

## World Bank - Grant Reporting and Monitoring (GRM) Report

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Ref.	TF012692	Reporting Period:	07/01/2013 to 06/30/2014
Printed On:	06/23/2014	Report Type:	Progress Report
		Report Status:	Draft

Assignment: TF012692

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

Summary Information	
TF Status	ACTV
Recipient Country	Costa Rica
Executed By	Recipient
Managing Unit	7632 - LCSAR
Grant Start Date / End Date	07/10/2012 to 06/30/2015
Program Manager	Simon J. Whitehouse
Original Grant Amount	3,600,000.00
Grant Amount	3,600,000.00
Outstanding Commitments	0.00
Cumulative Disbursements	854,133.65 as of 06/30/2014
Disbursed 07/01/2013 to 06/30/2014	479,133.65
Donor	TF602001 - MULTIPLE DONORS

*This GRM report includes the following sections: Overview, Outcome, Components/Outputs, 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 07/01/2013 to 06/30/2014 with regard to Achieving Grant Objectives:

##### Comment:

Costa Rica has made significant and demonstrable progress towards achieving the objectives of the FCPF REDD-plus Readiness grant. More specifically:

- a.#the Fondo Nacional de Financiamiento Forestal (FONAFIFO) has established and empowered a strong REDD+ Secretariat (based in FONAFIFO) to guide and lead the REDD+ processes and agenda.
- b.#the National management arrangements for REDD+ are fully in place, with an Executive and an Interinstitutional Committee fully functioning,
- c.#information dissemination, consultation, and dialogue with stakeholders are ongoing with a strong focus on the participation of Indigenous Peoples, informing the design of a socially and environmentally sound National REDD+ Strategy together with a set of analytical studies.
- d.#The development of a robust National Forest Reference Level and Monitoring System is on track, with the country about to complete its first National Forest Inventory and developing new protocols for historic and future forest cover change detection.
- e.#Costa Rica is moving towards a new era for the stewardship of its natural capital driven by an ambitious national carbon neutrality goal, pioneering the concept 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 and forest resources to ensure the permanence of its carbon stocks in the long term.

##### Overall progress from 07/01/2013 to 06/30/2014 with regard to Implementation of Grant Financed Activities:

##### Comment:

Costa Rica had a very slow implementation startup due to two country process bottlenecks: (i) The approved fiduciary agent Banco Nacional was unable to clear and approve in a timely fashion, the World Bank approved consultant contracts thereby significantly delaying programed deliverables and (ii) delayed budgetary flow process in the country resulted in the budget becoming available to FONAFIFO only in March 2013. By June 2013, the WB team in close cooperation with FONAFIFO, put in place alternative fiduciary and financial flow arrangements and disbursement are now well underway with US\$ 854,133 disbursed and US\$1,891,405 committed. Significant progress with regards to grant-financed activities has been achieved on several fronts.

FONAFIFO hired key additional staff and re-organized staff internally to address identified institutional capacity gaps (number of personnel, relevant knowledge and experience ) as well as establishing collaborative networks and working committees involving key staff from other relevant Government agencies (e.g. Sistema Nacional de Áreas de Conservación (SINAC-Forestry, and Ministerio de Agricultura y Ganadería - MINAG). Importantly, a communications specialist was hired that facilitated the development of an initial draft of the Costa Rica's REDD+ communications strategy and a dynamic website to facilitate transparent and timely REDD+ information dissemination. A participatory analysis based on the stakeholder map was conducted as a baseline to enhance the participation process throughout the readiness phase.

Two social development specialists were hired to form the multi-disciplinary team within FONAFIFO to support the overall social processes under REDD+ readiness with the wide range of stakeholder groups, in particular with indigenous peoples and campesinos. An updated SESA work plan has been disseminated for stakeholder comments, especially with regard to the analytical studies proposed and their corresponding TORs and the specific participatory mechanisms under SESA. In regards to the ESMF, a first draft of the TOR has been disclosed for stakeholder comments. A number of technical and analytical studies have been commissioned to inform the design of strategic options, and a consultant is currently being hired to lead this work. Finally, an MRV consultant was hired to lead the interinstitutional coordination for the development of the National Forest Reference Level and Monitoring System, which is also being supported via the contracting of globally renowned technical teams

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with funds from the ER-PD development.

