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# Readiness and Preparatory Support

Direct Access Proposal Template

**Country Support Window**

## Proposal title

Building a climate resilient water investment pipeline program to maximise water preservation and mobilise private finance in Chile (38810)

## Country(ies)

Chile

\* The full proposal, including the financial proposal and annexes, is available on the GCF Partner Platform.

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[!\[\]\(339a16584d5da0f0a3ca4e9ec17bf6a1\_img.jpg\) Guide for Countries to Access Readiness Support](#)

[!\[\]\(a870788d6ed9b8fd294b7654a8c8526b\_img.jpg\) Guide for Countries on Strategic Planning of Readiness Support](#)

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<sup>1</sup> The country may have a designated government agency that is different from the NDA that is formally authorised to receive funding from and enter into legal contracts with international agencies such as the GCF.

## Proposal Details

### Title of the Direct Access Proposal

Building a climate resilient water investment pipeline program to maximise water preservation and mobilise private finance in Chile

### Total Approved Amount (in USD)

\$1,129,085

### Implementation Period (in months)

18 months

## Country Information

☒ Single country

☐ Multi-country

### Country

Chile

### NDA / focal point name

Ministry of Finance

### Name of contact person

María Paz Gutierrez

### Contact person's position

Advisor of Financial and International Affairs

### Contact person's email

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## Participating Country Information



If the proposal involves multiple countries (regional/multi-country), please list each one below, adding as many rows as necessary. The entry listed above serves as the lead for the multi-country proposal. Please upload the letters of intent on the GCF Partner Platform.

| Participating Country | NDA/Focal Point Name | Name of Contact Person | Contact Person's Position | Contact Person's Email | Budget |
|-----------------------|----------------------|------------------------|---------------------------|------------------------|--------|
| N/A                   | N/A                  | N/A                    | N/A                       | N/A                    | N/A    |

## Type of Access

- ☒ Direct Access by Designated Agency

## 1. Summary of the proposal

This Readiness grant is dedicated to the creation of an investment pipeline for water projects in Chile. The focus of the investment pipeline shall be on the preservation of water resources and the creation of resilience against climate stressors. Thus, the key climate area is to adapt to climate change and/or build climate resilience if feasible from a technical and technological perspective in reference to water resources. The emission reduction within the water sector will be included as far as it fits to the most promising solutions to adapt to climate change. The analysis will focus on the achievement of the highest rate of water preserved, represented in m3 of water. Thus, the selection of sectors and areas of intervention will be a result of the analysis, indicating where water resources can be saved most efficiently and where investments are feasible to be structured regarding currently existing regulations and market failures.

The results of this work have the following key objectives:

- Creation of at least 1 investment line that will respond to the defined water stress issues induced by climate change.
- Mobilisation of private resources for at least one investment line.
- Creation of the capacity for Fundacion Chile and other key involved stakeholders such as related ministries, economic development agencies and national private investment partners to be able to structure other investment lines in the future to respond to country needs and to mobilise finance for these purposes.

## 2. Country Context

### Guidance

This section provides an overview of the country context, including planned climate investments and priority areas for funding by the GCF and other sources of climate finance. It also highlights the country's key climate priorities, challenges, policies and institutional structures as well as gender considerations and stakeholder engagement.

### 2.1 Country(ies) Climate Challenges

Chile, due to its geographical location and climatic conditions, meets seven of the nine vulnerability criteria stated by the United Nations Framework Convention on Climate Change (UNFCCC), namely: it has low-lying coastal areas; arid and semi-arid zones; forest areas; territory susceptible to natural disasters; areas prone to drought and desertification; urban areas with air pollution problems and mountain ecosystems (Ministry of Environment of Chile, 2017). The country has experienced increasingly severe climate events over recent decades, including droughts, heatwaves, floods, and forest fires, causing extensive damage to ecosystems, communities and economy. Chile is among the 30 countries worldwide with the highest levels of water stress, and it is the only Latin American country projected to reach extremely high-water stress by 2040, due to the combined effects of rising temperatures, reduced precipitations and the upward shift of the 0°C isotherm (World Resource Institute, 2023). All glaciers studied in the country, fundamental reserves for water supply, have shown areal and frontal retreat or mass loss since 2003, with only one exception in the Metropolitan Region (DGA, 2011). The analysis of the atmospheric component across all river basins in the country reveals a meteorological drought, characterised by declining precipitation and increasing temperatures, with the most significant changes occurring between the Atacama and Los Lagos regions (Escenarios Hídricos 2030, 2018). Projections indicate a decline in annual accumulated precipitation during the 2035–2065 period compared to historical levels (1980–2010) in key agricultural areas, including parts of the Arica and Parinacota Region and most of central Chile, with reductions ranging from 12% to 30% (Ministry of Environment of Chile, 2025). Chile has experienced a growing number of extreme events accelerated by climate change, with evidence showing that 67% of these are caused by extreme hydrological events (droughts, debris flows, floods, river overflows, and activation of ravines, among others) (Escenarios Hídricos 2030, based on SENAPRED, 2025).

From 2008 to 2023, losses from climate impacts exceeded USD 1.7 billion. Projections indicate that climate risks will intensify, with frequent heatwaves, reduced precipitation in key agricultural areas and diminishing snow cover in the Andes, threatening water supplies and agriculture. According to the report “Costs Associated with Inaction in the Face of Climate Change in Chile” (ECLAC and Ministry of Environment of Chile, 2023), the country could face economic losses exceeding USD 3.8 billion annually by 2050, considering only sectors such as agriculture, urban drinking water supply, public infrastructure, energy, and health, if adaptation measures are not adopted. In urban drinking water supply alone, the cost of inaction already exceeds USD 229 million per year. More than 383,000 rural households depend on water trucks, and agriculture is estimated to lose up to 26% of its net income.

#### Sources:

1. Ministry of Environment of Chile. (2017). National Climate Change Action Plan 2017-2022. Available at: <https://estrategia-aves.mma.gob.cl/wp-content/uploads/2023/03/MMA-2017-Plan-de-Accion-Nacional-de-Cambio-Climatico-2017-2022.pdf>
2. World Resource Institute – WRI. (2023). Aqueduct 4.0: Updated Decision-Relevant Global Water Risk Indicators. Available at: <https://www.wri.org/research/aqueduct-40-updated-decision-relevant-global-water-risk-indicators?auHash=74cRjEQPsH0NDpgT1NqlfNpqV-QpYNR4oiPo1HRhpGs>
3. Dirección General de Aguas – DGA. (2011). Recent variations in glaciers in Chile, according to main glaciological zones. Santiago, Chile. Available at: <https://glaciologia.cl/wp-content/uploads/2020/08/InformeVariacionesGlaciaresdga2011.pdf>
4. Escenarios Hídricos 2030. (2018). Radiografía del Agua: brecha y riesgo hídrico en Chile. Fundación Chile. Santiago. Chile.
5. Ministry of Environment of Chile. (2025). National Climate Change Adaptation Plan. Santiago. Chile.
6. Dirección General de Aguas – DGA. (2017). Update of the National Water Balance. Available at: <https://repositoriodirplan.mop.gob.cl/biblioteca/items/fc5370ee-1498-41b7-8ff9-58d529168e0a>
7. Escenarios Hídricos 2030. (2025). Risk assessment in Chile with information of SENAPRED. Available at:

<https://geoportalonemi.maps.arcgis.com/apps/dashboards/493456845a614ababbf0222be36e445b>

8. ECLAC and Ministry of Environment of Chile. (2023). Costs Associated with Inaction in the Face of Climate Change in Chile. ECLAC. Available at: <https://www.cepal.org/es/publicaciones/48880-costos-asociados-la-inaccion-frente-al-cambio-climatico-chile-sintesis>

## 2.2 Policy Framework

Chile has strengthened its climate change regulatory and planning framework over the last decade, establishing a policy architecture that positions water security, climate adaptation, and resilience in the country. This framework is primarily structured around the Framework Law on Climate Change (LMCC, in Spanish).

### **Framework Law on Climate Change (LMCC)**

The Framework Law on Climate Change (Law No. 21,455), enacted in 2022, constitutes Chile's most important climate policy milestone. The LMCC establishes binding national objectives to achieve carbon neutrality and climate resilience by 2050, while strengthening the country's institutional, financial, and territorial governance for climate action (Ministry of Environment of Chile, 2022). The country has highlighted the importance of water security in its LMCC, establishing the Adaptation Plan for Water Resources at the national level, and the obligation to develop and implement Strategic Water Resources Plans in each basin of the country.

The LMCC mandates 12 ministries to develop and implement climate change adaptation plans (PSAs) for priority sectors, including water resources, infrastructure, mining, cities and biodiversity. Additionally, all 16 Regional Governments, through the Regional Climate Change Committee (CORECC, in Spanish), are required to develop and implement regional climate action plans (PARCCs), and the 345 local governments must draft and carry out local Climate Change Action Plans (PACCCs).

These instruments must align with the Nationally Determined Contribution (NDC) and the Long-Term Strategy (LTS), creating a coherent policy cascade from national to territorial levels. However, the LMCC does not establish a permanent financing allocation, which creates a structural gap between climate planning and actual project implementation. Therefore, a substantial challenge remains to effectively advance the implementation of sustainable projects climate-focused aimed at addressing and responding adequately to the magnitude of the existing water crisis in the country. This investment gap directly justifies the need for investment pipelines and private capital mobilisation mechanisms, precisely the objective of this Readiness Grant.

### **Nationally Determined Contribution (NDC – 2025 Update)**

Chile's updated Nationally Determined Contributions (NDCs), including the NDC 2025–2035 (NDC 3.0), represent a strengthened level of ambition under the Paris Agreement and reaffirm water security as a core pillar of climate change adaptation (United Nations Framework Convention on Climate Change - UNFCCC, 2025). Key NDC commitments directly related to this Programme include strengthening national and watershed-level water risk assessment systems, advancing strategic water management planning with climate adaptation criteria across river basins, enhancing the resilience of rural water supply and sanitation services to ensure continuity under climate stress, and promoting Nature-based Solutions (NbS) as cost-effective tools for climate adaptation and water regulation. In the field of adaptation, the updated NDC further establishes that Chile will continue strengthening institutional and technical capacities for water–climate risk management, improve climate-resilient water governance, and expand the participation of non-governmental and private sector actors in adaptation implementation. This Readiness Grant directly operationalises these updated NDC commitments by enabling

bankable, climate-resilient water investments and mobilising private capital for adaptation finance (UNFCCC, 2025).

#### **National Adaptation Plan (NAP)**

Chile's National Adaptation Plan to Climate Change (NAP), first adopted in 2014 and updated in 2025, is currently under development through sectoral updates under the LMCC, establishes water resources as one of the nine priority adaptation sectors (Ministry of the Environment of Chile, 2025). **The Water Resources Adaptation Plan (NAP-WR)** focuses on enhancing climate-resilient water management, strengthening monitoring, reporting, and verification (MRV) for water adaptation, improving hydroclimatic risk knowledge and planning and the promotion of efficient water use and protection of strategic water reserves. The earlier NAP implementation cycle identified weak subnational coordination, insufficient financial structuring of adaptation measures, limited private sector engagement and poor linkage between climate planning and investment systems. This Readiness Grant directly responds to these structural barriers by creating investment lines tailored to climate-driven water stress, enabling private sector participation in adaptation investments and building long-term institutional capacity within Fundación Chile and national stakeholders to structure future water investment pipelines.

