



## 1. Project Data

**Project ID**

P085621

**Project Name**

CL GEF Sustainable Land ManagementGEF Su

**Country**

Chile

**Practice Area(Lead)**

Environment, Natural Resources &amp; the Blue Economy

**L/C/TF Number(s)**

TF-15104,TF-55521

**Closing Date (Original)**

15-Aug-2019

**Total Project Cost (USD)**

5,977,308.03

**Bank Approval Date**

07-Jun-2013

**Closing Date (Actual)**

30-Jun-2021

**IBRD/IDA (USD)**
**Grants (USD)**

Original Commitment

6,188,636.00

6,188,636.00

Revised Commitment

6,144,651.01

5,977,308.03

Actual

5,977,308.03

5,977,308.03

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## 2. Project Objectives and Components

### a. Objectives

According to the Project Appraisal Document (PAD) (p. 4) and the Financing Agreement of (December 9, 2013) (p. 6) the objective of the project was “to develop a national framework for sustainable land management to combat land degradation, mainstream biodiversity into national policies, and protect forest carbon assets”.

According to the PAD (p. 9) the project focused on five pilot areas: i) Putre (Arica region, Central Andean dry Puna ecosystem); ii) Combarbala (Coquimbo region, Chilean Matorral ecosystem); iii) Litueche (which later



during implementation added Marchigüe in the O'Higgins region, Chilean Matorral ecosystem); iv) Carahue-Puerto Saavedra (Araucania region, Winter Rainfall forest-Valdivian temperate rainforest ecosystem); and v) Coyhaique (Aysen region, Patagonian Andes Nothofagus forests and steppe).

**b. Were the project objectives/key associated outcome targets revised during implementation?**

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

Yes

**Date of Board Approval**

27-Jun-2017

**c. Will a split evaluation be undertaken?**

Yes

**d. Components**

The project included five components:

**Component 1: National Sustainable Land Management Framework (appraisal estimate US\$4.9 million, actual US\$8.03 million) due to the significantly larger scope of the component since it sought (three years after project approval) to support the broader National Strategy on Climate Change and Vegetation Resources (ENCCRV):** This component was to finance the following activities: i) carrying out an assessment of the potential for Chile's existing agriculture, forestry, ranching and conservation programs, including Ministry of Agriculture (MINAGRI) programs, to be part of the sustainable land management (SLM) framework and, based on the assessment, evolving recommendations for these programs; ii) classifying geographic locales in the Chile's territory for SLM purposes based on, inter alia, their vulnerabilities and potential for replicating effective SLM; iii) developing and validating eligibility criteria for beneficiary participation in SLM activities supported by the government under the proposed SLM Framework including, inter alia, the creation of Conservation Districts; and iv) developing an SLM Framework, incorporating lessons learned from the implementation of Subprojects and other Project activities.

According to an exchange between IEG and the Bank project team (February 18, 2022) it was during the Mid-Term Review (MTR) in June 2017 that the government revised its co-financing estimates for each component, reduced/revised targets, and suggested new/revised scope for indicators in view of the remaining time left for project implementation. When the Project Implementation Unit (PIU) and counterparts had calculated the total costs for Component 1, they were higher than the original expectations. Furthermore, after the project's objective was established and the project designed, the National Forest Corporation (CONAF) proposed a process to develop the National Strategy on Climate Change and Vegetation Resources (ENCCRV). ENCCRV was a larger undertaking (geographically/financially/institutionally) than the Bank-assisted project envisaged, which was developed to change the way CONAF worked on forestry/conservation and climate change issues. During the 2017 MTR, the government realized that the ENCCRV was a complementary (and much larger than expected) umbrella strategy for the Sustainable Land Management (SLM) framework than the Bank's project sought to support. Therefore, it was agreed that since the ENCCRV had been adopted as the National SLM framework,



the Bank-assisted project became an initiative of the ENCCRV, benefiting from synergies provided by the ENCCRV umbrella.

**Component 2: SLM Pilot Projects (appraisal estimate US\$39.11 million, actual US\$15.4 million due to a substantial reduction in government counterpart funding):** This component was to finance the following activities: i) developing a Strategic Plan for each Strategic Pilot Area, including the identification of conservation corridors; ii) Carrying out of demonstration activities of desirable SLM practices in strategic pilot areas; and (b) development and carrying out of capacity building activities and technical assistance on best practices for agriculture, forestry, ranching and conservation for SLM; iii) providing technical assistance for the preparation and carrying out of sub-projects, including, inter alia: a) providing assistance in the design of farm-level plans (planes prediales) to support the implementation of Subprojects; b) carrying out of capacity building activities to raise awareness of SLM benefits; and c) providing assistance in the preparation and submission of applications to the member country for the financing of investments/activities under existing forestry, agriculture, ranching and conservation programs, for the purposes of carrying out sub-projects; and iv) carrying out of sub-projects by eligible beneficiaries in selected regions.