### Grant follow-up and structure

#### Description and context of Grant:

This Grant is part of the support provided by the Forest Carbon Partnership Facility (FCPF) to prepare countries for REDD+ (for further information see: [www.forestcarbonpartnership.org](http://www.forestcarbonpartnership.org)). The full context of the present Grant is described in the RPP Assessment Note. The country is requesting additional funds to the FCPF for up to US\$5 million, in order to carry out outstanding activities deemed necessary to complete its Readiness phase, as outlined in its RPP and MTR (Forest Inventory and MRV, capacity enhancement, and Institutional strengthening). In addition, Costa Rica was the first country to access the FCPF's Carbon Fund pipeline with the aim of testing performance-based REDD+ payments based on the proposal presented in its Emissions Reduction Project idea Note (ER-PIN). On September 10, 2013, Costa Rica and the World Bank (as a Trustee of the FCPF) signed a Letter of Intent (LoI) to negotiate an Emissions Reduction Purchase Agreement (ERPA) worth up to US\$ 63 million. The ER-Program is being designed and implemented in parallel with the RPP implementation.

Expected follow up (if any): Expanded capacity

#### Comment on follow up:

On June 10, 2013 FONAFIFO requested an extension of closing date for one year from December 31, 2013 to December 31, 2014. This extension was granted.

The country is requesting additional funds to the FCPF for up to US\$5 million, in order to carry out outstanding activities (Forest Inventory, MRV, Capacity Enhancement, Institutional Strengthening) deemed necessary to complete its Readiness phase, as outlined in its RPP. In addition, Costa Rica was the first country to access the FCPF's Carbon Fund pipeline to test performance-based REDD+ payments on the proposal presented in its Emissions Reduction Project Idea Note (ER-PIN).

End Date of Last Site Visit:

Restructuring of Grant:

## OUTCOME

### Comments on outcome achieved from 07/01/2013 to 06/30/2014

Component 1: Organization and Consultation

1a: National Readiness Management Arrangements.

The multi-stakeholder executive committee (Comite Ejecutivo) is established and functioning in a systematic manner with the participation of indigenous peoples, civil society and campesinos, Ministry of Agriculture, Ministry of Environment, private sector in the timber industry and the National Bank. Several workshops with high-level officials in the government have been carried out and facilitated by the social and communication consultants hired with FCPF funding.

1b: Stakeholder Consultation and Participation.

A participation analysis was conducted as a baseline to enhance the participation process throughout the readiness phase. Two

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social specialists (one senior and one junior) were hired to manage the social development and social safeguards aspects of the REDD+ process, including continued engagement with key stakeholder groups, indigenous peoples and campesinos. The specialists also worked on the following products: (i) Updated and disclosed the SESA Workplan; (ii) Drafted the second version of the Terms of Reference for the ESMF; (iii) Prepared the design document of the FGRM (Feedback and Grievance Redress Mechanism); (iv) Drafted an initial approach to consultations; (v) Prepared a baseline stakeholder mapping

A national indigenous peoples coordinator was hired to facilitate the participation and technical inputs of indigenous peoples from the 18 territories, which include: (i) Prepared territorial regional workplans to conduct the pre-consultation and consultation phase with indigenous peoples, including the SESA process and discussion on the key issues identified; (ii) Prepared a FGRM structure and procedures at the territorial level to be piloted during the pre-consultation phase; (iii) Held discussions on developing an integral safeguards approach to REDD+ that include the perspective of indigenous peoples.

A first round of information and dissemination activities at the national level with campesinos were carried out with the facilitation of ACICAFOC, which entailed: (i) Regional and subregional meetings and workshops with 354 campesino organizations to disseminate information, to seek inputs for the planning of the pre-consultation and consultation phases, and to gather feedback on the FGRM and safeguards aspects of REDD+.

A communications specialist was hired and has developed the communications strategy for REDD+. A webportal was developed with support from other donors: <http://reddcr.go.cr>. Other donors have supported the strengthening of cultural facilitators for REDD+ and it is expected that the Communication Strategy will deliver on this activity.

Component 2: Development of the REDD-plus Strategy.

2a: Assessment of Land Use, Forest Policy, and Governance.

As part of the preparation of the ERPD, two firms are being contracted currently to conduct an assessment of historical land use changes in Costa Rica, and to analyze the drivers of deforestation, forest degradation, and barriers to the enhancement of forest carbon stocks.

2b: REDD Strategy Options.

