

World Bank - Grant Reporting and Monitoring (GRM) Report

Report to Donor

Ref. TFOA2303
Printed On: 03/15/2018

Reporting Period: 07/01/2016 to 06/30/2017
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	585,121.41 as of 06/30/2017
Disbursed 07/01/2016 to 06/30/2017	585,121.41
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 Additional Funding grant is to assist the Recipient in carrying out the Readiness preparation Activities.

Overall progress from 07/01/2016 to 06/30/2017 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 07/01/2016 to 06/30/2017 with regard to Implementation of Grant Financed Activities:

Comment:

This report represents the first GRM of the REDD+ Readiness Additional Funding Grant for Costa Rica. Disbursements have been picking-up relatively slow since Grant effectiveness due to the need to build the Recipient's capacity in the Bank's new procurement framework and system (STEP), and will have to accelerate next fiscal year. Despite this, FONAFIFO has made important achievements through implementation of grant activities this fiscal year. Key highlights include:

##The REDD+ Secretariat housed within FONAFIFO has been fully staffed and a new National Coordinator of the REDD+ Strategy has been assigned after the retirement of the previous one.

##The National REDD+ Strategy has been finalized and validated with stakeholders, including a specific chapter on Indigenous Peoples.

##A REDD+ Ministerial Decree has been published setting the governance framework for the implementation phase of the National REDD+ Strategy.

##The Implementation Plan of the National REDD+ Strategy has been drafted and is being finalized, including a chapter on Indigenous Peoples.

##A draft of the Benefit-Sharing Plan has been prepared and is being consulted internally among institutions.

##An analysis of forest degradation has been carried out, at the request of the FCPF donors, and the Forest Reference Level of Costa Rica's ER-Program has been updated accordingly.

##A revised version of the Emission Reductions Program Document (ERPD) has been prepared and sent to the FCPF donors for their review and eventual acceptance of Costa Rica's ER Program in the Carbon Fund portfolio.

##Consultations with Indigenous Peoples have concluded the information and pre-consultation stages and entered the final stage. A Ministerial Directive has been published establishing a Ministerial Committee on Indigenous Peoples.

##The ESMF has been updated to reflect the latest versions of the National REDD+ Strategy and its Implementation Plan, as well as comments received by the WB task team specialists.

##A set of indicator and their respective measurement methodologies have been defined to monitor progress with non-carbon benefits related to the National REDD+ Strategy.

##The design of the National Forest and Land Use Monitoring System (SICMOCUTE, for its acronyms in Spanish) has reached its final stages and Terms of References can now be drafted for its development and support by the grant.

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

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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 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 Emissions Reduction 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 for an amount up to US\$60 million (amended in November 2015 for 16 additional months). 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 submitted by Costa Rica on July 2017 and is currently under review by CFPs. ERPA signature is expected by FY18 and would be among the first to be signed in LAC and worldwide.

End Date of Last Site Visit:

Restructuring of Grant:

No restructuring foreseen thus far.

OUTCOME

Comments on outcome achieved from 07/01/2016 to 06/30/2017

The main outcome achieved during this period has been the publication of a Ministerial REDD+ Decree (signed by the President and the Minister of Environment and Energy) which defined the framework and governance arrangements for the implementation phase of the National REDD+ Strategy. In addition, the inclusion of forest degradation in Costa Rica's Forest Reference Level and the submission of a revised ERPD to the Carbon Fund Participants has been another major achievement. The Implementation Plan of the National REDD+ Strategy has continued to be defined, including a specific chapter on Indigenous Peoples, and consultations with IPs have entered their final stage.

Grant Outcome Indicators

Grant outcome indicators are listed below.

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Consolidation of the National REDD+ Readiness phase.

