, fire control, sustained growth of plantings, etc.	The emission reduction verification and certification system will include provisions to counteract this risk and, in the event of loss or reversal of reductions achieved or withdrawn, the system will provide the tools for replacing or offsetting them. The mechanisms and formulas for implementing these safeguards will be determined during the project's preparatory stage.
	Effects of natural disasters (fires), riots, armed conflict, or population migrations.	This type of risk will have to be considered as a criterion within the project risk analysis to be conducted as part of the verification and certification arrangement, on the basis of which the relevant safeguards will be implemented, such as discounting the price of VERs or including a percentage of VERs generated within a buffer zone.

The risks to be taken into account in assessing the mitigation potential per dollar invested in this project include, without limitation, the following: **(i)** the type of forestry, agroforestry, or silvopasture projects included, and their financial sustainability; **(ii)** the effectiveness of institutional strengthening actions aimed at environmental authorities and other relevant players in the voluntary emissions mitigation area, with a view to ensuring clear rules and lower transaction costs for the parties involved; **(iii)** the success in defining/adopting/validating a methodology for validating and certifying deforestation and degradation prevention, reforestation, and aforestation projects; and **(iv)** the actual creation of capabilities to calculate and manage emissions and verify mitigation efforts at the corporate level, as well as the interest and trust engendered by the mechanism.

J. DESCRIBE, IF POSSIBLE, THE EXPECTED COST-EFFECTIVENESS OF THE PROJECT:

Since this is a project for the development of a platform that encourages voluntary emissions mitigation and supports offsets of such emissions, the expected volume of emissions reduction is still uncertain. However, during the project preparation stage a thorough and complete mitigation potential will be estimated in order to identify the cost-effectiveness of the project. A preliminary assessment however indicates that this project will generate reductions at a cost of US\$12.72 per hectare. This is a reasonable price for this kind of projects, indicating that the project is cost-effective for the targets it aims to meet. Also at the project's preparatory stage, a business plan will be devised to identify risk factors capable of limiting such mitigation potential. It should be noted that, this being a competitive market instrument, the mitigation options that are implemented are expected to be those which are most cost-efficient.

Participating market players will seek mitigation strategies combining reduction at the source with lowest-cost technologies, and with emission offsets with a higher marginal abatement cost than the cost of the emissions reduction certificates traded on the market.

K. JUSTIFY THE COMPARATIVE ADVANTAGE OF GEF AGENCY:

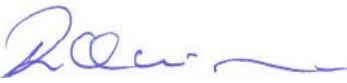
Within its mandate to help the region move forward with its Climate Change agenda, the Inter-American Development Bank has been supporting countries in the region to create the capacity to operate and participate in carbon markets and obtain financing from carbon mitigation activities. In particular, through the Sustainable Energy and Climate Change Initiative, the Bank has funded initiatives to strengthen local capacity, knowledge and understanding of carbon finance with public and private organizations and individual project developers (RG-T1557), such as with oil company Ecopetrol S.A. to review its carbon finance potential. Also, through a technical cooperation the Bank is supporting the largest commercial Bank in Colombia -Bancolombia- to formulate tools that will help its client portfolio achieve higher energy efficiency performance and create carbon finance opportunities (CO-T1153). Through a portfolio of more than 40 carbon financing projects in the region, the Bank has demonstrated expertise and competence in strengthening countries' local capabilities for accessing the international carbon markets. In addition, the Bank has involved in several projects involving institutional strengthening and development of technical and scientific capabilities for devising and implementing REDD projects, as in the case of Guayana (GY-T1058; GY-M1007), Suriname, Haiti and Colombia (CO-T1145), as well as improving the investment environment for REDD in the region (RG-T1778).

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the [country endorsement letter\(s\)](#) or [regional endorsement letter\(s\)](#) with this template).

<i>Claudia P. Mora, Viceminister Ministry of Environment, Housing and Territorial Planning</i>	<i>Date: September 8, 2009</i>
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B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
 <i>Ricardo Quiroga IDB GEF Coordinator</i>	<i>Carolina Jaramillo IDB-GEF Technical Focal Point Project Leader Tel. and Email: +1(202) 623-3148, carolinaj@iadb.org</i>

ⁱ Existing corridors in Colombia include the La Rusia – Guantiva – Iguaque Conservation Corridor (or Robles Corridor), which includes high Andean forest areas, páramo, and large dry regions with significant desertification and drought problems; (ii) the Encenillo Corridor, in the department of Cundinamarca, which forms part of the buffer zone for the Chingaza National Park and protects the last remaining patches of encenillo forest in the country; (iii) the Guácharos Puracé Corridor, in the departments of Huila, Cauca and Caquetá ; and (iv) the Barbas-Bremen Biological Corridor, in the department of Quindío, which protects some of the last remaining sub-Andean forests on the Western slope of the Cordillera Central.