

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TFOA2303
Printed On: 10/18/2018

Reporting Period: 07/01/2017 to 06/30/2018
Report Type: Progress Report
Report Status: Approved

Assignment: TFOA2303

Third Grant Agreement for Costa Rica's Readiness Preparation Proposal - Readiness Fund of Forest Carbon Partnership Facility (FCPF)

FCPFR - Forest Carbon Partnership Facility

Task Team Leader: 00000444456 - Stavros Papageorgiou
Approving Manager: 00000253690 - Valerie Hickey

Summary Information	
TF Status	ACTV
Recipient Country	Costa Rica
Executed By	Recipient
Managing Unit	9272 - GEN04
Grant Start Date / End Date	06/29/2016 to 09/29/2019
Original Grant Amount	5,580,000.00
Grant Amount	5,580,000.00
Outstanding Commitments	0.00
Cumulative Disbursements	1,388,469.99 as of 06/30/2018
Disbursed 07/01/2017 to 06/30/2018	803,348.58
Donor	TF602001 - MULTIPLE DONORS

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

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TF0A2303
Printed On: 10/18/2018

Reporting Period: 07/01/2017 to 06/30/2018
Report Type: Progress Report
Report Status: Approved

OVERVIEW

Overall Assessments

Grant Objectives:

The objective of the Additional Funding grant is to assist the Receptient in carrying out the Readiness preparation Activities.

Overall progress from 07/01/2017 to 06/30/2018 with regard to Achieving Grant Objectives:

Comment:

FONAFIFO continues to make significant progress in achieving Grant Objectives with Grant Activities supporting all major aspects of REDD+ Readiness, including REDD+ strategy development, development of safeguard instruments, forest emissions reference levels, and national forest monitoring systems, preparing the country for the Results-Based Payments phase of REDD+.

Overall progress from 07/01/2017 to 06/30/2018 with regard to Implementation of Grant Financed Activities:

Comment:

This report represents the second GRM of the REDD+ Readiness Additional Funding Grant for Costa Rica. Disbursements have been picking-up faster compared to FY17, but are still slower than expected projections. Key highlights of Grant financed activities so far include:

##The draft Benefit-Sharing Plan continues to be developed through legal technical assistance and consultations with institutions and stakeholders.

##Update of Costa Rica's ERPD including the first degradation estimates which allowed the ERPD to enter the Carbon Fund Portfolio.

##Technical roundtables and institutional coordination for the definition of the Monitoring, Reporting and Verification System of the REDD+ Strategy.

##Development of the 2015 forest cover map of Costa Rica 2015, following the methodology of the Forest Reference Level.

##Final National REDD+ Strategy Document and Action Plan in process of editing and layout to be published and send to the UNFCCC Convention.

##The final stage of the Indigenous Peoples consultation process is under execution.

##The Gender Action Plan is in process of development.

##Adjustments to the Environmental and Social Management Framework with the development and incorporation of the Planning Frameworks for Indigenous Peoples and the Involuntary Resettlement Framework and its norms.

##The dialogues restarted with the sector of medium and small forest and agroforestry producers and their participation in the REDD+ Strategy.

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 (TF94486) 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 future REDD+ mechanisms. 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 (TF012692), in the amount of US\$ 3,600,000 (i.e. the original REDD+ Readiness Preparation grant). The objective of the Grant was to assist Costa Rica in carrying out its Readiness Preparation Activities as described in its R-PP. The original grant was successfully closed on September 30, 2015 with the latest GRM providing a satisfactory rating. The original Grant managed to achieve its objectives, with the key result being the presentation and endorsement of the country's Readiness Package during the 20th meeting of the FCPF Participants Committee on November 2015, receiving a very positive evaluation by the donors and paving the way for an Emission Reductions Payment Agreement (ERPA) under the FCPF Carbon Fund.

