Chile FCPF Additional Funding for REDD+ Readiness

**FCPFR - Forest Carbon Partnership Facility**

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Approving Manager: 00000253690 - Valerie Hickey

<table>
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<tr>
<th><strong>Summary Information</strong></th>
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<td>TF Status: ACTV</td>
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<td>Recipient Country: Chile</td>
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<td>Managing Unit: 9272 - SLCEN</td>
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<td>Grant Start Date / End Date: 07/18/2017 to 06/30/2021</td>
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<tr>
<td>Program Manager: Siet Meijer</td>
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<td>Original Grant Amount: 5,000,000.00</td>
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<td>Grant Amount: 5,000,000.00</td>
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<td>Outstanding Commitments: 0.00</td>
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<td>Cumulative Disbursements: 3,319,113.15 as of 06/30/2020</td>
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<td>Disbursed 07/01/2019 to 06/30/2020: 1,530,167.28</td>
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<td>Donor: TF602001 - MULTIPLE DONORS</td>
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This GRM report includes the following sections: Overview, Components, Execution, Program (FCPFR), Disbursements.
OVERVIEW

Overall Assessments and Ratings

Grant Objectives:
The Development Objective of this Grant is to assist the Recipient in carrying out its Readiness Preparation activities.

Overall progress from 07/01/2019 to 06/30/2020 with regard to Achieving Grant Objectives:
Rating: Satisfactory (Previously Rated Satisfactory on 06/30/2019)
Comment: The National Forestry Corporation (CONAF), as Implementing Entity, has made significant progress in achieving Grant objectives with activities supporting all major aspects of Reduced Emissions from Deforestation and Forest Degradation (REDD+) Readiness. These activities include development of (i) a REDD+ strategy, (ii) safeguards instruments (master Environmental and Social Management Framework (ESMF) and its associated frameworks), (iii) forest reference emissions levels (FREL), and (iv) national forest monitoring systems. In addition, the Grant has supported Chile to prepare for the “results-based payments phase” of REDD+ under the National Strategy for Climate Change and Vegetation Resources (ENCCRV). Nonetheless, as a result of the social unrest that erupted in Chile in October 2019 as well as the emergency caused by COVID-19 pandemic, CONAF’s ability to meet previously set deadlines and deliver on key activities for the achievement of the PDO within the existing implementation period, were compromised. These activities included: (i) adjustment and expansion of the National Forest Reference level, (ii) implementation of a National Environmental Education Program, and (iii) delivery of training workshops. Considering the above, the Bank approved a Level II restructuring for an extension of the Closing Date by 12 months, from June 30, 2020 to June 30, 2021. The proposed extension will allow to carry out the above-mentioned activities and to achieve the PDO and associated targets for the Project.

Overall progress from 07/01/2019 to 06/30/2020 with regard to Implementation of Grant Financed Activities:
Rating: Moderately Satisfactory (Previously Rated Moderately Satisfactory on 06/30/2019)
Comment: Although disbursements have increased since the time of the last GRM, grant implementation continues to be moderately satisfactory due to a low cumulative disbursement rate. By end of the reporting period, 66.38% of Grant proceeds had been disbursed, increasing the disbursement rate by 30% from the time of the previous GRM. Grant activities have supported the following activities: (i) hiring of consultants to staff the PIU, (ii) completion of technical assistance on REDD+ activities at the regional level and closing the contracts with Technical Units, (iii) supporting the preparation of practice manuals for the implementation of ENCCRV activities, (iv) advancing on the development of instruments and conditions required for the ERPA’s implementation phase, (v) improving and expanding the country’s Forest Reference Level and Measurement, Reporting and Verification (MRV) system, and (vi) supporting safeguards implementation at the regional level. Procurement performance and Financial Management are considered satisfactory. The Environmental Assessment (EA) Category remains B, and environmental and social performance has been satisfactory throughout implementation.

