



## GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS\* THE GEF/LDCF/SCCF/NPIF TRUST FUNDS

|  |   |                              |                |
|--|---|------------------------------|----------------|
| GEF ID:                                    | 5668  |                              |                |
| Country/Region:                            | Paraguay  |                              |                |
| Project Title:                             | Innovative Use of a Voluntary Payment for Environmental Services Scheme to Avoid and Reduce GHG Emissions and Enhance Carbon Stocks in the Highly Threatened Dry Chaco Forest Complex in Western Paraguay |                              |                |
| GEF Agency:                                | CI  | GEF Agency Project ID:       |                |
| Type of Trust Fund:                        | GEF Trust Fund  | GEF Focal Area (s):          | Climate Change |
| GEF-5 Focal Area/ LDCF/SCCF Objective (s): | CCM-5;  |                              |                |
| Anticipated Financing PPG:                 | \$95,000  | Project Grant:               | \$2,166,710    |
| Co-financing:                              | \$7,015,500   | Total Project Cost:          | \$9,277,210    |
| PIF Approval:                              |   | Council Approval/Expected:   | March 03, 2014 |
| CEO Endorsement/Approval                   |   | Expected Project Start Date: |                |
| Program Manager:                           | Junu Shrestha   | Agency Contact Person:       | Orissa Samaroo |

| Review Criteria       | Questions   | Secretariat Comment at PIF (PFD)/Work Program Inclusion <sup>1</sup>   | Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP) |
|-----------------------|---|--|--|
| Eligibility           | 1. Is the participating <b>country eligible</b> ?   | 1/10/2014 CCM JS<br>Yes.   |  |
|                       | 2. Has the <b>operational focal point</b> endorsed the project?   | 1/10/2014 CCM JS<br>Yes. A letter signed by Ms Cristina Morales, GEF OFP for Paraguay, dated January 2, 2014 has been submitted. |  |
| Resource Availability | 3. Is the proposed Grant (including the Agency fee) within the <b>resources available</b> from (mark all that apply): |  |  |
|                       | • the STAR allocation?  | 1/10/2014 CCM JS<br>No. Total resources available within the STAR allocation of Paraguay is \$2,490,000 (CCM). however, funds    |  |

\*Some questions here are to be answered only at PIF or CEO endorsement. No need to provide response in gray cells.

<sup>1</sup> Work Program Inclusion (WPI) applies to FSPs only. Submission of FSP PIFs will simultaneously be considered for WPI.

FSP/MSP review template: updated January 2013

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|                     |   | <p>requested amounts to \$2,584,714 including agency fees and ppg request.</p> <p>Please adjust the requested fund amount to match the available STAR allocation amount.</p> <p>1/28/2014 CCM JS Addressed. The total requested amount has been revised to \$2,490,000.</p>   |  |
|                     | <ul style="list-style-type: none"> <li>the focal area allocation?</li> </ul>  | <p>1/10/2014 CCM JS No. Please see above.</p> <p>1/28/2014 CCM JS Addressed.</p>  |  |
|                     | <ul style="list-style-type: none"> <li>the LDCF under the principle of equitable access</li> </ul>  |   |  |
|                     | <ul style="list-style-type: none"> <li>the SCCF (Adaptation or Technology Transfer)?</li> </ul>   |   |  |
|                     | <ul style="list-style-type: none"> <li>the Nagoya Protocol Investment Fund</li> </ul>   |   |  |
|                     | <ul style="list-style-type: none"> <li>focal area set-aside?</li> </ul>   |   |  |
| Strategic Alignment | <p>4. Is the project aligned with the focal area/multifocal areas/ LDCF/SCCF/NPIF <b>results framework and strategic objectives</b>?</p> <p><i>For BD projects: Has the project explicitly articulated which Aichi Target(s) the project will help achieve and are SMART indicators identified, that will be used to track progress toward achieving the Aichi target(s).</i></p> | <p>1/10/2014 CCM JS No. The project will contribute towards CCM-5 objective of promoting conservation and enhancement of carbon stocks through sustainable management of LULUCF. However, choice of the project region has not been fully supported.</p> <p>Please describe distribution of forests in the country, along with deforestation rates in different regions to support the choice of the project region (from climate change mitigation perspective).</p> |  |