**Component 3: SLM Monitoring and Evaluation System (appraisal estimate US\$9.6 million, actual US\$5.9 million):** This component was to finance the following activities: i) designing of an SLM monitoring and evaluation system through a) the carrying out of studies to identify the users' needs and technology requirements; b) providing required hardware and software; c) providing technical assistance for SLM data management; and iv) developing operational manuals; ii) Implementing the SLM monitoring and evaluation system in the strategic pilot areas; and iii) developing a website to publish project results and SLM data.

**Component 4: Institutional Capacity Building (appraisal estimate US\$5.4 million, actual US\$4.5 million):** This component was to finance the following activities: i) developing inter-sectoral coordination mechanisms to support the SLM Framework; ii) carrying out of capacity building activities to improve SLM; iii) designing and implementing of outreach activities and strategies to disseminate SLM information, including the design and implementation of communication campaigns and public awareness initiatives; iv) developing and implementing a university-level course on SLM; v) developing and carrying out an international seminar on SLM.

**Component 5: Project Management (appraisal estimate US\$4.8 million, actual US\$2.3 million):** This component was to finance the following activities: i) supporting project management, through: a) the provision of training and workshops; and b) carrying out technical and fiduciary aspects of the project, including project audits; and ii) supporting project monitoring and evaluation through: a) the establishment of systems and capacities for monitoring project activities; and b) carrying out project impact evaluation activities.

#### **e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

**Project Cost:** The project was estimated to cost US\$64.18 million. Actual cost was US\$36.42 due to reduced counterpart funding. According to advice to IEG from the Bank project team (February 18, 2022) most of the co-financing at appraisal contributed to financing component 2 activities. The original design of component 2 was based on the assumption that the project was to focus on the application of the regulation "Afforestation and Reforestation Program (Presidential Decree no. 701)" which was to mainly contribute to the achievement of PDO indicator 2 ("land areas under sustainable landscaping management practices"). This policy financed the reforestation of degraded lands, the recovery of soils through reforestation



and afforestation, as well as the sustainable management and reforestation of forests. However, given that the decree was not extended beyond its expiration date of December 31, 2012, the project had to modify the approach for component 2 namely a target reduction and a lowering of counterpart financing during the 2017 restructuring.

**Financing:** The project was financed by a Bank Trust Fund (TF-55521) in the amount of US\$325,000 of which US\$281,015 was disbursed, a Trust Fund (TF-15104) in the amount of US\$5.8 million of which US\$5.69 million was disbursed.

**Borrower Contribution:** The Borrower was to contribute US\$58.0 million. Actual contribution was US\$30.44 million due to the reduced availability of government resources.

**Dates:** The project was restructured three times:

- On June 27, 2017 the project was restructured to: (i) modify the description of PDO Indicator 2 to "land area under sustainable land management practices", reduce its target to 30,000 ha, and modify the wording of "improved capacity to monitor SLM at the national level"; (ii) revise the financing plan and component costs to reflect the reduced estimates of counterpart funding; (iii) update the disbursement schedule to correct for the lag in disbursements due to implementation delays under Component 2; and, (iv) update the risk assessment to reflect the project's status as a "problem project" at the time of restructuring.
- On May 2, 2019 the project was restructured to: (i) extend the closing date from August 15, 2019 to December 31, 2020 to allow the government to fully implement the project due to implementation delays; and (ii) change disbursement estimates and the implementation schedule.
- On July 30, 2020 the project was restructured to: (i) extend the closing date by six months, from December 31, 2020 to June 30, 2021 to allow for the implementation of activities that were delayed.

**Split Rating:** As stated above, during the project restructuring in 2017, the scope of the project was reduced (summarized in Table 1 in the ICR) resulting in the amendment of PDO 2 from "reduced land degradation" to "area under sustainable landscape management practices" with a reduction of the respective targets from 100,000 ha to 30,000 ha, as well as reductions of targets for several intermediate outcome indicators including a reduction in the number of project participants (defined as a "core" indicator) from 2,000 to 1,573. Therefore, a split rating of outcomes for this validation was necessary.

### 3. Relevance of Objectives

#### Rationale

**Context.** Chile is one of the most developed countries in the southern hemisphere and has a rich biodiversity which provides favorable conditions for the country's successful resource-based industries including forestry, fisheries, and agriculture. The Chilean landscape includes deserts, Mediterranean ecosystems, high altitude grasslands and wetlands, and temperate rainforests. However, Chile's biodiversity faces challenges such as land degradation including desertification, accelerated soil erosion, and forest



degradation. Climate change negatively affects land degradation through changes in rainfall quantity and regimen, and rising temperatures.

At the time of project appraisal, approximately half of Chile's 15.4 million hectares of forests had already been degraded, which was increasing to about 77,000 hectares per year. Most degradation occurred in the southern natural forests, where fuelwood extraction significantly contributed to the problem. Even though Chile was internationally recognized for its leadership in plantation forestry, approximately 63 percent of all native forest management in the country was resulting in forest degradation. Inappropriate agricultural practices also contributed to land degradation, resulting in accelerated soil erosion on cultivated lands (over 60 percent of Chile's cultivated lands) as well as desertification (two thirds of national territory) threatening Chile's important terrestrial and aquatic habitats.

