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READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

ON A

PROPOSED GRANT

IN THE AMOUNT 3.8 MILLION

TO THE

REPUBLIC OF CHILE

FOR

FOREST CARBON PARTNERSHIP FACILITY READINESS PREPARATION

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DATA SHEET

Chile
Forest Carbon Partnership Facility

READINESS PREPARATION PROPOSAL (R-PP) ASSESSMENT NOTE

Latin America and the Caribbean Region

Basic Information			
Date:	September 25, 2013	Sectors:	Forestry (AT)
Country Director:	Susan G. Goldmark	Themes:	Climate Change (81)
Sector Manager/Director:	Laurent Msellati/ Ede Jorge Ijjasz-Vasquez	EA Category	B
Project ID:	P124908		
Lending Instrument:	Carbon Offset/TF Grant		
Team Leader(s):	Peter Jipp		
Date of country selection into FCPF: March 13, 2009			
Date of Participation Agreement signed by Country: January 31, 2012			
Date of Participation Agreement signed by Bank: May 12, 2011			
Date of R-PP Formulation Grant Agreement signature: N/A			
Expected date of Readiness Preparation Grant Agreement signature: November, 2013			
Joint IFC: N/A			
Project Implementation Period:	Start Date:	End Date:	
Project Financing Data			
<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Grant	<input type="checkbox"/> Other	
<input type="checkbox"/> Credit	<input type="checkbox"/> Guarantee		
For Loans/Credits/Others (US\$M):			
Total Project Cost :	13.618	Total Bank Financing :	3.800
Total Co-financing :	7.046	Financing Gap :	2.772
Financing Source FCPF Readiness Fund	Amount (Million)		
BORROWER/RECIPIENT Republic of Chile	4.655		
IBRD			
IDA New			
FCPF	3.800		
Others (National Private Sector)	2.391		
Financing Gap	2.772		
Total	13.618		

Regional FCPF Trust Fund Number:TF093616

FCPF Country Child Trust Fund Number:TF016024

Recipient: Republic of Chile

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PURPOSE OF THE READINESS PREPARATION PROPOSAL ASSESSMENT NOTE

As part of its responsibilities for the FCPF, the World Bank has been asked to ensure that the FCPF's activities comply with the relevant World Bank Operational Policies and Procedures, in particular the Safeguard Policies, and the policies on Procurement and Financial Management.

The World Bank has also been asked to assist REDD Country Participants to formulate and implement their Readiness Preparation Proposals (R-PPs).

The purpose of this Readiness Preparation Proposal Assessment Note (R-PP Assessment Note), therefore, is for the Bank to assess if and how the proposed REDD+ Readiness Support Activity, as presented in the R-PP, complies with Safeguard Policies, and the Bank's policies on Procurement and Financial Management, discuss the technical quality of the R-PP, record the assistance it has provided to the REDD Country Participant in the formulation of its R-PP, and describe the assistance it might potentially provide to the REDD Country Participant in the implementation of its R-PP.

ABBREVIATIONS AND ACRONYMS

AGCI	Chilean Agency for International Cooperation (<i>Agencia de Cooperación Internacional de Chile</i>)
BD-SP4	Biodiversity GEF Strategic Priority No. 4
BioCF	Bio Carbon Fund
CC-SP6	Climate Change GEF Strategic Priority No.6
CER	Certified Emission Reduction
CI	Conservation International
CPS	Country Partnership Strategy
CDM	Clean Development Mechanism
CERTFOR	Chilean Forest Certification Program
CONAF	National Forestry Corporation (<i>Corporación Nacional Forestal</i>)
CO ₂ e	Carbon Dioxide Equivalent
DA	Designated Account
DL 202	Land Management Program for Degraded Lands
DL 701	Presidential Decree No. 701
EA	Environmental Assessment
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EMF	Environmental Management Framework
ESMF	Environmental and Social Management Framework
ETS	Emissions Trading Scheme
FM	Financial Management
FSC	Forest Stewardship Council
FMT	Facility Management Team
GEF	Global Environment Facility
GEO	Global Environment Objective
GHG	Greenhouse Gas
GoC	Government of the Republic of Chile
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
IFC	International Finance Corporation
INDAP	National Institute for Agricultural Development (<i>Instituto Nacional de Desarrollo Agropecuario</i>)
IPF	Investment Project Finance
IPP	Indigenous Peoples Plan
LAC	Latin America and the Caribbean
LD-SP3	Land Degradation GEF Strategic Priority No.3

LULUCF	Land Use, Land-Use Change and Forestry
MINAGRI	Ministry of Agriculture <i>(Ministerio de Agricultura)</i>
MMA	Ministry of Environment
MRV	Measuring, Reporting and Verification
MT	Megatons (million metric tons)
M&E	Monitoring and Evaluation
NAMA	Nationally Appropriate Mitigation Action
NAP	National Action Plan
OECD	Organization for Economic Cooperation and Development
O&M	Organization and Management
PAD	Project Appraisal Document
PANCCD	National Action Program for Combating Desertification <i>(Programa de Acción Nacional Contra la Desertificación)</i>
PBCCh	Plataforma de Generacion y Comercio de Bonos de Carbono Forestales de Chile
PC	Participants' Committee
PDO	Project Development Objectives
PDTI	Program for the Development of Indigenous Territories <i>(Programa para el Desarrollo de Territorios Indígenas)</i>
PES	Payment for Ecosystem Services
PFM	Project Financial Management
PIU	Project Implementation Unit
PMT	Project Management Team
PRODESAL	Rural Development Program <i>(Programa de Desarrollo de Localidades Rurales)</i>
REDD+	Reduction Emission from Deforestation and forest Degradation
RPIN	Readiness Preparation Idea Note
RPP	Readiness Plan Proposal
RP	Resettlement Plan
SAG	Agriculture and Livestock Service <i>(Servicio Agrícola y Ganadero)</i>
SBD	Standard Bidding Documents
SESA	Strategic Environmental and Social Assessment
SIF	BioCF Afforestation and Carbon Sinks Project
SLM	Sustainable Land Management
SNAPSE	Natural System for Protected and Natural Areas <i>(Sistema Nacional de Areas Protegidas y Naturales)</i>
SOE	Statement of Expenditures
TOR	Terms of Reference
UNCCD	United Nations Convention to Combat Desertification
UNFCCC	United Nations Framework Convention on Climate Change
VCS	Verified Carbon Standards
WBS	World Bank System
WWF	World Wildlife Fund

Republic of Chile
Readiness Preparation Grant Assessment Note

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I. Introduction and Context

A. Country Context

1. Chile is one of the most developed countries in the southern hemisphere and relies heavily on its natural resource base for employment and exports. The country has a wide range of ecological zones; including expansive arid desert, remote Pacific islands, a Mediterranean ecosystem, high-altitude grasslands and wetlands, and temperate rainforests, among others. This diverse landscape contributes to Chile's rich biodiversity, natural beauty and highly favorable environmental conditions for its successful resource-based industries; including forestry, fisheries, and agriculture. Yet, despite its natural assets and economic prowess, the country is challenged by land degradation¹ problems including desertification², accelerated soil erosion, and forest degradation. Climate change is exacerbating land degradation through changes in rainfall quantity and regimen, and rising temperatures. Government of Chile has demonstrated its commitment to addressing land degradation with the passage of supporting legislation and signaled its intent to contribute to global efforts to mitigate greenhouse gas releases through forest carbon sequestration.

B. Sectoral and Institutional Context

2. Chile has around 16.59 million ha of forests, of which 2.87 million are plantations, with about 52 percent privately owned and 48 percent publicly. (Around 2 percent are owned by indigenous communities.) Gross deforestation is very low, estimated at around 27,000 ha annually (0.16%) and with plantations expanding by about 64,000 ha each year, Chile's overall forest cover is expanding. This said, forest degradation remains a serious problem in the country's native forests, with almost 4 million ha of forests affected contributing to CO₂ emissions. Most degradation occurs in the southern natural forests, where unsustainable and unmanaged fuelwood extraction is a major contributor to the problem, and an estimated 63% of all native forest management in the country leads to forest degradation³. The most common causes of forest degradation are due to over cutting and poor forest management practices, mainly for fuelwood⁴. Forest fires and the introduction of cattle for grazing are also contributing factors. These forces change the structure of native forests in terms of their size, species composition and ecological processes, and biodiversity conservation, among other aspects. Such effects have been identified but not yet quantified in terms of their impact on forest carbon stocks and the consequent level of forest degradation.

3. In 2006, the National Advisory Committee on Climate Change (*Comisión Nacional Asesora sobre Cambio Climático*, CNACC), a body of nine governmental institutions created in 1996 (CNACC, 2006), prepared a National Climate Change Strategy that is currently being

¹ The GEF (2009) defines land degradation as "any form of deterioration of the natural potential of land that affects ecosystem integrity either in terms of reducing its sustainable ecological productivity or in terms of its native biological richness and maintenance of resilience."

² Desertification is "land degradation in arid, semi-arid and dry sub-humid areas resulting from various factors, including climatic variations and human activities" (UNCCD. 1994. United Nations Convention to combat desertification in countries experiencing serious drought and/or desertification, particularly in Africa. A/AC. 241/27, Paris)

³ INFOR. 2008. Chile's Readiness Plan Idea Note for the World Bank Forest Carbon Partnership Fund.

⁴ The main problem currently is "forest degradation", rather than deforestation.

implemented under the National Climate Change Action Plan 2008-2012. Within this policy and institutional framework, the Office on Climate Change was established in 2010, under the office of the Undersecretary of the Ministry of the Environment, to facilitate work on the issue from an organizational and administrative standpoint. The Office has an annual budget and a permanent staff to carry out its work.

4. The year 2010 marked the culmination of a process of transforming Chile's institutional framework for environmental governance which had begun in 2006. As part of that process the country moved from a multisectoral model, in which environmental matters were coordinated by the National Environmental Commission (CONAMA), to a more centralized and authoritative model under the Ministry of the Environment. The Ministry of the Environment is the national institution currently responsible for working with the Chilean President on the design and implementation of environmental policies, plans, and programs. It is also responsible for protection and conservation of the country's biological diversity and its water and renewable natural resources, as well as for promoting sustainable development and comprehensive environmental policy and regulatory framework.

5. In terms of international commitments, Chile became party to the Copenhagen Accord of the UNFCCC on January 29, 2010 (COP15), providing information on its Nationally Appropriate Mitigation Actions for inclusion in Annex II of the Accord on August 26 of the same year. Chile's NAMA target, as declared in its communication and subject to the provision of international support, is to achieve a 20% deviation below the Business as Usual emissions growth trajectory by 2020, with 2007 as the base year. Chile further declared that the main focus of its NAMA to achieve this target will be energy efficiency, renewable energy, and Land Use, Land use Change and Forestry. In this context, the Ministry of Agriculture through its National Forestry Corporation (CONAF) is making a substantial contribution towards this target by developing a Forests and Climate Change Strategy, in view to position the country's forestry sector as a key climate mitigation instrument, in line with its second National Communication.

6. On November 20, 2012, Chile's initiative on the "Implementation of a National Forestry and Climate Change Strategy, Including the Development and Implementation of a Platform for the Generation and Trading of Forest Carbon Credits," with financial support from the Government of Switzerland, was officially registered as a NAMA under the UNFCCC⁵. The objective of this initiative is to identify and implement alternative financial mechanisms for the country's forestry sector based on current and projected demand in the carbon markets. Chile is also participating in the World Bank's Partnership for Market Readiness where it is looking at different market mechanisms, including the possibility of implementing an Emissions Trading System (ETS), as a solution for meeting the targets set in its 2020 commitment, especially for the Energy sector.

7. The Ministry of Agriculture (*Ministerio de Agricultura*, MINAGRI) is the government institution tasked with promoting, guiding, and coordinating agriculture, livestock, and forestry activities in Chile. The National Forestry Corporation (Corporación Nacional Forestal, CONAF) is an entity affiliated with the Ministry of Agriculture and is the agency responsible for the

⁵ http://unfccc.int/cooperation_support/nama/items/6982.php

administration and enforcement of forest legislation in Chile, acting as the country's Forest Service. CONAF has more than 130 branch offices located in all the regions with a permanent staff of over 2,000 employees, and is one of the public institutions with the most extensive representation throughout the national territory. However, given the geographic extension of the country's forest area, its enforcement strategy is focused mainly on specific priority areas with particular conservation issues.

8. Relevant ongoing programs in the forest sector include the *Afforestation and reforestation program (Presidential Decree no. 701)* which supports all classes of landholders in tree planting and plantation management (thinning and pruning) and *The native forest restoration and management program (Law no. 20.283)*, approved in 2009. Sustainable forest management, restoration and conservation in native forests are eligible for co-financing under the law. These two programs would potentially tie into the REDD+ strategy, with improvements to be defined through studies and public consultations during the readiness preparation phase. Most REDD+ actions in Chile would likely be implemented at the level of the individual producer, legal landholder or community. During grant implementation both synergies and potential conflicts/overlaps among ongoing domestic and international incentive programs will be identified.

9. The policies, programs and other interventions Chile intends to implement to reduce emissions from deforestation and forest degradation will be defined through studies and consultations during the readiness preparation phase. The potential strategy options currently under consideration fall into seven main categories; (i) improvement in the planning and management of native forests, (ii) management and control of illegal logging, (iii) training and capacity building for producers, (iv) mainstreaming silvopastoral practices into pasturelands, (v) wildfire prevention and control, (vi) offsets for future hydroprojects, and (vii) improvement of afforestation and reforestation practices to optimize carbon capture.

10. CONAF is also implementing a USD6 million GEF funded Sustainable Land Management Project (Proyecto de Manejo Sustentable de la Tierra). The project focuses on the management of degraded lands, the conservation of biodiversity in productive areas, and other activities aiming at the mitigation of climate change. It is working to strengthen the Chilean Government's incentive mechanisms for sustainable agriculture and forestry through a landscape approach. The Government offers economic benefits to landowners and communities so that they can manage their lands with these objectives in mind. As such, it is highly relevant and complementary to the country's REDD+ efforts.

C. Relationship to CAS

11. The World Bank Group 2011-2016 Country Partnership Strategy with Chile⁶ (Report no. 57989-CL), discussed by the Executive Directors on February 15, 2011, highlights the Government of Chile's development agenda called *Chile País Desarrollado*, which sets the goal for achieving high income developed country status by 2018. The primary challenges highlighted

⁶ The World Bank. January 11, 2011. Country Partnership Strategy for the Republic of Chile for the Period FY11 – FY16. Report no. 57989-CL

in the CPS are related to boosting economic growth and eliminating extreme poverty. In addition, the Government has committed to protecting the environment in order to ensure the long-term environmental sustainability of growth as well as respond to Chile's commitments to address climate change as a new member of the OECD.

