

# Concept Note

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## **Heritage Colombia (HECO): Maximizing the Contributions of Sustainably Managed Landscapes in Colombia for Achievement of Climate Goals**

Colombia | WWF

22 October 2019



**GREEN  
CLIMATE  
FUND**

# Concept Note

Project/Programme Title:	Heritage Colombia (HECO): Maximizing the Contributions of Sustainably Managed Landscapes in Colombia for Achievement of Climate Goals
Country:	Colombia
National Designated Authority (NDA):	National Planning Department
Accredited Entity (AE):	World Wildlife Fund (WWF)
Date of first submission/ version number:	2019-10-21 V.1
Date of current submission/ version number:	2019-10-21 V.1



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A. Project/Programme Summary			
<b>A.1. Project or programme</b>	<input checked="" type="checkbox"/> Project <input type="checkbox"/> Program	<b>A.2. Public or private sector</b>	<input checked="" type="checkbox"/> Public sector <input type="checkbox"/> Private sector
<b>A.3. Is the CN submitted in response to an RFP?</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<b>A.4. Confidentiality</b>	<input type="checkbox"/> Confidential <input checked="" type="checkbox"/> Not confidential
<b>A.5. Indicate the result areas for the project/programme</b>	<p><u>Mitigation:</u> Reduced emissions from:</p> <input type="checkbox"/> Energy access and power generation <input type="checkbox"/> Low emission transport <input type="checkbox"/> Buildings, cities and industries and appliances <input checked="" type="checkbox"/> Forestry and land use <p><u>Adaptation:</u> Increased resilience of:</p> <input checked="" type="checkbox"/> Most vulnerable people and communities <input checked="" type="checkbox"/> Health and well-being, and food and water security <input type="checkbox"/> Infrastructure and built environment <input checked="" type="checkbox"/> Ecosystem and ecosystem services		
<b>A.6. Estimated mitigation impact (tCO<sub>2</sub>eq over lifespan)</b>	114 Mt CO <sub>2</sub> eq	<b>A.7. Estimated adaptation impact (number of direct beneficiaries and % of population)</b>	Direct: Approximately 1 million, within targeted landscapes (2% of total population) Indirect: 18 million living downstream of landscapes (36% of population)
<b>A.8. Indicative total project cost (GCF + co-finance)</b>	USD 200 M	<b>A.9. Indicative GCF funding requested</b>	USD 50 M
<b>A.10. Mark the type of financial instrument requested for the GCF funding</b>	<input checked="" type="checkbox"/> Grant <input type="checkbox"/> Reimbursable grant <input type="checkbox"/> Guarantees <input type="checkbox"/> Equity <input type="checkbox"/> Subordinated loan <input type="checkbox"/> Senior Loan <input type="checkbox"/> Other: specify _____		
<b>A.11. Estimated duration of project/ programme:</b>	GCF disbursement period: 10 years	<b>A.12. Estimated project/ Programme lifespan</b>	30 years as part of a long-term Government commitment to increase the effective management of its system of protected areas
<b>A.13. Is funding from the Project Preparation Facility requested?</b>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Other support received <input checked="" type="checkbox"/> If so, by who: Moore Foundation, WWF, WCS, and Patrimonio Natural	<b>A.14. ESS category</b>	<input type="checkbox"/> A or I-1 <input checked="" type="checkbox"/> B or I-2 <input type="checkbox"/> C or I-3
<b>A.15. Is the CN aligned with your accreditation standard?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<b>A.16. Has the CN been shared with the NDA?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<b>A.17. AMA signed (if submitted by AE)</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> If no, specify the status of AMA negotiations and expected date of signing:	<b>A.18. Is the CN included in the Entity Work Programme?</b>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

**A.19. Project/Programme rationale, objectives and approach of programme/project (max 100 words)**

**Heritage Colombia (HECO)** will generate significant mitigation and adaptation benefits through a paradigm shifting landscape approach in Colombia associated with a proven model for securing long-term financing for the effective management of the nation's protected areas network. This is based on establishing a sinking fund to be drawn upon for milestone-based payments tied to policy, institutional, and management reforms. Carbon emission reductions will primarily be achieved by reducing drivers of deforestation, while adaptation benefits will be derived from hydrological stability provided through the protection and restoration of healthy ecosystems in current or new protected areas and adjacent lands. This approach is fully consistent with national climate and development policies and NDC priorities, with the GCF investment crowding in government and philanthropic funding and private investments, and HECO embedded in a country-wide commitment to long-term management of protected areas. The project represents the first phase of this national program, focused on 5 landscapes covering 17.6 million ha and representing over 15% of the country to the direct or indirect benefit of 18 million people.

**B. Project/Programme Information**

**B.1. Context and baseline**

As the third most populous country in Latin America, and with a large and growing economy and territory that includes parts of the Amazon and other natural areas serving as globally significant carbon sinks, Colombia has a strong role to play in both global and regional reductions of greenhouse gas emissions. The country also faces growing threats from the adverse impacts of climate change, from an increased incidence of extreme weather and high temperature events to greater rainfall variability. This leaves wide segments of society exposed to higher climate risks, and many of these vulnerable communities – including indigenous peoples – live within or adjacent to the country's network of terrestrial and marine protected areas covering approximately 15% of the country's territory (16% terrestrial and 14% marine) as part of the network of National Parks (NPs) or in some other form of protected status.

Colombia has a wide variety of highly biodiverse ecosystems due to its range of local climates – from very humid tropical rainforest to arid deserts – as well as elevations, proximity to the sea, and geological formations. These varied landscapes include the Andes Mountains, Amazon forest, Pacific and Caribbean coasts, and Orinoquía plains. There is rising concern and growing scientific evidence that historical vulnerability to climate variability (mostly associated with the El Niño-La Niña cycle) will be exacerbated by climate change. Colombia's climate change risk scenarios indicate increasing temperatures and greater variability in precipitation patterns, leading to an increased incidence of droughts, flooding, landslides, and fires. In this context, the country's robust and healthy ecosystems, particularly its forests, are both a major component of the country's mitigation agenda (through forest carbon conservation and sequestration) and a significant contributor to climate adaptation through provision of key ecosystem services, like water regulation at the local and sub-national scales.

