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RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
CONSERVATION OF BIODIVERSITY AND SUSTAINABLE LAND
MANAGEMENT IN THE ATLANTIC FOREST OF EASTERN PARAGUAY
PROJECT
GEF GRANT (TF-96758)
Approved by the Board on June 17, 2010

TO THE

ITAIPÚ BINACIONAL

June 30, 2014

ABBREVIATIONS AND ACRONYMS

GA	Grant Agreement
INDI	Paraguayan Indigenous Peoples' Institute
PIU	Project Implementation Unit
PRODERS	PY PRODERS Sustainable Agriculture & Rural Development (P088799)
NRM	Natural Resources Management
SEAM	(<i>Secretaría del Ambiente</i>) Secretary of the Environment

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PARAGUAY
CONSERVATION OF BIODIVERSITY AND SUSTAINABLE LAND
MANAGEMENT IN THE ATLANTIC FOREST OF EASTERN PARAGUAY

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PARAGUAY
CONSERVATION OF BIODIVERSITY AND SUSTAINABLE LAND
MANAGEMENT IN THE ATLANTIC FOREST OF EASTERN PARAGUAY

RESTRUCTURING PAPER

SUMMARY

In mid-2013, a Mid Term Review (MTR) of this Project was conducted, and the following measures were recommended as part of its conclusions: (1) a substantial change in project planning and the procurement plan in order to speed up the execution; (2) a significant project restructuring that would (i) incorporate an updated the Project's indicators baseline, (ii) reset the Project's targets to more attainable levels and (iii) redefine the role of the Secretaría del Ambiente as co-executant and improve the implementation arrangements; and (3) a 24-month extension of the closing date.

A 24-month extension of the closing date was granted in March, 2014. The other proposed changes, that are addressed through this restructuring, include: (i) simplifying the design to ensure the achievement of the PDO within the current Project's timeframe and adjusting the outcome indicators' targets accordingly; (ii) improving monitoring by dropping some indicators and adjusting others; (iii) contributing to SEAM's institutional strengthening by updating the list of technical assistance studies to conduct; (iv) expanding the composition of the Project's Executive Working Group, in order to incorporate the INDI (Paraguayan Indigenous Peoples' Institute) as a permanent member; (v) taking advantage of the eventual expansion of the PRODERS project's area towards some new departments, in order to use the resources it will allocate to implement NRM and sustainable production practices at the farm level, to leverage implementation of biodiversity conservation practices beyond Caaguazú department; and (vi) incorporating the procurement of consultant services to be carried out with Itaipu's own resources as co-financing to the Project. The proposed restructuring does not change the Project Development Objective (PDO).

PROJECT STATUS

The project was approved by the Board on June 17th, 2010 and became effective on July 21st, 2011. Following a very slow project implementation startup, in mid-2013 a Mid Term Review of this Project was conducted, which coincided with the actual beginning of the Project execution. The MTR was therefore focused on revisiting the whole project execution approach, and the following measures were recommended as part of its conclusions: (1) a substantial change in project planning and the procurement plan in order to speed up the execution; (2) a significant project restructuring that would (i) incorporate an updated the Project's indicators baseline, (ii) reset the Project's targets to more attainable levels and (iii) redefine the role of the Secretaría del Ambiente as co-executant and improve the implementation arrangements; and (3) a 24-month extension of the closing date. That extension of the closing date was granted in March, 2014, so the current closing date is April 10th, 2016.

As of May, 2014, the first Project's activities were already showing firm outputs in line with the expected results. However, the Project's progress towards achievement of the

Project Development Objective is still rated Moderately Unsatisfactory (MU) and the overall Implementation Performance (IP) is currently rated Moderately Satisfactory (MS).

