

**PROJECT INFORMATION DOCUMENT / INTEGRATED SAFEGUARDS DATA
SHEET (PID/ISDS)
CONCEPT STAGE**

Report No.:PIDISDSC21059

Date Prepared/Updated: 26-Jun-2017

I. BASIC INFORMATION

A. Basic Project Data

Country:	Chile	Project ID:	P160277
		Parent Project ID (if any):	
Project Name:	Chile REDD+ Emissions Reductions Program (P160277)		
Region	LATIN AMERICA AND CARIBBEAN		
Estimated Appraisal Date:		Estimated Board Date:	31-Jan-2018
Practice Area (Lead):	Environment & Natural Resources	Financing Instrument:	
Borrower(s)	Corporacion Nacional Forestal (CONAF)		
Implementing Agency	Corporacion Nacional Forestal (CONAF)		
Financing (in USD Million)			
Financing Source			Amount
Borrower			0.00
Carbon Fund			60.00
Total Project Cost			60.00
Environmental Category:	B-Partial Assessment		
Is this a Repeater project?	No		

B. Introduction and Context

Country Context

1. Chile is an upper middle income country with one of the most politically stable systems in Latin America, strong institutions and a solid record of economic growth during the last two and a half decades. It 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 in the south, 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 mining, forestry, fisheries, and agriculture. Yet, despite its natural assets and economic prowess, the country is challenged by land degradation problems including desertification, accelerated soil erosion,

and natural forest degradation. Climate change is exacerbating land degradation through changes in rainfall quantity and regime, and rising temperatures. The Government of Chile (GoC) has demonstrated its commitment to addressing land degradation with the passage of supporting legislation and has repeatedly signaled its intent to contribute to global efforts to mitigate greenhouse gas emissions (GHG) through forest carbon sequestration and sustainable forest management.

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 and 48 percent publicly owned (around 2 percent are owned by indigenous communities). Chile's overall forest cover is expanding, with gross deforestation being very low estimated at around 27,000 ha annually (0.16%), and with plantations expanding by about 64,000 ha each year. This said, forest degradation remains a serious problem for the country's native forests, with almost 4 million ha of forests affected. Most degradation occurs in the southern natural forests, where unsustainable and unmanaged fuelwood extraction is a major contributor to the problem. The most common causes of forest degradation are due to over harvesting and poor forest management practices, mainly for fuelwood. 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, hydrological functions and biodiversity conservation, among other aspects.

3. The Ministry of Agriculture through the National Forestry Corporation (CONAF, the Program Entity) is making a substantial contribution towards achieving these targets through the recently launched National Strategy for Climate Change and Native Vegetation (ENCCRV, for its acronyms in Spanish) whose objective is to position the country's natural forests as a key element of national climate change mitigation and adaptation efforts, in line with its international commitments. Importantly, Chile's NDC document clearly establishes the ENCCRV as the key instrument for meeting the country's climate change mitigation targets in the forest sector. The proposed ER Program is key in operationalizing the targets set in Chile's NDC and ENCCRV.

Relationship to CAS/CPS/CPF

4. The proposed Carbon Finance transaction is fully aligned with the FY11-16 Country Partnership Strategy (CPS) for Chile. The primary challenges highlighted 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, to which the ER Program will contribute. The FCPF operation is specifically mentioned as one of the milestones of the CPS program to support the GoC's action plan to ensure the sustainable use of natural resources.

5. The proposed Carbon Finance transaction is part of a broader engagement of the Bank to support Chile's ENCCRV including an overall REDD+ Preparation grant of US\$8.8 million (P124908) under the FCPF Readiness Fund, and a US\$71 million GEF operation to support Sustainable Land Management (P085621). In addition, Chile is in the process of submitting a US\$150 million funding proposal to the Green Climate Fund (GCF) to support the implementation of the ENCCRV and has requested the Bank to act as the Accredited Entity. The figure below illustrates the Bank's programmatic engagement in the forest sector in Chile.

C. Proposed Development Objective(s)

Development Objective(s)

6. The objective of the Program is to make payments to the Program Entity for measured, reported and

verified Emission Reductions related to reduced deforestation, forest degradation and the enhancement of forest carbon stocks (ER payments) in selected regions of southern Chile, and distribution of ER payments in accordance with agreed Benefit Sharing Plan.