II. Proposed PDO/Results

A. Proposed Development Objective(s)

12. The Project Development Objective is to assist the Recipient in carrying out the Readiness Preparation Activities.

B. Key Results

13. Based on the activities to be financed by the FCPF, the key results from the proposed REDD readiness preparation grant would include the following:

- Consultations on the national REDD+ strategy are carried out with indigenous peoples, local communities, civil society, the private sector and other key stakeholders;
- A definition of forest degradation in the context of REDD+ has been established in consultation with key stakeholders
- The national forestry extension program is strengthened in order to enable small and medium landholders as well as indigenous peoples communities to access the benefits of CONAF's various forestry programs
- A SESA is conducted during the readiness phase and an ESMF is prepared in managing potential social and environmental impacts for the REDD+ strategy implementation phase.

14. Key results expected from the future implementation of REDD+ in Chile following the readiness phase may include (though by nature, this list would need to be refined during the readiness preparation phase):

- Measured, Reported and Verified reductions in emissions resulting from the implementation of REDD strategies;
- Additional income accessed by participating indigenous peoples and other forest-dependent communities and private owners;
- Continued monitoring and mitigation of environmental and social impacts (ESMF);
- Enhanced cross-sectoral coordination in areas dealing with REDD+;
- Continuous consultations with and enhanced participation of relevant stakeholders including indigenous peoples and civil society in REDD+ policy-making.

15. Chile has signaled strong interest in developing an Emissions Reduction Purchase Agreement (ERPA) under the Carbon Fund (CF) of the FCPF which is expected to develop in parallel to and in support of the readiness process.

III. Project Context

A. Concept

1. Description

16. The Readiness Preparation Proposal (R-PP) prepared by the Government of Chile identifies a broad set of activities to support the country in strengthening its technical and institutional capacities to participate in a future REDD+ mechanism. The financial envelope needed to cover the set of activities needed to reach REDD+ Readiness in Chile has been estimated to USD 13.68 million in the R-PP. This envelope will be supported by different sources, which include multilateral and bilateral financing arrangements in addition to the Chilean government's own contribution. The FCPF Participants Committee (PC) authorized grant funding of \$3.8 million in March 2013 (PC14) based on Chile's submission of its R-PP in October 2012, while the Government of Chile will provide significant funding in the amount of USD 4.919 million. Recently, the country registered a Forestry NAMA with the Secretariat of the UNFCCC, for which the Swiss Government has contributed approximately US\$3 million. That, together with funding currently being negotiated with the private sector at the national level, is expected to finance the priority activities of the REDD+ Readiness process, which will allow the country to build a strong base for further engagement in the REDD+ process.

17. The FCPF grant will finance specific activities included in components 1, 2, 3 and 4 of the R-PP. These activities have been selected after technical discussions with the National Forestry Corporation (CONAF), taking into account the technical and financial needs of Chile's REDD+ Readiness process, the comparative advantage of the World Bank in supporting them, as well as the complementarity with support made available by other partners. Table 1 below provides an overview of the RPP budget and the activities to be financed by the FCPF. It should be noted that the activities to be financed by the FCPF in support of the REDD+ Readiness Program in Chile do not include the implementation of REDD+ programs or activities on the ground. The FCPF support is limited to analytical studies, capacity building, and participation and consultation processes at the national and sub-national levels.

18. The specific REDD preparation activities Chile intends to carry out in preparing its Readiness Package are described in the R-PP, and include: strategy development through stakeholder consultations, analytical work, capacity-building, a Strategic Environmental and Social Assessment (SESA), and technical work to establish a national forest Reference Emission Level/Reference Level and monitoring system. These activities are funded by the FCPF Readiness Preparation Grant of \$3.8 million.

Table 1. Synopsis of proposed R-PP budget and FCPF financed activities, in US\$⁷

REDD+ Readiness Preparation Activities	FCPF	GoC	National Private Sector	Other	TOTAL US\$
Component 1: Readiness Organization and Consultation	1,087,797	1,054,000	301,000	392,000	2,834,797
1.a National Readiness Management Arrangements	515,797	287,000	82,000	107,000	991,797
1.b Information Sharing and early Dialogue with Key Stakeholders Groups	172,000	392,000	112,000	146,000	822,000
1.c Consultation and Participation Process	400,000	375,000	107,000	139,000	1,021,000
Component 2. REDD+ Strategy preparation	2,412,203	1,676,000	1,690,000	2,278,000	8,056,203
2.a Land Use, Drivers, Forest Law Policy, and Governance	70,000	459,000	459,000	551,000	1,539,000
2.b REDD+ Strategy Options	2,040,203	656,000	656,000	788,000	4,140,203
2.c REDD+ Implementation Framework	104,000	288,000	288,000	604,000	1,284,000
2.d Social and Environmental Impacts	198,000	273,000	287,000	335,000	1,093,000
Component 3: National Forest Reference (Emission) Level I and Monitoring Systems for Forests and Safeguards	300,000	1,925,000	400,000	702,000	3,327,000
3. National Forest Reference (Emission) Level	150,000	605,000	230,000	302,000	1,287,000
4.a National Forest Monitoring System	60,000	1,240,000	170,000	400,000	1,870,000
4.b Information System for Multiple Benefits, Other Impacts, Governance and Safeguards	90,000	80,000			170,000
TOTAL	3,800,000	4,655,000	2,391,000	2,772,000	14,218,000

Below is a detailed description of the grant components and the activities to be financed by the FCPF as part of the REDD+ Readiness process in Chile:

Component 1: Readiness Organization and Consultation
FCPF USD 1,087,797 (39%); Total USD 2,834,797

1.1 National Readiness Management Arrangements - FCPF USD 515,797

Context: REDD+ is an innovative mechanism that will require substantial efforts, both at the technical and strategic levels, on behalf of the professionals working in CONAF and other public agencies in order for them to apply new concepts and approaches to the Chilean forestry sector. In order to overcome this challenge, CONAF is collaborating with a number of Universities in order to develop a Diploma in “Applied Management for Forestry and Climate Change” in order to build the capacity of its staff and other relevant institutions across the country as part of its Readiness efforts. The design of the course is currently under development under an agreement with the Mayor University, the University of Concepcion and the Austral University of Chile, in addition to other actors involved from the Expert Group on Climate Change (Ministry of Environment, VCS-Chile, VCS-Internacional, POCH Ambiental, Patagonia Sur, TNC y

⁷ A detailed budget for each component and all the information on the Chile R-PP is available at <http://www.forestcarbonpartnership.org/chile>

Fundación Chile). It is expected that the diploma will be operational starting the first semester of 2014. Initially, it will target CONAF professionals and will be tailored to strengthen their knowledge around key issues related to the Chilean REDD+ approach, such as the voluntary carbon markets and forest carbon project development and certification. It is expected that over time, the diploma will evolve to be integrated more organically within the Chilean academia.

In Chile there are currently no accredited specialists for the validation and verification of forest carbon initiatives based on international standards. In this context, under the Collaboration Agreement between CONAF and VCS, one of the key activities that has been identified as necessary for the development of the forest carbon market in Chile is the creation of a pool of forestry professionals with the capacity to act as auditors within the country. The aim is to reduce the transaction costs related to the validation and verification of projects under the PBCCh, both by reducing the dependence on international firms and by increasing competition among national ones.

FCPF grant support:

- Consultancy services through a national university to prepare and deliver Forests and Climate Change Diploma (USD 316,882)
- Consultancy services to prepare and deliver a course for auditors to validate and verify implementation of PBCCh Typologies (USD 198,915)

1.2 Information Sharing and early Dialogue with Key stakeholder Groups - FCPF USD 172,000

Context: CONAF intends to establish a participatory platform for REDD+ at the national level and will include representatives of the diverse sectors in the government (ODEPA, CIREN, INDAP, INFOR, SAG and CONADI), indigenous peoples, civil society organizations, small farmers association, big landowners' association, academia, and other key stakeholders. CONAF will serve as secretariat for the roundtable. It is foreseen that the roundtable will have a decentralized character and in addition, CONAF will design mechanisms to ensure multi-stakeholder participation at the macro regional level that will contribute to the overall national participation process.

FCPF grant support:

- Travel costs for platform participants (100,000)
- Meeting logistics (25,000)
- Communication materials (25,000)
- Consultancy services to support the administration of the platforms (22,000)

1.3 Participation and Consultation Process – FCPF USD 400,000

Context: CONAF intends to carry out free, prior and informed consultations on the national strategy building on the existing structures at national and regional levels with key stakeholders during the readiness phase. A differentiated consultations process that is culturally adequate will be followed in the case of indigenous peoples as per World Bank Operational Policy on

Indigenous Peoples (OP 4.10) in seeking broad community support on the National Strategy. Chile has committed to follow the principles of ILO Convention 169 and take into account the UNDRIP, for which a specific consultation protocol plans to be developed with indigenous peoples. As part of the consultation methodology, special attention will be paid to women in order to understand their specific issues and concerns. CONAF is expected to complement this amount to cover the additional activities outlined in the R-PP under this component. A feedback and grievance redress mechanism (FGRM) for the REDD+ process will be established with specific procedures for receiving, documenting, follow-up, investigation and reporting of complaints. The FGRM will be based on an initial review of the existing mechanisms in the country and will be complemented based on the specific objectives for REDD+.

FCPF grant support:

- Workshops for information dissemination and consultation process with indigenous peoples, *campesinos*, civil society, the private sector and other key stakeholders. (USD 200,000).
- Consultancy services to review existing mechanisms, and support design and establishment of a grievance redress mechanism (USD 100,000)
- Capacity building and implementation costs for the grievance redress mechanism (USD 100,000)

**Component 2: REDD+ Strategy preparation
FCPF USD 2,412,203 (30%); Total USD 8,056,203**

2.1 Land Use, Drivers of Land Use Change, Forest Law, Policy and Governance – FCPF USD 70,000

Context: Given Chile’s particular national circumstances with regards to REDD+, with relatively low rates of deforestation (estimated at 27,000 ha/yr in FAO FRA, 2010), the country’s REDD+ efforts are focused on recovering its natural forest ecosystems which, particularly in the southern parts of the country, are often found in a degraded state due to unsustainable management practices. Establishing a definition of forest degradation is the starting point for assessing the precise impact of the different drivers involved, the types of forest and landowners affected, and for identifying appropriate response measures whose impacts can be measured, reported, and verified. Defining what is understood by degradation is thus one of the key challenges for the REDD+ process in Chile. In the absence of a globally sanctioned definition (see Simula, 2009), agreeing on and adopting a national definition of forest degradation adapted to Chile’s national circumstances is a high priority during the early Readiness phase. This analysis will be based on an initial study conducted as part of INFOR’s “Development of a REDD methodology and tools for use in temperate forests” project⁸, in order to ensure conceptual continuity, and will be validated with the participation of national and international experts.

⁸ Rojas, Y., G. Loguercio, V. Nieto, and C. Bahamondez. 2012. Análisis de la degradación forestal en el marco de REDD+. Proyecto INFOR: Desarrollo Metodológico y de Herramientas para la REDD en Bosques de Tipo Templado. Instituto Forestal (INFOR, Chile), Centro de Investigación y Extensión Forestal Andino Patagónico (CIEFAP, Argentina) y Corporación Nacional de Investigación y Fomento Forestal (CONIF, Colombia). Funded by:

FCPF grant support:

- Consultancy services to conduct a study to systematize existing international definitions of degradation and to propose a national definition adapted to Chile's circumstances. (USD 40,000)
- Consultancy services and operational costs to validate the proposed definition with national and international experts through ad-hoc workshops. (USD 30,000)

2.2 REDD+ Strategy options – FCPF USD 2,040,203

Context: As part of its National Forests and Climate Change Strategy, CONAF proposes, among other activities aimed at promoting the sustainable development of the Chilean forestry sector, to develop a system for the generation, registration, and trading of forest carbon credits compatible with the leading international voluntary market standards (PBCCh). The system is expected to include the definition of a set of standardized typologies for REDD+ forest carbon projects; the definition of steps for the validation, generation, registration, and certification of carbon credits; the assessment, priority ranking, and selection of international standards for the voluntary market; and the definition of modalities for trading emissions certificates generated through REDD+ activities. Such a system is expected to provide an additional economic opportunity for forest landowners and a new impetus to the domestic forest sector, leading to increased rates of forestation and forest restoration as part of the country's national mitigation actions.

As part of its REDD+ Readiness efforts, Chile also plans to strengthen its existing forest governance structures. This is especially the case of the forestry extension program, the Corporation's human component that is in regular direct contact with forest owners and their local organizations, playing an important role in facilitating their access to benefits under the forestry legislation and other initiatives that promote the sustainable use of the country's forest resources. It is expected that forestry extension workers will also play a crucial role in facilitating small and medium forest owners' participation in the PBCCh. (For further details on the PBCCh and the National Forestry Extension program, see Technical Assessment section).

FCPF grant support:

- Consultancy services with national Universities to develop five forest carbon project typologies for the native forests in the southern regions of the country. (USD 545,085)
- Consultancy services to design a National Unit for the Administration and Registration of Forest Carbon Credits as part of the PBCCh. (USD 40,000)
- Operational costs to expand the national forestry extension system in the southern regions of the country to support the national REDD+ strategy dissemination. (USD 1,455,118)

2.3 REDD+ Implementation framework - FCPF USD 104,000

Context: Updating the rural cadaster will be an important REDD+ Readiness activity in Chile as the country still lacks detailed studies of land ownership, especially by small and medium-sized

landowners. Leyton (2009) based on data from the 1997 Cadaster of Native Vegetation Resources and the 2007 National Agricultural Census, estimates that 2,000,000 ha of native forest belong to large landowners; 2,500,000, to medium-sized landowners, and 1,500,000, to small landowners. In addition, demonstrating clear title to the land is an eligibility requirement for accessing the forestry benefits of Decree-Law 701 and Law 20,283. In the case of forest plantations, the owners of all but a small fraction of the land hold legal title, but when it comes to the native forest, titles still need to be cleared for a high proportion of the owners, especially those with small parcels. According to the 2007 Agricultural Census, the ownership of about 1,800,000 ha of forest land has yet to be regularized. As a result, a large part of the rural sector is currently excluded from the system of forestry incentives. CONAF is currently working with the Ministry of National Goods in order to implement a program to support landowners in this context, especially in forested areas, which needs to be strengthened.

Among the Readiness activities to be carried out in order to support measures for assisting landholders, including indigenous communities, in clearing their land titles and regularizing their ownership, CONAF is expected to: assess the distribution of native forest among different types of property, especially small and medium- landholders and indigenous groups; analyze the relationship between land ownership and forest carbon rights; and between the current forestry incentive systems and the different forms of land tenure; and develop proposals for alternative legal arrangements regarding property rights.