PROPOSED CHANGES

- Results/indicators

The proposed restructuring does not imply conceptual changes to the Project Development Objective (PDO). PDO indicators will be simplified, as follows, in order to facilitate implementation:

- i. The end target for “Land area where sustainable land management practices were adopted as a result of project” would be reduced from 250,000Ha to 120,000Ha (by 52%)
- ii. The end target for “Number of hectares of Mbaracayú-San Rafael Conservation Corridor conserved” would be reduced from 250,000Ha to 231,159Ha (by 7.5%)
- iii. The end target for “Number of producers that improve forest management and integrate biodiversity conservation into their productive activities” would be reduced from 2500 to 1500 (by 40%)
- iv. The end target for “Areas brought under enhanced biodiversity protection (ha)” would be reduced from 400,000Ha to 310,799Ha (by 22,3%)
- v. The end target for “Number of hectares in 10 private protected areas/reserves” would be reduced from 150,000 to 124,734 (by 16,8%)

The results indicators at the outputs and outcomes levels would also be consistently adjusted, and their baselines would be updated, as shown in the attached Restructuring Results Framework form (Annex 1). The proposed changes include:

- In Component 1,
 - vi. The number of sub-projects to be supported would be reduced from 954 to 762 (by 20%)
 - vii. The end target for “Number of micro catchment areas planned in a participatory way” would be reduced from 75 to 20 (by 73%)
- In Component 2,
 - viii. The end target for “Number of hectares legally recognized as private protected areas that have been proposed to SEAM for creation” would be reduced from 150.000Ha to 124,734Ha (by 16.8%)
 - ix. The result indicator stating “Number of protected areas which previously lacked formal land title, that have a granted land title” would be adjusted in the following way: “Number of protected areas that previously lacked formal land title, that have adjusted their legal and administrative situation”
- In Component 3,
 - x. Client demand-driven studies (including action plans to implement activities) originally foreseen as part of the Component 3 will be updated to consider SEAM’s current priorities.

xi. The number of training events to be held would be reduced from 200 to 80 (by 60%)

- Components

As a result of the Mid Term Review as well as later follow-up actions, which included extensive consultations among the Project's co-executants (Itaipu, SEAM and PRODERS), several changes to Project's scope and components are being proposed in order to adapt its execution to the current Project's time frame and the Sector context. Specifically, the following adjustments to the Project's activities are proposed:

- In component 2,

i. The development and approval of a voluntary management plan for the Caazapá National Park (GA Schedule 1, Part B, Paragraph 1(a)) will be reoriented towards the San Rafael Managed Resource Reserve, given that a management plan for the Caazapá National Park has already been developed outside the Project, by third parties.

ii. The implementation of selected infrastructure investments in the San Rafael Managed Resource Reserve (GA Schedule 1, Part B, Paragraph 1(d)) will be reoriented towards the Ñacunday National Park. This was decided taking into account that, at the time of this restructuring, neither were public lands within the San Rafael Managed Resource Reserve nor management plan to strategically guide those infrastructure investments. This decision will not affect the environmental and social safeguards aspects of the Project. Both the aforementioned areas are within the same ecosystem and socio-economic context, as well as they are pretty close to each other. The Project's environmental and social management instruments and guidelines continue to be applicable and would not require changes due to this decision.

iii. The development of proposals for the creation of new Private Protected Areas (GA Schedule 1, Part B, Paragraph 2(a)) will be reduced from 10 to 6, given that, according to the results of a study that was contracted by Project to assess the size and distribution of the existing forest remnants, it was concluded that currently it is not feasible to create 10 private protected areas to conserve 150,000 hectares.

- In component 3,

iv. The dissemination of the National Environmental Policy and the National Strategy for Biodiversity Conservation (GA Schedule 1, Part C, Paragraph 2(c)) will be canceled, as it was already done outside the Project, by third parties.

v. The design of land use plans for selected Municipalities; and (b) design of a system to monitor compliance with the land use plans mentioned (GA Schedule 1, Part C, Paragraph 3) would be canceled, due to the lack of enough time to execute these activities, given the new Project's time frame. In addition to this, other organizations have developed equivalent land-use monitoring systems in recent times. On the other hand, the strengthening of the local capacities for the environmental management of the territory would be addressed through some of the studies mentioned in the following point.

vi. The design and implementation of a pilot program on tradable rights (derechos canjeables); the production of proposals for establishing disincentives for the irrational use of natural resources; and the provision of support for the certification of labeling/marketing of sustainably-produced products in the marketplace; and the development of a study on the mechanism to provide ecosystem services by the Recipient (GA Schedule 1, Part C, Paragraph 4 (b), (c), (d) and (e)) would be replaced by a new set of studies or technical assistance works (including the production of draft regulatory norms and action plans, to be put into consideration of the respective authorities) aimed at improving the implementation of local environmental policies and legal framework. The number and scope of the studies would be defined in a manner acceptable to the Bank, and within the framework of the existing Project's governance structures, and taking into account the new Project's time frame.

