

Midterm Report Costa Rica

Request for additional funding from the
Forest Carbon Partnership Facility (FCPF)

5 May 2014



REDD+
COSTA RICA
REDUCCIÓN DE EMISIONES
POR DEFORESTACIÓN Y
DEGRADACIÓN DEL BOSQUE
Y MÁS



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List of abbreviation and acronyms

ACICAFOC: Asociación Coordinadora Indígena y Campesina de Agroforestería Comunitaria Centroamericana [Central American Indigenous and Campesino Coordinating Association for Community Agroforestry]

AFE: Administración Forestal de Estado [National Forest Administration]

AFOLU: Agriculture, forestry, and other land use

CATIE: Centro Agronómico Tropical de Investigación y Enseñanza [Tropical Agricultural Research and Higher Education Center]

CCF: Costa Rican Forest Board

CF: Carbon Fund

CIAgro: Colegio de Ingenieros Agrónomos [Association of Agronomists]

CNSF: Comisión Nacional de Sostenibilidad Forestal [National Commission on Forest Sustainability]

COP: Conference of the Parties

DCC: Dirección de Cambio Climático [Climate Change Directorate]

ER-PIN: Emissions Reduction Program Idea Note

ERPA: Emissions Reduction Purchase Agreement

ERPD: Emissions Reduction Program Document

ESMF: Environmental and Social Management Framework

FCPF: Forest Carbon Partnership Facility

FMT: Facility Management Team

FONAFIFO: National Fund for Forest Financing

GIZ: Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH

ICE: Instituto Costarricense de Electricidad [Costa Rican Electricity Institute]

IMN: Instituto Meteorológico Nacional [National Meteorological Institute]

INBio: Instituto Nacional de Biodiversidad [National Biodiversity Institute]

INEC: Instituto Nacional de Estadística y Censos [National Statistics and Census Institute]

INTECO: Instituto de Normas Técnicas de Costa Rica [Technical Standards Institute of Costa Rica]

IPCC: Intergovernmental panel on Climate Change

IUCN: International Union for Conservation of Nature

JNR: Jurisdictional and Nested REDD+

LIDAR: Light detection and ranging

LULUCF: Land use, land use change, and forestry

M&E: Monitoring and Evaluation Framework

MAG: Ministry of Agriculture and Livestock

MINAE: Ministry of the Environment and Energy

MRV: Measurement, reporting, and verification

NAMA: Nationally Appropriate Mitigation Actions

NORAD: Norwegian Agency for Development Cooperation

ONF: Oficina Nacional Forestal [National Forest Office]

PERFOR: Regional forest monitoring system

PMR: REDD+ Partnership for Market Readiness

PSA: Programa de Pago por Servicios Ambientales [Program for Payment of Environmental Services]

R-package: REDD+ readiness package

R-PP: Readiness Preparation Proposal

REDD+: Reducing Emissions from Deforestation and Forest Degradation, and the Role of Conservation of Forest Carbon Stocks, Sustainable Management of Forests and Enhancement of Carbon Stocks

REFOCAN: Red Forestal Campesina [Campesino Forest Network]

RIBCA: Bribri Cabecar Indigenous Network

SESA: Strategic Environmental and Social Assessment

SIGEREFO: Sistema de Gestión de Regencias Forestales [Forest Regency Management System]

SINAC: National System of Conservation Areas

SIREFOR: Sistema de Información de los Recursos Forestales [Forest Resources Information System]

SIS: Safeguard Information System

SNMB: Sistema Nacional de Monitoreo de Bosques [National Forest Monitoring System]



tCO₂e: Tons of carbon dioxide equivalent
UCC: Unidad Costarricense de Compensación [Costa Rican offset unit]
UKaid: United Kingdom Department for International Development
UN-REDD: United Nations program for REDD+
UNAFOR: Unión Nacional Agroforestal [National Agroforestry Union]
UNFCCC: United Nations Framework Convention on Climate Change
USAID: United States Agency for International Development
VCS: Verified Carbon Standard



Introduction

Costa Rica has distinguished itself by its efforts to achieve sustainable development. At present, its main goal in terms of the environment is to become a carbon neutral country by 2021. To achieve this goal, REDD+ implementation is crucial, as it will produce 79% of the reduction in emissions required at the national level to achieve neutrality. The success of REDD+ is closely tied to carbon neutrality and, thus, REDD+ has been given political priority.