The country's climate change policy thus includes a strong emphasis on improving landscape management, with an emphasis on securing protected areas as well as sustainable use of the mosaic of adjacent lands. Many of the country's protected areas are presently at low management efficiency levels due to scant resources. Encroachment on protected areas from populations living in surrounding areas – who seek access to natural resources within these areas – is a principal driver of deforestation and other forms of natural system degradation.

An additional important aspect of the country's institutional context is the high income inequality and ongoing civil stabilization following a period of domestic instability. More than half of the population (52.6%) live below the poverty line, with this figure reaching 69% in rural areas. The recent end of civil strife has brought fresh prospects for accelerating economic development, though this could be accompanied by a rapid increase in greenhouse gas emissions (GHG) unless expansion of the energy, transport, industrial, and land use sectors is placed onto a low-emissions pathway. Colombia also continues to have high numbers of internally displaced people. Recovery of communities from the dislocations recently suffered must be associated with implementation of stricter controls on the management of natural areas, even as some traditionally restricted areas are opened to agriculture, tourism, and other economic uses to support the relocation and livelihoods of internally displaced persons. All of these challenges must be accomplished in an ecologically sensitive manner and with built-in climate resiliency, recognizing fully the rising risks to vulnerable peoples from a changing climate.

Improved land use management is central to the country's strategy for achieving low-carbon and climate-resilient development, which is recognized in both Colombia's economic development and climate change plans and policies. The NDC submitted to the Paris Agreement identifies Agriculture, Forestry and other Land Use (AFOLU) interventions as vital mitigation actions, especially given the enormous significance of forest carbon tied up in the Colombian Amazon. Reduction of GHG emissions caused by deforestation is a high government priority. In addition to climate mitigation actions, the country's NDC flags the need to build climate resilience, including through ecosystem-based adaptation measures based on improved land use planning, stronger consideration of climate risks in the agriculture sector, and expansion and improved management of the country's protected areas network.

Colombia's National Development Plan (NDP) 2018-2022 "Pact for Colombia, Pact for Equity," is oriented to building a socially inclusive, equitable, and sustainable economy based on promoting formal community business entrepreneurs and ventures with a clear emphasis on "producing while conserving and conserving while producing", contributing to the achievement of multiple Sustainable Development Goals (SDGs), including: #1 (resilient communities), #6 (water), #7 (Renewable Energy - Hydropower), #13 (climate action); #14 & #15 (life on water and land), and #17 (public-private partnerships). The proposed project and its approach are thus fully supportive of both the country's climate and development policies, and will make critical contributions to the following:

- *National Climate Change Adaptation Plan (PNACC)*, to strengthen the rural component of territorial planning instruments by incorporating instruments for the management of productive agricultural landscapes as a key element of the integral management of the territory, ecosystem resilience and local governance;
- *Comprehensive strategy for the control of deforestation and forest management*, which seeks to strengthen governance among ethnic groups and local communities, curb deforestation, improve use of timber and non-timber products, establish permanent control and monitoring actions for the nation's forests, and generate financial, regulatory and enforcement incentives for forest conservation;
- *National Parks Climate Change Strategy*, which includes strategies to increase carbon sequestration in protected areas and buffer zones while maintaining forest carbon stocks and the sustainable management of key ecosystem services for the country; and
- *National Strategy for the National Ecological Restoration of Protected Areas*, which seeks to strength in-situ conservation of ecosystems and natural habitats.

Despite this comprehensive political and regulatory framework and strategy for the environment and agriculture sectors based on climate-informed and sustainable landscape management, a range of institutional and economic barriers remain to be addressed, including:

- *Fragmented governance* due to low cross-sectoral coordination, weak integration of climate and environmental considerations into territorial and sectorial planning instruments, and ineffective stakeholder engagement and participation;
- *Low allocation of financial resources to the environmental sector*<sup>1,2</sup>, with only 5% of the national budget going toward sector investments through the Ministry of Environment, Parks Agency, regional environmental authorities, and related research organizations;
- *Coverage of the parks and protected areas network* that takes full account of current and likely future contributions of these areas to the country's climate mitigation and adaptation objectives in addition to their biodiversity conservation and related economic and social functions;
- *Weak landscape level capacity to integrate management of natural areas and adjacent productive lands* for economic and social benefits in the context of achieving a low-carbon and climate-resilient path to economic development; and
- *Low ability to implement territorial planning and zoning* – especially in light of fragile land tenure and security – to achieve climate change mitigation and adaptation alongside the generation of other economic and social benefits from ecosystem services in support of long-term sustainability.

<sup>1</sup> In 2015, the budget sector represented 2.4% of the General Budget of the Nation (GBN), while in 2017, due to fiscal austerity measures, it was only 1.56% - jeopardizing institutional capacities to honor government commitments enshrined in the RRI. On the other hand, in 2017 COP 734,864 million were allocated in the GBN for the Environmental sector, which represents 0.40% of the GNB - the average of the last seven years, but lower than requested in the Medium-Term Expenditure Framework 2017-2020 (COP 948,454 million).

<sup>2</sup> In recent years, Colombia has attracted significant international cooperation investments to support forest protection and conservation, especially to help reduce greenhouse gas emissions. Germany, Norway and the United Kingdom of Great Britain and Northern Ireland jointly committed USD 300 million in 2015 to support such efforts through results-based payment programs. In contrast, scarce resources have been allocated to local organizations (including regional government bodies, national NGOs, and private sector associations) to support improved governance and wider measures to combat deforestation and land-use change.

