

BACK TO OFFICE REPORT (BTOR)

Submitted by: Marco CHIU, Claudia ORTIZ

Date Submitted: February 2020



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Resilient nations.

1. Practice Area: BPPS/ Natural Capital and Environment

2. Service Line: Climate and Forests and Climate Change Adaptation

3. Mission Period (incl. of travel days):

MCh: 3 to 6 February

CO: 3 to 7 February

4. Type of Service/Mission

Joint due diligence mission for the finalization of the funding proposal (FP) submitted by FMO to GCF, with UNDP as Executing Entity.

5. Client(s)

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

6. Purpose of Mission

Support the GCF Secretariat mission undertake due diligence consultations with national stakeholders including Banks, private sector, and government.

7. Documents, Materials, Resources from Mission.

- Full Funding Proposal, as endorsed by the ITAP (January 17, 2020)

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

Marco CHIU, Claudia ORTIZ (RHPA); Alvaro PINO, Nada COICI, Gabi PENNER (FMO); Leo Hyoungkun PARK (GCF); supported by Silvia MORIMOTO, Alfonso FERNANDEZ, Veronique GERARD (UNDP CO); Lilian PORTILLO, Daniel CORONEL, Gabriela VIÑALES (FCPF PMU).

9. Annexes

- Agenda of the mission
- Presentation on 3 GCF Projects (UNDP/FMO, FAO, and UN Environment) delivered to GCF

1. Brief Summary of the Mission:

Since the last mission:

1. The Dutch Development Bank (FMO), as AE, submitted the cross-cutting FP "*Promoting Low-Emission, Climate-Resilient production practices in soy and cattle sectors in Paraguay*", including all mandatory annexes (except for the NOL) to the GCF Private Sector Facility (PSF) on November 18th 2019.
2. This revised version of the FP was presented to Paraguay's producers' associations and unions representatives, as part of the on-going consultation process. The producers' associations and unions presented some concerns with the language of the proposal, which were also shared with Paraguay's NDA.
3. Following some back and forth between FMO/UNDP and GCF PSF on some issues, FMO submitted an updated package to the GCF PSF on December 13th 2019, within the deadline for ITAP review before B25, scheduled for March 2020.
4. On January 16th 2020, ITAP technical call took place. On January 17th the GCF PSF announced that ITAP has endorsed the FP and was therefore tabled for consideration at B25, provided that two conditions are addressed (see below).
5. Additional exchange between FMO/UNDP and GCF PSF followed, with a view of preparing all documents to be in place for consideration at B25. The next important deadline was February 7th, date in which public disclosure of the ESA/ESMF was expected. Additional comments from the S/E safeguards team at the GCF

Secretariat were presented in January.

6. On January 19th the UN secretariat launched a twitter that suggested to reduce the consumption of meat to reduce environmental impacts on the planet. This tweet message caused a deep reaction on the producer's associations and unions in Paraguay in late January, who published twitters, press articles, as well as letters and other written communications emphasizing their discontent with the UN tweet. The same reaction from producers was also visible in Argentina and Brazil.
7. In this context, the Paraguayan unions expressed their objection to the FP to the NDA, the Secretary of Planning (STP, in Spanish). STP expressed that a No-Objection Letter could not be granted to the project, until the unions lifted this objection.
8. GCF PSF requested UNDP and FMO to organize a joint due diligence mission to Paraguay. The purpose was to engage with local stakeholders, as well as FAO and UN Environment, which also implement relevant GCF projects on land use and REDD+.

This mission was aimed at supporting Paraguay's UNDP CO, in handling GCF's request presented in point 8 above. The GCF PSF had the intention to run meetings with national stakeholders including the government, banks, and producers' associations and unions. Upon the delegations' arrival and considering the political context, the mission agenda focused on discussions with the GoP, ensuring complementarity and synergy amongst the three GCF projects that focus on land use and REDD+, and working out the final pending observations from the GCF, particularly on safeguards. The mission included meetings with FMO and UNDP representatives, as well as FAO, UN Environment, Ministry of Environment and Sustainable Development (MADES), National Secretary of Planning (STP – acting NDA) representatives, and experts on soy and cattle.