The results of the participatory self-assessment process carried out as part of the R-Package preparation provided an opportunity to benefit from comments from a variety of stakeholders on the country's progress towards REDD+ readiness, and to identify remaining gaps and further needs to be strengthened with the support of Additional Funding. In this context, Costa Rica's request for FCPF Additional Funding for an amount of US\$5M was approved in July 2014 during the 17th Meeting of the

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref.	TF0A2303	Reporting Period:	07/01/2017 to 06/30/2018
Printed On:	10/18/2018	Report Type:	Progress Report
		Report Status:	Approved

FCPF#s Participants Committee. An undisbursed amount of US\$ 583,139.58 (rounded up to US\$ 580,000) from the original Grant was rolled over in the proposed Additional Grant. The Additional Funding will reinforce ongoing processes initiated under the original grant, contributing to the consolidation of the National REDD+ Readiness process beyond the R-Package presentation and therefore ensuring a solid foundation for the implementation of the National REDD+ Strategy and a follow-up operation through the ERPA.

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

Comment on follow up:

Follow-up will be through an Emission Reductions Payment Agreement (ERPA). Shortly after submitting its 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 its ER-PIN in the Carbon Fund pipeline through a Letter of Intent (LOI) signed with the World Bank on September 10, 2013 (amended in November 2015 for 16 additional months) for an amount up to US\$60 million. Consistent with this two-phase structure of the FCPF, the Readiness Preparation grants have been executed in parallel with the preparation of an Emission Reductions Program (ER-P) under the Carbon Fund. Costa Rica#s Emission Reductions Program Document (ERPD) was presented and approved during the 14th Meeting of the FCPF Carbon Fund Participants in Paris, France, on June 2016, conditional to the inclusion of forest degradation in the carbon accounting of the ER Program. A revised ERPD including forest degradation was accepted by Carbon Fund Participants of the FCPF following revisions made by Costa Rica. Negotiations are expected in FY19.

End Date of Last Site Visit:

Restructuring of Grant:

Although the Implementing Agency (FONAFIFO, the Forest Financing Fund) has made good progress, Project implementation encountered delays in the start-up activities due to transition to STEP (Systematic Tracking of Exchanges in Procurement), country budgetary processes, and subsequent modifications to the procurement plan aimed at prioritizing activities focused on addressing the issues raised by the FCPF#s Carbon Fund. The low rate of disbursements will require an extension of the grant closing date. The revised Closing Date of the additional Grant will allow for key contracts to be fully executed, and will ensure that all Grant activities are completed in accordance with the procurement plan.

OUTCOME

Comments on outcome achieved from 07/01/2017 to 06/30/2018

The Project supports implementation of REDD+ Readiness activities as per the Readiness Preparation Plan submitted to and approved by the FCPF. The key results expected by the Additional Grant are:

- (a)#Strengthening management arrangements for transitioning from Readiness to Implementation of the National REDD+ Strategy.
- (b)#Consolidation of the consultation and capacity building process with key stakeholder groups.
- (c)#Strengthening the implementation framework of the REDD+ Strategy, including through increasing the involvement of the private and public sector and making targeted adjustments to the Payment for Environmental Services program.
- (d)#Developing a Reference Level for the inclusion Sustainable Forest Management and Forest Degradation in the National REDD+ Strategy.
- (e)#Strengthening of the National Forest Monitoring System.

Grant Outcome Indicators

Grant outcome indicators are listed below.

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TFOA2303
Printed On: 10/18/2018

Reporting Period: 07/01/2017 to 06/30/2018
Report Type: Progress Report
Report Status: Approved

Consolidation of the National REDD+ Readiness phase.

Baseline REDD+ Readiness advanced
Value:
Date: 06/29/2016
Progress to REDD+ Readiness advanced
Date: 06/30/2018
Target Value: REDD+ Readiness completed
Date: 06/30/2020

Strengthening management arrangements for transitioning from Readiness to Implementation of the National REDD+ Strategy.

Baseline Arrangements for REDD+ Readiness in place
Value:
Date: 06/29/2016
Progress to Arrangements for REDD+ implementation defined (REDD+ Decree published)
Date: 06/30/2018
Target Value: Arrangements for REDD+ implementation in place
Date: 06/30/2020

Consolidation of the consultation and capacity building process with key stakeholder groups.

Baseline Stakeholder platform in place and consultation ongoing
Value:
Date: 06/29/2016
Progress to Permanent stakeholder platform has been defined and consultations are ongoing.
Date: 06/30/2018
Target Value: Permanent stakeholder platform and consultation finalized
Date: 06/30/2020

Strengthening the implementation framework of the REDD+ Strategy, including through increasing the involvement of the private and public sector and making targeted adjustments to the PES program.