FCPF grant support:

- Consultancy services and operational support to study the current distribution of native forest cover among different types of ownership. (USD 104,000)

2.4 Social and Environmental Impacts - FCPF USD 198,000

Context: A Strategic Environmental and Social Assessment (SESA) for REDD+ will be conducted during the readiness phase as per FCPF requirement aimed at: (i) providing recommendations to the design of the REDD+ strategy; and, (ii) preparing an Environmental and Social Management Framework (ESMF). Under the SESA, diagnostic studies and analysis will be carried out based on the key issues prioritized by stakeholders in order to generate policy recommendations as a contribution to the national REDD+ strategy design. Activities for enabling the participatory process of stakeholders for SESA at the national and regional levels such as workshops, meetings, human resources, etc., will be supported. Lastly, the component will include the preparation and dissemination of the ESMF (Environmental and Social Management Framework) to manage potential social and environmental risks and impacts in the implementation phase of the national strategy. CONAF is expected to complement this amount to cover the additional activities outlined in the R-PP under this component.

FCPF grant support:

- Consultancy services to carry out diagnostic studies on existing national legislation, regulatory framework and procedures for managing social and environmental issues (USD 48,000).

- Stakeholder meetings and workshops to review and provide feedback on the diagnostic studies conducted under this subcomponent of the R-PP, including those financed by the FCPF and others (USD 150,000)

Component 3: Development of a National Forest Reference Emission Level and Monitoring Systems for REDD+ - FCPF USD 300,000 (9%); Total USD 3,327,000)

Context: Chile currently has a number of different-but-related activities underway that provide a large body of information on its forest resources, forming a strong basis for its future National Forest Monitoring System for REDD+. These include⁹: Cadaster of Native Vegetation Resources in Chile, administered by CONAF since 1997; Ongoing National Inventory of Forest Ecosystems, conducted by INFOR since 2001; Forest Carbon and Wood Energy Monitoring System in the Regions from Coquimbo to Magallanes; Extensive National Forest Inventory for the years 1996-1997; National data on emission factors and allometric equations; MAPS/Chile Project for the development of BAU scenarios, including for the forest sector (see www.mapschile.cl); Forestry, demographic, economic and social statistics managed by a number of institutions and other stakeholders. However, there is still need for more detailed analyses and specific efforts to be made, aimed at applying this information to the construction of reference levels and for the measurement and reporting of GHG emissions from REDD+ activities. Therefore, the RPP outlines a series of key activities that will build on these existing initiatives in order to develop a robust REL/RL and Monitoring System for the Chilean forest sector, in line with the country's National REDD+ strategy.

FCPF grant support:

- Consultancy to develop the technical design to expand the list of variables sampled in the Forest Carbon and Wood Energy Monitoring System and the Ongoing National Inventory of Forest Ecosystems in order to increase the number of carbon pools measured (litter, deadwood, and soil), as well as subsampling for biodiversity and social components (USD 30,000).
- Consultancy to develop cost-effective methodologies and protocols to measure CO₂ emissions from degradation based on national and international experiences (USD 40,000).
- Consultancy to develop an analysis of the impact of demographic, economic, and social variables, as well as public policies, on the forest degradation dynamic and development of potential future scenarios (USD 40,000).
- Operating costs to carry out workshops for the validation and dissemination of the technical design of the National REL/RL (USD 40,000).
- Independent assessment of the MRV System design with a view to fully comply with international requirements and facilitate the objective validation of country information (USD 60,000).

⁹ For a more detailed description on each of these activities, please refer to the RPP.

- Consultancy to develop criteria and indicators for monitoring the multiple environmental and social benefits (as well as potential negative impacts) generated by the National REDD+ strategy, including workshops to validate and disseminate the results (USD 90,000).

2. Key Risks and Issues

19. *Uncertain prospects for carbon markets.* The Chilean Forest Carbon Credits Generation and Trading Platform (PBCCh, for its acronyms in Spanish) is an integral part of Chile's National Forests and Climate Change Strategy. It aims to develop a system for integrating the Chilean forest sector in the international and domestic carbon markets, by promoting the development of forest carbon projects able to generate tradable carbon credits based on international standards. However, at a time of turbulence surrounding the global carbon markets, it remains uncertain whether current carbon prices can sufficiently spur the necessary long-term investments in the forest carbon sector to support the growth and sustainability of the PBCCh. Global economic decline and falling emissions has resulted in an oversupply of carbon credits in the market thereby reducing prices and incentives for many countries and corporations to invest in alternative carbon offsetting mechanisms. Bloomberg New Energy Finance estimates that while traded volumes for CERs jumped 16% in 2012, their market value fell from an estimated \$22 billion in 2011 to \$6.5 billion this past year. Throughout 2012-2013, CER prices fell precipitously, falling to a record low of \$0.16/tCO₂e, while there is also a concern that traditional CDM market players will channel the oversupply of CERs into the voluntary markets. With regards to the market for credits from REDD+ projects, the 2012 Ecosystems Marketplace Report on the State of Voluntary Carbon Markets estimated a contraction of 59% in 2011 compared to 2010, while in 2012 it fell further by 8% to 6.8 MtCO₂. At the UNFCCC level, prospects for a REDD+ mechanism are uncertain at least until 2020, while negotiations on REDD+ finance are still ongoing. Based on this background, any REDD+ strategy that is based on prospects for a strong demand for (regulatory or voluntary) carbon offsets presents challenges related to the uncertainty of the future state of global carbon markets.

20. *Mitigation measures.* As part of Chile's Forestry NAMA funded by the Government of Switzerland, a study will be conducted to identify and implement potential financial mechanisms within the framework of the PBCCh, based on current and projected demand at both the national and international levels and in both the voluntary and regulatory markets. In addition, Chile is participating in the World Bank's Partnership for Market Readiness (PMR), under which it is analyzing different market mechanisms for a potential domestic Emissions Trading System (ETS) that could be linked with the PBCCh. Finally, it is important to note that Chile's National REDD+ strategy is not solely based on market mechanisms such as the PBCCh, but also includes public policy instruments, such as continuing its subsidy schemes for the forestry sector, strengthen its forest extension programs, harmonizing incentives across sectors, etc.

21. *Full and effective participation of stakeholders.* CONAF has a long-standing track record in working with indigenous peoples, small- and medium-size farmers and other *campesino* communities mainly by providing support and facilitating access to the incentive programs while establishing communication channels with key stakeholders on the ground. As the scope of the strategy is national and given the large size of the country, multi-stakeholder participation platforms at the regional level that can mutually communicate with the national

multi-stakeholder platform will need to be strengthened as there are concerns that, if the strategy is not prepared with full and effective participation of key stakeholders, REDD+ may not fully benefit indigenous peoples and local communities, undermine their land and resource rights, or weaken their traditional social and political structures.

22. *Mitigation measures:* Overall, the Government expressed its commitment to lead a participatory REDD+ process through the preparation of a stakeholder engagement plan to link up regional perspectives and to coordinate with CONADI to explore ways to facilitate indigenous peoples participation in the national process. Additionally, CONAF plans to hire additional forest extension services (*extensionistas*) that will work with indigenous peoples, small- and medium-size farmers to facilitate engagement and strengthening participation from the ground.

B. Implementing Agency Assessment

23. The executing agency will be the Chilean National Forestry Corporation (CONAF), which will also manage procurement and share responsibility for financial management. The recipient, AGCI, will be responsible for undertaking the financial management functions of the project. CONAF is the government agency responsible for overseeing all forestry activities in the country, including management of incentive programs for plantations and native forest management, national parks, fire prevention and suppression and environmental impact assessments for activities in forest areas. CONAF headquarters are in Santiago, and they maintain a large and diverse staff throughout the country in regional and local offices. Notably, CONAF has a dedicated technical team at the national and regional level with experience and systematic engagement with a broad range of stakeholders, including indigenous peoples, *campesino* communities, small producers, etc.

24. From a strictly legal perspective, CONAF is a private organization, although it receives funding from the government, its director is appointed by the president and the Minister of Agriculture serves as the head of its board of directors. For this reason, AGCI, which is part of the Ministry of Foreign Affairs, is the recipient for the Bank funding. A subsidiary agreement between CONAF and AGCI, acceptable to the Bank, spells out the responsibilities for each organization relative to the FCPF agreement.

C. Project Stakeholder Assessment

25. The broad identification of stakeholders at the national, regional and local levels as well as their role in the REDD+ process is critical for understanding the social context for which forests resources are owned, managed, used and valued. CONAF has broadly identified the following stakeholders at the national level: (i) sectoral government (i.e. agriculture livestock, social, among others); (ii) regional and local governments (i.e. provinces and municipalities); (iii) academia and research institutes; (iv) NGOs and civil society; (v) indigenous peoples traditional structures and organizations; (vi) *campesino* organizations of small farmers; (vii) medium and large landowners; and, (viii) private sector (mostly from the timber industry). The potential role of owners of privately owned protected areas will need to be assessed.

26. In summarizing the overall stakeholder assessment in Chile's REDD+ process, indigenous peoples¹⁰ play a key role as REDD+ touches upon issues of collective land rights, management and use of their natural resources, traditional knowledge and respect for their customary decision-making structures. On the other hand, *campesino* associations of small farmers, small- and medium-size landowners may access the various government incentive programs in the sectors of agriculture, forests and livestock¹¹ for productive activities in their lands in order to support their livelihoods, but they may encounter barriers in terms of access (for example, providing evidence of legal land ownership), eligibility criteria (for example, insufficient amount of landholdings) and little inter-sectoral coordination of targeted incentive programs to support an integral development of the beneficiaries' lands. Lastly, agricultural communities (*Comunidades Agrícolas*) is defined as a group of landowners that occupy and use a common rural land and are organized within this specific legal context.¹² This legal structure allows targeted and differentiated support from the various government programs, especially from INDAP, SAG and CONAF to *campesinos*. These communities are largely found in the region of Coquimbo whereby a total of 187 agricultural communities are currently legally registered. Civil society organizations in regards to the forestry sector are mostly active at the regional level with a special focus in the southern parts of Chile whereby issues of land tenure and land rights, access and management of natural resources, and livelihoods are at the core of the policy-level discussions.

27. Given Chile's wide range of ecological zones and diverse landscape, the multi-level and multi-sectoral stakeholder mapping is geographically distributed in 6 macro-zones and 4 regions in order to reflect the broad diversity of stakeholders and their corresponding geo-political contexts. This initial distribution is intended to allow CONAF to manage participation and consultations processes in a more targeted manner in addressing issues that are specific to each macro-zones and regions. An initial assessment indicates that early dialogue was carried out with selected key stakeholders at the national level and in specific regions (Araucania, Bio Bio and Los Lagos) regarding the national process. Further engagement efforts are planned throughout the 15 regions of the country and specific attention will need to be paid to the private sector (pulp and paper mill), *campesino* and small farmers as well as indigenous peoples. The stakeholder mapping will be further strengthened by identifying and analyzing the broad range of stakeholder groups particular to the 6 macro-zones and 4 regions as indicated above.

28. To facilitate broad stakeholder participation and inter-sectoral coordination a Roundtable for Forest and Climate Change (*Mesa de Bosques y Cambio Climático*) will be established at the

¹⁰ There are 9 indigenous peoples that are formally recognized in Chile from North to South: Quechua, Aymara, Atacameno, Colla, Diaguita, Rapa Nui, Mapuche, Kawashkar and Yagán peoples. Approximately 1,188,340 of The the country's population (6.9%) self-identify as belonging to an indigenous peoples group and the largest percentage (85.2%) identifies as Mapuche followed by Aymara (8.1%) and Atacameno (2.6%). The remaining 6 indigenous groups (Colla, Rapa Nui, Quechua, Kawashkar, Yagán y Diaguita) conform a total of 2.2% of indigenous peoples in Chile. Indigenous peoples are largely (69.8%) concentrated in the following 4 regions: Biobio (6.7%), Araucania (24.6%), Metropolitan (24%) and Los Lagos (14.5%) (National Socio-economic Survey (CASEN) for 2009).

¹¹ SIRSD (Law 20,402), Fomento al Riego (Law 18,450), Decree 701 and Law 20,283.

¹² Law No. 19,233 on Agricultural Communities (*Comunidades Agrícolas*).

national level that will include representatives of the sectoral government, indigenous peoples, civil society organizations, small farmers association, big landowners association, and academia, among others. CONADI (*Corporación Nacional de Desarrollo Indígena*), the agency¹³ responsible for promoting, coordinating and implementing policies and activities that involve indigenous peoples will be a member of the national Roundtable. The existing multi-stakeholder¹⁴ Consultative Council of Native Forests (*Consejo Consultivo del Bosque Nativo*) established by the Native Forests Law will be utilized as a participation platform complementary to the national process. Additionally, a National Technical Group of Experts (*Grupo Técnico Nacional de Expertos – GTNE*) was formed composed of consultancy firms, national and internal NGOs with the aim to advice CONAF based on their expertise and know-how in reference to the forest sector in Chile. During the readiness phase, CONAF will work including indigenous peoples’ representation in the GTNE. Moving forward, further efforts will be needed to establish REDD+ institutional arrangements at the regional level to facilitate broad stakeholder participation that feeds into the national level decision-making process regarding REDD+. In the specific context of REDD+, coordination with CONADI is key in discussing and potentially providing alternatives for issues pertaining indigenous peoples in terms of land rights, application of legal framework, consultation, use and management of natural resources, among others.

D. Overall Risk Ratings

1. Risk Ratings Summary Table

Risk	Rating		Rating
Stakeholder Risk	M	Project Risk	M
Operating Environment Risk	L	- Design	M
- Country	L	- Social and Environmental	M
- Sector and Multi-Sector	L	- Program and Donor	L
Implementing Agency Risk		- Delivery Monitoring and Sustainability	L
- Capacity	L	-	
- Governance	L	-	
- Fraud and Corruption (sub-category of Governance)	L		
Overall Preparation Risk	M	Overall Implementation Risk	M

2. Overall Risk Rating Explanation

29. The **proposed overall risk rating is Medium-I (Low Likelihood and High Impact)**. The overall risk rating is driven up by the risks associated with the innovative nature of REDD. As indicated by several stakeholders during the early dialogue activities, there is a risk that, if not carefully prepared, REDD may not deliver the expected outcomes and in some areas could

¹³ CONADI is part of the Roundtable in its specific role as government agency responsible for indigenous peoples affairs, not as representing indigenous peoples as a group.

¹⁴ The Council is integrated by 15 representatives from various relevant sector governments and includes civil society organizations, small-size landowners associations, medium- and large-size landowners associations and owners of private protected areas., There is no indigenous peoples representation in the Council.

actually aggravate existing tensions especially for indigenous peoples and other vulnerable groups. Therefore, full and effective stakeholder participation will be critical during preparation, and project implementation as well as the implementation of the continuous operation of the monitoring and management frameworks (ESMF) during implementation. See ORAF in Annex 1 for further details.