REDD+ is part of a set of programs at the Ministry of the Environment and Energy (MINAE) that address the National Forest Development Plan. Part of the challenge for REDD+ and for the country is to coordinate these programs effectively. MINAE is spearheading strategies through the National System of Conservation Areas (SINAC) to control forest fires and illegal logging, as well as leading the PSA and REDD+ efforts through the National Fund for Forest Financing (FONAFIFO). The Ministry of Agriculture and Livestock (MAG), for its part, leads the Nationally Appropriate Mitigation Actions (NAMAs) for cacao, coffee, livestock ranching, and sugarcane production. In addition, there are other associated initiatives at the Costa Rican Electricity Institute (ICE) in which State-owned banks are participating. FONAFIFO created the Interinstitutional Commission, a forum in which 18 government and academic institutions are participating in the interinstitutional coordination of all programs and initiatives.

The above description reflects FONAFIFO's intention to foster coordination between MINAE-MAG and other sectors in order to harmonize mitigation measures and programs. Another example is the Executive Committee, which is presided by MAG with participation from MINAE and the relevant interested parties.

In addition, FONAFIFO plans to situate REDD+ in a more comprehensive national strategy for landscape restoration. FONAFIFO is currently designing the proposal with support from the International Union for Conservation of Nature (IUCN) and the United Kingdom's Department for International Development (UKaid). The objective is to tie REDD+ into a broader framework for land use planning and cross-sector decision-making that covers multiple natural resources.

REDD+ Costa Rica is being implemented primarily through a program of positive incentives for forest conservation and management. The Program for Payment of Environmental Services (PSA) has been implemented since 1997 as a national policy instrument for maintaining forest cover, preventing deforestation, and incentivizing reforestation for various uses. The REDD+ Strategy is being prepared around the PSA, and much of the investment is aimed at strengthening the national institutions responsible for administering that program.

Costa Rica launched its preparation phase in 2008 and hereby presents to the Participants Committee a self-evaluation of its progress thus far with respect to its preparation proposal. This self-evaluation is very important inasmuch as it documents the progress made by the country to date with the objective of obtaining feedback on activities carried out to implement improvements. Specifically, a request is being made for additional funding needed by the country to complete its preparation work.

For presentation of this report, the guidelines set out in note "FMT Note 2012-7 rev" of 27 August 2012, available in English on the FCPF website, were followed. This report was distributed with the map of REDD+ Strategy actors. It was also posted to the REDD+ Costa Rica website (www.reddcr.go.cr), and suggestions received from the relevant interested parties by 27 April were incorporated into this report, which was delivered to the FCPF on 5 May.



Section 1. An overview of the progress made in the implementation of the R-PP

This is a report on the status of progress in preparation on the *results* by subcomponent identified in the Monitoring and Evaluation Framework (M&E).¹ The M&E contains a results chain that helps link the operation with the strategic development of the Reducing Emissions from Deforestation and Forest Degradation (REDD+) program in the country. This framework will be available on the REDD+ Costa Rica website and can be requested from the REDD+ Secretariat by writing to info@redd.go.cr.

For Section 1, the Forest Carbon Partnership Facility (FCPF) asks for a report on the following for each subcomponent:

1. Progress to date (outcomes and outputs)
2. Analysis of these outcomes and outputs in relation to existing constraints and gaps
3. Other significant work in progress
4. Request for additional funding

Subcomponent 1a: National REDD+ Management Arrangements

Overview

This component is expected to fully develop governance for REDD+ readiness. The goal is to have entities in place for representative, participatory, and informed decision-making with the relevant interested parties. To this end, the REDD+ Executive Committee was created to represent the main sectors involved and as an advisory and coordinating entity with the National Fund for Forest Financing (FONAFIFO) and the REDD+ Secretariat. The selection of the members of the Executive Committee consisted in an election process in which the main groups elected their representatives through a participatory process.

The Interinstitutional Commission and the Technical Roundtable are forums for nationwide interinstitutional coordination, with institutions able to participate based on their interest in REDD+. The current approach is designed to ensure technical operation at the national and State level, as well as to introduce a platform for the incorporation of local or sector technical topics (e.g. indigenous community monitoring).

¹ Costa Rica's M&E was updated in March 2013 with the support of the World Bank. In May 2014, it will be available in Spanish on the REDD+ website (www.reddcr.go.cr) and can also be requested by writing to the REDD+ Secretariat at info@reddcr.go.cr.



