

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

REGIONAL

REGIONAL PLATFORM FOR WATER RESOURCE MANAGEMENT

(RG-G1001)

NON REIMBURSABLE FINANCING PROPOSAL

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Electronic Links	
REQUIRED	
1.	Annual Operations Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35363344
2.	Monitoring and Evaluation Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35363146
3.	Procurement Plan http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35366757
4.	Safeguard and Screening Form for Screening and Classification of projects (SSF) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35363550
OPTIONAL	
1.	Bogota Water Fund Description [Issues Addressed*] http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35363272
2.	Financial analysis of the Bogota Water Fund [Issues Addressed*] http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=35363269
* Brief description of content/issues related to design or implementation of project. Include reference to Chapter/paragraph.	

Abbreviations

AOP	Annual Operating Plans
CO	Country Office
EA	Executing Agency
EIA	Environmental Impact Assessment
ESA	Environmental and Social Analysis
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Strategy
FEMSA	Fomento Economico Mexicano S.A.B. de C.V.
FONAG	Fondo del Agua
GEF	Global Environment Facility
GIS	Geographical Information Systems
HQ	Headquarters
ICB	International Competitive Bidding
IDB	Inter-American Development Bank
IP	Implementing Partner
JMC	Joint Management Committee
MEWD	Ministry of Environment, Water Resources, and Drainage
MIS	Management Information Systems
M&E	Monitoring and Evaluation
NAPA	National Adaptation Plan of Action
OC	Ordinary Capital
OM	Operations manual
PEP	Project Execution Plan
PEU	Project Execution Unit
PM	Platform Manager
POD	Proposal for Operation Development
PPP	Public-private-partnership
PSC	Project Steering Committee
QA/QC	Quality Assurance and Quality Control
RPWRM	Regional Platform for Water Resources Management
TC	Technical Cooperation
TNC	The Nature Conservancy
USAID	United States Agency for International Development
WF	Water Fund

PROJECT SUMMARY
REGIONAL
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Financial Terms and Conditions			
Beneficiaries: Five countries of Latin America and the Caribbean Region to be determined.			
Executing Agency: The Nature Conservancy (TNC)			
Source	Amount		
IADB/GEF Fund	5,000,000	Disbursement Period:	5 Years
Counterpart Financing (TNC)	1,000,000		
Total	6,000,000	Currency:	US Dollar
Project at a Glance			
<p>Project Objective/Description: In December 2009, IDB and TNC jointly applied for a grant of US\$5 million from the Earth Fund of the Global Environment Facility (GEF) to implement the Regional Platform for Water Resource Management (RPWRM). The submitted proposal was approved and endorsed by the CEO of the GEF by May 2010. The objective of the Platform is to support the establishment of Water Funds (WFs) in at least five countries across Latin America and the Caribbean region to serve as financing mechanisms for the protection of key watersheds and the provision of long-term payments for environmental services. At least one country per operational sub-region of the Bank¹ will be selected for Platform implementation according to specific environmental, economic and social considerations as specified in paragraph 1.20. At the end of the five-year project period, the objective is that the WFs that have been established in each Country will be technically and financially self sustainable. To take advantage of the progress that has been made by TNC and the Bank in the establishment of the WF for Bogotá and to rapidly derived lessons learned from fund implementation, Colombia has been selected as the first beneficiary country of this Platform.</p>			
<p>Special contractual clauses: Special conditions for the first disbursement to the Executing Agency (EA), related to the implementation of the RPWRM will be: (i) evidence that the Operations Manual (OP) for the Platform has entered into force in accordance with terms and conditions previously agreed upon with the Bank (¶3.6); and (ii) evidence that a Project Manager (PM) has been appointed (¶3.6). As special condition prior to the disbursement of the contribution to the water funds, TNC shall submit evidence, to the Bank's satisfaction, of the establishment of the respective WF, pursuant to the legislation in the country where such WF was created (¶3.7). Annual project financial statements will be presented by TNC and audited by their internal auditor. The final audited financial statement will be carried out by an external auditor acceptable to the IDB and will be submitted to the IDB within 180 days from the closing of the fiscal year of TNC. For the rendering of accounts and justification of expenses incurred in local currency, the equivalent amount to be reported in the project currency (US\$) will be determined using the average exchange rate of the month, as calculated by the TNC Worldwide Office Finance (¶3.9).</p>			
<p>Exceptions to Bank policies: The final audited financial statement will be submitted to the Bank within 180 days from project closing date as opposed to 120 days as defined in the Financial Management Policy (¶3.9). An exception to the 120 day limit rule provided in the Financial Management Policy for IDB-financed projects (Document 273-1) has been suggested by the PDP Office.</p>			
<p>Project qualifies for: SEQ [] PTI [] Sector [] Geographic [] Headcount []</p>			
<p>Procurement: Procurements for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American Development Bank (GN-2349-7), of July 2006; and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-7), of July 2006, in particular Appendix 4 "Policies for the Procurement in Loans to the Private Sector" and with the provisions established in the Agreement and this procurement plan.</p>			