IV. Proposed Team Composition and Resources, including Technical Assistance Provided by Bank Staff to Date

30. The World Bank team provided technical assistance from the R-PIN stage and throughout the development of the R-PP to CONAF in various stages. Two technical assistance missions were carried out (March 2012 and May 2012) and a due diligence mission was completed in May 2013. Procurement and FM missions were carried out in October 2012. The first regional SESA workshop was carried out in July 2013 that included the regions of Araucania and Bio Bio. At its fourteenth meeting in March, 2013, the Participants Committee of the FCPF approved Chile's RPP allowing the country to move forward into the readiness phase.

31. A due diligence mission took place in May 2103 to conduct a comprehensive assessment of the status of the national REDD+ process in order to identify the key -- short and long-term -- issues and gaps. This mission involved a multi-disciplinary World Bank Team (legal, forest, carbon, social development, environmental and communication) that carried out technical discussions, held meetings with key government and non-government stakeholders, indigenous peoples and universities as well as visiting the regions of Araucanía, Biobío y Los Ríos for discussions with regional CONAF staff and key stakeholders. The aide-memoire including suggestions provided by the Bank team on the R-PP, was signed and the AM will be made public. Following the mission, Chile submitted a revised R-PP to the Bank.

32. The Bank team also carried out a follow-up mission to participate in and provide technical support to the Third Internal Workshop (July 25, 2013, in Temuco) of CONAF Group of Forests and Climate Change (*Grupo de Bosques y Cambio Climático de CONAF*). The focus of this mission was to support CONAF efforts to integrate key environmental and social considerations in the design of the National Strategy for Forest and Climate Change.¹⁵ The workshop included the participation of all 15 regional coordinators from CONAF with special focus on the experience of CONAF regional staff from Bio Bio and Araucania regarding the organization of the first regional SESA workshop. The Bank team also worked closely with CONAF to help in the development of the SESA instrument. A first regional SESA workshop for the Bio Bio and Araucania took place on July 26, 2013 as a first effort to inform and receive feedback from a broad range of stakeholders regarding the current status of the REDD+ process. The SESA entailed inputs from stakeholders regarding the drivers of deforestation and degradation and an issue scoping exercise of the strategic options proposed by CONAF.

¹⁵ The workshop focused on the following aspects: information and communication, regional stakeholder mapping, SESA, feedback on the design of the National Strategy, lessons learned and challenges of organizing the first regional SESA workshop.

33. The World Bank team supporting the Government of Chile in its REDD+ Readiness process:

Name	Title	Unit
Peter Jipp	Sr. Natural Resources Mgmt Specialist & TTL	LCSAR
Robert Davis	Sr. Forestry Specialist (former TTL)	EASER
Mi Hyun Bae	Sr. Social Development Specialist	LCSSO
Raul A. Tolmos	Environmental Specialist	LCSEN
Julius Thaler	Counsel	LEGEN
Felipe Banados	Consultant, Forest Law Specialist (local)	LCSAR
Maria Carolina Hoyos	Consultant, Communications Specialist	LCSAR
Stavros Papageorgiou	Consultant, Forest Carbon	LCSAR
Jeannette Ramirez	Operations Officer	LCSAR
Ana Lucia Jimenez Nieto	Financial Management Specialist	LCSFM
Selene del Rocio la Vera	Procurement Specialist	LCSPT
Diana Rebolledo	Language Program Assistant	LCSAR

V. Assessment Summary

A. Technical

34. The Task Team reviewed the R-PP, and related documentation. It appears that Chile is well-positioned to advance through the REDD+ Readiness preparation phase. Overall, it seems the country has identified the critical issues relevant to REDD+ and has developed adequate processes to address these issues during preparation and implementation. The R-PP seems to contain the key elements required for a future REDD+ mechanism as defined by the COP16 in December 2010. It seems the Government has also made a good faith effort to hear and incorporate the views of key stakeholders at this stage. Since deforestation and degradation rates are declining, REDD+ efforts can reinforce an existing trend and since poor rural communities own most forest REDD+ policies could have large social co-benefits. Given its experience and commitment, it appears that Chile's pioneering a future REDD+ mechanism would provide a learning case of global relevance.

35. *Focus on degradation.* In view of the net growth of its forest resources over the last 10 years, including both planted and native forests, Chile has decided to focus its REDD+ efforts on the recovery of its natural forest ecosystems by addressing the challenging issue of degradation (the second "D" in REDD+), which is affecting four million hectares of its forests, and by increasing forest carbon stocks (the "+" in REDD+). This makes Chile's proposal a pioneering one at the global level, since the focus of other countries' proposals has been primarily on deforestation. The main challenge the country faces is technical: establishing a valid definition of the concept of degradation and developing a feasible method for monitoring it. The main criterion that the definition of degradation needs to meet, in addition to being accepted by stakeholders at the national level and also probably as a conceptual reference for the international community, is that it must be demonstrated to be measurable using methods that are both technically and economically accessible over time periods that are in line with reporting requirements. This work will be carried out jointly with universities and research centers with

proven experience in the area, most notably the Forestry Institute (INFOR), a government research agency in the forestry sector under the Ministry of Agriculture, which has already made some progress in this regard. CONAF will be responsible for both the technical and conceptual aspects of this task, and will also be in charge of monitoring and evaluation, quality control, and ongoing dissemination of the results generated in this sensitive area for the country's REDD+ Strategy.

36. *Chilean Forest Carbon Credits Generation and Trading Platform (PBCCh)*. The PBCCh aims to develop a system for integrating the Chilean forest sector in the international and domestic carbon markets by promoting the development of forest carbon projects able to generate tradable carbon credits based on international standards. Currently still under design, the PBCCh was formally instituted through Resolution 622, issued on June 2012 by CONAF's Executive Director. The PBCCh is intended to establish a common institutional, technical, financial and legal platform in order to overcome the common barriers related to the traditional project approach prevalent in the carbon market, towards a standardized approach based on subnational or jurisdictional scales embedded within a national framework. To do so, the PBCCh concept includes the definition of generic "Project Typologies" as a means to standardize the methodological criteria for projects inside the PBCCh, thereby generating economies of scale and reducing transaction costs in order to increase the participation of small and medium landowners. The development of different carbon Project Typologies will make a significant contribution to both the development and implementation of the national MRV System by defining the specific reference level and monitoring criteria for the different forest types and baseline conditions present in the country, thus serving also a detailed subnational guide to ensure consistency with the national MRV System. Once the typologies are defined and validated, they will then be translated into a generic management plan, termed "Forest Management Plan for Environmental Carbon Capture Services" (PMSACC, for its acronyms in Spanish) that will contain all the technical measures that a project developer needs to comply with in order to participate in the PBCCh. CONAF has invited universities that offer forestry-related career programs to contribute their scientific knowledge to the development of some of the project typologies to be included in the PBCCh. At the same time, it has established an agreement with the Verified Carbon Standard (VCS), a leading standard in the voluntary carbon market, in order to align its Project Typologies with the VCS rules and procedures for Jurisdictional and Nested REDD Initiatives (JNRI). The FCPF grant will contribute to the definition of typologies of interest in this area, supplementing the work initiated by CONAF.

37. *National Forest Extension Program*. The Government, through CONAF, ensures that small and medium-size forest landowners and communities have access to the benefits provided by the national forest legislation through extension and information-sharing activities carried out by its various programs. The forestry extension system was created within CONAF as a result of the CONAF/DED/KfW/GTZ Native Forest Conservation and Sustainable Management Project [*Proyecto Conservación y Manejo Sustentable del Bosque Nativo*] carried out in 1997-2006. The extension system continues to function actively as part of various programs that work directly with small forest landowners, especially under the CONAF National Forest Technology Transfer Program. Forest extension workers provide advice on identifying sources of funding for forestry initiatives, support in presenting projects in response to calls for proposals under Law 20,283 incentives and Decree-Law 701 subsidies, and assistance in the preparation of forest

management plans. Currently there are 53 CONAF forestry extension workers covering a geographic area extending from the region of Arica and Parinacota in the north to Magallanes in the south, with only one worker in the extreme northern and southern regions and larger numbers concentrated in the regions of Biobío and Los Lagos (34 in total), 11 in the region of Los Ríos, and 9 in the region of Araucanía. Under the REDD+ strategy the network of CONAF extension workers will be expanded throughout the country, since these professionals play an important role in the field by building close ties with local communities and their organizations, thus facilitating their access to benefits under the forestry legislation and to the initiatives for sustainable use of the country's forest resources.

38. *Institutional Arrangements for Readiness Management.* The institutional arrangements specific to REDD+ in Chile include a National Roundtable (*Mesa de Bosques y Cambio Climático*) conformed with representatives from: (i) the National Technical Expert Group (*Grupo técnico Nacional de Expertos - GTNE*); (ii) the Office of Agrarian Studies and Policy (*Oficina de Estudios y Políticas Agrarias - ODEPA*); (iii) the Information Center of Natural Resources (*Centro de Información de Recursos Naturales - CIREN*); (iv) the Institute of Agriculture and Livestock Development (*Instituto de Desarrollo Agropecuario - INDAP*); (v) the Forestry Institute (*Instituto Forestal - INFOR*); (vi) Agriculture and Livestock Services (*Servicio Agrícola y Ganadero - SAG*); (vii) National Corporation for Indigenous Development (*Corporación Nacional de Desarrollo Indígena - CONADI*); (viii) indigenous peoples' representative; (ix) academia; (x) NGO; (xi) small size farmers organizations; (xii) big farmers organizations. It is worth noting that the members of the National Roundtable are part of the same sector of MINAGRI, for which the cross-sectoral nature of the demands of REDD+ will need to be strengthened by including other key sectors such as Ministry of Environment and Energy, in order to facilitate harmonization of other sectoral policies needed to make REDD+ viable. Additionally, a National Technical Group of Experts (*Grupo Técnico Nacional de Expertos - GTNE*) will be formed composed of consultancy firms, national and internal NGOs and indigenous peoples representatives with the aim to advise CONAF based on their expertise and know-how in reference to the forest sector in Chile. Cross-sector and multi-stakeholder institutional arrangements will be developed during implementation of the grant as proposed under component 1a.

39. *Context of Indigenous Peoples Governance.* The Indigenous Law (Law 19,253 of 1993) recognizes certain indigenous peoples' rights, such as defining : (i) an indigenous person (article 2-6); (ii) indigenous community (article 9-11); (iii) indigenous association (article 36-37). In addition, indigenous peoples maintain traditional structures and forms of organization in their territories characterized by the Ayllu¹⁶ among the Aymará and the Lof Mapu¹⁷ among the Mapuches in the Arica and Araucania regions, respectively. Legal recognition is required as an indigenous community and/or association with all the legal organizational structure that is mandated by the Indigenous Law in order to access government programs such as social and

¹⁶ The Aymara are organized in Ayllu, which is composed by a numer of communities from the same family tree and collectively work their communally held land. The members of the Ayllu share a religious, economic and political life. The Curaca is the chief of the Ayllu and is responsible for distributing the land and the collective work. The Curaca also acts as the judge in the community.

¹⁷ The Mapuche defines their ancestral territory as the Lof Mapu. The Longko is considered as the chief of the ancestral community and forms part of the traditional authority.

health support, resolving land issues, receiving government subsidies, etc. In this context, traditional customary decision making structures may often be undermined and, in some communities, may lead to frictions between two parallel governance structures. On the other hand, the fund for land and water for indigenous peoples (*Fondo de Tierras y Aguas Indígenas*) has led to the purchase of land for indigenous peoples in regions outside of their customary territories impacting their socio-cultural and traditional structures and organizations as well their cosmovision with the environment. Impacts are exacerbated when the purchases of land for indigenous peoples is not accompanied by a process of providing culturally adequate support for the transition.

Land Tenure. In principle, the constitution of Chile only recognizes private individual land ownership.¹⁸ As a nod to collective rights, the Indigenous Law, as well as older titles from colonial times¹⁹, recognizes certain collective rights of agricultural and indigenous communities.²⁰ However, the law stops short of recognizing collective land title for indigenous communities as it is only the legally established *Comunidades* that can hold the title to the communal land. While there is protection granted under the Indigenous Law for communal lands (e.g. introducing restrictions on its sale), it is noteworthy to point out that, at the constitutional level, indigenous peoples' lands do not enjoy any protection. As a result, there is a real legal risk that indigenous peoples' rights may be superseded by other interests, such as mining, which enjoy constitutional rank.²¹

40. *Benefit sharing.* The existing mechanisms of the incentive programs (*Instrumentos de Fomento*) CONAF implements can be viewed as the basis for a future benefit sharing arrangements for the National Strategy. One of the key challenges will be to design an arrangement that is equitable and culturally adequate, especially in indigenous peoples communities, that will also include non-monetary social and environmental benefits. Through consultations, CONAF plans to explore various alternatives for designing and establishing a benefit sharing arrangement that reaches directly indigenous peoples, campesinos and small farmers.

41. *Conflicts Related to, Land Tenure and Natural Resource .* An initial assessment indicates that social conflicts involving indigenous peoples, small farmers and the private sector exist regarding outstanding land claims, use and management of natural resources, water resources and poverty. For instance, recognition of rights and historical land claims by the Mapuche in the southern region of Chile has led to continuous conflict with the government and the private sector. In specific cases, the conflict resulted in several members of Mapuche communities being victims of excessive police violence and received harsh penalties by the courts.²² In

¹⁸ See Art 19 No. 23 and 24 of the Constitution

¹⁹ "Títulos Titulos de comisario" or "títulos u titulos de merced"

²⁰ Law 19.253 of 1993. However, it is noteworthy that indigenous peoples may opt for individual titles of their ancestral lands and can ask for a division of existing titles held by a *Comunidad*. Law 19.253 of 1993

²¹ This risk is also not directly mitigated by Chile's ratification of ILO Convention 169 due to the GoC's interpretation that the Convention is not self-executing and therefore does not generate any immediate rights and obligation before its transpositions into domestic law.

²² Among others, the Inter-American Commission on Human Rights and the Committee on the Elimination of Racial Discrimination of the United Nations have launched investigations into the alleged human rights violations

addition, the timber and pulp mill industries own extensive land and their natural resources for which indigenous peoples have claimed to have been established in their ancestral territories. The process of privatization encouraged by the 2005 reform of the Water Code (*Código de Agua*) that left the water in the hands of mining and other companies, and the development of new hydro power plants in the regions of Bio Bio and Los Rios on or in the vicinity of indigenous territories has impacted indigenous peoples communities and small farmers' overall livelihoods. In this context, in the opinion of the Inter-American Court of Human Rights, the rights of indigenous communities to be consulted and to protect their territorial integrity and ancestral homelands have been violated in the recent past.

42. *Inter-sectoral Harmonization.* As outlined above, the Constitution grants mining concessions the status of real property. Only under certain circumstances (e.g. impact on the safety of a house, protected areas) does the land owner have the right to contest the award of the concession. Moreover, a concession can be transferred at any time without requiring the consent or even knowledge of the land owner. Accordingly, mining concessions have been awarded in indigenous territories with little regard to the rights of the affected communities as enshrined in ILO Convention 169. In legal terms, the conflict cannot easily be resolved in favor of the indigenous communities (see *supra*).