Key Results

7. The achievements of the PDO will be measured through the following indicators:

- (i) ER payment for the equivalent of 5.2 millions tons of CO₂ transferred to the Program Entity;
- (ii) ER payments distributed in accordance with agreed Benefit Sharing Plan.

8. Program beneficiaries will be small and medium forest owners and indigenous communities in vulnerable areas, therefore contributing to the WBG twin goals.

D. Concept Description

9. The proposed Concept Note is for a Carbon Finance Transaction involving the delivery of and payment for Emission Reductions (ERs) between Chile's National Forestry Corporation (CONAF, for its acronyms in Spanish) as the Program Entity and the World Bank as Trustee of the Forest Carbon Partnership Facility's (FCPF) Carbon Fund. It does not involve the direct financing of any of the underlying activities generating such ERs. Chile's proposed ER Program is part of the Carbon Fund pipeline of ER Programs and would be among the first of such Programs worldwide to receive payments based on verified REDD+ results. [Of the five countries to have presented ER Programs to the FCPF carbon Fund so far, three are from LAC (Chile, Costa Rica, and Mexico), all of which are OECD members or have an OECD accession agenda. Other countries include the Democratic Republic of Congo and Vietnam.]

10. Since 2010, Chile has put in place strong analytical and participatory processes in order to develop its National Strategy for Climate Change and Native Vegetation (ENCCRV, for its acronyms in Spanish), with the aim of designing a set of mitigation and adaptation measures for the forest sector in line with the country's needs and international commitments. CONAF has decided to direct the initial efforts of the ENCCRV at the subnational level, focusing on the temperate regions of the south where the majority of the native forests and GHG emissions from the LULUCF sector are located. The area includes five of the fifteen administrative regions of the country between Maule and Los Lagos, covering a total of approximately 15,300,000 hectares, representing the GHG accounting area of the ER Program. CONAF has decided to exclude industrial forest plantations from the Program and to focus instead on small and medium forest owners in order to increase the Program's environmental and social co-benefits, representing a paradigm shift from the past forest management model focused on the exotic species timber industry towards a more sustainable one.

11. 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 forest degradation (the second "D" in REDD+), which is affecting approximately 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 (namely DRC, Costa Rica and Mexico) has been primarily on avoiding deforestation. Chile has made significant progress in this regard, building on the methodological work on forest degradation carried out by the National Forestry Institute (INFOR) over the last decade. Given its experience and commitment, Chile's pioneering ER Program will provide a learning case for the implementation of REDD+ mechanisms of global relevance.

12. The strategic options and mitigation actions to be implemented as part of the ER Program form an

integral part of the interventions that the ENCCRIV has developed for the whole country, including enabling measures such as adjustments to the current subsidy programs in the forest sector, promotion of new legislation for the valuation of ecosystem services, developing appropriate safeguards and GHG monitoring systems; as well as direct mitigation measures such as promoting sustainable forest management and restoration of degraded forests and lands, which will be implemented through a number of ad-hoc programs in at least 264,800 hectares. Overall, the ER Program comprises a total of 8 Strategic Options designed to address the main drivers of deforestation, forest degradation, and barriers to the enhancement of forest carbon stocks that will be implemented through 19 enabling and 7 direct mitigation measures. In addition, the Program includes a spatially explicit strategy to identify priority areas of implementation (“hotspots”) in both public and private lands, based on a number of criteria such as mitigation potential and cost-effectiveness, social equity and non-carbon benefits.

13. The design of the ER Program has been developed based on the results of a number of analytical studies funded by the FCPF Readiness grant (P124908) on the drivers of deforestation and forest degradation in the country and the underlying legal, technical, economic, and social causes; coupled with a strong participatory process that included 16 workshops (one in each administrative region of the country and a national one) and more than 1,300 people representing key stakeholder groups, including women, youth and Indigenous Peoples. This process generated the necessary inputs to design a Program with a strong technical basis, while incorporating the views of key sector stakeholders and allowing to meet the country’s international commitments to the UNFCCC.