RELACIÓN DE LOS ÓRGANOS DE GOBERNANZA Y TOMA DE DECISIONES REDD+

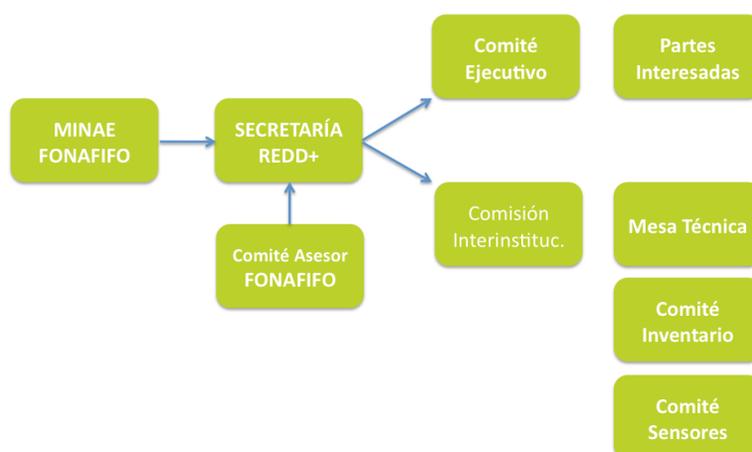


Figure 1. The relevant interested parties are represented on the Executive Committee. REDD+ is implemented through FONAFIFO at the MINAE. The Secretariat provides support to FONAFIFO to facilitate REDD+ readiness and the coordination of governance entities. The Advisory Committee consists of the FONAFIFO offices and provides policy guidance on preparation processes while building capacity so FONAFIFO can institutionalize the functions needed to sustain implementation of REDD+ over the long term.

Status of progress

Key governance structures established and active

Executive Decree 37352-MINAET officially established the REDD+ governance structures and their functions:

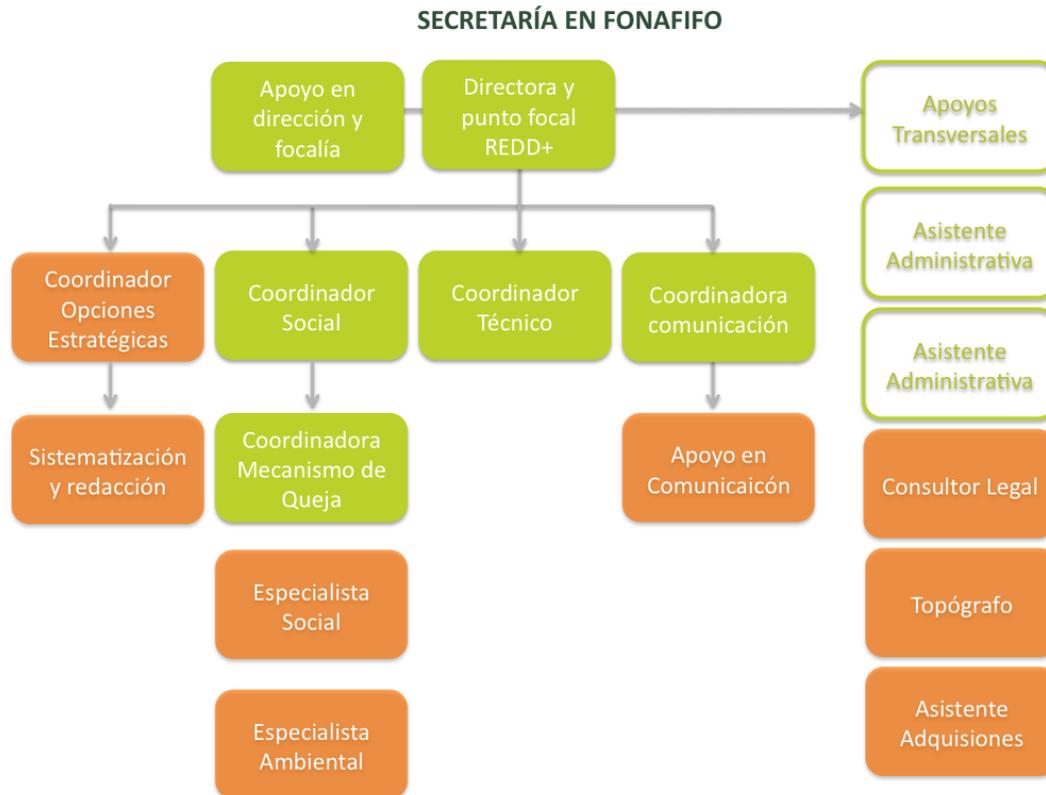
- *Executive Committee:* Operates monthly since June 2013 with representatives from seven sectors: indigenous territories, National Forest Office (ONF), MINAE, Ministry of Agriculture and Livestock (MAG), civil society, overused land, timber industry, and national banking. The Committee has selected a coordinator, adopted three resolutions, and meets on schedule.
- *Interinstitutional Commission:* Operates bimonthly since July 2013, with 18 institutions represented. New institutions are constantly being added as the map of REDD+ actors grows. This is a forum for interinstitutional coordination of emissions reduction projects (Nationally Appropriate Mitigation Actions (NAMAs), private projects, etc.).
- *REDD+ Secretariat:* Led by the national REDD+ focal point at FONAFIFO, with technical, social, and communications experts. It is responsible for facilitating the operation for REDD+ readiness, reporting to FCPF, and coordinating international cooperation under REDD+.
- *Technical Roundtable for Dialogue:* Sub-group of the Interinstitutional Commission, which other actors specializing in technical topics have joined. It consists of the Roundtable of the Forest Monitoring System and the Committee for the Use of Remote Sensors and Other Technologies under REDD+. It has adopted six resolutions, approving, *inter alia*, the initial measurement, reporting, and verification (MRV) approach for the country and the decision to generate land use maps that are consistent across institutions in the MINAE and based on the categorization of the inventory of greenhouse gases.
- *National Forest Inventory Committee:* Co-led by the National System of Conservation Areas (SINAC) and FONAFIFO, active since June 2012, and supervising the development of the 2012 RapidEye map for types of forest and the on-the-ground forest inventory sampling, which is entering the final phase of measurement.