Regarding forested landscapes and their role in GHG emissions and mitigation, the country's natural forests cover approximately 60 million ha<sup>3</sup>, with storage of approximately 26.22 Gt CO<sub>2</sub>eq<sup>4</sup>. During the period 1990-2016, 6 million hectares were deforested throughout the country. According to the National Greenhouse Gas Inventory,<sup>5</sup> in 2012 the country's GHG emissions were 185.6 Mt CO<sub>2</sub>eq, 43% of which came from AFOLU sources, with deforestation contributing approximately 35% of those (15.75% of the country's total emissions). Despite advances in Colombia's agricultural sector, both at the institutional and technical levels, production lags in some regions. In these areas, the pattern of resorting to deforestation as a way of extending low-yield agriculture persist alongside the planting of crops that are ill-suited to withstanding the adverse impacts of climate change.

Regarding ecosystem services that may be negatively impacted by climate change, according to the National Water Study<sup>6</sup>, almost 50% of the country's domestic hydrological demand is concentrated in basins that primarily rely on water regulation functions provided by the country's nearly 3 million hectares of high mountain ("paramo") ecosystems, and this is the same region that supports most of the country's hydropower. These valuable ecosystem services have already been affected by increased climate variability, particularly in places with lower ecosystem integrity and connectivity. For example, the 2010-2011 La Niña caused floods and landslides that affected more than 3.2 million people, flooded 3.5 million hectares, including 845 primary and secondary routes, resulting in USD 6 billion of economic damage<sup>7</sup>. Likewise, the 2015-2016 El Niño resulted in 237 municipalities (21% of the total) experiencing freshwater shortages, with 296 municipalities (26% of the total) being forced to resort to water rationing.

Finally, the proposed project is aligned with and also complements Colombia's current portfolio of projects with the GCF, including (i) Readiness and Preparatory Support for the country's adaptation planning process; (ii) the REDD+ results-based payment proposal; (iii) the project, "Scaling Up Climate Resilient Water Management Practices for Vulnerable Communities in La Mojana"; (iv) the Readiness proposal under development, "Strengthening capabilities of indigenous peoples on climate finance in Colombia" and (v) the concept note under development for a regional, transboundary project for the Amazon, "The Leticia Pact". For all the above this Project has established communications with the Government and other stakeholders and will secure mechanisms to avoid duplication of activities and maximize collaboration and synergies between projects.

## B.2. Project/Programme description

This project seeks to contribute to both national climate mitigation and adaptation goals, primarily through the sustainable and integrated management of 5 landscapes chosen because they offer opportunities to generate early benefits, respond to the greatest current pressures on ecosystem-based mitigation and adaptation services, and are aligned with national climate action and development budget priorities so as to maximize co-financing. The 5 primary landscapes will be supplemented by a few additional areas that also offer this suite of benefits. Taken together, the targeted landscapes cover an area of 17.6 million ha, representing more than 15% of the country's territory. They include both protected areas (already under or designated to be included in the system of national, sub-national, and local protected areas) and productive adjacent lands under other forms of tenure to be managed together as an integrated mosaic through a landscape approach with the goals of securing in perpetuity large amounts of carbon while contributing to the provision of water regulation and other climate adaptation benefits. These interventions are expected to directly benefit more than 1 million people in the landscapes with further indirect benefits for more than 18 million people (living downstream of the targeted landscapes). The map in Annex 1 shows the location of the project's proposed locations for interventions.

**Project Components.** To address the barriers briefly discussed in the previous section, the following main components are proposed:

### 1. Effective governance and management of sustainable and resilient landscapes

*1.1. Improved intersectoral coordination:* The Project will review relevant regulatory frameworks for natural resource management in the areas of intervention, analyze how they can help address climate risks, and act upon this to improve land use and ecosystem services flows. This will generate strengthened understanding and capacities to support new

<sup>3</sup> App. 52% of the country's continental Surface. - Instituto de Hidrología, Meteorología y Estudios Ambientales - IDEAM. 2017. "Inventario Nacional de Emisiones de Gases Efecto Invernadero" 2017. Bogotá, D.C. 2015. 496 pp.

<sup>4</sup> 2010 figures. - Phillips J.F., Duque A.J., Yepes A.P., Cabrera K.R., García M.C., Navarrete D.A., Álvarez E., Cárdenas D. 2011. Estimación de las reservas actuales (2010) de carbono almacenadas en la biomasa aérea en bosques naturales de Colombia. Estratificación, alometría y métodos analíticos. Instituto de Hidrología, Meteorología, y Estudios Ambientales -IDEAM-. Bogotá D.C., Colombia. 68 pp.

<sup>5</sup> Instituto de Hidrología, Meteorología y Estudios Ambientales - IDEAM. 2017. "Inventario Nacional de Emisiones de Gases Efecto Invernadero" 2017. Bogotá, D.C. 2015.

<sup>6</sup> Instituto de Hidrología, Meteorología y Estudios Ambientales - IDEAM. 2015. "Estudio Nacional del Agua 2014". Bogotá, D.C. 2015. 496 pp.

<sup>7</sup> Comisión Económica para América Latina y el Caribe (Cepal- Eclac). 2012. "Valoración de daños y pérdidas. Ola invernal en Colombia, 2010-2011" Bogotá: Misión BID - Cepal ECLAC, 2012.

bilateral or multilateral agreements between representatives of different sectors, different levels of government, and with private owners to introduce sustainable approaches to natural resources, rehabilitation or restoration of degraded lands, as well as the continued and enhanced provision of climate mitigation and adaptation benefits, especially carbon sequestration and water regulation.

*1.2. Climate-informed land-use planning:* The on-the-ground implementation of existing land-management policies and governance instruments will be improved, with an emphasis on mainstreaming attention to the provision of climate mitigation and adaptation benefits, while working through public-private partnerships involving local actors (governorates, municipalities, regional autonomous corporations, PNNs, producers' organizations, academic institutions, artisanal and industrial fishers, among others).

