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COLOMBIA

**MECHANISM FOR VOLUNTARY MITIGATION OF GREENHOUSE GAS EMISSIONS IN
COLOMBIA**

(CO–X1008)

PLAN OF OPERATIONS

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ACRONYMS

ANDI	National Association of Industrialists – <i>Asociación Nacional de Industriales</i>
AWP	Annual Work Plan
BMC	Colombia's Mercantile Exchange - <i>Bolsa Mercantil de Colombia</i>
CCB	Bogota's Chamber of Commerce - <i>Cámara de Comercio de Bogotá</i>
CCX	Chicago Climate Exchange
CDM	Clean Development Mechanism
CO ₂ e	Carbon dioxide equivalent
CONPES	National Council for Social and Economic Policies - <i>Consejo Nacional de Política Económica y Social</i>
COP	Conference of the Parties
EU-ETS	European Union Emissions Trading System
GCI-9	Ninth General Capital Increase
GEF	Global Environment Facility
Gg	Giga grams
GHG	Green House Gases
IDEAM	Hydrology, Meteorology and Environmental Studies Institute of Colombia - <i>Instituto de Hidrología, Meteorología y Estudios Ambientales</i>
IDB	Inter American Development Bank
LULUCF	Land use, Land use Change and Forestry
M&E	Monitoring and evaluation
MAVDT	Ministry of Environment, Housing and Territorial Development - <i>Ministerio de Ambiente, Vivienda y Desarrollo Territorial</i>
MDL	Clean Development Mechanism - <i>Mecanismo de Desarrollo Limpio</i>
NGO	Non Governmental Organization
OTC	Over the Counter
PEP	Project Execution Plan
PIR	Project Implementation Review
REDD	Reducing Emissions from Deforestation and Degradation
t	Tonne
UNDP	United Nations Development Program
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
VCS	Voluntary Carbon Standard
VER	Verified Emissions Reductions

I. EXECUTIVE SUMMARY

Country	The Republic of Colombia		
Beneficiary:			
Executing agency and Beneficiary:	Fundación Natura, with the support of Bogota’s Chamber of Commerce for Component 3 and Colombia’s Mercantile Exchange for Component 1.		
Target Beneficiaries:	The participating corporations and land/forest managers or owners, including rural communities.		
Financing:	IDB/GEF	US\$	2,700,000
	Local:	US\$	7,773,900
	Total:	US\$	10,473,900
Objectives:	The general objective of this operation is to formulate and establish the technological and institutional platform basis for a verified emission reductions (VERs) market mechanism and to facilitate efforts of voluntary mitigation of greenhouse gas (GHG) emissions in Colombia, by: (i) creating a market platform for nationally issued VERs accessible to national or international buyers; (ii) supporting the issuing of VERs from forest carbon projects developed in Colombia; and (iii) fostering local demand of VERs through corporate carbon mitigation and offsetting strategies.		
Execution timetable:	Execution:	48 months	
	Disbursement:	54 months	
Special contractual conditions:	<i>Conditions Prior to First Disbursement:</i> (i) evidence that an Operations Manual for the project has been approved, in accordance with the terms agreed upon between the Executing Agency and the Bank; (ii) evidence of selection of Project Manager and Financial/Administrative Manager; (iii) evidence that the Executing Agency has signed with each of the Co-Executing Agencies an agreement setting out their roles and responsibilities with respect to the activities comprised in the components in which implementation they will participate.		
Environmental and Social Review:	This operation has been classified as a “C” type, according to the Safeguard Classification Tool.		
Exceptions to Bank Policies and Procedures:	None		
Coordination with Other Donors:	N.A.		

II. BACKGROUND AND JUSTIFICATION

A. Background

- 2.1 **Colombian emission situation.** Colombia's contribution to global greenhouse gas (GHG) emissions is low (~0.37% of world's total),¹ but has been growing over time. Between 1990 and 2004, emissions increased by 39% and reached an approximate total of 180,010 Gg in 2004, with agriculture, land use, land use change and forestry (LULUCF) representing 53% of total national emissions.² Between 1990 and 2004, LULUCF emissions have grown from 11,880 Gg to 26,015 Gg, which is a 119% increase, mainly due to the category called "conversion of forests and grasslands" (3,406 Gg CO₂e in 1990 and 16,639 Gg CO₂e in 2004)³. Despite the current lack of agreement around the extent of annual deforestation in Colombia, this is undoubtedly one of the country's major sources of emissions. An annual average forest cover loss of approximately 330,000 ha⁴ was estimated in 2007 by the Hydrology, Meteorology and Environmental Studies Institute of Colombia (IDEAM); an amount three times higher than previous estimates.
- 2.2 On the other hand, while industrial processes account for only 5.1% of the country's total GHG emissions, they show a 93.7% increase between 1990 and 2004. This figure would be even higher if emissions from energy sources used for industrial processes were accounted for.
- 2.3 In spite of the small fraction of Colombia's contribution to the global GHG emissions, the country has developed a series of policies to foster low-carbon sustainable development aiming to fulfill its commitments under the United Nations Convention on Climate Change (UNFCCC), which include the promotion of voluntary measures to expedite the transition towards a low carbon economy. Some of the policies include an *Institutional Strategy for the Sale of Environmental Services related to Climate Change Mitigation* (Document CONPES⁵ 3242 of 2003); the National Energy Plan (2007); and the National Cleaner Production and Sustainable Consumption Policy (2010). This policy environment has mostly favored development, consolidation and promotion of the Clean Development Mechanism (CDM) as a strategy to incentivize GHG emission reductions and to tap into this mechanism as a business opportunity for diverse economic sectors. So far the Government has compiled a portfolio of 161 proposed CDM projects with a mitigation potential of 21,743,499 tCO₂e⁶ annually, and has been implementing policies and programs to encourage a reduction in GHG emissions at the sector level. As a next step towards mitigating the country's GHG emission, the country has now decided to address the important challenge of establishing the appropriate

¹ IDEAM, Second National Communication, 2010.

² According to 2010 national reports about deforestation rates in Colombia -three times higher than previous reports- this percentage should increase significantly.

³ These results should be re-analyzed since important methodological modifications have been introduced in both inventories.

⁴ USAID/Colombia, Informe sobre los bosques tropicales y la diversidad biológica, 2010.

⁵ CONPES: Consejo Nacional de Política Económica y Social (National Council for Social and Economic Policies).

⁶ <http://www.minambiente.gov.co//contenido/contenido.aspx?catID=829&conID=3046>

market-based incentives to foster comprehensive voluntary mitigation efforts from both private and public agents.

- 2.4 In addressing the aforementioned challenge, the country must tackle the multiple barriers to, both, generate and purchase Verified Emission Reductions (VERs) to mitigate and compensate emissions. On the demand side, a recent survey conducted to 45 cross-sectoral, large-scale companies and institutions reveals a: (i) lack of key know-how; (ii) financial burden; (iii) lack of interest in climate change issues; and (iv) lack of public awareness as amongst the top reasons why companies are not participating in self-motivated initiatives to curb and compensate their carbon footprint. Yet, a recent survey conducted by the National Industry Association (ANDI) and Deloitte showed that 97% of the interviewed businesses would like to learn about options for measuring, reducing and mitigating GHG emissions, and 94% considered offsetting their emissions a good investment for their companies.⁷ However, while 69.7% of the members of the ANDI consider that their businesses will be affected by climate change, only 24.4% will take actions to mitigate their emissions⁸. When asked if they had an inventory of GHG emissions associated with their operation, 62% percent answered negatively and only 16% percent mentioned that their companies measure carbon footprint continuously.
- 2.5 On the supply side, Colombia has a great potential to develop forest carbon mitigation projects (and sell the their VERs) because of the large area suitable to grow forests (17 million ha, of which only 1.5% is being exploited), the proportion of its territory covered by natural forest (~50% increasingly threatened by deforestation and degradation processes) and its location in the tropics⁹ that favors comparatively higher timber yields, increased production of biomass and shorter forest shifts. However, the country has not been successful in formulating and implementing forest carbon projects for CDM or voluntary market purposes due to barriers including: (i) insufficient financing; (ii) risk and profitability perceptions; (iii) land tenure and carbon rights; (iv) lack of technical capacity; and (v) lack of information on native species.
- 2.6 **Voluntary carbon market.** Voluntary carbon-emissions trading, which started before the creation of mandatory CO₂e markets, offer a low-cost alternative to mitigate emissions while providing opportunities to hedge future risks or costs related to more expensive mandatory instruments.¹⁰ A 2009 study indicates that the global voluntary carbon market has increased significantly, with records from 2008 transactions showing a total of 123.4 million tCO₂e transacted, valued at approximately US\$704 million.¹¹ Due to the global financial crisis and to the uncertainty surrounding upcoming compliance schemes that would foster the demand for carbon offsets (i.e. USA and Australia), in 2009 the global voluntary carbon markets dropped to a total of 93.7 million tCO₂e (50 MtCO₂e OTC, 41 MtCO₂e CCX, and 2 Mt over other exchanges) and

⁷ <http://m.portafolio.com.co/negocios/empresas-y-empresarios-dejan-su-huella-de-carbono/8516081/home>

⁸ Second National Communication to the UNFCCC, 2010

⁹ e.g. the yields of *Acacia mangium*, *Tectona grandis*, *Eucalyptus* spp, and *Gmelina arborea*, widely used around the world, in Colombia equal or surpass those in Philippines, Indonesia India, Brazil, Malaysia, Argentina, and Chile.

¹⁰ Stavins, R.N. (1997). How can National Governments Address a Global Problem? Resources for the Future.

