



Economic instruments and tools to support the conservation of biodiversity, the payment of ecosystem services and sustainable development

Basic Information

GEF ID
10213

Countries
Chile

Project Title
Economic instruments and tools to support the conservation of biodiversity, the payment of ecosystem services and sustainable development

GEF Agency(ies)
UNDP

Agency ID
UNDP: 5794

GEF Focal Area(s)
Biodiversity

Program Manager
Mark Zimsky

PIF

Part I – Project Informatic

Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes aligned with GEF biodiversity strategy and programs on biodiversity mainstreaming and natural capital assessment and accounting. Cleared.

Agency Response

Indicative project/program description summary

2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes, this is a modest and targeted investment with a high upside potential and the components reflect this very focused approach. Cleared.

Agency Response

Co-financing

3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes, cofinancing presented in the PIF follows GEF policy and guidelines and an adequate explanation of how the proponents arrived at investment mobilized has been presented. Cleared.

Agency Response

GEF Resource Availability

4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

Agency Response

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

Agency Response

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

Agency Response

The LDCF under the principle of equitable access

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

NA.

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

NA.

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

NA.

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

NA.

Agency Response

Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

Agency Response

Core indicators

6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes, and the targets for the core indicators are commensurate with the investment amount and the design of the intervention. Cleared.

Agency Response**Project/Program taxonomy****7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?****Secretariat Comment at PIF/Work Program Inclusion**

April 23, 2019

Yes, a comprehensive tagging has been properly implemented. Cleared.

Agency Response**Part II – Project Justification****1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?****Secretariat Comment at PIF/Work Program Inclusion**

April 23, 2019

Yes, a complete and logical root cause analysis has been presented and key barriers identified and the project design clearly flows from this analysis. Cleared.

Agency Response

2. Is the baseline scenario or any associated baseline projects appropriately described?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes, the baseline presentation is very strong and Chile has a sound foundation in the thematic areas of the GEF project investment. Cleared.

Agency Response

3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes, the presentation of the alternative scenario is adequate in describing the outcomes of the project.

Please describe how the project is applying the guidance from STAP on the development of PES mechanisms in the context of GEF projects. Please see: <http://www.stapgef.org/node/1581>

Please also clarify the PES approach with regards to other ES than water provision. The document is slightly confusing in this regard as it mentions that other ES will be valued and these values will be used in a PES system, but upon a closer read it appears it all does come down to payment for water provision only.

Please also clarify who is providing the service (water provision) and who is the buyer of the service and what the sustainability strategy is for the institutional framework to maintain this relationship between buyers and providers.

In addition, please explain why the project has not considered including an experimental design element to assess the efficacy of the proposed PES system. Please refer to this article: <https://www.povertyactionlab.org/evaluation/testing-effectiveness-payments-ecosystem-services-enhance-conservation-uganda> and this STAP publication in this regard: <http://stapgef.org/node/1595>

You may wish to include a schematic that explains how the PES mechanisms that the project proposes to pilot will work.

May 1, 2019

Adequate revisions. Cleared.

Agency Response

1 May 2019

(a) STAP guidance will provide a reference for the design of the conceptual framework and incorporation of lessons learned (e.g., definition of PES, barriers to PES effectiveness, etc.) and will provide inputs for the design of specific technical tools during the PPG stage (e.g., indicators and monitoring procedures, recommendations about capacity building.). Lessons learned from STAP such as the importance of implementing monitoring systems to gather evidence to measure the effectiveness of PES schemes and the benefits of co-financing multiple ES are being taken into consideration in this project design.