These impacts were further exacerbated by climate change, which had already resulted in a decrease of average annual rainfall over the last 50 years. Of the 1.3 million people inhabiting lands affected by desertification, about 60 percent lived in poverty at the time of appraisal. Increased desertification reduces further the capacity of the land to support rural livelihoods through agriculture and ranching, putting at risk resource-based industries, and eliminating or degrading natural habitats.

**Government Strategy.** Several government programs to promote agriculture and forestry, including on degraded lands did not provide a coordinated approach to sustainable land management, nor were they designed to do so. An estimated 63 percent of all native forest management in Chile leads to forest degradation endangering biodiversity. A major reason for such failures was that sector programs were managed in relative isolation and agencies had little incentive to work together. The government then in 2008, the Ministry of Environment (MMA) had approved its National Action Plan (NAP) on climate change, with the primary objective of "reducing adverse impacts from climate change, through an integrated approach". Desertification issues were addressed through the National Forestry Corporation (CONAF), which coordinated activities with the support of the National Consultative Committee on Desertification and Drought. Biodiversity would be addressed by the Chile's 2003 National Biodiversity Strategy, which identified over 300 priority areas for conservation throughout the country. Developing a national framework for sustainable land management to combat land degradation, mainstream biodiversity into national policies, and protect forest carbon assets therefore became the core of this project's PDO and testing the framework through a series of pilot investments.

After its approval this project's objective was aligned with subsequent national policies such as the National Forest Policy 2015-2030, to promote a sustainable forestry development strategy. The project is currently also in line with the government's 2020 National Rural Development Policy (NRDP), which aims to promote the creation and/or adaptation of sustainable instruments, practices, and technologies to prevent desertification and soil erosion, encouraging SLM practices to adapt to local context and needs. Furthermore, the National Biodiversity Report 2020 highlights the importance of integrated land planning that balances stakeholders' interests in integrated conservation and ecosystems management with different sustainable land use (ICR, paragraph 31). At the project's close its objectives remained relevant to the government's development strategy and in particular to its strategy for sustainable natural resource management and biodiversity.

**Bank Strategy.** Due to the Bank's deep experience with GEF projects in Chile and the Southern Cone, the government asked the Bank for its assistance to address the government's SLM, forestry, and biodiversity challenges.



The objective of the project was in line with the priorities of the current 2018-2022 Land Degradation, Biodiversity, and Climate Change Focal Areas of the GEF-Programming Directions such as Land Degradation objective 2 “creating an enabling environment to support voluntary Land Degradation Neutrality (LDN) target implementation”; Biodiversity (BD) objective 1 “mainstream biodiversity across sectors as well as landscapes and seascapes”; and Climate Change (CC) Objective 3 “foster enabling conditions for mainstreaming mitigation concerns into sustainable development strategies” (ICR, paragraph 30). At the project’s close its objectives remained relevant to the Bank’s assistance strategy with respect to sustainable natural resource management and biodiversity.

**International Commitments.** Finally, as noted in the ICR, the project’s objective was aligned with international commitments signed by Chile under (i) the Sustainable Development Goals (SDGs), through goal 15 “protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss” and (ii) the United Nations Convention on Biological Diversity (CBD). Finally, two issues arise concerning the relevance of the project’s objective, namely, was it appropriately pitched in relation to the challenges it was intended to address, and was the extent to which the project achieved its objective measurable? The objective of developing a national framework for sustainable land management to combat land degradation, mainstream biodiversity into national policies, and protect forest carbon assets was appropriately pitched because of the inadequate national natural resource management in the past. A measurable framework emerged as the National Strategy on Climate Change and Vegetation Resources (ENCCRV, *Estrategia Nacional de Cambio Climático y Recursos Vegetacionales*, launched in November 2016) three years after the project was approved. Biodiversity issues were addressed in the National Biodiversity Report 2020.

## Rating

High

## 4. Achievement of Objectives (Efficacy)

### OBJECTIVE 1

#### Objective

To develop a national framework for sustainable land management to combat land degradation, mainstream biodiversity into national policies, and protect forest carbon assets

#### Rationale

**Theory of change:** The project’s theory of change envisioned that project activities such as assessing and providing recommendations for SLM programs, classifying and identifying priority SLM areas, developing a software to support the national SLM selection process of projects as well as validating the national SLM framework would result in the intermediate outcome of a strengthened national sustainable land management framework being in place.





Also, the project's theory of change envisioned that project activities such as piloting SLM innovative activities and practices at the local level, developing planning instruments at local and regional level as well as engaging and training beneficiaries would result in the intermediate outcome of increased area under sustainable landscape management practices.

Furthermore, the project's theory of change envisioned that project activities such as developing a national early warning system for degradation and developing a national land degradation study would result in the intermediate outcome of improved capacity to monitor SLM at the national level.

Finally, the project's theory of change envisioned that project activities such as training MINAGRI professionals on SLM, implementing an outreach program, and implementing multi stakeholder coordination mechanisms would result in the intermediate outcome of increased management and coordination capacity for SLM institutional mainstreaming. These intermediate outcomes were expected to contribute to achieving the project's objective.

