



Climate and Forests



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BACK TO OFFICE REPORT (BTOR)

Submitted by: Marco CHIU

Date Submitted: September 2019

1. Practice Area: BPPS/ Natural Capital and Environment

2. Service Line: Climate and Forests

3. Mission Period (incl. of travel days): 28 Jul – 2 Aug 2019

4. Type of Service/Mission

- FCPF programming and implementation
- Advancing on a financial proposal to fund implementation of Paraguay's National Strategy on Forests for Sustainable Growth

5. Client(s)

- Government of Paraguay (Secretary of Planning, Ministry of Environment and Sustainable Development)
- Dutch Development Bank (FMO)

6. Purpose of Mission

- Identify and plan priority products to be developed by FCPF in 2019
- Run consultations with the GoP and national banks on the proposal "*Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems*" with FMO

7. Documents, Materials, Resources from Mission.

- GCF Concept Note "[*Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change*](#)"
- Draft funding proposal "*Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change*"
- Presentation delivered to stakeholders

8. Mission Member(s) (include Consultants, if any)

Marco CHIU (UNDP RHPA) and Alvaro PINO (FMO), supported by Silvia MORIMOTO, Alfonso FERNANDEZ, Veronique GERARD (UNDP CO); Lilian PORTILLO, Daniel CORONEL, Gabriela VIÑALES (FCPF PMU).

9. Annexes

- Agenda of the mission
- Short-term next steps - FMO funding proposal
- Presentation delivered to stakeholders

1. Brief Summary of the Mission:

Since the last mission:

1. Following recommendations from the GCF Secretariat - Private Sector Facility (PSF), FMO and UNDP worked on preparing the integration of adaptation into the funding proposal (FP) "*Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change*", so it is now considered a cross-cutting proposal.
2. Following internal consultations FMO and UNDP agreed to keep the size of the FP to US \$ 100 million loan + 10 million grant and to present it for consideration i.e. at B25 in early 2020. The GCF Sec took note and reviewed the timeline with FMO towards formal submission of the FP.
3. Additional technical details have been defined, which allowed to run this round of consultations, targeting this time mainly government entities and national private banks.

This mission was aimed at identifying priority products that need to be finalized in 2019 with support from the FCPF Forest for Sustainable Growth project (BCS); and consulting with government agencies and national private banks on key features of the FP referred above, which is aimed at financing the implementation of selected PAMs

of Paraguay's National Strategy on Forests for Sustainable Growth (ENBCS). Participants of the mission included representatives from: Ministry of Environment and Sustainable Development (MADES), National Secretary of Planning (STP), Bancop, Banco Continental, Banco Atlas, Banco Regional, and Paraguay's Sustainable Finance Roundtable (SFR).

2. Key findings:

Priority products to be developed by FCPF in 2019

1. In discussions handled in this mission as well as in previous dialogues with relevant stakeholders regarding a unified approach towards RBPs that combine various sources, namely GCF and carbon markets, several elements have been identified as needed in the short term, considering i.e. fulfillment of the REDD+ Warsaw Framework (RWF).
2. In view of the above, during this mission it was agreed to prioritize the following elements, in complement to what is expected in the results framework:
 - a. Paraguay's ENBCS Implementation Plan
 - b. ENBCS's Environmental and Social Assessment / Environmental and Social Management Framework
 - c. Grievance and Redress Mechanism
 - d. The SIS final design
 - e. Updated information at the temporary [SIS website](#) set up by the Ministry of Environment and Sustainable Development (MADES)
 - f. Run a capacity building session with Government representatives on safeguards, given that many are new to the process, following changes after the last presidential elections.
 - g. A draft text of a legal instrument that defines carbon and ERs ownership
 - h. Supporting information to achieve Verified ERs under the VERRA [Jurisdictional and Nested REDD+](#) (JNR) standard
 - i. First draft of the methodological protocol design for monitoring and evaluation of impacts, to be used by the GCF FP "*Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems*"
3. Following the draft MTR report recommendations, MADES decided to prioritize:
 - a. Analyze options and agree on ToRs to launch a process towards the development of a financial mechanism to support implementation of the ENBCS.
 - b. Make efforts to prioritize, consult, and implement ENBCS's actions in IPs territories.
4. Finally, the GoP requested the BCS Project to support the implementation of Paraguay's Climate Action Week, with strategic advice for design and by facilitating the presence of panellists.