2. Key findings:

NoL

1. GCF PSF was aware of the issues related to obtaining the NoL described above. Still, there was willingness to give FMO the opportunity to present the NoL by mid-February. It was agreed by GCF PSF, FMO, and UNDP that UNDP CO will continue to make efforts to re-establish the dialogue with producers' associations and unions to continue discussing the FP.
2. Soy and cattle experts in Paraguay suggested the GCF PSF to look for ways to expand the outreach to producers. They indicated that there might be views within the associations and unions by some members, that in this case the leaders are not necessarily representing the view of most member producers.
3. UNDP CO Senior Management will continue to engage in dialogue with the leaders of producers' unions and associations, as a first necessary stage to re-open the dialogue. Then, it will be necessary to expand the consultation process to discuss on the latest version of the FP.
4. The latest version of the FP will be disseminated and formally presented to various stakeholders to obtain their validation first, and the NoL afterwards.

Meetings with National Government

5. FMO, GCF PSF, and UNDP met with the National Director of Climate Change and the NDA in STP, who reiterated their support to the FP.
6. GCF expressed its interest in actively contributing to the design of Paraguay's National Climate Change Fund, as included in the UN Environment-led, recently REDD+ Results Based Payments (RBPs) approved project at B24. GCF could then, be able to use RBPs proceeds to capitalize such fund, as well as to help finding other finance sources.

Last group of GCF PSF comments to the FP

7. Following ITAP's endorsement of the proposal on January 17th, the GCF secretariat provided some comments on the budget, ESA/ESMF, and stakeholder engagement plan.
8. Once in Asunción, the partners discussed the requests from the GCF secretariat. The comments on

safeguards essentially request a deeper S/E risk analysis and mitigation measures, a revised Stakeholder Engagement Plan (including provisions for engagement with IPs), developing a resettlement plan, and an indigenous consultation plan.

9. Given that the deadline to publish the ESA/ESMF and related assessments to reach B25 was February 7th, FMO decided that, given the tight timeframe it was unable to agree to the requests from GCF without first undergoing internal discussions, with FMO's Executive Committee.
10. UNDP pointed out that additional time was in fact needed to produce such assessments, revise the Stakeholder Engagement Plan, and assess jointly with FMO a possible way forward. Therefore, it was agreed that the proposal would forgo the March Board Meeting deadline and aim for the June Board (B26).
11. FMO and UNDP agreed to run internal consultations and come back to define a proposal for the GCF PSF to address the safeguards comments.
12. Another topic discussed during the mission was the budget. GCF PSF prior to the mission provided comments that questioned the budget structure regarding the AE fee and UNDP's GMS. FMO and UNDP agreed to discuss the possibility of re-structuring the budget and explore alternatives to be further discussed before addressing these comments.

Meetings with FAO and UN Environment

13. Starting in 2019, various efforts to ensure inter- agency coordination in Paraguay took place. Some of these efforts are related to the implementation of GCF funds, including the B24 REDD+ approved proposal - US \$ 50M, that Paraguay obtained as per REDD+ RBPs, with support from UN Environment as AE, based on the REDD+ readiness work supported by FAO, UN Environment, and UNDP in the context of UN-REDD, and most recently by UNDP in the context of the Forest Carbon Partnership Facility.
14. The REDD+ RBPs project is expected to be co-executed by UN Environment as lead agency and AE to the GCF, FAO and UNDP. FAO in recent years also supported the GoP to access GCF finance through the PROEZA project, which aims at CC mitigation and poverty alleviation through reforestation and sustainable practices with small holders as the main target.
15. In this context, the GCF PSF requested to meet with FAO and UN Environment representatives to better understand how these initiatives complement to each other. The joint delegation met with programming focal points for FAO and UN Environment, to discuss complementarity and coordination amongst the following GCF- funded projects:
 - a. REDD+ Results- Based Payments (UN Environment): CCM, \$ 50M in grants.
 - b. PROEZA (FAO): CCA/ CCM, \$ 25M in grants + additional grant and loan from national sources, presented as co-finance.
 - c. FMO Private Sector proposal on low-emission, climate-resilient practices on cattle and soy production: CCA/ CCM, \$ 100M in loans + \$ 6,9M in grants + \$ 240M as FMO co-finance.
16. FAO and UN Environment delegates offered answers to questions from GCF PSF and provided some details on the status and implementation strategy of these projects. Meeting participants agreed that Paraguay's REDD+ NS (known as National Strategy on Forests for Sustainable Growth) was the basis to understand complementarity, as each of these initiatives aim at financing different policies and measures of the National Strategy, as illustrated in the attached ppt (see also annex 2).
17. These projects also target different stakeholders: PROEZA targets small and medium producers, and IPs; REDD+ RBPs targets national institutions, local communities, households, and family farmers; and the Private Sector Facility project targets mainly commercial farmers and cattle ranchers.
18. UNDP CO suggested developing an ENBCS' capacity building plan, under which the different stakeholder groups targeted by these projects would be mapped, for ease of reference.