#### **Long-Term Climate Strategy (LTS – 2050)**

Chile's Long-Term Climate Strategy (LTS), officially adopted in 2021, operationalises the LMCC's 2050 neutrality and resilience goals across 14 priority sectors, including water resources, cities, infrastructure, biodiversity, agriculture, energy and mining (Ministry of the Environment of Chile, 2021). For the water sector, the LTS establishes long-term objectives to ensure water security under climate change scenarios, increase natural and built water storage capacity, protect aquifers, headwaters and strategic ecosystems and integrate NbS and hybrid water infrastructure as core adaptation strategies. The LTS explicitly recognises that achieving these transformations will require blended finance mechanisms, public-private investment structures and new project pipelines for adaptation-focused infrastructure. This Readiness Grant is therefore a direct investment-enabling instrument to operationalise the LTS water security and resilience targets.

This Readiness Programme is fully aligned with Chile's climate policy framework as:

- It supports the implementation gap of the LMCC, enabling financing pathways where public budgets are insufficient.
- It contributes directly to the adaptation commitments of the NDC, focusing on maximum water preservation (m<sup>3</sup>) under climate stress.
- It operates the Water Resources NAP through investment-ready projects.
- It accelerates the LTS 2050 water security targets through bankable adaptation portfolios and private capital mobilisation.

By structuring at least one climate-resilient water investment line, mobilising private finance, and building permanent national investment structuring capacity, this Readiness Grant constitutes a direct financial response to Chile's climate adaptation architecture.

References:

- Ministry of Environment of Chile. (2022). Framework Law on Climate Change – Law No. 21,455. Government of Chile.
- United Nations Framework Convention on Climate Change (UNFCCC). (2025). Chile's Updated Nationally Determined Contribution (NDC). UNFCCC Secretariat.
- Ministry of Environment of Chile. (2014). National Adaptation Plan to Climate Change. Government of Chile.
- Ministry of Environment of Chile. (2025). National Adaptation Plan to Climate Change. Government of Chile.
- Ministry of Environment of Chile. (2021). Long-Term Climate Strategy 2050 (Estrategia Climática de Largo Plazo). Government of Chile.

## **2.3 Institutional Framework, Capacity and Coordination**

Chile has a robust institutional framework for climate change management, established through the Framework Law on Climate Change (Law 21.455). This law organises the responsibilities of ministries and sub-national governments and mandates national planning instruments such as the NAP, the NDC, and the GCF Country Programme. These strategic processes were developed with broad government participation, including the Ministry of Environment (MMA), the Ministry of Public Works (MOP), and the Ministry of Finance, acting as the National Designated Authority (NDA). With this strategic foundation already completed, the present Readiness focuses on **implementing what has been agreed**, specifically in the water sector.

For the management of this Readiness grant - aimed at developing an investment pipeline for water-related adaptation and resilience projects - the relevant institutional framework is limited to the actors directly involved in the structuring, assessment, and implementation of water investments:

- **National Designated Authority (NDA) – Ministry of Finance** Provides strategic oversight of GCF activities in Chile, approves GCF-funded initiatives, and ensures alignment with national climate and investment priorities. The NDA will supervise the coherence of the proposed investment pipeline with national priorities and facilitate high-level institutional coordination.
- **Ministry of Environment (MMA)** Leads national climate policy, including adaptation. It will provide technical guidance on climate vulnerability and ensure consistency between the prioritisation of sectors/areas and national planning instruments such as the NAP and sectoral adaptation plans.
- **Ministry of Public Works (MOP)** Through the General Water Directorate (DGA) and other units, MOP is responsible for water management and regulation. Its role will be to provide technical inputs on water availability, regulatory feasibility, infrastructure needs, and investment gaps—ensuring that the investment pipeline aligns with existing regulations and implementation conditions.
- **Fundación Chile (FCh) – Delivery Partner** Implements the Readiness, leads the technical and financial analysis, and develops the investment pipeline. It will coordinate with public entities, private actors, and potential beneficiaries and will strengthen its internal capacity to structure future investment lines for water-related climate action.
- **Market players and potential beneficiaries** Including water utilities, agricultural and agro-industrial companies, infrastructure developers, investment funds, and technology providers. Their engagement is essential to translate strategic decisions into viable investments, identify implementable project opportunities, and mobilise private finance for the proposed investment line(s).

Coordination will remain intentionally streamlined: the NDA provides strategic oversight; MMA and MOP supply technical and regulatory inputs; and Fundación Chile leads operational implementation. Other institutions established under the LMCC (e.g., CORECC, ETICC, regional governments) are not part of the direct coordination structure, as this Readiness is focused on the design of investment lines rather than broader territorial or sectoral planning. However, current instruments that can be used to encourage investment in the territories will be analysed.

It is important to note that decision-making within this readiness will be in the hands of the NDA, based on technical and economic information provided by the team that will carry out the operational implementation. The NDA's decisions will ensure compliance with market criteria and possible GCF financing.

This targeted institutional setup will support the achievement of the Readiness objectives:

- (i) Creation of at least one investment line addressing climate-induced water stress;
- (ii) Mobilisation of private resources; and
- (iii) Strengthened national capacity to structure future investment lines responding to water-related climate needs.

## 2.4 Gender Equality Analysis

The gender analysis related to this Readiness will be present at two stages: when the first screening is conducted through the criteria for selection of 1-2 investment lines, and secondly, to create gender gender-inclusive approach to beneficiaries during investment scope structuring as part of preparation of the investments to be implemented.

## 2.5 Stakeholder Engagement

During the development of the Readiness, a comprehensive and inclusive stakeholder engagement process will be undertaken, with an emphasis on gender integration. The stakeholder engagement will enhance institutional capacities to structure investment lines in the future, accelerate climate investments in Chile and mobilisation of private investments. It will serve as a critical tool for validating processes, ensuring sustainability, and fostering co-construction through regular meetings and workshops of governance groups at national and subregional levels.

Key stakeholders to be involved in this Readiness are the following:

- Potential private and public beneficiaries of the investment lines to understand their needs well and to structure commensurate investment criteria.
- Public and private sector potential co-financing partners on the investment line level, or for each project.
- Stakeholders identified via market failure analysis to structure actions that will enable the mitigation of defined market failures.
- Specific sector-based expert groups and regulatory bodies to ensure the feasibility of the investments and to create a conducive market environment. The aspects that may need to be investigated are (but not limited to) building codes, technology availability, technology costs, administrative processes, land use regulations, permits issuance, tax obligations.

## 2.6 Complementarity with Other Initiatives (GCF and non-GCF)

Please list past and current GCF readiness grants, and relevant capacity-building initiatives funded by other agencies and funds

### GCF Readiness Activities

| Title & Reference Number                                        | Start and End Dates        | Amount Approved | Status    | Objectives                                                                                                                                                                                         | Key Outcomes & Results                                                                                                                                                                                          | Complementarity with the readiness proposal                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------|----------------------------|-----------------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NDA Strengthening + Country Programming - CHL-RS-001            | 24 Mar 2017 - 30 June 2019 | 248,237.78      | Completed | To enhance country ownership and climate finance access during the early stages of the operationalisation of the Green Climate Fund in Chile.                                                      | <ul style="list-style-type: none"> <li>-Strengthening the institutional capacity of the NDA.</li> <li>-Improving Chile's access to climate finance.</li> <li>-Supporting long-term climate planning.</li> </ul> | This readiness can be complemented with the current proposal as it established the first institutional and financial structuring capacities for project development, while this new readiness will advance from institutional strengthening towards the concrete creation of a water-focused investment pipeline, transforming early financial frameworks into bankable adaptation projects that preserve water resources and mobilise private investment. |
| Direct Access Entity Support + Strategic Framework - CHL-RS-002 | 9 Nov 2017 - 15 Sept 2019  | 608,738         | Completed | This proposal seeks the technical strengthening of a portfolio of prioritised projects through pre-feasibility studies, financial structuring, national social and environmental safeguards guides | <ul style="list-style-type: none"> <li>-Preparation of project concepts.</li> <li>-Development of social and environmental safeguards frameworks.</li> <li>- Strengthening direct access to the GCF.</li> </ul> | This readiness will be complemented by the proposal as it previously strengthened Chile's direct access and project preparation capacities, while the current readiness scales this capacity specifically towards the water sector, enabling the structuring of climate-resilient water investments with private sector participation and measurable impacts in terms of water preserved (m³).                                                             |



|                                                                                                                                                  |                           |           |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Support for strengthening public private planning processes at the subnational level for the development of local country programs. - CHL-RS-004 | 2 Jan 2018 - 2 Mar 2021   | 671,447.6 | Completed | To strengthen public private planning processes at the subnational level for the development of local country programs.                                                                                                                                                                                                                                                                                                                                                                             | -Development of subnational climate planning methodologies.<br>-Implementation of Regional Climate Change Action Plans (PARCCs).<br>-Strengthening of regional governance (CORECC).         | This readiness is directly complemented by the proposal, as the subnational public-private planning processes previously developed will now be leveraged to identify, prioritise, and structure territorially grounded water investment opportunities, allowing regional climate planning to be translated into concrete, finance-ready water projects.                                                       |
| Update of the Climate Change Adaptation Plan for the Forestry, Agriculture and Livestock Sector - CHL-RS-005                                     | 5 Dec 2019 - 4 Feb 2023   | 485,160   | Completed | Establishment of governance and coordination mechanisms for adaptation planning, strengthened investment in climate vulnerability and adaptation, alignment of the country's overall development policy and strategy, development of an adaptation finance strategy and development of a system for monitoring, evaluation and learning capacity.                                                                                                                                                   | Update to the National Agricultural and Forestry Action Plan (NAP).<br>Identification of adaptation measures for water and drought. Subnational financing plans for adaptation.             | This readiness is complemented by the proposal in the sense that the updated adaptation measures for the forestry, agriculture, and livestock sectors identified the water-related vulnerabilities and investment needs, while the current readiness will transform these identified needs into structured investment lines focused on water efficiency, drought resilience, and private sector mobilisation. |
| Update of the National Climate Change Adaptation Plan NAP in Chile - CHL-RS-007                                                                  | 14 Dec 2021 - 29 Nov 2024 | 595,193   | Disbursed | To support the Government of Chile in strengthening its national capacity and to effectively and efficiently update and implement the National Adaptation Plan to Climate Change (NAP-2014), as the guiding instrument to facilitate the integration of climate change adaptation in a coherent manner, into relevant new and existing policies, programs and activities, in particular, in the development planning processes and strategies, within all relevant sectors and at different levels. | Update to the National Climate Change Adaptation Plan.<br>Guidelines for sectoral plans: Nature-based Solutions (NbS), water management, disaster risk reduction (DRM), gender perspective. | This readiness can be complemented with the proposal as it updated the national adaptation framework and identified financing gaps across sectors, while the new readiness directly responds to these gaps by creating a dedicated investment pipeline for water adaptation projects, operationalising the NAP through concrete financial instruments.                                                        |



