



**January 2020**

**Environmental and Social Assessment  
Costa Rica's Payment for Environmental  
Services Program (2014-2015)**

# 1 Introduction

## 1.1 Context and Purpose

The Green Climate Fund (GCF) has issued a request for proposals for the Pilot Programme for REDD-plus results-based payments (Decision B.18/07). In this context, Costa Rica's government and the United Nations Development Programme (UNDP), as GCF accredited entity, are submitting a funding proposal for REDD+ actions undertaken as part of Costa Rica's National REDD+ Strategy and its Implementation Plan (hereafter **National REDD+ AP**). A required element of the funding proposal is an Environmental and Social Assessment Report (ESA) that retroactively reviews the actions for which results-based payments are sought, in order to confirm that they were undertaken in a manner consistent with applicable GCF ESS standards. To be accredited to the GCF, accredited entities must demonstrate that their entity-level environmental and social safeguards are consistent with the GCF's safeguard framework.<sup>1</sup> Accredited Entities apply their own environmental and social safeguards to GCF-supported activities. Therefore, this ESA reviews retroactive compliance, with a focus on policy alignment, with the UNDP SES.<sup>2</sup> The methodology for the assessment is further discussed below.

## 2 Methodology and Scope of Assessment

The ESA review of REDD+ actions focuses on whether applicable policy contains adequate measures undertaken to identify, assess, and manage environmental and social risks and impacts. These environmental and social risks are those encompassed by the UNDP SES (which is fully coherent with GCF's Environmental and Social Standards). The analysis also highlights policy alignment with the Cancun Safeguards and the application of the safeguards through policies, laws and regulations as established, which is the lens through which Costa Rica defined its REDD+ safeguards approach and its first Summary of Information<sup>3</sup> (SOI) and is gradually strengthening its Safeguards Information System (SIS) for tracking and reporting of safeguards requirements.

The assessment includes an identification and assessment of those processes for stakeholder identification, consultation and participation in the REDD-plus actions, and accesses the existence and use of grievance redress mechanisms (GRMs) or analogous systems, as well as actions designed and implemented in a gender responsive and inclusive manner.

In more detail, the GCF decision regarding the completion of the ESA covers the following:

- i. *Due Diligence*: the AE, in collaboration with the Host Country (ies), will prepare an environmental and social assessment (ESA) report describing the extent to which the measures undertaken to identify, assess, and manage environmental and social risks and impacts, in the context of the REDD-plus proposal, were consistent with the requirements of the applicable GCF ESS standards. The Secretariat, in its second-level due diligence, will take such assessment into account as part of its overall consideration of the funding proposal against the scorecard. This, along with the country's own assessment of how the Cancun safeguards were addressed and respected during the REDD-plus activities, will provide the basis for recommending the proposal to the Board for approval.

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<sup>1</sup> GCF's Environmental and Social Policy is available at <https://www.greenclimate.fund/safeguards/environment-social> and the GCF's interim environmental and social safeguards are available at <https://www.greenclimate.fund/documents/20182/818273/1.7 - Environmental and Social Safeguards.pdf/e4419923-4c2d-450c-a714-0d4ad3cc77e6>. GCF's Indigenous Peoples Policy is available at <https://www.greenclimate.fund/safeguards/indigenous-peoples>.

<sup>2</sup> UNDP's SES is available at: <http://www.undp.org/content/undp/en/home/accountability/social-and-environmental-responsibility/social-and-environmental-standards.html>

<sup>3</sup> Costa Rica's first SOI (December 2019) is available at: [https://redd.unfccc.int/files/4863\\_6\\_primer\\_informe\\_nacional\\_sobre\\_salvaguardas\\_para\\_la\\_estrategia\\_redd\\_2bnov30.pdf](https://redd.unfccc.int/files/4863_6_primer_informe_nacional_sobre_salvaguardas_para_la_estrategia_redd_2bnov30.pdf)

- ii. *Stakeholder Engagement*: Description of stakeholder engagement will form part of the information provided by the countries through the UNFCCC summary of information as well as the ESA prepared by the AEs. The assessment by the AE described in section (i) shall include a description of how the stakeholders were identified, informed, and consulted and how they have participated in the activities. The description by the AE shall also include summaries of consultations highlighting the concerns and issues that were put forward by the stakeholders and how these were responded to.
- iii. *Grievance Redress*: The ESA will include a description of the grievance redress mechanisms, or analogous system whether established as part of the REDD-plus activities or as integral to the system of the country. The ESA will also specify how the mechanisms were accessed, the complaints that were received, and how these were resolved.