14. The ER Program is expected to have a transformative impact on Chile’s policies, regulations, and practices associated with the management of the country’s native forest resources, leading to the scaling up of the proposed strategic options and mitigation actions at the national level in support of the country’s efforts to mitigate and adapt to climate change.

15. The proposed Carbon Finance Transaction will pay up to US\$60 million for the delivery of Measured, Reported and Verified (MRV) Emissions Reductions (ER) from Chile’s ER Program under an Emissions Reduction Payment Agreement (ERPA) to be signed between the Bank, as Trustee of the FCPF, and CONAF as the Program Entity. It will not finance any of the underlying activities that have the ERs. The General Conditions of the proposed ERPA have been approved by the Participant’s Committee of the FCPF. Negotiations on the Commercial Terms of the ERPA (i.e. price and volume) will initiate once the operation has finalized Appraisal and are expected to last about 6 months.

II. SAFEGUARDS

A. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

16. The ER Program comprises five administrative regions in southern Chile (from Maule to Los Lagos) covering a total of 16.5 million hectares, 35% of which are covered by native forests with a high diversity, representing 11 of the 12 forest types present in the country, four of which are only found within the Program area. 11% of the ER Program area is under some form of legal protection as part of the National System of State Protected Areas (SNASPE).

17. In terms of social characteristics, the ER Program area includes three of the four regions in the country with the highest concentration of indigenous populations representing approximately 50% of the national total. In addition, there is a high concentration of small and medium forest owners. The majority of these populations are highly dependent on native forest resources especially for heating and cooking. Some of the regions in the ER Program area have evolved from a largely rural population in the 60s to a largely urban one today, driven by a lack of available land and employment/education

opportunities in rural areas, especially for young people. Tourism is also an important contributor to the economy in the ER Program Area which relies on native forests for scenic beauty and associated recreational activities.

B. Borrowers Institutional Capacity for Safeguard Policies

18. The executing agency will be the Chilean National Forestry Corporation (CONAF) 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.

19. CONAF is a recognized as institution of the public administration with strong environmental competence. Since 2010, it established an Environmental Assessment Unit under the Department of Forest Management in charge of the System of Environmental Impact Assessment, Environmental Monitoring and Control, and further responsibilities in relation to the Native Forest Law. Its legal competencies include reporting on the compliance with current environmental regulations related to the use and management of forest resources and xerophytic formations, the conservation of native forests and protected areas, and environmental licensing. CONAF has also instituted a Unit of Indigenous and Social Affairs (UAIS) which focuses on the inclusion and participation of indigenous populations in the formulation and implementation of sectoral plans, projects and programs. The UAIS has qualified professionals with ample experience on indigenous issues and maintains a local presence in the territories through its regional managers.

20. Institutional strengthening is being pursued by CONAF through contracting one social and one environmental specialist trained in the EMSF that has been developed in the context of the ER-Program, in order to increase the capacity of CONAF's relevant departments overseeing safeguards implementation (UCCSA, UAIS, DEA) on the applicable World Bank Operational Policies.

C. Environmental and Social Safeguards Specialists on the Team

Lilian PedersenGENDR

Ricardo LarroblaGENDR

D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered ?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This ER-Program is classified as Category B since it consists mainly of policies and measures aimed at reverting and preventing forest degradation and deforestation in the areas of intervention. Any potential environmental impacts and risks stemming from the implementation of on the ground activities is expected be low, localized and manageable. A participatory Strategic Environmental and