43. *Carbon Ownership.* Like most other countries, Chile does not have specific legislation or jurisprudence on carbon rights. Given the importance of legal clarity and certainty on this fundamental question, Chile has agreed to analyze how the question would most likely be resolved under the existing legal framework and engage in comparative legal analysis with other countries.

B. Financial Management and Disbursement Arrangements

44. This document is fully based on the financial management arrangements designed and agreed for the GEF Sustainable Land Management project, approved by the Board in June 2013 although not yet effective. Under those arrangements, financial management responsibilities under the Forest Carbon Partnership Facility Readiness Preparation (FCPF) will be also split between CONAF -as project executing entity- and AGCI -as administrator of grant proceeds of FCPF-. CONAF will execute project activities in accordance with project's budget and operational annual plan; carry out contract processes and payment and document to AGCI project expenditures. AGCI, will manage FCPF Designated Account, carry out advances to CONAF, prepare and submit withdrawal requests and record project transactions following the *administración de terceros mechanism*, which is a procedure established in Chile. These arrangements will require close coordination for an effective preparation and provision of financial information of the FCPF project. In terms of project design, it involves participation of

committed by the Chilean State. In the recent past, the courts have admitted charges based on the Anti-Terrorism Law against indigenous persons for acts committed in the context of social protest. Several individuals were convicted for the crime of terrorist agitation and were meted out penalties of 10 years of imprisonment. Contrary to the assessment and recommendations by the Inter-American Commission on Human Rights, the CERD and the Special Rapporteur to redefine the overly broad definition of terrorism, the government has not yet made any changes or proposals for change in this matter.

diverse sectors (e.g. Ministry of Environment, Universities, communities, etc.) and different funding resources (e.g. GOC, national private sector and other), aspects that would require definition of inter-institutional agreements and carry out adjustments to project financial reporting content. Considering FCPF will be supported by same financial management staff agreed for GEF project, it will be necessary to include under their contracts, roles and responsibilities for both projects.

45. *Project risk profile.* The FM risk is considered moderate, mainly because: i) AGCI and CONAF are well-established entities which have implemented IDB and EU financed projects; however, they have no previous experience implementing WB-financed project and the GEF project has not yet started; (ii) FCPF project design involves several actors and diverse counterpart funding which require specific arrangements and close interaction to avoid delays in project implementation; and (iii) finance units of AGCI and CONAF require to clearly define roles and responsibilities to support implementation of an additional project.

46. As part of the review conducted, there are some actions which have been agreed and require to be accomplished before project implementation begins: (i) financial officers to be contracted will include under their contracts, roles and responsibilities to support both projects; (ii) financial reporting will be adjusted in accordance with FCPF information needs; and (iii) there will be one operational manual for both projects, thus current version of OM will require revision. On such basis, FM team concludes acceptability of proposed financial management arrangements are subject to completion of above mentioned actions.

47. *Organization and staffing.* AGCI and CONAF have well established financial units staffed with experienced and qualified staff. FCPF will be supported by same financial management staff agreed for GEF project, it will be necessary to include under their contracts, roles and responsibilities for both projects.

48. *Budgeting, accounting and internal controls.* As confirmed by CONAF and AGCI, same budgeting arrangements will be followed; accordingly, project transactions will not be incorporated in the national budget. CONAF will be responsible for budget preparation, execution and for monitoring. Same accounting policies and procedures (including internal controls) -considered acceptable- will be applied for the proposed project, which allow adequately control, recording and preparing of timely information. Within such framework, project transactions (payments made by CONAF) will be accounted for in SIGFE under account “*Administración de Fondos de Terceros*” and complemented by Excel to record project transactions by cost category. CONAF will record project expenditures in their institutional information system once documented by AGCI on a monthly basis.

49. *Financial reporting.* As in the previous project, AGCI will be main responsible for preparing project financial information on the basis of information provided by CONAF. Project financial statements will include: (i) a statement of sources and uses of funds; (ii) statement of cumulative investments; and (iii) explanatory notes to the financial statements. Interim financial reports will be submitted to the Bank no later than 45 days after the end of each calendar semester and annual financial statements will be prepared for auditing purposes. Format and

content of financial reports for FCPF project have been adjusted to consider other counterpart funding and agreed with CONAF and AGCI.

50. *Audit arrangements.* Annual audit reports on FCPF project financial statements will be performed by the *Controloria General de Chile* and submitted to the Bank within six months of the end of the Borrower's fiscal year. The audit scope will include an opinion on the project's financial statement and a management letter.

51. *Flow of funds and disbursement arrangements.* Similarly to GEF project, FCPF will use disbursement methods of advances, reimbursement and direct payments. A new Designated Account (DA) will be opened at Banco Estado in US dollars and will also operate with a local currency account in pesos, where funds withdrew from the DA will be deposited and subsequently transferred to a second operating bank account to be opened in local currency in the Banco Estado by CONAF from which all payments will be processed. Partial advances may be made into the DA as long as the aggregate amount advanced does not exceed US\$ 300,000. Funds flow arrangement mostly foreseen centralized management although few payments may be made by CONAF regional offices following previous arrangements under GEF project. Counterpart contributions include mainly government of Chile and national private sector.

C. Procurement

52. The implementing agency is the National Forestry Corporation (CONAF). Government contracts in Chile are conducted transparently and efficiently thanks, in part, to a modern and transparent electronic procurement system (the Public Market of ChileCompra). It is expected that most of the procurement processes would be carried out through ChileCompra, while only few contracts are expected to be conducted following the Bank's Guidelines. A Financial Management Assessment was carried out during preparation and a procurement plan was prepared. A description of the findings and procurement arrangements can be found in Annex V.

53. CONAF is new to Bank financed projects and will need assistance to understand Bank's procurement procedures.

54. Implementation support will include: (i) providing procurement training to members of the CONAF; (ii) reviewing procurement documents and providing timely feedback to the procurement units/specialists; (iii) providing detailed guidance on the Bank's Procurement Guidelines; (iv) monitoring of procurement progress against the Procurement Plan and (v) to carry out procurement ex-post reviews.

55. The overall procurement risk for the project is low.

D. Social and Environmental (including Consultation, Participation, Disclosure and Safeguards)

56. The FCPF Readiness Preparation grant must comply with World Bank safeguard policies regarding the management of environmental and social impacts. This grant will, in part, support the country's activities to identify the potential risks associated with REDD+ and mitigation

options. In order to do this, the FCPF is using a Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into REDD+ Readiness by combining analytical and participatory approaches. The SESA allows: (i) social and environmental considerations to be integrated into the REDD+ Readiness process, in particular the REDD+ strategy; (ii) stakeholder participation in identifying and prioritizing key issues, assessment of policy, institutional and capacity gaps to manage these priorities and recommendations, and disclosure of findings in the REDD Country's progress reports on Readiness preparation; and (iii) an Environmental and Social Management Framework (ESMF) to be put in place to manage environmental and social risks and to mitigate potential adverse impacts. The SESA guidelines have been integrated into the R-PP template.

1. Social (including Safeguards)

57. The first Regional SESA Workshop was carried out on July 26, 2013, in Temuco to gather stakeholder feedback on the National Strategy. The workshop included the following stakeholders from the Bio Bio and Araucania regions: (i) indigenous peoples; (ii) provincial and municipal governments; (iii) small farmers; (iv) private sector; (v) civil society organizations/ (vi) academia and research institute; (vii) regional CONAF staff. The workshop was carried out utilizing a differentiated stakeholder methodology to guide the discussions in identifying the potential risks and benefits of each proposed REDD+ option and the drivers of deforestation and degradation in order to prioritize key issues for further analysis as part of the SESA process.

58. In regards to the causes of degradation, deforestation and no forestation, indigenous peoples emphasized the need to coordinate the various sector incentive programs and include the socio-cultural perspectives of indigenous peoples as part of the integral landscape approach. In addition, small farmers identify the use of firewood as a driver, but it is also noted that the high demand for firewood offers economic incentives to maintain their basic livelihoods that may be difficult to find in other productive sectors. Lastly, the academic sector noted that the indirect drivers may be related to the inadequate design and application of the existing economic incentive programs and the barriers regarding access to such incentives.

59. Regarding the potential risks and benefits on the proposed strategic options, Indigenous Peoples identified the following aspects: (i) lack of specific public policy to target the drivers of deforestation and degradation; (ii) the need to include the cultural and traditional knowledge and perspectives of indigenous peoples; (iii) review the existing incentive programs to include culturally adequate access to them; and, (iv) emphasis to support native forests over exotic plantations, among others (please refer to the Regional SESA Workshop Proceedings). On the other hand, NGO representatives proposed the need to review the existing government programs in order to facilitate access by small-size farmers and identify the access constraints.

60. Based on the inputs and feedback received through the regional SESA workshop, CONAF prepared a draft SESA Work Plan that outlines the steps the SESA process throughout the readiness phase. The draft SESA Work Plan outlines a regional approach to the participatory process throughout the readiness phase in providing feedback and inputs from stakeholders as the design of the National Strategy progresses. The draft SESA Work Plan contains plans to

carry out regional SESA workshops with various stakeholders in order to prioritize key issues. The draft SESA Workplan is publically disclosed and will serve as a live document subject to revision as the design of the National Strategy evolves.

61. At the end of the preparation phase for the REDD+ Strategy, CONAF will prepare a self-standing SESA Report documenting (a) the participation process throughout SESA; (b) the risks and benefits of proposed REDD+ options; and (c) the contextual challenges that would enhance or undermine the REDD+ Strategy from the perspective of stakeholders. An Environmental and Social Management Framework (ESMF) will be prepared for managing downstream impacts once the national REDD+ strategy is being implemented. The ESMF will provide a framework to manage and mitigate the potential environmental and social impacts related to specific projects and activities (including investments and carbon finance transactions) in the context of the future implementation of National Strategy.

62. In regards to the grievance redress mechanism for the National Strategy, a specific budget has been allocated in order to establish a structure that can be accessible to the broad range of stakeholders at the national and regional levels. As a first step, it is envisioned that the Group of Forest and Climate Change (*Grupo de Bosques y Cambio Climatico* – GBCC) will be responsible for handing complaints and disputes that may arise in the framework of the National Strategy. This will be complemented by the existing procedures in reference to addressing grievances based on administrative processes and access to information by the general public in accordance to the Law 19,880 and Law 20,285, respectively, for which CONAF is required to follow. The grievance redress mechanism for REDD+ will also take into account community and traditional conflict resolution mechanisms.

63. In terms of implementation capacity, CONAF has a small dedicated and technically strong team at the national and regional level with experience and systematic engagement with a broad range of stakeholders, including indigenous peoples, campesino communities, small farmers, etc. CONAF has experience leading a national consultation effort with indigenous peoples on the proposed new Forestry Law (*Ley de Fomento Forestal*) taking into account the country's obligation of ILO Convention N° 169 to promote the rights of indigenous peoples. Given the large size of the country and the national scope of the REDD+ process, additional human resources in the area of social development will be needed for supporting continuous and systematic engagement with stakeholders and indigenous peoples throughout project implementation. As a first step, budget has been allocated to hire an additional 10 forest extension services (*extensionistas*) to provide support with stakeholder engagement, participation and consultations on the ground.

2. Environmental (including Safeguards)

64. CONAF has extensive experience with monitoring natural resources and project impacts. CONAF has an excellent record of environmental and social compliance, and hosts the government's principal unit charged with conducting Environmental Impact Assessments (EIAs) for all activities potentially affecting the country's natural resources. Their experience is considerable and they are well staffed with qualified technical personnel. This unit will be

responsible for monitoring project environmental safeguards in cooperation with the project team, which includes field personnel.

65. CONAF has a small, technically strong team at national and regional levels with experience and engagement with a broad range of stakeholders, including indigenous peoples, campesino communities, small producers, and others. CONAF currently leads national consultation efforts with indigenous peoples for a new forestry law (*Ley de Fomento Forestal*) which recognizes the country's obligation to apply ILO Convention No 169 to promote the rights of indigenous peoples. With regard to desertification issues, these are addressed through the National Forestry Corporation (CONAF), which coordinates activities with the support of the National Consultative Committee on Desertification and Drought.

66. CONAF is implementing a project (*Sustainable Land Management Project*) that will improve the coordination of ongoing government programs in the forestry and agricultural sectors through systematic inter-agency collaboration and the use of "*conservation districts*". As part of this new project, a sustainable land management framework will be designed as a government collaborative effort to bridge the gap in the existing sector programs and ensure cooperation between its own agencies, as well as others, such as MMA. This is very strategic since while the Chilean Government has a number of programs to promote agriculture and forestry, including degraded lands, they do not provide a coordinated approach to sustainable land management, nor were they designed to do so. Sector programs are managed in relative isolation and there is presently little incentive for agencies to work together.

67. As part of preparation of the aforementioned project, CONAF has become familiar with Bank social and environmental safeguard policies. CONAF has also lead preparation of social and environmental safeguard instruments such as Indigenous Peoples Planning Frameworks and Environmental Assessment).

68. The REDD Readiness Package preparation process in Chile will incorporate relevant project experiences from the Southern Cone, principally Argentina and Chile. Key projects to be considered include the Chile GEF *Santiago Foothills Project* (MSP) and the Chile GEF Medium-Sized Project (MSP) *Valdivian Forest Zone Project: Public-Private Mechanisms for Biodiversity Conservation in Region Ten* and Argentina IBRD operations including the *Argentina Forestry Development Project*, the *Native Forestry and Protected Area Project*, and the *Sustainable Natural Resource Management Project*. Lessons learned from these initiatives, relevant to the Chile's REDD Readiness Package preparation process, include: (a) the need to work with private producers, including small- and medium-level producers, and across sectors in productive activities to ensure sustainable natural resource management and conservation at the landscape level; (b) minimizing or eliminating risks for small producers in the adoption of new techniques and technologies; (c) a strong field presence in the REDD Readiness Package design and implementation; (d) building on an established organizational base; € including local experts in the preparation; and (f) ensuring broad stakeholders involvement from public, private and community organizations.

Assessment of Drivers of Deforestation and Forest Degradation. As noted in the Chile R-PP several completed studies provide information about the drivers of deforestation and forest

degradation at national and subnational levels. These prior studies will be used as the basis for the development of location-specific, standardized typologies for REDD+ forest carbon projects. As previously mentioned, while gross deforestation is relatively low in Chile, forest degradation remains a serious problem in the country's native forests, representing a potentially significant source of GHG emissions. The main driver of forest degradation in the country derives from poor forest management practices, such as excessive fuelwood extraction and selective logging, forest fires and cattle grazing, which result in long term effects in forest structure. However, while these effects and their causes have been identified, they have not been yet quantified in terms of their impact on carbon stocks and the consequent level of forest degradation generated. Additional studies are thus needed to more accurately characterize and quantify the effect of different drivers on forest degradation, their relationship to GHG emissions, and the likely mitigation potential through improved management practices. Such studies will be carried out as part of the analytical work planned under the current grant.