*1.3. Education, communication, and public awareness:* Measures will be taken to increase the attention of key stakeholders and the general public to the climate benefits of maintaining or restoring healthy ecosystems, demonstrating how communities, cities and economic sectors depend on ecosystem services from resilient, biodiverse landscapes and protected areas, in an effort to gain their support and involvement in conservation measures that generate climate change mitigation and adaptation benefits.

*1.4. Technical assistance and capacity building for sustainable and integrated landscape management:* Assistance will be provided to both governance authorities and key stakeholder groups to establish effective means for achieving sustainable management of targeted landscapes, such as sustainable production and use of forest products, responsible management of water resources, ecotourism, sustainable farming and production systems, and the formulation and implementation of forest restoration activities.

*1.5. Training for staff responsible for protected areas management and landscape mosaics:* Capacity of key groups engaged with the sustainable management of targeted landscapes will be improved through training to strengthen the planning, implementation and monitoring of conservation activities in protected areas as well as adjacent lands, including for measures specifically designed to achieve climate mitigation and adaptation benefits.

## **2. Sustainable financing for conservation areas and accessible financing for climate-informed landscapes management**

*2.1. Analyze, design, implement and/or expand financial mechanisms:* To establish the basis for sustainable, long-term financing for management of the National System of Protected Areas (SINAP – in Spanish), innovative financing schemes will be reviewed and identified in the national institutional context – including payments for ecosystems services – with the goal of generating sufficient revenues in perpetuity to cover long-term annual costs of maintaining SINAP at international standards of management as well as to enhance the long-term viability of sustainable-use agreements in targeted landscapes. A transition fund will be established to provide financing for immediate management improvements and other interventions in the targeted landscapes while sustainable sources of financing are identified and introduced over the life of the Project. This fund will be drawn down according to a predetermined schedule only through the verified achievement of milestones, making the Project's structure performance-based and of low investment risk.

*2.2. Establish strategic alliances with public and private sector institutions:* Partnerships will be established to mobilize and channel technical assistance and financial resources to initiatives on sustainable resource use and family income diversification capable of reducing deforestation pressures and enhancing ecosystem-based climate adaptation in targeted landscapes.

*2.3. Facilitate commercial links with off-takers and enhance market access:* To improve the economic and environmental contributions of sustainably farmed and harvested products in the areas of targeted landscapes outside of protected areas, partnerships will be established to increase the long-term viability of sustainable resource-use initiatives and increase income for producers and vulnerable communities.

*2.4. Facilitate accessible financing and financial inclusion:* Specifically directed to small-scale producers and vulnerable populations, cooperation will be established with government institutions, national banks, and private investors to develop concessional financial products accessible to populations living adjacent to protected areas that will support their sustainable and climate-resilient production and harvesting systems, all with strong attention to gender equity and highly vulnerable groups.

## **3. Enhanced climate benefits from protected areas management**

Based on the assessed potential contributions to climate mitigation and adaptation of protected areas and to increase the resilience of SINAP, participatory governance schemes will be introduced for new and recently created protected areas together with management plans and implementation of prioritized actions to ensure the maintenance of biodiversity as well as the protection and enhancement of ecosystem services that are directly linked to the achievement of climate goals and sustainable development. The component will include:

*3.1. Designation of new protected areas for enhanced climate benefits:* Facilitate socially inclusive and intersectoral participatory processes to support the designation of 2 million hectares of new protected areas (national and regional)

that will improve biodiversity connectivity and the provision of ecosystem services (primarily related to carbon conservation and water regulation) in support of national climate mitigation and adaptation objectives.

3.2. *Design and implementation of participatory and adaptive climate change monitoring systems:* As appropriate to support effective management of protected areas and adjacent lands in targeted landscapes, existing climate change monitoring systems will be enhanced, delivering improved information to the national forest and carbon monitoring system, the national biodiversity information system, and the national system of adaptation indicators.

3.3. *Implement prioritized adaptive management strategies:* Specific measures will be introduced to reduce emissions associated with changes in land use (mainly from deforestation) and build more effective ecosystem-based climate adaptation strategies.

3.4. *Generate and adopt innovative governance schemes and local agreements:* With a focus on new and recently declared protected areas in targeted landscapes, improved governance systems and implementation capacities will be supported that will allow for consideration of on-the-ground realities and factor-in attention to climate change adaptation.

#### 4. Project coordination and management

In cross-cutting support of all components, project coordination and management services will be provided for and through Executing Entities (EEs), the National Parks Service (PNN – in Spanish) within the Ministry of Environment and Sustainable Development (MADS – in Spanish), and Fondo Patrimonio Natural (FPN). This includes the staffing and operation of a Project Management Unit (PMU) in PNN, financial management of the investment fund by FPN, as well as the production of technical and financial reports.

The Project's theory of change posits that **IF** five things happen: (i) well-chosen new conservation areas are created; (ii) the existing SINAP is more effectively managed; (iii) the social and institutional governance of protected areas and associated landscapes is strengthened financially and technically; (iv) land use plans are climate-informed and effectively implemented; and (v) productive landscape and livelihoods schemes in targeted areas are made to be environmentally sustainable and climate resilient, **THEN** sustainable, multifunctional, resilient landscapes that combine protected areas generating ecosystem services alongside productive uses in adjacent lands will improve livelihood opportunities for local communities and reduce deforestation and forest degradation, thereby lowering GHG emissions and increasing the provision of adaptation benefits for a significant portion of the Colombian population. In terms of financial sustainability, the theory of change posits that there are opportunities to increase the long-term sustainable financing of SINAP through mechanisms that monetize part of the ecosystem services provided by protected areas, e.g. carbon sequestration, water regulation, ecotourism. Based on the GCF's performance measurement framework, a graphic representation of the Project's theory of change conceived to deliver mitigation and adaptation impacts is depicted in Annex 4.