		<p>Social Assessment (SESA) was carried out in compliance with OP/BP 4.01, in order to identify, avoid, and mitigate the potential negative environmental and social impacts associated with future activities to be supported by the ER Program. The SESA has provided key guidance and elements for the preparation of the Environmental and Social Management Framework (ESMF) (currently in draft form), and has directly influenced the final version of the ER Program by ensuring that social and environmental risks are factored in the design of the activities to be implemented on the ground. Both the SESA and ESMF will be publicly disclosed before appraisal, approximately by the end of the 2017 calendar year.</p> <p>This safeguard (together with other environmental safeguards triggered, especially OP4.04 and 4.36) will be key in those areas determined to be eligible for the implementation of the ER Program measures and will be operationalized through the procedures established in the ESMF. The SESA and ESMF include several operational instruments as well as prevention and/or mitigation measures to address environmental and social risks. These measures include screening checklists (to determine potential impacts), negative lists (to exclude certain activities that are considered high-impact), and procedures to determine the need for development of site-specific assessments and safeguard instruments, particularly related to OP 4.04, 4.09, 4.36, 4.10, and 4.12. Since the Bank does not finance any of the underlying activities of the ER Program, but rather only pays for results, the ESMF will apply to all activities implemented under the ENCCRIV regardless of the source of financing.</p>
Natural Habitats OP/BP 4.04	Yes	<p>The application of this policy seeks to ensure that all options proposed in the ER Program take into account the conservation of biodiversity, as well as the numerous environmental services and products that natural habitats provide to Chilean society. Overall, the REDD+ activities promoted by the ER Program are expected to have significant positive impacts on natural</p>

		habitats, as the country puts in place an effective strategy to reduce the degradation of its native forests. The SESA addresses issues related to natural habitats and potential impacts of the ER Program, which are being incorporated in the ESMF (in a specific protocol to be used as needed).
Forests OP/BP 4.36	Yes	Overall, the activities proposed in the ER Program are expected to have significant positive impacts on the country's vast native forest extent, in that its main goal is to reduce deforestation and forest degradation, while contributing to the well-being of forest-dependent communities. The potential impacts of the ER Program on native forests have been assessed through the draft SESA and have been incorporated in the ESMF (complementary protocol to 4.01 to be used as needed), which 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	Yes	This policy is triggered in a precautionary way in cases where concrete activities in the ENCCR V promoting agricultural intensification and reforestation, for instance, require the management of pests based on the methods employed. The critical provisions of the Bank Policy on Pest Management have been incorporated in the ESMF.
Physical Cultural Resources OP/BP 4.11	Yes	This policy is triggered in a precautionary way to address cases where the ER Program could promote activities in areas containing sites deemed physical cultural resources (PCR). Though it is not anticipated that the ER Program will have any negative impacts on such sites, the existence of any such sites in areas affected by the ER Program will trigger provisions included in the ESMF on how to address preservation of known PCR sites, especially in areas inhabited by indigenous communities.
Indigenous Peoples OP/BP 4.10	Yes	This policy is triggered due to the presence of Indigenous Peoples in the ER Program Area and their close relationship with native vegetation resources. The SESA process began early in the Readiness phase in a highly participatory manner and with a special focus

	<p>on indigenous peoples' participation, with the aim of identifying key issues and providing recommendations for the design of the ENCCRV (implemented largely through the ER Program). As part of the readiness phase, indigenous peoples participated in most of the 16 Regional and National Workshops performed as part of the SESA process, which included a total of more than 1,300 people. Also an Indigenous People National Dialogue was carried out during 2016, with 1813 IP participants in 90 workshops. Through the SESA, Indigenous Peoples assessed the risks and benefits of the proposed REDD+ strategic options from their own perspective and contextual realities, providing also suggestions for potential mitigation measures. Some of the risk and impacts identified during SESA participatory processes and technical analysis performed, were: i) potential exclusion of vulnerable groups, including IP and subsistence farmers; ii) the need for cultural approaches and ancestral methods to be taken into account in measures and activities implementation; specially in the influence area of their territories; iii) native forest management plans in the influence area of their territories without IP and other vulnerable groups consultation; iv) access to resources in legally protected natural habitats limited or restricted, potentially affecting the livelihoods of IP and other vulnerable groups; v) potential/eventual displacement of economic or other activities affecting the livelihoods of IP and vulnerable groups.</p> <p>The ESMF includes a (preliminary) Indigenous Peoples Planning Framework (IPPF) that are being prepared in a culturally appropriate way in compliance with the Indigenous Peoples policy (OP 4.10) for addressing issues arising from specific investments during the implementation of the ER-Program. The IPPF will serve a guidance for preparing site-specific Indigenous Peoples Plans (IPPs) during the implementation of the ER Program under the principle of free, prior and informed consultation. Chile has also committed to follow its obligations under ILO Convention 169 on Indigenous and Tribal</p>
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		Peoples. The IPPF will establish that OP 4.10 applies to all activities implemented under the ER program, regardless of the source of financing.
Involuntary Resettlement OP/BP 4.12	Yes	<p>During the Readiness phase, the SESA was used to assess the risk of potential restriction of access to natural resources as part of the design phase of the ENCCRV, providing adequate recommendations from the perspective of stakeholders. Based on this consultation process as well additional technical analysis, it is not expected that ENCCRV measures will result in the displacement of peoples. Nevertheless it is likely that measures like land tenure strengthening, restoration of ecosystems affected by fire, or grazing control activities could result in economic impacts or activity displacement. Also, restoration of fire affected ecosystems and the strengthening of Protected Areas Management Plans could result in increased restrictions or limited access to natural resources for vulnerable groups like indigenous peoples depending on those resources for their livelihoods. To address this kind of impacts, a Process Framework (PF) is being prepared as part of the draft ESMF. Additionally, a Resettlement Policy Framework (RPF) is being prepared to provide procedures in order to manage impacts in the event of potential relocation and/or land acquisition as a result of the implementation of the ER Program on the ground, including indigenous peoples and small farmers. The draft RPF and PF are being prepared as a specific chapter of the ESMF. The RPF will establish that OP 4.12 applies to all activities implemented under the ER Program and that result in involuntary resettlement, regardless of the source of financing. It also will apply to other activities resulting in involuntary resettlement, that in the judgment of the Bank, are i) directly and significantly related to the ER Program; ii) necessary to achieve its objectives as set forth in the project documents; and iii) carried out, or planned to be carried out, contemporaneously with the ER Program.</p>
Safety of Dams OP/BP 4.37	No	This policy is not triggered as the Program