|                                                                                                                                                                                  |                           |           |           |                                                                                                                                                                                                                                                        |                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-----------|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Update of the Climate Change Adaptation Plan for Biodiversity - CHL-RS-008                                                                                                       | 14 Dec 2021 - 29 Nov 2024 | 426,631   | Disbursed | To strengthen the government capacities to lead the adaptation process in the biodiversity sector in Chile, and to update the NAP-Bio from 2019, taking into consideration the gaps identified by the government.                                      | Integration of nature-based solutions (NbS). Watershed restoration, biological corridors, and green infrastructure.                                             | This readiness is complemented by the proposal as the updated biodiversity adaptation framework promotes Nature-based Solutions for ecosystem resilience, while the current readiness translates these NbS priorities into a water-focused investment portfolio aimed at increasing infiltration, restoring hydrological functions, and building climate resilience through finance-ready projects. |
| Formulation of the National Climate Change Adaptation Plan NAP for Water Resources of Chile - CHL-RS-009                                                                         | 16 Nov 2022 - 16 Nov 2025 | 1,458,483 | Disbursed | To support Chile in strengthening its national capacity in the water resources sector through the formulation of a new sectoral National Adaptation Plan (NAP).                                                                                        | Development of a specific National Action Plan (NAP) for water resources. Identification and prioritisation of water adaptation measures at the national level. | This readiness is directly complemented by the proposal as the formulation of the National Adaptation Plan for Water Resources defines the strategic adaptation priorities for the sector, while the current readiness represents the financial and investment execution arm of the NAP, converting strategic planning into bankable water resilience investments.                                  |
| Strengthening governance and evidence for the design of Chile's long-term strategy on green infrastructure and nature-based solutions in urban and peri-urban areas - CHL-RS-011 | 20 Nov 2023 - 20 Nov 2025 | 595,232   | Disbursed | To generate a set of enabling conditions to catalyse national public policy efforts and investments to expand and integrate the green infrastructure network and NbS in urban areas in Chile, as a climate change mitigation and adaptation mechanism. | National Green Infrastructure Strategy. Portfolio of urban NbS projects (floodable parks, wetlands, green roofs).                                               | This readiness can be complemented by the proposal in the sense that the expansion of green infrastructure and NbS in urban and peri-urban areas will now be supported through a dedicated water investment pipeline, enabling these solutions to scale as structured financial assets for urban water retention, infiltration, and flood regulation.                                               |
| Improving Technical Capacity and Enabling Conditions to Mobilize Public Climate Finance for Nature-based Solutions                                                               | 17 Mar 2025 - 17 Mar 2027 | 510,060   | Disbursed | To develop a framework that enhances financing for NbS public development investments as a mechanism to comply with the requirements outlined by the                                                                                                   | Conservation, reforestation, and preventative management. More than 25,000 hectares                                                                             | This readiness is complemented by the proposal as it strengthens institutional and public financial capacities for Nature-based Solutions, while the current readiness will apply these strengthened                                                                                                                                                                                                |

| Projects, Accelerating the Implementation of Chiles Climate Change Framework Law - CHL-RS-013 | PSAs, PSMs, PARCCs, and PACCCs and in order to fully implement the LMCC. | restored, benefiting 57,000 people. | capacities specifically to the water sector, structuring NbS-based water investments with private sector as critical criteria that maximise climate resilience and the preservation of water resources. |                 |                                             |
|-----------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------------------------------------|
| Other capacity-building initiatives funded or commissioned by parties other than GCF          |                                                                          |                                     |                                                                                                                                                                                                         |                 |                                             |
| Title                                                                                         | Start and End Dates                                                      | Status                              | Funding Agency                                                                                                                                                                                          | Main objectives | Complementarity with the readiness proposal |
|                                                                                               |                                                                          |                                     |                                                                                                                                                                                                         |                 |                                             |

## 2.7 Project Pipeline and Priorities

There are several Readiness grants closed or currently being conducted to define necessary coordination mechanisms, means of verification and sectoral scope for climate actions in the country's priority area of conservation of water resources.

For this readiness, all progress achieved to date that is related to the thematic area will be considered as a baseline and used as a key input.

However, there is no translation of the conducted vulnerability analysis and water sub-sector analysis into an investment programme. Therefore, this Readiness grant is dedicated to the creation of an investment pipeline and a commensurate investment line. Uptake or involvement of the private sector will be one of the critical criteria for the investment line set up.

## 2.8 Specific Readiness needs

For the present Readiness grant implemented by Fundación Chile, Delivery Partner, and in accordance with the logframe defined by the NDA, the project will develop and prepare Outcome 1.2: Developing countries design and implement strategic frameworks (including NDC/NAP/LTS), policies and instruments, including climate investment plans, to create enabling environments for integrated climate investments. This outcome will include Output 1.2.1: Inclusive strategic frameworks (NDCs, NAPs, and LTSs) and policy instruments are created, updated, and/or strengthened, with the specific deliverable D6. Status report on policies, regulations, and mechanisms developed or enhanced to incentivise private sector engagement in Chile.

The project will also deliver Outcome 2.2: Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with USP-2 results, including through DAEs, that build on readiness support and country programmes. This outcome will include Output 2.2.1: NDA, DAEs and other climate stakeholders have enhanced their capacity on Concept Note and/or Funding Proposal development for an inclusive integrated climate programming, with the specific deliverable D10. Funding Proposal (Chile), including studies, assessments, reports, etc to support the development of investment-grade Funding Proposals.

## 3. Statement of Objectives

### Guidance

This section aims to clearly define the objectives and scope of the readiness support being sought. It outlines: (1) the anticipated impact of readiness support on climate programming and direct access, highlighting how the support will enhance the country's capacity to design and implement climate projects; (2) the alignment of the readiness support with national climate goals, including the implementation of NDCs, NAPs, and LTS, and (3) specific areas of readiness support required, addressing capacity gaps and aligning with the objectives and outcomes of the 2024-2027 readiness strategy.

To form a statement of the objectives for the readiness support, consider the optional [Guide for Countries on Strategic Planning of Readiness Support](#).

### 3.1 Objectives of the Readiness Support

This Readiness has the following key objectives:

- Creation of at least 1 investment line that will respond to the defined water stress issues induced by climate change.
- Mobilization of private resources for at least one investment line.
- Creation of the capacity for Fundación Chile and other key involved stakeholders such as related ministries, economic development agencies and national private investment partners to be able to structure other investment lines in the future to respond to country needs and to mobilise finance for these purposes. Built on the pilot experience, Fundación Chile will start the creation of the Water Investment Programme by setting dedicated investment lines one by one.

Creation of an investment line that can bring substantial climate impact, engage the private sector and create blended finance solutions is a complex endeavor. It means engagement of specialised experts with various backgrounds (hydraulic engineering, environmentalists, economists, finance experts, safeguard experts, technology assessment and transfer professionals and lawyers) with specific experience, who will work jointly through a rigorous investment line creation process. This is why this Readiness grant focuses only on deliverables for Outcome 1.2 and Outcome 2.2, but it does not mean that this approach is not ambitious or impactful. It is just focused strictly on the creation of investments that can mobilise finance and create a realistic climate impact. At the same time, the Readiness structure is going to allow Fundación Chile and other key stakeholders who will be defined through the analytical process to create capacity for future independent development of other investment lines. In this way, this Readiness grant is going to create factual readiness of Chilean partners to mobilise climate finance for the most pressing climate needs.

### Capacity-building for climate finance coordination and setting up the enabling environment for integrated climate investment

- ☐ 1.1. Developing countries, through NDAs or focal points, have enhanced capacity to fulfil their roles, responsibilities and policy requirements, including coordination mechanisms to engage relevant stakeholders to develop, advance, and implement NDCs, NAPs and LTSs.
- ☒ 1.2. Developing countries design and implement strategic frameworks (including NDC/NAP/LTS), policies and instruments, including climate investment plans, to create enabling environments for integrated climate investments.
- ☐ 1.3. Direct access applicants and accredited entities (DAEs) have met and maintained the accreditation standards of the GCF and strengthened their programming capacities, as evidenced by the development of GCF-funded activities.

### Objective 2. Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2

- ☐ 2.1. Developing countries have developed or updated their country programmes to guide GCF investment.
- ☒ 2.2. Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.
- ☐ 2.3. NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.

### **Objective 3. Knowledge-sharing and learning to enhance national and regional cooperation on climate programming and financing**

- ☐ 3.1. Developing countries, through NDAs or focal points, have made use of knowledge products to address policy gaps and integrated climate investment programming and implementation.
- ☐ 3.2. Enhanced collaboration among developing countries on climate change issues, evidenced by transboundary and regional cooperations/South-South cooperation.

#### **3.2 Anticipated Impact on Climate Programming and Direct Access**

This Readiness grant is focused on the creation of investments in the water sector that can mobilise finance and create a realistic climate impact. At the same time, the Readiness structure is going to allow Fundación Chile and other key stakeholders who will be defined through the analytical process to create capacity for future independent development of other investment lines. In this way, this Readiness grant is going to create factual readiness of Chilean partners to mobilise climate finance for the most pressing climate needs.

This grant is going to be implemented by Fundación Chile, the organisation that is currently going through an accreditation process to become a GCF partner that can implement the results of this Readiness grant. This approach enables the creation of synergies between climate needs in the country, and the creation of an investment line to be potentially co-financed and building country capacity and ownership. The latter will be achieved through implementation arrangements conducted directly by Fundación Chile as future investment line implementing partner and building Fundación Chile's capacity to create other investment lines based on this Readiness experience. Consequently, this Readiness is only a first step to creating a sustainable Water Investment Programme, which may encompass several investment lines following this pilot.

#### **3.3 Alignment with NDC/NAP/LTS Implementation**

This Readiness will directly translate the National Adaptation Plan for Water Resources (Water NAP) and Chile's Country Programme into concrete, finance-ready investments by structuring a dedicated investment pipeline focused on climate-resilient water projects. While the Water NAP defines the strategic adaptation priorities for water security at the basin and national levels, this Readiness provides the financial and institutional mechanisms required to convert those priorities into bankable projects capable of mobilising private capital. By identifying where water can be preserved most efficiently, measured in cubic meters (m<sup>3</sup>), and by assessing regulatory feasibility and market barriers, this Readiness will transform planning instruments into structured investment lines responding to climate-induced water stress.

This Readiness is fully aligned with the implementation of Chile's NDC, as it directly supports the adaptation commitments related to water security, strengthened water governance, basin-level risk management, and the promotion of Nature-based Solutions. By enabling climate-resilient investments in solutions to be defined (for example focused on water preservation, efficiency, reuse, storage, and infiltration), the Readiness contributes to increasing adaptive capacity and resilience to climate impacts, while also integrating mitigation co-benefits in the water sector where technically feasible.

In addition, the Readiness operationalises the Long-Term Climate Strategy (LTS 2050) by enabling the deployment of hybrid gray–green water infrastructure, aquifer protection, watershed restoration, urban water retention, and climate-resilient water supply solutions, all identified as key long-term transformations for the water sector. The creation of at least one structured investment line and the mobilisation of private resources directly support the LTS objective of scaling blended finance mechanisms and public–private investment for climate resilience.

Overall, this Readiness contributes to Chile's national climate goals by closing the persistent gap between climate planning and climate investment in the water sector. It strengthens the country's capacity to systematically generate future water investment pipelines, enhances investor confidence through standardised structuring methodologies, and accelerates the implementation of priority adaptation actions under the NDC, Water NAP, and LTS. By focusing on measurable water preservation outcomes and climate resilience at scale, this Readiness becomes a key financial execution instrument of Chile's national climate policy framework.

