Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 29-Jan-2020 | Report No: PIDC28060

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Parent Project ID (if any)	Project Name
Colombia	P172719		Northern Colombia Sustainable Value Chains Project (P172719)
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
LATIN AMERICA AND CARIBBEAN	May 18, 2020	Oct 02, 2020	Environment, Natural Resources & the Blue Economy
Financing Instrument	**Borrower(s)**	**Implementing Agency**	**GEF Focal Area**
Investment Project Financing	Republic of Colombia	Ministry of Environment and Sustainable Development	Multi-focal area

Proposed Development Objective(s)

To strengthen integrated land management and sustainable agricultural value chains in deforestation hotspots in select areas of the Northern Andes of Colombia.

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	11.01
Total Financing	11.01
of which IBRD/IDA	0.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	11.01
Global Environment Facility (GEF)	11.01

Environmental and Social Risk Classification	Concept Review Decision

Substantial	Track II-The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **Over the past decade, Colombia has maintained historically high growth rates,** supported by sound macroeconomic policies, trade integration and favorable external conditions. Significant structural reforms since the early 1990s, combined with important trade agreements, have led to a modernization of the economy. Prudent macroeconomic management has also helped to improve economic resilience. The country has a track record of prudent macroeconomic and fiscal management, and stronger investment.[1]

2. **Colombia's progress in reducing poverty has been remarkable.** Over the 2002-2017 period, extreme poverty almost halved from 17.7 percent to 7.4 percent, while moderate poverty fell from 49.7 percent to 26.9 percent. In rural areas, poverty incidence fell from 38.6 percent to 36.0 percent between 2016 and 2017 alone. Colombia has achieved a significant increase in its official Human Development Index (from 0.653 in 2000 to 0.747 in 2017, positioning it 90th out of 189 countries).

3. **Regional development is a priority for Colombia's government.** Over the past two decades, Colombia has made significant progress on decentralization to promote growth and reduce regional disparities and poverty, but its fiscal and governance framework still has not delivered rapid regional convergence. To promote growth in all regions the government has engaged in a series of reforms.

4. **Colombia's natural capital is abundant and could serve as a source of sustainable development.** The country is characterized by a highly diverse geography, a variety of landscapes and ecosystems, and considerable renewable and non-renewable resources. Hosting close to the 10 percent of the planet's biodiversity, Colombia ranks second among the countries containing the greatest biodiversity in the world,[2] with 62.829 species registered.[3] It ranks seventh in the world in terms tropical forests, which cover more than half of the country's mainland area.[4] In addition, mineral and hydrocarbon reserves and abundant water resources contribute to the country's wealth.

5. **Notably, after falling between 2010 and 2015, Colombia's deforestation rate increased since the signature of the peace accord with the Revolutionary Armed Forces of Colombia (FARC).** Deforestation declined from 166,073 hectares in 2010 to 124,035 hectares in 2015, only to reach 219,978 hectares in 2017 and 197,159 hectares in 2018.[5] In 2018, the country had nine main deforestations hotspots, five of them located in Amazonia contributing 70.1 percent of national deforestation, followed by deforestation hotspots of the northern Andes (Catatumbo, Serranía de San Lucas, Paramillo and

[1] https://www.worldbank.org/en/country/colombia/overview
[2] Convention on Biological Diversity. (n.d.).
[3] http://www.gbif.org/analytics/country/CO/about It ranks first in the world in terms of number of bird species (1909 species), and orchid species (4270 species), second in butterfly species (3274 species), amphibian species (814 species), freshwater fish species (1494 species) and plant species (28.000 species), and third in terms of palm species (289 species) and reptiles (537 species). (http://reporte.humboldt.org.co/biodiversidad/2017/index.html)
[4] Ministerio de Ambiente y Desarrollo Sostenible. 2018. Bosques territorios de vida. Estrategia Integral de Control a la Deforestación y Gestión de Bosques.
[5] IDEAM Resultados Monitoreo de la Deforestación 2015, 2016, 2017, 2018.