The assessment is focused on Costa Rica's National Forestry Financing Fund (FONAFIFO) Payment for Environmental Services Program (hereinafter, PES Program) which was a critical program for producing the results for which Costa Rica is seeking payments. The assessment covers the policies, laws and regulations (**PLRs**) applicable to the PES Program ~~from 2014-2015, which was implemented since 1997 and continues to operate as an incentive to conserve forest ecosystems. While the scope of the results period and therefore the ESA includes a process to start designing the PES modality for indigenous peoples territories, it does not include interventions or results from PES in those territories.~~ The program has been implemented in the context of a broader applicable national policy on governance, sustainable rights-based development, conservation and restoration of forests and other ecosystems, and national policies and strategies on biodiversity, climate change, gender, indigenous peoples, and more. This analysis has been carried out using a legal analysis matrix (Annex A), which examines in detail policy alignment, through the lens of the Cancun Safeguards, while ensuring the principles and standards of the UNDP SES. The applicable safeguards policies, as well as the way that the legal matrix includes the applicable policies of the UNDP SES, is provided below.

In addition to policy alignment, the ESA strives to give a snapshot of how these policies are applied at the project level. For this project-level assessment, the PES Program has been chosen to assess alignment in application of the PLRs assessed.

### **3 Assessment of Policy-Level Alignment for Period of Achievement of Results**

#### **3.1 The PES Program in Costa Rica**

Costa Rica is a pioneer country on forests and biodiversity conservation, having implemented since 1997 a scheme administered by FONAFIFO that paid landowners to protect forests in return for the benefits they provide, such as conserving wild species, regulating river flows and storing carbon through a system for payments for environmental services (PES, *Pago por Servicios Ambientales* in Spanish)<sup>4</sup>.

The National Forestry Financing Fund, created by Forest Act 7575 in 1995, is the governmental institution where the Costa Rica's REDD+ Secretariat is hosted. The general objective of FONAFIFO is to finance small and medium producers for the handling of processes of reforestation, forestation, greenhouses and agroforestry systems, and for the recovery of deforested areas and the necessary technological changes in the use and industrialization of forest resources. It also has the responsibility to raise funds for financing the payment of environmental services provided by forests, forest plantations and other necessary activities to strengthen the development of the natural resources sector. These services are defined in the Forest Act.

More than one million hectares of forest in Costa Rica have been part of the PES program schemes at one time or another and as a result forest cover has returned to over 50 % of the country's land area, from a low of just over 20% in the 1980s. While deforestation and forest degradation continually increased globally, Costa Rica developed policies and incentives aimed at strengthening its National System of Protected Wild Areas (ASP) and its Payments for Environmental Services (PES) program, which together cover approximately 35% of the country and 70% of the

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<sup>4</sup> Details of the PES program, requirements to participate, regulations and operations manual, are publicly available at [www.fonafifo.go.cr](http://www.fonafifo.go.cr)

forests; while forest cover has grown by more than 20% in the last 25 years, currently being located in more than 52% of the country's territorial area (SINAC, 2013). Thanks to this, the forestry sector has become a net emission sink, but more importantly, it provided a concrete example that demonstrates that developing countries can reduce emissions in the forestry sector while maintaining vital functions of critical ecosystems, improving its resilience to climate change, and providing opportunities for access to key environmental and economic resources, especially to small and medium producers in the rural area. Costa Rica's model served largely as a reference for the design of the REDD + political-strategic framework at a global level.

Costa Rica's PES Program was created under 1996's Forestry Law. Its main objective of is to provide incentives to small and medium producers and landowners to conserve, protect and better manage Costa Rica's forests. The program is voluntary, and open to a broad number of stakeholders (17,3380 PES agreements are in place since 1997). The Program is based on four fundamental pillars: Institutional strengthening, Legal Framework, Financing and Monitoring and evaluation. The Program has detailed operation manuals<sup>5</sup>, that have been updated and improved through time.