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|                 |   | 1/28/2014 CCM JS Addressed.   |  |
|                 | 5. Is the project consistent with the recipient <b>country's national strategies and plans</b> or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, NBSAP or NAP? | <p>1/10/2014 CCM JS<br/>No. PIF lists a number of national documents and strategies that are consistent with the project. However, description of how the project is consistent is missing.</p> <p>a) Please focus on climate change mitigation and low carbon development related plans and strategies.<br/>b) Please state what elements of these national documents and policies the project contributes to or aligns with and how.<br/>c) Please describe how the project is consistent with the country's national communications and please support the focus on landuse sector for climate change mitigation in the country.</p> <p>1/28/2014 CCM JS<br/>Addressed. Adequate information about the project consistency with National Communication and the country's mitigation strategy has been added.</p> |  |
|                 | 6. Is (are) the <b>baseline project(s)</b> , including problem(s) that the baseline project(s) seek/s to address, sufficiently described and based on sound data and assumptions?               | <p>1/10/2014 CCM JS<br/>No. Baseline scenario related to rapid deforestation in the Paraguayan Dry Chaco Forest Complex (DCFC) is described adequately. Conversion to agriculture and pasture have been identified as major causes and foreign investment in cattle ranching has also been cited as a reason behind large-scale conversions.</p>  |  |

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| Project Design  |  | <p>Baseline projects have not been presented. Please provide summaries of the baseline projects (listed in table C), on which the proposed project will directly build on. Please include their status and timeline.</p> <p>1/28/2014 CCM JS</p> <p>Addressed. All the baseline projects have been adequately described. It is assumed that the proposed project will leverage the experiences of the identified partners to replicate or modify methodologies and maps developed in the UN-REDD+ program to use/develop the same for DCFC. It is expected that the project will develop a PES scheme that is linked to a viable carbon market as demonstrated in the PFCP.</p> |  |
|                 | 7. Are the components, outcomes and outputs in the <b>project framework</b> (Table B) clear, sound and appropriately detailed? | <p>1/10/2014 CCM JS</p> <p>No. Baseline projects have not been appropriately presented, therefore it is not possible to determine the role and the overall soundness of the project components. Please clarify the following as well:</p> <p>a) Section 6.</p> <p>Component 1</p> <p>b) As a UN-REDD country, Paraguay is already setting up national REDD-plus strategy and frameworks for implementation. Please consider using the project as a baseline.</p>  | <p>By CEO Endorsement Request:</p> <p>Component 1</p> <p>Please describe the steps to be undertaken by the project to make proposed PES scheme usable through the REDD+ program as well, highlighting the critical aspects of the PES and REDD+ requirements that are similar.</p> <p>With the acknowledgement of the influence of international investmentments in DCFC, the project is expected to define recommendations for legislations or for adherence to the existing ones through increased</p> |

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|                 |           | <p>c) As the proposed project is focused on carbon, it is unclear why the project is considering a PES scheme and not carbon crediting system that could be viable both nationally and internationally through the already existing voluntary carbon market.</p> <p>d) It is stated that Law 3001/06 "Valuation and Payment for Environmental Services" has been recently established. However, the project does not describe any currently active PES scheme into which carbon could be integrated into as one of the ecosystem services. While REDD-plus scheme is already underway in the country, it seems more viable and cost-effective that the project builds into this scheme. Please compare and explain.</p> <p>e) In expected output 1.3, it is insufficient that landholders in priority areas are just invited to participate in the incentive program. It is expected that the project secures participation of landholders in the important areas.</p> <p>f) Similarly, in expected output 1.4 the project needs to ensure adoption of sustainable land-use practices.</p> <p>g) Please explain how the project component addresses the demand for land due to foreign investments in cattle ranching.</p> <p>Component 2</p> <p>a)Under UNREDD Paraguay has initiated National Forest Monitoring System. Please utilize such already available systems or contribute towards it in order to determine high carbon priority areas in</p> | <p>awareness of the land owners.</p> <p>Component 2</p> <p>As the GEFSec perceives no added value from taxonomic assessments of soil organisms and other biota, it expects the paragraph A.1.4.17 and all the related activities to be removed from the project by the CEO Endorsement Request.</p> <p>Assessment of socio-economic variables is encouraged and deemed valuable for the project results. However, the value of cultural assessments is unclear. Please describe what the cultural assessments would entail. GEFSec is in support of such assessments only to an extent where it contributes or demonstrates sustainability of project outcomes, mainly carbon storage.</p> <p>Component 3</p> <p>It is suggested to utilize the PPG state to further define the participants, specific operations and knowledge products to be developed in this component. Please limit the capacity building activities to incentive schemes and land-use practices that demonstrate direct contribution to carbon benefits. Biodiversity conservation related capacity building is expected to be funded through different financial resource. Such benefits are expected to be monitored throughout the project</p> |