Chocó Norte), which account for 15 percent. Intense deforestation is mostly concentrated in municipalities that were previously affected by the armed conflict.

Sectoral and Institutional Context

6. **Colombia's economic and social development has been unequal across its territory.** In the northern Andes, decades of conflict have destroyed physical, human, and social and natural capital with important implications for regional growth. The region faces multiple challenges: in addition to continued social unrest and armed conflict, there are also imbalances in public investment for critical infrastructure, and the government has a very limited physical presence in many isolated regions. Low accessibility limits peoples' access to economic opportunities and public services and affects agricultural productivity and competitiveness.

7. **The Northern Andes host some of the most threated ecosystems in Colombia.** This region hosts the most threatened biodiversity refuge in the Andean region of Colombia (Serranía de San Lucas and Paramillo), and the last remains of the northeastern tropical rainforest in South America (Catatumbo), and important centers of bird and plant endemism and species exchange routes. These deforestation hotspots are home to 16 critically endangered, 30 endangered, and at least 82 vulnerable species,[6] and are part of the wildlife corridor that aims at protecting the South American jaguar habitat ranging from Mexico to Argentina. The main direct drivers of deforestation and forest degradation are conversion to pasture (including for land grabbing purposes), illegal mining, illicit crop cultivation, extensive cattle ranching, and to some extent palm oil expansion.

8. **Weak sectoral and land-use planning, together with weak governance and control are indirect causes of land conversion towards unsustainable uses.** Additionally, programs on land restitution, land allocation to ex-combatants, and overall support for agricultural development in the region through various government programs could lead to additional pressures on terrestrial ecosystems. Thus, there is a need to ensure that investments in the region are aligned with ecosystem conservation and proper land-use planning and management. Growing domestic demand for palm oil, cacao, and beef could bring significant environmental challenges, as well as the country's ambition to become an exporter to global markets for these products.

Alignment with Government Strategy

9. **The sustainable management of its natural capital has become a priority for the government. The proposed project aligns with the 2018-2022 National Development Plan (NDP) "Pact for Sustainability"**[7], which prioritizes reducing deforestation based on territorial control, and the revitalization of local economies based on the bio- and forest economy, and which provides the framework for promoting deforestation-free value chains.

10. **The peace agreement reached in 2016 with the FARC emphasizes environmental governance, given that many former conflict areas are environmentally vulnerable.** The Comprehensive Rural Reform, including through the Development Programs with a Territorial Approach (*Programas de Desarrollo con Enfoque Territorial* (PDET)), and the *Zonas Futuro* strategy seeks to support the strengthening of environmental governance.

11. **Colombia has developed zero-net deforestation agreements with the private sector in the palm oil, beef and dairy sectors.** It has developed innovative approaches for the enhancement of planning and forest-smart practices in cattle

[6] IUCN Red List.
[7] https://colaboracion.dnp.gov.co/CDT/Prensa/PND/BasesPlanNacionaldeDesarrollo2018-2022-ResumenEjecutivo.pdf

ranching and palm-oil production systems, and the reduction of landscape fragmentation and degradation.[8] Colombia is part of the Tropical Forest Alliance Initiative – TFA 2020, and the Food and Land-Use Coalition (FOLUC). More broadly, the government has taken on various international commitments. Its Nationally Determined Contribution acknowledges the significant share of the Agriculture, Forestry and other Land Use emissions in the national emissions profile (58 percent of the total), and pledges to end the loss of natural forests by 2030, to be implemented through its Low Carbon Development Strategy. The government has also formulated its REDD+ Strategy, the Comprehensive Strategy for Control of Deforestation and Forest Management *(Bosques Territorios de Vida*). As a signatory to the Convention on Biological Diversity, Colombia has also committed to reaching the Aichi Targets of reducing the loss of biodiversity and ecosystem services.[9]

Relationship to CPF

12. **The proposed operation is in line with the World Bank Group's Country Partnership Framework (CPF) 2016-2021,** in particular with Pillar 1, objective 2, "Enhanced capacity for natural resource management in target regions". This operation is also aligned with the CPF's cross-cutting theme related to "Constructing the Peace", promoting an approach that responds to the dual goal of peacebuilding and environmental sustainability. The project is further aligned with the WBG Forest Action Plan FY16-20 and its two focus areas: (i) sustainable forestry, and (ii) forest smart interventions. The project is expected to deliver results on climate change mitigation in the land use sector and aligns with the WBG Climate Change Action Plan (2016).