The PES's primary target were small and medium forest landholders. Until February 2019, 2,702.00 PES contracts covering more than 1.1 million hectares have been signed among forest owners (in individual and collective indigenous peoples and campesino private lands or property holders) and by FONAFIFO that decide voluntarily to enter into contracts with FONAFIFO to conserve, sustainable manage, or reforest the forests ecosystems in their lands. Per these agreements, the partners place all or part of their lands into a conservation, sustainable forest management, reforestation or agroforestry area in exchange annual incentive payments.

During 2014-2015, there were four different types of PES contracts:

- Forest conservation contracts: between US\$ 297 US\$ 316 per hectare<sup>6</sup> (equivalent to \$59 and \$ 63 per year per hectare pending of the exchange rate), disbursed evenly over a five-year period, for forest conservation easements. Eighty-five percent of contracts in the PES program to date support forest conservation easements which target the conservation of vegetative cover in primary and secondary forest areas. Contracts are for five years but can be renew depending upon funds availability.
- Sustainable forest management contracts: US\$ 232 (2014) and US \$247 (2015) per hectare, disbursed over a five-year period, for sustainable forest management easements. Nine percent of contracts in the ESP program support sustainable forest management. Landowners must make a commitment to maintain forested areas for a period of 15 years.
- Reforestation contracts: Between US\$ 910 and US\$ 1196 per hectare with introduced species and with native species between US\$ 1365 (2014) and US\$ 2114 (2015), disbursed over a five-year or ten-year period (depending of the year of signature), for reforestation easements. Landowners must make a commitment to maintain reforested areas for a period of fifteen to twenty years, depending upon tree species. Six percent of contracts in the PES program support reforestation of degraded and abandoned agricultural lands.
- Agroforestry contracts (newer modality, implemented since 2003)<sup>7</sup>: between 1.21 and 1.73 USD per tree, disbursed over a 3-year period.

~~Per these agreements, the partners place all or part of their lands into a conservation, sustainable forest management, reforestation or agroforestry area in exchange annual incentive payments. Where indigenous groups are involved, the contracts and benefit distribution arrangements were approved by the respective Integral Development Association (ADI), which have the authority of legal representation according to the regulations of Costa Rica's Indigenous Lawir highest authoritative body. The PES's primary target were small and medium forest landholders, including indigenous peoples.~~ When started the PES program did not contain special provisions for

<sup>5</sup> Operation manuals available at: <https://www.fonafifo.go.cr/es/documentos/manuales-del-pps/>

<sup>6</sup> Payments are done in *colones*, so the amounts in dollars are not exact and subjected to the corresponding exchange rate.

<sup>7</sup> Minimum 350 trees and maximum 3500 trees per PES contract.

indigenous peoples, with the exception of having the possibility to have larger areas under contract (600 has maximum as opposed to 300 for other contract-holders). In 2015 and at their request, a revised modality for the PES program in indigenous territories was designed and will be began to be implemented. For example, † The IP PES program now allows the participation of a maximum of 1,000 hectares and with a special provision for allowing the use of 2% of the territory for subsistence activity.

As Costa Rica continues to strengthen its PLR provisions on indigenous peoples, such as in respect of new procedures for engaging indigenous peoples to obtain their free and prior and informed consent (FPIC) for projects and activities that may negatively or positively affect them, the PES program in indigenous territories will be further strengthened and expanded with REDD+ RBP funds.

FONAFIFO's PES Program was and is implemented following applicable Costa Rican PLR provisions including fiduciary controls, transparency provisions, a monitoring and evaluation framework, and regular audits and performance reports. As per Costa Rica's transparency laws, main statistics, monitoring and audit reports are publicly available in FONAFIFO's website.