¹¹ The Katoomba Group and New Carbon Finance (2009). "Fortifying the Foundation: State of the Voluntary Carbon Markets 2009", pg. 5.

sales of US\$387 million. Although most recent data is not available yet, the aforementioned study points out that demand for VERs stems largely from companies and individuals seeking to offset their own carbon footprint for reasons related to their core business strategy, risk mitigation and individual motivations. The study also shows that the share transactions of VERs from forest carbon projects accounted for 24% of all transactions in the voluntary markets during 2009, including afforestation/reforestation (10%); REDD (7%); and improved forest management (3%). In all three cases of offsets, the volume of VERs from these activities saw an increase of at least 100% with respect to 2008 levels.

- 2.7 Market players that responded to a survey conducted by the Ecosystem Marketplace regarding the projections of the voluntary carbon markets showed that they “were highly positive about the prospects for the global voluntary markets and collectively believe transactions will increase to approximately 400 million tons of CO₂e in 2012, 800 million tons of CO₂e in 2015 and 1,200 million tons of CO₂e in 2020. Whether this growth will actually be achieved remains to be seen, yet it does demonstrate a strong sense of optimism for future activity in the voluntary marketplace.”

B. Project Justification

- 2.8 The proposed project supports efforts to reduce Colombia’s contribution to global GHG emissions by developing a reliable and sustainable market mechanism and the enabling conditions to foster the supply and demand of VERs on an exchange-type trading platform. The proposed mechanism will operate under principles of transparency, credibility and competitiveness. This endeavor requires providing support to communities, private owners and other stakeholders to overcome the barriers that constrain their capacity to reliably generate, validate and commercialize VERs from forest carbon projects. In addition, demand for such VERs will be promoted through a GHG mitigation and offsetting program for entities interested in advancing their climate change voluntary mitigation agenda. The development of the market will be promoted on the basis of existing local institutional and technological infrastructure. The local technological infrastructure provided by the participating exchanges will be linked to a selected internationally-based registry, and will be upgraded or adjusted during the execution of the project based on its effectiveness; it is expected that Colombia will institutionalize the platform for long-term sustainability of the investments.
- 2.9 **Consistency with Country Strategy and GCI-9:** The current Country Strategy, GN-2474, identifies environmental sustainability, risk management and climate change adaptation as priority areas. The project specifically relates to the country objective *Promote sustainable development through environmental and risk management*, and to its indicator *Number of hectares reforested*. The new Strategy, under preparation, is in line with the 2010-2014 National Development Plan, and reiterates the importance of environmental protection, risk management, territorial planning and institutional strengthening for the socio-economic development of the country. Lastly, the expected results of the project are consistent with the Country Programming Document as far as it contributes to the indicator *Purchase options for greenhouse gas reduction certificates*. Moreover, this project is consistent with the Bank’s Institutional Strategy

Lending Priority of *Lending to support climate change initiatives, renewable energy and environmental sustainability* by enabling market incentives that will promote mitigation efforts through reforestation, forest preservation and the use of low carbon technologies and practices in productive sectors. In particular, the project contributes to the lending target *Climate change pilot projects in agriculture, energy, health, water and sanitation, transport, and housing* of the Results Framework 2012-2015 by piloting a market-based approach to mitigation in agriculture, forestry and industry.

III. PROJECT DESCRIPTION

- 3.1 This project aims to formulate and establish the technological and institutional platform basis for a VER market mechanism and to facilitate efforts of voluntary mitigation of GHG emissions, by: (i) creating a technological and institutional market platform for nationally issued VERs accessible to national or international buyers; (ii) supporting the issuance of VERs from forest carbon projects developed in Colombia; and (iii) fostering local demand of VERs through corporate carbon mitigation and offsetting strategies.
- 3.2 **Component 1. Creation of a Colombian-based voluntary market platform for VERs.** Operating at a pilot stage, the platform will allow issued VERs to be accessed by national and international buyers. The project will finance the design and development of three modules that can be gradually put in place: (i) a carbon-market information system and toolbox, emphasizing on information about forest carbon projects and corporate GHG measuring/mitigation and offsetting initiatives and methodologies; (ii) a registry interface linked to a recognized international registry; and (iii) a transactional mechanism that takes advantage of the technological resources provided by the *Bolsa Mercantil de Colombia* (BMC, Colombian Mercantile Exchange), co-executor in this component. The modules will be developed in the order described above. To guarantee the quality and environmental integrity of the nationally generated VERs, the platform information system and toolbox will promote the most reputable and broadly used voluntary carbon standards in international markets that include social and environmental co-benefits, which are sensitive in a country like Colombia. This component will also facilitate an institutional and governance arrangement to guarantee the quality, transparency and traceability of the nationally generated VERs and their commercial transactions.
- 3.3 **Component 2: Validation, registration and verification of a nationally-based stock of VERs generated by forest carbon projects in Colombia.** This component focuses on the development, validation and verification of VERs from a portfolio of forest carbon projects, which would mostly be traded in the market platform described above. The component will also work on strengthening national capacities for the development of carbon projects. Specifically, this component will provide financial support to at least five forest carbon projects located in at least two different regions of the country in different phases, until they generate tradable VERs. The project portfolio will be validated and confirmed during the project's implementation phase¹². Selected projects will receive financial support for basic studies (eligibility, feasibility, etc.), preparation

¹² Final selection will be done with the Steering Committee and the IDB, and using criteria already agreed, described in Annex E.2. of the Request for GEF CEO Endorsement.

of documentation required by the certification standards, public consultation processes, and validation, registration and verification of their VERs. The investment required for implementing the project will be assumed by project developers. The component incorporates a capacity building campaign on formulation, development, validation, verification and registration of forest carbon projects; the campaign is aimed at project developers and managers, grassroots communities, local environmental authorities and Colombian certification, verification and inspection bodies.

- 3.4 **Component 3: Design and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities.** This component seeks to promote comprehensive corporate voluntary mitigation and compensation through supporting GHG inventories, identification of mitigation goals and planning, and definition of compensation actions. It also aims to generate a set of financial incentives to promote mitigation. Specifically, this component will finance a national voluntary mitigation/offsetting program to provide training and support for private entities to calculate, monitor, manage and mitigate their carbon footprint. The program will be co-executed with *Cámara de Comercio de Bogotá* (CCB, Bogotá's Chamber of Commerce), and will coordinate closely with Colombia's low carbon development strategy promoted by the MAVDT. To stimulate demand of VERs, the project will develop an incentive package that includes the promotion of certification standards for carbon neutrality recognized internationally, the development and implementation of recognition schemes for local low-carbon companies/products, and a public disclosure program for corporations. Finally, this component will promote the development of strategic alliances with the financial sector to create products and services that support technological transformation to reduce companies' emissions.

IV. COSTS AND FINANCING

- 4.1 Project cost is estimated to be US\$10.47 million. Of those, US\$2.7 million come as a grant from the Global Environment Facility (GEF). Additional resources will be provided by co-financing organizations (co-executing organizations, NGOs, forest carbon project developers and private industries), following GEF's and IDB's requirements. Specifically, Fundación Natura will contribute with US\$664,500, while the co-executors, BMC and CCB, will contribute US\$250,200 and US\$258,000 respectively; CCB will guarantee the contributions from private companies that participate in the national voluntary mitigation/offsetting program (US\$516,000). Additional co-financing will come from Carbono y Bosques (US\$441,200), a partner for Component 2, and the promoters of forest carbon projects (US\$5,644,000). Commitment letters support all contributions noted above. Additionally, the products and results of CO-T1153 and CO-M1038 will contribute to the execution of this IDB/GEF operation; said TCs are presented as IDB co-financing to the GEF¹³. Table 1 has the summary of project costs by component; a detailed budget is presented in Annex II.
- 4.2 **Sustainability.** To contribute to long-term voluntarily GHG mitigation in Colombia; the project incorporates strategies that have an impact beyond its timeframe. The

¹³ Bancoldex, who executes CO-T1153, and Fundación Natura will sign an agreement to define the scope of the collaboration of both operations. CCB is the executing organization for CO-M1038 and a co-executor in this operation.

operation considers: (i) the involvement of recognized national organizations, with high technical and financial capacity, as partners and co-executors of the project, enabling the continuity and sustainability of the processes; (ii) activities to strengthen national capacities in the three project components through technical assistance; and (iii) promotion and dissemination of the overall project, as well as specific communication activities in each component.

Table 1. Costs estimated by component (USD)

COMPONENT	IDB/GEF	Local	Total
1. Creation of a Colombian-based market platform for Verified Emission Reduction (VERs) Units	296,200	250,200	546,400
2. Validation, registration and verification of a nationally-based stock of VERs generated by agriculture, forestry and/or REDD projects in Colombia	1,512,800	6,119,300	7,632,100
3. Creation and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities	621,000	774,000	1,395,000
Project Management, Monitoring and Evaluation	245,000	630,400	875,400
External Audit	25,000	-	25,000
Program Total (USD)	2,700,000	7,773,900	10,473,900

V. EXECUTING AGENCY AND MECHANISM

- 5.1 Executing Organization.** Fundacion Natura, through its main office in Bogota, is the executing organization. Fundacion Natura is a nongovernmental organization, with over 25 years of experience in conservation and sustainable management of biodiversity and natural resources in Colombia. The organization has wide experience with management of cooperation resources, and previously executed IDB operation CO-T1054, with good technical and financial performance. BMC will co-execute Component 1; BMC is a mixed-capital company, created in 1979 and supervised by the Superintendencia Financiera (national authority in financial issues). The BMC serves as the main forum in Colombia for trading commodities and financial instruments (bonds, securities and contracts). CCB will co-execute Component 3; CCB is a private nonprofit institution, promoting the improvement of life quality and the development of competitiveness in Bogota and Cundinamarca. Created in 1878, it has played a substantial role in helping the Government to promote and strengthen entrepreneurship, and in promoting the creation of regional chambers of commerce. Co-executors will coordinate and implement activities related to their components; they will generate task orders, while Fundacion Natura will be the sole administrator of financial resources.
- 5.2 Executing mechanism.** A Steering Committee will be composed by Fundacion Natura -executing organization-, BMC and CCB -co-executing organizations-, the MAVDT, Colombia's Stock Exchange, WWF-Colombia and Carbono y Bosques-support organizations-. The Steering Committee will meet at least twice a year to review the progress of the project and make decisions on technical and administrative matters, including the approval of Annual Operational Plans, major changes to the project, etc. The non-executing members of the Steering Committee are not expected to have a role in the implementation of project activities, but rather to serve as advisors in project articulation with relevant initiatives and in overall coordination.