## 4. Approach, Methodology, and Implementation Activities

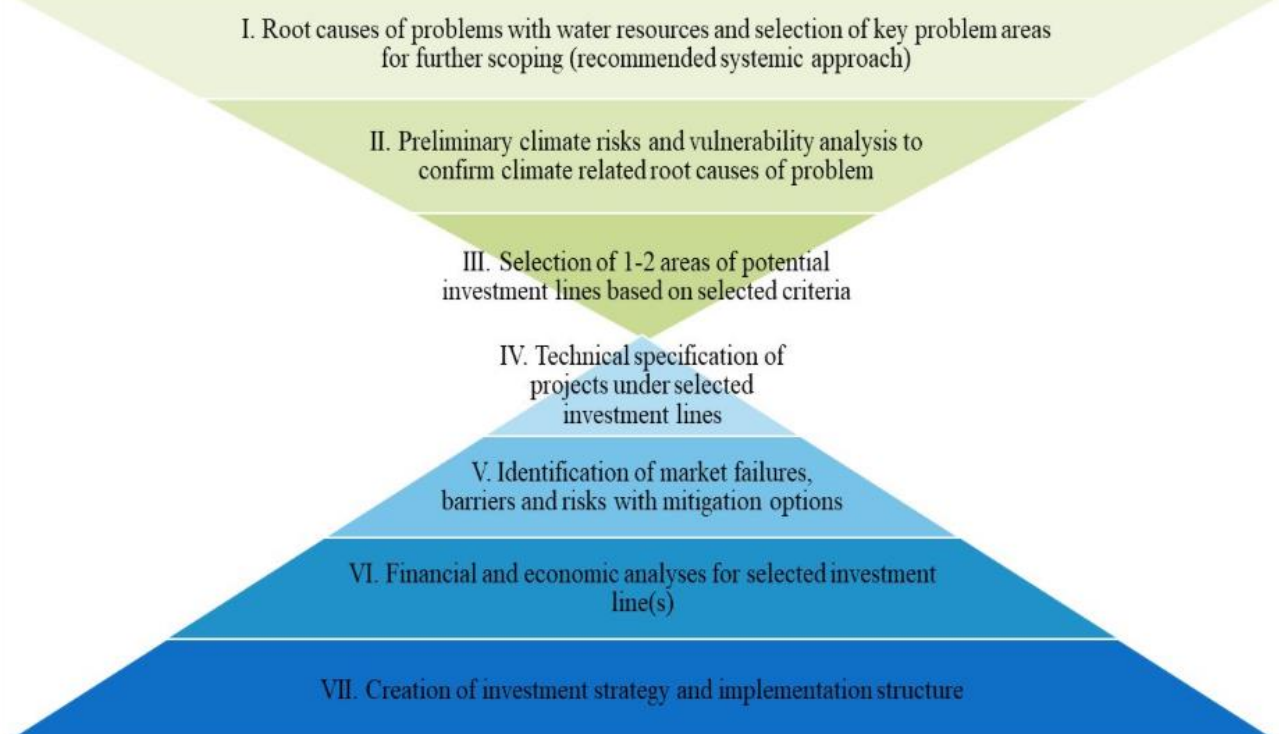
### Guidance

Please describe technical approach, methodology, and implementation plan to address the country needs and gaps, through the Direct Access modality.

### 4.1 Theory of Change

The first step in articulating the programme's objectives as well as the logic behind the delivery of its intended results is the formulation of a TOC. Please provide a TOC which highlights key challenges being addressed, as well as the step-by-step pathways to achieving the expected results. Key steps to designing a TOC are outlined in the [RRMF Handbook](#).

This proposal presents a rigorous methodological approach to translate the available climate vulnerability information regarding water stress climate issues observed in Chile, considering existing studies, water resources plans, adaptation sectoral plans and solution proposals developed to date by public and private institutions, into an investment line, accompanied by schemes for investable water projects and a commensurate financial structure for projects and the investment line. The process presented in the methodology below is based on the internationally renowned benchmarks for investment line development. However, it consists of a missing element that is present on the climate finance market, which is a translation of climate hazards and adverse impacts into solutions that can address the problems in the form of bankable projects. Consequently, the proposed investment line structure will be an innovative solution that will target existing market failures, capacity constraints and risk aversion of financiers – mitigating them and providing a proof of concept for more investment lines in the water sector in Chile and its replication for other sectors and other countries. This paradigm shift in the adaptation to climate change finance is critical to achieve the global ambition of tripling adaptation finance and engaging the private sector in this effort.



The structure of the methodology is presented below as a graph which encompasses the scoping steps along with the explanation of key activities and screening criteria that will be conducted. The final stage of the process should be a robust Investment Strategy translated into the template of the GCF Funding Proposal with a draft of the key annexes. The Strategy and the FP package will also encompass key elements indispensable for the mobilization of co-financing, especially focusing on private sector co-financing opportunities, if available. Private finance blending

will be encouraged on both the project level and the financial vehicle level to the extent possible on the Chilean market.

### **I. Root causes of problems with water resources and selection of key problem areas for further scoping**

- Defining the best systemic approach for further analysis e.g.:
- By watershed analysis and selection of similar types of projects in all watersheds.
- By an element in the water cycle to be tackled (wastewater treatment and water re-use, water preservation in the eco-systems, water use in selected sectors).
- By selection of the water management sector, stakeholders (utility companies, big agri-producers, etc.).

This is a preliminary assessment that should help define 2-3 promising investment lines to further scope down during Step II and III.

Screening criteria:

- Defining key impact indicators enabling achievement of concrete effect (e.g. m3 of water preserved, USD of economic losses avoided, USD of physical losses avoided).
- Highest possible impact indicators value (e.g. the highest quantity of m3 of water preserved).
- Defining a clear, repeating type of beneficiaries of the investment programme, sub-projects promoters, e.g. municipalities, utilities, agri-producers, end-users, etc, who are interested and capacitated to seek finance from the investment programme (missing capacity, or any other market failure needs to be feasible for sorting out via investment programme structure).
- The most conducive environment. No obvious blocking elements, legal, regulatory, split incentives, project structuring capacity, land ownership etc.

Potential solutions to be taken into consideration: NbS with aquifers recharging by a defined landowner, investments conducted by utilities, investments/ water use practices done by agri-producers, water efficiency solutions, and water re-use with accompanying infrastructures.

2. Analysing data to set root causes of the issues like water stress, flooding, landslides, water pollution and separate climate and developmental causes of problems:

- Analysing existing information to distinguish climate problems from developmental issues, to confirm that selected approaches are mainly rooted in climate problems.
- Preliminary definition of developmental actions that must accompany climate solutions to make them viable. Discouragement of unrelated developmental issues. Discouragement of purely developmental structure.
- Identification of missing climate data necessary for vulnerability analysis.

Potential source of information: section 1, page 9 of the GCF Working Paper 'How to financially incentivise well-designed climate projects'.

### **II. Preliminary climate risks and vulnerability analysis to confirm climate-related root causes of the problem**

Climate risk and vulnerability assessment of the selected areas of potential interventions run in conjunction with hydrological and geological analyses.

A specific approach to run the vulnerability analysis needs to be selected to best fit the areas of potential intervention selected in Step I. Further guidance on this Step can be found in section 2, page 10 of the GCF Working Paper 'How to financially incentivise well-designed climate projects'.

Some important aspects to be taken into account:

- Analysing the future impact of climate change to set the indicator level which will be responsive in a dynamic situation of most probable climate changes in a defined timescale, 30-50 years (assignment of time scale depends on the speed of climate changes).
- Use of the vulnerability analysis that can inform the best potential benefits resulting from the interventions (as an entry point to economic and financial analysis; presented in the GCF Working Paper page 16).

### **III. Selection of 1-2 areas of potential investment lines based on selected criteria**

The list of criteria to be used (some may be added during the implementation):

- Selection of solution types and size that can bring a concrete effect, e.g. m3 saved in the natural system securing water access for defined amount of beneficiaries, m3 of water re-used, m3 of NRW saved by enhanced infrastructure, or m3 saved by more efficient use.
- Preliminary screening through barriers, risks and market failures to eliminate types of interventions that are not feasible within 12-18 months (a screening list is presented on slides 6-8 of SESSION 3 of PROJECTS ACTIVITIES CONCEPTUALISATION, and on page 33-35 of Volume 1 ex-ante assessment general methodology).
- Preliminary assessment of sequencing potential investment lines for immediate implementation, and for implementation in the mid-term.
- Preliminary assignment of specific indicators related to activities that ensure achievement of the key impact indicator.
- Analysis of public and private sector co-financing potential on 3 levels: investment programme beneficiaries, co-financing national private and public partners, and co-financing public and private partners. Assignment of potential size and level of co-financing (on the project level, on the investment programme level).
- Preliminary assignment of potential types of financial instruments to be used.
- Preliminary mapping of potential co-financing sources and their specific criteria to inform the investment line development (presented from step IV below).
- Verification of the existing tax and other incentives regimes to confirm the viability of selected potential investment lines.
- Verification of the actual technical, legal and financial capacity of Fundacion Chile to implement the most promising investment lines. Definition of a feasible action plan to fill existing gaps within the investment lines preparation timeline; discouragement of solutions that are absolutely outside of Fundacion Chile investment capacity (e.g. legal structure defined by Chilean law).
- Listing of identified barriers, gaps, market failures, and capacity needs to be addressed within the further scope of the Readiness.

#### **IV. Technical specification of projects under selected investment lines**

1. Conducting any remaining vulnerability analysis, hydrological and geological assessment necessary to identify technical specifications of potential projects for investment line(s).

This element should lead to the assignment of preliminary technical specification of similar projects to be financed under investment line(s), together with a clear climate justification provided as quantification of potential impact indicators e.g. m3 preserved, m3 of water re-used etc. This step is not meant to provide a full technical feasibility study for each project but needs to enable understanding of specific information which will be expected from project promoters as individual investments, quantification of potential costs of projects, quantification of potential impact indicators, and assessment of technology transfer needs.

The analysis shall end with a sample of realistic potential project pipeline(s) that will be used for further analysis through below presented points.

2. Integration of climate mitigation options (emissions reduction).

This element should cover scope presented in Section 3, page 16 of the GCF Working Paper 'How to financially incentivise well-designed climate projects'.

3. Development needs identification.

Based on the preliminary assessment conducted under Step 1, point 2, the establishment of a developmental spectrum of projects (under investment lines) needs to be conducted in conjunction with climate investments.

Founding of additional potential costs to be covered. Identification of the best investment approach e.g. developmental activities under each climate project or as a separate investment accompanying project pipeline. Further guidance is provided in Section 4, page 17 of the GCF Working Paper 'How to financially incentivise well-designed climate projects'.

4. Technology needs assessment.

For project type(s) shaped within previous elements (1-3 in this sub-title) the assessment of necessary technologies and technical solutions must be prepared to assess project costs, feasibility and accompanying capacity building (TA) that may need to be structured to accompany project submission/ approval within the investment line.

Further guidance is provided in Section 5, page 18 of the GCF Working Paper 'How to financially incentivise well-designed climate projects'.

**SUMMARY OF THE TECHNICAL PREPARATION SHALL RESULT IN:**

- Technical specification of project pipeline(s).
- Full list of climate and developmental benefits.
- Full understanding of projects' costs.
- Identification of sample projects pipeline(s) for each investment line.

5. ESS considerations of the investment line/ project pipeline.

#### **V. Investment line/ project pipeline level assessment of gaps, barriers and market failures, added value and paradigm shift**

Based on the preliminary assessment conducted under section III, in here, a specific analysis of existing gaps, barriers and market failures should accompany structuring of the investment programme, its governance structure, risk assessment and mitigating action which will be included in the structure of the investment programme and each project, if needed.

At this stage, it also needs to be defined why the proposed investment line is additional to what currently exists on the market and what paradigm shift potential it brings – a change of current behaviours into climate adapted, sustainable actions. This element should also encompass screening through the 6 GCF investment criteria and investment criteria of any other potentially co-financing partner.

In addition to sources provided in section III, further guidance is provided in Section 6, page 20 of the GCF Working Paper 'How to financially incentivise well-designed climate projects' (and all risks identified throughout this document); page 32-52 of Volume 1 ex-ante assessment general methodology, GCF additionality and paradigm shift guidance (GCF webpage), Session 1 from the Regional Dialogue.

#### **VI. Financial and economic analyses for selected investment line(s)**

As a final stage of project pipeline(s) structuring the financial engineering for the investment line shall be structured. A non-exhaustive list of activities that this element must encompass are:

- Assessment of financial needs.
- Potential to raise co-financing from external partners.
- Structuring investments type, if relevant (PPPs, SPVs, performance contracts etc.).
- Projects' sequencing and bundling.
- Financial and economic analysis for investment line based on sample project pipeline.

Further guidance is provided in Sections 7 and 8, page 21-23 of the GCF Working Paper 'How to financially incentivise well-designed climate projects', presentation of the DBSA Water Re-use Programme, presentation of the Hunts Bay integrated programme structure.