Consultations on the Funding Proposal design to implement selected PAMs of Paraguay's ENBCS

5. Key government agencies and banks which are part of the SFR were the target for this round of consultations, jointly undertaken by FMO and UNDP.
6. Given recent advances in discussions for the design of the FP, a ppt including the draft designed was put together to ease these consultations (see annex 3).
7. Main recommendations/comments presented by stakeholders include the following:
 - a. Make efforts to include dissemination of information about measures that can be taken at the farm level to reduce GHG emissions from the activity itself (like cattle manure management, fertilizers treatment, tillage techniques, among others), to complement the efforts of this project to reduce emissions by avoided deforestation.
 - b. Make efforts to facilitate access to these credits to small-scale farmers.
 - c. Ensure technical features and facilitate the required linkages between the M&E protocol of the project and the relevant national information and reporting systems, so the country can include the actions under this project as part of the mitigation and adaptation efforts promoted at the

- national level.
- d. Several questions were presented by government representatives in regard to the role of the government in a proposal like this one, given that this is the first FP in Paraguay that targets private finance.
 - e. Banks support the notion of ensuring compliance of environmental regulation by producers (particularly on land-conversion), as a requisite to participate of the concessional loans to be created by this project. They mentioned that they don't foresee an issue with this point.
 - f. All banks consulted agreed that a credit line that promotes the implementation of climate-smart sustainable productive practices is welcomed and well identified as a need, particularly with the concessional features presented (interest rate lower than what's offered in the market, extended terms, and extended grace periods), together with capacity building to their commercial teams.
 - g. Some banks representatives consulted about the possibility to re-finance existing loans and certain activities like reforestation.
 - h. Banks also welcomed the notion to level out among banks the understanding and use of specific guidelines of the SFR.
 - i. Some banks suggested to use existing commodities platforms to reach out to potential clients - producers, who already are discussing about means and ways to enhance their environmental performance.
 - j. One bank (Bancop) indicated that a credit to finance forest restoration has already been established, situation that offers opportunities to ease participation of this bank in the project, given the experience with such credit line.
 - k. A relevant issue raised was the currency to be used in these credits, given that exchange rates seem to be a relevant element that could make a difference in the appetite for these credits, particularly for cattle ranchers, who, was pointed out, use mostly local currency in their operations.
 - l. Many underscored on the need to ensure that close technical assistance is provided to producers for the correct implementation of the climate-smart sustainable productive practices. Some suggested also offering a roster of experts for consultations, in addition to extension services.
 - m. Others welcomed the idea to include water management systems (managing water supply and floods), given that there is some evidence that water provision systems have resulted in increased productivity and efficiency in the productive system.
 - n. Paraguay's SFR representative underscored the relevance of working on generating and disseminating knowledge through this project, including from basic considerations like the use of terminology, all the way to creating new knowledge about sustainable practices that could be disseminated across the entire cattle and soy sectors.
8. The mission was also an opportunity to discuss remaining technical details towards a first full draft of the FP, as well as to set out short-term next steps – see annex 2.
 9. The approach to include adaptation in the FP is to add two new activities (water management systems and afforestation/reforestation) to the already defined set of activities for mitigation, and include also further activities that will not only strengthened the enabling conditions for adaptation measures to be effectively implemented in the long run, but also that will create awareness among stakeholders on the issues at stake when thinking on production systems from the adaptation perspective.
 10. After discussions with experts at the national level, as well as within UNDP, the approach to estimate the adaptation potential and measure impacts consists on using as the BAU scenario, data on the standard variation of productivity of the soy and cattle ranching systems that fluctuate according to changes in climate factors (available at [Paraguay's National Adaptation Plan](#) - Pg. 30 onwards). The adaptation measures are intended to demonstrate how such productivity patterns will not be affected by climate

factors. The aim of the project will be to obtain a positive standard deviation value in productivity, to demonstrate that the productive system is more resilient to climate variation and change.