The theory of change made the following assumptions regarding the theory of change: i) identified incentive instruments were active and could provide funding to beneficiaries; ii) continuing engagement of stakeholders; and iii) key regulations were approved and enforced.

As stated above, during the project restructuring in 2017, the scope of the project was reduced resulting in the reduction of several targets of intermediate outcome indicators. Therefore, this validation conducts a split rating.

**The following outputs were delivered throughout the full implementation period:**

**Outputs:**

- The ENCCRV was adopted as the national SLM framework aiming to mainstream climate change priorities in the management of Chile's vegetation resources, achieving the target of mainstreaming climate change issues. The goals and targets of the ENCCRV are: i) mitigation: reducing degradation and deforestation GHGs emissions by 20 percent by 2025, below 2001-2013 reference level, and increase carbon sink capacity of vegetation resources; ii) adaptation: reducing vulnerability derived from land degradation through sustainable management of vegetative resources, by directly working in at least 264,000 ha between 2017 and 2025. Reduced vulnerability will be measured including biodiversity, ecosystems services provision (such as water supply and quality), as well as soil productivity indicators. Therefore, the target of developing an effective national framework to mitigate land degradation, which includes biodiversity mainstreaming and protection of forest carbon assets was achieved.
- Eligibility criteria were established for activities to be implemented under the SLM framework, achieving the target.
- Existing instruments were aligned with the SLM framework, achieving the target. The project developed a report "analysis of state forestry, agricultural, and environmental development instruments applicable to degraded lands" on which, together with information obtained through the implementation of SLM demonstration activities, CONAF prepared a proposal to MINAGRI for the modification of national agricultural financing instruments.
- Five strategic plans for SLM for pilot areas were developed, achieving the target of five plans. The strategic plans identified and characterized degraded lands in the five strategic pilot areas covering



1.7 million hectares. The target of identifying degraded areas and being categorized in strategic pilot areas was achieved.

- A national-level SLM Advisory Group, regional SLM management councils in each strategic pilot area were established and are being operational. Also, an intra-ministerial committee on climate change was established and continued to be operational within the Ministry of Agriculture (MINAGRI). The target of increasing management and coordination capacity for mainstreaming SLM into the institutional architecture of the MINAGRI was achieved.
- SLM was improved through the ENCCRV Monitoring System, which provides specific information on the degradation of the entire country. Therefore, the target of improving capacity to monitor SLM at the national level was achieved.
- An assessment of and proposed adjustments to existing and future MAG instruments and regulations that promote ecosystem restoration and protection for use in National SLM framework were conducted, achieving the target of doing so. Two new instruments were proposed: i) sectorial instrument (forest fires prevention, farm level biodiversity conservation, and phytoremediation for polluted degraded lands) and ii) territorial instrument (farm-level plans for degraded areas, integrated watershed management, conservation districts for soils, forests and water). By project closure, the country incorporated the recommendations and lessons learned derived from the project in their regular instruments and no new instruments had been approved yet.
- As discussed in para 22 of the ICR other indicators were also amended at restructuring.: i) conducting sustainable wetlands management with Aymara indigenous communities in partnership with the National Corporation of Indigenous Development (CONADI); ii) developing forest management plans for pilot areas Litueche and Coyhaique; and iii) preparing projects with beneficiaries to assist their applications for public funds from the government to develop farm level planning instruments.
- The National Forest Corporation (CONAF) prepared a land degradation neutrality report (LDN), which serves as a national baseline identifying areas affected by land degradation, desertification, and drought. Also, a forest reference level under the UNFCCC was developed, which identifies the areas with the highest climate change mitigation potential for five years, achieving the target of priority areas for the SLM framework being identified.
- 354 farm level plans were developed in strategic pilot areas, surpassing the target of 235 plans.

#### **Outcomes:**

- A national framework to mitigate land degradation, including biodiversity mainstreaming and protection of forest carbon assets, was developed, achieving the target of developing such framework.
- SLM was improved through the ENCCRV Monitoring System, which provides specific information on the degradation of the entire country. Therefore, the target of improving capacity to monitor SLM at the national level was achieved.
- A national-level SLM Advisory Group, regional SLM management councils in each strategic pilot area were established and are being operational. Also, an intra-ministerial committee on climate change was established and continued to be operational within the Ministry of Agriculture (MINAGRI). The target of increasing management and coordination capacity for mainstreaming SLM into the institutional architecture of the MINAGRI was achieved.
- 2.6 million tons of CO<sub>2</sub> equivalent were sequestered through project investments over five years of project implementation, surpassing the original target of 347,111 tons.
- 22,591 hectares new areas outside the currently protected areas were managed in a biodiversity-friendly manner, not achieving the original target of 25,000 hectares when the project closed.





- In total, 1,845 participants, farmers, and direct family members, benefitted through project activities, not achieving the original target of 2,000 beneficiaries when the project closed. Of these beneficiaries, 44 percent were female surpassing the target of 25 percent being female.

Overall, three of the PDO indicators originally defined for the project were weak in that they described the achievement of processes rather than outcomes. Of the other PDO indicators, while they were all measurable, only one met or exceeded its target. Therefore, the extent to which the project's original objective was achieved is rated modest.