1A.3 paragraphs 14 and 15

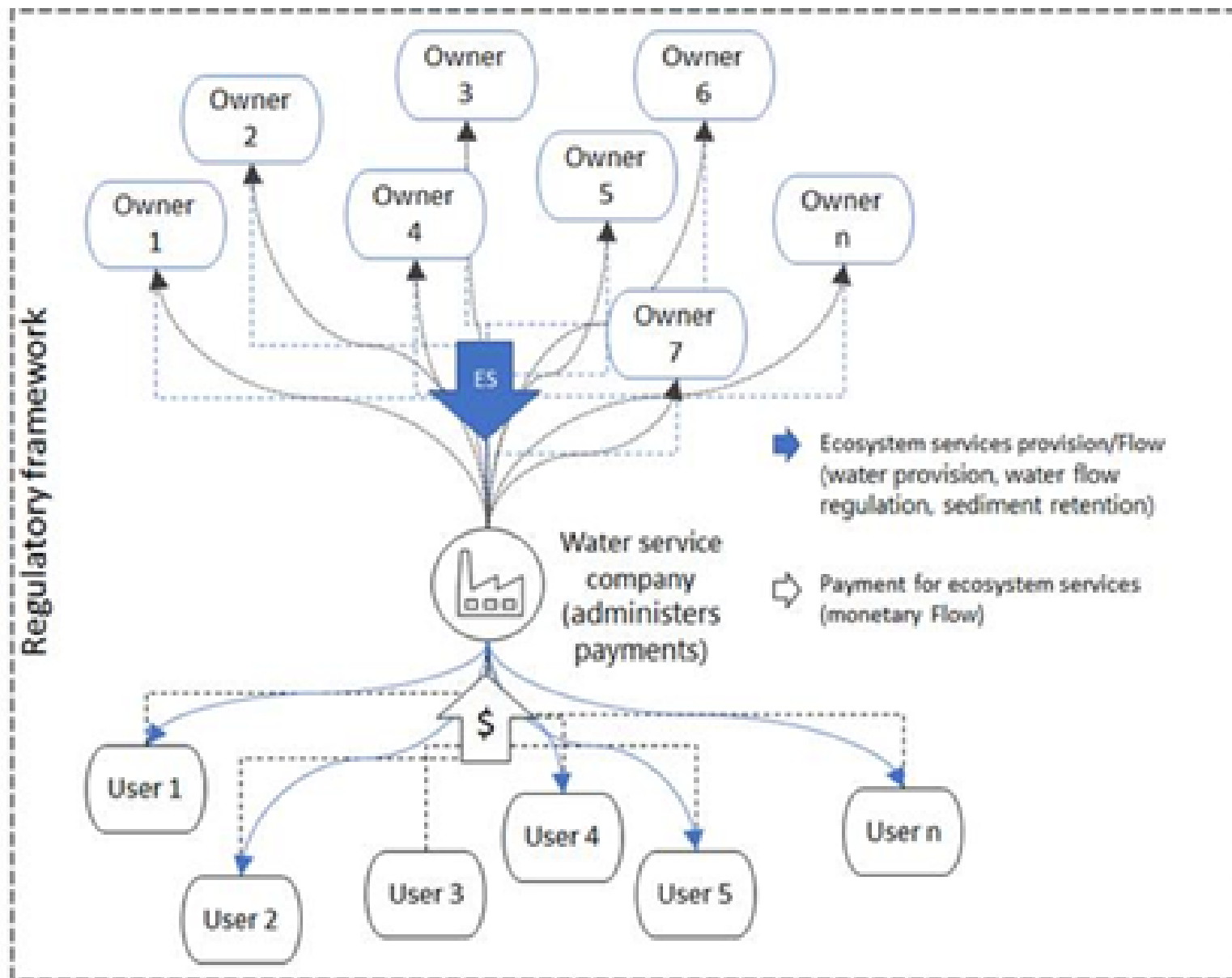
(b) To clarify, the PES mechanism to be piloted in the project will be focused on water provision, as well as water flow regulation and sediment retention. These ES will be reviewed in further detail and the specific design of the PES system will be further defined during the PPG stage. **paragraphs 19, 20**

(c) The ecosystem service providers are the individual owners of native forest of interest, who by conserving the forest will contribute to the provision of water, water flow regulation and sedimentation regulation. The water services company will administer the payments to landowners at the pilot stage using GEF funds. After the pilot stage, the buyers will be the final users of water services. **Paragraph 19**

The sustainability strategy is based on the institutionalization of the tools described under Output 1.2.1 (e.g., studies and tools to operationalize the PES services mechanism, including legal assessment, administrative design of mechanism, adaptation of the methodology of ES valuation to the country's institutional context, and PES monitoring procedures, and others). These tools are in line with the existing regulatory system, which will be further strengthened with the expected creation and functioning of the Biodiversity and Protected Areas Service (SBAP). The tools will strengthen the institutional capacity and will allow the public agencies to establish the basis for future contracts between providers and buyers of ES. **paragraph 31**

(d) The project includes the design of a monitoring system (based on several indicators such as impact, effectiveness, efficiency, which will be measured at project start up and after implementation) as part of the technical tools included in project output 1.2.1, specifically those related to PES monitoring procedures (number (vi) of 1.2.1). The GEF experimental design recommendation will be taken on board in terms of the design of the monitoring system, based on the specific areas of intervention to be identified during the PPG stage. Issues such as statistically significant sample sizes and randomization will be incorporated in the monitoring system. **paragraph 22**

A schematic has been included in the PIF as follows: **After paragraph 19.**



4. Is the project/program aligned with focal area and/or Impact Program strategies?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes, fully aligned with the BD focal area strategy. Cleared.

