

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC1096

Project Name	AF - CO Mainstreaming Sust. Cattle Ranching Project (P145732)
Region	LATIN AMERICA AND CARIBBEAN
Country	Colombia
Sector(s)	General agriculture, fishing and forestry sector (40%), Agricultural extension and research (30%), Animal production (30%)
Theme(s)	Environmental policies and institutions (30%), Other environment and natural resources management (30%), Climate change (20%), Biodiversity (10%), Participation and civic engagement (10%)
Lending Instrument	Investment Project Financing
Project ID	P145732
Borrower(s)	FEDEGAN
Implementing Agency	Colombian Cattle Ranching Organization-FEDEGAN
Environmental Category	B-Partial Assessment
Date PID Prepared/ Updated	12-Jul-2013
Date PID Approved/ Disclosed	12-Jul-2013
Estimated Date of Appraisal Completion	26-Jul-2013
Estimated Date of Board Approval	30-Sep-2013
Concept Review Decision	

I. Introduction and Context

Country Context

According to UNDP (2011) the poverty rate in Colombia decreased at national level from 53.7 to 45.5% between 2002-2009. However, the rural sector has poverty rates significantly above the national levels, with 65.2% of the rural population below the poverty line - 8 million people, most of them small farm families - compared to 30.7% in urban areas. The rural economy registers a high inequality index (coefficient Gini of 0.85) with respect to land tenure. Except for a small percentage of very large farmers, most landholdings are small and face financial and technological limitations to their participation in the subsector's development. Working capital and natural resources are inefficiently used and translate into high production costs and marginal profitability.

Sectoral and Institutional Context

Cattle ranching is a key economic subsector of the Colombian economy, contributing 3.5% of the Gross Domestic Product (GDP) and 27% of agricultural and livestock GDP; it also accounts for 7% of national and 28% of rural employment. About 38 percent of Colombia's total land surface is used for cattle ranching, representing about 38.8 million hectares. This sector is however characterized with low productivity (beef and milk), relying on low inputs and extensive pasture systems. It is also seen as one of the major drivers of deforestation in tropical areas. In Colombia, The rural sector suffers from poverty rates of 65.2% with the majority of small-scale cattle farmers living in poverty.

Land used for cattle ranching purposes has expanded dramatically during the last fifty years, affecting important ecosystems. Cattle grazing activities have expanded from 14 to 40 million hectares over the last fifty years mostly at the expense of tropical forests. Forests with high biodiversity have been replaced with degraded pastures. The deforestation rate in Colombia during the past five years has been around 238,000 hectares per year (equivalent to 0.5% of total forest cover), with a high percentage of this area (55%) converted to pastures. Very important ecosystems have been affected: over 98% of dry tropical forest area in Colombia has been degraded. Dry tropical forest is regarded as one of the most endangered ecosystems of the neotropics. In addition, the Páramo ecosystems, very important for biodiversity and water regulation, are disappearing at a rate of around 11,000 hectares per year and being replaced predominantly by pastures. Almost half of the Colombian territory is affected by erosion, and the process of desertification is currently affecting 79% of dry areas (17% of the national territory), due mainly to erosion and salinization.

Poverty rates at the rural sector continue to be high. According to UNDP (2011) the poverty rate decreased at national level from 53.7 to 45.5% between 2002-2009. However, the rural sector has poverty rates significantly above the national levels, with 65.2% of the rural population below the poverty line - 8 million people, most of them small farm families - compared to 30.7% in urban areas. The rural economy registers a high inequality index (coefficient Gini of 0.85) with respect to land tenure. Except for a small percentage of very large farmers, most landholdings are small and face financial and technological limitations to their participation in the subsector's development. Working capital and natural resources are inefficiently used and translate into high production costs and marginal profitability. Average stocking rates on these pastures are estimated at less than one animal per hectare. Cattle ranching is carried out in areas with high poverty levels, unequal income distribution, illiteracy, violence, and unequal land ownership.

Livestock production can be a source of sustainable rural growth and poverty reduction, particularly among small scale farmers. Cattle ranching is a key economic subsector of the Colombian economy, contributing 3.5% of the Gross Domestic Product (GDP) and 27% of agricultural and livestock GDP; it also accounts for 7% of national and 28% of rural employment.