C. Proposed Development Objective(s)

13. To strengthen integrated land management and sustainable agricultural value chains in deforestation hotspots in select areas of the Northern Andes of Colombia.

Key Results (From PCN)

- Planning instruments supporting integrated landscape management implemented
- Land area under sustainable landscape management practices (CRI)
- Farmers adopting improved agricultural technology in selected value chains (CRI)

14. **The project will generate the following Global Environmental Benefits**:

- preventing the loss of globally significant biodiversity by (i) managing biodiversity in production landscapes such as through pollination, biological pest control, use of native species and species diversity in agroforestry and silvopastoral systems, on-farm diversification, management of riparian areas, and maintenance of forest connectivity in areas that buffer forested landscapes and protected areas; and (ii) identifying and setting aside high conservation value forest areas within the broader production landscape.
- reducing land degradation by promoting the conservation and sustainable use of biodiversity in productive landscapes, notably through restoration-linked agricultural practices.

[8] GEF Projects "Mainstreaming Biodiversity in Palm Cropping in Colombia with an Ecosystem Approach" (GEF ID. 4113), "Mainstreaming Biodiversity in Sustainable Cattle Ranching" (GEF ID. 3574), "Implementing the Socio-Ecosystem Connectivity Approach to Conserve and Sustainable Use Biodiversity in the Caribbean Region of Colombia" (GEF ID. 5288), WBG Projects: Mainstreaming Sustainable Cattle Ranching (P104687); Commercial Reforestation on Lands Dedicated to Extensive Cattle Grazing in Magdalena Bajo Seco Region (P132851).
[9] For the purposes of this project, goals 7, 11, 14 and 15 are of particular importance.

- promoting the sustainable mitigation of the concentration of anthropogenic greenhouse gases through the promotion of climate-smart agriculture practices.

D. Concept Description

15. By combining integrated landscape management and mainstreaming sustainable and restoration practices within selected agricultural value chains, the project will seek to guide landscape-smart rural development at macro and micro levels in deforestation hotspots of the northern Colombian Andes.

16. The project will complement ongoing local participatory planning processes (e.g. under PDET, *Zonas Futuro*, the National Integrated Program for Illicit Crop Substitution (PNIS)), by contributing integrated land management perspectives that incorporate biodiversity and ecosystem service criteria into planning. It will leverage private and public investments, coalescing private sector action around sustainable practices, and generating knowledge and information. It will also foster the productivity, environmental sustainability and commercial viability of beef, cacao, and palm oil sectors in the targeted area and set the foundation for their sustainable development. By doing so, the project will provide benefits to producers, most of whom face few economic opportunities. The sustainable intensification of the selected supply-chains is expected to reduce pressure on important national and global biodiversity, support landscape restoration, deliver climate mitigation contributions and at the same time contribute to improved rural livelihoods.

17. The intervention area is the persistent deforestation hotspots in the Northern Andes that comprise four departments (Norte de Santander, Bolivar, Antioquia, Córdoba). During preparation, a limited number of intervention areas within these hotspots will be prioritized according to a set of defined criteria.

18. **Component 1: Developing Integrated Land Management Systems (US$1.1 million).** The objective of this component is to align existing sector and land use planning tools and to strengthen local capacity for integrated land-use planning and management with a view to aligning production and conservation outcomes.

19. The component will support the downscaling of existing environmental cartography to operationalize it, identifying and filling data, information and capacity gaps. The component will also finance workshops, consultations, and consultancies to support the harmonization of these maps with the existing land-use and sectoral planning instruments and will develop guidance for the use of environmental zoning maps in the definition of investment plans under the Integrated Strategy Plans of the *Zonas Futuro*, PDETs, PNIS etc.