- 5.3 Fundacion Natura is responsible for the coordination, administration, monitoring and evaluation, financial management and accounting of the project, including preparation of the procurement plan and annual operational plans. A project implementation unit within Fundacion Natura will be composed of: a full-time Project Manager, with technical, coordination, and public relations responsibilities; a part-time Financial/Administrative Manager; in addition to an Administrative Assistant and Accounting Assistant¹⁴. This team will seat in Fundacion Natura headquarters. Similarly, each of the three components has its own full-time Technical Coordinator, contracted with project resources, each Technical Coordinator will work from the office of the co-executor organizations.
- 5.4 **Conditions Prior to First Disbursement and Disbursement Timeframe.** (i) evidence that an Operations Manual for the project has been approved, in accordance with the terms agreed upon between the Executing Agency and the Bank, (ii) evidence of selection of Project Manager and Financial/Administrative Manager, (iii) evidence that the Executing Agency has signed with each of the Co-Executing Agencies an agreement setting out their roles and responsibilities with respect to the activities comprised in the components in which implementation they will participate. The execution period will be 48 months. The disbursement period will expire 54 months from effective date of the grant agreement to be subscribed between the Bank and the Executing Agency.
- 5.5 **Procurement Plan:** Procurement of goods and services for the project will be done according to Bank policy (GN-2350-9 for services, GN-2349-9 for goods and works) and following the provisions of the project's procurement plan. An ex-ante review will be used each time a given procurement method is being applied; after that, review will be done ex-post unless established differently in the procurement plan. An external firm paid with project resources will audit fiduciary processes for the project; audit reports will be delivered to the Bank within 120 days subsequent to the end of fiscal year.

VI. MONITORING AND EVALUATION

- 6.1 The project's Monitoring and Evaluation (M&E) plan will allow monitoring progress in achieving outputs and outcomes, based on the Result Framework (Annex I). Monitoring activities will seek progress of processes and project milestones completion, while the evaluation will focus on the achievement of results and overall project impact based on the stated objective. All M&E will be conducted in accordance with IDB and GEF guidance and procedures. Annual reports, as well as the Mid-Term and Final Evaluations will be presented to the IDB, the Steering Committee, and disseminated amongst other relevant stakeholders. The overall cost of project monitoring is estimated to be US\$ 243,950. See Annex IV for further details on monitoring.
- 6.2 An external Mid-term Evaluation, carried out when 40% of the IDB/GEF resources are disbursed, will determine progress towards results' achievement, the level of stakeholder participation, any positive changes in beneficiaries' practices due to the

¹⁴ The first two positions will be hired under consultancy contracts, while the latter will be Fundacion Natura staff; all positions will be paid with both IDB/GEF and partner funds

intervention, and will identify necessary changes to be made. This review will principally ascertain if project outcomes are in the process of being met by current implementation strategies. In addition, an external Final Evaluation will be conducted three months before the Steering Committee meets for the last time and will focus on the same areas mentioned above. The Final Evaluation will undertake an ex-post cost-effectiveness analysis to evaluate project results and impacts, and analyze the overall project sustainability, including its contribution to national and local capacity building and to global environmental goals in the context of carbon mitigation. Evaluation costs will be paid by the IDB, with resources from the GEF administration fee.

VII. BENEFITS AND RISKS

A. Benefits and Beneficiaries

- 7.1 The project primarily aims to generate global environmental benefits associated with GHG emission reduction and enhancement of removals from: (i) verified emissions mitigation related to the supply of VERs (~464,000 tCO₂e); (ii) direct reduction in emissions by companies (~100,000 tCO₂e); and (iii) voluntary mitigation in other sectors not directly supported by this project but for which a trading and information platform will be available. In addition, at least 58,800 ha of forests, agro-forestry landscapes and REDD under carbon capture regimes will be supported, with positive externalities on biodiversity and watershed conservation. Indirect benefits of the project include mitigation of around 6,000,000 tCO₂e during a 10-year life span of the project's forestry/agro-forestry portfolio and a corporate mitigation for nearly 1,000,000 tCO₂e.
- 7.2 In addition, the activities financed under Component 2 will yield positive socio-economic impacts on the communities from the forestry/agro-forestry projects to be supported. Non-governmental environmental organizations, forest research institutions, universities, local environmental authorities, grassroots communities and landowners will also benefit from this component, through the strengthening of capacities for the formulation of forest carbon projects. Component 3 will benefit companies and public entities engaged in the development of strategies to voluntarily reduce GHG emissions.
- 7.3 An economic valuation was made for each of the components to gauge the economic and financial viability of the proposed interventions. A cost-effectiveness assessment was applied for the project. The overall cost-effectiveness assessment indicates that the cost for every ton of CO₂e sequestered/reduced during a 10 year period is \$6.79, inferior to the \$15,2/tCO₂e of the alternative to purchase forest credits in the market, and the lower efficiency associated to a command and control alternative (which would represent a cost of \$162.91/tCO₂e).

B. Risks

- 7.4 The project has a number of general, medium-level risks inherent to the development of a market mechanism and particularly to the voluntary carbon markets, including: (i) unfamiliarity and skepticism on the side of market players regarding carbon markets and the credibility and quality of the VERs traded in them; (ii) not enough supply of

VERs to meet the demand from firms interested in mitigation/offsetting activities; (iii) insufficient demand impedes financial viability of the market platform; (iv) absence, or inadequacy, of incentives for voluntary mitigation and support from the public sector; (v) no international agreement on mitigation goals is reached in the next UNFCCC COPs; (vi) lack of correspondence between the permanence of emissions and the permanence of the trees associated with mitigation in the long term (e.g., due to landowners and users opportunity costs); (vii) effects of natural phenomena (droughts, fires, diseases, plagues), increased as an effect of global climate change, or social conditions (riots, armed conflict, or population migrations) on pilot projects and trial plots; and (viii) failure to comply with reduction targets / emission capture for breach of the obligations of the project.

- 7.5 These risks will be mitigated with strategies proposed in the project design such as: (i) domestic and international communication, awareness and advocacy campaigns, targeting different stakeholders and market players; (ii) alliances with highly regarded institutions in the country, including the co-executors of the three components, the MAVDT as government representatives and other partners of high national and international recognition; (iii) financial sector alliances to counter the financing barriers faced by carbon forestry projects and voluntary corporate mitigation efforts; (iv) enhance capacities at the national level to promote supply and demand for VERs; (v) develop information and other relevant tools to stimulate the market mechanism; and (vi) undertake a feasibility study of the market platform and develop a business plan to assure its viability. As for the risk involved in the eventual failure of international negotiations under the UNFCCC, studies conducted by recognized firms indicate that if this is the case, it is likely that voluntary carbon markets to acquire a much greater dynamic to offset the vacuum created by the absence of regulated markets.

VIII. ENVIRONMENTAL AND SOCIAL REVIEW

- 8.1 This operation has been classified as a “C” type, according to the Safeguard Classification Tool. Most relevant is the nature of the project of promoting market-based instruments to advance climate change mitigation and ecosystem protection, hence contributing to the environmental sustainability. The criteria defined for the selection of projects (see consultant’s report on Forest Carbon Project Portfolio) take into account aspects of social and gender equity by channeling resources in a cost-efficient way to rural and marginalized forested and agricultural areas and benefitting both women and men land-owners and managers. This is a pilot project that aims to catalyze financing to support low-carbon growth alternatives for Colombia. There are no anticipated direct negative environmental or social impacts.

**MECHANISM FOR VOLUNTARY MITIGATION OF
GREENHOUSE GAS EMISSION IN COLOMBIA**

CO-X1008

CERTIFICATION

The Grants and Co-Financing Management Unit (VPC/GCM) certifies receipt of the GEF Council's Endorsement letter dated on August 1, 2011 for project Mechanism for Voluntary Mitigation of Greenhouse Gas emission in Colombia (CO-X1008) for US\$2,700,000, chargeable against the GEF Trust Fund (GEFTF).