Grant follow-up and structure

Description and context of Grant:
Chile submitted a Readiness Preparation Proposal (R-PP) to the FCPF in October 2012, identifying a broad set of activities aimed at strengthening the technical and institutional capacities of a variety of stakeholders for enabling the country to participate in a future REDD+ mechanism. The overall financial envelope for carrying out these activities was estimated at approximately US$14 million, supported by a number of multilateral and bilateral financing arrangements in addition to the Chilean government’s own contribution. After a positive review by a Technical Advisory Panel and the FCPF Participants Committee (PC), Chile’s R-PP was successfully endorsed in March 2013 during the PC’s 14th Meeting in Washington D.C. Following a due diligence process by the World Bank as the Delivery Partner, Chile signed a Readiness Preparation Grant Agreement in December 2013, in the amount of US$3.8 million. The objective of the Preparation Grant was to assist Chile in carrying out its Readiness Preparation Activities, with a closing date of December 29, 2017. The original FCPF grant financed a
specific sub-set of activities included in the country’s R-PP, selected after technical discussions with the client, 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.

In November 2015, Chile presented a Mid-Term Report (MTR) on the progress made with its Readiness activities during the 20th Meeting of the FCPF PC, acknowledging that there was still a financial gap to fully implement its REDD+ Readiness phase. The PC decided to allocate an additional funding of US$5 million to the country, based on: (i) the PC’s consideration of Chile’s MTR, recognizing that significant progress has been achieved; (ii) Chile’s commitment (i.e. in signed contracts) of at least 50% of the original Readiness Preparation Grant at the time of the funding request; (iii) the consistency of the additional funding activities with the endorsed R-PP and current country needs; and (iv) the availability of resources in the Readiness Fund.

Detailed information on the progress achieved with overall REDD+ Readiness and the rationale for additional funding are contained in Chile’s MTR and Request for Additional Funding. The Grant Agreement, dated July 10, 2017, was countersigned on July 18, 2017 and declared effective on October 30, 2017. As such, the additional US$5 million Grant is currently in its last year of implementation, the closing date being June 30, 2021.

**Expected follow up (if any):** Follow up Bank project/loan/credit/grant
Emissions Reduction Payment Agreements (ERPAs) - (P160277 - RETFs TF0B1593 and TF0B1592)

**Comment on follow up:**
Follow-up will be through the Emissions Reduction Payment Agreements (ERPAs), signed in December 2019. The Agreement considers a Contract Volume up to 5.2 million tCO2e at US$5 per ton agreed price, and an additional option to sell up to 2 million tCO2 at a price to be convened after the completion of the contracted Emissions Reductions (ERs). Chile was the first country in Latin America to sign an FCPF ERPA, and the third in the world. Also, in parallel Chile received and additional (Bank-executed) US$ 306,500 preparation grant (TF0B2146) to support activities of the country’s MRV system that will complete the preparation of the ERPA.

**End Date of Last Site Visit:**
Given the 2019 social unrest in the country and the COVID-19 pandemic, site visits were suspended. Field visits will be resumed once the appropriate conditions are in place, following the required security protocols.

**Restructuring of Grant:**
A 12-month extension of the Grant closing date was requested by the Recipient on April 16, 2020 and granted by the Bank on April 27, 2020. The new closing date of the project is June 30, 2021. The additional time will allow to achieve all the project commitments and full disbursements.
OUTCOME

Comments on outcome achieved from 07/01/2019 to 06/30/2020

Key outcomes during the reporting period include significant advances in regional REDD+ capacity building through the work of the Regional REDD+ Technical Assistance Teams; development of the structure of an Environmental Education Program, as well as a gaps and opportunities analysis for its implementation; an improved capacity to implement the National REDD+ Strategy through the development of a National Registry system; and improved capacity to monitor, measure, report and verify REDD+ results (process of updating and scaling up of the forest reference level is underway).

Grant Outcome Indicators

Grant outcome indicators are listed below.

