

COSTA RICA READINESS PREPARATION PROPOSAL
SUMMARY OF TECHNICAL ASSISTANCE PROVIDED BY THE WORLD BANK
THROUGH MAY 2010

Strategic Context

Describe the link between the proposed REDD Readiness Program and the Country Partnership Strategy, and operations managed or planned by the Bank.

Costa Rica has been a global leader on environmental policy issues, pioneering programs such as Payment for Environmental Services (PES). The 2008 World Bank Country Partnership Strategy for Costa Rica states, "Costa Rica's pioneering program of payments for environmental services has had tremendous success in promoting forest and biodiversity conservation but faces challenges of financial sustainability and increasing the participation of the poor in conservation programs." Costa Rica's REDD Readiness Program, as described in the Readiness Preparation Proposal (R-PP) seeks to build upon these past successes and to achieve a financially and environmentally sustainable future.

Technical Assistance Provided by the Bank

Record the assistance and/or comments on R-PP drafts provided by Bank staff to the REDD Country Participant and if and how this assistance helped shape the R-PP and if and how these comments were taken into consideration in the latest R-PP submitted by the REDD Country Participant. Please point to possible disagreements between the REDD Country Participant and the Bank.

The World Bank Team has provided comments on the April version of the R-PP to FONAFIFO, followed by a Bank mission to the country during May 17-19, 2010. Based on the Bank's comments, and suggestions from the Technical Advisory Panel, Costa Rica's R-PP development team agreed to make revisions to the document and resubmit before the Participants' Committee meeting. Due to timing constraints, it was not possible to undertake a full review of the revised (June) R-PP before the Participants' Committee. The following comments, therefore, do not take into account any revisions made since the April 2010 version of the R-PP.

The Bank Team recognizes the overall progress in the development of the proposal for REDD Readiness as presented in Costa Rica's R-PP, and believes there is still room for improvement prior to funding. The general approach to preparing for Readiness as reflected in the R-PP seems sound. Proposed activities are well-articulated with past and current policies and programs, especially PES, many of which seem to be succeeding relatively well on a number of fronts. The Bank Team looks forward to continuing a productive collaboration with FONAFIFO.

An additional mission will be conducted by the Bank to undertake due diligence of the proposed Readiness arrangements. The field work will be accompanied by an internal Bank review to ensure the proposed arrangements are satisfactory. The Bank has had a fruitful relationship with FONAFIFO and collaborating agencies in Costa Rica both in the development of the R-PP and in the past, and looks forward to continuing this partnership.

A summary of the Bank Team's comments to Costa Rica's R-PP document is as follows (a copy of detailed comments will be made available on request):

National Readiness Management Arrangements

The R-PP proposes that the REDD strategy be under the supervision of a proposed REDD Working Group comprised of the FONAFIFO Board of Directors (3 members from the government + 2 from

ONF) plus an Indigenous Peoples' representative. However, there are a few other groups who may merit representation in a REDD Working Group, including non-indigenous forest communities, non-forest land users, civil society organizations, etc.

Second, it may be useful for the R-PP to propose some activities to create ownership and raise awareness of REDD at the highest political level within the government, including more sectors and ministries.

Finally, there are a few details which could be added to the proposal to improve the overall quality. The conflict resolution mechanisms within the REDD Working Group may need additional explanation. It is not clear how the new REDD Working Group Indigenous Peoples' representative would get selected, and additional explanation would be useful.

Consultation and Participation

The R-PP lists 96 Relevant Interested Parties that includes many key stakeholders. However, the R-PP does not elaborate on the nature and objectives for their participation/involvement in the R-PP or future Readiness Preparation process.

The R-PP proposes a consultation plan. Further elaboration with specific contents, objectives as well as on the key stakeholder groups for implementing the consultation plan strategically and the process of dialogue during the preparation phase could further strengthen it. Such clarity would facilitate the process to be followed for consultations as well as the manner in which the dialogue will feed into the REDD plus design process. Additionally, the R-PP proposes to fund an Indigenous Peoples Strategy for which a number of agreements may have to be reached; further clarification on these issues would be useful.