A series of technical and analytical studies have been commissioned to elaborate the technical specifications of the initial strategic options that were identified in a participatory way during the RPP development. Several innovations are being designed to the traditional PES Program, such as the development of a specific PSA module for Indigenous Peoples and one for campesinos, and the development of a spatial model for improving the targeting of PES incentives to area under higher threat of deforestation. In addition, strategies are being developed through SINAC to improve illegal logging detection and fire prevention. In addition, with the support of ONF FONAFIFO is leading a dialogue with the private sector at the national level for finding ways to increase the use of domestic timber products as a way to ensure the sustainability of standing stocks and promote green growth. Finally, FONAFIFO has initiated discussion with MINAG in order to integrate its NAMAs in the coffee, livestock, and sugar cane sector towards a landscape approach. A consultant will be hired to lead the articulation of the REDD+ strategic options with national development and sectoral frameworks in the context of the carbon neutrality goal.

2c: REDD Implementation Framework.

With the support of GIZ, a legal consultant was hired to assist with the preparation of land recovery action plans for indigenous territories. In addition, Indigenous peoples have initiated a diagnostic of their own 18 territories in order to develop a roadmap towards addressing and clarifying land tenure issues. Costa Rica is also working in developing a national registry under the PMR project with the World Bank, and discussions have started in order to use that as a framework for the REDD+ registry design.

2d: Social and Environmental Impacts.

The SESA Workplan is updated and disseminated for stakeholder comments, where includes the analytical studies proposed for the key issues identified by indigenous peoples and campesinos. In regards to the ESMF, a second draft of the Terms of Reference has been prepared and was disclosed before proceeding to its preparation.

Component 3: Development of a Reference Level

Costa Rica's piloting of a variety of evolving accounting frameworks, such as the FCPF's Carbon Fund, the VCS JNRI, UNFCCC REDD+ decisions, and its own carbon neutrality goals, have resulted in considerable adjustments to its initial FRL proposal outlined in the RPP. The FCPF grant so far has financed the hiring of an expert in IPCC methodologies to strengthen the FONAFIFO REDD+ Secretariat in order to ensure consistency and complementarity among the various methodological frameworks, and to sustain an inter-institutional and multi-stakeholder dialogue for the establishment of the final FRL. A



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methodological document has been produced, which is in constant evolution and forms the basis of such dialogue. The data and inputs for the development of the FRL will be generated by two firms currently being contracted as part of the development of the ERPD.

Component 4: Design a Monitoring and Verification System

With the support of GIZ, Costa Rica has made great progress in developing the country's National Forest Inventory (NFI) in collaboration with SINAC. The FCPF grant so far has financed the hiring of an expert in IPCC methodologies to strengthen FONAFIFO's REDD+ Secretariat and ensure that the NFI is fully aligned and integrated within the National Forest Monitoring System (NFMS) for REDD+, designed under FONAFIFO's leadership. An MoU has been established between SINAC and FONAFIFO that outlines the elements mutually agreed by both institutions and means of collaboration. In addition, important work has been carried out under the FCPF grant to further strengthen the country's MRV governance under the NFMS for REDD+. This is done through a series of Monitoring Roundtables organized by FONAFIFO's REDD+ Secretariat, where 13 institutions and more than 23 MRV experts participate in defining methodological approaches and protocols, data needs and gaps (activity data and emission factors), and institutional arrangements required in order to operationalize the NFMS. This process is also used to determine the capacity building needs of the various stakeholders involved in the NFMS, and identify eventual financial commitments that might be required as part of their institutional strengthening process. This activity will be key during the rest of the grant implementation period to further refine all the technical requirements of the NFMS needed for the measuring and reporting of all the REDD+ activities proposed by the country.

### Grant Outcome Indicators

No Outcome indicators are defined or used for this grant.

### COMPONENTS/OUTPUTS

There are no components defined for this trust fund / grant.

### Comment on planned and actual Output

### Comment on component implementation progress

### EXECUTION

#### Bank project related to the grant

Project ID / Name:	P123702 - CR 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
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### Implementation performance ratings from 07/01/2013 to 06/30/2014 with regard to:

#### Project Management:

##### Brief Comment:

FONAFIFO has worked diligently to establish a capable management team and supervision framework for both field and administration activities associated with the grant.

#### Financial Management:

##### Brief Comment:

There are some shortcomings in the FM arrangements however an agreed action plan is in place to overcome these shortcomings. FONAFIFO has been implementing it with satisfactory progress.