¹ Andean, Central America, Caribbean, and Southern Cone

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1 Development and climate change are causing every natural ecosystem to be put under high stress, freshwater ecosystems—the diverse communities of species found in lakes, rivers, and wetlands—being the most endangered of all. Despite occupying only a tiny percentage of the planet’s surface, on a hectare-to-hectare basis, freshwater ecosystems are richer in species than the more extensive terrestrial and marine ecosystems.
- 1.2 However, these ecosystems have lost a greater proportion of their species and habitat than ecosystems on land or in the oceans due to increasing threats from dams, water abstraction, overharvesting, pollution, deforestation, and the presence of invasive species. Climate change promises to cause further challenges given anticipated changes in the seasonality and annual patterns of precipitation.
- 1.3 Historical evidence suggests that it is more cost effective to protect than to mitigate, and as a result, many cities around the world have decided to make large scale investments in ecosystem management to protect upstream water quality, rather than invest in filtration plants.
- 1.4 While the savings from watershed management may be significant, the related costs have been almost universally neglected in water pricing. Worse still, these costs have not been valued against operational costs for water treatment or investment costs for new infrastructure. The proposed project will be instrumental in introducing and replicating this concept. It is the hope that along with the proposed project, in addition to the noticeable shrinking clean water supply and the perceived water insecurity, businesses and water utilities would look at fresh water as they never have before – as a valuable commodity that is produced, invested in, sold and consumed.
- 1.5 In recognition of this opportunity, TNC and local partners have worked for over a decade pioneering financial and institutional mechanisms that protect biodiversity while conserving water sources for human consumption. One of TNC’s most successful models has been the Quito Water Protection Fund in Ecuador. Called *Fondo del Agua* (FONAG), this public-private WF was established in 2000 and now has a capitalization of more than US\$6 million that pays for watershed programs and projects around Quito’s water sources. The WF was created to bring together public and private sector water users to pay for conservation efforts on a voluntary basis. Programs receiving support include adding park guards and control for protected areas, environmental education and outreach, and helping people who live in sensitive areas switch to more ecologically sound livelihoods.

- 1.6 Based on the experience with the Quito WF, TNC is replicating and improving the model for public-private watershed conservation in parts of South America, namely in Brazil, Colombia and Peru, amongst others. TNC has adapted the strategy across geographic gradients: from valleys, to mountain forests, dry forests and coastal lagoons. In addition, it is working to engage multiple types of water users from large hydropower companies to the agricultural sector, from large companies to individual farmers.
- 1.7 **Role of the Bank.** The Bank's involvement in water resources management and conservation has been traditionally focused on environmental sanitation through the development of waste water treatment plants. Given the interest of the Bank in broadening its involvement in the sector to better assist client countries in coping with the increasing challenges of climate change, the rapid extinction of key freshwater ecosystems and increased water insecurity, the Bank and TNC have agreed to partner to structure a new regional Platform geared towards achieving this goal.
- 1.8 The proposed Platform is in line with the Water Defenders component of the Bank's Water and Sanitation Initiative (2007)² and the Country Strategy for Colombia (2007 - 2010) through support for resource mobilization to the sector, integrated watershed management, environmental protection and the implementation of the Country's National Adaptation Plan of Action (NAPA).
- 1.9 **Project Preparation.** IDB and TNC committed to create a regional platform to establish WFs in at least five countries of the Region and attract additional donors to participate in this type of mechanism. In December 2009, IDB and TNC jointly apply for a US\$5 million grant from the GEF's Earth Fund. In May 2010, the joint proposal was approved by the GEF council and was endorsed by the GEF CEO.
- 1.10 Internally, the project team conducted an analysis mission in July 2010 to two potential beneficiary countries, Colombia and Peru, to carry out legal and financial due diligence at the national level, as well as explore opportunities with potential donors for the proposed WFs in those two countries.
- 1.11 **Relevant Studies.** An initial study commissioned by TNC to analyze the wastewater treatment cost reduction opportunities from investments in watershed conservation in Chingaza, the main water supply system for Bogota, was finalized in 2007. The results were promising, forecasting significant savings from sedimentation removal cost, upwards of \$4.5 million per annum. The following year TNC conducted further pre-feasibility studies to analyze the legal, financial, institutional and technical constraints for the establishment of the Fund aimed at

² Under the Water Defenders component of the Water and Sanitation Initiative the Bank aims to provide resources and technical assistance to serve 20 priority micro watersheds from 2007 to 2011 for the supply of water for human consumption, including wetland conservation and management actions for aquifer replenishment, forest protection, declaration of protected areas, erosion control, or other actions consistent with rational watershed management. To date the Bank has benefited 22 watersheds since 2007.

the conservation of Chingaza and the other system that provides water to Bogota. Optional link 1 provides a detailed description of the Bogota WF.

