

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TF012692
Printed On: 03/21/2016

Reporting Period: 07/01/2014 to 06/30/2015
Report Type: Progress Report
Report Status: Approved

Assignment: TF012692

Costa Rica's Readiness Preparation Proposal Readiness Fund of the FCPF FCPFR - FOREST CARBON PARTNERSHIP FACILITY

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Approving Manager: 00000483596 - Raul Ivan Alfaro Pelico

Summary Information	
TF Status	ACTV
Recipient Country	Costa Rica
Executed By	Recipient
Managing Unit	9061 - GENDR
Grant Start Date / End Date	07/10/2012 to 03/30/2016
Original Grant Amount	3,600,000.00
Grant Amount	3,600,000.00
Outstanding Commitments	0.00
Cumulative Disbursements	2,285,166.72 as of 06/30/2015
Disbursed 07/01/2014 to 06/30/2015	1,431,033.07
Donor	TF602001 - MULTIPLE DONORS

This GRM report includes the following sections: Overview, Components, Outcome, Execution, Program(FCPFR), Disbursements.

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OVERVIEW

Overall Assessments

Grant Objectives:

The objective of the Grant is to assist a REDD Country Participant in the FCPF to carry out the activities proposed in the R-PP (#Readiness Preparation# phase).

Overall progress from 07/01/2014 to 06/30/2015 with regard to Achieving Grant Objectives:

Comment:

Costa Rica has made significant progress towards achieving the objectives of the FCPF REDD-plus Readiness grant. The country has been at the forefront of environmental stewardship, leading by example for many decades. With the support of the REDD+ Readiness Grant, Costa Rica is now moving towards a new era for the stewardship of its natural capital driven by an ambitious national carbon neutrality goal by 2021, as confirmed by its recently submitted INDC. This goal is critically dependent on the successful outcomes of performance-based REDD+ instruments to both sustain and expand its world renowned Payments for Environmental Services (PES) program under a vision of integrated management of the country's landscapes to ensure the permanence of its forest carbon stocks. For the World Bank this is a very strategic involvement in a country that is already considered a model by the rest of the world for relying on its forestry sector in contributing to the international commitment of holding global warming to less than 2°C by 2100. The Bank is involved in REDD+ in more than 45 countries through the FCPF and Costa Rica has been established as a recognized pioneer, being the first country to submit an ER-PIN and to sign a LOI with the Carbon Fund, and the first one to submit an advanced draft Emissions Reduction Program Document (ERP) and undergo a thorough Technical Assessment process..

Overall progress from 07/01/2014 to 06/30/2015 with regard to Implementation of Grant Financed Activities:

Comment:

Costa Rica has made significant and demonstrable progress towards the implementation of Grant financed activities.

Significant achievements include:

1. The country submitted its R-Package after a thorough Multi-stakeholder self-assessment process conducted by a third party.
2. An advanced draft REDD+ Strategy and Emissions Reduction Program Document have been prepared and are ready for consultation.
3. The SESA process has concluded and a draft Environmental and Social Management Framework is in place.
4. A National Forest Reference Level has been developed.
5. Institutional arrangements for the design of the National Forest Monitoring System are under development.
6. A strong REDD+ Secretariat has been established within FONAFIFO to lead the implementation of the National REDD+ Strategy and continuation of the REDD+ readiness process.
7. Multi-stakeholder management arrangements are in place to guide the implementation of the REDD+ Strategy, with a functioning Executive Committee and an Inter-institutional Committee.
8. Information dissemination, consultation, and dialogue with a variety of stakeholders are ongoing with a strong focus on the participation of Indigenous Peoples.

Grant follow-up and structure

Description and context of Grant:

Costa Rica's Participation Agreement with the FCPF was signed in October 2008. After successfully presenting its Readiness Project Idea Note (R-PIN), the country received a formulation grant in June 2009 for the amount of US\$ 200,000 in order to prepare its Readiness Preparation Proposal (R-PP). Costa Rica's R-PP was subsequently approved during the 6th Meeting of the FCPF in Georgetown, Guyana, in June 2010. It identifies a broad set of activities aimed at strengthening the technical and institutional capacities of a variety of stakeholders for enabling the country to participate in a future REDD+ mechanism. The overall financial envelop for carrying out these activities was estimated at approximately US\$ 7 million, supported by a number of donors in addition to the FCPF, including the GoCR's own contribution. After responding to a number of key issues identified by the PC in a revised version of the R-PP, and following a due diligence process by the World Bank as the Delivery Partner, Costa Rica signed a Supplementary Readiness Preparation Grant Agreement in June 2012, for the amount of US\$ 3,600,000. Shortly after submitting its revised R-PP, Costa Rica expressed its interest in participating as a pilot country in the FCPF Carbon Fund, and submitted an Emissions Reduction Project Idea Note (ER-PIN) during the 5th Meeting of the Carbon Fund Participants (CFPs), in September 2012. After addressing the key issues raised by the CFPs, Costa Rica became the first country to include