****original signed****

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RESULTS FRAMEWORK

Project Objective	To formulate and establish the technological and institutional platform basis for a verified emission reductions (VERs) market mechanism and to facilitate efforts of voluntary mitigation of greenhouse gas emissions in Colombia, by: (i) creating a technological and institutional market platform for nationally issued VERs accessible to national or international buyers;(ii) supporting the issuing of VERs from forest carbon projects developed in Colombia; and (iii) fostering local demand of VERs through corporate carbon mitigation and offsetting strategies.
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Impact Indicator	Baseline	Target	Comments/Assumptions
Increase in tons of verified CO ₂ e sequestered, avoided or reduced.	608,700 tCO ₂ e	1,172,700 tCO ₂ e	<ul style="list-style-type: none"> Overall baseline will be reviewed during the first semester of implementation; data may change. It is assumed that there are no substantial changes in socioeconomic or environmental conditions during the timeframe of the project that could affect the indicators.
Increase in number of hectares of forests or agro-forested landscapes conserved, recovered or in which carbon stock has been increased.	253,066 ha	311,866 ha	
VERs from forest carbon projects, transacted in the established market platform.	0	371,200	

Component 1 Creation of a Colombian-based market platform for Verified Emission Reduction (VERs) Units.	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments
<u>Products</u>							
An on-line platform for trading nationally-generated VERs accessible to domestic buyers/sellers and international buyers, functioning at a pilot operational stage, Indicator: number of modules of the platform developed and in operation.	0	0	1	2	3	3	Observation: the platform will have three modules: i) a forestry-carbon related information system and toolbox, ii) a registry interface, and iii) a transactional mechanism. Means of verification: modules on line and in operation.
An institutional and governance mechanism to guarantee the quality, transparency and traceability of the nationally generated VERs and their commercial	0	0	1	1	1	1	Means of verification: document provided by signatories parties

transactions is signed. Indicator: One memorandum of understanding amongst partners is signed.							
A procedure to ensure a single accounting system for all emissions reduction units traded (both CERs and VERs). Indicator: One common, defined procedure to ensure a single accounting system is established and officially adopted by relevant stakeholders .	0	0	0	1	1	1	Means of verification: document provided by signatories
A national and international promotion, dissemination and education campaign about the voluntary exchange platform and the opportunities that it offers for national suppliers and national and international buyers is implemented. Indicator 1: Number of dissemination and training events with stockbrokers, financial institutions, investors and project promoters Indicator 2: Number of events or publications where the platform is showcased	0 0	4 1	8 3	12 5	16 7	16 7	Means of verification: records of outreach activities and materials provided by executing organization
Results/Outcomes							
A VERs market for Colombian forestry and land use carbon projects functioning. Indicator: VERs, issued to forest carbon projects transacted in the established market platform.	0	0	0	69,600	162,400	371,200	Observation: VERs from forest carbon projects not supported by the project, and from other types of projects, may be accounted Means of verification: transaction records provided by executing and co-executing organizations, and VERs registry

Component 2 Validation, registration and verification of a nationally-based stock of VERs generated by agriculture, forestry and/or REDD projects in Colombia.	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments
Products							
A portfolio of at least five forestry, agro-forestry or REDD projects in at least two different regions in Colombia supported in the validation, registration and	0	0	1	3	5	5	Observation: More than 20 forest carbon projects were

commercialization of VERs under internationally recognized standards. Indicator: Number of projects generating VERs under international standards.							identified during project preparation phase and a subset of them were prioritized. Means of verification: projects' documentation provided by executing organization
A capacity building program in carbon accounting and monitoring, and project development, validation and verification for forestry, agro-forestry and REDD projects created. Indicator 1: Number of informational and methodological guidelines for forest carbon project development produced and disseminated. Indicator 2: Number of local environmental authorities, grassroots community groups, private developers, and institutions belonging to the National Standardization, Certification and Metrology System, trained under project's program.	0	2	4	5	6	6	Means of verification: program records provided by executing organization.
An outreach and awareness strategy aimed at financial institutions and public and private investors about the needs and opportunities of forest carbon projects. Indicator: Number of financial institutions and investors reached by the strategy .	0	10	20	30	40	40	Means of verification: records provided by executing organization
Native tree species growth and sequestration information generated, incorporated in national dataset, and used by portfolio of forest carbon projects. Indicator: Number of new native species with carbon sequestration data and management packages	0	0	2	6	6	6	Observation: There is no information system that accounts for the existing information on native species for forestry project purposes. Means of verification: Printed reports provided by executing organization
Results/Outcomes							
Sequestration, avoidance and reduction of verified tCO ₂ e by supported forest carbon projects. Indicator: number of t CO ₂ e verified from supported forest carbon projects.	0	0	0	200,000	464,000	464,000	Observation: target of CO ₂ e sequestered or avoided within project's

							implementation time span. Means of verification: verification documentation provided by project developers.
Conservation or increase in carbon stocks of forests or agro-forested landscapes Indicator: number of new hectares of forests or agro-forested landscapes conserved or in which carbon stock has been increased.	0	0	15,000	20,000	23,800	58,800.	Observation: there is no information available, regarding forest carbon projects in voluntary markets. Baseline to be refined during project execution. Means of verification: maps and carbon data from project portfolio

Component 3 Creation and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities.	Baseline	Year 1	Year 2	Year 3	Year 4	Target	Comments
<u>Products</u>							
A technical training and support program for calculating, monitoring, managing, and mitigating corporate or institutional carbon footprints launched. Indicator: program launched.	0	0	0	1	1	1	Means of verification: documentation of program, provided by executing and co-executing organizations
A set of incentives for voluntary mitigation identified, designed and disseminated. Indicator: Number of companies benefited by the incentives identified.	0	0	4	12	20	20	Observation: the set of incentives will most probably include a carbon disclosure initiative and a recognition scheme. Means of verification: project records and documentation of incentives.
Carbon footprint guidelines adapted for the program, broadly disseminated.	0	2	4	5	6	6	Means of verification: printed guides, web

Indicator: Number of printed guidelines, adapted to Colombian context, publicly available.							page entries and records of dissemination provided by executing organization.
Business case studies compiled and published for public reference. Indicator: case studies published and disseminated.	0	1	2	3	4	4	Means of verification: case studies' publications.
A strategic partnership with financial sector institutions to facilitate financing for technological conversion. Indicator: Number of agreements signed with banks to participate and to disseminate their financing strategies amongst companies and institutions.	0	0	1	1	2	2	Means of verification: agreements provided by executing and co-executing organizations.
Capacity built within the MAVDT to understand, support and follow up voluntary carbon markets in Colombia, and to articulate them to the country's Global Climate Change strategy. Indicator: one consultant hired to work with MAVDT in voluntary carbon markets.	0	1	1	0	0		Observation: the specific scope will be agreed during the first six months of the project. Means of verification: printed reports and publications on voluntary carbon markets provided by the MAVDT.
Results/Outcomes							
Companies and institutions adopt comprehensive strategies for calculating, managing, mitigating, and offsetting their carbon footprint. Indicator: number of companies that have adopted carbon mitigation strategies.	0	4	8	14	20	20	Means of verification: documentation provided by executing and co-executing organizations.
Verified voluntary corporate emissions mitigation. Indicator: tons of CO ₂ e avoided or reduced	0	0	10,000	30,000	60,000	100,000	Means of verification: Companies' and institution's carbon footprint data provided by executing and co-executing organizations

Detailed Budget

	FINANCING (USD)			Year 1		Year 2		Year 3		Year 4	
COMPONENT	IDB/GEF	Local	Total	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local
1. Creation of a Colombian-based market platform for Verified Emission Reduction (VERs) Units	296,200	250,200	546,400	175,575	62,550	47,375	62,550	36,625	62,550	36,625	62,550
2. Validation, registration and verification of a nationally-based stock of VERs generated by agriculture, forestry and/or REDD projects in Colombia	1,512,800	6,119,300	7,632,100	568,224	239,225	490,409	938,525	264,071	1,686,150	179,096	3,266,400
3. Creation and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities	621,000	774,000	1,395,000	151,300	75,600	163,100	192,800	159,300	202,800	147,300	302,800
4. Project Management	245,000	630,400	875,400	101,100	129,000	86,100	129,000	31,700	183,400	26,100	189,000
5. External Audit	25,000	-	25,000	6,250	-	6,250	-	6,250	-	6,250	-
Program Total (USD)	2,700,000	7,773,900	10,473,900	996,199	506,375	786,984	1,322,875	491,696	2,134,900	389,121	3,820,750
Disbursement %				37%	7%	29%	17%	18%	27%	14%	49%