- 1.12 In August 2009 the Bank joined this effort and approved the Technical Cooperation CO-T1216 (Financial Mechanism for the Conservation of the Watersheds that Supply Water to Bogota) for US\$325,000 to conduct further technical studies aimed at characterizing the erosion processes in the area and developing tools for the prioritization of the watershed conservation projects that will be supported by the Fund. These studies will be available by December 2010. It is expected that funding from this project will be used to capitalize the endowment that will be created under this WF.
- 1.13 **Donor Coordination.** Per GEF requirements TNC will use its best efforts to leverage US\$15 million throughout the life of the Platform from local and international private and public sector donors. The Bank has been a key player in supporting TNC in this resource mobilization effort, meeting with key potential donors (i.e. large bottlers, water operators, and other major multinational beverage companies) and contributing grant resources to co-finance the start up costs of the WF that is being established in Bogota (CO-T1216).
- 1.14 Additionally TNC has approached *Fomento Economico Mexicano S.A.B. de C.V.* Foundation (FEMSA), who has shown a great interest to co-finance this program due to its compatibility with the Company's strategy for social and environmental sustainability. A joint program with GEF, TNC and FEMSA goes hand in hand with one of the most noteworthy institutional mandates that arose as a result of the Bank's realignment process in 2007: its commitment to strengthen its presence and strategic alliances with private and civil society partners.

B. Objective and Components

- 1.15 The proposed RPWRM will support the establishment of a series of WFs in at least five countries across Latin America and the Caribbean region that would serve as financing mechanisms for the protection of key watersheds and the provision of long-term payments for environmental services. At least one country per operational sub-region of the Bank³ will be selected for Platform implementation according to specific environmental, economic and social considerations (more details are provided in paragraph 1.20). Bogota, Colombia will be the first location that will be benefited from this Platform. Optional link 1 provides a detailed description of the Bogota WF.
- 1.16 Each WF can potentially leverage financing from a variety of public and private sources including: large water users, such as water utilities, bottling companies; local taxes; individual donations and international donations. The volume of the contributions gathered for each WF, which will vary according to the local availability of funding, will be used for critical start-up costs, operational

³ Andean, Central America, Caribbean, and Southern Cone

- expenditures and demonstrative conservation projects. The net balance of the contributions will be allocated in an endowment fund (managed by an independent asset manager) that will generate financial returns. The investment income generated will then be returned to the WFs for the long-term payment of conservation projects and operational costs. The amount of funding needed to accomplish the WF's conservation objectives, the financial projections of its resources, the endowment's rates of return and investment strategy and the budget for the conservation activities that will be carried out will be specified in the Financial Plan that will be developed for each WF.
- 1.17 Conservation projects to be financed under the WFs could be grouped in the following categories: (i) payment for environmental services, including watershed management and biodiversity conservation; (ii) water resource management such as sustainable land use; and (iii) conservation projects for further protection of the natural habitat where these services originate. Eligible projects for WF financing include creating and strengthening protected areas, helping neighboring landowners switch to conservation-friendly practices, and supporting other community-driven conservation initiatives. The prioritization and eligibility criteria for these conservation projects will be detailed in the Conservation Plan that will be developed for each WF. This Plan will describe clear conservation objectives, geographic areas of intervention and conservation strategies to determine where and how the funds are going to be deployed in conservation activities.
- 1.18 Funding from this Platform will be directed towards the development of these critical strategic planning documents and largely for the establishment of the endowments. As it will be specified in the OM that will be developed jointly by the Bank and TNC, TNC will be part of the Board and the Technical and Advisory Committee of each WF, and such will play a key role in providing technical advice to develop these procedures.
- 1.19 The overall allocation of funding from this RPWRM can be divided in two components: (i) an operational component, Component 1, that deals with the establishment of WFs in the Region; and (ii) a project management component, Component 2, that involves the financing of the activities carried out by the EA for the technical, financial and administrative management and coordination of the Platform. The RPWRM evaluation and external audits will also be covered under this Component (see section III.A below for more details).
- 1.20 In general terms the funding allocated to Component 1 will be equally distributed among the five selected countries. Small variances of up to 10% from country to country will be allowed. However, the number of individual WFs established per country will vary by country according to the technical considerations specified in Phase 1 below. The range and sequence the activities that would be financed under Component 1 can be summarized as follows.