Personnel hired and improvements in human and institutional capacity

The Secretariat has been active since April 2013 and has technical, social, and communications specialists. It is led by the REDD+ focal point and is hosted at FONAFIFO (Organizational chart 1).



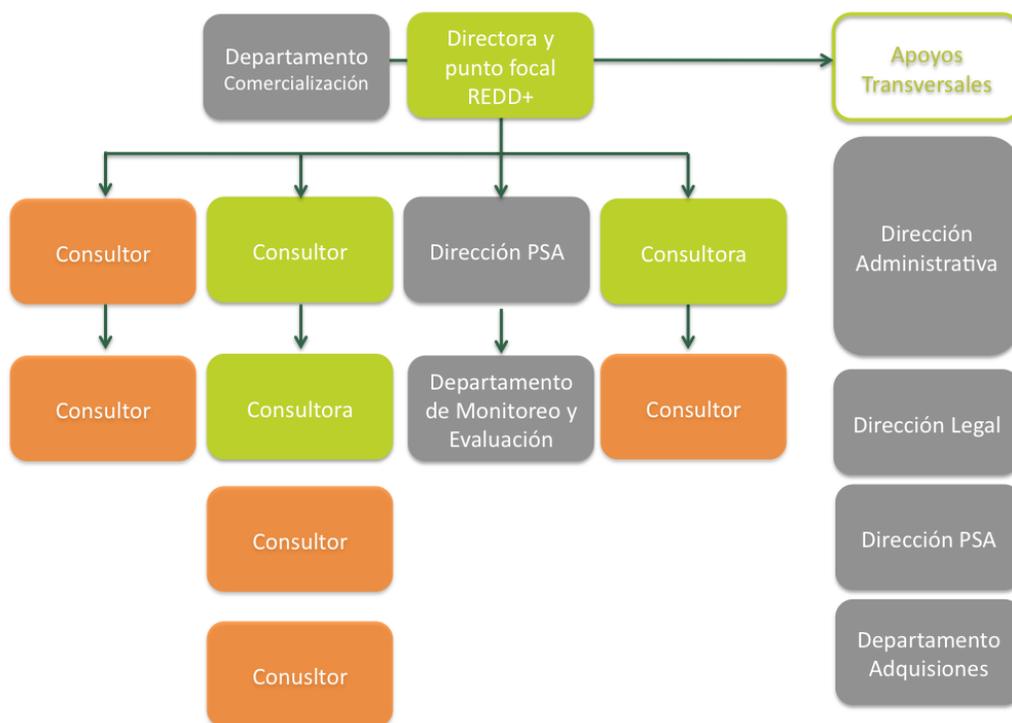
Another organizational chart was created to show how the Secretariat is integrated with the FONAFIFO departments in order to institutionalize the preparation processes in anticipation of implementation of REDD+ (Organizational chart 2).



Organizational chart 1. Secretariat at FONAFIFO. Contracted personnel are in green, positions in process of being contracted are in orange, and contracted cross-agency support personnel are in white.



Puntos de colaboración e institucionalización en FONAFIFO con respecto a funciones de Secretaría



Organizational chart 2. Points of collaboration and institutionalization at FONAFIFO with respect to Secretariat functions. FONAFIFO departments and divisions that serve as counterparts to the consultants are in grey. Consultants without counterparts at FONAFIFO are in green and orange. This is a gradual process of institutionalization.

Other significant work in progress

At present, alternatives are being analyzed to establish a legal framework for the Interinstitutional Commission and the respective subcommittees. This work will be carried out by the Secretariat, for completion in June 2014.

Request for additional funding

Additional funding is needed to hire personnel at FONAFIFO to support legal, procurement, and financial administrative processes. This request is based on the fact that the national and World Bank administrative processes are laborious and could be accelerated with support in the Procurement Division of the Administrative Department. A direct impact on the processing and monitoring of the agreed upon products and contracts is expected. In addition, a request is being made for specific support in the Financial Division of the Administrative Department to monitor the procurement plan and modifications thereto and to prepare a new procurement plan during the potential Emissions Reduction Purchase Agreement (ERPA) and/or additional funds. The two additional legal support positions that have been requested will help the Legal Division prepare and sign interinstitutional agreements for REDD+ readiness and implementation. These personnel are expected to be hired for 12 months (2015) for a total of \$350,000.