- In component 4,

vii. The design and implementation of a land-use monitoring system (GA Schedule 1, Part D, Paragraph 2) would be canceled, due to the lack of sufficient time to execute the related activities, given the new Project's time frame. In addition to this, other organizations have recently developed (outside the Project) equivalent land-use monitoring systems.

viii. The Project's monitoring and evaluation system to be designed and implemented (GA Schedule 1, Part D, Paragraph 1) will be focused on assessing the Project's impacts on the biodiversity, as well as the Project's contributions in terms of poverty alleviation.

- Institutional arrangements

The composition of the Project's Executive Working Group would be extended to incorporate the INDI (Paraguayan Indigenous Peoples' Institute) as a permanent member, in order to support the participation of the different Indigenous Peoples organizations present in the Project's area; as well as to facilitate the resolution of any conflict or controversies that might eventually arise with these groups. This change has been reflected in the Project's Operational Manual.

The PRODERS project has recently negotiated additional funding (P148504) in order to expand its area of action as well as its lifespan. As soon as that additional funding is approved and becomes effective, the area of interaction with this Project (P094335) would also be expanded, in order to take advantage of the resources that PRODERS will allocate to implement NRM and sustainable production practices at the farm level, as co-funding to leverage implementation of biodiversity conservation practices beyond the Caaguazú department (the only department where both projects currently overlap).

- Others

After the approval of this restructuring, Itaipu will also fully finance with its own resources some Consulting Services carried out under the Project. In those cases the Bank's Consultant Guidelines, are not applicable.

APPRAISAL SUMMARY

Overall, these changes correspond to a reduction of the Project's expected outcomes. An operational plan and a financial projection have been prepared by the PIU for the new proposed outcomes, and to assess the feasibility of achieving them within the new proposed time frame and with the available grant resources. The changes do not significantly affect other aspects of the project (economic and financial analysis, technical approach, social and environmental safeguards triggered, etc.).

ANNEX 1:
Results Framework
PARAGUAY: CONSERVATION OF BIODIVERSITY AND SUSTAINABLE LAND MANAGEMENT IN THE ATLANTIC FOREST OF EASTERN PARAGUAY PROJECT

Project Name:	Conservation of Biodiversity and Sustainable Land Management in the Atlantic Forest of Eastern Paraguay (P094335)		Project Stage:	Restructuring	Status: DRAFT
Team Leader:	Marcelo Hector Acerbi	Requesting Unit: LCC7C	Created by: Pablo Francisco Herrera on 14-Apr-2014		
Product Line:	Global Environment Project	Responsible Unit: LCSEN	Modified by: Pablo Francisco Herrera on 12-May-2014		
Country:	Paraguay	Approval FY: 2010			
Region:	LATIN AMERICA AND CARIBBEAN	Lending Instrument: Specific Investment Loan			

Global Environmental Objectives

Global Environmental Objective (from Project Appraisal Document):

The objective of the Project is to assist the Member Country's continued efforts to achieve sustainable natural resource-based economic development in the Project Area, by: (a) establishing the Mbaracayú-San Rafael conservation corridor within public and private lands through sustainable native forest management practices for biological connectivity; (b) encouraging sustainable agricultural practices that maintain biodiversity within productive landscapes, while increasing productivity and mainstreaming biodiversity conservation; (c) strengthening the institutional capacity of MAG to implement conservation techniques in the rural landscape; (d) strengthening the institutional capacity of SEAM to improve knowledge on forest and biodiversity conservation activities, including the monitoring and enforcement of said activities; and (e) strengthening the National Protected Areas System.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Global Environmental Objective Indicators