#### **VII. Creation of investment strategy and implementation structure**

Based on all information the structure of the investment line shall be developed setting investment strategy and implementation structures. A non-exhaustive list is presented below:

- Targeted beneficiaries.
- Types of investments (technical, financial and legal structures).
- List of expected benefits on the investment line level and per project (impact indicators).
- Number of projects/ size of investments.
- Project identification strategy for a future pipeline.
- Assignment of the programme implementation timeline.
- Co-financing arrangement (maximising mobilisation of co-financing), remuneration strategy of co-financing partners (preferential remuneration, de-risking).
- Structure of the investment vehicle, including investment cycle (money flow, incentives, revolving, types of financial instruments).
- Legal structure, legal solutions for the investment programme (contracts, conditions etc.).
- Scope of technical assistance and capacity building.
- Remaining implementation risks and mitigating factors (most risks shall be addressed, mitigated by the structuring process presented above; however, there may exist remaining risks that need to be

monitored and mitigated as part of the investment line governance), This section should also include provision for update and review of the ex-ante assessment methodology and/or investment strategy based on pre-defined variables which may change on the market during implementation.

- Creation of the O&M manual for the programme.
- Team structure to deliver the programme.
- Creation of procurement-related guidance for the investment programme.
- Monitoring and Reporting manual (including periodical review of investment strategy and assignment of implementation risks ‘traffic light’ system.
- Identification of management costs for the investment programme and specification of budget.

#### **VIII. Creation of the Funding Proposal and annexes for GCF financing and incorporating information necessary for potential co-financiers**

The FP Package will follow the GCF guidance for the Funding Proposal structure available at the GCF webpage at the moment of the start of it preparation under the Readiness grant.

#### **GENERAL ASSUMPTIONS:**

- Relevant stakeholders shall be identified and engaged throughout the presented process to scope down into the investment strategy. A very limited list of the most essential stakeholders should be consulted under the governance structure of the investment programme (the more independent investment structure – the higher capacity to mobilise external finance).
- Any of the elements above shall embrace analysis of lessons learnt from similar investments, technical solutions performance, legal structures conductivity if such a similar experience exists on the market.

### **4.2 Beneficiaries**

This Readiness Proposal is dedicated to creating an investment line that will address the key climate challenge that Chile faces: water stress. Following the best international benchmarks, the methodology can use pre-defined criteria that will ensure inclusion of important aspects during the scoping process, moving from the climate vulnerability analysis to investment structuring. However, the final type and number of beneficiaries is a result of this Readiness and is dependent on many aspects that form the methodology which will be used for this Readiness delivery. It must be ensured that a bankable pipeline of projects that can attract private sector involvement and can be implemented within the given characteristics of the market is structured.

To ensure that the achieved climate impact is as inclusive as possible, under the screening criteria used for the investment line development, the interests of the most vulnerable groups, women, and indigenous people will be taken into account.

### **4.3 Implementation Activities**

Please list all proposed activities under their corresponding outputs. For each activity:

- Assign a unique identifier using the format aligned with the output (e.g., activities under Output 1.2.1 should be labelled as 1.2.1a, 1.2.1b, 1.2.1c, etc.).
- Ensure these activity labels match those referenced in the Financial Proposal to maintain consistency and traceability.
- Provide a clear and detailed description of each activity, specifying the exact actions that will be undertaken.

## **Objective 1. Capacity-building for climate finance coordination and setting up the enabling environment for integrated climate investment**

☐ Outcome 1.1. Developing countries, through NDAs or focal points, have enhanced capacity to fulfil their roles, responsibilities and policy requirements, including coordination mechanisms to engage relevant stakeholders to develop, advance, and implement NDCs, NAPs and LTSs.

☐ Output 1.1.1. NDA/focal point and other climate stakeholders have enhanced their capacity to fulfil their roles and responsibilities to develop, advance and implement NDCs, NAPs and LTSs.

☐ Output 1.1.2. An inclusive Coordination Mechanism has enhanced capacity to fulfill its mandate to develop, advance and implement NDCs, NAPs and LTSs.

☒ Outcome 1.2. Developing countries design and implement strategic frameworks (including NDC/NAP/LTS), policies and instruments, including climate investment plans, to create enabling environments for integrated climate investments.

☒ Output 1.2.1. Inclusive strategic frameworks (NDCs, NAPs, and LTSs) and policy instruments are created, updated and/or strengthened.

### **Activities**

**1-2-1.a.** Activity 1.2.1a: Inception Workshop

**1-2-1.b.** Activity 1.2.1b: Definition of the root causes of problems with water resources and selection of key problem areas for further scoping (recommended systemic approach)

**1-2-1.c.** Activity 1.2.1c: Preliminary climate risks and vulnerability analysis to confirm climate-related root causes of the problem

**1-2-1.d.** Activity 1.2.1d: Selection of 1-2 areas of potential investment lines based on specified criteria

**1-2-1.e.** Activity 1.2.1e: Technical specification of projects under selected investment lines

☐ Outcome 1.3. Direct access applicants and accredited entities (DAEs) have met and maintained the accreditation standards of the GCF and strengthened their programming capacities, as evidenced by the development of GCF-funded activities.

☐ Output 1.3.1. Institutional gaps of direct access applicants and accredited entities (DAEs) are addressed to obtain and/or maintain accreditation.

## **Objective 2. Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2 programming targets**

☐ Outcome 2.1. Developing countries have developed or updated their country programmes to guide GCF investment.

☐ Output 2.1.1. Country programme developed and/or updated to guide GCF investment.

☒ Outcome 2.2. Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.

☒ Output 2.2.1. NDA, DAEs and other climate stakeholders, have enhanced their capacity on Concept Note and/or Funding Proposal development for an inclusive integrated climate programming.

### **Activities**

**2-2-1.a.** Activity 2.2.1a: Investment Structuring Workshop

**2-2-1.b.** Activity 2.2.1b: Identification of market failures, barriers and risks with mitigation options

**2-2-1.c.** Activity 2.2.1c: Financial and economic analyses for selected investment line(s)

**2-2-1.d.** Activity 2.2.1d: Creation of investment strategy and implementation structure

**2-2-1.e.** Activity 2.2.1e: Development of the Funding Proposal and accompanying documentation for the GCF financing and potential co-financing

**2-2-1.f.** Activity 2.2.1f: Closing Workshop and final presentation of the investment programme to potential co-financiers to mobilise climate finance

☐ Output 2.2.2. Investment-grade Concept Notes and/or Funding Proposals that are fully aligned with the Country Programme and passed the GCF screening process.

☐ Outcome 2.3. NDAs and DAEs have enhanced processes and systems to effectively oversee the implementation, financial management, monitoring and reporting of climate programmes and projects.

☐ Output 2.3.1. NDA and DAEs have enhanced relevant capacity, processes and systems in place to oversee and implement climate programmes and projects.

#### 4.4 Stakeholder Engagement Strategy

This Readiness Proposal is dedicated to creating an investment line that will address the key climate challenge that Chile faces: water stress. Following the best international benchmarks, the methodology will be scoping down from climate vulnerability analysis to the assignment of investment structure. Throughout this process, several stakeholder groups will be consulted.

For the Activities 1.2.1a-1.2.1b all relevant stakeholders who are responsible for water use and management in Chilean watersheds will be consulted to identify 1-2 the most promising potential investment lines for further scoping until the investment strategy. This will include: key users of water, like agriculture producers and municipalities, communities; key water management stakeholders – utility companies; key water regulators and government entities; hydraulic engineers associations and interest groups.

Once the most promising potential investment lines are defined, within the following activities: 1.2.1d – 1.2.1g, another round of more specific stakeholders' engagement will be conducted to define project promoters, project beneficiaries, and to address market failures through investment structuring. The scope and types of stakeholders to be included will be defined within Activity 1.2.1c.

In addition to technical and operational risks, the project will apply an activity-level approach to compliance risks, including money laundering/terrorism financing (ML/TF), fraud, corruption, conflicts of interest, and other prohibited practices. In the context of this Readiness support, these risks may arise primarily in (i) the selection and contracting of consultants and service providers, (ii) procurement and vendor management, (iii) approval of payments, reimbursements and supporting documentation (including travel and workshops), and (iv) stakeholder engagement processes where undue influence could affect decision-making.

Compliance risks will be identified at inception and updated throughout implementation through practical screening of planned activities, counterparties and transactions, and through structured checks embedded in procurement, contracting, and payment workflows. Each relevant risk will be assigned a simple likelihood and impact rating (low/medium/high) to determine proportional mitigation and oversight. For this project, the likelihood of ML/TF is expected to be low while the potential impact is high (overall risk: medium), the likelihood of fraud is low to medium with medium to high impact depending on the case (overall risk: medium), and the likelihood of corruption or conflicts of interest is low to medium with high potential impact (overall risk: medium). These ratings will be

reviewed and adjusted if the risk profile changes (e.g., new counterparties, increased volume of transactions, or emerging red flags).

Mitigation measures will be applied in practice through the organisation's existing policies, procedures, internal controls and staff training. This includes, as applicable: due diligence and basic integrity screening of consultants and vendors prior to engagement; conflict-of-interest declarations for decision-makers and technical reviewers; clear procurement and contracting requirements (including integrity and termination clauses); segregation of duties and documented approvals for procurement and payments; verification of deliverables prior to payment; and maintenance of complete records to ensure traceability and audit trails.

Monitoring will be continuous and embedded in routine project management and financial reporting cycles, with periodic internal checks to detect anomalies, inconsistencies or red flags. Any suspected prohibited practice, integrity concern, or unusual transaction pattern will be documented and escalated promptly through established internal reporting channels to management and the relevant oversight function(s). Where warranted, corrective actions will be applied, which may include enhanced due diligence, suspension of payments, contract remedies, or termination, and reporting to relevant counterparties in line with applicable requirements.

#### 4.5 Risk Assessment and Mitigation measures

Please describe potential risks and risk monitoring plan, as follows:

- Please list the key identified and potential risks as well as the mitigation measures proposed. The potential risks could include, for example, delays, disruptions, cost and market risks, inadequate coordination/participation, lack of political support, money-laundering/terrorist financing, and prohibited practices.
- Please indicate the probability of occurrence (low/medium/high) and impact level (low/medium/high) for each potential risk.
- If managed remotely, please describe the measures (mechanisms and controls) to be taken to identify, assess, monitor and mitigate any risk of money-laundering, terrorist financing or prohibited practices.
- Please describe the measures (mechanisms and controls) to be taken for activities within the proposal to identify, assess, monitor and mitigate any risk of money-laundering, terrorist financing, prohibited practices and other integrity matters.

| Risk Category | Specific risk(s) / Risk(s) description                                                      | Probability of occurrence | Impact level | Mitigation action(s)                                                                                                      | Entity(ies) responsible to manage the risk(s) |
|---------------|---------------------------------------------------------------------------------------------|---------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Other         | Limited interest from private sector to co-finance the investment programme                 | Low                       | Medium       | Early engagement with private sector, both as potential co-financiers and beneficiaries.                                  | Fundacion Chile                               |
| Operational   | Availability of information necessary to conduct vulnerability analysis in the water sector | Low                       | High         | Engagement of Fundacion Chile as the Readiness delivery partner ensures a comprehensive in-house knowledge and expertise. | Fundacion Chile                               |
| Operational   | Availability of investment structuring expertise                                            | Low                       | High         | Engagement of highly specialised and experienced experts with extensive experience in similar assignments                 | Fundacion Chile                               |

## 5. Logical Framework (output)

### Guidance

Please complete the logical framework in the separate document.

**Objective:** Capacity-building for climate-finance coordination and setting up the enabling environment for integrated climate investment.