Baseline REDD+ Readiness advanced
Value:
Date: 09/30/2015
Progress to REDD+ Readiness advanced
Date: 06/30/2017
Target Value: REDD+ Readiness completed
Date: 05/29/2019

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

Baseline Arrangements for REDD+ Readiness in place
Value:
Date: 09/30/2015
Progress to Arrangements for REDD+ implementation defined
Date: 06/30/2017
Target Value: Arrangements for REDD+ implementation in place
Date: 05/29/2019

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

Baseline Stakeholder platform in place and consultation ongoing
Value:
Date: 09/30/2015
Progress to Permanent stakeholder platform has been defined and consultation are ongoing.
Date: 06/30/2017
Target Value: Permanent stakeholder platform and consultation finalized
Date: 05/29/2019

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: 09/30/2015
Progress to National REDD+ Strategy has been finalized and implementation framework under development.
Date: 06/30/2017
Target Value: National REDD+ Strategy finalized and implementation framework strengthened
Date: 05/29/2019

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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: 09/30/2015

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 under development.

Date: 06/30/2017

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

Date: 05/29/2019

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: 09/30/2015

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

Date: 06/30/2017

Target Value: National Forest Monitoring System established.

Date: 05/29/2019

COMPONENTS

Output and Implementation by Component

Component 1. Organization, Consultation, and Grievance Redress

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 protracted; (iv) stakeholder platforms defined in REDD+ Decree.

Component 2. Development of the REDD+ Strategy

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: With the exception of the National REDD+ Strategy which was finalized, the rest of the outputs advanced satisfactorily but were not finalized

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Component 3. Development of a Reference Level

Status: Under Implementation
Planned Output: Inclusion of forest degradation and sustainable management of forests in the National Forest Reference Level
Actual Output: A preliminary reference level for forest degradation was established and methodological improvements defined for the development of Terms of Reference.

Component 4. Design of a Monitoring and Verification System

Status: Under Implementation
Planned Output: the National Forest Monitoring System (NFMS) for REDD+ is established.
Actual Output: advances were made in finalizing the technical design and specifications for the NFMS for the development of Terms of Reference.

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. However, the social specialist has not been properly replaced and his tasks were taken over by the communications specialist who does not have the relevant background to address the complex IP issues in Costa Rica. This will be addressed prior to the next supervision mission.

Subcomponent 1b. Consultation and Participation Process. Activities during this period have concentrated in finalizing the consultation of the National REDD+ Strategy before the publication of the REDD+ Decree, 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, which are currently being finalized. Specific activities as planned during the preparation of the Additional Grant have not been initiated yet though.

Subcomponent 2c. REDD+ Implementation Framework. ToRs for the development of the National REDD+ Registry have been drafted and are under review by the Bank. Other activities have still not initiated.

Subcomponent 2d. Social and Environmental Impacts. No activities are foreseen to be financed under this subcomponent. 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. However, the specific activities under this subcomponent as planned during the preparation of the Additional Grant have not been initiated yet. Terms of Reference are

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expected in Q3 of FY18.

Component 4. Design of a Monitoring and Verification System. The technical specifications for the design of the National Forest Monitoring System (NFMS) have been developed in collaboration with other partners. However, the specific activities under this subcomponent as planned during the preparation of the Additional Grant have not been initiated yet. Terms of Reference are expected in Q3 of FY18.

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

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, USAID, 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 USAID 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.

There are two key capacity issues so far: (i) procurement, due to the new framework and system at the Bank; the PIU has received training and disbursements are now picking up; (ii) the social scientist that was part of the REDD+ Secretariat has left the PIU due to contract discontinuity and has not been replaced yet; the communications specialist has taken over the tasks of the social specialists, but the required technical expertise is lacking. From the Bank side, the social specialist has left the Bank and a new social specialist has recently been assigned to the project who will with the counterpart on the social issues.

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

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the Bank as part of the R-Package development, and was the basis for identifying the RED+ 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) and is currently under review by the task team specialists, after which it will undergo through public consultation prior to Appraisal of the ERPA.

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) a large number of 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, with the exception of the particular case of the Indigenous Peoples which has entered its final stage.

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	1,189,115.07	0.00
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