## **Rating**

Modest

## **OBJECTIVE 1 REVISION 1**

### **Revised Objective**

The objective was not modified but the targets were revised, namely the description of the SLM achievement was changed from "reduced land degradation" to "land area under sustainable landscape management practices" with a reduced target of 30,000 ha, and the target for the core intermediate outcome indicator of the "number of participants in the project's activities" was reduced from 2,000 to 1,573, and the amount of hectares of "areas outside protected areas manages as biodiversity-friendly" was reduced from 25,000 ha to 12,600 ha. However, the amount of tons of CO<sub>2</sub> equivalent sequestered through project investments over five years was increased from 347,111 tons to 1.08 million tons.

### **Revised Rationale**

The objective was not changed but some targets were revised, namely the description of the SLM achievement was changed from "reduced land degradation" to "land area under sustainable landscape management practices" with a reduced target of 30,000 ha, and the target for the core intermediate outcome indicator of the "number of participants in the project's activities" was reduced from 2,000 to 1,573, the amount of hectares of "areas outside protected areas manages as biodiversity-friendly" was reduced from 25,000 ha to 12,600 ha. However, the amount of tons of CO<sub>2</sub>e sequestered through project investments over five years was increased from 347,111 tons to 1.08 million tons.

The outputs were the same as stated above for the Original Objective 1

### **Outcomes:**

- A national framework to mitigate land degradation, including biodiversity mainstreaming and protection of forest carbon assets, was developed, achieving the target of developing such framework.
- SLM was improved through the ENCCRV Monitoring System, which provides specific information on the degradation of the entire country. Therefore, the target of improving capacity to monitor SLM at the national level was achieved.
- A national-level SLM Advisory Group, regional SLM management councils in each strategic pilot area were established and are being operational. Also, an intra-ministerial committee on climate change was established and continued to be operational within the Ministry of Agriculture (MINAGRI). The



target of increasing management and coordination capacity for mainstreaming SLM into the institutional architecture of the MINAGRI was achieved.

- 2.6 million tons of CO2 equivalent were sequestered through project investments over five years, surpassing the revised target of 1.08 million tons.
- 22,591 hectares of new areas outside the currently protected areas were managed in a biodiversity-friendly manner, surpassing the revised target of 12,600 hectares.
- In total, 1,845 participants, farmers, and direct family members benefitted through project activities, surpassing the revised target of 1,573 beneficiaries. Of these beneficiaries, 44 percent were female surpassing the target of 25 percent being female.
- The area under “sustainable landscape management practices” was 50,475 ha at the project’s close which was well above the revised target of 30,000 ha.

**Revised Rating**  
Substantial

## OVERALL EFFICACY

### Rationale

Achievement under the original objective was Modest since the project was not able to achieve its target for new areas outside the currently protected areas being managed in a biodiversity-friendly manner nor the targets for “reduced land degradation” and project beneficiaries. The project was, however, able to achieve the revised SLM measure of “land area under sustainable landscape and its target management practices” and the amended number of project participants.

Although the split rating of objectives will mean that an overall efficacy rating will not figure in the assessment of the overall outcome of this project. Nevertheless, the results suggest an overall efficacy rating is Substantial due to the project’s contributions to strengthening the institutional SLM framework at the central and local level as well as improving inter-sectoral coordination and strengthening the national monitoring capacity, along with the achievement of the revised SLM measure and number of project participants.

**Overall Efficacy Rating**

Substantial

## 5. Efficiency



### **Economic efficiency:**

The PAD did not conduct a traditional economic analysis. The ICR (p. 18) conducted a quite detailed economic analysis which identified the project's benefits as protecting carbon forest assets, mainstreaming biodiversity, and reducing land degradation. Not all benefits the project generated could be quantified including institutional strengthening and capacity building at the national level, capacity building at the regional level to support communities and landowners to obtain access to financing and technical guidance to SLM activities.

Applying a discount rate of six percent, the analysis of all the GEF-funded activities combined, for which the main benefits were water provision (US\$3.24 million), carbon sequestration (US\$2.30 million), biodiversity conservation (US\$2.02 million), and forage provision (US\$1.69 million), the estimated benefit to cost ratio was 2.3 and the Internal Rate of Return (IRR) 21.3 percent indicating that the project was a worthwhile investment. The benefits for each activity are incremental over the scenario without a project. Due to information constraints, the analysis assumed that the flow of annual benefits would be maintained during the lifespan of an activity. The IRR assuming the worst scenario, namely when carbon and biodiversity conservation benefits are excluded, is 10.6 percent, which is still higher than the 6 percent discount rate used by the Chilean government and World Bank.

The ICR conducted a sensitivity analysis using more conservative scenarios for multiple variables, including changes to the discount rate (10 and 20 percent instead 6 percent), carbon price (US\$5 and US\$20 per ton CO<sub>2</sub> equivalent, instead of US\$32.5 per ton CO<sub>2</sub> equivalent), exclusion of non-local benefits (such as carbon sequestration and biodiversity conservation), and reduction of the effectiveness in peatland management by a half. The analysis found that the project was moderately sensitive to higher discount rates of 10 percent and 20 percent, lower carbon prices of US\$5 and US\$20 per ton CO<sub>2</sub> equivalent. and the exclusion of carbon sequestration benefits, with IRRs ranging between 16.3 percent and 17.1 percent.