FONAFIFO past capability to execute PES has been demonstrated and supported by thoroughly documented success. Between 2014 and 2015, the period for which the results-based payments are sought, the PES program:

- i) was a critical contributor at the national level to the registered reduced emissions of 14,794,749 t CO<sub>2</sub>e for the period 2014-2015;
- ii) signed 1,971 new contracts signed with land titleholders (~~33 of those with indigenous peoples organizations~~) of the 17,776.00 contracts signed since 1997;
- iii) placed 118,900.1 hectares under areas of conservation, reforestation, natural regeneration and agroforestry systems (~~22,968 of those hectares in indigenous peoples' lands, noting that indigenous lands in Costa Rica cover only 7% of the territory~~); and
- iv) ~~provided incentives, and therefore benefits to over 1,971 individuals (309 of those beneficiaries being women, and 33 members of indigenous peoples).~~
- v) released \$141142675 in incentive payments to (the parties to the contracts and hence *beneficiaries*) ~~and of those resources, \$3,831,573.321 colones<sup>8</sup> went to indigenous peoples.~~

In accordance with applicable policies, laws and regulations, the PES Program is subjected to fiduciary controls, transparency provisions, a monitoring and evaluation framework, and a requirement of regular performance reports from title holders and monitoring by the *partners/beneficiaries* and the government through the forestry officers and SINAC. As per Costa Rica's transparency laws, main statistics, monitoring and audit reports are publicly available in FONAFIFO's website.

As requested by Costa Rica's Comptroller Office for all public offices, FONAFIFO has in place a system to in place to receive, resolve and track grievances in operation since 2010. Between 2014 and 2015, 285 grievances were received and resolved. The majority of the grievances were related to delays in processing the contracts or payments, and around 20% of the grievances were related to the conditions (described as uncomfortable, or not cozy enough) of FONAFIFO's regional offices.

In compliance with the institutional transparency regulations, FONAFIFO discloses on its website<sup>9</sup> the following information in addition to the information mentioned above: complete inventories of goods and expenses, personnel, organigrams, purchases and contracts, budgets, institutional plans, annual reports, participatory mechanisms, open data systems.

The PES Program is subjected to monitoring through a sample-based monitoring system to the *fincas* with PES contracts. The sampling is performed by FONAFIFO's control and monitoring department, based on the random selection of 10% of the total active contracts under PES, whose weight criterion is determined according to the

<sup>8</sup> Equivalent to \$ 673,797.2 USD at December 2019 exchange rate

<sup>9</sup> See <https://www.fonafifo.go.cr/es/transparencia-institucional/>

number of contracts in force by regional office and sub activities present in these territories, guaranteeing that all territories and all activities are represented within the choice. Likewise, this random choice is the starting point, since due to practical purposes of maximizing logistic and human resources, the neighboring farms to those selected by the sample, are also contemplated within the role of visits.

FONAFIFO is subjected to both internal<sup>10</sup> and external<sup>11</sup> audits, which are publicly disclose in FONAFIFO's website, in accordance to Costa Rica's Transparency Laws.

~~There were some problems and execution risks associated with implementation of the PES Program, but these were identified, and corrective measures have been put in place. For example, regulations of the conventional modalities of the PES Program, limited the area for participation to 300 hectares before 2014 expanding to 600 has in 2014 only for indigenous peoples, this provision limited the participation of collectively owned indigenous territories. In response, the special PES Program for indigenous peoples was designed in full consultation with indigenous peoples through their ADIs, that allows the participation of a maximum of 1,000 hectares and with a special provision for allowing the use of 2% of the territory for subsistence activity. In addition to renew contracts in the same areas, there is no need of contracting a forestry officer to visit the area.~~

### 3.2 Financing

Principal sources of funding for the program include a 3,5% tax on fuel sales (in place since 1998), payments to FONAFIFO from private sector firms (renewable energy producers, and water blotters) for the conservation of critical watersheds, and through the sale of Certified Tradable Offsets (CTOs) derived from forest ecosystems. The Global Environmental Facility, and the World Bank through the project *Ecomercados* have also contributed to the program.

As shown by the attached PLR analysis and Project Alignment Review, the foundational instruments for FONAFIFO's PES Program provide the basis for an approach and implementation consistent with the social and environmental safeguards of the UNDP SES. The PSA Program's approach and implementation is further strengthened by ~~the results from~~ numerous engagements with Government and non-Government stakeholders ~~and right-holders, considering the social and environmental risks, based on a bottom-up approach which that~~ included representatives of indigenous peoples, small and medium holders, and the private sector, all of them represented at FONAFIFO's board of directors.