Agency Response**5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?****Secretariat Comment at PIF/Work Program Inclusion**

April 23, 2019

Yes, IC reasoning is adequately defined and logic is sound. Cleared.

Agency Response**6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?****Secretariat Comment at PIF/Work Program Inclusion**

April 23, 2019

Yes, the targets are quite modest and achievable. Cleared.

Agency Response

7. Is there potential for innovation, sustainability and scaling up in this project?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

The project is not that innovative as PES schemes for water have been funded by GEF for more than 20 years. It is not clear from the project description whether the project will expand into other ES valuation and set up payments between providers and users of these other services. Please clarify.

Sustainability, and the institutional frameworks that are needed for PES, is always a challenge. Unfortunately, this section is not convincing in this regard. Please reflect the literature and incorporate this experience and that of other countries in Latin America on PES sustainability in this analysis and approach to sustaining viable PES programs. In addition, who in fact is considered the provider of the service and who will be the payer for the ES in this project--this is not clear but of course is critical to sustainability.

As with sustainability, the scaling issue is not explained very well and seems to be underpinned by belief, rather than any evidence from the literature on PES and offsets on how these systems are scaled. Please revise and reflect on GEF and other's experience in this realm.

May 1, 2019

Adequate revisions. Cleared.

Agency Response

1 May 2019

In the project context, innovation is understood as a new way of implementing mechanisms that exist elsewhere (in this case financial instruments such as PES) in a way that is adapted to the national context and effectively achieves results. Although PES is not a new mechanism in the global context, in Chile, progress has been limited to studies and design work, but a functioning PES system has not been put in place. The results of this baseline work on PES have led to information and proposals but not to the required institutional or regulatory changes, which will be facilitated through GEF funding. **1A.7 paragraph 27**

(a) In addition to water provision/supply, the other ES considered are water flow regulation and sediment retention. These ES will be further analyzed during the PPG stage (e.g., whether payments would be disaggregated for the three ES or grouped into one as in bundled or stacked payments). **Paragraph 19**

(b) One of the most important outputs of the project will be to strengthen the institutional capacity to support the PES schemes. Although there have been multiples PES experiences in Latin America, the literature does not reflect convincing evidences about their success (see [STAP-GEF](#), 2010). Nevertheless, different authors and studies shed some light about the principal barriers and strategies to overcome them (such as the use of payments for multiple PES and ensuring that payments for landowners are sufficiently high to ensure viability. In Chile, [INFOR \(2010\)](#); [MMA \(2014\)](#) carried out an extensive revision of the studies and national experiences on this topic. During the PPG stage, this study and others will be revised, and the lessons learned will be considered during the detailed design of the project at the PPG stage. **Paragraph 14 (footnote), also paragraph 31**

(c) see previous answers. **Paragraph 19**

(d) The upscaling of the project impact is related to the sustainability strategy, which in turns, is associated with the project's work to strengthen institutional capacity and develop the necessary instruments for upscaling (e.g., through provision of information, evidence, models, regulatory and technical tools human capacity). This capacity building will provide the enabling environment for the expansion of the use PES schemes throughout the country. Capacity building work will be based on an extensive revision of best practices at the international level, including in GEF projects. **Paragraph 32, replicability**

Project/Program Map and Coordinates

Is there a preliminary geo-reference to the project's/program's intended location?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes, but please clarify in the document whether these locations have been the subject of previous GEF investments and if so, how this project builds on that investment and in what ways.

May 1, 2019

Adequate response. Cleared.

Agency Response

1 May 2019

No, these locations have not been the subject of previous GEF investments.

Stakeholders

Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Please clarify why IPs is not checked, but their participation is listed as a potential risk under the risk section.

May 1, 2019

Adequate response. Cleared.

Agency Response

1 May 2019

The participation of IPs in the project is considered highly relevant, but was not feasible at the PIF stage. The project design is still preliminary and the intervention areas still need to be identified/confirmed; it is not yet clear whether IPs will be located in these areas and if so, which IPs will be involved. Because of this uncertainty, it was deemed important to adequately manage expectations with IPs (by not unduly raising them). Furthermore, there are formal procedures for this type of participation that have been established in Chile (e.g., national application of OIT 169 Convention), which require more time to implement. As a result of these factors and the uncertainty that they introduce into the planning project processes, indigenous peoples and local communities were not checked as having been consulted in the PIF stage in the Stakeholders section. However, the participation of IPs is listed as a potential risk under the risk section that will be comprehensively assessed during the PPG stage. **5. Risk section**

Gender Equality and Women's Empowerment

Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

Agency Response

Private Sector Engagement

Is the case made for private sector engagement consistent with the proposed approach?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Please clarify whether the private sector is a provider or buyer of ES in the context of this project and how the project proposes to incorporate their kind of participation in the engagement strategy.