**WWF as Accredited Entity (AE):** WWF has a 50-year history of successful involvement in the conservation of important natural landscapes across Latin America. WWF has previously designed and successfully presented for GCF board funding consideration a similar application of this model through the Bhutan for Life Project (FP050), a USD 118 Million, 14-year project, currently under implementation, meant to guarantee the long-term financial sustainability of Bhutan's protected area system covering 50% of Bhutan territory as the cornerstone of the country's commitment to remain carbon neutral. This model has been recognized by GCF as replicable, with encouragement to bring forward similar projects in other countries. This project in Colombia answers such a call.

**Fondo Patrimonio Natural (FPN) (EE):** FPN has been designated to act as the trustee for the Project's resources coming from international and private donors. FPN is a public-private entity, which aims to contribute to the conservation and sustainable management of the country's biodiversity through the strengthening of the financial sustainability of SINAP and other strategies under public, private, or community governance schemes. The financial resources will be managed under a specific project sub-account.

**Ministry of Environment and Sustainable Development (MADS) – National Parks Service (PNN) (EE):** MADS and PNN are the Colombian government's agencies in charge of SINAP, which will oversee an anticipated annual financial allocation to HECO and will host the Project Management Unit to oversee the overall execution of planned activities. These entities will also be responsible for identifying and establishing new sources of sustainable funding for protected areas management, such as payment for ecosystem services schemes, offsets, and the application of carbon neutrality.

**WWF Colombia (executing partner for some project activities):** WWF started in Colombia in 1993, and it consolidated its presence in the country as a Program Office of WWF globally. The work of the WWF Colombia Program Office integrates actions at different scales, from local to international, in priority landscapes of the eco-regional complexes of the northern Amazon, the Orinoco, the Andes, and the Pacific. The organization has a long working relationship with MADS and PNN in seeking to harmonize the conservation of natural resources with human needs and has focused its work on the creation and improvement of conservation areas, the protection of emblematic and threatened species, the development of sustainable productive uses of renewable resources, and the promotion of

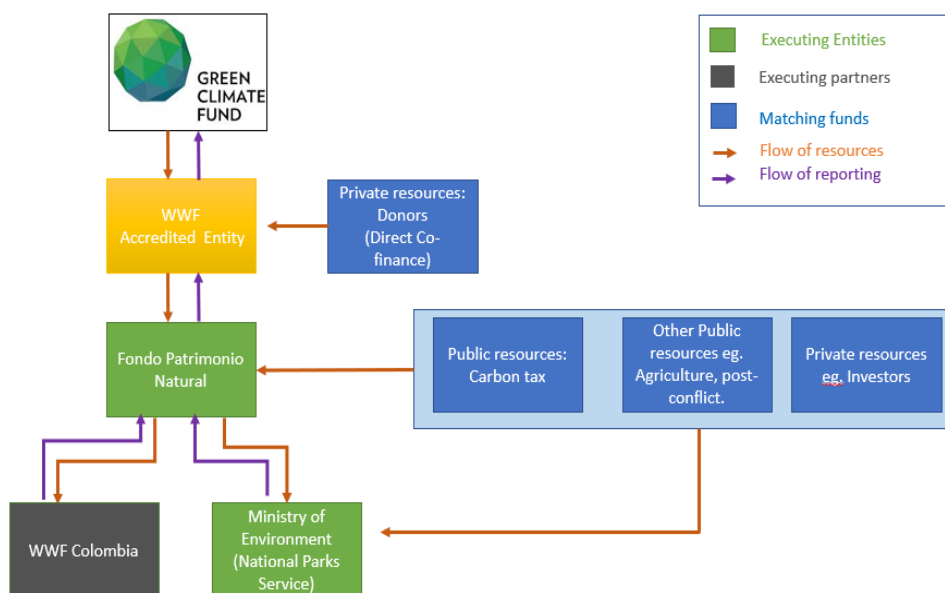


citizen participation, with a special emphasis on the participatory governance. WWF Colombia is a founding partner of the national HECO initiative.

**Alignment with Colombia’s GCF Country Program:** The REDD+ results-based payment program for the Amazon that is currently developing its full funding proposal shall enable resources for the Amazon landscape, which shall be aligned with HECO interventions, especially through the early support for sustainable economic activities and deforestation-prevention actions. The government has also announced two other projects that will be submitted which would enhance the proposed interventions for HECO: (i) Readiness for indigenous communities, which shall strengthen indigenous communities to be active participants in land-use planning and enable them to receive further resources for other climate-related activities, and (2) the “Leticia Pact for the Amazon”, which aims at aligning countries of the Amazon biome.

**Private funding:** While the Project will be grant financed, it is planned that some of the productive initiatives introduced in the targeted landscapes – such as sustainable forest management, eco-tourism, sustainable farming and fishing systems, and sustainable water resource management – will become commercially profitable. As this occurs, they should be able to access blended financing, attract impact investors, and/or access other sources of rural funding. These private resources may be allocated in the landscapes through the FPN or directly in parallel with project investments.

The figure below describes the Project’s institutional arrangements, to be refined during design of the Funding Proposal.



Risks	Mitigation measure
<p><b>Financial risks:</b>                      Funders, including the government, fail to deliver committed funds                      Probability: Medium to High                      Impact: High</p>	<p>From its outset, the Project will support the government in the identification and implementation of new financial mechanisms to diversify the national sources of funding for the Project. The wider HECO program has been incorporated into the country’s National Development Plan and is proposed to be part of the carbon tax investment plan. The milestone-based payment and single-closure approach greatly increase the security of financing commitments.</p>
<p><b>Weak coordination:</b>                      Interventions that involve different sectors or levels of government cause operational delays or inefficiencies.                      Probability: Medium                      Impact: Low</p>	<p>The Project will be designed through an extensive participatory process built on the groundwork laid through the development of the wider HECO program, which has involved local and sectoral stakeholders, with the first component specifically to promote inter-sectoral and inter-agency cooperation.</p>
<p><b>Capacity:</b></p>	<p>The Project has a strong component of training to foster and expand</p>