- 1.21 **Phase 1: Site Selection.** Eligibility criteria are established to facilitate site selection, including: (i) key areas of biodiversity; (ii) populations with the most benefit from watershed conservation (e.g. more than 200,000 people); (iii) opportunities for public-private partnerships to address environmental service issues; (iv) defined property land titles; (v) compatibility with the Bank's country strategy and with the relevant national policies and strategies; (vi) existence of a TNC Country Office and (vii) level of engagement of local authorities, specially of the local water operator(s). Once sites are selected based on the eligibility rankings, key stakeholders at the sites would then be identified and information would be disseminated through workshops.
- 1.22 **Phase 2: Identification.** Once the outreach phase is completed, reviewed and discussed among the main stakeholders, a set of general agreements will be reached on issues such as the definition of environmental services and conservation goals, the size of the WF, investment strategy, types of conservation projects, and establishment of a WF governance structure, amongst others. These agreements reached amongst the executing agency and the main stakeholders will form the Water Fund's Memorandum of Understanding that will subsequently be followed by the establishment of the WF through the subscription of the water trust fund's legal documents.
- 1.23 Feasibility studies would also be conducted at this point. These studies will prioritize the projects based on (i) the level of environmental services provided; (ii) the total cost to meet the environmental services goal; and (iii) the status of land titles to ensure the legality of the compensations and the conservation agreements under the WF.
- 1.24 **Phase 3: Establishment.** It is very important to secure the seed capital needed for the first two years of the WF. An estimated amount between US\$400,000 to US\$1,000,000 for a smaller vs. larger WF allows for two years of financial resources that are used to attract additional investors.
- 1.25 During this time, the aforementioned WF and appropriate legal documents will be signed and a clear and transparent WF OM will be developed. The WF OM will specify procedures to select projects for funding, disbursement criteria, eligible project proponents, and monitoring, among other issues. The WF OM will be key to determine the decision making process within the WF, the role of the different WF bodies (i.e. the Board, Technical Secretariat, Technical Advisory Committee), and protocols to avoid conflicts of interest, acquisitions and petty cash, among others. (Optional link 1 provides more detail on this using the Bogota WF as an example).
- 1.26 **Phase 4: Capacity Building.** The Platform would, strategically and on a case-by-case basis, provide capacity building for technical and human resource management to the WFs based on need.

C. Key Results Indicators

- 1.27 The two principal outcomes of the project will be increased protection of terrestrial and freshwater ecosystems and improved water ecosystem services, in particular increased water security and quality for large water users. The former will be measured by the number of additional protected areas being strengthened and of additional hectares of private lands in upstream catchment areas being managed effectively, and the latter by sediment retention benefits derived from reduction in water treatment, dredging and-or infrastructure costs.
- 1.28 Key output indicators of increased protection and improved environmental services of freshwater ecosystems from the project will be realized through: (i) the establishment and functioning of at least five water funds; (ii) mobilization of at least US\$14 million⁴ from private and public sector donors to pay for environmental services; and (iii) improved stakeholder participation in collaborative processes for watershed protection, whereby at least 20 new partners are engaged in the funds being supported.
- 1.29 The specific outcomes and outputs for the project, along with their respective indicators, and targets are summarized in detail in Annex II.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Cost and Financing

- 2.1 The total cost for the project is US\$6 million, US\$5 million of which will be drawn from the GEF's Earth Fund resources and US\$1 million from TNC's counterpart financing. Through the project, the GEF Earth Fund will support the Water and Sanitation Initiative of the Bank, and therefore qualifies as match-funding as contemplated in paragraph 8.1 of the AquaFund (Document GN-2487).
- 2.2 The following table (Table 1) provides a breakdown by project component and source of financing. A detailed budget for the RPWRM is included ([Detailed Budget](#)).

⁴ The \$14 million is envisaged financing that TNC will leverage and is not considered as part of co-financing for the project, it will be one of the output indicators that IDB and TNC will jointly monitor throughout the implementation of the project.

Table 1. Summary of Project Costs

Project Component	GEF Financing	TNC Counterpart-financing	Total Financing (US\$)
Component 1: Water Funds	4,410,000	565,000	4,975,000
Component 2: Project Management and Monitoring	500,000	435,000	935,000
Final External Audit	90,000		90,000
Total	5,000,000	1,000,000	6,000,000

B. Environmental and Social Safeguard Risks

- 2.3 This operation is not anticipated to have any negative environmental or social impacts. Rather, it is of a fundamentally benign nature and as such has been classified as a “C” according to the Safeguards Classification Toolkit and subsequent review by ESR. The following Policy Directives have been triggered: OP-102 and OP-703 (B.1, B.2, B3, B.6, B.7, B.9,) and OP-765.
- 2.4 The project will have a number of positive impacts. By improving water quality, the project will contribute to cost savings on treatment and dam operations. Based on models developed by TNC and water utilities, the private land owners, mostly farmers that would participate in the conservation projects, should increase their annual incomes after the third year due to implementation of best agricultural practices that increase productivity or payment of conservation agreements. Effective conservation measures in public and private lands will lead to improvements in hydrological environmental services. The project is not expected to have any major large scale, significant and/or irreversible negative environmental or social impacts.
- 2.5 The EA will be in charge of ensuring that projects financed by the WFs established under this Platform comply with all applicable IDB social and environmental safeguards.

C. Risks and Special Considerations

- 2.6 **Coordination.** Coordinating the activities, management systems, and reporting of activities in five countries can be cumbersome. An IDB-TNC Management Committee and a PM will be established to serve as a link for all Implementing Partners (IPs) and to ensure consistency and coherence of all activities under the RPWRM.
- 2.7 **Performance of Water Funds.** A potential risk would be the weak performance in the implementation of the WFs and the execution of the first generation of conservation projects. In order to mitigate these risks, OM and Watershed Conservation Plans will be developed for each WF to establish the selection, development and implementation of the conservation projects financed under the fund. Throughout project execution, TNC will also provide the required guidance, and develop templates for project management and reporting.