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its ER-PIN in the Carbon Fund pipeline through a Letter of Intent (LOI) signed with the World Bank on September 10, 2013, for which it obtained a (Bank-executed) preparation grant for the amount of US\$ 650,000. Consistent with this two-phase structure of the FCPF, the Readiness Preparation grant is now being executed in parallel with the preparation of an ER Program under the Carbon Fund.

Expected follow up (if any): Follow up Bank project/loan/credit/grant

Comment on follow up:

Follow up is through an Additional Readiness Finance Grant of US\$5 million aimed at reinforcing activities initiated under the original grant and deemed necessary to complete its Readiness phase beyond the R-Package presentation and therefore ensuring a solid foundation for the implementation of the National REDD+ Strategy. In addition, Costa Rica is in advanced stages of preparation of a National level Emissions Reductions Program under the FCPF's Carbon Fund, with an ERPA expected to be signed in late 2016. A Bank Executed Trust Fund is also under implementation to support the preparation of Costa Rica's Emissions Reduction Program Document (ERPD) through targeted technical assistance.

End Date of Last Site Visit:

Restructuring of Grant:

OUTCOME

Comments on outcome achieved from 07/01/2014 to 06/30/2015

Grant specific Outcome Indicators reflect the key results as expressed in the Grant Assessment Note, related to project components. The overall key result expected by the Grant is the submission of an R-Package to the FCPF, which has been completed and will be presented during the 20th meeting of the Participant's Committee, to be held in Costa Rica on November 4-8, 2015.

Grant Outcome Indicators

Grant outcome indicators are listed below.

1. Design of REDD strategies, including an equitable benefit-sharing mechanism.

Baseline No REDD+ Strategy available

Value:

Date: 07/10/2012

Progress to Date: An advanced draft REDD+ Strategy is in place and ready for consultation with stakeholders. A set of principles for a potential Benefit Sharing Mechanism have been established.

Date: 06/30/2015

Target Value: National REDD+ Strategy and Benefit Sharing Mechanism proposal consulted and validated with stakeholders.

Date: 03/30/2016

2. Development of a national baseline, also known as Reference Level (RL). 1.

Baseline No Forest Reference Level available

Value:

Date: 07/10/2012

Progress to Date: An advanced draft National Forest Reference Level has been developed and is in the last stages of validation and formalization by the Ministry.

Date: 06/30/2015

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Target Value: National Forest Reference Level officially established.

Date: 03/30/2016

3. Creation of a national measurement, reporting, and verification system (MRV).

Baseline Value: Scattered forest monitoring tools operated by different agencies under weak coordination.

Date: 07/10/2012

Progress to Date: A Ministerial Directive has designated to CENIGA the responsibility of coordinating the work of the different agencies and develop a National Forest Monitoring System, but progress in this regard remains weak.

Date: 06/30/2015

Target Value: A National Forest Monitoring System has been established.

Date: 03/30/2016

4. Strategic environmental and social assessment (SESA) and preparation of an environmental and social management framework (ESMF).

Baseline Value: No SESA or ESMF available

Date: 07/10/2012

Progress to Date: The SESA process has concluded and an advanced draft ESMF is available.

Date: 06/30/2015

Target Value: SESA process and ESMF finalized.

Date: 03/30/2016

5. Operation of a cross-sector coordination body for REDD, and execution of a continued consultation process involving all relevant stakeholders.

Baseline Value: No cross-sector coordination body and multi-stakeholder participation platform for REDD+ available.

Date: 07/10/2012

Progress to Date: A functioning Executive (multi-stakeholder) Committee and an Inter-institutional Committee have been established and operating.

Date: 06/30/2015

Target Value: A cross-sector coordination body and multi-stakeholder participation platform for REDD+ have been established and operating.