3. Consultation, Participation and Disclosure

69. *Consultation Experience to Date.* CONAF has carried out an initial stakeholder map and designed an iterative outreach strategy with initial contacts and trainings to familiarize stakeholders with REDD+ proposals and incorporate early feedback to the R-PP. CONAF has also appointed one coordinator in each of its regional offices to be in charge, with the support of the social and communication regional staff, of the participation and consultation processes leading up to the REDD+ national strategy. These coordinators have received training on the topic and have carried out workshops in the 15 regions.

70. CONAF has also included in the stakeholder mapping indigenous peoples communities and organizations at the national and regional level and has conducted a series of meetings with them. As an example, CONAF carried out meetings with 14 Indigenous Peoples organizations in the Araucania region, known for its high percentage of Mapuche organizations. Similar activities were carried out in the Lagos and Tarapaca regions, where a technical advisor from the Indigenous Development Area (ADI) and the technical team from the Local Development Program (PRODESAL) were trained in REDD+ to facilitate the dialogue with communities. The meetings were also supported by an intercultural facilitator, son of the Lonko (Ancestral Leader) who explained the REDD+ topic in Mapudungun, the Mapuche native language.

71. Early dialogue was carried out with selected key stakeholders at the national level and in specific regions (Araucania, Bio Bio and Arica and Paranicota, for example) regarding the national process. Table 2 below summarizes the early dialogue activities with a total of 262 organizations and over 130 workshops and meetings planned in the first three months of 2013.

Table 2. Information Dissemination

Regions	Information dissemination meetings planned under the forests and climate change strategy, PBCCh and REDD+, by identified interest group					Regional Total	Dissemination (Planned)		Dissemination (Carried out)
	Indigenous Rural Organizations	Non-Indigenous Rural Organizations	Private Sector	Institutional Sector Public Universities	NGOs		Number of Meetings November-December 2012	Number of Meetings January-March 2013	Number of Meetings November-December 2012
<u>Arica y Parinacota</u>	11	0	1	1	0	13	3	10	2
<u>Tarapacá</u>	10	2	0	10	0	22	22	0	2
<u>Antofagasta</u>	7	3	5	10	0	25	8	17	Report in process
<u>Atacama</u>	4	3	1	2	0	10	2	8	Report in process
<u>Coquimbo</u>	0	14	0	2	0	16	3	13	3
<u>Metropolitana</u>	0	2	2	6	5	15	15	0	9
<u>Valparaiso</u>	0	18	3	10	1	32	12	20	Report in process
<u>O Higgins</u>	0	0	2	1	0	3	3	0	Report in process
<u>Maule</u>	0	0	5	2	0	7	3	4	2
<u>Biobio</u>	17	11	0	0	0	28	17	11	Report in process
<u>La Araucanía *</u>	20	13	0	1	2	36	14	23	14
<u>Los Ríos</u>	4	7	1	5	1	18	13	5	Report in process
<u>Los Lagos</u>	2	4	1	1	0	8	8	0	5
<u>Aysén</u>	0	1	0	2	0	3	3	0	Report in process
<u>Magallanes</u>	1	4	7	13	1	26	5	21	Report in process
<u>Total Nacional</u>	76	82	28	66	10	262	131	132	37

*a community plans two meetings

72. On September 9, 2013, CONAF held their first meeting with CONADI's Directors with the objective of presenting the R-PP. During the meeting it was agreed; first, to include CONADI in the development and implementation of the social and participation process of the National REDD+ strategy, second, to sign a MoU between CONAF and CONADI governing this collaboration in October 2013, and third, CONADI will recommend next steps to CONAF to facilitate the participation of indigenous peoples throughout the readiness process.

73. *Disclosure.* The revised R-PP has been disseminated and disclosed on CONAF's website and the FCPF's website following the guidelines in annex D.

74. *Proposal Going Forward.* Participation in Macro Regions: Given Chile's wide range of ecological zones and diverse landscape, the multi-level and multi-sectoral stakeholder mapping is geographically distributed in 6 macro-zones and 4 regions in order to reflect the broad diversity of stakeholders and their corresponding geo-political contexts. This initial distribution is intended to allow CONAF to manage participation and consultations processes in more targeted manner in addressing issues that are specific to each macro-zones and regions. The stakeholder mapping will be further strengthened by identifying and analyzing the broad range of stakeholder groups particular to the 6 macro-zones and 4 regions as indicated above. Further engagement efforts are planned throughout the 15 regions of the country and specific attention will need to be paid to the private sector (timber), *campesino* and small farmers as well as indigenous peoples.

75. The R-PP includes a proposal for preparing a consultation plan that builds on the participation process initiated during the formulation phase and anticipates activities to establish a participatory mechanism to ensure involvement of indigenous peoples and other stakeholders

that will provide the foundations for a subsequent consultation process on the National Strategy. CONAF intends to carry out the national consultation process building on the existing structures at national and regional levels to enhance consultation and participation. During the readiness phase, the participation and consultation plan will need to further improve key aspects that include mechanisms for disclosure of information as well as for stakeholder feedback to support effective involvement in the preparation and implementation of the National Strategy in the Country.

76. Free, prior and informed consultations will be carried out on the National Strategy with key stakeholders and special attention will be paid to women in order to understand their specific issues and concerns. In preparing for a consultation process, CONAF plans to do the following: (i) assess and prepare the needed institutional capacity; (ii) establish the instruments, mechanisms and messages to inform, communicate and establish continuous dialogue with the broad range of stakeholder groups; (iii) define a consultation protocol that includes the free, prior and informed consent of indigenous peoples regarding REDD+; (iv) coordinate regional strategies and social process; and, (v) design and implement a monitoring and evaluation system for the process.

77. Regarding indigenous peoples, a differentiated consultations process that is culturally adequate will be followed. Free, prior and informed consultations with indigenous peoples will be carried out as per World Bank Operational Policy on Indigenous Peoples (OP 4.10) in seeking broad community support on the National Strategy. Chile has committed to follow the principles of ILO Convention 169 and take into account the UNDRIP, for which a specific consultation protocols are expected to be developed with indigenous peoples. The consultation methodology will take into account indigenous peoples' traditional as well as non-traditional structures, their own decision-making process, and socio-cultural channels of communication and deliberation.

78. *Establishment of the Roundtable for Forests and Climate Change (Mesa de Bosques y Cambio Climatico)*: This multi-stakeholder platform will be established at the national level and will have a decentralized character with strong links to the regional governments, the Ministry of Agriculture Regional Offices and municipalities.

79. There is the need to identify or create multi-stakeholder participation platforms at the regional level that could contribute and provide the needed feedback at the national level; in addition, the paper companies, who own extensive forest plantations, need a specific engagement plan to facilitate their participation in the process.

80. A communication strategy for REDD+ will be developed and implemented during the readiness phase. The strategy will be multi-stakeholder and multilevel and will be led by CONAF. The main objective of the communication work is to ensure full and informed participation from all key stakeholder groups in the REDD+ process. In addition, it will help to comply with the diverse standards and safeguards agreed by Chile (REDD+ SES, VCS, World Bank OP, FCPF guidelines and Cancun safeguards) related to REDD+ dissemination and participation of key stakeholders that could be benefited or affected by the implementation of the National REDD+ Strategy.

4. Safeguards Policies Triggered

Safeguard Policies Triggered <i>(please explain why)</i>	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
The Strategic Environmental and Social Assessment (SESA) being carried out under the project will serve to identify, avoid, and mitigate the potential negative environmental and social impacts associated with future activities to be supported by the final REDD+ strategy by providing guidance and key elements for the preparation of an Environmental and Social Management Framework (ESMF). The SESA will also influence the final national REDD+ strategy, by ensuring that social and environmental risks are factors in the preparation of the strategy.			
Natural Habitats (OP/BP 4.04)	X		
The application of this policy seeks to ensure that all options proposed in the National REDD+ Strategy take into account the conservation of biodiversity, as well as the numerous environmental services and products that natural habitats provide to Chilean society. Overall, REDD+ activities are expected to have significant positive impacts on natural habitats, as the country puts in place an effective strategy to reduce loss of natural forests. The SESA will address issues related to natural habitats and potential impacts of the National REDD+ Strategy, which will later be included in the ESMF			
Forests (OP/BP 4.36)	X		
Overall, REDD+ activities are expected to have significant positive impacts on forest, in that the main goal of the program is to reduce deforestation and forest degradation, while contributing to the well-being of forest-dependent communities. Potential impact of the National REDD+ Strategy on natural forests will be assessed through the SESA and included in the ESMF. The SESA and associated ESMF will reflect the requirements of the Bank's Operational Policy regarding forest management, in particular as these relate to the establishment of plantations and use of critical forest areas.			
Pest Management (OP 4.09)			X
This policy could be triggered depending on the final scope of the National REDD+ Strategy. Agricultural intensification and reforestation activities, for instance, could trigger this policy, depending on the methods employed by concrete activities on the ground to manage pests. The SESA will address critical issues related to pest management, as necessary, and these will also be included in the key elements for the ESMF.			
Physical Cultural Resources (OP/BP 4.11)			X
This policy could be triggered if REDD+ activities promote actions in areas containing sites deemed physical cultural resources (PCR). Though it is not anticipated that the project will have negative impacts on any such sites, the existence of any such sites and the corresponding need to trigger this policy will be determined once the National REDD+ Strategy is completed. If triggered the ESMF will include provisions for how to address preservation of known PCR and how to address chance finds.			
Indigenous Peoples (OP/BP 4.10)	X		
SESA began at the formulation phase and will continue throughout the readiness phase with the participation of indigenous peoples in identifying the key issues and providing recommendations for the design of the National Strategy. As part of the formulation phase, indigenous peoples participated in the regional SESA workshop for the Araucania and Bio Bio where they assessed the potential risks and benefits of the proposed REDD+ strategic options from their own perspective and contextual realities. CONAF plans to carry out the required social assessment and prepare an Indigenous Peoples Planning Framework (IPPF) in close consultations with indigenous peoples' communities, as a specific chapter of the ESMF. Free, prior and informed consultations with indigenous peoples will be carried out as per the policy in seeking broad community support on the National Strategy. Chile has also committed to follow its obligations under ILO Convention 169 on Indigenous and Tribal Peoples.			

Safeguard Policies Triggered (<i>please explain why</i>)	Yes	No	TBD
Involuntary Resettlement (OP/BP 4.12)	X		
During the readiness phase, SESA plans to assess the potential restrictions of access to natural resources as part of the design phase of the National Strategy and provide the adequate recommendations from the perspective of stakeholders. CONAF will prepare the required the Resettlement Policy Framework (RPF) and the Process Framework (PF) in close consultations with indigenous peoples, <i>campesino</i> and other small farmers. The RPF will manage impacts in the event of potential relocation and/or land acquisition of indigenous peoples and small farmers as a result of the implementation of the national strategy on the ground. The PF will help manage the potential risk of restriction of access to forest resources. The RPF and PF will be prepared as a specific chapter of the ESMF.			
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	

81. *Strategic Environmental and Social Assessment (SESA)*. The SESA will be conducted in order to scope the environmental and social benefits and risks of the proposed strategic options, identify key issues, and carry out strategic diagnostic studies and proposed recommendations for the National Strategy based on a participatory process. As part of the SESA, an (Environmental and Social Management Framework (ESMF) will be prepared to manage and mitigate any possible risks and potential impacts during the implementation phase of the national strategy.

82. *Environmental and Social Management Framework (ESMF)*. The ESMF is intended to be a live document that may evolve and be updated over time when revised REDD+ strategy options, projects or activities (including investments) and/or policies or regulations are identified during the implementation of REDD+. The SESA addresses the key environmental and social issues associated with the preparation of REDD+ strategy options as well as REDD+ projects, activities (including investments), policies and regulations. In this manner SESA can ensure compliance with World Bank's environmental and social safeguards. The ESMF will be structured to contain subject-specific frameworks addressing the relevant requirements of the applicable environmental and social safeguard policies including, but not necessarily limited to, a Resettlement Policy Framework (RPF); Process Framework (PF); and Indigenous Peoples Planning Framework (IPPF).

Annex I: Operational Risk Assessment Framework (ORAF)
CHILE: REDD+ Readiness Preparation Grant

1. Project Stakeholder Risks	Rating	Moderate		
Description : Chile is a large county containing a diverse group of stakeholders with disparate needs and objectives (Indigenous People, biodiversity protection advocates; plantation owners, mining and hydropower developers). Early REDD+ consultations have involved many stakeholders from various sectors at various levels (national, regional and local), some key stakeholder groups such as private sector have not been deeply involved to date.	Risk Management: A comprehensive identification of stakeholders was initiated and will be completed during implementation, mapping roles and interests in the process. The stakeholder mapping will be done at the national and regional levels: The comprehensive stakeholder mapping will be the baseline for the consultation and engagement process, SESA, communications and other activities. GoC is actively soliciting private sector participation and financing, this represents both a risk and an opportunity and will be monitored by the project team during implementation.			
	Resp: Both	Stage: LEN and SPN	Due Date : Recurrent	Status: ongoing
3. Implementing Agency Risks (including fiduciary)				
3.1. Capacity	Rating:			
Description : CONAF and other key agencies are technically strong institutions; however they do not have extensive experience with World Bank projects. The same implementation arrangements used for the recently approved GEF project are expected to be followed; with CONAF the National Forestry Corporation as the project implementer and AGCI (the Agency for International Cooperation) as project administrator and recipient will handle financial management and reporting. Both CONAF and AGCI are well-established insitutions that have experience implementing IDB and EU financed projects; therefore, existing financial management arrangements will be followed, complementing or strengthening them as needed to meet project specific requirements.	Risk Management : Personnel trained in financial management and procurement under the GEF operation will also be available to support implementation of this operation. Additional staffing training will be added if required.			
	Resp: CONAF	Stage: SPN	Due Date : Recurrent	Status: not yet due
3.2. Governance	Rating: Low			
Description : Some elements of REDD+ Readiness are expected to be financed by GoC, other donors, and private sector contributions. Potential delays could result from political changes following	Risk Management : Key elements of REDD readiness including public consultation, dispute resolution, strategic environmental and social assessment are financed partially or fully by the FCPF grant. Other elements of REDD readiness have secure financing from other donors Forestry NAMA (Nationally			