<p>Difficulties in hiring trained and experienced staff to work in remote areas for the duration of the Project. Probability: Medium Impact: Low</p>	<p>existing capacities. Close cooperation among participating entities will give access to a wider group of talent.</p>
<p><b>Social stability:</b> Delays in implementation of civil stabilization programs could affect project implementation. Probability: Medium Impact: Medium</p>	<p>The Project's workplan has been derived from a participatory process that reached out to multiple institutions and local stakeholders. During its implementation, the Project will establish robust networks to support participatory land use planning and effective adaptive management, and there will be continuous monitoring of the social, ecological, political, and other changes that may affect the effectiveness of project interventions. It is expected that all these measures will keep the Project advancing even if civil stabilization programs are delayed or derailed</p>
<p><b>Stakeholder buy-in:</b> Local producers and communities fail to embrace the environmentally sustainable, and climate-informed production alternatives promoted by the Project. Probability: Medium Impact: Medium</p>	<p>The Project will include measures meant to increase investments in sustainable businesses through feasibility studies, technical assistance, and training. Attention to local know-how, local experience, and local culture will be important factors, and the Project's overall model involves creation of conditions leading to a transition away from dependence on international grants to sustainable domestic financing backed by appropriate commercial schemes in targeted landscapes.</p>

### B.3. Expected project results aligned with the GCF investment criteria (max. 3 pages)

The Project will have an implementation period of 10 years, with a projected benefits lifespan of 30 years. Initial calculations of its mitigation and adaptation results, based on GCF's Investment Criteria Indicators (GCF/B.21/18) are:

#### Mitigation Impacts

Preliminary estimates of the Project's mitigation results are based on: (i) Colombia's National Natural Parks Carbon Atlas (2018) (ii) National Assessment of Restoration Potential in Protected Areas; (iii) National REDD Report; and (iv) Annual Deforestation Report.

- **Mitigation 1:** Approximately 114 Mt CO<sub>2</sub>eq of emission reductions will be achieved in the project sites over its 30-year lifespan through reduced deforestation, reduced degradation, natural re-growth and reforestation (23.8 Mt CO<sub>2</sub>eq during the 10 years of direct project implementation). During Funding Proposal completion, this figure will be adjusted to the most recent official estimates and all existing REDD+ payment schemes will be mapped and subtracted to avoid double counting.
- **Mitigation 2:** Over 7,000 Mt CO<sub>2</sub>eq – the carbon stock in the standing forests of the targeted landscapes – will be preserved during the Project's 30-year lifespan.

#### Adaptation Impacts

Estimation of the Project's adaptation results was a result of a joint effort among project partners and based on: (i) the National Climate Risk Assessment document submitted through the countries Third National Communication to the UNFCCC (2017); (ii) the National Freshwater Assessment (2018); and (iii) the National Assessment on Ecosystem Services and Protected Areas (2016).

- **Adaptation 1:** Local impact inside protected areas (**direct beneficiaries**): While these estimates may change upwards during Funding Proposal preparation, approximately **6,000 people** residing in protected areas that are part of targeted landscapes will participate in and directly benefit from the introduction of local adaptation strategies. Anticipated activities to build climate resiliency on each site will include (a) improving information gathering and capacity building for addressing climate risk affecting local livelihoods and natural resources management, (b) climate-informed biodiversity conservation, (c) integrated water resources and basin management, (d) capacity building on sustainable agriculture, agroforestry, fisheries and eco-tourism, (e) enhanced ecosystem services for adaptation, and (f) new and/or improved nature-based jobs, especially in nature-based tourism.

- **Adaptation 2:** Local impact inside landscapes but outside of protected areas (**direct beneficiaries**): Approximately **1,000,000 people** living and working in the targeted landscapes will benefit from project activities that will enable the continued provision of freshwater resources to local municipalities.
- **Adaptation 3:** Local impact in and beyond landscapes (**indirect beneficiaries**): Approximately 165 Municipalities 86 Indigenous communities, 55 Afro-Colombian community councils and 4 cities, accounting for **18 million inhabitants**, will indirectly benefit from the water regulation from the 5 targeted landscapes, that allow a sustained generation of hydropower.
- **Adaptation 4:** Ecosystem services: the Project's ecosystem-based approach to adaptation will foster the resilience of targeted landscapes, seeking to maintain the sustainable provision of critical ecosystem services (e.g. water provision and regulation, erosion and flood control, pollination, natural control of disease vectors, natural habitats and associated biodiversity, and protection of cultural and spiritual values).<sup>8</sup>

### Paradigm Shift

This first phase of landscaped based efforts to generate climate benefits will cover 15% of this large country's territory and set the model for the future of combining the conservation of natural areas with sustainable rural production in adjacent parts of these natural landscapes. The Project thus has the potential and the scale to contribute to a paradigm shift towards low-carbon and climate-resilient development in Colombia (and to inspire similar programs elsewhere), reducing climate risks to people, biodiversity and the economy, as well as reducing emissions related with agricultural production and deforestation.

Colombia's government has already recognized the HECO program as an innovative private public partnership,<sup>9</sup> and has in principle – and in anticipation of related international cooperation – earmarked 5% of the recently approved country-wide carbon tax<sup>10</sup> for conservation and integrated management goals.

HECO has strong similarities with comparable projects that have been implemented or are being developed in other Amazon countries (Brazil, Peru) and other developing countries, including some with support from the GCF (Bhutan, and pending in Peru). Notwithstanding national differences, all these initiatives share core traits, including country-wide ambitions, effective management of natural protected areas to deliver climate change adaptation and mitigation results, multi-party financing, and implementation of results-based mechanisms to achieve long-term financial sustainability.