**Outcome:** Developing countries design and implement strategic frameworks (including NDC/NAP/LTS), policies and instruments, including climate investment plans, to create enabling environments for integrated climate investments.

**Output:** Inclusive strategic frameworks (NDCs, NAPs, and LTSs) and policy instruments are created, updated and/or strengthened.

**Indicator:** Number of inclusive NDCs, NAPs and LTSs developed or advanced.

**Please provide the number of Strategic Frameworks developed or updated and select the status of the framework**

Unit: No. of Strategic Frameworks

| Baseline | Target |
|----------|--------|
| 0        | 1      |

**Indicator:** Number of inclusive policy instruments developed or enhanced to implement NDCs, NAPs, and/or LTSs.

**Please provide the number of Strategic Frameworks developed or updated**

Unit: No. of Policy Instruments

| Lifecycle Status | Baseline | Target |
|------------------|----------|--------|
| New              | 0        | 1      |

**Indicator:** Number of inclusive policies, regulations and mechanisms developed or enhanced to incentivize private sector engagement and catalyze private funds.

**Please provide the number of policies, regulations and mechanisms developed or updated to incentivize private sector engagement**

Unit: No. of Items

| Baseline | Target |
|----------|--------|
| 0        | 1      |

### Expected Deliverables

- ☐ Status report on the national adaptation plan (NAP).
- ☐ Status report on the nationally determined contribution (NDC).
- ☐ Status report on the long term climate strategies (LTS).
- ☒ Status report on policies, regulations and mechanisms developed or enhanced to incentivize private sector engagement in the Country.

**Objective:** Paradigm-shifting GCF pipeline development and implementation for adaptation and mitigation, based on country needs and guided by USP-2 programming targets.

**Outcome:** Developing countries have developed high-quality concept notes linked to approved GCF proposals for adaptation and mitigation that are aligned with the USP-2 results, including through DAEs, that build on readiness support and country programmes.

**Output:** NDA, DAEs and other climate stakeholders, have enhanced their capacity on Concept Note and/or Funding Proposal development for an inclusive integrated climate programming.

**Indicator:** Number of studies, assessments, and other actions undertaken to support the development of investment-grade Concept Notes and/or Funding Proposals.

**Please provide the number of studies, assessments, and other actions to develop CN/FP**

Unit: No. of Studies/assessments

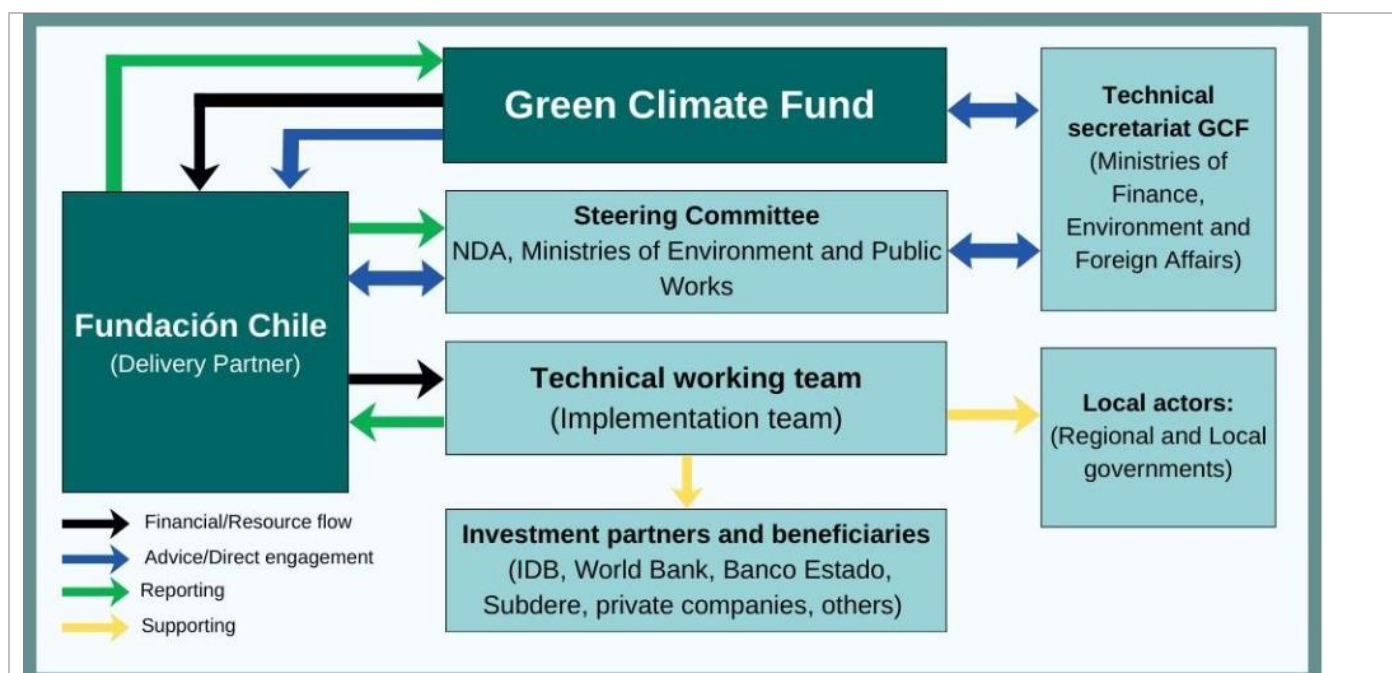
| Conducted to      | Baseline | Target |
|-------------------|----------|--------|
| Conducted for GCF | 0        | 1      |

#### Expected Deliverables

- ☐ Concept Note and studies, assessment, reports, etc. to support the development of investment-grade Concept Notes.
- ☒ Funding Proposal and studies, assessment, reports, etc. to support the development of investment-grade Funding Proposals.

## 6. Implementation Arrangements

### 6.1.1 Partnering under the Direct Access



The governance structure of the proposal, as shown in the scheme above, will enable a clear flow for implementation, supervision, and monitoring of both processes and results. Fundación Chile will act as the Delivery Partner (DP), serving as the entity responsible for administering the financial resources provided by the GCF and ensuring compliance with the Readiness objectives that enable the development and submission of a Funding Proposal for the implementation of the Water Program. This Funding Proposal does not constitute an official submission of the project for GCF review, and the GCF is under no obligation to approve and/or finance it. The DP will work closely with the National Designated Authority (NDA), the Ministry of Finance, providing technical support for the reporting of progress to the Project Steering Committee and the GCF Technical Secretariat. The DP will be responsible for recruiting and supervising the project team to ensure the delivery of the expected results. All contracted personnel shall comply with the administrative policies and procedures established by Fundación Chile, including compliance requirements and technical capacity standards. Fundación Chile will report to the GCF by presenting the results of each implementation step, as outlined in the preparation and delivery diagram in Section 4.1. Upon completion of Steps I–VII, a consolidated summary of results will be presented to the GCF, in accordance with the approved proposal and Gantt chart.

For the development of the Water Program, the DP will engage with Investment Partners and Beneficiaries, including public financial institutions, multilateral development banks, national development entities, subnational governments, and private sector actors. This engagement will aim to support the design of potential financial mechanisms, identify feasible pathways for future investment, and explore preliminary investment interests aligned with the objectives of the Water Program. In parallel, the DP will work with potential beneficiaries to ensure that the programme responds to clearly identified needs at national and subnational levels, and that relevant stakeholders are adequately informed and prepared for a potential future implementation phase.

### 6.1.2 Framework Agreements

Fundación Chile is the entity selected by the NDA in Chile to carry out this readiness project, which has an official agreement nominating Fundación Chile for direct access under the GCF's readiness Country Support Modality, which was entered into the GCF Partner Portal system on 9 October 2025.

Fundación Chile has been previously evaluated, demonstrating its capacity to implement results in the GCF co-financing investment programme. The proposal has a team of high-caliber specialists to achieve the proposed objectives. It also has the capacity to manage complex projects, adequately administer financial resources, and meet other criteria required by the GCF. FCh has a track record of more than 50 years of great successes that push the boundaries of what is possible and have pioneered paradigm shifts for sustainable development in Chile. FCh will be responsible for implementing the Direct Access Readiness support and will handle all fiduciary, financial management, monitoring and reporting activities in compliance with the signed FWA.

FCh's offices are located in Santiago, Chile, with several regional offices that respond to ongoing projects or strategic lines of development. It works closely with national and international actors.

Fundación Chile is a legally constituted entity under Chilean law and has the legal capacity and authority to enter into legal agreements with international organisations, including the Green Climate Fund, in its own name and to fulfil its obligations thereunder.

FCh possess separate legal personality from that of the government of Chile and will enter into legal agreement with GCF in its own name.

## 6.2 Organisation and Staffing

In this chapter, propose the structure and composition of your team. Consider including a visual depiction of the programme team through an organisational chart, depicting reporting responsibilities. List the main disciplines, key experts responsible, and technical and support staff, including their relevant past experience, using the form below.

Please also include any details on any other relevant group of stakeholders, such as steering committees, technical teams, tasks force, coordination mechanisms, PMC structure, etc.

For these groups, describe their composition, decision-making processes, operational procedures, terms of reference (if any) and how the NDA/focal point or the designated agency will manage or oversee these units to ensure fulfillment of its obligations.

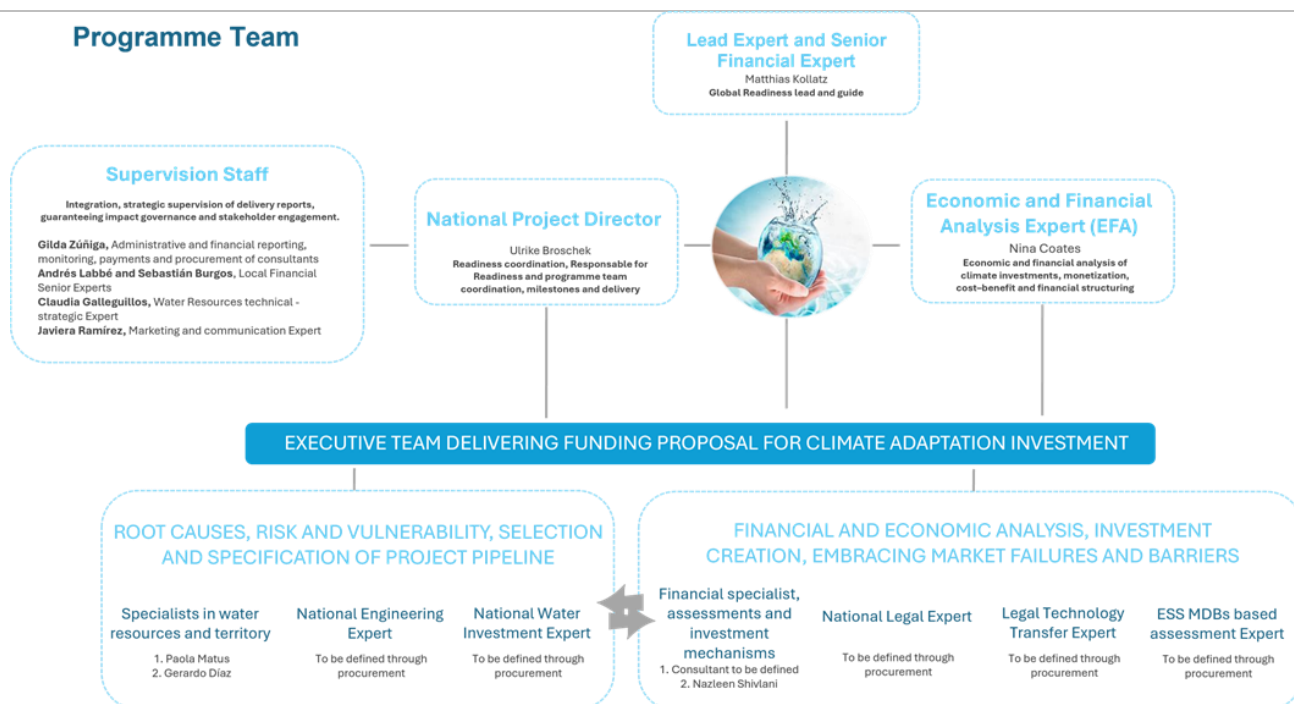
| Name of staff    | Organization           | Area of Expertise                                           | Position Assigned                       | Task Assigned                                                                                                                                                                                                                             | Base Country During Assignment |
|------------------|------------------------|-------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Matthias Kollatz | Independent Consultant | Global Expert on blended finance and investment structuring | Lead Expert and Senior Financial Expert | To lead and guide the work team through each stage to successfully achieve the committed results and products.<br>Expert with extensive international experience in designing investment programmes blending private and public resources | Chile                          |
| Ulrike Broschek  | Fundación Chile        | Water Resources and strategic and                           | National Project Director               | With over 20 years of proven national and international experience in strategic water resources and project                                                                                                                               | Chile                          |

