



WORLD BANK GROUP
Climate Change

Chilean ERDP and WB support as Delivery Partner

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Outline

- Summary of ER-Program preparation support
- How ER-Program fits into the Bank's portfolio
- Status of due diligence
- Next steps and timeline

Summary of ER-Program Preparation Support

- Chile's ER-PIN accepted (Jun 2014)
- LOI with Chile signed (Aug 2014)
- ER Program preparation initiated (Nov 2014)
- Readiness Package endorsed by FCPF/PC (Sept 2016)
- Chile's National CC Strategy (ENCCR) [posted](#)
- TAP rated 73 of 78 indicators met [posted](#)
- ER Program Concept Note greenlighted by WB (Dec 2016)
- WB Decision Meeting expected (Jun 2017)
- ERPA signature expected (Dec 2017)
- WB commits to support Chile through ERPA negotiations and implementation

How does ER-Program fit into the Bank's portfolio?

- FCPF support is specifically mentioned as one of the milestones of the program under the current Country Partnership Strategy (CPS)
- Natural forests are identified in the draft Strategic Country Diagnostic (SCD) as a key issue for Chile's environmental sustainability
- As a new member of the OECD Chile's commitment to address climate change helps ensure long-term environmental sustainability of growth
- Ongoing engagement in Chile is aligned with the WB Forestry Action Plan (FAP).

How does ER-Program fit into the Bank's portfolio?

Programmatic approach helps to leverage additional investments in support of Chile's ENCCRV:

- REDD+ Readiness grant support (totaling USD 8.8M)
- GEF support to Sustainable Land Management (USD 5.8M)
- GoC requests WB as GCF accredited entity (Sept 2016)
- GCF draft for WB consideration (USD 150M; Oct 2016)
- Chile has joined the [NDC Partnership](#)
- Expected GoC contribution of USD 70M to leverage external funding (plus potential additional allocations if the new incentives law for management of forests is approved)

How does ER-Program fit into the Bank's portfolio?

Analytical and policy support including climate change, climate finance, sustainable biomass energy, SLM etc.

- ERPD targets are aligned with Chile's National Strategy for Climate Change and Vegetation Resources (ENCCRIV)
- Chile's ENCCRIV highlights a key role for natural forests in mitigation and adaptation efforts
- Chile's NDC document establishes the ENCCRIV as the key instrument for meeting the country's climate change mitigation targets in the forest sector

How does ER-Program fit into the Bank's portfolio?

Coordination with development partners.

- **Donors:** Chile actively coordinates forest sector donors (UNREDD and Swiss Cooperation) and conducts an annual joint donor workshop and field trip; Financing is managed through Chile's Agency for International Coordination and Development ([AGCID](#)) facilitating sharing Chile's experience.
- **Private Sector:** Given ENCCR/V focus on natural forest management, a prominent role for private sector is anticipated in the sustainable management of fuelwood; Large-scale industrial plantations are not expected to be included in the ER Program

Status of due diligence

Outcome of and feedback from PCN meeting

- The Program Concept Note was endorsed and the Task Team was authorized to proceed with ERPA preparation
- Guidance was provided, *inter alia*, on safeguards application, institutional arrangements and fiduciary aspects; Revisions are being incorporated in the draft concept note, project information document (PID) and integrated safeguard datasheet (ISDS)
- PID/ISDS to be posted (Dec 2016)

Development Objective

The objective of the Program is to reduce net GHG emissions from deforestation and forest degradation, and to promote the conservation, sustainable management, and enhancement of forest carbon stocks (REDD+) in selected regions of southern Chile.

Status of due diligence

Key Risks

(from Systematic Operations Risk- Rating Tool - SORT)

- Critical issues have been identified and will be addressed in part through a) additional analytical work, b) continued capacity building and c) stakeholder consultation.
- A high risk is assigned to two subcategories: a) **technical design** due to the innovative nature of results-based operations and the high technical complexity of REDD+, particularly with monitoring and reporting on forest degradation; and b) **financial risk**, given that the financial resources for the full implementation of the program have not yet been mobilized.

Status of due diligence

Safeguards assessment

- A Strategic Environmental and Social Assessment ([SESA](#)) has been conducted to identify and address the environmental and social benefits and risks of the ENCCRIV based on a thorough participatory process
- The SESA and draft instruments for safeguard application ([ESMF](#), [Safeguards Implementation Plan](#)) integrating WB environmental and social operational policies are included in Chile's Readiness Package; Additional instruments including the Indigenous Peoples Planning Framework (IPPF) and Resettlement Policy Framework (RPF) are under preparation

Status of due diligence

Program financing

- Overall budget for ER Program is estimated to be USD 433M, of which USD 70M (16%) will be provided through CONAF's existing budgetary and grant resources and USD 363M (84%) is expected to be accessed through international climate funds, bilateral negotiations, and allocation of additional fiscal expenditure following approval of the proposed incentives for natural forest management.
- CONAF has identified a set of unconditional and conditional operational targets for each mitigation measure to be implemented through a step-wise approach based on available financial resources. A more detailed financial analysis is underway and will be provided by Appraisal.

Next steps and timeline

Chile's actions:

- Advance development of REDD+ benefit sharing and feedback/grievance redress mechanisms
- Update legal analysis on ER title transfer and develop National REDD+ Registry
- Move from sub-national to national FREL/FRL through a stepwise approach by 2018
- Advance development of implementation design and refine definition of FREL for degradation

World Bank processing steps:

- WB ERPD Appraisal (May 2017)
- WB ERPD Decision Meeting (June 2017)
- ERPA signature (Dec 2017)

Thank you