COMPONENT 1 - Creation of a Colombian-based market platform for Verified Emission Reduction (VERs) Units	Cost estimation				Financing sources			Year 1		Year 2		Year 3		Year 4		Total
	Unit	Amount	Unit Cost	Total	IDB/GEF	Local	Total	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	
PRODUCT 1.1 - An on-line platform for trading nationally-generated VERs accessible to domestic buyers/sellers and international buyers, functioning at a pilot operational stage	-	-	-	313,400	63,200	250,200	313,400	63,200	62,550	-	62,550	-	62,550	-	62,550	313,400
1.1.1 Component 1 technical coordinator	monthly fee	36	2,800	100,800	-	100,800	100,800	-	25,200	-	25,200	-	25,200	-	25,200	100,800
1.1.2 Financial carbon coordination	monthly fee	36	1,500	54,000	-	54,000	54,000	-	13,500	-	13,500	-	13,500	-	13,500	54,000
1.1.3 Administrative assistant for the platform	monthly fee	36	700	25,200	-	25,200	25,200	-	6,300	-	6,300	-	6,300	-	6,300	25,200
1.1.4 Office facilities, equipments, vehicles and communications	lump sum	1	45,000	45,000	-	45,000	45,000	-	11,250	-	11,250	-	11,250	-	11,250	45,000
1.1.5 Accounting and internal audit for the platform	monthly fee	36	700	25,200	-	25,200	25,200	-	6,300	-	6,300	-	6,300	-	6,300	25,200
1.1.6 Specialist in technological support	monthly fee	3	3,733	11,200	11,200	-	11,200	11,200	-	-	-	-	-	-	-	11,200
1.1.7 Specialist on fiscal and legal issues of the financial sector	monthly fee	4	5,000	20,000	20,000	-	20,000	20,000	-	-	-	-	-	-	-	20,000
1.1.8 Specialist on feasibility studies and business plans	monthly fee	8	4,000	32,000	32,000	-	32,000	32,000	-	-	-	-	-	-	-	32,000
PRODUCT 1.2 - An institutional and governance mechanism to guarantee the quality, transparency and traceability of the nationally generated VERs and their commercial transactions is signed	-	-	-	6,000	6,000	-	6,000	3,000	-	3,000	-	-	-	-	-	6,000
1.2.1 Workshops	unit	12	500	6,000	6,000	-	6,000	3,000	-	3,000	-	-	-	-	-	6,000
PRODUCT 1.3 - A procedure to ensure a single accounting system for all emissions reduction units traded (both CERs and VERs)	-	-	-	70,000	70,000	-	70,000	70,000	-	-	-	-	-	-	-	70,000
1.3.1 Design and set up of information/registry platform	lump sum	1	70,000	70,000	70,000	-	70,000	70,000	-	-	-	-	-	-	-	70,000
PRODUCT 1.4 - A national and international promotion, dissemination and education campaign about the voluntary exchange platform and the opportunities that it offers for national suppliers and national and international buyers is implemented	-	-	-	157,000	157,000	-	157,000	39,375	-	44,375	-	36,625	-	36,625	-	157,000
1.4.1 Specialist in communications and marketing	monthly fee	45	1,500	67,500	67,500	-	67,500	16,875	-	16,875	-	16,875	-	16,875	-	67,500
1.4.2 Participation in international fairs and events	unit	7	5,000	35,000	35,000	-	35,000	5,000	-	10,000	-	10,000	-	10,000	-	35,000
1.4.3 National education, diffusion and promotion events	unit	16	1,500	24,000	24,000	-	24,000	6,000	-	6,000	-	6,000	-	6,000	-	24,000
1.4.4 Travel for campaign	lump sum	1	15,000	15,000	15,000	-	15,000	3,750	-	3,750	-	3,750	-	3,750	-	15,000
1.4.5 Marketing material	lump sum	1	15,500	15,500	15,500	-	15,500	7,750	-	7,750	-	-	-	-	-	15,500
TOTAL COMPONENT 1				546,400	296,200	250,200	546,400	175,575	62,550	47,375	62,550	36,625	62,550	36,625	62,550	546,400
Disbursement %					54%	46%		59%	25%	16%	25%	12%	25%	12%	25%	

COMPONENT 2 - Validation, registration and verification of a nationally-based stock of VERs generated by agriculture, forestry and/or REDD projects in Colombia	Cost estimation				Financing sources			Year 1		Year 2		Year 3		Year 4		Total
	Unit	Amount	Unit Cost	Total	IDB/GEF	Local	Total	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	
PRODUCT 2.1 - A portfolio of at least five forestry, agro-forestry or REDD projects in at least two different regions in Colombia supported in the validation, registration and commercialization of VERs under internationally recognized standards	-	-	-	6,845,314	1,042,464	5,802,850	6,845,314	366,350	52,950	316,450	797,350	225,014	1,686,150	134,650	3,266,400	6,845,314
2.1.1 Component 2 technical coordinator	monthly fee	45	2,200	99,000	99,000	-	99,000	19,800	-	26,400	-	26,400	-	26,400	-	99,000
2.1.2 Forest Engineer	monthly fee	45	1,500	67,500	67,500	-	67,500	13,500	-	18,000	-	18,000	-	18,000	-	67,500
2.1.3 Forest carbon experts	monthly fee	90	1,765	158,850	-	158,850	158,850	-	52,950	-	52,950	-	52,950	-	-	158,850
2.1.4 Travel for component technical team	lump sum	1	40,000	40,000	40,000	-	40,000	10,000	-	10,000	-	10,000	-	10,000	-	40,000
2.1.5 GIS expert	monthly fee	36	1,850	66,600	66,600	-	66,600	22,200	-	22,200	-	22,200	-	22,200	-	66,600
2.1.6 Imagery and remote sensing supplies	lump sum	1	16,250	16,250	16,250	-	16,250	6,000	-	6,000	-	6,000	-	6,000	-	16,250
2.1.7 Software for image processing	lump sum	1	10,000	10,000	10,000	-	10,000	5,000	-	-	-	5,000	-	-	-	10,000
2.1.8 Support to preliminarily prioritized projects (capacity building, infor	lump sum	1	80,050	80,050	80,050	-	80,050	60,000	-	10,000	-	10,050	-	-	-	80,050
2.1.9 Elaboration of Voluntary PDDs, Voluntary PoA-DDs and Voluntary	lump sum	1	378,100	378,100	378,100	-	378,100	194,900	-	162,950	-	-	-	20,250	-	378,100
2.1.10 Validation process	lump sum	1	45,000	45,000	45,000	-	45,000	14,750	-	15,000	-	15,250	-	-	-	45,000
2.1.11 Verification and registration processes	lump sum	1	23,300	23,300	23,300	-	23,300	-	-	-	-	23,300	-	-	-	23,300
2.1.12 Forest carbon project internal monitoring	lump sum	1	62,700	62,700	62,700	-	62,700	20,200	-	15,900	-	26,600	-	-	-	62,700
2.1.13 Audits, validation and verification	lump sum	1	153,964	153,964	153,964	-	153,964	-	-	30,000	-	63,964	-	60,000	-	153,964
2.1.14 Investments in project implementation	lump sum	1	5,644,000	5,644,000	-	5,644,000	5,644,000	-	-	-	744,400	-	1,633,200	-	3,266,400	5,644,000
PRODUCT 2.2 - A capacity building program in carbon accounting and monitoring, and project development, validation and verification for forestry, agro-forestry and REDD	-	-	-	168,688	164,178	4,510	168,688	61,047	4,510	53,216	-	32,557	-	17,357	-	168,688
2.2.1 Travel for dissemination of international standards	lump sum	1	12,235	12,235	12,235	-	12,235	12,235	-	-	-	-	-	-	-	12,235
2.2.2 Auditorium or room for capacity building activities	daily fee	10	451	4,510	-	4,510	4,510	-	4,510	-	-	-	-	-	-	4,510
2.2.3 Speaker fees	daily fee	16	550	8,800	8,800	-	8,800	8,800	-	-	-	-	-	-	-	8,800
2.2.4 Publisher/designer for guides	monthly fee	3	1,471	4,412	4,412	-	4,412	4,412	-	-	-	-	-	-	-	4,412
2.2.5 Guides printing	lump sum	1	20,000	20,000	20,000	-	20,000	20,000	-	-	-	-	-	-	-	20,000
2.2.6 Training: National scholars, specialists in forest carbon projects	hour	400	50	20,000	20,000	-	20,000	4,000	-	8,000	-	8,000	-	-	-	20,000
2.2.7 Training: Planning and design of the courses	lump sum	1	16,000	16,000	16,000	-	16,000	8,000	-	8,000	-	-	-	-	-	16,000
2.2.8 Training: Travel fees	lump sum	1	18,000	18,000	18,000	-	18,000	3,600	-	7,200	-	7,200	-	-	-	18,000
2.2.9 Postgraduate courses: National scholars, specialists in forest carbon projects	hour	240	50	12,000	12,000	-	12,000	-	-	4,000	-	4,000	-	4,000	-	12,000
2.2.10 Postgraduate courses: International scholars, specialists in forest carbon projects	hour	48	200	9,600	9,600	-	9,600	-	-	3,200	-	3,200	-	3,200	-	9,600
2.2.11 Postgraduate courses: Travel fees for national scholars	lump sum	1	10,000	10,000	10,000	-	10,000	-	-	3,333	-	3,333	-	3,333	-	10,000
2.2.12 Postgraduate courses: Travel fees for international scholars	lump sum	1	12,000	12,000	12,000	-	12,000	-	-	4,000	-	4,000	-	4,000	-	12,000
2.2.13 Postgraduate courses: Design of the courses	lump sum	1	12,659	12,659	12,659	-	12,659	-	-	12,659	-	-	-	-	-	12,659
2.2.14 Postgraduate courses: Stationery	lump sum	1	8,472	8,472	8,472	-	8,472	-	-	2,824	-	2,824	-	2,824	-	8,472
PRODUCT 2.3 - An outreach and awareness strategy aimed at financial institutions and public and private investors about the needs and opportunities of forest carbon projects	-	-	-	26,000	26,000	-	26,000	6,500	-	6,500	-	6,500	-	6,500	-	26,000
2.3.1 Logistics for the workshops	workshop	8	1,500	12,000	12,000	-	12,000	3,000	-	3,000	-	3,000	-	3,000	-	12,000
2.3.2 Materials to be distributed	workshop	8	750	6,000	6,000	-	6,000	1,500	-	1,500	-	1,500	-	1,500	-	6,000
2.3.3 Travel and accommodation	monthly fee	8	1,000	8,000	8,000	-	8,000	2,000	-	2,000	-	2,000	-	2,000	-	8,000
PRODUCT 2.4 - Native tree species growth and sequestration information generated, incorporated in national dataset, and used by portfolio of forest carbon projects	-	-	-	592,098	280,158	311,940	592,098	134,327	181,765	114,242	141,175	-	-	20,589	-	592,098
2.4.1 Equipments and materials for sampling	lump sum	1	25,000	25,000	25,000	-	25,000	12,500	-	12,500	-	-	-	-	-	25,000
2.4.2 Biomass measurements	lump sum	1	25,000	25,000	25,000	-	25,000	12,500	-	12,500	-	-	-	-	-	25,000
2.4.3 Laboratory analysis	lump sum	1	25,000	25,000	25,000	-	25,000	12,500	-	12,500	-	-	-	-	-	25,000
2.4.4 Forest engineers	monthly fee	48	2,116	101,568	76,238	25,330	101,568	50,826	25,330	25,412	-	-	-	-	-	101,568
2.4.5 Field assistants	monthly fee	104	545	56,680	52,420	4,260	56,680	28,340	15,260	13,080	-	-	-	-	-	56,680
2.4.6 Specialist in carbon project monitoring	monthly fee	12	1,200	14,400	14,400	-	14,400	-	-	7,200	-	-	-	7,200	-	14,400
2.4.7 Travel for monitoring of test plot and futher measurements	lump sum	1	26,778	26,778	26,778	-	26,778	-	-	13,389	-	-	-	13,389	-	26,778
2.4.8 Information provided by research centers	lump sum	1	282,350	282,350	-	282,350	282,350	-	141,175	-	141,175	-	-	-	-	282,350
2.4.9 Equipment and lab analysis for generation of biomass curves	lump sum	1	35,322	35,322	35,322	-	35,322	17,661	-	17,661	-	-	-	-	-	35,322
TOTAL COMPONENT 2				7,632,100	1,512,800	6,119,300	7,632,100	568,224	239,225	490,409	938,525	264,071	1,686,150	179,096	3,266,400	7,632,100
Disbursement %					0%	0%		38%	4%	32%	15%	17%	28%	12%	53%	