### 3.3 UNDP SES

UNDP's Social and Environmental Standards (SES) objectives are to: (i) strengthen the social and environmental outcomes of Programmes and Projects; (ii) avoid adverse impacts to people and the environment; (iii) minimize, mitigate, and manage adverse impacts where avoidance is not possible; (iv) strengthen UNDP and partner capacities for managing social and environmental risks; and (v) ensure full and effective stakeholder engagement, including through a mechanism to respond to complaints from project-affected people.

The SES include three overarching principles (human rights, gender equality and environmental sustainability) and seven project-level standards that specify key requirements for projects that may present potentially significant adverse impacts across various issue areas: Biodiversity Conservation and Sustainable Natural Resource Management, Climate Change Mitigation and Adaptation, Community Health, Safety and Working Conditions, Cultural Heritage, Displacement and Resettlement, Indigenous Peoples, and Pollution Prevention and Resource Efficiency.<sup>12</sup>

<sup>10</sup> See internal audit report from 2014 at: <https://www.fonafifo.go.cr/media/1160/auditori-a-interna-2014.pdf>

<sup>11</sup> See external audit report for 2017 at: <https://www.fonafifo.go.cr/media/2403/auditoria-fonafifo-2017.pdf>

<sup>12</sup> UNDP's Social and Environmental Standards are available at <http://www.undp.org/content/undp/en/home/operations/social-and-environmental-sustainability-in-undp/SES.html>.

Application of the SES principles and standards is supported by a set of procedural requirements that comprise the SES Policy Delivery Process, namely screening, assessment, and management of risks; stakeholder engagement and response; access to information; and monitoring, reporting and compliance.

### 3.4 Comparison with key objectives of UNDP SES

A summary description of PES Program (in the context of Costa Rica's National REDD+ Strategy) has been provided below, and a PLR analysis conducted, to determine the extent of consistency with the objectives and requirements of the UNDP SES. Additionally, the PES Program has been compared with the key objectives of the UNDP SES, through a targeted project environmental and social compliance review, which also seeks to identify potential consistency with the UNDP SES and areas needing improvement. FONAFIFO received, tracked and addressed grievances arising from the PES Program since 2011. In the context of preparing the National REDD+ AP a GRM mechanism that can apply to all REDD+ policies and measures going forward.

Where opportunities for strengthening have been identified, the ESA also sought to identify where other relevant applicable standards and/or regulations may apply. For example, noting that access to the traditional PES scheme in Costa Rica is granted based on land-tenure rights, and that 84.3% of land is owned by men, 15% of farms are owned by women, and most of them are small farmers (under 10ha), where only 8% receives technical assistance and training, it was recognized that the PES could reproduce existing discrimination against women, especially regarding participation in design and implementation or access to opportunities and benefits of the project. Similarly, the PES Program in indigenous territories, generated risks of unequal distribution of benefits, negatively affecting women. In response, the PES program since 2010 included an objective to increase women beneficiaries of the program. [As a result, d](#)uring 2014 women participation increased by 49% compared to 1997. The PES agroforestry modality is the one more conducive to enhance woman participation, one of the recommendations of the ESA is to prioritize the expansion to this modality with REDD+ RBP funds.

UNDP SES' specific screening questions related to key thematic areas (as applied through attachment 1 of its Social and Environmental Screening Procedures (SESP)<sup>13</sup>) are intended to assess the risks and benefits of a project'. The questions, however, do not *expressly* prompt an assessment of the relevant aspects of a country's legal and policy framework (PLRs) and its capacity to fulfil SES principles and requirements. This assessment, however, is necessary to provide the full context within which to answer the SESP screening questions.

Considering this, and as described in section 4 below, a set of legal matrices were created to better assess Costa Rica's legal framework to determine if its PLRs are aligned with the principles of the UNDP SES and its respect for Applicable Law.<sup>14</sup> This collective PLR Matrix is found at [Annex A](#).

As noted above, where areas of improvement have been identified, the ESA also sought to identify whether other relevant applicable standards and/or regulations may apply. This ESA focuses on PLRs and uses the reporting already available regarding assessing practice, to reflect the UNFCCC approach to "address and respect" safeguards. The ESA therefore attempts to cover both alignment in regard to PLRs, while also highlighting relevant institutional arrangements, and stakeholder involvement.