Date: 03/30/2016

COMPONENTS

Output and Implementation by Component

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1. Organization, Consultation, and Grievance Redress.

Status: Under Implementation
Planned Output: REDD+ Management Arrangements are established.
Actual Output: Significant progress on the establishment of REDD+ Management Arrangements achieved.

2. Development of the REDD+ strategy.

Status: Under Implementation
Planned Output: National REDD+ Strategy and ESMF developed.
Actual Output: Advanced drafts of the National REDD+ Strategy and ESMF are ready for consultation.

3. Develop a National Forest Reference Emission Level and/or a Forest Reference Level.

Status: Under Implementation
Planned Output: A National Forest Reference Emission Level and/or a Forest Reference Level established.
Actual Output: An advanced draft of the National Forest Reference Level has been established and undergoing technical review.

4. Design Systems for National Forest Monitoring and Information on Safeguards.

Status: Under Implementation
Planned Output: National Systems for Forest Monitoring and Safeguards Information are established.
Actual Output: The institutional arrangements for the NFMS are under preparation. A pilot Safeguard Information System is in place.

Comment on planned and actual Output

See detailed comments under each component.

Comment on component implementation progress

1a. National Readiness Management Arrangements. Costa Rica has made substantial efforts in establishing solid institutional arrangements for managing the national REDD+ Readiness process, ensuring the ample and informed participation of a variety of stakeholders and sectors through the establishment of REDD+ specific platforms. These include an Inter-institutional Committee, with more than 18 state agencies participating from several ministries; and an Executive Committee created by Ministerial Decree and functioning as a consultative body with representation of all relevant stakeholders selected through a democratic process. In addition, a REDD+ Secretariat was established to strengthen FONAFIFO's capacity as the REDD+ Focal Point in planning and implementing the grant activities, with specific technical and administrative consultants recruited for this purpose. These arrangements are now functional, with the Executive Committees meeting regularly.

1b. Consultation and Participation Process. Costa Rica engaged on a thorough process of early dialogue and information dissemination with key stakeholders since the initial stages of R-PP formulation. As a product of this early dialogue, a Stakeholder Participation and Consultation Plan was developed with strong links to the SESA and ESMF development process, based on a robust stakeholder map. This process is supported by a comprehensive Communications strategy which includes media, information products, and an ad-hoc website (www.reddcr.go.cr); as well as by a Feedback, Grievance and Redress Mechanism which is at its early stages of implementation. The information phase of the Participation and Consultation Plan was completed, while currently the pre-consultation phase is under implementation. The consultation of the National REDD+ Strategy is expected to be concluded by mid-2016.

2a. Assessment of Land Use, Land Use Change Drivers, Forest Law, Policy, and Governance. During the formulation of the R-PP, an initial diagnostic of the key drivers of deforestation was undertaken. However, methodological differences in available maps limited the analysis to the 2000-2005 period. This issue was addressed by an international consortium hired to re-process a consistent time series of historical land use changes from 1987 to 2013, and establish a protocol for future monitoring events. This product was the basis for a follow-up work, led by another team of specialized consultants, to develop an in-depth

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understanding of the drivers of deforestation and the barriers to the enhancement of forest carbon stocks, including an estimate of the significance of forest degradation, currently in the final stages of completion. These activities were complemented with significant support by the resources made available by the Carbon Fund.

2b. REDD+ Strategy Options. The Costa Rican R-PP included a set of initial strategic options. These were consequently evaluated through the SESA and MGAS development process and have been reformulated into 6 REDD+ Policies that have been included in the first draft of the National REDD+ Strategy. In addition, a series of analytical studies were contracted under the grant to provide technical inputs for the design of the strategy, which were completed in mid- 2015. As part of the completion of the first draft of the National REDD+ strategy, FONAFIFO, in consultation with national stakeholders, has identified a number of additional studies and actions to further refine these policies and prepare a sound technical and social basis for their implementation. The consultation process is expected to be completed by mid-2016.

2c. REDD+ Implementation Framework. FONAFIFO hired a consultant to provide legal support for addressing the issue of land tenure, carbon rights and benefit sharing in the ER-Program as well as under the National REDD+ Strategy more broadly. The goal is to increase the flexibility of the current institutional and legal framework in order to ensure the maximum participation of all relevant stakeholders in developing and benefiting from REDD+ actions, including areas outside the PES Program. This work has already generated initial results and is expected to conclude by late 2015 in order to inform the ERPD development.