The Colombian Government is committed to tackling the adverse environmental and socioeconomic impacts of the prevailing methods of extensive, inefficient ranching. The Government and FEDEGAN have announced plans for reforming the sector, including reducing land use for livestock farming by 25% by 2019. To increase the sustainability of cattle production, the Government of Colombia has implemented policies to: (i) provide incentives to increase productivity; (ii) finance asset improvement; (iii) promote small farmer access to markets, inputs, and new technologies such as SPS. In June 2007, the Ministry of Agriculture and Rural Development (MARD) established the Rural Capitalization Incentive (ICR) for any farmer interested in implementing intensive SPS with specific tree densities and species (fodder and

timber). The National Cattle Ranchers Association, FEDEGAN, and the Fund for Agricultural and Livestock Sector Financing (FINAGRO) entered into an agreement to better integrate the offer of credit lines with technical assistance for cattle ranching, including SPS. However, even with these policies in place, the barriers to adoption of SPS are still prohibitive for most small farmers. The ICF intervention will work with these existing efforts and enable small farmers to participate.

Relationship to CAS

The UK-DECC resources will be processed as an additional financing to an existing project (Colombia Mainstreaming Sustainable Cattle Ranching GEF Project, CMSCR (P104687-TF096465). implemented by the World Bank., Implementation arrangements will remain the same, with the Colombian Cattle Ranching Federation (FEDEGAN) as lead executing agency and involving a range of NGO partner agencies. It has the full support of the Colombian Government and the Ministries of Environment and Sustainable Development and of Agriculture and Rural Development will participate in the project.

The proposed AF Project is consistent with the World Bank Group Country Assistance Strategy (CAS) for Colombia which supports the Country's development goals as expressed in the NDP (2010-2014) and longer-term development strategy Colombia Vision 2019. Bank support to the NDP is focused on sustained equitable growth; poverty alleviation and equity; promotion of environmental sustainability; peace consolidation and efficient and effective government. The proposed Grant contributes to the CAS focus on sustainable and equitable development for improved natural resource management and strategic ecosystem conservation; strengthened regionally-based rural development strategies and partnership opportunities with the private sector and donors to accelerate environmental mainstreaming in priority sectors in Colombia as well as employment opportunities for the rural poor, and knowledge transfer through environmentally-friendly rural projects conducive to policies for sustainable land use management and sector production.

The Bank has a strong comparative advantage since the Bank has designed and is implementing the existing CMSCR GEF Project since 2010, using the lessons learned from the GEF/IBRD Regional Integrated Silvopastoral approaches to Ecosystem Management Project implemented in Colombia, Costa Rica and Nicaragua between 2002 and 2008. This project demonstrated the positive impact of SPS on the sustainability and productivity of cattle ranching in many areas. In addition, the UK-DECC has made it clear that the World Bank should be the implementing agency to manage its resources.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The AF Project's Development Objective is the same of the existing Colombia Mainstreaming Sustainable Cattle Ranching GEF Project:

To promote the adoption of environment-friendly silvopastoral production systems (SPS) for cattle ranching in Colombia's Project areas, to improve natural resource management, enhance the provision of environmental services (biodiversity, land, carbon and water) and raise the productivity in participating farms.

The AF Project will focus on climate change mitigation and poverty reduction, through carbon sequestration (CS) and increased productivity in small farms through the establishment of SPS.

Key Results (From PCN)

The AF Project will focus on the following key performance indicators:

- 1,500 small and medium scale farmers benefiting from Project instruments (technical assistance, PES, support for credit access).
- 28,000 ha. of environment-friendly cattle ranching production systems implemented in 7 Project areas.
- Reduced GHG emissions from cattle grazing activities as a result of SPS adoption in participating farms, over baseline.
- Reduced GHG emissions from deforestation and forest degradation by preserving forest areas in the project participating farms in the two deforestation hotspots.
- 10% increase in the production of beef and or milk per intervened hectare in participating farms, improving GHG balance.
- 20% increased productive assets-based patrimony of small-scale livestock farmers through the establishment of iSPS in Project's participating farms.
- Strategy for the broader adoption of SPS by small and medium scale farmers validated and adjusted during Project implementation, and ready for adoption by FEDEGAN and other strategic public and private allies (e.g. DNP, MADR and MADS, local authorities, cattle ranchers, other livestock associations, etc.).

III. Preliminary Description

Concept Description

The Additional Financing will cover 7 areas, 5 areas from the CMSCR project and 2 zones consisting of extensions from the existing five. The 5 targeted areas under the CMSR are: (i) the Cesar River Valley (Department of Cesar and South of Guajira) including a lowfoothill zone of the Sierra Nevada deforestation hotspot; (ii) the low foothill region in the eastern cordillera of southern Meta, including a zone of the La Macarena (north) deforestation hotspot; (iii) the lower Magdalena River region (western part of the Department of Atlántico); (iv) the traditional dairy cattle production regions of Boyacá and Santander (linked to the “Andean Oak Forests Corridor”); (v) the coffee producing eco-region with Areas in Valle, Quindío, Risaralda, Caldas and Tolima departments.