COMPONENT 3 - Creation and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities	Cost estimation				Financing sources			Year 1		Year 2		Year 3		Year 4		Total
	Unit	Amount	Unit Cost	Total	IDB/GEF	Local	Total	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	
PRODUCT 3.1 - A technical training and support program for calculating, monitoring, managing, and mitigating corporate or institutional carbon footprints launched	-	290	78,750	783,000	425,000	358,000	783,000	96,150	71,600	102,950	88,800	112,950	98,800	112,950	98,800	783,000
3.1.1 Component 3 technical coordinator	monthly fee	48	2,500	120,000	120,000	-	120,000	30,000	-	30,000	-	30,000	-	30,000	-	120,000
3.1.2 Specialist in carbon footprint	monthly fee	45	2,000	90,000	90,000	-	90,000	18,000	-	24,000	-	24,000	-	24,000	-	90,000
3.1.3 Specialist in energy efficiency	monthly fee	45	2,000	90,000	12,000	78,000	90,000	2,400	15,600	3,200	20,800	3,200	20,800	3,200	20,800	90,000
3.1.4 Co-financing of carbon footprints	unit	20	10,000	200,000	100,000	100,000	200,000	20,000	20,000	20,000	20,000	30,000	30,000	30,000	30,000	200,000
3.1.5 Travel for component technical team	lump sum	1	40,000	40,000	40,000	-	40,000	10,000	-	10,000	-	10,000	-	10,000	-	40,000
3.1.6 Support group for overall technical assistance (2 professionals)	monthly fee	90	2,000	180,000	-	180,000	180,000	-	36,000	-	48,000	-	48,000	-	48,000	180,000
3.1.7 Logistics for the workshops	workshop	20	1,500	30,000	30,000	-	30,000	7,500	-	7,500	-	7,500	-	7,500	-	30,000
3.1.8 Materials to be distributed	workshop	20	750	15,000	15,000	-	15,000	3,750	-	3,750	-	3,750	-	3,750	-	15,000
3.1.9 Travel for workshops	lump sum	1	18,000	18,000	18,000	-	18,000	4,500	-	4,500	-	4,500	-	4,500	-	18,000
3.1.10 Feasibility analysis and design for energy efficiency projects/activities	lump sum	1	180,000	180,000	-	-	180,000	-	-	-	-	-	-	-	-	180,000
PRODUCT 3.2 - A set of incentives for voluntary mitigation identified, designed and disseminated	-	-	-	469,000	69,000	400,000	469,000	20,000	-	24,500	100,000	17,500	100,000	7,000	200,000	469,000
3.2.1 Consultancy on incentives to foster corporate mitigation demand	monthly fee	6	2,500	15,000	15,000	-	15,000	15,000	-	-	-	-	-	-	-	15,000
3.2.2 Concertation workshops with stakeholders	workshop	4	2,500	10,000	10,000	-	10,000	5,000	-	5,000	-	-	-	-	-	10,000
3.2.3 Dissemination of designed incentives	lump sum	1	10,000	10,000	10,000	-	10,000	-	-	10,000	-	-	-	-	-	10,000
3.2.4 Investment in corporate mitigation and offsetting actions	firm	20	20,000	400,000	-	400,000	400,000	-	-	-	100,000	-	100,000	-	200,000	400,000
3.2.5 Consultancy on econometric evaluation models	lump sum	1	10,000	10,000	10,000	-	10,000	-	-	5,000	-	-	-	5,000	-	10,000
3.2.6 Travel for consultations	lump sum	1	4,000	4,000	4,000	-	4,000	-	-	2,000	-	-	-	2,000	-	4,000
3.2.7 Meetings for carbon disclosure initiative	meeting	2	2,500	5,000	5,000	-	5,000	-	-	2,500	-	2,500	-	-	-	5,000
3.2.8 Launching event	workshop	1	5,000	5,000	5,000	-	5,000	-	-	-	-	5,000	-	-	-	5,000
3.2.9 Press and printed material	lump sum	1	10,000	10,000	10,000	-	10,000	-	-	-	-	10,000	-	-	-	10,000
PRODUCT 3.3 - Carbon footprint guidelines adapted for the program, broadly disseminated	-	-	-	44,000	44,000	-	44,000	14,400	-	14,400	-	7,600	-	7,600	-	44,000
3.3.1 Workshops	meeting	10	800	8,000	8,000	-	8,000	2,400	-	2,400	-	1,600	-	1,600	-	8,000
3.3.2 Consultancy on guidelines development	monthly fee	6	2,000	12,000	12,000	-	12,000	4,000	-	4,000	-	2,000	-	2,000	-	12,000
3.3.3 Design and publication	guide	6	4,000	24,000	24,000	-	24,000	8,000	-	8,000	-	4,000	-	4,000	-	24,000
PRODUCT 3.4 - Business case studies compiled and published for public reference	-	-	-	47,000	31,000	16,000	47,000	7,750	4,000	7,750	4,000	7,750	4,000	7,750	4,000	47,000
3.4.1 Consultancy on successful business case studies	monthly fee	6	2,500	15,000	15,000	-	15,000	3,750	-	3,750	-	3,750	-	3,750	-	15,000
3.4.2 Publication of successful business Case studies	unit	4	5,000	20,000	10,000	10,000	20,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	20,000
3.4.3 Dissemination of successful business case studies	seminars	4	3,000	12,000	6,000	6,000	12,000	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	12,000
PRODUCT 3.5 - A strategic partnership with financial sector institutions to facilitate financing for technological conversion	-	6	3,200	4,000	4,000	-	4,000	1,000	-	1,500	-	1,500	-	-	-	4,000
3.5.1 Workshops	meeting	5	200	1,000	1,000	-	1,000	-	-	500	-	500	-	-	-	1,000
3.5.2 Travel for negotiations	lump sum	1	3,000	3,000	3,000	-	3,000	1,000	-	1,000	-	1,000	-	-	-	3,000
3.5.3 Development of the potential for Carbon Finance in BANCOLDEX	lump sum	1	150,000	150,000	-	-	150,000	-	-	-	-	-	-	-	-	150,000
3.5.4 Training to financial sector and incentive analysis for energy efficiency	lump sum	1	14,800	14,800	-	-	14,800	-	-	-	-	-	-	-	-	14,800
PRODUCT 3.6 - Capacity built within the MAVDT to understand, support and follow up voluntary carbon markets in Colombia, and to articulate them to the country's Global Climate Change strategy	-	-	-	48,000	48,000	-	48,000	12,000	-	12,000	-	12,000	-	12,000	-	48,000
3.6.1 Consultant on voluntary markets	monthly fee	24	2,000	48,000	48,000	-	48,000	12,000	-	12,000	-	12,000	-	12,000	-	48,000
TOTAL COMPONENT 3				1,395,000	621,000	774,000	1,395,000	151,300	75,600	163,100	192,800	159,300	202,800	147,300	302,800	1,395,000
Disbursement %					45%	55%		24%	10%	26%	25%	26%	26%	24%	39%	