3. Next Steps:

1. UNDP will continue to work with FMO in addressing the GCF's observations on the ESS and stakeholder engagement plan. For this, Jim Brands (FMO's focal point to GCF) and Alvaro Pino (FMO's Investment

<p>Officer for LAC) will conduct internal discussion with FMO's Executive Committee to decide on key issues raised by GCF, including expanding the risk assessment and mitigation measures, and developing resettlement and indigenous peoples' plans.</p> <ol style="list-style-type: none"> UNDP and FMO will work together to address GCF's comments on the budget. UNDP CO will seek dialogue opportunities with producers' unions and associations with the aim to find a space to discuss the latest version of the proposal, address any outstanding concerns, and obtain their validation. For consideration at the June Board meeting (B26), the proposal would not have to go through an ITAP assessment anymore, unless it presents substantial changes following final consultations with stakeholders. <p>4. Key lessons learned derived from the mission:</p> <ol style="list-style-type: none"> Twitter and other social media are of wide use in Paraguay. Regardless of the pertinence of the UN tweet, it came on a critical time that created an unexpected additional step in the consultation process of the FP in the country. UNDP will need to increase efforts to reach an agreement with the leaders of the producers' unions in Paraguay to: i) meet to discuss the final version of the FP; ii) obtain validation and buy-in. GCF PSF confirmed that not all GCF Secretariat comments to FPs are solely motivated on technical robustness. Some comments have political twists, in view of the highly political environment in which the GCF Board take decisions. In this context, AEs are requested to take careful consideration of all possible sources of conflict or issues to be raised at Board meetings or ITAP review, independent of how pertinent such issues might look like from the technical point of view. <p>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:</p> <ol style="list-style-type: none"> Internal note: Lessons learned from engaging with IFIs in the context of GCF finance; Bruno Guay – supported by Claudia ORTIZ and 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. Address GCF Secretariat's observations on the budget	Daniel, Claudia, Bruno	24 February
2. Address GCF Secretariat's observations on FMO's ESA/ESMF and Stakeholder Consultation Plan	FMO, Claudia, Marco, Daniel, Safeguards consultant	TBC- upon confirmation from FMO on internal agreement on way forward
3. Obtain signed letter of no- objection, including continuation of final consultations with national stakeholders	UNDP CO	No later than 30 April
Distribution List (BTOR sent to):		
Tim, Josep, Noelia, Arturo, Clea, Fernando, Dina, Jen, Ela, Bruno, Leticia, Lyes, Gonzalo, Vanessa, Silvia, Alfonso, Veronique, Daniel, Lilian, Gabriela, Srilata, Montserrat, Simone, Joana		

Annex 1: Mission Agenda

Horario	Actividad	Lugar	Participantes
Martes 04/02/2020			

09:30 a 10:30	Apertura de Misión	PNUD	PNUD CO y PNUD Regional
10:30 a 12:30	Reunión equipo propuesta PNUD	PNUD	Marco, Claudia, Lili, Gabi, Dani, Don Oscar, Rafa, Jorge
15:30 a 16:30	Reunión preparatoria para reunión GCF con agencias	PNUD	PNUD, FAO y PNUMA
16:30 a 18:00	Planificación y preparación de materiales para las próximas reuniones	PNUD	PNUD y FMO
Miercoles 05/02/2020			
11:30 a 12:30	Reunión GCF-FMO-PNUD	PNUD	GCF FMO PNUD
14:00 a 16:00	Reunión técnica on Autoridad Nacional Designada (STP)	STP	STP GCF FMO PNUD
14:00 a 16:00	Reunión GCF-FMO-PNUD	PNUD	GCF FMO PNUD
Jueves 06/02/2020			
09:00 a 10:30	Reunión con entidades de Gobierno	MADES	INFONA, MADES, STP, GCF, FMO, PNUD
11:00 a 12:00	Reunión con agencias *Sinergia entre propuestas *Discusiones sobre el Fondo de Cambio Climático	PNUD	FAO, PNUMA, GCF, FMO, PNUD
14:00 a 16:00	Reunión con expertos de soja y carne	PNUD	GCF, FMO, PNUD

Annex 2: Synergies of GCF projects supported by UN Agencies in Paraguay

COMPLEMENTARIEDAD DE PROPUESTAS FINANCIADAS POR EL GCF



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GRUPOS META DE LAS PROPUESTAS FINANCIADAS POR EL GCF



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