- 2.8 **Lack of Counterpart Resources.** From the financial point of view, a possible risk is the lack of availability of counterpart resources, particularly government authorities that very often are incapable to contribute resources to this type of mechanisms and large private sector water users that very often are unwilling to pay for the water services upon which they depend. To mitigate this risk, TNC conducts a preliminary assessment of potential donor sources and key stakeholders before selecting a beneficiary watershed and once selected the IP designs and implements a comprehensive communications and sensibilization campaign to encourage all users to contribute to the WFs.
- 2.9 **Sustainability.** Failure to gather the needed resources to capitalize the endowments could represent a risk. The financial returns of the endowments are a key component of the established WFs to secure long term payments of conservation projects and of the operational costs of the Funds. For this reason, resources from this Platform will mostly go to capitalize the endowment funds and funding from more traditional-restricted donors will be used for outreach and feasibility studies.

III. MANAGEMENT STRUCTURE AND IMPLEMENTATION

A. Platform Management Structure

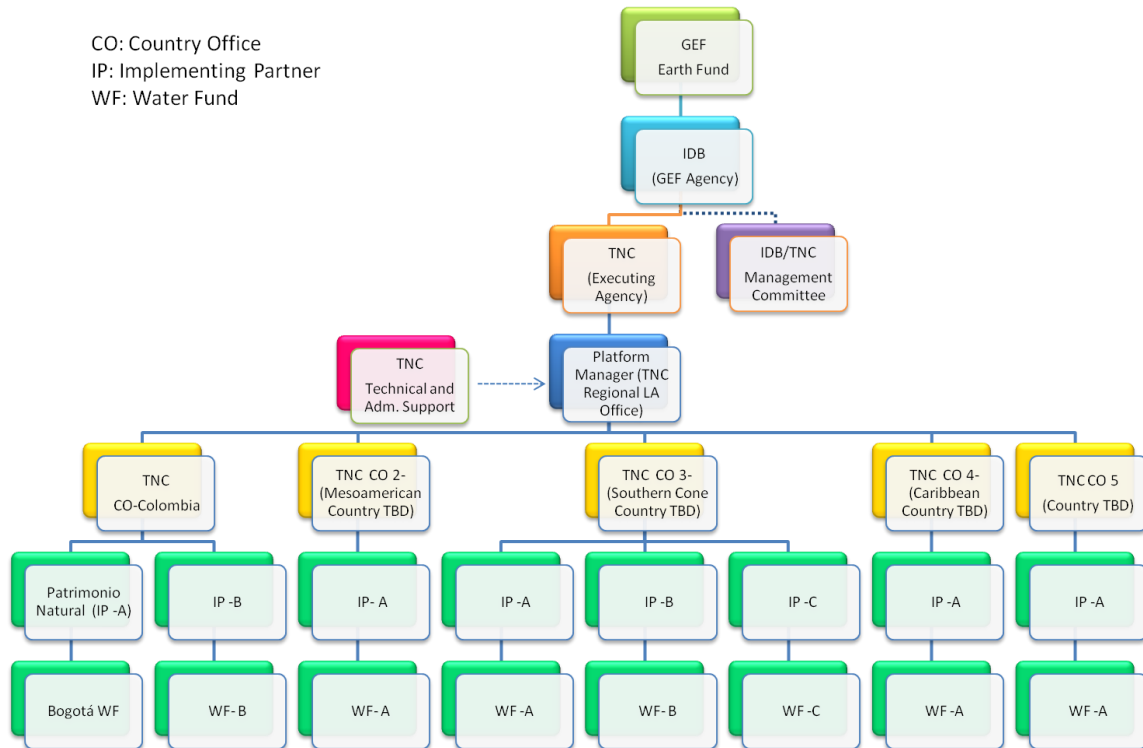
- 3.1 The EA for the RPWRM will be TNC. The proposed project will be implemented by TNC's Latin American Regional Office. TNC will be providing a total of US\$565,000 in cash to finance WFs start up costs and US\$435,000 in kind contribution for the Platform's management and monitoring. TNC will seek to mobilize an additional US\$14 million from different local and international sources such as government contributions (taxes, levies and public programs) and donations from bilateral aid agencies, such as the United States Agency for International Development (USAID); and large water users, such as water and energy utilities, large beverage companies and other private producer associations (coffee, sugar cane, etc). Furthermore, the Worldwide Finance Office, a unit of TNC, has the overall responsibility for the financial administration of the funds and the financial systems, processes, training and information to finance staff of other TNC business units (regional or operating). Also, TNC's Board of Directors, Audit Committee and Internal Audit Department will provide reasonable assurance that internal controls will be established and maintained during the execution of this program. An initial institutional evaluation of TNC was conducted by the project team in June, 2010 at TNC's Headquarters (HQ). The results were very satisfactory and concluded that TNC's has a very strong fiduciary and institutional capacity to execute this project on behalf of the Bank.
- 3.2 IDB, as GEF Agency,⁵ will be responsible for overall supervision of project implementation to ensure consistency with GEF and IDB policies and procedures,

⁵ GEF Agency is a GEF terminology that refers to selected multilateral organizations that assist eligible governments in the development, implementation, and management of GEF projects.

and will provide guidance on linkages with other IDB and GEF-funded projects and activities. As depicted in Figure 1, comprehensive project management will be achieved through a range of co-ordination and supervisory bodies, at the regional and national levels including:

- a. At the regional level: (i) An IDB-TNC Management Committee and (ii) TNC as the EA through its Regional Office for Latin America based in Cartagena, Colombia with the technical and administrative support of its HQ in Arlington, Virginia, US.
- b. At the national level: (i) TNC's Country Offices (COs) for the technical monitoring of the activities at the national level and (ii) TNC's IPs co-responsible for the management of each established WF.