2d. Social and Environmental Impacts. As part of the early World Bank due diligence process, FONAFIFO conducted a national stakeholder consultation workshop as part of the SESA process. As a result of the consultation, a number of risks were prioritized which guided the identification of follow-up studies, consultations and actions to be carried out under a SESA Plan in order to generate appropriate inputs and feedback for addressing such concerns in the development of the National REDD+ strategy. The SESA report and draft ESMF have now been completed as part of the R-Package submission of Costa Rica to the FCPF in November 2015.

3. Develop a Forest Reference Level. Costa Rica presented a preliminary FRL in its ER-PIN. New information was generated during the REDD+ Readiness process, mainly the historical land cover time series (1987-2013) developed by FONAFIFO and the National Forest Inventory developed by SINAC. Based on this new data, FONAFIFO updated the FRL with additional technical assistance hired through the Carbon Fund. This work is expected to be finalized by in January 2016 with a formal FRL submission to the UNFCCC.

4a. National Forest Monitoring System. Costa Rica has made significant progress in improving a number of forest monitoring tools relevant for REDD+. These include the country's first National Forest Inventory and a high resolution forest cover map for 2013 developed by SINAC, and a protocol for monitoring land use changes developed by FONAFIFO. However, coordination of these activities has been inefficient and the Bank support has focused on strengthening the necessary institutional arrangements for the establishment of a well-coordinated NFMS, bringing together all relevant institutions. Key achievements include a Ministerial Order assigning responsibilities for the technical design of the NFMS, and an agreement with the IMN for the incorporation of REDD+ data in the NGHG Inventory. This work will be continued through the additional finance grant, focusing on strengthening targeted capacities within key institutions in order to consolidate the NFMS and MRV system.

4b. Designing an Information System for Multiple Benefits, Other Impacts, Governance, and Safeguards. FONAFIFO has advanced in the design of its Safeguards Information System (SIS) with targeted support from the UNREDD program. In addition, INBio in partnership with CATIE implemented a Norway-funded project to identify and quantify the co-benefits of the REDD+ strategy. The additional FCPF grant is expected to provide targeted support to this subcomponent through the development of a spatial model for targeting areas of high environmental service value in the REDD+ Strategy.

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EXECUTION

Bank project related to the grant

Project ID / Name: P123702 - Costa Rica FCPF REDD Readiness
Project Status: Lending
Global Focal Area: Climate change
Product Line: CN - Carbon Offset

Implementing agency and contact details

Agency: FONAFIFO
Contact: Jose Mario Rodriguez Zuniga
Address: Avenida 7, Calle 3 y 5
Phone: 506 2545 3505 Email: JRodriguez@fonafifo.go.c
Website: /www.fonafifo.com

PROGRAM

Program Specific Questions

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

As the National REDD+ focal point, FONAFIFO has been actively coordinating activities with other Donors providing support to the REDD+ Readiness process such as GIZ, NORAD, USAID, and UN-REDD. The Bank team has been coordinating closely with colleagues from UNREDD to ensure complementarity of approaches (including joint missions), especially with regards to safeguards, and with GIZ with regards to the National Forest Monitoring System.

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

Costa Rica is piloting a number of evolving methodological frameworks (FCPF Carbon Fund, VCS Jurisdictional and Nested REDD Initiative, relevant UNFCCC decisions, carbon neutrality). As such, it has had to adapt its initial Forest Reference Level proposal described in its RPP to ensure consistency among the various frameworks, and pursue an informed decision based on inter-institutional and multi-stakeholder dialogue. In addition, the M&E framework of the RPP was updated with support from the FMT to reflect the most current advances in the country's REDD+ readiness progress, and to comply with the new reporting system of the FCPF. Given the innovative and continuously evolving nature of REDD+, the World Bank has maintained a flexible approach in managing the current grant. Given the fiduciary difficulties encountered as highlighted earlier, a number of activities had to be financed by other partners. This has ensured continuous progress in the readiness process.