### **Operational efficiency:**

According to the ICR (paragraph 55) the project experienced significant implementation delays during the initial phase of implementation due to the lack of clarity of indicators included in the Results Framework, overestimation of counterpart funding, and frequent turn-over of project coordinators and counterparts.

As a result of the COVID-19 pandemic, the project's implementation period was extended twice to allow for the implementation of delayed activities. In total, the project's implementation period was extended by a total of 22 months.

According to the ICR (p. 19) due to the significant implementation delays the project experienced additional costs (which were financed from other sources and were not included in the ICR's efficiency analysis) indicating that the project's implementation faced efficiency challenges.

Taking everything together, the project's overall efficiency is rated Substantial.

### **Efficiency Rating**

Substantial



a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

<i>Dimension</i>	<i>Rating</i>	<i>Original objectives</i>	<i>Objective after revision</i>
<b>Relevance of the Objective</b>		High	High
<b>Efficacy</b>			
Original Objective :			
To develop a national framework for sustainable land management to combat land degradation, mainstream biodiversity into national policies, and protect forest carbon assets		Modest	Substantial
<b>Efficiency</b>		Substantial	Substantial
<b>Outcome Rating</b>		Moderately Unsatisfactory	Moderately Satisfactory
<b>Outcome Rating Value</b>		3	4
<b>Amount Disbursed (US\$ million)</b>		1.76	4.21
<b>Disbursement (%)</b>		29.5	70.5
<b>Weighted Value</b>		0.89	2.82
<b>Total Weighted Value</b>		3.71 (rounded up to 4)	
<b>Overall Outcome Rating</b>		Moderately Satisfactory	

a. **Outcome Rating**  
Moderately Satisfactory

## 7. Risk to Development Outcome



The risks to development outcome can be classified into the following broad categories:

**Government commitment:** The government continues to be committed to the project's objective as demonstrated through the upgrading of the Climate Change and Environmental Services Unit (UCCSA) from an institutional unit to a department. Also, the government developed different policies, which will have a positive impact on the sustainability of project outcomes. These policies included: i) the National Forest Policy (2015-2035); ii) the National Biodiversity Strategy (2017-2030); iii) the National Landscapes Restoration Plan (2020-2030); v) the National Strategy for Climate Change and Vegetation Resources (ENCCRV) (2016); and iv) the updating process of the Agricultural Sustainable Soils Promotion Program (ASSPP) which is a production incentive support program for small- and medium-size farms to implement sustainable land practices on their lands.

Even though PDO indicator 3 ("increased management and coordination capacity for mainstreaming SLM into the institutional architecture of the Ministry of Agriculture") was achieved, the ICR (paragraph 97) stated that it is not yet clear to what extent some of the project's policy outputs will be fully integrated into institutional programs and processes such as the SLM institutional improvements.

**Multi-sectoral coordination:** In order to maintain effective collaboration for the SLM framework over time, multi-sectoral coordination will be critical. According to the ICR (paragraph 98) several regional champions have taken specific actions to ensure inter-institutional coordination and governance arrangements after the project closed. The continuation of these actions will be critical for sustaining multi-sectoral coordination.

**Financing:** According to the ICR (paragraph 99) the ENCCRV has ensured financing for the implementation of some institutional aspects and the government committed to increase the available funds for activities on the ground. Also, local government entities and stakeholders are working closely with regional teams to ensure additional financing for the continuation of SLM activities and strengthening of the SLM approach after project closure. Ensuring the continuation of the financing for SLM activities will be critical for sustaining project outcomes.

## 8. Assessment of Bank Performance

### a. Quality-at-Entry

The project built on a previous Bank project (Project Development Facility A) which developed analytical activities that allowed Chile to identify key elements and constraints resulting in this project. The objective of the project was in line with government strategies and the Bank's CPF at appraisal. However, the project went through an extremely lengthy approval process (a total of almost seven years). According to the Bank project team in a communication to IEG (February 11, 2022) the delay was due to i) government transitions, ii) changes of authorities and leadership of the partner institutions, iii) changes of technical counterparts, and iv) changes on institutional decisions around implementation arrangements, and aspects of design (e.g. leading project institution).

The ICR (paragraph 87) stated that the project design assumed the validity of a policy incentive instrument ["Afforestation and Reforestation Program" (Presidential Decree no. 701)] which expired at the time of approval resulting in a reduction of counterpart financing and target values mainly under component 2. According to the Bank project team (February 11, 2022) the project was to focus on the



application of this regulation which was to mainly contribute to the achievement of outcome indicator 2 ("land areas under sustainable landscaping management practices"). The policy financed the reforestation of degraded lands, the recovery of soils through reforestation and afforestation, and the sustainable management and reforestation of forests (the latter for small farmers). However, given that said regulation was not extended beyond the expiration date of December 31, 2012, the project had to modify the approach of component 2 thus requiring a target adjustment and lowering of counterpart financing during the 2017 restructuring. The reduction of counterpart funding resulted in delays in implementing component 2.