Figure 1: Platform Management Structure



3.3 A Joint Management Committee (JMC) between TNC and the IDB will approve work plans, hold quarterly meetings to review progress and performance on each WF supported under the Platform and propose corrective measures as appropriate. It will act as a progress review mechanism and interaction platform to ensure coordination of national and regional activities. TNC and the IDB will coordinate with their country-based staff to ensure coherent approaches and actions. An OM will be completed by TNC and approved by the Bank before project implementation.

- 3.4 The IDB will retain overall responsibility for review and approval of reports produced in accordance with the schedule of work, and will be held accountable to the GEF Council for ensuring that agreed outcomes are realized, and assuring the timely delivery and cost-effectiveness of activities. It will also be responsible for clearance and transmission of financial and progress reports on the relevant project components to the GEF.
- 3.5 Some of the responsibilities of TNC as the EA, through its HQ and COs, are to:
- (i) conduct the selection process for the PM at the regional level and IPs at the national level, ensuring that Bank policies and procedures are followed;
 - (ii) provide technical support to its IPs for the execution of the activities undertaken by the WFs, (iii) coordinate and undertake monitoring activities for the Platform; (iii) conduct resource mobilization activities to attract additional donors to the Platform, and (iv) coordinate and prepare semi-annual progress reports to the Bank. Each TNC body will have a different set of responsibilities according to their regional or national level of intervention ([TNC's Organizational Structure](#)), as follows:
- a. TNC PM, hired by TNC to carry out the day-to-day management of the Platform, will be responsible for the overall performance of the Platform and production of the outputs/products, reporting directly to TNC. The key characteristic of this role is the coordination of the activities of all TNC's COs involved. Other key responsibilities are: (i) coordinating day-to-day platform activities and supporting activities undertaken by the COs, (ii) ensuring project quality assurance and quality control (QA/QC), (iii) ensuring the timely execution of the platform components and activities, (iv) overseeing and consolidating all required platform reports (technical and financial) and outputs and ensure their timely delivery, (v) platform communications to the public, including website and media; (vi) communications/coordination with the IDB and COs; and (vii) coordinating Monitoring and Evaluation (M&E) requirements.
 - b. Key roles of the COs are: (i) conducting the selection process for the IPs that will be administering and implementing the WFs in each location; (ii) conduct direct supervision of the activities undertaken by the IP, (ii) act as a Board and Technical Advisory Committee member of each established WF, (iii) mobilize resources to the WFs at the national level by attracting donations from key local public and private sector donors, (iv) promote and coordinate the active participation of key private and public entities in the WFs and (v) approve jointly with the PM the OM for each WF.
 - c. TNC Worldwide Finance Unit will be responsible for the consolidation of all financial transactions and reports reflecting the activities of the TNC COs. Key functions and responsibilities include budgeting, accounting (internal and external financial reports and audit statements), operations (records management) and treasury (disbursements and cash flow) of the funds of this program.

- d. TNC IPs whose main role is to assume responsibility for the technical administration of the resources assigned to that specific WF and will ensure its successful implementation. Each of the IPs will sign a cooperation agreement with TNC and will have the following responsibilities: (i) monitor and ensure the successful implementation of the WF; (ii) host the Technical Secretariat of the WF and assign a Technical Secretary and an asset manager for the WF's resources (Optional link 1 provides a detailed description of the WFs); and (iii) provide institutional and administrative support for the WF.

B. Disbursements and Financial Audits

- 3.6 **Special conditions for the first disbursement to the Executing Agency (EA), related to the implementation of the RPWRM will be: (i) evidence that the Operations Manual for the Platform has entered into force in accordance with terms and conditions previously agreed upon with the bank; and (ii) evidence that the PM has been appointed.**
- 3.7 As special condition prior to the disbursement of the contribution to the water funds, TNC shall submit evidence, to the Bank's satisfaction, of the establishment of the respective WF, pursuant to the legislation in the country where such WF was created.
- 3.8 The disbursement period for the project is five years. The contemplated disbursement schedule by the Bank will be made through periodic disbursements based on a semiannual programming of the cash flows and expenses of the platform. Funds will be transferred according to the Annual Operating Plan (AOP) to be defined by the EA. Disbursements will be made from the Bank to TNC HQ. TNC HQ will then transfer such funds to each established Trust Fund in the beneficiary locations. More details are provided in the AOP and the Project Execution Plan (PEP).
- 3.9 During program execution, TNC will deliver the program's financial statements on an annual basis. The Annual Program Financial Statements will be audited by TNC's internal auditor and the final Audited Financial Statement at project closing will be conducted by an independent auditor acceptable to the Bank, in accordance with the requirements set out in the Financial Management Policy for IDB-financed projects (Document OP-273-1). The Annual Program Financial Statement will be delivered within 120 days after the close of each financial year (beginning with the year in which the program was made effective) and the externally audited Final Program Financial Statement 180 from the closing of TNC's fiscal year, corresponding to the year stipulated for the last disbursement of the financing. In this regard, the team with concurrence of PDP, requests an exception to the 120 days limit to deliver the audited Final Program Financial