## 4 Policy, Law and Regulation Alignment Review

Attached at [Annex A](#) is the "Matrix for FONAFIFO's Payment for Environmental Services Program: Policy, Law and Regulations Analysis alignment with UNDP SES Standards and Cancún Safeguards" (PLR Analysis).

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<sup>13</sup> The SESP is available at <http://www.undp.org/content/undp/en/home/librarypage/operations1/undp-social-and-environmental-screening-procedure.html>.

<sup>14</sup> Applicable law means national law and obligations under international law, whichever is the higher standard (see p. 6 of the SES).

The PLR review has determined that during the years 2014 and 2015 for which results-based payments is sought, the PES Program was implemented in such a manner that there was a good level of alignment with UNDP's SES. Overall, its activities and framework were consistent with key objectives of UNDP SES, without significant shortcomings. As noted in Annex A, there were some areas identified for future improvement, but even in such cases, positive alignment with UNDP SES dominated and most of the areas for strengthening were covered by other elements of REDD+ programming at that time or planned for the future.

## 5 Project Alignment Review

Complementing the PLR Analysis, the **Project Alignment Review** assesses the extent to which the implementation of project activities (in the context of the applicable legal and policy framework) was consistent with the UNDP SES (and consequently, the Cancun Safeguards). Where lessons can be learned to strengthen future REDD+ activities, these will be incorporated into relevant Environmental and Social Management Frameworks and Plans (ESMF/ESMP).

For the Project Alignment Review, the following were considered:

- project documentation for evidence of integration of applicable safeguard issues;
- reports describing with stakeholder engagements;
- monitoring reports as required by the project's mandate and agreements;
- environmental and social impact studies;
- documents detailing and disaggregating project beneficiaries;
- third party analysis where available;
- tracking of grievances received and addressed; and
- PES Program informational briefings available to the public and used for stakeholder outreach.

Attached at **Annex B** is the "Project Alignment Review for FONAFIFO's Payment for Environmental Services Program". It contains a set of analytical matrices which lists key indicators to assess consistency with each of the UNDP principles and requirement provided for each of the SES thematic issues (i.e. indigenous peoples, biodiversity, resettlement, cultural heritage, etc.).

The review has concluded that during the years 2014 and 2015 for which results-based payments is sought, the social and environmental safeguard approach of FONAFIFO's Payment for Environmental Services Program and the applicable national policies, laws and regulations on forest, the environment and sustainable development -- ~~are~~ well-largely aligned with the country's ~~current~~ regulatory, legal, policy and institutional framework, and contributeds to the effective implementation consistent with the UNDP SES.

As described below, a vast array of PLRs operates together with the Constitution and the relevant legal framework in particular the Indigenous Peoples consultation and FPIC mechanism, as well as the Forestry and Biodiversity Laws to provide an adequate framework in which the PES Program, and consequently, future implementation under the National REDD+ Strategy can be carried out consistent with its national safeguard approach and consequently, the UNDP SES.

## 6 Conclusion and Recommendations

This Environmental and Social Assessment (ESA) Report describes, through the examination of FONAFIFO's Payment for Environmental Services Program as a critical initiative implemented to conserve, regenerate and reforest forest ecosystems, and reduce emissions from deforestation, the extent to which the REDD-plus actions for which the results-based payments are sought, were carried with a high degree of out-consistency with the key objectives of UNDP's SES (and consequently, the Cancun Safeguards). This report includes (i) a review of the PLR framework in which the PES Program operated ~~and which will largely continue to inform future REDD+~~



~~investments and activities financed by the GCF~~, and (ii) an analysis of whether the PES activities were undertaken in a manner consistent with the key objectives of UNDP's SES.

As noted above, the ESA demonstrated that overall, FONAFIFO's Payment for Environmental Services Program was implemented within legal and policy framework that provided an enabling environment for achieving consistency with most principles and standards of the UNDP SES and in practice, the PES Program was implemented largely with alignment with the objectives of UNDP's SES. Where opportunities for improvement were recognized, recommendations were provided (*see below*) and if applicable, other REDD+ programming was identified if it was already taking actions to address such opportunities for strengthening.