<p>elections. Government efforts to involve private sector are seen as potentially sensitive given historical tensions.</p>	<p>Appropriate Mitigation Action). Private sector financing for REDD+ activities is being negotiated and the Task Team is in communication with CONAF on developing a comprehensive and inclusive communication strategy.</p>			
	<p>Resp: CONAF</p>	<p>Stage:LEN & SPN</p>	<p>Due Date : Recurrent</p>	<p>Status:Ongoing</p>
<p>4. Project Risks</p>				
<p>4.1. Design</p>				
<p>Description :</p> <p>REDD+ is a new and still evolving initiative, and will be operated at a broad, national scale requiring the introduction of innovative technical approaches to monitoring and public reporting in the forest sector. Preparation and implementation will necessarily involve a broad array of government and non-governmental actors, adding to the complexity in coordination. Adequate consensus may not be built at a national level to pursue the REDD strategies across sectors.</p>	<p>Risk Management :</p> <p>Risks will be managed through extensive public consultation and will be more fully assessed through the use of the Strategic Environmental and Social Assessment.</p>			
	<p>Resp: CONAF</p>	<p>Stage:LEN & SPN</p>	<p>Due Date : Recurrent</p>	<p>Status: Ongoing</p>
<p>4.2. Social & Environmental</p>				
<p>Description :</p> <p>Participation mechanisms at the regional level will need to be established as an integral part of the institutional arrangements in order for stakeholder views to be adequately taken into account throughout the design process of the National Strategy.</p> <p>Providing information and carrying out national consultations with various stakeholders (from indigenous peoples to small farmers, to local governments, to NGOs to private sectors) in itself is a challenging undertaking given the size of Chile. In particular, the consultation with indigenous peoples will be challenging given historical tensions. In the recent past there have been concerns about forest plantations replacing natural forest and encroaching on indigenous land.</p> <p>Exotic plantations. Laws governing the forestry sector (Decree-Law 701 of 1974 and Law 20,283 of 2008) offer incentives to make forestry more economically attractive. And promote the planting of both native and exotic species, Chile's exotic plantations have been criticized for generating negative social and environmental impacts on local communities, and are</p>	<p>Risk Management :</p> <p>A comprehensive participation plan at the national and regional level will be prepared by CONAF that will support further engagement and dialogue with a broad range of stakeholder groups, especially indigenous peoples, small farmers and the private sector.</p> <p>The consultation process will be based on CONAF's past experiences on similar processes and utilizing existing channels of communication and consultation structures. Institutional coordination with CONADI will support CONAF in planning and implementing timely and culturally-appropriate consultations with indigenous peoples for acquiring their free, prior and informed consent. Early and continuous engagement with the Consejo Nacional of CONADI will provide strategic technical guidance during this process. Analytical studies will be conducted as part of the readiness process to document lessons learned from past experiences with forestry plantations.</p> <p>The focus of the REDD+ strategy will be on improving the management of the country's vast native forests, with emphasis on small and medium landowners. As part of its Readiness efforts, (though not financed by this grant) , CONAF will conduct a critical analysis of the country's forestry sector contribution to sustainable forest management, including existing legal and financial incentives. Such an analysis will identify the lessons learned, facilitate implementation of corrective measures to address negative drivers, and help reinforce positive practices within the context of REDD+.</p>			

<p>a contentious issue. Chile's native forest displacement as a result of the expansion of exotic plantations has ceased with the better enforcement of forestry legislation in the last decade.</p>	<p>Resp: CONAF/CONADI</p>	<p>Stage: LEN & SPN</p>	<p>Due Date :Recurrent</p>	<p>Status: Ongoing</p>
<p>4.3. Program & Donor</p>	<p>Rating: Low</p>			
<p>Description :</p> <p>Sustainable forest management is a priority for GoC and is consistent with the World Bank 2011-2016 Country Partnership Strategy. Swiss financing for the Forestry NAMA has been secured and private sector contributions are being negotiated.</p>	<p>Risk Management :</p> <p>FCPF grant is supporting and building on existing program and initiatives of GoC in the forest sector. Resources are expected to be complemented by private sector and GoC contributions.</p>			
	<p>Resp: CONAF</p>	<p>Stage: LEN & SPN</p>	<p>Due Date :Recurrent</p>	<p>Status: Ongoing</p>
<p>4.4. Delivery Monitoring & Sustainability</p>	<p>Rating: Low</p>			
<p>Description :</p> <p>FCPF Program monitoring is expected to follow a common monitoring framework across countries. The monitoring framework is still under development. FCPF financing is short term however the resulting program is expected to attract ongoing financing from various sources.</p>	<p>Risk Management :</p> <p>The FCPF Monitoring framework is at an advanced stage of development. GoC has recently updated programmatic financial incentives for afforestation at community level under DL701 in addition to ongoing support for natural forest management under DL 20,283. Chile has also expressed interest in accessing the FCPF Carbon Fund to expand implementation capacity and geographic coverage.</p>			
	<p>Resp: CONAF</p>	<p>Stage: LEN & SPN</p>	<p>Due Date : Recurrent</p>	<p>Status: Not yet due</p>

Annex II: Preparation Schedule and Resources

Preparation Schedule				
Milestone	Basic	Forecast	Actual	
AIS Release	11/4/2010		12/08/2010	
Concept Review	10/01/2013			
Auth Appr/Negs (in principle)				
Bank Approval	11/26/2013			
Sector Unit Estimate of Resources Required from Preparation through Approval				
Source of Funds	Preparation Expenses to Date (USD)	Estimate of Resource Requirements (USD)		
		Fixed	Variable	
Bank Budget				
Trust Funds	140,000	240,000	160,000	
Team Composition				
Bank Staff				
Name	Title	Specialization	Unit	UPI
Peter Jipp	Sr. Natural Resources Mgmt Spec	Task Team Leader; NRM	LCSAR	157997
Robert R. Davis	Sr. Forestry Specialist	Forestry and former TTL	EASER	94894
Mi Hyun Bae	Sr. Social Development Specialist	Social Safeguards	LCSSO	231729
Julius Thaler	Counsel	Legal	LEGEN	335926
Raul A. Tolmos	Environmental Specialist	Environmental Safeguards	LCSSEN	190005
Maria Carolina Hoyos	Communication Specialist	Communications	LCSAR	368129
Stavros Papageorgiou	Forest Carbon Specialist	Carbon Forest	LCSAR	444456
Jeannette Ramirez	Operations Officer	Operations	LCSAR	113368
Patricia de la Fuente Hoyes	Sr. Finance Officer	Financial Management	CTRLN	140449

Ana Lucia Jimenez Nieto	Financial Management Specialist	Financial Management	LCSFM	233602
Selene del Rocio la Vera	Procurement Specialist	Procurement	LCSPT	414043
Diana Rebolledo	Language Program Assistant	Logistical support; translation	LCSAR	16643
Jeanette Ramirez	Operations Officer	Logistics; Budget support	LCSAR	113368
Non Bank Staff				
Name	Title	Office Phone	City	
Hans Thiel	Sr. Forestry Officer, FAO		Rome	
Felipe Banados	Forest Law Specialist		Buenos Aires	

Annex III: R-PP Submitted by Chile

<http://www.forestcarbonpartnership.org/sites/fcp/files/2013/Oct2013/R-PP%20Octubre%204-2013.pdf>

Annex IV: Draft Grant Agreement for CHILE REDD+ Readiness Grant

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

1818 H Street N.W.
Washington, D.C. 20433
U.S.A.

(202) 473-1000
Cable Address: INTBAFRAD
Cable Address: INDEVAS

November __, 2013

Mr. Jorge Daccaret
Executive Director
Agencia de Cooperación Internacional de Chile–AGCI
Santiago, Chile

Grant Agreement for Chile's Readiness Preparation Proposal
Readiness Fund of the FCPF
Grant No. TF016024

Dear Mr. Daccaret:

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility (“FCPF”) regarding Selection of REDD Country Participants (“Resolution PC2008-2”). REDD refers to reducing emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.

Resolution PC2008-2 provides that subject to the availability of funds, certain REDD Country Participants may receive grant funding of up to three million six hundred thousand United States Dollars (USD3,800,000) for formulating and carrying out a Readiness Preparation Proposal (“R-PP”).

The Republic of Chile (“Recipient”) was selected as a REDD Country Participant. The Participants Committee of the FCPF (“PC”) has reviewed the R-PP submitted by the Recipient and acknowledged the great efforts made by the Recipient in formulating its R-PP. Accordingly, the PC, through its Resolution PC/14/2013/3, decided to allocate grant funding to the Recipient in the amount of up to three million six hundred thousand Dollars (USD3,600,000) (“Preparation Installment”), to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution. Further, the PC approved, through its Resolution PC/Electronic/2012/1, the allocation of additional funds of up to two hundred thousand United States dollars (USD 200,000) (together with the Preparation Installment, the “Grant”) for the Recipient to strengthen national feedback and grievance redress mechanisms, subject to the terms and conditions set out in said Resolution.

In response to the request for financial assistance made on behalf of the Recipient and the decision of the PC referred to above, I am pleased to inform you that the World Bank, acting as trustee of the Readiness Fund for the FCPF, agrees to extend the Grant to the Recipient to assist in the financing of Readiness Preparation Activities (as defined in the Annex to this Agreement). The Grant shall be subject to the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex with description of Readiness Preparation Activities.

This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of the countersigned copy of this Agreement, this Agreement shall become as of the date specified by the World Bank in accordance with Article IV of the Annex to this Agreement ("Effective Date").

Very truly yours,
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility

By _____
Susan G. Goldmark
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

AGREED:

AGENCIA DE COOPERACIÓN INTERNACIONAL DE CHILE

By _____

Name _____

Title _____

Date: _____

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012

(2) Charter Establishing the Forest Carbon Partnership Facility, dated August 8, 2013.

(3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.

(4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.

(5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011.

(6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Agreement:

(a) The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18 bis to read as follows:

18bis “Readiness Preparation Activities” means the activities, described in the Grant Agreement, for which the Grant is made, as the description of said activities may be amended from time to time by agreement between the Recipient and the World Bank.”

(b) the term “Project” and its definition shall be deleted in their entirety from the Standard Conditions; and all references throughout the Standard Conditions to the term “Project” shall be deemed to refer to the “Readiness Preparation Activities.”

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Charter Establishing the Forest Carbon Partnership Facility (“Charter”), or in this Agreement.

- a. “AGCI Legislation” means the Member Country’s Law No. 18.989, dated July 13, 1990 and published on July 19, 1990, as said law has been amended to the date of this Agreement.
- b. “CONAF” means *Corporación Nacional Forestal*, the National Forestry Corporation, a private legal entity registered at the city of Santiago de Chile, and under the administrative jurisdiction of *Ministerio de Agricultura*, the Recipient’s Ministry of Agriculture.
- c. “*Mercado Público of Chilecompra*” means the Recipient’s National system of procurement.
- d. “PBCCh” means *Plataforma de Generación y Comercio de Bonos de Carbono del Sector Forestal de Chile* a platform for the generation, registration, and trading of forest carbon credits compatible with the leading international voluntary market standards
- e. “PBCCh Typologies” means a set of standardized criteria for measuring, monitoring and assessment of forest carbon projects in selected regions
- f. “Subsidiary Agreement” means the agreement between the Recipient and CONAF, referred to in Section 2.03 of this Agreement.

Article II
Execution of Readiness Preparation Activities

2.01. ***Objectives and Description.*** The objective of the Grant is to assist the Recipient to carrying out the Readiness Preparation Activities. The Readiness Preparation Activities consist of the following parts:

(a) Organization, Consultation and Grievance Redress

- (i) Strengthening the knowledge and capacity of CONAF's staff and other qualified individuals in areas such as voluntary carbon markets and forest carbon project development and certification by offering (A) up to 16 qualified staff the opportunity to acquire a diploma in applied management for forestry and climate change; and (B) up to 20 qualified individuals training in the validation and verification of projects under the PBCCh Typologies;
- (ii) Carrying out of consultations and workshops with relevant stakeholder groups, and specifically indigenous peoples, to ensure and facilitate their participation in Readiness Preparation Activities in accordance with a consultation and participation plan acceptable to the World Bank; and
- (iii) Assessing existing feedback and grievance redress mechanisms and, if deemed necessary by the World Bank, reinforcing and/or creating said mechanisms, satisfactory to the World Bank, to meet the needs of people who might be affected by REDD+.

(b) Preparation of REDD+ Strategy

- (i) Carrying out of an assessment study and workshops with the objective to come up with a legal definition of forest degradation in the Recipient's territory based on a comparative analysis of the definitions of forest degradation used at the international level;
- (ii) Preparing a study to assess the current distribution of native forest cover under different forms of land ownership, prioritizing indigenous communities and small and medium size farmers.
- (iii) Developing up to five forest carbon projects typologies under the PBCCh platform in the southern regions of the Recipient's territory;
- (iv) Designing a national unit for the administration and registration of forest carbon credits housed at CONAF;
- (v) Deploying additional forestry extension workers in the southern regions of the Recipient's territory; and
- (vi) (A) Carrying out of an assessment of potential strategic environmental and social impacts that may arise from future REDD+ activities and/or projects and/or strategies in compliance with World Bank's Safeguard Policies ("Strategic Environmental and Social Assessment"); (B) preparation of a framework for managing and mitigating the environmental and social risks related to investments and carbon finance transactions of the future implementation of a national REDD+ strategy in compliance with World Bank's Safeguard Policies ("Environmental and Social Management Framework"), including an indigenous peoples framework to ensure, inter alia, adequate participation of indigenous peoples in future REDD+ activities ("Indigenous Peoples Framework"), and process framework to address, inter alia, potential adverse impacts on livelihoods as a result of REDD+ activities leading to restricted access to natural resources in legally designated parks and protected areas ("Process Framework"); and (C) preparation of a

resettlement policy framework to ensure, inter alia, screening of REDD+ activities for potential involuntary resettlement in accordance with World Bank's Safeguard Policies ("Resettlement Policy Framework").

(c) Development of Forest Reference Level and Forest Monitoring Systems

- (i) Developing (A) the technical design to expand the list of variables sampled in the Recipient's forest carbon and wood energy monitoring system and the Recipient's inventory of forest ecosystems; (B) cost-effective methodologies and protocols to measure carbon dioxide emissions from degradation based on national and international experiences; and (C) an analysis of the impacts of demographic, economic, and social variables, as well as public policies, on the forest degradation dynamics;
- (ii) Carrying out of workshops for the validation and dissemination of the technical design of the Recipient's reference level;
- (iii) Carrying out of an assessment of the design for measuring, reporting and verification system with the objective of compliance with international requirements, as these may evolve; and
- (iv) Developing criteria and indicators for monitoring environmental and social benefits, as well as potential negative impacts resulting from the Recipient's REDD+ strategy, including the conduct of workshops to validate and disseminate the results.

2.02. **Execution Generally.** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through CONAF in accordance with the provisions of (a) Article II of the Standard Conditions, (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January, 2011 ("Anti-Corruption Guidelines") and (c) this Article II.