Status	Indicator Name	Core	Unit of Measure	Value	Baseline	Actual(Current)	End Target
Revised	Land area where sustainable land mgt. practices were adopted as a result of proj	<input checked="" type="checkbox"/>	Hectare(Ha)	Date	27-Nov-2013	03-Apr-2014	10-Apr-2016
				Comment	Baseline is corrected as the definition of the indicator is reinterpreted considering that it is focused exclusively on the area where sub-projects are implemented. Taking the indicator this way, the baseline is 0 (zero) Ha		The new end target was established based on an estimation of an average area of 150Ha for each sub-project
Revised	Number of hectares of Mbaracayú-San Rafael Conservation Corridor conserved	<input type="checkbox"/>	Hectare(Ha) Sub Type Supplemental	Value	165734.00	165734.00	231159.00
No Change	Number of hectares restored within the Mbaracayú-San Rafael corridor	<input type="checkbox"/>	Hectare(Ha) Sub Type Supplemental	Value		0.00	30000.00

Revised	Number of producers that improve forest management and integrate biodiversity conservation into their productive activities.	<input type="checkbox"/>	Hectare(Ha) Sub Type Supplemental	Value	0.00	209.00	1500.00
Revised	Areas brought under enhanced biodiversity protection (ha)	<input checked="" type="checkbox"/>	Hectare(Ha)	Value	165734.00	0.00	310799.00
				Date	27-Nov-2013	03-Apr-2014	10-Apr-2016
				Comment	<p>The baseline is corrected considering the current area under protection (Caazapá NP, 16000Ha; Ñacunday NP, 2000Ha; 6 reserves belonging to Itaipu, 4000Ha; and 4 Private reserves, 107.734). San Rafael and Ybytyruzú are not considered as they lack real implementation.</p> <p>The new target of 310799Ha includes the area where sub-projects are expected to be implemented (120000Ha), plus the area where private reserves are expected to be implemented and/or created (which target was also reduced to 124374Ha), plus the public protected areas where the system is expected to be strengthened (66425Ha)</p>		

Revised	Number of hectares in 10 private protected areas	<input type="checkbox"/>	Hectare(Ha) Sub Type Breakdown	Value Date Comment	107734.00 107734.00 107734.00	13-May-2010 03-Apr-2014 10-Apr-2016	The baseline is corrected considering the area of the existing private reserves (RNB Mbaracayu, RN Morombi, RN Ypeti and RN Tapyta)	The new target is proposed considering the currently available opportunities for the creation of new private reserves.
Revised	Improved capacity at SEAM and MAG for policy development in key priority environmental areas	<input type="checkbox"/>	Yes/No	Value Date Comment	No 13-May-2010	No 03-Apr-2014 10-Apr-2016		Yes

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure	Baseline	Actual(Current)	End Target
Revised	Number of Sub-projects granted for supporting sustainable use of biodiversity and natural resources.	<input type="checkbox"/>	Number	0.00	0.00	254.00
				13-May-2010	03-Apr-2014	10-Apr-2016
						Considering the new proposed time frame for the project, the target was reduced by 20% compared with

Revised	Number of Sub-projects for habitat restoration or regeneration supported.	<input type="checkbox"/>	Number	Value 0.00 Date 13-May-2010 Comment	0.00 03-Apr-2014	the original 222.00 10-Apr-2016 Number of Sub-projects granted for supporting sustainable use of biodiversity and natural resources.
Revised	Number of Sub-projects for environmental socio-productive initiatives supported.	<input type="checkbox"/>	Number	Value 0.00 Date 13-May-2010 Comment	0.00 03-Apr-2014	286.00 10-Apr-2016 Considering the new proposed time frame for the project, the target was reduced by 20% compared with the original
Revised	Number of micro catchment areas planned in a participatory way.	<input type="checkbox"/>	Number	Value 0.00 Date 13-May-2010 Comment	0.00 03-Apr-2014	20.00 10-Apr-2014 The target was corrected as an inconsistency was detected in different sections of the PAD (one

Revised	Number of new management plans for existing public protected areas are created in a participatory way.	<input type="checkbox"/>	Number	Value 1.00 Date 07-May-2013 Comment Caazapá	Value 1.00 Date 03-Apr-2014 Comment Caazapá	Value 4.00 Date 10-Apr-2014 Comment Caazapá + Nacunday San Rafael Ibituruzú	section stated the target was 25 micro catchments, whereas another section stated it was 75). In addition to this, considering the current Project's time frame, the target was further reduced
Revised	Number of protected areas under implementation with management plans	<input type="checkbox"/>	Number	Value 1.00 Date 03-Apr-2014 Comment Caazapá National Park has a management plan under partial implementation	Value 1.00 Date 03-Apr-2014 Comment Caazapá		