Subcomponent 1b: Organization, Consultation, and Outreach

Overview

Activities under this subcomponent are expected to prepare the relevant interested parties for their involvement, organization, participation, and consultation in REDD+. The basic objective of this process is to receive feedback from the parties and their representatives on the strategy options and the design of the REDD+ Strategy.

This component should ensure the full and effective participation of the parties so they can weigh in on the final design of the strategy, so that it reflects their interests and conditions.

In 2008, an early dialogue plan on REDD+ was developed. This plan established a process to engage and develop the social and organizational capacities of the actors. In addition, indigenous and campesino facilitators were hired to support the outreach process.

As a result of the activities performed as part of the early dialogue plan, a participation and consultation plan was developed, which links the entire social process for the preparation of the REDD+ Strategy. This plan establishes general guidelines for the consultation process, to guide and standardize the proactive participation of the various actors involved in preparation of the strategy. Thus, the strategy options with the respective action plans that would lead to public policies formulated in the framework of the REDD+ Strategy are submitted for consultation in the various stages of REDD+.

The consultation process was designed by the relevant interested parties and has three phases: outreach, pre-consultation, and consultation. The outreach phase is a first point of engagement to provide information on the process and define the roles of the map of actors. The pre-consultation phase generates feedback for the REDD+ Strategy in order to make it more participatory. In particular, the risks and possible impacts of the strategy options will be analyzed with the actors. Once the risks have been identified, action plans will be proposed to address them, and the relevant interested parties will be consulted with respect to the results.

In addition, a communications strategy will be developed in order to bring REDD+ to the parties' attention and ensure effective outreach and participation of the actors interested in preparation of the REDD+ Strategy. The strategy was designed under the principles of communication for development and seeks to establish a participatory process, geared mainly towards indigenous and campesino groups. The plan is to foster dialogue between the established actors and identify their perceptions and needs and increase their awareness ahead of preparation of REDD+. The principles of participation and the establishment of dialogue with indigenous and campesino groups are the foundation of the communication strategy, but efforts will also be made to engage other actors such as the private sector, nongovernmental organizations, timber companies, media, academia, and government. These audiences will be approached through corporate communication, which is why products have been developed to make the REDD+ "brand" visible.

Status of progress

Implementation of the consultation plan

The participation and consultation plan is the document that links together all the phases and establishes the following documents as necessary for the outreach process: map of actors, SESA work plan, indigenous consultation, terms of reference of the framework for social and environmental management, and information and conflict resolution mechanism. These documents, as well as the consultation plan itself, were distributed to the REDD+ governance entities.



An important organizational achievement for REDD+ in Costa Rica is the indigenous and campesino organizational structure. There are 24 indigenous territories in Costa Rica, located in the various regions of the country. Indigenous territories, rooted in their worldviews, territoriality, their constitutional rights, ILO Convention 169, and in observance of the national legal framework, have organized a sociopolitical structure for their participation in REDD+. To honor the sociopolitical and cultural differences of the indigenous groups, a consultation and participation process will be held based on their organizational structure, which is described in detail in the consultation plan. Meanwhile, the campesino sector has organized itself in five regions (central, north, south, Chorotega, and the Caribbean) and its participation has been supported by various organizations, with a large impact on the communities and groups at the grassroots level.

The first phase of consultation—the outreach phase—was completed for the campesinos through a consulting assignment contracted to the Central American Indigenous and Campesino Coordinating Association for Community Agroforestry (ACICAFOC) with FCPF funds. In addition, work is being done on outreach with the private sector under a consulting contract awarded to the Costa Rican Forest Board (CCF). State institutions are receiving information through their participation in the Interinstitutional Commission and the Technical Roundtables, and indigenous communities through the cultural mediator program led by the Tropical Agricultural Research and Higher Education Center (CATIE). Although it is true that the process described above corresponds to the outreach phase of consultation, it is essential for timely information to continue to be provided during the different phases of REDD+.

Lastly, the information and conflict resolution mechanism will be implemented by FONAFIFO from January 2015 to the beginning of the consultation phase, to hear and address the concerns of the actors involved with respect to REDD+ development and implementation. It will be available to all actors at the regional and local level, through the various channels that were defined in the mechanism. The pilot implementation of the grievance mechanism, capacity-building, and preparation of the interested parties begins in 2014 and addresses the conditions and characteristics specific to the indigenous and campesino sectors in order to guarantee their access and participation.