Baseline Draft National REDD+ Strategy available
Value:
Date: 06/29/2016
Progress to National REDD+ Strategy has been finalized and implementation framework under development.
Date: 06/30/2018
Target Value: National REDD+ Strategy has been finalized and implementation framework strengthened
Date: 06/30/2020

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref.	TF0A2303	Reporting Period:	07/01/2017 to 06/30/2018
Printed On:	10/18/2018	Report Type:	Progress Report
		Report Status:	Approved

Developing a Reference Level for the inclusion Sustainable Forest Management and Forest Degradation in the National REDD+ Strategy.

Baseline Draft Forest Reference Level for deforestation and enhancement of carbon stocks

Value:

Date: 06/29/2016

Progress to Date: Forest Reference Level for Deforestation and Enhancement of forest carbon stocks finalized. Reference Level for forest degradation and sustainable management of forests well advanced.

Date: 06/30/2018

Target Value: Forest Reference Level for all five REDD+ activities established

Date: 06/30/2020

Consolidation of the National Forest Monitoring System, including through strengthening the forest information systems of FONAFIFO, SINAC, and CIAgro.

Baseline Process for establishment of National Forest Monitoring System established.

Value:

Date: 06/29/2016

Progress to Date: Technical design and specifications of the National Forest Monitoring System defined.

Date: 06/30/2018

Target Value: National Forest Monitoring System established and operational

Date: 06/30/2020

COMPONENTS

Output and Implementation by Component

Component 1. Readiness Organization and Consultation for REDD+

Status: Under Implementation

Planned Output: (i) staffing of REDD+ Secretariat; (ii) REDD+ Decree published; (iii) consultations on the National REDD+ Strategy finalized; (iv) stakeholder platforms established

Actual Output: (i) REDD+ Secretariat staffed; (ii) REDD+ Decree published; (iii) consultations with IPs are underway; (iv) stakeholder platforms were defined in the REDD+ Decree.

Component 2. REDD+ Strategy Preparation

Status: Under Implementation

Planned Output: (i) National REDD+ Strategy finalized; (ii) Implementation Plan finalized; (iii) ESMF finalized; (iv) draft Benefit Sharing Plan developed; (v) ToRs for Registry developed

Actual Output: (i) National REDD+ Strategy finalized; (ii) Implementation Plan finalized; (iii) draft ESMF revised; (iv) draft Benefit Sharing Plan developed; (v) ToRs for Registry under development

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref.	TF0A2303	Reporting Period:	07/01/2017 to 06/30/2018
Printed On:	10/18/2018	Report Type:	Progress Report
		Report Status:	Approved

Component 3. Reference Emissions Level/Reference Levels

Status:	Under Implementation
Planned Output:	Inclusion of forest degradation and sustainable management of forests in the National Forest Reference
Actual Output:	The National Forest Reference level is being revised to include forest degradation and forest management activities. Significant progress has been made.

Component 4. Monitoring Systems for Forests and Safeguards.

Status:	Under Implementation
Planned Output:	The National Forest Monitoring System (NFMS) for REDD+ is established.
Actual Output:	The National Forest Monitoring System (NFMS) for REDD+ is under development (SIMOCUTE, in spanish) and a first monitoring event has been completed.

Comment on planned and actual Output

Comment on component implementation progress

Component 1. Organization, Consultation, and Grievance Redress

Subcomponent 1a. National Readiness Management Arrangements. A Ministerial Decree on the implementation phase of the National REDD+ Strategy has been published, which marks an important milestone in the National REDD+ Readiness process. In addition, the National REDD+ Secretariat has been fully staffed again after the closing of the original grant.

Subcomponent 1b. Consultation and Participation Process. Activities during this period have concentrated in finalizing the consultation of the National REDD+ Strategy, and advancing the consultations with Indigenous Peoples based on their own national IP consultation plan. IP consultations have now entered in its final stage (after the information and pre-consultation stages).

Component 2. Development of the REDD+ Strategy.