|                   |                        |                                                             |                                                      |                                                                                                                                                                                                                                                                                                                                                                           |       |
|-------------------|------------------------|-------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
|                   |                        | technical project management                                |                                                      | management. Responsible for milestones, structuring and delivery of results and reports, hiring and supervision of consultants, weekly local staff coordination and guidance, integration of capabilities in DAE, NDA and other stakeholders. Stakeholder management, meetings and agreements with financing entities, guaranteeing quality and impact of the initiative. |       |
| Nina Coates       | Independent Consultant | Economic and Financial Analysis                             | Economic and Financial Analysis (EFA) Expert         | With international recognised experience in monetisation of benefits resulting from activities targeted at adaptation to climate change and emissions reduction.                                                                                                                                                                                                          | Chile |
| Paola Matus       | Fundación Chile        | Water resources, water engineering and territory assessment | Senior specialist in water resources and territory   | With 14 years of recognised experience, she will start assessment of water solutions engineering, hydrological and territorial analysis, GIS coverage, analytical evaluation, modelling, preliminar cost analysis and engineering of solution combinations according to territorial characteristics, construction in participatory processes.                             | Chile |
| Gerardo Díaz      | Fundación Chile        | Water resources, water engineering and territory assessment | Junior professional in water resources and territory | Hydrological and territorial analysis, GIS coverage, earth and water science, analytical evaluation, modeling and preliminar cost analysis of solution combinations for its prioritisation according to territorial characteristics, construction in participatory processes.                                                                                             | Chile |
| To be defined     | Fundación Chile        | Financial specialist, investment mechanisms                 | Local Finance Specialist                             | Development of deliverables like investment strategy, or any deliverable that is directly linked with investments and finance. Will also integrate knowledge in DAE for future development of investment programs.                                                                                                                                                        | Chile |
| Nazleen Shivilani | Fundación Chile        | Financial assessment                                        | Local Junior Finance Specialist                      | Development of deliverables like investment strategy, or any deliverable that is directly linked with investments and finance. Will also integrate knowledge in                                                                                                                                                                                                           | Chile |

|                                   |                        |                                                                                             |                                                 |                                                                                                                                                                                                                                                    |       |
|-----------------------------------|------------------------|---------------------------------------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
|                                   |                        |                                                                                             |                                                 | DAE for future investment programs development.                                                                                                                                                                                                    |       |
| To be defined through procurement | Independent Consultant | Water related public and private investment                                                 | National Water Investment Expert                | Specialised in water-related investments covering key water use sectors and types of water investments in urban and rural zones financed from private and public resources.                                                                        | Chile |
| To be defined through procurement | Independent Consultant | Lawyer, water regulations, private and public investment regulations.                       | National Legal Expert                           | Assessment of water-related regulations and legally possible water investment structures financed from public and private resources. Gaps, barriers and market failure assessment for definition of solutions and investment pipeline.             | Chile |
| To be defined through procurement | Independent Consultant | Water resources engineering, water solutions, engineering designs, sizing and costing.      | National Engineering Expert                     | Analysis on hydraulic technologies available in Chile, for design, analysis, and evaluation of prioritized technologies and water investment lines. Engineering structuring based on robust and proven solutions.                                  | Chile |
| To be defined through procurement | Independent Consultant | Lawyer, technology transfer, licencing and transfer strategies.                             | Legal Technology Transfer Expert                | Analysis of technology transfer, including contracting and licensing, international technology monitoring, intellectual property and transfer.                                                                                                     | Chile |
| To be defined through procurement | Independent Consultant | Environmental and social risk assessment specialist aligned with MDB safeguards             | ESS MDBs based assessment Expert                | Environmental and social risk assessment, MDB-aligned safeguards (IFC, WB, IDB), GCF ESP compliance, ESS gap analysis, ESMS design, gender and Indigenous Peoples safeguards, and integration of ESS across climate project and investment cycles. | Chile |
| Gilda Zúñiga                      | Fundación Chile        | Project management, financial reporting, monitoring of payments and procurement specialist. | Administrative Supervision Staff                | In charge of supervision, monitoring, management, payment of consultants and external agencies, in charge of the delivery of administrative financial reports, guaranteeing quality, policies and procurements.                                    | Chile |
| Andrés Labbé                      | Fundación Chile        | Finance specialist, investment strategies and                                               | Local Financial Senior Expert Supervision Staff | Strategic oversight and leadership of national finance consultants, ensuring the quality, coherence, and impact                                                                                                                                    | Chile |

|                      |                 | mechanisms,<br>blended finance                                              |                                                              | of financial analyses and<br>reports.                                                                                                                                                                                                                                                                    |       |
|----------------------|-----------------|-----------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Sebastián Burgos     | Fundación Chile | Finance specialist, investment strategies and mechanisms, blended finance   | Local Financial Senior Expert Supervision Staff              | Technical support to the strategic supervision of national finance consultants, including the review and consolidation of inputs for financial analyses and reports, contributing to quality control and impact orientation. Integration of generated know how into DAE for future investment programme. | Chile |
| Claudia Galleguillos | Fundación Chile | Water resources expert, public and private policy, frameworks and solutions | Water Resources technical-strategic Expert Supervision Staff | Guidance of assessments, consultants, supervision of deliverables, guaranteeing impact. Support of governance and stakeholder engagement.                                                                                                                                                                | Chile |
| Javiera Ramírez      | Fundación Chile | Journalist, event producer, communication strategist                        | Marketing and communications supervision staff               | Design and delivery of Workshops, site visits, webinars with potential financiers and beneficiaries, dissemination materials and closing Seminar.                                                                                                                                                        | Chile |

### Programme Team



The programme will be implemented through a dedicated Programme Team with clear reporting lines, complementary technical expertise, and robust governance and oversight mechanisms to ensure effective delivery and compliance with GCF requirements.

At the core of the structure is the National Project Director, responsible for the overall programme coordination, liaison with the NDA/focal point, and oversight of readiness implementation, milestones, and deliverables, ensuring alignment with national climate priorities and GCF policies. Strategic technical leadership of the Readiness is provided by the

Lead Expert/ Senior Financial Expert, who guides the overall investment logic, financial structuring approach, the design of investment mechanisms addressing market failures and financial barriers and integration of climate adaptation and mitigation objectives into a coherent Funding Proposal. This role provides high-level quality assurance across technical and financial outputs. The Economic and Financial Analysis Expert (EFA) leads the economic and financial assessment of climate investments, including the monetisation of adaptation and emissions reduction benefits, cost–benefit and cost-effectiveness analysis. A Supervision and Support Unit of Fundación Chile as the Delivery Partner provides integrated administrative, financial, and technical support, being responsible for strategic supervision of delivery, consolidated reporting, monitoring and evaluation, procurement of consultancies, stakeholder engagement, communications and integration of all generated know how in Fundación Chile, DAEs and critical stakeholders. Two specialised technical workstreams support programme delivery: Root Causes, Risk and Vulnerability Analysis and Project Pipeline Specification, involving experts in water resources, territorial analysis, engineering, and water investment, responsible for identifying priority climate risks and defining a robust, bankable project pipeline. The Financial and Economic Analysis and Investment Creation, involving financial specialists, legal experts, technology transfer experts, and an ESS MDBs-based Assessment Expert, responsible for investment structuring, regulatory and legal feasibility, environmental and social safeguards alignment with MDB and GCF standards, and private sector engagement.

#### Governance, Decision-Making and Oversight

The programme operates under the strategic oversight of the NDA/focal point, which retains ultimate responsibility for compliance with GCF policies and country ownership principles. The NDA oversees the programme through regular coordination meetings, review of progress reports, and validation of key deliverables. Decision-making follows a tiered approach: Strategic decisions are endorsed by the NDA in coordination with the Lead Expert and the National Project Director. Technical and operational decisions are managed by the Programme Team, led by the Lead Expert and the National Project Director. Technical experts operate under clear Terms of Reference, defined through transparent procurement processes. Coordination mechanisms include periodic technical review meetings, financial and safeguards validation checkpoints, and structured stakeholder engagement with public and private actors for robust accountability, transparency and effective delivery of programme objectives.

It is important to highlight that the Delivery Partner (DP) selected for the development of this Readiness Assessment is Fundación Chile. This institution and its specialists were carefully chosen due to their extensive track record in conducting water-resource analyses, studies, and territorial diagnostics in Chile, as well as their experience in nationally impactful projects, public–private partnerships and blended-finance structures. These capabilities will be strategically leveraged throughout the implementation of the Readiness Assessment. This selection not only ensures a strong and technically robust team to guarantee the success and impact of the Readiness Assessment, but also significantly reduces the time required to structure the project portfolio and define the investment lines needed to achieve the Funding Proposal.

The Programme Team will operate under a streamlined coordination framework. The National Designated Authority (Ministry of Finance) will provide strategic oversight and ensure alignment with national climate and investment priorities. The Ministry of Environment and the Ministry of Public Works will contribute targeted technical and regulatory inputs related to climate adaptation and water management. Fundación Chile, as Delivery Partner, will lead operational implementation and coordinate directly with market players and potential beneficiaries to translate strategic priorities into bankable investments and mobilise private finance. Coordination will rely on focused technical exchanges and NDA oversight, maintaining an efficient and investment-oriented approach.

### 6.3 Fund flow arrangements

The following diagram shows the flow of funds for the Project:

Fundación Chile manages the financial resources of its projects through an integrated institutional financial structure, in which funds are managed centrally within its financial and accounting system. This centralised administration is reflected in the flow chart presented, which shows that financial commitments and disbursements are not made directly by the implementing teams, but rather follow an institutional process of request, approval, acquisition, receipt and payment.

If project resources are received in foreign currency, the income is recognised for accounting purposes and the funds are immediately converted into local currency, which is the currency used for Fundación Chile's financial records and administration. The Foundation does not maintain operating balances in foreign currency for project execution, which significantly reduces exposure to exchange rate risk. Any exchange rate differences that may arise are recognised in the accounts and do not give rise to taxes.

As shown in the diagram, the use of project resources begins with an internal purchase or contracting request, which is evaluated and approved by the relevant authorities before any financial commitment is made. This mechanism ensures that the funds administered by Fundación Chile are used only for approved purposes and within the project's budgetary framework. Once the request is approved, the procurement area manages the selection of suppliers and the issuance of the purchase order, which formalises the use of resources under Fundación Chile's institutional controls.

The diagram also shows that payments are not made in advance, but only after the goods or services have been received and the supporting documentation, including the corresponding invoice, has been validated. This sequence confirms that funds are managed from Fundación Chile's institutional accounts, under the supervision of the procurement and accounting departments, and not through accounts operated directly by project teams or third parties.