May 1, 2019

Adequate revisions. Cleared.

Agency Response

1 May 2019

(a) There are two types of private stakeholders in the PES mechanism in the context of this project: (i) providers of ES (owners of land with native forest of interest); and, (ii) the water services company (which will act as an intermediary between the final users and providers once the PES mechanism is formally implemented). (b) The water services company has been engaged from the first stage of development of this project and the willingness of the owners of land with forest to participate in a PES scheme has been explored by previous initiatives in the proposed intervention area by the institutions involved in the project. A detailed engagement strategy for the private sector will be developed during the PPG stage. **Paragraph 19**

Risks

Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Please note that here you identify IP participation as a risk, but under stakeholders the IP box was not ticked.

Please discuss the risk that buyers and sellers of the service will not continue to be engaged in this kind of cooperative arrangement and how the project will manage that risk.

May 1, 2019

Adequate revisions. Cleared.

Agency Response

1 May 2019

This risk has now been added to the risk table in the PIF. A substantive part of the institutional and technical tools to be developed by this project are oriented toward facilitating the interaction between these stakeholders and reducing this risk. These tools will be institutionalized and will therefore facilitate the establishment of future cooperative arrangements between buyers and sellers.

Additionally, several strategies will be implemented to manage this situation. First, a comprehensive selection process of the stakeholders to be engaged (sellers of ES) will be carried out and the project will facilitate the early participation of the stakeholders during project implementation. Second, the basis for later agreements / contracts will be set up, which are supported legally by current norms (and which will be strengthened by proposed future regulations related to the SBAP). Third, strategies will be designed to continue with the engagement after the project concludes, and linked to this, the creation/ strengthening of a governance system to enable PES to be discussed and decisions to be made at the local level. **5. Risk section**

Coordination

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined?
Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

By the time of CEO endorsement please define in a less speculative manner the degree to which this investment will work with the many other GEF investments underway in the country.

Agency Response**Consistency with National Priorities**

Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

Agency Response**Knowledge Management**

Is the proposed "knowledge management (KM) approach" in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project's/program's overall impact and

sustainability?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Many initiatives are underway or have been implemented in the thematic area that is the focus of this project. Please provide more details on how this existing experience and knowledge is being managed in an organized way, if at all. If it is not being managed, please provide a less generic description on how this project can manage knowledge in a more proactive way in the field of PES, natural capital valuation etc in the Chilean context. The current description misses this opportunity that this project could have given its very specific thematic focus.

May 1, 2019

Adequate revisions. Cleared.

Agency Response

1 May 2019

This project is being designed based on the knowledge accumulated from multiples initiatives related to natural capital valuation and PES in Chile over the last 20 years. Examples include the following: State of the Art of Payment for Environmental Services in Chile; Economic Assessment of Chile's Protected Areas; Compilation and systematization of information related to evaluation studies, mapping and valuation of ecosystem services in Chile; and Evaluation of the ecosystem services associated with the water resource: Biobío river basin as a case study, among others.

In order to guarantee that this previous knowledge and experiences are used effectively, the main institutions associated with these experiences are being engaged in project development and will be involved in project implementation (e.g., CONAF, INFOR, MMA, WCS). In addition, the project design includes several activities to further strengthen the capacity of organizations involved in PES schemes based on the knowledge that has been gathered and prior experiences. **8. knowledge management, paragraph 36.**

art III – Country Endorsements

Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?

Secretariat Comment at PIF/Work Program Inclusion

April 23, 2019

Yes. Cleared.

Agency Response

EFSEC DECISION

RECOMMENDATION

Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?

Secretariat Comment at PIF/Work Program Inclusion

May 1, 2019

Yes. The PIF is recommended for technical clearance.

ADDITIONAL COMMENTS

Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.

Secretariat Comment at PIF/Work Program Inclusion

Review Dates

	PIF Review	Agency Response
First Review	4/23/2019	
Additional Review (as necessary)	5/1/2019	
Additional Review (as necessary)		
Additional Review (as necessary)		
Additional Review (as necessary)		