According to the PAD (pp. 48-50) the Bank team identified relevant risks including farmers' aversion to risk and lack of information on SLM, key agencies not having recent experience in implementing Bank projects, and a complex mix of small-scale producers and indigenous communities among the project's potential beneficiaries. Mitigation measures included training programs for CONAF and AGCI designed to build capacity and familiarity with Bank processes. Also, a Social Assessment and Indigenous People Planning Framework were prepared to identify the impact of the project on local communities. While the Bank's mitigation measures to address capacity constraints were adequate, the project (having been approved) also experienced delays as a result of continuous changes in a temporary project coordinator, and the lack of a full-time coordinator during the project's implementation period

The project's Results Framework had several significant shortcomings (see section 9a for more details).

### **Quality-at-Entry Rating** Moderately Unsatisfactory

#### **b. Quality of supervision**

According to the ICR (paragraph 90) the Bank team conducted bi-annual supervision missions with a total of 13 supervision missions during project implementation. The Bank team regularly supervised financial management, procurement as well as safeguards and promptly provided assistance to the PIU in case of bottlenecks.

Also, the Bank supervision team provided candid feedback to Bank management on implementation progress and downgraded the project to Moderately Unsatisfactory between June 2016 and June 2018.

However, the Bank team did not pay adequate attention to the project's M&E during the initial years of project implementation. After the project's Mid Term Review (MTR) in 2017, the Bank team restructured the project and modified the Results Framework significantly, which allowed for a better measurement of implementation progress between the MTR and the project's close.

### **Quality of Supervision Rating** Moderately Satisfactory

### **Overall Bank Performance Rating**





Moderately Satisfactory

## **9. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The project's objective was clearly specified. The project's theory of change and how key activities and outputs were to lead to the intended outcomes was appropriate.

The project's original Results Framework included indicators that lacked clarity and specificity or were binary which did not allow for measuring progress adequately. As a result, the project was restructured in 2017 and the Results Framework was revised to provide clearer definitions and monitoring methodologies to improve the measurability of implementation progress. 18 out of the original 22 intermediate outcome indicators were modified in terms of wording, definition, targets, data sources, and methodology.

The indicators included in the revised Results Framework were more adequate and reflected the contribution of the project's activities to the achievement of the project's objective. However, some of the intermediate outcome indicators still lacked clarity and tried to measure several aspects at once such as intermediate outcome indicator #1 "assessment of and proposed adjustments to existing and future MAG instruments (incentive programs) and regulations that promote ecosystem restoration and protection for use in national SLM framework".

According to the PAD (paragraph 18) CONAF would be responsible for the project's M&E activities. Component 3 included several M&E activities such as i) conducting baseline studies and collecting collateral information relative to project objectives and performance, ii) developing thematic inputs (spatial and collateral data) at the pilot sites relative to land degradation and impacts of project activities including carbon sequestration and biodiversity mainstreaming, and iii) gathering program information from the government agencies involved, including CONAF, Agricultural and Livestock Service (SAG), National Institute of Agricultural Development (INDAP) and MMA.

### **b. M&E Implementation**

According to the ICR (paragraph 78) until the project restructuring in 2017, the M&E system did not allow for effective monitoring of implementation progress.

The Bank project team advised IEG (February 11, 2022) that during the mid-term review (MTR) in June 2017, the Bank team conducted a thorough review of the state of the art of SLM policies, practices and implementation in the regions. Based on the information gathered and data collected for the MTR report, indicator targets and definitions of the results framework (RF) were reviewed and modified during the restructuring in June 2017. After the restructuring, the Results Framework allowed for timely tracking of progress towards the objective of the project. Furthermore, the project compiled implementation progress of individual activities and outputs in the Implementation Status Reports (ISRs) and semi-annual progress reports.



According to the Bank project team (February 11, 2022) the M&E was the responsibility of the Project Implementation Unit (PIU) located in CONAF. However, prior to the MTR, the PIU did not have key staff assigned that could implement the M&E system. After the MTR, the PIU updated their processes, and hired a person to supervise M&E (among other tasks). In addition, CONAF, as the leading implementing agency, designated the Manager of Forest and Climate Change as the project's focal point responsible for ensuring the correct and effective implementation of the project, including the application and implementation of M&E across units and regions during the remaining project implementation period.

To support this work, CONAF designated a staff in each region as regional leader of the project, which supported the project team located in each region to ensure regional data were collected effectively.

The central PIU was in charge of compiling all the information and data provided by the regional leaders, and of consolidating all the information to follow up, monitor and register. The compiled data and information were reported to the Bank through semi-annual reports.

According to the Bank project team (communication to IEG on February 11, 2022) after the MTR the M&E data were found to be reliable and of adequate quality.

### **c. M&E Utilization**

The ICR (paragraph 78) stated that M&E data were used for regular reporting, and to inform decision making such as restructuring the project and categorizing the project under problem status between June 2016 and June 2018 due to significant delays. Also, the PIU used M&E tools which allowed them to identify implementation bottlenecks and address them more effectively such as issues related to procurement, safeguards, and finally the COVID-19 pandemic.