Implementation of the communication strategy

The communications strategy was designed in 2013 and is being implemented in accordance with the progress and needs of the technical and social component in the preparation process for the REDD+ Strategy. It was distributed to the REDD+ governance entities (see subcomponent 1a). In addition, the following products have been developed:

- **Corporate image:** Logo and brand book
- **Electronic newsletter:** Soon to be available through the Web portal
- **Toolkit:** Fact sheet, posters, master presentation, frequently asked questions, banners, glossary, video (in production)
- **Multisector activities:** Workshop to resume dialogue, signed letter of intention, dialogue between indigenous women and the President of the Republic
- **Publicity protocol and media training design:** Media/publicity protocol designed
- **Information management in media:** Proposal to create a network of environmental communicators, 20 notices in the national press
- **Construction of communication channels with indigenous and campesino groups:** Based on the worldviews and customs of these social groups. So far, the proposal is in the early stages of implementation.

Other significant work in progress

The REDD+ Costa Rica website was financed (www.reddcr.go.cr) with targeted support from UN-REDD. This is an open platform for disseminating documents and news and announcements. For example, the midterm report was largely publicized through the website.



Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, through CATIE, launched a cultural mediator program to provide training to indigenous leaders on the REDD+ Strategy. These leaders are essential for ensuring a culturally appropriate consultation process. GIZ also financed six workshops facilitated by ACICAFOC and the Campesino Forest Network (REFOCAN) with the campesino sector, which resulted in the creation of the National Agroforestry Union (UNAFOR). Later, in 2013, a REDD+ outreach process was financed through UNAFOR with the campesino sector.

Request for additional funding

Based on its conviction of the importance of achieving a high rate of social participation in the construction of the REDD+ Strategy, Costa Rica allocated 60% of the FCPF preparation funds to support activities pursued as part of the early dialogue. During these activities, the needs and recommendations of the participants were noted, and it has been determined that additional funding is needed to make improvements at the local level and monitor the results of the consultation process itself, which will be carried out in the first quarter of 2015.

The request for additional funding is largely based on the need to inform and organize the relevant parties. As well, after an exhaustive outreach phase, there are information gaps that must be filled during the pre-consultation phase. This is essential so that the parties are in a position to provide feedback on the strategy and protect their interests and views. Accordingly, a total of \$650,000 is being requested from the FCPF to execute the consultation process at the **local** level. This includes indigenous territories and campesino groups. For the consultation process at the **national** level, and in response to the readiness package, the representative REDD+ governance entities will be consulted, especially the Executive Committee.

The participation of the sectors is very important for defining the benefit sharing mechanism. FONAFIFO's intention is to hold open discussion sessions, with broad participation, to report on how the mechanism has been designed to address local circumstances. The **local** consultation process will include regional and national workshops, focus groups, and special sessions to look at technical and strategic issues.

In terms of communication and for **local** consultation, informational materials must be distributed throughout the country. This includes reports, technical studies, etc. The estimated cost is \$150,000, and the FCPF is asked to provide these funds so materials to support the **local** consultation process can be printed. Once consultation on the strategy has been completed and feedback from the parties has been incorporated, \$40,000 will be needed for dissemination and disclosure of the final version of the strategy. The purpose of this investment is to ensure that all parties have a copy of the final version of the strategy and have access to the most up-to-date information.

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

Overview

Activities under this component are expected to generate in-depth knowledge about where deforestation and forest degradation are occurring. Degradation is defined as production activities in inappropriate areas that lead to the irremediable loss of forest carbon (i.e., emissions) or the occurrence of production activities that are undesired in terms of legality or land use capacity. The end goal is to generate a full analysis of the status of the situation in the country so that options can be proposed for halting deforestation and degradation drivers.

In its Readiness Preparation Proposal (R-PP), Costa Rica described carbon rights in areas inside and outside the Program for Payment of Environmental Services (PSA). Possible drivers of deforestation were discussed in detail. The paper also described land tenure and historical changes in land use. Meanwhile,



the Emissions Reduction Program Idea Note (ER-PIN) went into even greater detail on the rates of deforestation, location, and possible strategy options that would reduce emissions resulting from these phenomena.

The deforestation estimates begin with the 2000-2005 period. There are other land use and forest cover maps in the country but with methodological differences. To resolve that problem, an international consortium was hired to re-process the historical time series of land use changes. This was financed under the FCPF Carbon Fund (CF). In December 2015, this consortium will deliver a series of maps that are consistent from the 1990s to the present day, as well as a protocol for generating consistent maps in the future. This consulting assignment will be supervised by the Committee for the Use of Remote Sensors and Other Technologies under REDD+ (see section 1a).