### Sustainable development

This phase one cornerstone of the anticipated nation-wide HECO initiative is included in Colombia's 2018-2022 National Development Plan (NDP), which aims to build a socially inclusive, equitable, and sustainable economy based on promoting formal community business entrepreneurship and ventures with a clear emphasis on "producing while conserving and conserving while producing". The project will contribute to Colombia's achievement of the following Sustainable Development Goals (SDGs): #1 (resilient communities), #6 (water), #7 (Renewable Energy - Hydropower), #13 (climate action); #14 & #15 (life on water and land), and #17 (public-private partnerships).

### Needs of the recipient

Colombia is a middle-income developing country with positive economic indicators and trends, but it still faces pressing economic, environmental, social and institutional needs with limited public resources.

Additional details can be found in Section B.1 "Context and baseline" and section B.2. "Project description" which present the climate challenges facing the country and how this project plans to address them; Section C.2, "Justification of GCF funding request", which illustrates the Project's multi-sources, multi-donors funding arrangements, and the need for GCF funding; and Section C.3, "Sustainability and replicability of the project", which explains how the "Project Finance for Permanence" approach will address current funding shortages for conservation and achieve long-term sustainability.

### Country ownership

As noted, the wider HECO national program and this first phase project is an integral part of Colombia's national priorities. Not only has it been included in the country's 2018-2022 NDP, it will also likely receive carbon tax revenues earmarked for conservation financing. Additionally, it has been acknowledged as a delivery mechanism to reach national climate change and biodiversity conservation targets, contributing to the National Strategy for Comprehensive

<sup>8</sup> Colombia's rural ecosystem services have recently been valued at approximately 1% of the country's GDP. Parques Nacionales Naturales de Colombia, 2017 "Aportes de los Parques Nacionales Naturales al desarrollo socio económico de Colombia".

<sup>9</sup> Lead by the Ministry of Environment and Sustainable Development (MADS), with support of Parques Nacionales Naturales (PNP), Patrimonio Natural, Gordon and Betty Moore Foundation, CI, WCS and the WWF. HECO was recognized in the SDGs voluntary report submitted by Colombia Government last June 2018 in the UN Assembly.

<sup>10</sup> Article 223, Law 1819/2016. Congreso de la Republica de Colombia.

Control of Deforestation, National Climate Change Adaptation Plan, National Parks Climate Change Strategy, and National Strategy for the National Ecological Restoration of Protected Areas.

### Efficiency and Effectiveness

Adaptation: Considering the approximately USD 20 million of GCF funding that will support adaptation activities (see section C.1. below), and with a preliminary division of investments between three type of beneficiaries, the Project funding efficiency would be as follows:

- (i) Approximately USD 6M invested in adaptation activities will support 1 million water users, resulting in USD 6 per direct beneficiary.
- (ii) Approximately USD 10 M invested in adaptation activities to support 18 million hydropower users results in USD 0.55 per indirect beneficiary.

Mitigation: Considering that approximately USD 30M of GCF funding would go to mitigation activities (see section C.1. below), the project efficiency would be as follows:

- (i) USD 0.26 per ton of the approximately 114 MT of CO<sub>2</sub>eq avoided or reduced.
- (ii) USD 0.004 per ton of the approximately 7,000 MT of CO<sub>2</sub>eq in carbon stocks sustainably managed.

Regarding rates of co-financing, depending on the final budget, each dollar from the GCF would mobilize approximately USD 1.50 of co-financing (1:3 ratio) during the 10 years of implementation.

### B.4. Engagement among the NDA, AE, and/or other relevant stakeholders in the country

In December 2015, during UNFCCC COP 21, Colombia's Ministry of Environment and Sustainable Development, Colombia's National Parks Agency, the Gordon and Betty Moore Foundation, the Natural Heritage Fund, WWF, Wildlife Conservation Society (WCS) and Conservation International (CI) signed an agreement that launched Heritage Colombia (HECO) and established a technical committee with the participation of each of these institutions.

The design of the Project has been led by this technical committee, working in a participatory manner with multiple stakeholders, including Colombia's Institute of Hydrological and Meteorological Studies (IDEAM – in Spanish) and the technical staff from the Association of Regional Autonomous Corporations and Sustainable Development (ASOCARS – in Spanish). HECO has held stakeholder workshops in each of the targeted landscapes. Also, the Inter-American Development Bank (IDB) has given its support to this initiative and offered to coordinate HECO with the Colombia Sostenible Fund.

In early 2018, a Spanish version of this concept note was reviewed by Colombia's NDA technical body (Cuerpo Colegiado) and was selected for NDA endorsement (see Annex 2). HECO's extensive consultation and engagement work can be seen in the letters of support that accompany this Concept Note (see Annex 3).

During Funding Proposal development, this core HECO team will continue its broad stakeholder engagement, with a special focus on participation of local communities that are the principal target beneficiaries.

## C. Indicative Financing/Cost Information

### C.1. Financing by components (max ½ page)

The financial elements of the Project will be developed in detail during the proposal development phase. The total budget required from GCF is estimated at this stage as being approximately USD 50M grant funding from GCF's public sector window.

Component/Output	Indicative cost (USD million)	GCF financing		Co-financing		
		Amount (USD million)	Financial Instrument	Amount (USD million)	Financial Instrument	Name of Institutions
1. Effective governance and management of sustainable and resilient landscapes	15	12	Grant	3	Public resources (EU) Donations	Parks/Minam Municipalities CARs Donors

2. Sustainable financing for conservation areas and accessible financing for climate-informed landscapes management	35	15	Grant / On grant	20	Grants (EU) Refundable grants Concessional financing Public resources Private investments	Donors Private sector Minagricultura Mincomercio Minambiente
3. Enhanced climate benefits from protected areas management	135	18	Grant	50 67	Public resources (carbon tax) Private foundation donations & other public resources	Parks/Minam CARs Donors Private sector
4. Project coordination and management	15	5	Grant	10	In kind Grant	Parks/Minam Donors
<b>Indicative total cost (USD millions)</b>	200	50			150	

## C.2. Justification of GCF funding request

Protected areas around the world are important public goods and contribute to the global commons, providing ecosystem services to local, national and global communities, and nature-based approaches to climate mitigation and adaptation are increasingly recognized as cost-effective solutions. Although entrance and other user fees are collected in many national parks, particularly in those that have high tourism potential, no country in the world has been able to manage its protected areas as a financially self-sufficient business. In all cases, protected area systems depend on public budgets and grant financing for most of their expenses. This is also the case in Colombia.