		will neither support the construction or rehabilitation of dams nor will it support other investments which rely on services of existing dams.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered as the Program will not finance activities involving the use or potential pollution of international waterways.
Projects in Disputed Areas OP/BP 7.60	No	This policy is not triggered as the Program will not finance activities in disputed areas as defined in the policy.

E. SAFEGUARD PREPARATION PLAN

1. Tentative target date for preparing the Appraisal Stage ISDS:

30-Sep-2017

2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal-stage ISDS.

A SESA has been conducted to identify and address the environmental and social benefits and risks of the ENCCRV as a whole based on a participatory approach and integrating the World Bank's environmental and social operational policies. As a result of the SESA process, an ESMF is being prepared (currently in final draft form) to manage and mitigate any potential risks stemming from future investments and/or activities on the ground as part of the ER Program. A draft of the ESMF is already in place and is expected to be finalized by June 2017.

Consultations on the final drafts of the ESMF. A preliminary version of the ESMF and its related Annexes, including a description of how environmental and social safeguards instruments are being addressed in pilot projects, will be publicly disclosed and consulted with key stakeholders which have participated in the SESA process. It is expected that the ESMF public disclosure and consultation will be carried out during June-July, 2017. The ESMF will include requirements for screening and developing environmental and social safeguards instruments as applicable for each of the activities implemented under the ENCCRV, satisfactory to the Bank. Before Appraisal, a final ESMF, including the results of the consultation processes, will be disclosed to the stakeholders consulted during the SESA process and be publicly available in CONAF's website as well as the WB Infoshop.

Policy development and TA. The draft ESMF includes specific procedures for developing appropriate safeguard instruments based on the WB OPs (particularly OP 4.01, 4.10 and 4.12) applicable to Technical Assistance activities (e.g. studies etc.) that could potentially result in the development of laws, policies and plans as part of the ER Program, establishing how environmental and social issues will be addressed and how relevant stakeholders will be consulted, through Sectoral Environmental Assessments and SESA requirements.

Given that ER payments will results from forest activities and other land and natural resource use changes, including in areas with indigenous peoples and other forest-dependent communities, the safeguards risk rating is Substantial. The risk rating for Stakeholders is considered Moderate but will be reassessed after ESMF (including IPPF and RPF) consultations.

III. Contact point

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V. Approval

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Practice Manager/Manager:	Name: Paul Jonathan Martin (PMGR)	Date: 21-Apr-2017
Country Director:	Name:Boris Enrique Utria (CD)	Date:26-Jun-2017

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.