Another consortium, also contracted by the World Bank with CF funds, was hired to conduct the analysis of the drivers of deforestation and degradation and research the barriers to “+” activities (see Figure 7 in component 3). In addition to this main product, the consortium is expected to produce an estimate of forest degradation over the historical period (in order to determine if emissions are >10%; see the FCPF Carbon Fund’s methodological framework) based on satellite images. Spatially explicit models will also be generated to analyze the drivers of deforestation (and potential degradation). This analysis will be used to adjust and round out the results of the R-PP and propose adjustments to the strategy options, as required (Figure 2). The complete analysis is expected to be ready in October 2014.



Figure 2. Chart of historical analysis of changes in land use, drivers of deforestation and degradation, barriers to “+” activities, forest policy, and governance.

Status of progress

Complete assessment of land use change covering deforestation and degradation

This component has not been financed by the FCPF readiness fund. The aforementioned consortiums are hired by the Carbon Fund and must deliver the products specified inside the box in Figure 2 by October 2014. Progress to date is described in the R-PP, with administrative progress reflected in the contracting of the consortiums.



Other significant work in progress

The elements outside the box in Figure 2 describe activities that will be executed by the Secretariat. There is significant support for this item through the INBio-CATIE project financed by Norway's Ministry of Environment for \$2 million to generate, inter alia, three historical maps showing land use in 1986, 2000, and 2012-2013. Using this information, deforestation drivers will be identified based on hypotheses and variables that predict where deforestation is occurring, or geo-variables.² This project also includes a research component to understand the barriers and enabling measures for "+" activities and other incentives systems in the past. This will inform the development of a more equitable benefit-sharing mechanism based on lessons learned.

Request for additional funding

No request for additional funding is being made.

Subcomponent 2b: REDD+ Strategy Options

Overview

Activities under this component are expected to define, through a participatory process, strategy options to halt or reverse deforestation and degradation drivers, as well as identify and promote options for incentivizing "+" activities. Since the early stages of development of the R-PP, Costa Rica has reported the better known problems in the sector for REDD+. Strategy options have been designed to address these problems. To this end, FONAFIFO identified the key institutions from the map of actors and proposed options to tackle the worst problems in the administration of forest resources. Ten strategy options emerged. These were evaluated at a national workshop in 2011 and narrowed down to eight options following discussion with the interested parties in attendance at the workshop. These eight options were designed to be implemented jointly for a consolidated impact (Figure 3).

The aforementioned problems are described in detail in the R-PP and are associated with the strategy options defined interinstitutionally. However, this relationship is qualitative, not systematic/quantitative, as suggested in the FCPF guidelines for the R-Package and the ER-Program. Thus, FONAFIFO began a new analysis of land use changes over the historical period (described in 2a). Also, the analysis of drivers and barriers will be spatially explicit and will use geographically weighted models (Figure 2). Progress under the INBio-CATIE project will support the analyses conducted by the consortium.

Once the new analyses of land use changes, drivers, and barriers to the effectiveness of the PSA have been generated, the strategy options will be adjusted as necessary. Part of the work on the strategy options in 2014 will be to identify more concrete lines of action. Subsequent to the R-PP, technical studies were specified to develop the strategy options (Figure 4). These studies were defined by the lead institutions for each option (Table 1), and some have already been commissioned and are in execution. All the studies will be completed in 2014.

² For example, for the hypothesis that "land with more potential for producing agriculture and livestock products with market demand (e.g., pineapple) is more likely to be deforested," the potential prediction variables would be: land use capacity (slope, elevation, soil depth, fertility, dry months, floods); for the hypothesis that "land with better market access is more likely to be deforested," the potential prediction variables would be: density, proximity to roads, distance to markets; for the hypothesis that "land outside of national parks and biological and indigenous reserves, without PSA, is more likely to be deforested," the potential prediction variables would be: category of management, national cadastre, PSA registration, and forest management registration; for the hypothesis that "land in early secondary succession is more likely to be deforested than mature forest," the potential prediction variable would be age of forest; and for the hypothesis that "untitled land is more likely to be deforested," the potential prediction variables would be the categories of management that do not allow titling.



As part of work on the strategy options in 2014, new options will be evaluated (before or during SESA) to include cross-sector initiatives such as the NAMAs. The goal is to propose options that are integrative across sectors and provide a common platform for coordinating mitigation measures in the agriculture, forestry, and other land use (AFOLU) sector.

An important objective for Costa Rica is to make REDD+ implementation sustainable. To this end, funding will be requested to provide financing, on a pilot basis, to forestry businesses that link timber production with manufacturing, value-adding, and marketing.