PROJECT MANAGEMENT	Cost estimation				Financing sources			Year 1		Year 2		Year 3		Year 4		Total
	Unit	Amount	Unit Cost	Total	IDB/GEF	Local	Total	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	IDB/GEF	Local	
Personnel	-	-	-	704,400	197,600	506,800	704,400	78,000	98,100	78,000	98,100	23,600	152,500	18,000	158,100	704,400
4.1.1 Project Manager	monthly fee	48	5,000	240,000	125,600	#####	240,000	60,000	-	60,000	-	5,600	54,400	-	60,000	240,000
4.1.2 Administrative/Finacial Manager	monthly fee	48	2,000	96,000	24,000	72,000	96,000	6,000	18,000	6,000	18,000	6,000	18,000	6,000	18,000	96,000
4.1.3 Accountant - Fundación Natura	monthly fee	24	3,000	72,000	-	72,000	72,000	-	18,000	-	18,000	-	18,000	-	18,000	72,000
4.1.4 Executive Direction - Fundación Natura	monthly fee	5	6,000	28,800	-	28,800	28,800	-	7,200	-	7,200	-	7,200	-	7,200	28,800
4.1.5 Assistant Direction on Local Development - Fundación Natura	monthly fee	12	4,500	54,000	-	54,000	54,000	-	13,500	-	13,500	-	13,500	-	13,500	54,000
4.1.6 Assistant Direction on Conservation and Research - Fundación Natura	monthly fee	5	4,500	21,600	-	21,600	21,600	-	5,400	-	5,400	-	5,400	-	5,400	21,600
4.1.7 Specialist in Global Climate Change - Fundación Natura	monthly fee	12	2,000	24,000	-	24,000	24,000	-	6,000	-	6,000	-	6,000	-	6,000	24,000
4.1.8 Corporate Sustainability Division - Fundación Natura	monthly fee	12	2,000	24,000	-	24,000	24,000	-	6,000	-	6,000	-	6,000	-	6,000	24,000
4.1.9 Administrative Assistant	monthly fee	48	1,000	48,000	24,000	24,000	48,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	48,000
4.1.10 Accounting Assistant	monthly fee	48	1,000	48,000	24,000	24,000	48,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	48,000
4.1.11 Procurement assistant	monthly fee	48	1,000	48,000	-	48,000	48,000	-	12,000	-	12,000	-	12,000	-	12,000	48,000
Office Facilities	-	-	-	115,400	9,800	105,600	115,400	6,200	26,400	1,200	26,400	1,200	26,400	1,200	26,400	115,400
4.1.12 Office facilities and utilities	monthly fee	48	1,500	72,000	4,800	67,200	72,000	1,200	16,800	1,200	16,800	1,200	16,800	1,200	16,800	72,000
4.1.13 Auditoriums for meetings and workshops	day	72	400	28,800	-	28,800	28,800	-	7,200	-	7,200	-	7,200	-	7,200	28,800
4.1.14 Vehicles	day	96	100	9,600	-	9,600	9,600	-	2,400	-	2,400	-	2,400	-	2,400	9,600
4.1.15 Supplies and furniture for office facilities	lump sum	1	5,000	5,000	5,000	-	5,000	5,000	-	-	-	-	-	-	-	5,000
Equipment and materials	-	-	-	22,000	22,000	-	22,000	13,000	-	3,000	-	3,000	-	3,000	-	22,000
4.1.16 Computers	lump sum	1	5,000	5,000	5,000	-	5,000	5,000	-	-	-	-	-	-	-	5,000
4.1.17 Software	lump sum	1	5,000	5,000	5,000	-	5,000	5,000	-	-	-	-	-	-	-	5,000
4.1.18 Materials and stationary	lump sum	1	12,000	12,000	12,000	-	12,000	3,000	-	3,000	-	3,000	-	3,000	-	12,000
Communications	-	-	-	21,600	3,600	18,000	21,600	900	4,500	900	4,500	900	4,500	900	4,500	21,600
4.1.19 Communications	monthly fee	48	300	14,400	3,600	10,800	14,400	900	2,700	900	2,700	900	2,700	900	2,700	14,400
4.1.20 Mailing	monthly fee	48	150	7,200	-	7,200	7,200	-	1,800	-	1,800	-	1,800	-	1,800	7,200
Other	-	-	-	12,000	12,000	-	12,000	3,000	-	3,000	-	3,000	-	3,000	-	12,000
4.1.21 Travel	lump sum	1	12,000	12,000	12,000	-	12,000	3,000	-	3,000	-	3,000	-	3,000	-	12,000
TOTAL PROJECT MANAGEMENT				875,400	245,000	630,400	875,400	101,100	129,000	86,100	129,000	31,700	183,400	26,100	189,000	875,400
Disbursement %					28%	72%		41%	20%	35%	20%	13%	29%	11%	30%	

EXTERNAL AUDIT	Cost estimation				Financing sources			Year 1		Year 2		Year 3		Year 4		Total
	Unit	Amount	Unit Cost	Total	IDB/GE F	Local	Total	IDB/GE F	Local	IDB/GE F	Local	IDB/GE F	Local	IDB/GE F	Local	
Extenal audit	-	-	-	25,000	25,000	-	25,000	6,250	-	6,250	-	6,250	-	6,250	-	25,000
5.1.1 External Audit	lump sum	1	25,000	25,000	25,000	-	25,000	6,250	-	6,250	-	6,250	-	6,250	-	25,000
TOTAL EXTERNAL AUDIT				25,000	25,000	-	25,000	6,250	-	6,250	-	6,250	-	6,250	-	25,000
Disbursement %					100%	0%		25%	0%	25%	0%	25%	0%	25%	0%	

INFORMATION FOR INITIAL UPLOAD OF THE CURRENT AND/OR MOST RECENTLY SUBMITTED PROCUREMENT PLAN (CO-X1008)		
1. Procurement Plan Coverage		
Data	From	To
Procurement Plan coverage:	1-Jul-11	30-Jun-15
2. Procurement Plan Version		
Version (1- 2011) :		
3. Types of Expenditures		
Investment Category	Amount Financed by the Bank (US\$)	Total Project Amount (including counterpart) (US\$)
Works	0	0
Goods	140,122	6,334,922
Nonconsulting services	695,047	1,115,747
Training	0	0
Operational expenses	0	0
Consulting firms and individual consultants	1,864,831	3,000,031
Transfers	0	0
Community subprojects	0	0
Unallocated	0	0
Total	2,700,000	10,450,700
4. Methods / Ranges of action and terms by type of process		
These data are uploaded in the on-line Procurement Plan Execution System during training and/or upload itself.		
5. Detailed Procurement Plan		
These data depend on the investment category and are listed and organized under the Detailed Procurement Plan tab/file		

Monitoring and Evaluation Plan

I. Introduction

The project's Monitoring and Evaluation (M&E) plan aims to document and verify progress in achieving outputs, outcomes and the overall project objectives based on the Project's Results Framework. Monitoring activities will seek progress of processes and project milestones completion, while the evaluation will focus on the achievement of results and overall project impact based on the stated objective. All M&E will be conducted in accordance with IDB and GEF's guidance and procedures; whenever such policies change, they will prevail above the content of this document.

Monitoring and evaluation will be set in place in order to:

- Determine progress in project implementation. Physical progress, costs and meeting deadlines for activities are elements that should be checked during execution.
- Provide feedback to stakeholders. The results obtained from monitoring should be communicated to those involved in the project.
- Recommend corrective actions to issues that affect project's performance, and increase the likelihood that the project achieves its objective. The Project Manager, as head of the administrative team, will lead the adoption of such measures.

II. Staff and stakeholder responsibilities

Project Manager. Monitoring and evaluation at the project level, including the day-to-day monitoring of project activities, will be the responsibility of the Project Manager, based within Fundacion Natura. The Project Manager will liaise with Fundacion Natura's upper-level management and the IDB, to ensure adequate communication and smooth coordination throughout the execution of the project.

Financial/Administrative Manager. The Financial/Administrative Manager should support the Project Manager in the production of project reports and provision of information to auditors and evaluators. In particular, the Financial/Administrative Manager will be responsible of providing the Project Manager with the appropriate fiduciary information, both on finances and procurements.

The project will have a **Steering Committee** and the three **Advisory Committees**, which will be part of the project's evaluation activities and will be informed of the progress of the monitoring process. Annual reports, as well as the Mid-Term and Final Evaluations (including lessons learned and good practices) will be presented to the Steering Committee, and disseminated amongst other relevant stakeholders (i.e. Advisory Committees, government, civil society and participating organizations or beneficiaries).

III. Intervention's logic, hypothesis and indicators

The project aims to spur and facilitate efforts of voluntary greenhouse gas mitigation. This is primarily accomplished through enabling and strengthening instruments and a market-based approach to corporate and institutional mitigation and carbon offsetting in the country. The table below presents the hypotheses that will be tested during the project, and the data that will be used to do so. All indicators will be measured biannually. The information collected for the analysis of these hypotheses will also allow measuring the impact of the project:

Hypothesis	Indicator	Means of verification
Impact		
The project reduces, avoids and mitigates the emission of greenhouse gases.	Increase in tons of verified CO ₂ e sequestered, avoided or reduced.	Forestry projects' registry records and corporate carbon footprint records
The project contributes to the preservation and recovery of forested landscapes.	Increase in number of hectares of forests or agro-forested landscapes conserved, recovered or in which carbon stock has been increased.	Maps and data from project portfolio
The project creates a functioning VERs market for Colombian forestry and land use carbon projects.	Percentage of VERs, issued by supported forest carbon projects, transacted in the established market platform.	Transaction records provided by executing and co-executing organizations, and VERs registry
Companies and institutions adopt comprehensive strategies for calculating, managing, mitigating, and offsetting their carbon footprint.	Number of companies that have adopted carbon mitigation strategies.	Documentation provided by executing and co-executing organizations.
Companies voluntarily verify their carbon footprint and emissions mitigation.	Tons of CO ₂ e avoided or reduced.	Companies' and institution's carbon footprint data provided by executing and co-executing organizations

Product indicators

Component 1	
Creation of a Colombian-based market platform for Verified Emission Reduction (VERs) Units.	
Products	Indicator
An on-line platform for trading nationally-generated VERs accessible to domestic buyers/sellers and international buyers, functioning at a pilot operational stage.	Number of modules of the platform developed and in operation.
An institutional and governance mechanism to guarantee the quality, transparency and traceability of the nationally generated VERs and their commercial transactions is signed.	One memorandum of understanding amongst partners is signed.
A procedure to ensure a single accounting system for all emissions reduction units traded (both CERs and VERs).	One common, defined procedure established and officially adopted by relevant stakeholders.
A national and international promotion, dissemination and education campaign about the voluntary exchange platform and the opportunities that it offers for national suppliers and national and international buyers is implemented.	1: Number of dissemination and training events with stockbrokers, financial institutions, investors and project promoters. 2: Number of events or publications where the platform is showcased
Component 2	