Subcomponent 2a. Assessment of Land Use, Land Use Change Drivers, Forest Law, Policy, and Governance. This subcomponent was completed with support from the original grant.

Subcomponent 2b. REDD+ Strategy Options. The National REDD+ Strategy has been finalized, including a specific chapter on Indigenous Peoples. An Implementation Plan and Financial Strategy were developed to operationalize the National Strategy.

These are being edited and will be published soon. Subcomponent 2c. REDD+ Implementation Framework. The development of the National REDD+ Registry is in design.

Subcomponent 2d. Social and Environmental Impacts. The ESMF is being finalized with contributions from the REDD+ Secretariat.

Component 3. Development of a Reference Level. Progress has been made by developing a preliminary assessment of emissions for forest degradation and defining the methodological improvements to finalize it. Results are being reviewed and discussed with the Bank.

Component 4. Design of a Monitoring and Verification System. Technical roundtables to define the technical specifications of the National Forest Monitoring System (NFMS) (SIMOCUTE, in Spanish) are underway. A forest cover map for 2015 has been developed.

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

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TF0A2303
Printed On: 10/18/2018

Reporting Period: 07/01/2017 to 06/30/2018
Report Type: Progress Report
Report Status: Approved

Implementing agency and contact details

Agency: National Forest Financing Fund (FONAFIFO)
Contact: Jorge Mario Rodriguez Zuniga (Executive Director)
Address: San Vicente, Moravia-San Jose, Costa Rica
Phone: 800-3662-3436
Website: www.fonafifo.go.cr
Email: jrodriguez@fonafifo.go.co

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

FONAFIFO has been actively coordinating activities with other donors providing support to the REDD+ Readiness process such as UNREDD, GIZ, USFS, and NORAD, among others. UNREDD in particular has been actively supporting the design of the non-carbon benefits monitoring indicators as well as activities related to the private sector; and USFS has provided significant expertise on MRV, while support from GIZ is phasing out.

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

No significant changes in the technical design so far.

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

The REDD+ Secretariat has been staffed to increase capacity on Bank fiduciary and safeguards procedures, and FONAFIFO focal points have been assigned. A National coordinator provides effective and efficient oversight. Technical capacities have been strengthened through hiring of national and international experts, in addition to support from other partners.

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?

Social and environmental issues have been addressed through a Strategic Environmental and Social Assessment (SESA) following FCPF guidelines and the Common Approach since the World Bank is the Delivery Partner. The final SESA report was approved by the Bank as part of the R-Package development, and was the basis for identifying the REDD+ policies and actions that were included in the National REDD+ Strategy.

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

Based on the SESA and the National REDD+ Strategy, a final draft of the ESMF has been produced in accordance with the Common Approach (since the World Bank is the Delivery Partner) following Bank procedures. It is currently under review by the World Bank and will be disclosed prior to ERPA negotiations.

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

Significant progress has been made with regards to social aspects and indigenous peoples consultation, including the following: (1) many consultation workshops and participatory activities with all stakeholder groups identified during the SESA; (2) Analytical Studies; (3) a specific consultation plan for Indigenous Peoples; (4) Communication Strategy; and (5) Grievance Redress Mechanism. The National REDD+ Strategy has been fully consulted with all stakeholders, except for the particular case of the Indigenous Peoples which has entered its final stage.

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TFOA2303
Printed On: 10/18/2018

Reporting Period: 07/01/2017 to 06/30/2018
Report Type: Progress Report
Report Status: Approved

DISBURSEMENTS

Disbursements Summary in USD

Date From	Date To	Planned Cumulative	Planned Period	Actual Cumulative	Actual Period
01/01/2016	06/30/2016	0.00	0.00	0.00	0.00
07/01/2016	12/31/2016	0.00	0.00	500,000.00	500,000.00
01/01/2017	06/30/2017	0.00	0.00	585,121.41	85,121.41
07/01/2017	12/31/2017	0.00	0.00	1,189,115.07	603,993.66
01/01/2018	06/30/2018	0.00	0.00	1,388,469.99	199,354.92
07/01/2018	12/31/2018	0.00	0.00	0.00	0.00
01/01/2019	06/30/2019	0.00	0.00	0.00	0.00
07/01/2019	12/31/2019	0.00	0.00	0.00	0.00