While the project's M&E performance was Modest before the MTR, its performance improved after the MTR and remained Substantial until project closure.

### **M&E Quality Rating**

Substantial

## **10. Other Issues**

### **a. Safeguards**

The project was classified as category B and triggered the Bank's safeguard policies OP/BP Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Forests (OP/BP 4.36), Pest Management (OP 4.09), Indigenous Peoples (OP/BP 4.10), Physical Cultural Resources (OP/BP 4.11), and Involuntary Resettlement (OP/BP 4.12). According to the ICR (paragraph 81) the project developed several safeguard instruments including an Environmental Management Framework (EMF), a Resettlement Policy Framework (RPF) (a precautionary measure since involuntary displacement and resettlement were not expected), and an Indigenous Peoples Planning Frameworks (IPPF). Also, a Social Assessment (SA) was prepared which



focused on possible adverse economic impacts resulting from restrictions of communities' access to natural resources in protected areas. The ICR did not state whether the project complied with the Bank's safeguard policies.

The project used CONAF's existing System for Citizen Information and Attention (SIAC, Sistema de Información y Atención Ciudadana) as the project's Grievance Redress Mechanism (GRM). According to the Bank project team (February 11, 2022) the Bank regularly received detailed information about queries related to the project through the PIU's biannual progress reports. Queries and request were submitted through the GRM system and were replied by CONAF in due time and before project closure. Queries were mainly for seeking information (e.g. data on SLM, climate, forest carbon, etc.). No complaints regarding the Project were reported to the GRM.

## **b. Fiduciary Compliance**

### **Financial Management:**

According to the ICR (paragraph 91) the Bank team provided financial management training to country staff.

Also, the project's financial management processes were adequate, budget preparation was clearly defined, and authorization controls were appropriately documented. According to the ICR the project's interim financial management reports were submitted in a timely manner.

The ICR (paragraph 84) also stated that the General Controller Agency conducted audit reviews and issued unqualified opinions. However, the auditors and the Bank team identified financial management related issues including the use of CONAF bank accounts instead of the project's bank account to pay expenditures, and delays in submitting justification of expenditures from CONAF to AGCID for advances of funds received from AGCID. The Bank provided assistance for improving the internal control environment at CONAF and AGCID. Overall, the project's Financial Management performance was Satisfactory.

### **Procurement:**

According to the ICR (paragraph 85) the project followed the Bank's procurement guidelines as well as national regulations. CONAF regularly updated the procurement plans to develop the budgets and submitted them to the Bank. Selected regions were responsible for the management of the procurement of the sub-projects. However, the project experienced procurement challenges due to the need to procure several small items and comply with the Bank's and national requirements for all goods and services. The project encountered another challenge related to the updating and uploading the procurement plans to the Systematic Tracking of Exchanges in Procurement (STEP) portal. The Bank team addressed this issue by providing training. The ICR (paragraph 85) stated that the project's overall procurement performance was Satisfactory.



c. Unintended impacts (Positive or Negative)

NA

d. Other

None

## 11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Substantial	
Quality of ICR	---	Substantial	

## 12. Lessons

The ICR (p. 30 to 31) included several lessons learned, some of which listed below were adapted by IEG to make them generally applicable:

- **Projects with decentralized implementation require close coordination between the regional and central level, clear and standardized procedures, adequate capacity in the PIUs at the regional and national levels and training.** In this project, implementation expanded across five different regions which, without close coordination, resulted in lack of clarity in regard to financial management and procurement procedures as well as safeguard processes since regional units were doing things differently. This caused implementation delays and extensive additional administrative, fiduciary and safeguard work by the central PIU.
- **Early engagement and project ownership of key stakeholders and decision makers is critical for a successful implementation and for ensuring sustainability after project closure.** For example, in this project, in one region the participatory and engagement processes focused on indigenous people resulting in indigenous communities channeling additional funding to continue and expand the number of project beneficiaries and geographic scope and securing funding until May 2022



### 13. Assessment Recommended?

No

### 14. Comments on Quality of ICR

The ICR provided an adequate overview of project preparation and implementation and was consistent with OPCS guidelines. The ICR included a clear traditional partial economic analysis. The ICR was sufficiently outcome driven and appropriately critical of implementation shortcomings. It included some useful lessons learned. However, the ICR would have benefitted from explaining the definition of indicators in the Results Framework in more detail such as what future instruments for incentive programs might be introduced. Indeed, none of the scattered references to incentives in various sections of the ICR led to any conclusions and there was also no mention of results from the study of incentives by the University of Chile which was to have been completed in 2017. Also, at restructuring the unit of account for SLM changed from “reduced land degradation” to “land area under sustainable landscape management practices”. According to the ICR the change was made because the revised measure reflected a “demand driven approach” (para 37) but the ICR did not provide an explanation of why the revised measure was more demand driven than the original measure. Finally, the ICR lacked an explicit consideration of the need for a split rating when major changes were made in indicators and targets. Overall, the quality of the ICR was Substantial, but only marginally so.

#### a. Quality of ICR Rating

Substantial