Validation, registration and verification of a nationally-based stock of VERs generated by agriculture, forestry and/or REDD projects in Colombia.	
Products	Indicator
A portfolio of at least five forestry, agro-forestry or REDD projects in at least two different regions in Colombia supported in the validation, registration and commercialization of VERs under internationally recognized standards.	Number of projects generating VERs under international standards.
A capacity building program in carbon accounting and monitoring, and project development, validation and verification for forestry, agro-forestry and REDD projects created.	1: Number of informational and methodological guidelines for forest carbon project development produced and disseminated. 2: Number of local environmental authorities, grassroots community groups, private developers, and institutions belonging to the National Standardization, Certification and Metrology System, trained under project's program.
An outreach and awareness strategy aimed at financial institutions and public and private investors about the needs and opportunities of forest carbon projects.	Number of financial institutions and investors reached by the strategy.
Native tree species growth and sequestration information generated, incorporated in national dataset, and used by portfolio of forest carbon projects.	Number of new native species with carbon sequestration data and management packages.
Component 3	
Creation and implementation of a nationally-based program for corporate and institutional voluntary mitigation and offsetting activities.	
Products	Indicator
A technical training and support program for calculating, monitoring, managing, and mitigating corporate or institutional carbon footprints launched.	Program launched.
A set of incentives for voluntary mitigation identified, designed and disseminated.	Number of companies benefited by the incentives identified.
Carbon footprint guidelines adapted for the program, broadly disseminated.	Number of printed guidelines publicly available.
Business case studies compiled and published for public reference.	Case studies published and disseminated.
A strategic partnership with financial sector institutions to facilitate financing for technological conversion.	Number of agreements signed with banks to participate and to disseminate their financing strategies amongst companies and institutions.
Capacity built within the MAVDT to understand, support and follow up voluntary carbon markets in Colombia, and to articulate them to the country's Global Climate Change strategy.	One consultant hired to work with MAVDT in voluntary carbon markets.

IV. Monitoring reports and tools

All reports that will be submitted to the GEF shall be prepared in English. The project will use the following monitoring tools:

Project Execution Plan (PEP). This instrument is designed to support project management through a multi-year proposal for the execution of the entire project. The PEP is based on the results matrix and includes the activities and responsibilities throughout the project timeframe. The PEP will be reviewed and updated on a semiannual basis and will cover the remaining

period until completion of the project. This tool updated, with the Annual Work Plan (AWP), should be submitted to the Bank by November 30th of the year previous to its validity.

Annual Work Plan (AWP). This instrument is intended to propose an annual plan to the IDB for the implementation of the project. A Project Initial Report will include a detailed description of first year's AWP, divided in quarterly sections, related budget and progress indicators to guide the project implementation during the first year. The next AWP should cover the period immediately following the first one, until 31 December of respective year. From this event, a AWP will be presented for each calendar year (January 1 to December 31). The AWP will be prepared by the Project Manager taking into account input from the Steering and Advisory Committees and other relevant stakeholders, allowing for proactive responsive project planning and participatory implementation. The AWP's will be based on progress achieved to date and will define activities and expected results for the forthcoming year, ensuring an adequate framework for the day-to-day monitoring of project progress. A series of milestone deliverables will also be identified to enable continuous monitoring of the project's implementation throughout the year.

Procurement Plan (PP). This instrument is intended to present the detail of all purchases and contracts to be made during program implementation. The PP indicates all the processes of procurement and contracting, as per IDB policies "Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank" (GN-2349-current version) and "Selection and Contracting of Consultants Financed by the Inter-American Development Bank" (GN-2350-current version), and in accordance with the provisions of the Cooperation Agreement. The PP must be submitted with the AWP, for review and approval by the IDB, and updated annually or whenever necessary throughout the duration of the program.

Semiannual Progress Reports. This report aims to present technical and financial progress, including status of progress indicators, outputs and outcomes of the results framework, progress the implementation of the AWP and the PP, status of the technical and financial risks and a disbursement request based on the projected flow of funds for next semester. The Progress Report for the second semester of the year should include a summary of the results achieved during the entire year and include the following year's AWP; it should also include consolidated lessons learned, and the conclusions and recommendations for adaptive management of the project. Semiannual Progress Reports should be submitted within 60 days after the close of the semester. The dates for submission of reports to the IDB will be on February 28th and August 30th each year, closing December 31st and June 30th, respectively. The report of the first half of each year will be brief and report status of progress, technical risk and financial risk indicators.

Project Implementation Reports (PIR). PIRs will be submitted annually to the GEF and will include the following information based on GEF Annual Monitoring Review guidelines. The PRI will be prepared by the Executing Agency and submitted to GEF by the IDB.

GEF's Climate Change Tracking Tool. All GEF projects are asked to report on two of the proposed indicators associated with the strategic priority associated with the project, in this case, LULUCF and Industrial Energy Efficiency. The Tracking Tool will be submitted to the GEF at mid-term evaluation and project completion evaluation.

Audited Financial Statements (AFS) Audited financial statements will be presented annually, within 120 days after the close of the year. These reports include the opinion of the external audit firm hired by the project.

Project Monitoring Report (PMR). The IDB will update the PMR semiannually; the PMR is the Bank's main system tool for day-to-day monitoring of projects and for tracking the project's progress toward achieving the results indicated in the Results Framework.

Inspection Visits. The IDB will regularly carry on at least one yearly inspection visit to follow-up on the execution of project activities.

Comprehensive Participatory Review. During the last three months of the project, the Project Manager will lead a Comprehensive Participatory Review with key stakeholders to examine the results, outcomes, and processes of the project, as well as to assess the institutional collaborative arrangements and progress in creating national demand and supply of VERs and an efficient platform where these can be exchanged.

V. Evaluation

Mid-term Evaluation. An evaluation will be carried out when 40% of the GEF resources are disbursed, or 24 months after the project contract goes into effect, whichever comes first. It will determine progress towards results' achievement, the level of stakeholder participation, any positive changes in beneficiaries' practices due to the intervention, and will identify necessary changes to be made. This review will ascertain if project objectives are in the process of being met by current implementation strategies, based on project component design and execution, and quality of project coordination.

The review will address matters such as: (1) an assessment of general project progress and the fulfillment of the indicators identified in the Results Framework; (2) a critical assessment of project administration, coordination and execution; (3) the effectiveness of project and individual component design including progress in inter-institutional coordination and execution, and advances towards the generation of supply and demand of national VERs market transactions through a established platform for these voluntary mitigation transactions; and (4) stakeholder's perception and engagement (community, private sector and other stakeholders) of the support activities, including VERs development and commercialization support, mitigation and compensation voluntary program and participation in the voluntary carbon market.

This review will serve as a formative evaluation, meaning that it will be geared towards improving project implementation based on information to date.

Final Evaluation. An independent external Final Evaluation will be conducted three months before the Steering Committee meets for the last time and will focus on the same areas analyzed in the Mid-term Evaluation. In addition, the Final Evaluation will also analyze the overall project impact and the sustainability of its results, including its contribution to national and local capacity building efforts and to global environmental goals in the context of carbon mitigation.

Key questions to be answered through these evaluations, include: (a) What is the effect of a voluntary market mechanism, like the one proposed by the Project, in the reduction of GHG

emissions in Colombia?; (b) Are the barriers identified in the Project for developing forest carbon projects being overcome?; What additional actions should be carried out to overcome them? (c) What are the actual drivers for corporate voluntary mitigation?; (d) What are the most cost-efficient types of incentives that should be implemented?; (e) Are the necessary and sufficient conditions for the consolidation and sustainability of a VER market being met in Colombia?; and (f) Are companies participating in the project program being more determined and in compliance with voluntary mitigation efforts?

Evaluation of impacts at the project level will be based on a reflexive methodology, comparing the development and consolidation of a mitigation and offsetting mechanism before and after the project implementation, based on the number of VER transactions associated to project beneficiaries and effective hectares under carbon management strategies. Also, the IDB will conduct a ex-post economic analysis, which will be compared to the ex-ante economic analysis presented here with the project documentation.

The Final Evaluation will make recommendations to Fundacion Natura and the members of the Steering Committee on further consolidation of the voluntary efforts for GHG mitigation and compensation, based on project results.

The IDB will conduct a final administration mission to discuss the results of the Final Evaluation with the Executing Agency, the Steering Committee and all other relevant organizations involved.

VI. Budget

The overall cost of project monitoring and evaluation is estimated to be 243,950 USD; these costs do not include external evaluations, which will be financed by the IDB with resources from the Agency Fee received for this Project. Resources targeted to M&E are represented in a portion of the time of the Project Manager, Administrative/Financial Manager, and components' Technical Coordinators (estimated to demand a dedication of one quarter of the work time). Dissemination of project progress is part of the estimated communication and information dissemination plan, and is not considered in the table below. An external financial audit will be performed each year by a firm acceptable to the IDB, which will be contracted by the Executing Agency and paid for by the project.

Activity	Cost (USD)
25% time Project Manager	60,000
25% time Administrative/Financial Manager	24,000
25% time Technical Coordinators for components	79,950
Consultancy on monitoring of registries	12,000
Specialist in carbon project monitoring	14,400
Travel for project monitoring	13,600
Consultancy	15,000
External audit	25,000
Total	243,950