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

FONAFIFO has made significant and demonstrable progress in addressing identified gaps in staffing numbers, capacity of staff, fiduciary and procurement capacities and arrangements with the national government agencies and other stakeholders. Specifically, the upgrading of capacity has involved a multitude of approaches such as an internal re-organization, additional hiring of key consultants, outreach to other national agencies and functional networks involving staff with relevant and nationally extensive experience. The REDD+ Readiness Additional Finance grant will continue to support the capacity of the REDD+ Secretariat within FONAFIFO, however, a long-term strategy is required to maintain such capacity within national institutions. Furthermore, FONAFIFO has worked closely with the Bank in strengthening its procurement capacity by sending key staff on WB training courses and close monitoring (with Bank supervision) of the current procurement processes. FONAFIFO and the Bank have agreed on a streamlined fiduciary oversight and approval proposal process that is also acceptable to the national authorities, resulting in the elimination of an identified bottleneck with Bank-approved contract signatures by

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authorities in Costa Rica. Following capacity enhancement and training events conducted by WBG specialists, FONAFIFO is now satisfactorily implementing Bank approved procedures to ensure strict compliance with existing rules.

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

As part of the ongoing REDD+ Readiness preparation grant, and in preparation for additional funding, FONAFIFO (through the REDD+ Secretariat) has undertaken a systematic Strategic Environmental and Social Assessment (SESA) to integrate key environmental and social considerations into the REDD+ Strategy by combining analytical and participatory approaches based on international good practice standards. Additionally, with the outcomes from the SESA, the Environmental and Social Management framework (ESMF) have been prepared and submitted to the Bank and will serve as an instrument to provide a framework for guiding the implementation of the National REDD+ strategy and future investments on the ground. A series of self-assessment workshops with multiple stakeholders were conducted from June 5-29, 2015; including the preparation of the multi-stakeholders self-assessment report which is included in the R-Package. With specific inputs from the SESA work and the draft National REDD+ Strategy, the final draft of the ESMF has been produced and will be consulted together with the National REDD+ Strategy. The ESMF will establish the modalities and procedures to address potential substantial environmental and social risks from the implementation of the REDD+ Strategy activities as well associated mitigation measures through employing best practices. The ESMF will incorporate procedures for (i) ongoing consultation with relevant stakeholder groups; (ii) appropriate capacity building measures; and (iii) environmental and social impact screening criteria, assessment and institutional responsibilities.

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

The ESMF has been prepared based on the Common Approach since the World Bank is the Delivery Partner. An advanced draft ESMF has been developed based on the stakeholder feedback received through the SESA process and detailed comments provided by the Bank team, following World Bank social and environmental safeguards policies.

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

The process of developing a REDD+ strategy in Costa Rica supported by a sound social and environmental safeguards framework required the participation and inclusion of all stakeholders that have a stake in forests and land issues, with particular attention to those groups that might be affected by the eventual implementation of REDD+ programs and activities, specifically indigenous peoples and their territories. The Readiness phase, and specifically the proposed additional finance activities is complex given the multiple actors involved in the process and the innovative participatory process that was implemented. The process required strong social and communication leadership on behalf of FONAFIFO, and close assistance by the WBG team to ensure consistency among the different consultation and participatory schemes, including the analytical work applied in a programmatic manner, timely delivery of project outputs, and complementarity with other donor parallel operations. A number of processes have been set up under the original grant to ensure broad and effective stakeholder participation in the development of the National REDD+ Strategy, including: a Stakeholder participation and Consultation Plan; a SESA and ESMF; a Communications strategy; an FGRM; Indigenous Peoples Action Plans related to land tenure. All these processes will be reinforced through the additional financing to ensure that the interests of key stakeholders are aligned with the National REDD+ strategy. Local, experienced consultants will be hired to support the implementation of these activities.

DISBURSEMENTS

Disbursements Summary in USD

Date From	Date To	Planned Cumulative	Planned Period	Actual Cumulative	Actual Period
07/01/2012	12/31/2012	0.00	0.00	375,000.00	375,000.00
01/01/2013	06/30/2013	0.00	0.00	375,000.00	0.00
07/01/2013	12/31/2013	0.00	0.00	480,936.85	105,936.85

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07/01/2014	12/31/2014	0.00	0.00	1,956,779.22	1,102,645.57
01/01/2015	06/30/2015	0.00	0.00	2,285,166.72	328,387.50
07/01/2015	12/31/2015	0.00	0.00	3,016,860.42	731,693.70
01/01/2016	06/30/2016	0.00	0.00	3,016,860.42	0.00