Statement, as stated in the OP-273-1. This exception was requested by TNC based on the duration of previous audits.⁶

- 3.10 At the end of the five-year project period, the objective is that the WFs will be technically and financially self sustainable. During project implementation, TNC will provide each IP with sufficient institutional and technical capacity building to effectively manage the WFs. This will be realized through the active participation of TNC's CO in each Fund's Board and Technical Advisory Committee, the establishment of an endowment within each WF to secure a long-term flow of generated investment income, the development of the OM, and training on procurement guidelines, amongst others.

C. Procurement of Goods and Services

- 3.11 The procurement of consulting services, goods and related services financed with the IDB/GEF funds carried out by TNC and the IPs in each of the beneficiary countries will follow the "Policies for the Selection and Contracting of Consultants financed by the Bank" (GN-2350-7), and "Policies for the procurement of Goods and Works (GN-2349-7), Appendix 4 "Policies for the Procurement in Loans to the Private Sector", in particular with the provisions regarding the appropriate use of loan funds and the eligibility of goods, works, and services, as well as economy and efficiency guidance principles of Bank's policies.
- 3.12 Procurement activities will follow the procurement plan approved by the IDB as appropriate which will be updated by the EA in the course of its semiannual reports ([see Procurement Plan link](#)).

D. Arrangements for Monitoring Results

- 3.13 Monitoring Responsibilities. TNC will be in charge of monitoring the progress of project activities under their responsibility. TNC will follow the OM to be developed for the project. The OM establishes the eligibility criteria for the WFs to be financed under the project, as well as mechanisms for control, planning and monitoring. The OM also establishes budget, financial management and accounting systems.

⁶ In an effort to use the financial management systems and control of our clients, which include their external audits and the corresponding Audited Financial Statements, the project team considered the presentation of the AFS 180 days after fiscal closing as acceptable due to the fact that TNC is audited by one of "Big Four audit firms" and is regulated by the Office of Management and Budget under the US Executive Office of the President through the Office of Management and Budget Circular A-133: Audits of States, Local Governments, and Non-Profit Organizations. Given that the TNC is well established in its financial management systems, the 180 days reporting will fulfill the requirements of the Bank and at the same time, will not generate additional transactional costs to the TNC.

- 3.14 TNC will be in charge of collecting the information and reports from each WF and consolidating them to monitor the performance and progress of the project execution as a whole. TNC will be responsible for developing the system for developing the system for gathering and maintaining the data related to the different indicators included in the Results Framework. During the first semester of execution, TNC will review the proposed indicators and baselines, determining the methodology for data collection.
- 3.15 Monitoring Instruments. The monitoring system will cover two aspects: fiduciary and technical. The fiduciary aspect will cover procurement and financial management issues. The technical aspects will focus on the attainment of project outcomes and outputs indicators, analyzing any implementation problems and proposing corrective measures.
- 3.16 AOP. In order to ensure proper project implementation, a planning exercise will be performed by each WF after it has been established, leading to the development of an AOP for the first year of the execution of each WF, which is consistent with the PEP. The AOP will be revised and updated during the inception workshop and before the end of each implementation year. If required the AOP will be adjusted regularly according to project implementation circumstances.

REGIONAL PLATFORM FOR WATER RESOURCE MANAGEMENT

RG-G1001

CERTIFICATION

The Grants and Cofinancing Management Unit (VPC/GCM) certifies receipt of the GEF Council's Endorsement letter dated on May 28, 2010 for project Regional Platform for Water Resource Management for US\$5,000,000, chargeable against the GEF Trust Fund (GEFTF).

(Original signed)

Marguerite S. Berger
Chief

Grants and Cofinancing Management Unit
VPC/GCM

Date

**Development Effectiveness Matrix
Summary**

Indicator	Score	Maximum Score
<i>I. Strategic Relevance</i>	Low	
1. IDB Strategic Development Objectives	4.5	10
Country Diversification	2.0	2
Corporate Initiatives	2.5	2.5
Harmonization and Alignment	0.0	3.5
Beneficiary Target Population	0.0	2
2. Country Strategy Development Objectives	1.2	10
Country Strategy Sector Diagnosis	0.0	6
Country Strategy sector objective & indicator	1.2	4
<i>II. Development Outcomes - Evaluability</i>	Satisfactory	
3. Evidence-based Assessment & Solution	6.5	10
4. Evaluation & Monitoring Plan	5.8	10
5. Cost-Benefit or Cost-Effectiveness	7.0	10
6. Risks & Mitigation Monitoring Matrix	7.5	10
<i>III. IDB's Role - Additionality</i>		
7. Additionality	3.0	10
Technical Assistance provided prior the project	3.0	3
Improvements in management of financial, procurement, monitoring or statistics internal controls	0.0	4
Improvements in environmental, health and labor performance	0.0	3