The two extensions of areas of the 5 existing areas are: (i) low foothill of the Sierra Nevada (within the same area of the Valle del Rio Cesar) and (ii) northern area near La Macarena (within the same area of the low foothill region of the eastern cordillera of southern Meta). These two extensions consist of two hotspot of deforestation; they have been selected because of (a) their proximity to existing project areas, allowing use of existing project infrastructure and staffing, considerably reducing the cost, (b) they are areas where cattle ranching has been identified as a key driver of deforestation and (c) they represent two distinct areas of ecological importance and significant biodiversity (the dry forest near the Sierra Nevada de Santa Marta, which is one of the most threatened ecosystems, with only 2% remaining, and a region of the Orinoco which is important for the connectivity between the Macarena mountains and the Andean forests).

At Concept Stage, the proposed activities to be financed under the AF are the following:

Component 1. Making SPS attractive and accessible for small farmers. (US \$1.583 M). The aim of this component is to create an enabling environment for small and medium scale farmers to adopt

SPS, including access to technical knowledge, financial information and analysis. This enabling work is an essential prerequisite for achieving wider conversion to SPS and to maximizing the results of the project. The main activities in this component would include: (a) broad promotion of SPS to induce a cultural change in producers in seven regions of the country; (b) peer-to-peer exchange, for potential beneficiaries and other cattle ranchers potentially users of SPS, in demonstrative farms; (c) the provision of SPS training to regional and local technical assistance providers (TAPs), specifically FEDEGAN staff; (d) training to participating farmers in banking and loan management in order to increase uptake of loans for SPS.

Component 2. Establishment of SPS in small and medium selected farms. (US \$17,327 M). The aim of this component is to support farmers and provide incentives for the establishment of SPS on their farms. The main activities under this component would include: (a) selection and screening of beneficiaries and baseline farm assessments; (b) design and implement a payment for environmental services (PES) for carbon sequestration (CS) as an incentive for small farmers to access to credit for the establishment of iSPS; c) design and implement a payment for environmental services (PES) for natural resources management (NRM) on SPS that are (privately) profitable in the mid to long term thorough the improvement of natural resources management (e.g. live fences, pastures with trees, watershed forest protection); (d) provision of seedlings, trees and organic fertilizers (at production costs) for live fences, pastures with trees and forest enrichment, and (e) provision of TA to selected farmers for SPS implementation in seven regions of Colombia.

Component 3. Monitoring, evaluation and dissemination of results at local, regional and national levels. (US \$3,128 M) The aim of this component is to ensure that the benefits of the project are delivered, and to gather evidence and implement a communication strategy that contributes to a broader adoption of SPS in Colombia. The main activities under this component would include: (a) monitoring of the benefits of SPS including contributions to climate change mitigation and adaptation; (b) monitoring of SPS's impacts in deforestation hot spots; and (c) the dissemination of results to livestock farmers and local and national institutions (including local producer associations, regional environmental authorities, municipalities, Ministries and banks). Gathering and disseminating this evidence has the potential to generate significant indirect benefits, as it will pave the way for land to be converted to SPS outside of the project areas and beyond the life of the project. In particular, the evidence gathered will influence future Colombian Government policies and support mechanisms for SPS.

Component 4. Project management and Trust Fund management and oversight. (US \$1.823 M) The main activities under this component would include: a) operational delivery (financial, technical, legal and administrative execution) of the project by FEDEGAN; (b) technical supervision and performance monitoring by the World Bank, including oversight for procurement procedures and practices, fiduciary management and environmental and social safeguards and (c) FCO and DECC oversight of the project.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	✘		
Natural Habitats OP/BP 4.04	✘		
Forests OP/BP 4.36	✘		

Pest Management OP 4.09	x		
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10			x
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	21.67	Total Bank Financing:	0.00
Total Cofinancing:		Financing Gap:	0.00
Financing Source			Amount
Borrower			0.00
Single Purpose Trust Fund			21.67
Total			21.67

VI. Contact point

World Bank

Contact: Natalia Gomez
 Title: Senior Rural Development Specialist
 Tel: 5280+223
 Email: ngomez@worldbank.org

Borrower/Client/Recipient

Name: FEDEGAN
 Contact: Andres Felipe Zuluaga
 Title: Project Coordinator
 Tel: 5713142533075
 Email: afzuluaga@fedegan.org.co

Implementing Agencies

Name: Colombian Cattle Ranching Organization-FEDEGAN
 Contact: Carlos Osorio
 Title: Subgerente Tecnico
 Tel: 571-5782020
 Email: cosorio@fedegan.org.co

VII. For more information contact:

The InfoShop
 The World Bank

1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: <http://www.worldbank.org/infoshop>