Institutional Arrangement in place and with increased knowledge and information on the ENCCRV

Baseline Value: Arrangements for REDD+ Readiness in place
Date: 10/30/2017

Progress to Date: REDD+ knowledge and information of key institutions and stakeholders is being strengthened through capacity building activities and technical assistance.
Date: 06/30/2020

Target Value: Arrangements for REDD+ in place with increased knowledge and information
Date: 06/30/2021

Increased technical capacity to implement the National REDD+ Strategy at the regional level

Baseline Value: National REDD+ Strategy at the regional level
Date: 10/30/2017

Progress to Date: Regional Technical Units have almost completed their work on all the regions and have delivered several technical documents and material to support the implementation of REDD+ at regional level. The structure of the Environmental Education Program has been designed, and a report of strengths and gaps to implement and develop the program contents has been issued and delivered.
Date: 06/30/2020

Target Value: National REDD+ Strategy in place with increased technical capacity at the regional level
Date: 06/30/2021

Complete National Forest Reference Level

Baseline Value: Subnational National Forest Reference Level in place
Date: 10/30/2017

Progress to Date: Part of the FRL has been already expanded by creating density diagrams for new forests types. The process is still underway.
Date: 06/30/2020

Target Value: Full National Forest Reference Level in place
Date: 06/30/2021
National Forest Monitoring System (NFMS) for REDD+ in place and fully operational
Baseline Value: Methodologies for the NFMS in place.
    Date: 10/30/2017
Progress to Date: A consultancy for the development of modules for the integrated platform system is underway; progress has been made on the creation of the Safeguards Information System.
    Date: 06/30/2020
Target Value: NFMS for REDD+ in place and fully operational.
    Date: 06/30/2021

COMPONENTS/OUTPUTS

Output and Implementation by Component

Component 1: Readiness Organization and Consultation
Implementation Rating: Satisfactory
Status: Under implementation
Planned Output: Continued support to national REDD+ management arrangements, and stakeholder consultation.
Actual Output: The national REDD+ governance has been established and strengthened through capacity building activities; the regional level is still pending. Consultations on the first version of the BSP were held on June-July 2019. Additional participatory workshops for the validation of the BSP are expected to be carried out on Q2 FY21.

Component 2: REDD+ Strategy Preparation
Implementation Rating: Satisfactory
Status: Under Implementation
Planned Output: Strengthening of regional capacities for the ENCCRV; Development of an ER transaction registry
Actual Output: Regional capacities have been strengthened, through the Regional Technical Assistance Teams. The teams have provided technical assistance to the regions while developing capacity building materials and implementing of technical training workshops. The National ER transaction registry was piloted, adjusted and finalized during the period.

Component 3: Development of a National Forest Reference Emission Level and Monitoring Systems for REDD+
Implementation Rating: Satisfactory
Status: Under Implementation
Planned Output: Update and Expand the Forest Reference Emissions Level/Reference Level; and strengthen National
Actual Output: The expansion of the Forest Reference Level (FRL) is under progress and present important advances during the period.
Comment on planned and actual Output

Comment on component implementation progress
Under component 1, CONAF has hired several professionals to staff the PIU to strengthen its capacities to implement the Grant and finalize the Readiness phase. The PIU started the development of a communications plan for the closing phase to share the project outcomes. A proposal for the Environmental Program Structure and an opportunities and gaps assessment for the Program were finalized and approved.

Under component 2, Regional REDD+ Technical Assistance Teams developed different activities to strengthen local capacities related to the ENCCRV, including institutional, forest management, fires management, governance, among other topics. Participatory workshops to socialize the BSP first draft version were held with stakeholders in regions. A Legal analysis on ER ownership was finalized and submitted to the FCPF as part of the documentation to meet with the conditions of effectiveness for ERPA implementation. Training workshops for CONAF professionals are pending due to COVID-19 crisis. The master ESMF developed for the ENCCRV, which also applies for the ERPA, and its associated frameworks have been finalized.