3. Next Steps:

1. Develop ToRs and launch procurement processes to develop relevant products related to 2b, 2g, 2h, 2i, and 3a above.
2. Mobilize Technical Assistance from UNPD C&F team to contribute towards products 2a, 2c, 2d, 2e, 2f, and 3b.
3. Finalize the technical annexes of the FP *“Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems”* including the approach for climate change adaptation.
4. Develop a first draft of the FP *“Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems”* between FMO and UNDP, including developing a pilot to test the M&E approach.
5. Undertake jointly with FMO a final set of consultations on the FP.
6. Coordinate with FMO formal submission of the FP to GCF in October 2019.

4. Key lessons learned derived from the mission:

1. There is a sense of urgency on the national counterparts to finalize the FCPF products set above, in 2019, as part of completing the process for compliance with the WFR. This is motivated to a great extent by the RBPs processes initiated in the country.
 2. There is appetite from banks to engage in the project *“Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems”*, as there is a perception of a need for credits to finance sustainable practices, based on banks experience with cattle and soy producers, provided that they are concessional as generally required for agriculture.
 3. A key element to consider in the FP *“Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems”* is the set of conditionalities that will apply to credits, in addition to compliance of the national legislation related land-conversion. Special emphasis will be given to this element as the FP drafting progresses.
 4. Working on the first private sector proposal in Paraguay to access finance from GCF has required to pay additional attention to the right understanding from stakeholders about the differentiated roles that government and private entities play.
- 5. If applicable, identify a headline for a storyline (article or case study) and provide contact details of focal point in country who can provide additional information:**
1. Innovative approach to engage the banking system and engage the private sector in climate-smart productive practices in Paraguay; Alfonso FERNANDEZ (alfonso.fernandez@undp.org) – UNDP CO, supported by Marco CHIU.

Follow-up Action Matrix

Actions to be taken (including events, information and communication materials planned as result of this mission)	By Whom	Expected Completion Date
1. Develop ToRs and launch procurement processes to develop relevant products related to 2b, 2g, 2h, 2i, and 3a above.	UNDP CO, Marco	Oct 2019
2. Mobilize Technical Assistance from UNPD C&F team to contribute towards products 2a, 2c, 2d, 2e, 2f, and 3b.	Marco	Oct 2019

3. Finalize technical annexes of the FP <i>"Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems"</i>	UNDP CO, Claudia Ortiz, Marco	Sept 10 th 2019
4. Finalize a first full draft of the FP <i>"Promoting sustainable practices in the soy and cattle ranching sectors to mitigate climate change and enhance resilience of the production systems"</i>	FMO, UNDP CO, Bruno, Marco	Sept 10 th 2019
5. Develop a pilot to test the M&E approach of the FMO-UNDP funding proposal to the GCF	UNDP CO, Bruno	October 2019
6. Undertake a joint mission with FMO to run the last set of consultations with national stakeholders on the FP.	FMO, UNDP CO, Marco	Sept 23 rd 2019
7. Mobilize Technical Assistance from UNDP C&F team to develop a capacity building workshop with national counterparts on safeguards	UNDP CO, Andrea	Sept 18 th 2019
8. Process NDA no-objection letter (FMO-UNDP proposal)	FMO with support from UNDP CO	October 2019
Distribution List (BTOR sent to): Tim, Josep, Arturo, Clea, Fernando, Silvia, Veronique, Alfonso, Dina, PY, Kim, Jen, Andrea, Wahida, Beth, Bruno, Elspeth, Ela, Andrew, Lyes, Leif, Gonzalo, Pascale, Vanessa, Claudia		

Annex 1: Mission Agenda

Misión FCPF PNUD Paraguay

Asunción, 29 de julio al 01 de agosto de 2019

OBJETIVOS DE LA MISIÓN

Proyecto Bosques para el Crecimiento Sostenible

- Revisar el POA 2019 y los hitos importantes hasta el final del año.