The PES Program overwhelmingly achieved its conservation and poverty reduction objectives and did so in a manner that recognized the **centrality of human rights** to sustainable development, poverty alleviation, enhancing environmental services and co-benefits and the fair distribution of development opportunities and benefits. The PES Program largely upheld the principles of accountability and the rule of law, participation and inclusion, and equality and non-discrimination, particularly offering all opportunities to both men and women and striving to focus on underserved populations such as ~~indigenous peoples and~~ small and medium producers. The Operations Manual (essentially, the key terms and implementation guidelines for the program) was updated several times based on lessons from long-term implementation, complemented by meaningful stakeholder engagements to ensure it was consistent with the local reality and needs for conservation and improvement of sustainable livelihoods. Indeed, because of iterative stakeholder engagement, as well as their direct involvement in implementation, monitoring and evaluation, a special modality for the PES Program for indigenous peoples that addresses key issues for better use of the Program by indigenous peoples was designed in 2015, ~~and will be expanded with funds from REDD+ result-based payments.~~

Extensive stakeholder engagement continued throughout as cooperation between stakeholders was an essential requirement of the success of the program. The stakeholders participated in project design (as noted above) and many --as parties to the agreements alongside the Government-- had monitoring and accountability responsibilities. In the framework of Costa Rica's PLR, FONAFIFO took determined steps to further ~~respected and promoted, among others,~~ the rights of indigenous peoples, including and other collectives to self-governance; decision-making according to their own values, norms and customs; traditional knowledge; equitable benefit sharing; the identification of their own development priorities, their right to participate in the conservation of natural resources in their lands and to be consulted and provide their consent about projects undertaken on their lands involving renewable resources. As Costa Rica further strengthens its PLRs concerning indigenous peoples' rights, such as by operationalizing its new consultation and FPIC mechanism, the PES program in indigenous peoples' territories will be further reviewed and strengthened with funds from REDD+ result-based payments.

Furthermore, in addition to the dispute resolutions provided for in the contracts, FONAFIFO's grievance mechanism overseen received, tracked and successfully addressed approximately 285 grievances, addressing everything from third-party interferences in areas under conservation, delays on payments, and difficulties to comply with requisites to access the Program.

While the stated objectives of PES Program in its beginnings did not expressly include **gender equality and women's empowerment**, since 2010 there have been significant steps to expand women participation in the Program and during 2014 women participation increased by 49% compared to 1997.

The basis of the PES Program and incentives for conservation, reforestation and agroforestry arrangements did not provide a context in which FONAFIFO could easily and directly challenge cultural norms that tended to favor land ownership (and sometimes decision-making) by men. ~~Also, where contracts were entered into with collective entities in which the traditional governments or associates held the titles on behalf of those indigenous peoples or local communities, in such contexts the gender of the title holder was less relevant or dispositive of equality or gender neutrality.~~ It is acknowledged that PES Program did have to walk a difficult road balancing the need to ensure equitable benefit sharing among men and women, ~~while also respecting the customary norms, values and practices and rights of indigenous peoples and other collectives to self-determined development as arrived at through their~~

~~own institutions and decision-making processes.~~ The result, at times, did mean greater participation of men in land ownership, decision-making and the receipt of benefits and capacity building. Nevertheless, in a culturally appropriate manner, the PES Program engaged in efforts to actively include and reach out to females, and it plans to continue these efforts going forward, in particular by focusing on expanding the agroforestry modality, which is more conducive to enhance women participation.

Indeed, the PES Program did not discriminate along gender lines, and it encouraged inclusive participation at all levels of stakeholder engagement, decision-making, capacity building and training etc. Both women and men with titles could submit lands in to the programme, and all community members were invited to participate in PES-sponsored meetings and trainings.

In terms of **environmental sustainability**, the surrounding PLRs and implementation manuals, templates, and guidelines are all directed toward conservation of biodiversity, avoidance of deforestation, and addressing poverty and inequality, all while maintaining and enhancing natural capital. In fact, Costa Rica is one of the few countries in the world that has demonstrated that is possible to decouple deforestation from development, and the significant recovery of forest cover over the past decades is attributed to a large extent to the PES Program.