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|                 |   | <p>DCFC.</p> <p>b) In expected output 1.2, the need for biological and cultural assessment is unclear. Carbon richness itself could be a sound proxy for assessment of soil organisms proposed in the project. Please clarify the value of cultural assessment as it relates to carbon content and sustainability of project results.</p> <p>Component 3:</p> <p>a) Please make expected outputs quantitative and concrete (for example X number of stakeholders trained).</p> <p>b) Output 3.2 has too many activities and areas for which capacity is expected to be built. Please identify topics that are relevant to the project goals and prioritize them.</p> <p>1/28/2014 CCM JS<br/>Addressed and suggested changes have been made to the project outcomes.</p> | life..   |
|                 | 8. (a) Are global environmental/adaptation benefits identified? (b) Is the description of the incremental/additional reasoning sound and appropriate? | <p>1/10/2014 CCM JS</p> <p>No. Please focus on the GEB that is the primary goal of the project (ie carbon). The description of the amount of tCO<sub>2</sub>e that will be avoided is available in different sections of the PIF. Please provide a clear summary in this section, along with the quantitative estimations of current and projected deforestation rates and the expected reduction in such threats due to the project activities. Please show (calculations) how the project will avoid 21 mtCO<sub>2</sub>e. More detailed calculations in</p>   | More detailed calculations in accordance with one of the standard methodologies (VCS) will be expected at CEO Endorsement. |

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|                 |   | <p>accordance with one of the standard methodologies will be expected at CEO Endorsement.</p> <p>At PIF stage it is unclear what substantial contribution the project would make in terms of technology transfer and market transformation. Please explain.</p> <p>1/28/2014 CCM JS<br/>Addressed. Preliminary estimations show that the project will reduce 163,442,951 tCO<sub>2</sub>e land based emissions during the project life.</p> |  |
|                 | 9. Is there a clear description of:<br>a) the <b>socio-economic benefits</b> , including gender dimensions, to be delivered by the project, and<br>b) how will the delivery of such benefits support the achievement of incremental/ additional benefits? |   | 1/28/2014 CCM JS<br>Addressed.   |
|                 | 10. Is the role of public participation, including CSOs, and indigenous peoples where relevant, identified and explicit means for their engagement explained?   | 1/10/2014 CCM JS<br>Yes for PIF stage. Further details on involvement of local stakeholders, CSOs etc will be sought at the endorsement stage.  |  |
|                 | 11. Does the project take into account potential major risks, including the consequences of climate change, and describes sufficient risk mitigation measures? (e.g., measures to enhance climate resilience)   | 1/10/2014 CCM JS<br>Yes for PIF stage.  |  |
|                 | 12. Is the <b>project consistent and properly coordinated</b> with other related initiatives in the country or in the region?   | 1/10/2014 CCM JS<br>No. Please provide details of the REDD initiative in the country as either one of the baseline projects or as a related   | By CEO endorsement request specific details on which component outputs/outcomes will benefit from coordination and how such coordination |