Propuesta FMO para el GCF

- Dar seguimiento la hoja de ruta para el desarrollo de la propuesta de financiamiento a ser presentada ante el Fondo Verde para el Clima junto con FMO
- Presentar a las contrapartes y actores relevantes el estado de preparación de la propuesta de financiamiento a ser presentada ante el Fondo Verde para el Clima

PRODUCTOS DE LA MISIÓN

Proyecto Bosques para el Crecimiento Sostenible

- Hoja de ruta hasta diciembre 2019 para los temas de relevancia del proyecto.

PROPUESTA GCF

- Actualización de la hoja de ruta hasta la conclusión y presentación de la propuesta de financiamiento al GCF, incluyendo la definición de roles y responsabilidades.

Participantes

Aparte los participantes de las reuniones indicados en la agenda, la misión será asumida conjuntamente por la contraparte nacional y por PNUD.

Contraparte: nacional (MADES)	<ul style="list-style-type: none">- Ulises Lovera, Director Nacional de Cambio Climático- Equipo Técnico MADS que sea designado.
PNUD	<ul style="list-style-type: none">- Veronique Gerard, Oficial de Programa Desarrollo Sostenible, PNUD Paraguay- Lilian Portillo, Coordinadora Técnica del Proyecto BCS, PNUD Paraguay- Equipo Técnico BCS PNUD

Agenda de la Misión

Hora	Lunes 29/07	Martes 30/07	Miércoles 31/07	Jueves 01/08
09:00 a 13:00	<p><u>Sesión de Trabajo con Equipo de Proyecto BCS, PNUD y FMO</u> Objetivo: Avanzar en la propuesta de financiamiento a ser presentado ante el GCF Participantes: Equipo BCS, PNUD, FMO Lugar: PNUD 6to piso</p>	<p>08 :30 - 11.00 <u>LANZAMIENTO PLATAFORMA NACIONAL DE SOJA SUSTENTABLE</u> Lugar : Centro de Eventos del Paseo de la Galería Torre 1 Piso 9.</p> <p>09:00 <u>Reunión con BANCOOP</u> Participan: MCh DC AP</p> <p>12:00 <u>Reunión con Banco Continental</u> Participan: MCh DC AP</p>	<p>09:00 <u>Reunión con Mesa de Finanzas Sostenibles</u> Participan: MCh GV AP</p> <p><u>Reunión con Banco Atlas (Atlas Center Mcal Lopez) 11am</u> Participan: MCh GV AP</p>	<p><u>Sesión de Trabajo con Equipo de Proyecto BCS</u> Objetivo: Avanzar en la hoja de ruta del proyecto hasta diciembre. Participantes: Equipo BCS Lugar: UNDP 6to piso</p> <p>11:30 <u>Reunión con Guyra Paraguay</u> Objetivo: conocer el estado de avance de preparación del proyecto REDD Lugar : a definir Participantes: Equipo BCS MCh Natalia</p>
13:00	PAUSA PARA ALMUERZO			
14:30	<p><u>Inicio de Misión con Representación PNUD</u> Objetivo: Inicio de Misión en PNUD: revisión de cronograma de la Misión y Actividades propuestas para la semana. Participantes: SM AF VG MCH AP Local: PNUD</p>	<p><u>Sesión de Trabajo con Equipo de Proyecto BCS, PNUD y FMO</u> Objetivo: preparar sesiones con contrapartes Participantes: VG Equipo BCS, FMO Lugar: UNDP 6to piso</p>	<p><u>14:00 a 15:00 Cierre de Misión</u> Objetivo: Acordar una hoja de ruta hasta la finalización de la propuesta de financiamiento a ser presentada ante el GCF Participantes: VG Equipo BCS, PNUD, FMO Lugar: UNDP 6to piso</p>	<p><u>Sesión de Trabajo con Equipo de Proyecto BCS</u> Objetivo: Avanzar en la hoja de ruta del proyecto hasta diciembre. Participantes: VG Equipo BCS, PNUD Lugar: UNDP 6to piso</p>