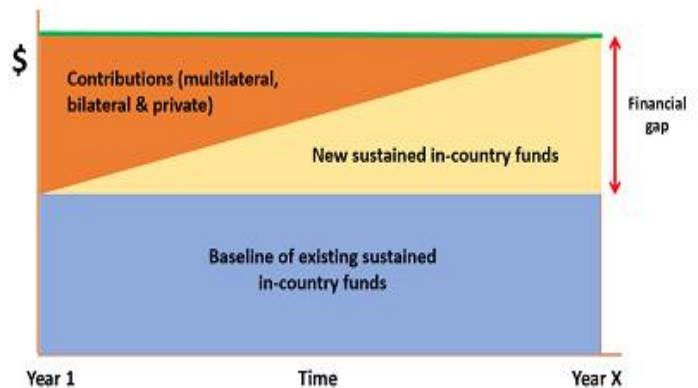
Following five years of planning and development, the Colombian Government and HECO's private partners have agreed to make major commitments to the Project. While the financing levels and structure are still to be finalized, of the approximately USD 200M total project cost, the Government is willing to provide approximately USD 100M and commit to take up the full annual costs of running the improved protected areas system covered by the targeted landscapes on conclusion of project funding (see the exit strategy below).

In order to catalyze Government commitment, the GCF investment of USD 50M – one quarter of total project costs – is critical to scaling up climate benefits from improved management of the country's protected areas network and to mobilize and anchor other international donor contributions by de-risking their investment in Colombia's sustainably managed landscapes. GCF's commitment to the Project will provide an additional level of accountability, setting clear benchmarks for success, and bringing to national actions a high standard for delivery on social and environmental safeguards as well as gender mainstreaming. The centerpiece is a paradigm shifting sustainable financing mechanism for protected area management and their adjacent productive landscapes, and GCF's support for core costs of this effort around improved government capacity for protected areas management and systems for monitoring and evaluating associated climate benefits is essential to the leveraging of government and international partner commitments.

WWF is requesting grant funding from GCF for its contributions to the project because, as previously stated, protected areas provide public goods through environmental services on which the livelihoods of many of Colombia's rural poor depend, rather than directly generating revenues (private sector investment in tourism and other revenue generating opportunities created by the project will be explored during Funding Proposal detailed design). Further, the Government of Colombia is expected to make a strong financial contribution to the project, funding 50% of total costs during project implementation and 100% thereafter – providing GCF with a clear exit strategy based on the sustainable financing model (see below).

### C.3. Sustainability and replicability of the project (exit strategy)

A central goal of HECO is to ensure the sustainable long-term financing of the project outcomes. To this end, HECO includes in its design and work plan a “Project Finance for Permanence” (PFP) approach, like the one included in Bhutan for Life (GCF FP050). PFP is a financial strategy based on the creation of an extinguishable transition fund in which public and private resources are leveraged for a specific period of time to close the assessed funding gap. During project implementation the government is coached to find and develop new sources of sustainable funding for PAs (such as payments for ecosystem services, carbon taxes, natural tourism revenues, etc.), while also annually increasing its budgetary commitments of conservation funding so that by the end of the project, it is able to take on the whole financing burden (see figure).



Additionally, the Project will coordinate its interventions in the mixed-use landscapes (mosaics) with existing national and local programs such as the technical assistance program of the Ministry of Agriculture, the capacity building programs of the National Learning Service (SENA – in Spanish), market access programs of the Ministry of Industry, and a host of civil society / NGO programs active in the area. These programs will strengthen the productive activities, helping them achieve economic viability during the Project’s lifespan and support their sustainability once it ends, thereby reducing external pressures on Protected Areas.

A key project output is facilitated access to financing to enhance the sustainability of commercially profitable productive initiatives within the mosaics. The proposed activities support private sector impact investments and other sources of rural funding, e.g. Finagro, Bancóldex, Findeter and Fondo Acción (the latter two recently accredited as GCF DAEs). The project proponents have already begun discussions with several of these institutions and all will be engaged to collaborate in the design of the funding proposal.

The management of Colombia’s Protected Areas is not a one-off action, but an open-ended country commitment. While the project implementation is intended for ten years, long-term monitoring of project results will be incorporated into the National Parks Agency’s annual monitoring and reporting protocols, which are already in place, as well as the governance of the national program, *Herencia Colombia*. Multiple national and international stakeholders, including Patrimonio Nacional, WWF Colombia, WCS, and CI, who have a long history of working in this area, will continue to regularly track the state of the country’s PAs and participate in discussions and activities to improve them.

### D. Supporting documents submitted (OPTIONAL)

- Annex 1. Map indicating the location of HECO project
- Annex 2. NDA Letter of support
- Annex 3. Letters of support
- Annex 4. Theory of Change Diagram
- Economic and financial model with key assumptions and potential stressed scenarios
- Pre-feasibility study
- Evaluation report of previous project
- Results of environmental and social risk screening

**Self-awareness check boxes**

Are you aware that the full Funding Proposal and Annexes will require these documents? Yes  No

- Feasibility Study
- Environmental and social impact assessment or environmental and social management framework
- Stakeholder consultations at national and project level implementation including with indigenous people if relevant
- Gender assessment and action plan
- Operations and maintenance plan if relevant
- Loan or grant operation manual as appropriate
- Co-financing commitment letters

Are you aware that a funding proposal from an accredited entity without a signed AMA will be reviewed but not sent to the Board for consideration? Yes  No