The PES contracts, the regular monitoring, the required periodic reporting being tied to the release of economic incentives, the restriction of certain resource uses --all of this is to ensure that environmental sustainability is systematically mainstreamed into the PES Program ~~and more so, continuing to foster good governance at the national and local levels (including traditional governance structures of the indigenous peoples).~~ Consistent with the UNDP SES, the PES Program strengthens environmental management and protection by working with the *socios*/partners, not just as beneficiaries, but as partners in the development of the PES Program, especially its new modality for indigenous peoples, the monitoring and implementing of objectives.

The above said, where the primary focus of the PES Program is conservation, reforestation, and sustainable forest management benefiting small and medium holders, the initial monitoring and reporting tended to focus predominantly on ensuring contract compliance and no alterations of the land uses in areas of conservation, reforestation or sustainable forest management (i.e. that land cover remained untouched). There is no sufficient evidence to provide insights into the poverty reduction and to varying extents the social impacts of PES Program.

The monitoring has since been augmented to include more socio-cultural and socio-economic issues. This has been done in response to observations that PES Program could benefit from additional mechanisms to increase the information about the social impacts of the Program.

~~Socio-cultural impacts of the PES Program were positive in general. For instance, the PES respected and promoted human rights by requiring the indigenous peoples and communities to voluntarily take decisions by their own representative institutions and in accordance with their own decision-making norms and values (both the decision to join the PES Program and the decisions around how to use the incentive payments), specially during the design of the special PES modality for indigenous peoples. There have been reports of problems regarding management of the payments from the PES in the contracts in indigenous territories, some were resolved via informal mediation while other were referred to the formal justice.~~

Considering the conclusions of the ESA (including its PLR Analysis and Project Alignment Review), the extensive document reviews, the following provides a non-exhaustive list of some of the key recommendations that could be addressed for ongoing PES Program implementation as well as future REDD+ programming that has similarities with the PES Program activities. Additional recommendations can be found in both of the attached annexes. The list of recommendations below are offered in the context of what has been determined to be a project that met its conservation objectives and provided positive social benefits while doing so --both through the provision of economic incentives, as well as its respect and promotion of the human rights of the indigenous peoples ~~and collectives~~ that participated. In this context, the ESA suggests that the PES Program implementing agency (FONAFIFO) and partners:

- Continue and strengthen the already successful capacity sessions and technical support initiatives to PES Program participants to ensure they can comply with their respective responsibilities and see the value and benefits of participating in the Program and maintaining the agreements under the contracts.
- Continue and strengthen, wherever needed, communication regarding the voluntary nature of the mechanism which provides a solid safeguard against adverse impacts.
- [Develop-Strengthen the partnership with indigenous peoples, including by: further documenting their structures of governance; engaging with ADIs where indigenous peoples have embraced them and with traditional governance structures of indigenous peoples that maintain them; taking steps toward more gender equitable distribution of contract benefits within indigenous communities; and contributing to removing obstacles to the implementation of Costa Rica's plans to recover indigenous peoples lands and territories.](#)
- [Develop](#) new financial mechanisms to expand participation and awareness of the population's members (especially women and vulnerable groups within) continues after the initial decisions to place lands within the PES areas of conservation, reforestation, sustainable forest management, or agroforestry.
- Strengthen the implementation framework of Costa Rica's relevant PLRs for environmental and *social* impact assessments consistent with the UNDP SES, Cancun Safeguards, and international law: particularly the responsible parties, the thresholds and activities that trigger such assessments (beyond just where high risks are associated), the mechanisms for stakeholder participation, the requirements for sharing such assessments with the public, as well as the mechanisms for determining mitigation measures and guaranteeing regular and meaningful and transparent monitoring of the measures and the impacts. These are assessments that are independent of and not merely an "add on" to the environmental impact assessments.
- Carry out training and capacity building among FONAFIFO, SINAC and the PES Program staff, stakeholders and partner on matters of gender equality, the contributions of women to climate change resilience, and the specific harms faced by women in the context of ecosystem destruction and conversion; take affirmative measures to ensure the effective, meaningful and consistent participation of women in all PES meetings.
- Require and develop capacities to collect and report on accurate disaggregated data with respect to male and female participation in all PES activities, benefit sharing, and socio-cultural impact analysis (including gender-related key performance indicators for monitoring); share such data across government institutions and make such data publicly accessible.