Hora	Lunes 29/07	Martes 30/07	Miércoles 31/07	Jueves 01/08
15:30 a 17:00	Reunión con MADES Objetivo: Inicio de misión y presentación de avances en el proceso de preparación de la propuesta de financiamiento Participantes: PNUD, FMO, MADES DNCC Lugar : MADES	Reunión conjunta con actores relevantes Objetivo: socialización estado de preparación de la propuesta de financiamiento. Participantes: STP MAG INFONA, MADES, PNUD FMO Lugar: MADES y/o PNUD	16:00 Reunión Banco Regional Participan: MCH DC AP	Cierre de Misión Objetivo: Acordar acciones estratégicas del proyecto hasta diciembre de 2019. Participantes: VG UL Equipo BCS, PNUD Lugar: UNDP 6to piso y/o MADES

BORRADOR

Annex 2: Short-term next steps - FMO funding proposal
Next steps FMO-UNDP proposal to the GCF (updated as of Aug 28th)

Actions	Description	Due date	Responsibles	Status
1. Context document (Annex B-1)	○ Update / enhance climate rational description (mitigation and adaptation)	15 august	Marco / Claudia	Completed
	○ Provide “regular conditions” that apply to credits standard conditions FMO	August	Alvaro	Completed Alvaro to check if other general conditions should be added.
	○ Add “special conditions” that apply to credits for this project	Aug 15 (call to discuss about this)	Alvaro, JJ + Marco, Bruno, Dani	Completed All to revise if additional special conditions should be added at this stage
	○ Reduce redundancies in current table of eligible activities, and produce a new unified table with eligible practices	Aug 15	Marco	Completed
2. Finalize financial appraisal		15 Aug	Alvaro	In progress FMO to include in the FP
3. Systematize comments from banks that might come in the near future (after this mission),	Minutas de reuniones y/o otra información requerida	Aug 15	Alvaro, Gaby	Completed No comments received by banks after the last mission
4. Send FMO		Aug 15	Gaby	Completed

(Alvaro) additional technical background documents, as per discussions during the mission with Alvaro				
5. Consult banks and agro-experts about needs for capacity building via extensionists for producers	Meeting with agro-experts Talk to banks	Aug 20	Dani / Arturo on line if possible)	In progress
6. Prepare grant budget	For banks	Aug 30	Alvaro	In progress UNDP to send template to FMO
	For the other elements of the grant (including a potential support to MFS)	Aug 30	Lili/Dani/Vero + Bruno/Marco	In progress Consultations still on-going
7. Prepare FP first draft NOTE: this version will include the best possible effort for all annexes	According to annotated template –	Aug 30 – inputs from FMO and UNDP Aug 25 – New deadline Sept 6	Bruno, JJ	In progress A specific call will take place for annex stock taking
	Discussions to finalize the technical design	Aug 15	all	Completed
	Agree on annexes to be included in the first draft	Sept 3 rd	Alvaro, JJ, Dani, Marco, Bruno	Not yet started
	Submit a first FP draft to the GCF Sec and national stakeholders	Sept 5 th	Jim, Alvaro, Marco	Not yet started

8. Prepare methodological protocols of the monitoring system	Prepare draft methodological protocol	Aug 30	(Dani/Bruno + Natalia/Marcelo – for QA)	In progress First draft to be provided by Dani in the next few days
	Run pilot	Sept 30	Dani y Bruno	Not yet started
	Adjust methodological protocol	Oct 30	Dani y Bruno	Not yet started
9. Prepare for translations English – Spanish for national consultations	Submit annexes B-2 y B-3	ASAP	Gaby	Completed
	Wait for Annex B-1	Aug 15	Gaby	In progress
	Translate funding proposal	Sept 6		Not yet started
10. Final consultations	Prepare and run meetings / workshops	Sept 23 - 24	Gaby/Pame	In progress
	Addressing inputs	Sept 30	Marco, Bruno, JJ, Alvaro	Not yet started
11. Finalize discussions to formalize the partnership FMO-UNDP	Confirm UNDP instruments	Aug 19	CO, Bruno and Marco	Completed
	Discuss any remaining issue	Aug - 23	all	In progress
	Get legal office clearance	Sept 30		Not yet started
12. Discuss with FMO implementation arrangements details		Aug 23	CO, Marco, Bruno, Alvaro	Not yet started