Likewise, the flow shows that all financial and contractual documentation is centralised and validated before the accounting department processes the payment to the supplier, reinforcing the institutional, controlled and centralised nature of fund management and ensuring complete traceability of resources from receipt to final payment.

## 7. Monitoring, Evaluation and Reporting

### Guidance

The RRMF has been revised to align with the objectives and outcomes outlined in the 2024-2027 readiness strategy, with the view to (1) simplify and streamline monitoring and reporting procedures; (ii) appropriately capture and reflect the systemic approach and strategic, programme-based methodology for planning and implementing readiness support; and (iii) establish a clear connection between readiness support and the enhanced programming capacities of developing countries and DAEs to effectively access and utilise climate finance.

Please note that there are as per the Revised RRMF, there are two levels of monitoring and reporting. The first is at the programme/project level, and the second is at the Country level. Outlined below are the monitoring and reporting requirements and responsible parties.

### 7.1 Programme Monitoring and Reporting (Output-Level)

#### Responsibility & Tasks:

- In the case of direct access, the NDA/focal point, an agency designated for direct access, or a Framework Agreement (FWA) holder is responsible for monitoring the programme/project's implementation and preparing relevant reports that detail the progress of output-level results and deliverables as articulated in the programme/project logframe.

#### Financial Reporting:

- Regular financial reporting is the principal reporting mechanism under Readiness. Reports should provide an overview of funds received and expended and a comparison of planned versus actual expenditure with rationale for any variances. All financial reports must be presented in USD, in line with the approved programme budget. The detailed reporting requirements, including content and format, will be specified in the implementation-related templates.

#### Reporting Frequency:

- Annual progress reports, including financial reporting, are to be submitted to the GCF Secretariat by 31 March of each year, unless otherwise agreed to in the respective legal agreements. Upon project closure, a completion report must be submitted within six [6] months of the completion of the activities

☒ By checking this box, I acknowledge awareness of reporting tasks, including frequency and content

### 7.2 Financial Audits

#### Responsibility:

- Independent, third-party auditor commissioned by [choose appropriate] the NDA/focal point or designated agency or FWA holder in case of direct access.

#### Task:

- Regular financial audits to ensure responsible and transparent fund management, preventing misuse or mismanagement and ensuring compliance with GCF and national requirements.

#### Reporting Frequency:

- Annual financial audit reports must be submitted to the GCF Secretariat by 31 March of each calendar year, unless an alternative frequency and deadline is agreed upon at the conclusion of the legal agreement. The completion financial audit report to be submitted to the GCF Secretariat within three months of completing the activities.

**Please confirm which type of auditor will be selected and provide any details**

☒ Private Auditor

☐ Public Auditor (such as Country Supreme Audit Institution (SAI) or other)

N/A

N/A

☒ By checking this box, I acknowledge awareness of financial audit responsibilities, including frequency

### 7.3 Mid-Term Review (if the programme is four years)

This will align with the Year 2 annual progress report; a separate mid-term report is not required. Instead, a specific section in the Year 2 annual progress report will focus on the assessment of the adequacy of the initial design of the four-year programmes, the evaluation of the progress made towards achieving project objectives, and the review of the effectiveness of the delivery partner (if selected from the GCF pre-qualified pool). It will also identify any challenges encountered. The findings from this review will be used to make necessary adjustments to the project implementation plan in Years 3-4.

☒ By checking this box, I acknowledge awareness of reporting tasks, including frequency and content

### 7.4 Final Evaluation

Responsibility:

- An independent evaluator will be commissioned by the NDA/focal point, a designated agency or a FWA holder.

Task:

- Upon completion of the project implementation period, an independent evaluation will be conducted to assess the overall impact of the readiness activities. This evaluation will measure the contribution of these activities to the country's objectives and GCF outcomes, guided by the GCF Evaluation Policy and Standards. It will include an impact assessment and document lessons learned to inform future project planning and readiness support. If the country selects two programmes, the GCF Secretariat and the country may consult to explore the rationale and feasibility of conducting a single evaluation for both programmes.

Reporting Frequency:

- The final evaluation report will be submitted to the GCF Secretariat within three months of completing the Readiness activities.

**If the country is considering two programmes, please confirm under which programme the final evaluation cost will be included in the budget:**

☒ The final evaluation cost is included in this programme.

☐ The final evaluation cost is included in the other programme.

☒ By checking this box, I acknowledge awareness of reporting tasks, including frequency and content

### 7.5 Sanctions and Restrictive Measures

We confirm that the country (Chile), Fundación Chile and the experts who make up the working teams are not subject to restrictive measures imposed by the United Nations Security Council (UNSC). No entities or individuals involved in the Readiness activities are subject to sanctions or restrictive measures; and appropriate screening and ongoing monitoring will be applied throughout implementation.

## 7.6 Grievance Redress Mechanisms

Fundación Chile has a strict mechanism in place for third parties or anonymous individuals to report possible irregularities in projects/activities, and this channel is very important in our crime prevention model. Our reporting channel is secure, allowing Fundación Chile employees, suppliers, customers, and partners to file reports through a reliable system that is confidential if requested by the reporter. Access to this reporting channel is prominently available on both the intranet and the institutional website: <https://fch.eticaenlinea.com/denuncias>

The complaint triggers a procedure, regulated by the relevant policy, for handling complaints received relating to non-compliance with Fundación Chile's Crime Prevention Manual and/or the commission of crimes punishable under Law No. 20,393. Those in charge will ensure that the established stages of investigation, interviews, and evidence are followed, and, if appropriate, will conclude with the response protocol.

According to the Crime Prevention Manual (MPD), the prevention officer is responsible for supervising and monitoring the proper functioning of the defined control activities and, in conjunction with the other Fundación Chile process managers, overseeing compliance with the applicable procedures and policies on a case-by-case basis and exercising the respective controls. Upon detection of an act that may constitute a crime, the person responsible for the MPD must evaluate, together with the Board of Directors, the possibility of filing a complaint with the Public Prosecutor's Office, the Carabineros, or the Investigative Police. It is recommended that a complaint or lawsuit be filed in order to demonstrate the existence and effectiveness of the MPD, as well as a transparent corporate culture, which is also described as a mitigating circumstance of criminal liability for the legal entity in Article 6 of Law 20,393.

In addition, a risk matrix is maintained to identify possible actions related to crimes or fraud, among other things. If potential risks are identified, they are addressed with preventive actions.

## 8. Budget

### 8.1 Budget

The budget was designed and scheduled using a “results-based” approach, so that disbursements are activated against the delivery and acceptance of verifiable products (deliverables) and the achievement of milestones, in direct alignment with the Implementation Plan (Months 1 to 18). Under this approach, funding is not executed as a linear allocation over time, but rather as a sequence of tranches associated with the actual progress of the work: initial survey and validation, selection and structuring of investment lines, development of the pipeline, and finally, consolidation of the proposal ready for presentation and its technical annexes. The execution will be led by Fundación Chile, with technical and financial coordination aimed at producing a preparation package consistent with the standards expected by the Green Climate Fund.

The total cost of the project amounts to US\$1,129,085 and consists of (i) a budget directly associated with deliverables and milestones for US\$1,051,956, which constitutes the core of the technical assistance and committed products; (ii) project management and supervision (PMS) costs of US\$52,400, intended to ensure administration, financial control, monitoring, and reporting; (iii) independent evaluation of US\$3,000, which allows for the documentation of results and lessons learned; (iv) contingency of US\$10,549.56 to cover minor variations and necessary adjustments without compromising the scope; and (v) fee of US\$11,179.05 associated with coordination and supervision costs related to the implementation agreement. This structure allows the figures to be explained and justified based on a central principle: maximising the proportion of resources directed toward specific technical products, without neglecting control, quality, and closure elements.

The main justification for the cost lies in the intensity of specialised work required to transform a prioritised investment line into a “decision-ready” and technically defensible package. Therefore, the largest portion of the deliverables budget is concentrated on consulting and technical expertise (local and international), including enabling analysis, modeling and structuring, pipeline development, and preparation of final documents and annexes. Secondly, resources are considered for coordination, workshops, and missions/visits, which are necessary to gather information, validate assumptions with counterparts, articulate potential co-financing, and ensure consistency with the Implementation Plan. In addition, writing, editing, and translation/revision support is incorporated where appropriate to ensure clarity, technical consistency, and document traceability, which is critical in products that will be evaluated by external entities.

The disbursement schedule is aligned with the natural progression of the work and with the annual distribution of cash flow, concentrating US\$743,174 (approx. 66%) in Year 1 (Months 1–12), when the stages of greatest analytical and structuring load are carried out, and US\$ 385,911 (approx. 34%) in Year 2 (Months 13–18), focused on consolidation, annexes, quality control, and closure. In practice, payments are organised as tranches associated with the delivery and acceptance of specific products: during the first year, the milestones linked to Deliverable D6 are mainly executed, where the selection of up to two investment lines (D6.1, Months 5–6) triggers a disbursement of US\$286,706, followed by the technical specification of the pipeline (D6.2, Months 6–10) for US\$ 216,287; subsequently, with the structuring workshop and the progress of the proposal preparation, the disbursements of Deliverable D10 associated with financial and economic analysis (D10.1, Months 10–12) for US\$ 76,855, structuring of the investment line (D10.2, Months 10–11) for US\$76,855, and identification of co-financing (D10.3, Months 11–12) for US\$ 49,407. In the second year, most of the disbursements are concentrated on the preparation of the final package for presentation (D10.4, Months 13–16) for US\$104,303 and, especially, on the preparation and consolidation of annexes and complementary analyses to achieve an investment-grade standard (D10.5, Months 16–18) for US\$ 241,544. In all cases, the operating principle is that each disbursement is conditional on evidence of progress, formal delivery of the product, and its technical validation, which ensures effective alignment between the budget, milestones, and Implementation Plan.

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#### Budget source

Of the total amount requested under this proposal, please outline how much is requested from the country window and how much from NAP origination or implementation, if applicable

- ☒ Country window: Insert amount requested out of the TOTAL AMOUNT REQUESTED

\$1,129,085

- ☐ NAP Origination: Insert amount requested out of the TOTAL AMOUNT REQUESTED

N/A

- ☐ NAP Implementation: Insert amount requested out of the TOTAL AMOUNT REQUESTED

N/A

**Budget plan (please complete in the separate document)**

While developing the budget, please consider the ineligible costs as per page 13 of the [Initial Guide for Countries to Access Readiness Support](#)

## 9. Other relevant information

### 9.1 Exit and Sustainability Strategy

The sustainability of this Readiness grant is ensured by the proposed delivery and its scope.

Firstly, Fundacion Chile as a delivery partner is undergoing a parallel accreditation to be able to submit the final deliverable of this readiness, being the Funding Proposal with accompanying documents for the GCF consideration.

Secondly, the scope of this proposal covers structuring of investment line for the Chilean water sector to respond to climate threats which cause a high level of water stress in the country. Therefore, the results of this Readiness will be directly promoting uptake via creation of the project pipeline.

Finally, implementation of the Readiness grant by organisation that will be responsible for the implementation of investment programme anchors results directly with national institution and creates capacity for structuring more investment lines for water resources in Chile.

### 9.2 Readiness Programme Closure

The key deliverable of this Readiness in the investment programme, which will be developed as a Funding Proposal with accompanying annexes ready for submission for the GCF co-financing. In addition, potential co-financing partners will be mobilised via dedicated activities under the Readiness to ensure mobilisation of finance at the end of the work conducted. Finally, the structure of the investments should enable the highest possible rate of private sector co-financing and participation as project promoters under the investment line proposed.

A critical element of the sustainability of the results is also ensured by the fact that the implementation of this grant will be conducted by Fundacion Chile who in parallel goes through the accreditation process to table the Funding Proposal once ready.