Under component 3, the maps of Carbon stock and flow were updated for the 2015-2017 period. New forest diagram types were created, increasing the accuracy of the maps. A consultancy to expand the maps to new regions started during the reporting period. An emissions reductions transaction system was finalized. Indicators and technological system for monitoring co-benefits were developed.

EXECUTION

Bank project related to the grant
Project ID / Name: P124908 - CL FCPF REDD READINESS
Project Status: Lending
Global Focal Area: Climate change
Product Line: CN - Carbon Offset

Implementing agency and contact details
Agency: National Forest Corporation (CONAF)
Contact: Luis Gianelli
Address: Paseo Bulnes 285, Santiago, Chile
Phone: +562 26630363
Website: www.conaf.cl
Email: luis.gianelli@conaf.cl
Program Specific Questions

1. Describe progress in how the Grant activities are being coordinated with other REDD+-related initiatives, including those funded by others.

The country has worked with several initiatives to improve its REDD+ national program. In the past, it worked with the Swiss Cooperation, and has kept working with the UNREDD Programme. Currently, UNREDD supports the process of developing the Safeguards Information System. During November 2019, the Green Climate Fund (GCF) approved a Results Payments Agreement, presented as part of the implementation initiatives of Chilean National REDD+ strategy (National Strategy on Climate Change and Vegetational Resources), with FAO as implementation agency. The latter are being closely coordinated with the grant activities.

2. Describe any important changes in the technical design or approach related to the Grant activities.

No major changes have been made in the technical design of Grant activities.

3. Describe progress in addressing key capacity issues (implementation, technical, financial management, procurement) related to this Grant.

The PIU has received training and capacity building on several technical aspects to ensure the correct development and implementation of the MRV system. Additionally, workshops on forest management, sustainable practices, and conservation were held during the reported period. Nevertheless, important capacity building activities on safeguards, and a REDD+ workshop for CONAF's lawyers, among other technical workshops, are pending and programed for next fiscal year due to the abovementioned delays.

4. Describe progress in addressing social and environmental issues (including safeguards) related to the Grant. Is the SESA conducted in accordance with the Common Approach?

The Environmental and Social Safeguards performance rating is Satisfactory. In the previous reporting period, the Strategic Environmental and Social Assessment (SESA) process was completed, and a final SESA report was developed, finalized and disclosed following the FCPF Common Approach and Bank Operational Policies. The PIU has the dedicated support of two environmental specialists and one social specialist at the central level. At the regional level, training and capacity building of CONAF's regional teams, particularly for the ERPA accounting area on safeguards requirements is expected to start in the short to medium term.

5. Is the ESMF prepared in accordance with the Common Approach?

The Environmental and Social Management Framework (ESMF) for the ENCCRV was finalized and disclosed in May 2018. The ESMF was updated and re-disclosed in November 2019 to reflect its application to the ERPA retroactive period. The ESMF, which has been developed following the FCPF Common Approach and Bank Operational Policies, incorporates multiple protocols and frameworks that respond to the triggered Safeguard Policies.

6. Describe progress in stakeholder consultation, participation, disclosure of information, and the FGRM related to this Grant.

CONAF carried out extensive consultations with stakeholders both at the national and regional level as part of the original grant, and within the process for developing the ENCCRV. The results and highlights of these consultations are disclosed and publicly available on CONAF's website. The national FGRM has been adapted to include specific provisions related to the ENCCRV and it has been made operational. The FGRM receives requests and queries, and CONAF team responds promptly according to the relevant national norms. Both the SESA and ESMF have been publicly disclosed. Prior the ERPA signature, during July 2019, CONAF held participatory workshops to present the first draft version of the Benefit Sharing Plan (BSP) to stakeholders; this process will be complemented with additional meetings and workshops, in order to ensure widespread
## DISBURSEMENTS

### Disbursements Summary in USD

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