2.03 **Subsidiary Agreement.**

a. To facilitate the carrying out of the Readiness Preparation Activities, the Recipient shall make the proceeds of the Grant available to CONAF under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and CONAF, under terms and conditions approved by the World Bank, which shall include, *inter alia*:

- (i) The Recipient's obligation to:
 - (A) manage the Designated Account and a local currency account from which advances of Grant funds to CONAF will be made by the Recipient to finance local expenditures;
 - (B) prepare and submit requests for withdrawal of Grant funds; and
 - (C) review documentation provided by CONAF to record Readiness Preparation Activities expenditures at an aggregate level; and
- (ii) The obligation of CONAF to:

- (A) carry out the Readiness Preparation Activities in accordance with the Environmental and Social Management Framework, the Indigenous Peoples Policy Framework and the Process Framework [and Resettlement Policy Framework], and the provisions of the Anti-Corruption Guidelines;
 - (B) procure the goods, consultants' services and non-consulting services to be financed out of the proceeds of the Grant in accordance with the provisions of this Agreement;
 - (C) maintain policies and procedures adequate to enable the Recipient to monitor and evaluate the progress of the Readiness Preparation Activities and the achievement of their objectives;
 - (D) maintain a financial management system and prepare financial reports in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources received from the Recipient, and expenditures related to the Readiness Preparation Activities;
 - (E) enable the Recipient and the World Bank to inspect the Readiness Preparation Activities, their operation and relevant records and documents;
 - (F) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and
 - (G) carry out the Readiness Preparation Activities in accordance with the provisions of the Anti-Corruption Guidelines.
- (iii) The right of the Recipient to suspend or terminate the right of CONAF to use the proceeds of the Grant, or obtain refund of all or any part of the amount of the Grant then withdrawn, upon CONAF's failure to perform any of their obligations under the Subsidiary Agreement.

b. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

2.04 **Safeguards.** The Recipient shall cause the Executing Agency to ensure that:

- (a) all terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities and frameworks prepared on the basis of the SESA under the Readiness Preparation Activities pursuant to Section 2.01 of this Agreement are consistent with, and pay due attention to, the World Bank's Safeguards Policies, as well as the Recipient's own laws relating to the environment and social aspects; and
- (b) in drafting any laws or regulations under the Readiness Preparation Activities, due attention shall be given to said Safeguard Policies and laws.

2.05. **Mid-term Progress Report and Completion Report.** The Recipient, through CONAF, shall, not later than March 16, 2015, prepare and furnish to the World Bank a mid-term progress report on the Readiness Preparation Activities in accordance with terms of reference acceptable to the World Bank, including the provisions of Section 6.3(b) of the Charter and Resolution PC/7/2010/3. The Recipient,

through CONAF, shall also prepare and furnish to the World Bank not later than six months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06(b) (ii) of the Standard Conditions.

2.06. *Financial Management*

(a) The Recipient, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient, shall ensure that interim unaudited financial reports for the Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty five days after the end of each calendar, covering the calendar, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Readiness Preparation Activities audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient or any other period agreed with the Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. *Procurement*

(a) General. All goods and services required for the Readiness Preparation Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Readiness Preparation Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping and (C) Direct Contracting.

(iii) For goods and non-consultant services estimated to cost below \$350,000 equivalent, *Mercado Público* of *Chilecompra* and Framework Agreements (*Convenios Marco*) may be used as an alternative to National Competitive Bidding or Shopping.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(iii) For consultant services, contracts estimated to cost below \$300,000 equivalent, the procedures of *Chilecompra* may be followed as a form, acceptable to the Bank.

(iv) The call for expression of interest and award of contracts for consultant services costing \$300,000 equivalent or more, and which are selected following the procedures set forth in paragraphs 1 & 2 above, shall be published in the *Chilecompra* portal.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III
Withdrawal of Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed

(1) Consultants' Services, Workshops and Training and Operating Cost [and Goods]	3,800,000	100%
TOTAL AMOUNT	3,800,000	

For the purpose of Section 3.01, (i) the term “Workshops and Training” means the costs associated with training and workshop participation of personnel involved in the implementation of the Readiness Preparation Activities including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation; and (ii) the term “Operating Costs” means the operating costs incurred on account of the implementation of the Readiness Preparation Activities including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Readiness Preparation Activities, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 15, 2016.

Article IV Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

- (a) The AGCI Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient and/or CONAF to comply with any of their respective obligations under this Agreement or the Subsidiary Agreement, as the case may be.
- (b) The CONAF shall have failed to comply with any of their pertinent obligations under the Subsidiary Agreement.

Article V Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the condition that the Subsidiary Agreement referred to in Section 2.03 of this Agreement has been executed on behalf of the Recipient and CONAF has been satisfied.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 of this Agreement, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel

acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matters:

(a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by it, and executed and delivered on its behalf, and is legally binding upon it in accordance with its terms;

(b) the Subsidiary Agreement referred to in Section 2.03 of this Agreement has been duly authorized or ratified by the Recipient and CONAF and is legally binding upon each such party in accordance with its terms.

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Grant Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01. If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Grant Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. *Termination for Failure to Become Effective.* This Grant Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date [ninety (90)] days after the date of this Grant Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V

Recipient's Representative; Addresses

5.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Executive Director (*Director Ejecutivo*).

5.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Teatino 180, piso 8
Santiago
Chile

Facsimile:
+56(2)827-5756

5.03. *World Bank's Address.* The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:
INTBAFRAD
Washington, D.C.

Telex:
248423 (MCI) or
64145 (MCI)

Facsimile:
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Annex V: Procurement Arrangements and Assessment

83. As part of project preparation, a Procurement Assessment was carried out in order to evaluate adequacy of the proposed procurement arrangements. The implementation of procurement arrangements will be under the responsibility of the Ministry of Agriculture (MAG) – National Forestry Corporation (CONAF), as project executing unit.
84. Government contracts in Chile are conducted transparently and efficiently thanks, in part, to a modern and transparent electronic procurement system (the Public Market of ChileCompra). It is expected that most of the procurement processes would be carried out by CONAF through ChileCompra, while only few contracts are expected to be conducted following the Bank's Guidelines.
85. CONAF is a well-established entity that has developed expertise in IDB financed projects; therefore, existing procurement staff will be supporting the Project, complementing or strengthening them only when needed in order to attend project specific demands.
86. The overall procurement risk for the project is low.
87. Implementation support will include: (i) providing procurement training to members of the CONAF; (ii) reviewing procurement documents and providing timely feedback to the procurement units/specialists; (iii) providing detailed guidance on the Bank's Procurement Guidelines; (iv) monitoring of procurement progress against the Procurement Plan and (v) to carry out procurement ex-post reviews.
88. Procurement for the proposed project would be carried out in accordance with the World Bank's "[Guidelines: Procurement Under IBRD Loans and IDA Credits](#)" dated January 2011; and "[Guidelines: Selection and Employment of Consultants by World Bank Borrowers](#)" dated January 2011, and the provisions stipulated in the Grant Agreement, which includes the possible use of the national procurement system, "*ChileCompra*", under specific conditions and thresholds.
89. The various items under different expenditure categories are described below. For each contract to be financed by the grant, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and timeframe, are agreed between the Recipient and the World Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.
90. *Procurement of Works.* No procurement of civil works is expected under this project.
91. *Procurement of Goods and Non Consulting services.* No procurement of goods is expected under this project.
92. *Selection of Consultants.* Consultant services under this project will include consultant services for design, analysis, studies, monitoring and evaluation tools, program developments. In

accordance with the Bank decision of August 2012, most contracts will be procured using ChileCompra, that was recognized as a valid method of contracting consultant services; this option will be available up to a threshold determined in the Grant Agreement. Alternatively, CONAF will use procurement processes as defined by the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers”.

93. *Selection of Individual Consultant Services.* Individual consultant services will be contracted for specific tasks that could not be carried out by a firm. The selection of these individuals will be procured in accordance with section V “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” of January 2011.

94. *Training.* Training would include expenditures (other than those for consultants’ services) incurred by the Borrower to finance logistics for workshops, meetings, and seminars, and reasonable transportation costs and per diem of trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment.

95. *Procurement Plan.* The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank, except for those contracts terminated by the recipient’s agency for which the Borrower shall seek the Bank’s no objection prior to the proposed termination.

96. *Prior Review Threshold.* Procurement Decisions subject to Prior Review by the Bank as stated in Appendix 1 to the “Guidelines: Procurement of Goods, Works and Non-Consulting Services by World Bank Borrowers” and “Guidelines: Selection and Employment of Consultants by World Bank Borrowers”.

Thresholds for procurement methods and prior review (thousands of USD)			
Contract Category	Contract Value (Thresholds) US \$ thousands	Procurement Method	Contracts Subject to Prior Review
1. Goods and Non-consulting Services	>350	ICB	All
	100-350	NCB or FA*	First
	<100	Shopping or FA*	First
	Regardless of value	DC	All
2. Consulting Services			
Firms	>=300	QCBS, QBS, FBS, LCS	All

Thresholds for procurement methods and prior review (thousands of USD)			
Contract Category	Contract Value (Thresholds) US \$ thousands	Procurement Method	Contracts Subject to Prior Review
	<300	QCBS, QBS, FBS, LCS, CQS, CCompra**	First contract of each procurement method
	Regardless of value	SSS	All
Individuals		3CVs	>=50 or First (only TORs)
		SSS	All (only TORs)
Note:	ICB = International Competitive Bidding NCB = National Competitive Bidding FA: Framework Agreement DC = Direct Contracting *Mercado Publico of ChileCompra QCBS = Quality- and Cost Based Selection QBS = Quality-Based Selection FBS = Fixed Budget Selection LCS = Least-Cost Selection CQS = Consultants' Qualifications Selection SSS = Single-Source Selection **CCompra: ChileCompra		

97. *Frequency of Procurement Supervision* In addition to the prior review supervision to be carried out by Bank offices, the capacity assessment of CONAF has recommended one full annual procurement supervision mission, including field visits, post-reviews of procurement actions.

98. A ration of 1:10 contracts will be post-reviewed by the Bank. Based on the finding of the PPRs and the proposed ratings, the Bank may determine the revision of the prior review requirements.

99. *Special Procurement Conditions* The following special conditions would apply to the procurement of:

- a. Goods and Non-Consulting Services: “Mercado Publico” of ChileCompra may be used as an alternative to National Competitive Bidding or Shopping, as this procedure has been deemed acceptable by the Bank.
- b. Consulting Services: contracts estimated to cost below US\$ 300,000 equivalent, the procedures of ChileCompra may be followed as a form, acceptable to the Bank; the call for expression of interest and award of contracts for consulting services costing US\$ 300,000 equivalent or more, and which are selected following the procedures set

forth in the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers”, shall be published in the ChileCompra portal.

Details of the Procurement Arrangements Involving International Competition

100. *Goods, Works, and Non Consulting Services* ICB contracts for **goods** and Non-Consulting Services estimated to cost above US\$ 350,000 per contract and all direct contracting will be subject to prior review by the Bank. Direct Contracting regardless of the amount, will be subject to prior review by the Bank, as well as the first contract of each procurement method used under the Project.

101. *Consulting Services*. Consultancy services estimated to cost above US\$ 300,000 per contract and all single source selection of consultants (firms) will be subject to prior review by the Bank, as well as the first contract of each procurement method used under the Project . Individual consultants services to cost US\$ 50,000 or above per contract or single source, regardless of the amount, will be subject to prior review by the Bank

102. Shortlists composed entirely of national consultants: Shortlists of consultants for services estimated to cost less than US\$ 500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Annex VI: FCPF Background

103. The Forest Carbon Partnership Facility (FCPF) is assisting developing countries in their efforts to reduce emissions from deforestation and forest degradation, and the role of conservation, sustainable management of forests and enhancement of forest (REDD+) by providing value to standing forests. It was announced at CoP13 in Bali in December 2007 and became operational in June 2008.

104. The FCPF is helping build the capacity of developing countries in tropical and subtropical regions to reduce emissions from deforestation and forest degradation and to tap into any future system of positive incentives for REDD+. The aim is to enable countries to tackle deforestation and reduce emissions from REDD+ as well as develop capacity for assessment of measurable and verifiable emission reductions.

105. The FCPF's initial activities relate to strategic planning and preparation for REDD+ in IBRD and IDA member countries in the tropics across Africa, East Asia and Pacific, Latin America and the Caribbean and South Asia. Specifically, countries prepare for REDD+ by:

- i. assessing the country's situation with respect to deforestation, forest degradation, conservation and sustainable management of forests and relevant governance issues;
- ii. identifying REDD+ strategy options;
- iii. assessing key social and environmental risks and potential impacts associated with REDD+, and developing a management framework to manage these risks and mitigate potential impacts;
- iv. working out a reference level of historic forest cover change and greenhouse gas emissions and uptake from deforestation and/or forest degradation and REDD+ activities, and potentially forward-looking projections of emissions; and
- v. designing a monitoring system to measure, report and verify the effect of the REDD+ strategy on greenhouse gas emissions and other multiple benefits, and to monitor the drivers of deforestation and forest degradation, as well as other variables relevant to the implementation of REDD+.

106. These preparatory activities are referred to as 'REDD+ Readiness' and are supported in part by the Readiness Fund of the FCPF. This FCPF Readiness Preparation grant activity (referred to as "Project" in the R-PP Assessment Note) will fund only a portion of the R-PP activities, but will help the Country towards achieving REDD+ Readiness, even though the Country may not reach this stage until well after the grant closes; it will not finance any implementation of REDD+ activities on the ground (e.g., investments or pilot projects).

107. It is expected that approximately five to ten countries that will have made significant progress towards REDD+ readiness will also participate in the Carbon Finance Mechanism and receive financing from the Carbon Fund. Specifically, these countries will benefit from performance-based payments for having verifiably reduced emissions from deforestation and/or

forest degradation through their Emission Reductions Programs. The structure of these payments will build on the options for REDD+ that are currently being discussed within the United Nations Framework Convention on Climate Change (UNFCCC) process, with payments made to help address the causes of deforestation and degradation.

108. The experiences generated from the FCPF's methodological, pilot implementation and carbon finance experience will provide insights and knowledge for all entities interested in REDD+. The FCPF thus seeks to create an enabling environment and garner a body of knowledge and experiences that can facilitate development of a much larger global program of incentives for REDD+ over the medium term.

109. Thirty-seven countries have been selected as REDD+ Country Participants in the FCPF Readiness Mechanism, based on Readiness Preparation Idea Notes reviewed by the Participants Committee and independent reviews by a Technical Advisory Panel.

110. Many of these REDD Country Participants received grant support to develop a Readiness Preparation Proposal (R-PP), which contains a detailed assessment of the drivers of deforestation and forest degradation, terms of reference for defining their emissions reference level based on past emission rates and future emissions estimates, establishing a monitoring, reporting and verification system for REDD+, adopting or complementing their national REDD+ strategy, and actions for integrating environmental and social considerations into the REDD+ Readiness process, including the national REDD+ strategy. A Consultation and Participation Plan is also part of the R-PP.