Drivers of Deforestation, Past Efforts, and Proposed Strategies

This section provides details of an analysis of deforestation drivers and the effectiveness of the PES program. Many of the details of the study could be moved to an annex. Furthermore, some of the key results of this analysis (what are the direct and underlying drivers of deforestation) at times get lost throughout the text. Opportunity costs are rightly stressed, although there does not appear to be a quantification of opportunity costs for different land uses in different regions. Other possible drivers are not thoroughly discussed, and there is no clear classification or prioritization of the different possible drivers. For instance, land titling is mentioned occasionally, but there is no systematic discussion of (1) to what extent lack of titling is in itself a cause of deforestation, and (2) how titles and lack of titles affect the various proposed approaches. It does not inform how and why the rate of deforestation is lower in areas managed by Indigenous People. In addition, some of the findings of the study detailed in this component are somewhat different from other studies that have been undertaken in Costa Rica. The R-PP could propose further analysis during the Readiness phase to reconcile the differences in these studies and further the understanding of how deforestation and forest degradation work in Costa Rica, including a comprehensive study of the value of land under forest, land as part of Indigenous Peoples reserves and under alternative land uses in different areas and under different conditions.

The section on proposed strategies is logical and consistent, but could be better organized, including a clear classification and prioritization of potential strategies, and more clearly linking them to the drivers outlined in the previous section. Also, a few points could use further clarification or discussion. For instance, draft mentions a target for PES of 113,000 ha per year, but does not explain how this goal was decided. Sustainable forest management, sustainable shifting cultivation practiced by Indigenous Peoples and agroforestry practices of forest-dependent communities could form an important part of a REDD plus strategy, and would be important for further assessment during the Readiness phase. Also, habitat banks could be good complements to PES, which could be investigated and consulted more thoroughly during

Interim Summary of Technical Assistance Provided by the Bank Team

the Readiness phase. A thorough review of issues related to Indigenous Peoples' communal lands in PES would also be useful.

REDD Implementation Framework

Further clarification about the implications, function, and structure of the Superintendence of Carbon Rights may be helpful. Also, a process to address conflict related to land and access to natural resources will need to be elaborated and established during the preparation phase in order not to undermine the sustainability of the REDD plus design.

Benefit-Sharing

Costa Rica has a long and successful experience with PES which can be used as a foundation for further elaborating a benefit-sharing scheme for potential REDD+ revenue.

Social and Environmental Impacts

Based on the existing World Bank guidance regarding compliance with safeguards and the conduct of the Strategic Environmental and Social Assessment (SESA), it will help identify the diagnostic studies/assessments that will be carried out (if the information does not already exist) through a participatory and consultative process. The Bank Team recommends that specific terms of reference (ToR) be prepared and validated with key stakeholder groups prior to its finalization. The SESA would focus on supporting a process for dialogue on critical thematic issues that require the input and negotiation process with the stakeholders. Based on a participatory approach, SESA can be used as a tool to ensure that a proposed REDD+ strategy is both socially and environmentally sustainable.

Reference Scenario

Overall, this section is strong, but a few clarifications and additions could be useful. For instance, the R-PP might further explore whether and how forest degradation could be included in the reference scenario, which could be an important consideration in Costa Rica since both net and gross deforestation are relatively low.

Measuring, Reporting, and Verification

The section on monitoring forest carbon emissions and capture is sound and clearly explains the carbon accounting methodologies available to Costa Rica. However, the section on monitoring other impacts and benefits does not provide enough depth to assess the quality of the proposal, and should be more fully developed. Where appropriate, it is important to carry out the MRV in a participatory manner to build the sustainability necessary for the process.

Readiness Preparation Monitoring and Evaluation Framework

This essential element of Readiness Preparation should be completed.