20. The component will develop landscape-level production-conservation plans for selected intervention areas. The project will consider supporting the implementation of prioritized actions of protected area management plans as they relate to productive uses, including buffer area management that can be harmonized with the sustainable production systems the project will support under Component 2.

21. To underpin these processes, the component will provide training, equipment and institutional support to existing platforms for dialogue and prioritization and their public and private sector stakeholders. It will seek to support local learning networks for the management and resolution of socio-environmental conflicts. The project will also support institutional and community monitoring systems for sustainability in productive landscapes, with protocols and accountabilities at farm and landscape levels, to support the capacity of the Institute of Hydrology, Meteorology and Environmental Studies (IDEAM) to monitor deforestation and land-use.

22. **Component 2: Promoting Sustainable Production Systems (US$ 9.3 million).** The objective of this component is to support the sustainable development of priority agricultural value chains to reduce the negative impacts of their expansion on valuable ecosystems in the target areas. This will be accomplished by promoting the adoption of biodiversity and climate-smart practices and enhancing opportunities for land and forest restoration and conservation, as well as improving their competitiveness and generating opportunities for livelihood improvements. To achieve this, the approach will focus on a combination of activities to support on-farm and aggregated landscape improvements as well as improvements downstream the value chain. The focus of the former will be on ensuring landscape connectivity and functionality of agroecological systems, as well as quality and productivity improvements, particularly within palm oil, cocoa and cattle ranching landscapes with local, regional, national and global environmental values (Sub-Component 2.1). The downstream value chain improvements will target opportunities for enhanced value addition, market development and linkages (Sub-Component 2.2).

23. **Sub-Component 2.1: Mainstreaming Sustainable Practices in Priority Value Chains.** Activities under this sub-component will support the mainstreaming of sustainability and climate-smart criteria in selected value chains, including on-farm restoration opportunities, such as silvopastoral systems, shade cocoa systems, riparian forests in palm oil plantations, etc. The sub-component will provide technical support to farmers for the implementation of sustainable agricultural practices and commodity-linked restoration approaches. To this end, it will first provide technical assistance for the preparation of on-farm Production-Conservation Agreements in alignment with production-conservation landscape plans developed under Component 1. It will then support their implementation through the provision of technical assistance packages that may include inputs to production and financial support and investments in the broader infrastructure for their implementation such as demonstration farms, nurseries, and local service providers for technical assistance. The sub-component will also support tools for applying and monitoring on-farm improvements around GHG emissions, biodiversity, and productivity.

24. Sub-component activities will be implemented through agreements with producer associations / sector federations / commodity-based organizations, and other public and private actors It will particularly ensure close collaboration with public and donor-funded programs (to ensure conservation and productive objectives are aligned in these investments.

25. **Sub-Component 2.2: Strengthening market linkages, demand-side measures, and access to financial incentives.** This sub-component will work with private companies on innovation and greening supply chain approaches to leverage private-sector support for sustainable production in the intervention areas. The sub-component will fund interventions to strengthen market access and demand-side measures such as capacity building for collective farmer action, access to finance,[10] negotiation with buyers, organizing business roundtables, support to certification processes, market promotion initiatives and consumer awareness building campaigns. Grants will be provided to producer organizations, federations/commodity-based organizations and/or business development service providers to undertake these activities.

26. **Component 3. Project Coordination (GEF: US$ 0.5 million).** This component will support the participation of Colombian stakeholders in knowledge exchange efforts financed through the FOLUR coordination grant, as well as the Project Implementation Unit in charge of the technical implementation, financial management and procurement, overall monitoring of project results, production of progress reports, and safeguards compliance, including the establishment of a culturally appropriate grievance redress mechanism. The unit will further provide the secretariat for the project's steering committee.