I. Strategic Relevance: This is an investment grant of the grant received by the Bank and The Nature Conservancy from the Earth Fund of the Global Environment Fund, with the purpose of establishing Water Funds in urban areas in the region. This grant is proposed for Bogota, but countries from the four regions and four country/groups are envisioned to participate. The Water Fund is aligned to the Bank's Corporate Initiative in Water and Sanitation, and presumably to most country strategies. There is no evidence that country systems will be used, and these investments were not considered in the programming document for the Andean Region.

II. Evaluability: The proposed intervention is based on an adequate diagnosis and the intervention has a sound technical background. The Results Matrix is well structured with outcome and output indicators to track implementation and achievement of results, and monitoring and evaluation arrangements are well developed. There is an economic analysis for the intervention in Bogota. Risks are rated and assessed, and mitigation measures are proposed but without indicators to track them.

III. Additionality: The Bank provided a TC to Colombia to prepare the operation, and the implementation will serve as example for other cities.

Results Framework							
REGIONAL PLATFORM FOR WATER RESOURCE MANAGEMENT (RG-G1001)							
Objective	The proposed Regional Platform for Water Resource Management (RPWRM) will support the establishment of a series of WFs in at least five countries across Latin America and the Caribbean region that would serve as financing mechanisms for the protection of key watersheds and the provision of long-term payments for environmental services.						
	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments/ Means of verification
Outcomes							
a) Increased protection of terrestrial and freshwater ecosystems and species of global importance							
Total hectares of protected areas systems developed and/or strengthened	0	0	160,000	320,000	320,000	800,000	Project Monitoring and Evaluation System (Progress Reports, External Evaluation)
Number of protected areas developed and/or strengthened	0	0	1	2	2	5	Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)
Total hectares of private lands under conservation and/or sustainable farming agreements	0	0	14,000	28,000	28,000	70,000	Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)
b) Improved water ecosystem services, in particular increased water security and quality for large water users							
Tons of sedimentation retained as derived from the conservation projects	0	0	200,000	400,000	400,000	1,000,000	Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)

	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments/ Means of verification
Maintained variation of the ecological flows in the selected watersheds	30-50% ¹	30%	20%	15%	10%	(Max of +/-10%)	Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)
c) Improved Financial Performance							
Reduction in water treatment, dredging and/or replacement costs	0	-5%	-5%	-10%	-10%		Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)
Outputs							
a) Water Funds , established and functioning							
# of watersheds with an established and functioning water fund	0	2	1	1	1	5	Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)
b) Private and public sector participating							
Increased private and public sector funding to pay for water and biodiversity related services	0	2	3.5	3.5	5	\$14 million	Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)
c) Stakeholder participation for biodiversity and watershed protection improving							
Number of partners engaged in accountable management of watersheds	0	3	4	4	4	15	Project Monitoring and Evaluation System (Progress Reports, Independent Evaluation)

¹ Variation in ecological flows will differ between different watersheds and will consist of distinct baselines to be collected during the establishment of the water funds.

SUMMARY PROCUREMENT TABLE

Ref. No.	Description and type of the procurement contract	Estimated Contract Cost (US\$000)	Procurement method	Review (ex-ante or ex-post)	Source of financing and percentage		Pre-qualification (Yes/No)	Estimated dates		Status (pending, in process, awarded, cancelled)	Comments
					IDB %	Local/Other %		Publication of specific procurement notice	Completion of contract		
CONSULTING FIRMS											
	Colombia's IP contracting	\$450,000	Private sector methods	Ex post	100%	0%	No	I Quarter 2011	December 2012	In process	
	Mesoamerican's IP contracting	\$150,000	Private sector methods	Ex post	100%	0%	No	TBD	TBD	Pending	
	Sothern Cone's IP contracting	\$150,000	Private sector methods	Ex post	100%	0%	No	August 2011	TBD	Pending	
	Caribbean Country's IP contracting	\$150,000	Private sector methods	Ex post	100%	0%	No	TBD	TBD	Pending	
	Andean Country's IP Contracting	\$150,000	Private sector methods	Ex post	100%	0%	No	TBD	TBD	Pending	
INDIVIDUAL CONSULTANTS											
	Region Project Manager	\$357,500	Private sector methods	Ex post	100%	0%	No	I Quarter 2011	December 2012	Pending	
	Hydrology Ecology Senior	\$319,000	Private sector methods	Ex post	100%	0%	No	I Quarter 2011	December 2012	Pending	
NON CONSULTING SERVICES											
	2 Workshops	\$20,000 (\$10,000 each)	Private sector methods	Ex Post	100%	0%	No	IV Quarter 2010 and TBD	December 2012	Pending	
	Web and Publications	\$70,000	Private sector methods	Ex Post	100%	0%	No	Ongoing Starting I Quarter 2011	December 2012	Pending	