#### Counterpart Funding:

##### Brief Comment:

FONAFIFO has provided adequate counterpart funding for local FM, Procurement, Communications activities and hardware. They have leveraged bilateral funding to the tune of US\$3 million

#### Procurement:

##### Brief Comment:

The executing agency has worked closely with the Bank in strengthening its procurement capacity. FONAFIFO and the Bank have agreed on a proposal to resolve an identified bottleneck with Banco Nacional's having to sign all contracts.

#### Monitoring and Evaluation:

##### Brief Comment:

The M&E framework of the R-PP was updated with support from the FMT to reflect the most current advances in the countries REDD+ Readiness Progress, and to comply with the new reporting structure of the FCPF.

### Additional Comments on Implementation Performance:

## PROGRAM

### Program Specific Questions

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

Costa Rica has been coordinating activities with other Donors such as GIZ, NORAD, USAID, and UN-REDD. An MoU has been established between FONAFIFO and SINAC to ensure that the National Forest Inventory funded by GIZ is fully aligned and integrated within the National Forest Monitoring System for REDD+, designed under FONAFIFO's leadership. A joint World Bank and UN-REDD discussion on social and environmental safeguards was held in order to assist FONAFIFO in developing an integral approach to safeguards for the readiness process as well as under the Carbon Fund. UN-REDD is providing targeted support to Costa Rica in developing the country's Safeguards Information System (SIS) in accordance to UNFCCC Cancun Safeguards. FONAFIFO is formulating a safeguards approach and its subsequent application for the various REDD+ phases while fulfilling the various safeguards requirements (domestic, World Bank and other donors).

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

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.

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.

### 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 staff, outreach to other national agencies and functional networks involving staff with relevant and nationally extensive experience. 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 authorities in Costa Rica. FONAFIFO is also 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?

An updated SESA Workplan has been disclosed and includes four specific key topics to be analyzed further, for which draft ToRs for the studies have been prepared. After the National SESA Workshop, the SESA process suffered some delays. FONAFIFO is expected to strengthen the participatory mechanism under SESA as well as the ToRs for the specific analytical studies, incorporating stakeholder feedback and Bank Team's specific guidance. The structure for the FGRM (Feedback and Grievance Redress Mechanism) was proposed based on the inputs from stakeholders, indigenous peoples and campesinos, which will be piloted during the pre-consultation phase. The Bank team has provided technical comments in collaboration with the FMT.

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

A second draft of the ESMF ToRs were prepared based on the stakeholder feedback. The Bank team has provided detail comments on the ESMF draft ToRs and expects FONAFIFO to proceed next with preparation of the document following World Bank social and environmental safeguards policies.

### 6 .Describe progress in stakeholder consultation, participation and disclosure related to this Grant.

A communications specialist was hired and has developed draft of the communications strategy for REDD+. In addition a participation analysis based on the stakeholder map was conducted as a baseline to enhance the participation process throughout the readiness phase.

Fonafifo has developed a temporary website to host all the key documents related to the Readiness Process and has proactively circulated the documents to key stakeholders in compliance with disclosure guidelines.

Extensive information dissemination and engagement with stakeholders, especially with indigenous peoples and campesinos have provided the inputs to prepare for the next phase of designing and operationalizing the pre-consultation and consultation phases as well as for the SESA participatory process. FONAFIFO set up and facilitated a process for indigenous peoples to discuss, organize and plan for the upcoming steps in pre-consultation and consultation for the REDD+ strategy, including inputs on the specific 5 key issues. (Land title overlaps in indigenous territories, lack of conditions for natural forest management, payment for environmental services as a benefit sharing scheme, limited access to natural resources in communities and monitoring and evaluation of the preparation phase for the REDD+ Strategy). Dialogue and subsequent planning with indigenous peoples from the 6 territories of the South started in February 2014 and a REDD+ workshop in the South is planned

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for late June 2014 to ensure their systematic participation in the REDD+ process. FONAFIFO also facilitated extensive engagement with campesinos throughout the country to discuss the country's proposal for the REDD+ strategy, and to explicitly seek their inputs for the consultation process, the design of the FGRM, and the implication of safeguards in REDD+. This early process has strengthened the organization of campesinos at the regional level and has helped to identify and map more clearly campesino organizations and their structures from local to national levels.

### 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
01/01/2014	06/30/2014	0.00	0.00	854,133.65	373,196.80
07/01/2014	12/31/2014	0.00	0.00	0.00	0.00
01/01/2015	06/30/2015	0.00	0.00	0.00	0.00