27. **Project beneficiaries** will include government institutions, in particular Regional Autonomous Corporations (the departmental-level environmental authorities), departmental governments (*Gobernaciones departamentales*), and municipalities, who will benefit from strengthened capacity for land-use planning, and policy instruments that contribute to reducing biodiversity loss, unsustainable land-use change, and as well as increased sustainable value chains and increased formal economic activity. Farmers, indigenous communities, women's groups, producer associations, the private sector and sector federations, will benefit through technical assistance packages, increased productivity and access to markets/financial instruments/raw materials. The broader population in the intervention areas will benefit in terms of improved ecosystem services and from government authorities' improved capacity and policies to manage the region's natural resources within a landscape approach.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

[10] Including financial/support incentives under ongoing government programs of the Ministry of Agriculture and Rural Development, ADR, ART, and development partners, such as Integrated Agriculture and Rural Development Plans (*Planes Integrales de Desarrollo Agropecuario y Rural*), Productive Alliances, USAID-Commercial Alliances, etc. Beyond grant funding, options that will be evaluated during preparation include subsidized credit, resources managed by national producer associations, state resources provided to stimulate productive development in areas affected by the conflict (such as royalty funds for post-conflict areas, *Organo Colegiado de Administracion y Decision – Paz*), tax incentive programs for companies operating and generating employment in areas most affected by the conflict (*Zonas Mas Afectadas por el Conflicto Armado*), blended finance, and micro-lending systems.

The project is located in a richly biodiversity endowed area, highly threatened by deforestation and forest degradation. Mostly inhabited by poor campesinos, and with the presence of afro-colombian and indigenous communities, the area has also been affected by Colombia´s armed conflict. After peace negotiations with the main guerrilla group -FARC, the region now has some areas where illegal armed groups (the other guerrilla´s main group -ELN, and paramilitaries) are present. Aiming at preventing deforestation through land-use planning and through the conversion and strengthening of commodity value chains to better serve markets, to prevent the expansion of the agriculture frontier, and to enhance the living conditions of the rural population, the project´s environmental and social impacts are expected to be positive. Agriculture and livestock activities are small scale, and not expected to generate emissions of pollutants, noise, or odors. Also, tillage is expected to be restricted; and the traditionally practice of extensive cattle ranching with fires to replenish soils will be replaced with silvopastoral arrangements, introducing legume pastures and bushes, and planting native species forests along the pasture and feed areas. Main environmental risks are moderate and linked to the use of pesticides (small quantities), to the agriculture effluents discharge (mostly from processing plants), and to the use of water. Also, to the complex Project design, involving many different stakeholders (an executing agency still to be defined, Natural National Parks of Colombia, Corporación Autónoma Regional (CAR), ART, ANT, etc.) engaged in the implementation in multiple sites of different activities of different nature (e.g. analytical work, regulatory processes and other types of technical assistance; physical investments; set up of financial incentives; etc.); which makes difficult to assess the environmental risks and impacts and to monitor the implementation of measures to minimize adverse impacts in accordance with the mitigation hierarchy. An Environmental and Social Assessment (ESA) will take place to identify and assess potential risks, and to assess the institutional capacity in place, or required, to ensure that mitigation measures are properly designed, implemented and monitored. An Environmental and Social Management Framework (ESMF) will be developed to ensure that all interventions have an Environmental and Social Management Plan, and complementary instruments to dear with potential flooding and emergencies, pesticides, and workers. Local populations will largely benefit from the adoption of better production technologies, and from an enhanced access to markets and financing. The possible social risks and adverse impacts on human populations are likely to be moderate and may result from the potential enforcement or creation of land use restrictions in the new Serrania de San Lucas Protected Area, and in the implementation of the Integrated Land Management -ILM- land use planning strategies. Also, the project´s value chain development will take place only in areas where land use is allowed. Land titling will be promoted, although there are some areas where the presence of illegal activities and illegal armed groups may be a barrier. A strong zoning strategy will help focus efforts to areas with good potential for value chain development, including safety, access and logistics. Also, a Process Framework and Grievance Mechanism will be set to ensure that compensation is provided to families affected by eventual physical or economic displacement.

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