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|                 |   | initiative.<br><br>1/28/2014 CCM JS<br>Addressed. As suggested the REDD initiative has been added as a baseline project and description of other projects have been provided. | will be undertaken is expected.                            |
|                 | 13. Comment on the project's <b>innovative aspects, sustainability, and potential for scaling up.</b><br><ul style="list-style-type: none"> <li>Assess whether the project is innovative and if so, how, and if not, why not.</li> <li>Assess the project's strategy for sustainability, and the likelihood of achieving this based on GEF and Agency experience.</li> <li>Assess the potential for scaling up the project's intervention.</li> </ul> | 1/10/2014 CCM JS<br>This will be assessed after comments on the project have been addressed.<br><br>1/28/2014 CCM JS<br>Addressed. Appropriate reasoning has been provided.   |  |
|                 | 14. Is the project structure/design sufficiently close to what was presented at PIF, with clear justifications for changes?   |   |  |
|                 | 15. Has the cost-effectiveness of the project been sufficiently demonstrated, including the cost-effectiveness of the project design as compared to alternative approaches to achieve similar benefits?   |   |  |
|                 | 16. Is the GEF funding and co-financing as indicated in Table B appropriate and adequate to achieve the expected outcomes   | 1/10/2014 CCM JS<br>No. Unless the project is closely integrated into strong baseline projects, funding and co-financing may not be   |  |



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| Project Financing | and outputs?   | adequate.<br>It will be revisited after other comments have been addressed.<br><br>1/28/2014 CCM JS Addressed.  |   |
|                   | 17. <u>At PIF</u> : Is the indicated amount and composition of co-financing as indicated in Table C adequate? Is the amount that the Agency bringing to the project in line with its role?<br><u>At CEO endorsement</u> : Has co-financing been confirmed? | 1/10/2014 CCM JS<br>No. The total co-financing amount is \$7.015m and the grant to co-financing ratio is 1:3.1. About 60% of the co-financing is in-kind. Conservation International is not providing any direct investment in the project.<br><br>a) To ensure commitment of partners in the project, it is suggested to obtain a higher proportion of investments or cash co-financing.<br><br>b) As currently presented, sources of co-financing are unclear. Please clearly state which private sector, CSO and foundation are contributing to the project.<br><br>c) As an implementing agency, Conservation International is expected to make a financial investment in the project.<br><br>1/28/2014 CCM JS Addressed. Identities of various co-financiers are clearer and the proportion of investments has been increased to 78%. CI is contributing only \$160,000 towards the project. GEFSec strongly recommends CI to increase its contribution towards the project. | Please use the PPG period to identify and secure CI co-financing that is appropriate for the project. |

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|                                   | 18. Is the funding level for <b>project management cost</b> appropriate?  | 1/10/2014 CCM JS<br>Yes. PMC is 5% of the total project grant request.   |  |
|                                   | 19. <u>At PIF</u> , is PPG requested? If the requested amount deviates from the norm, has the Agency provided adequate justification that the level requested is in line with project design needs?<br><u>At CEO endorsement/ approval</u> , if PPG is completed, did Agency report on the activities using the PPG fund? | 1/10/2014 CCM JS<br>Yes. Total amount of \$103,554 is requested as a PPG.  |  |
|                                   | 20. If there is a <b>non-grant instrument</b> in the project, is there a reasonable calendar of reflows included?   | 1/10/2014 CCM JS<br>NA.  |  |
| Project Monitoring and Evaluation | 21. Have the appropriate <b>Tracking Tools</b> been included with information for all relevant indicators, as applicable?   |  |  |
|                                   | 22. Does the proposal include a <b>budgeted M&amp;E Plan</b> that monitors and measures results with indicators and targets?  |  |  |
| Agency Responses                  | 23. Has the Agency adequately responded to comments from:   |  |  |
|                                   | • STAP?   |  |  |
|                                   | • Convention Secretariat?   |  |  |
|                                   | • The Council?  |  |  |
|                                   | • Other GEF Agencies?   |  |  |
| Secretariat Recommendation        |   |  |  |
| Recommendation at PIF Stage       | 24. <b>Is PIF clearance/approval being recommended?</b>   | 1/10/2014 CCM JS<br>No. Please address comments provided in sections 3,4,5,6,7,8,12,16 and 17.<br><br>1/28/2014 CCM JS |  |

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| Recommendation at CEO Endorsement/ Approval |   | Yes. All the pending issues have been addressed.                     |  |
|   | 25. Items to consider at CEO endorsement/approval.        |  |  |
|   | <b>26. Is CEO endorsement/approval being recommended?</b> |  |  |
|   | First review*   | January 10, 2014   |  |
|   | Additional review (as necessary)                          | January 28, 2014   |  |
| Review Date (s)                             | Additional review (as necessary)                          |  |  |
|   |   |  |  |

\* This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments. Greyed areas in each section do not need comments.