No Change	Number of protected areas under implementation with management plans that have infrastructure in place	<input type="checkbox"/>	Number Sub Type Supplemental	Value		0.00	2.00
Revised	Number of protected areas that previously lacked formal land title, that have adjusted their legal and administrative situation	<input type="checkbox"/>	Number	Value		0.00	2.00
				Date		03-Apr-2014	10-Apr-2016
				Comment			
Marked for Deletion	Number of protected areas that previously lacked formal land title, that have a granted land title	<input type="checkbox"/>	Number Sub Type Supplemental	Value	2.00	2.00	3.00
Revised	Number of private protected areas that have been proposed to SEAM for creation	<input type="checkbox"/>	Number	Value	4.00	4.00	10.00
				Date	03-Apr-2014	03-Apr-2014	10-Apr-2016
				Comment	The revised Project's area does not include one of the private reserves previously considered as part of the baseline (Reserva Natural Arroyo Blanco)		6 new proposals (besides those considered in the baseline) will be submitted to SEAM
Revised	Number of hectares legally recognized as private protected	<input type="checkbox"/>	Hectare(Ha) Sub Type	Value	107734.00	107734.00	124734.00

	areas that have been proposed to SEAM for creation.		Supplemental						
Revised	Hectares of restored forest within a defined, created and implemented corridor (Carapa)	<input type="checkbox"/>	Hectare(Ha)	Value	0.00	1070.00	1000.00		
				Date	13-May-2010	03-Apr-2014	10-Apr-2016		
				Comment					
Revised	Number of client demand-driven studies (including action plans to implement activities) developed for improved policy instruments	<input type="checkbox"/>	Number	Value	0.00	0.00	6.00		
				Date	13-May-2010	03-Apr-2014	10-Apr-2016		
				Comment				SEAM has prioritized the topics and activities to be addressed by the Component 3 of the Project to enhance the agency's policy work and impact.	
Revised	Technical proposals of regulatory norms available, to enable the implementation of the "Payments for environmental services" law (Law 3001)	<input type="checkbox"/>	Yes/No Sub Type Supplemental	Value	No	No	No		
Revised	Technical proposals of regulatory norms available, to enable the implementation of the Land Use Planning law (Law 3966/10)	<input type="checkbox"/>	Yes/No Sub Type Supplemental	Value	No	No	No		

Revised	Technical studies, to enable the implementation of the Watersheds law (Law 3239/07)	<input type="checkbox"/>	Yes/No Sub Type Supplemental	Value	No	No	Yes
Revised	A study on "Economic value of natural resources and environmental services of the forests", to support an economic assessment of the impacts of deforestation.	<input type="checkbox"/>	Yes/No Sub Type Supplemental	Value	No	No	Yes
Revised	Technical proposals of regulatory norms available, to enable the implementation of the regulation on EIAs (Decree 453/13 and Law 294/93) on areas/themes that are compatible with the project's scope.	<input type="checkbox"/>	Yes/No Sub Type Supplemental	Value	No	No	Yes
Revised	Technical proposals of regulatory norms available, to enable the implementation of the SINASIP (Law 352/93)	<input type="checkbox"/>	Yes/No Sub Type Supplemental	Value	No	No	Yes
Revised	Environmental themes are implemented in programs for elementary school education	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	13-May-2010	03-Apr-2014	10-Apr-2016
				Comment			
Revised	Number of training events carried out	<input type="checkbox"/>	Number	Value	0.00	2.00	80.00
				Date	13-May-2010	15-Mar-2014	10-Apr-2016
				Comment			

Revised	Dissemination plan in place and operating	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	13-May-2010	03-Apr-2014	10-Apr-2016
				Comment			
Revised	Decentralized Project coordination unit functioning satisfactorily, including a Project integrated management information system.	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date	13-May-2010	03-Apr-2014	10-Apr-2016
				Comment			
Revised	A financial, physical and ecological monitoring system in place and providing accurate information to users and the audience	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	13-May-2010	03-Apr-2014	10-Apr-2016
				Comment			