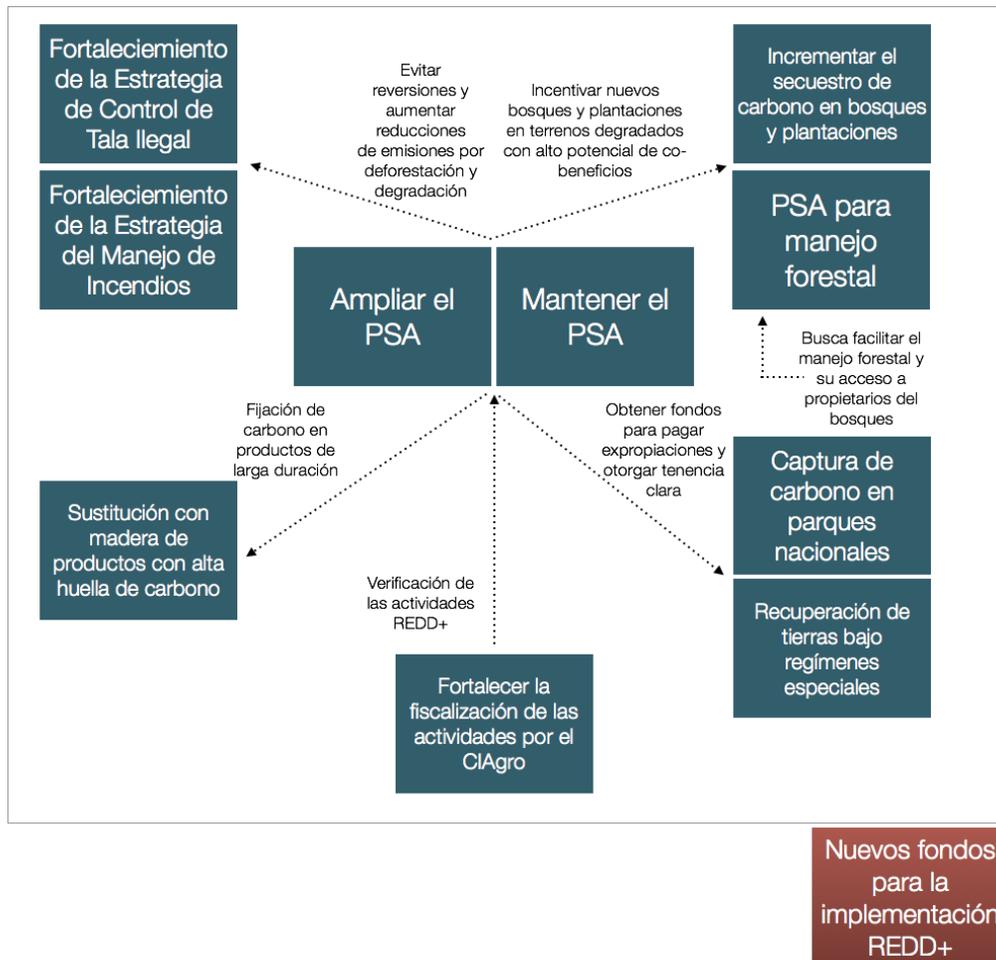


Figure 3. Interrelationship of strategy options as enabling and promotion measures for the PSA to facilitate “+” activities and prevent deforestation and degradation.



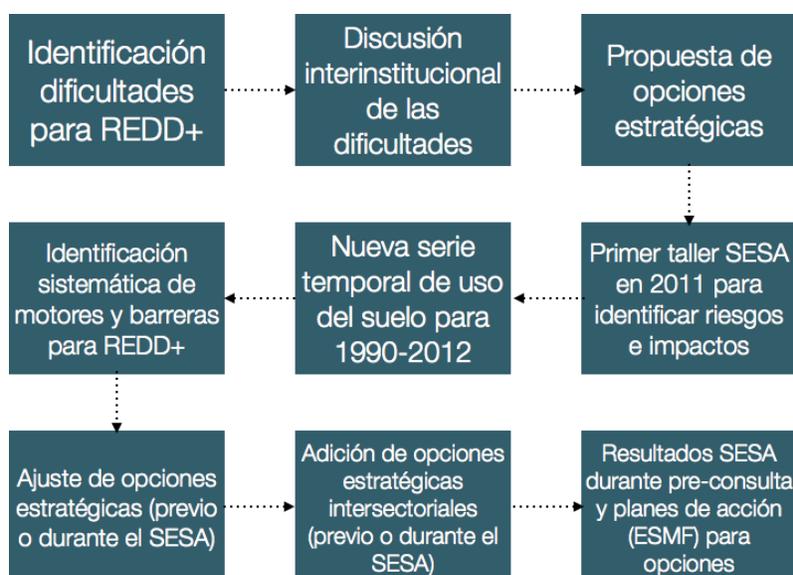


Figure 4. Process of defining strategy options for REDD+ implementation

Table 1. Technical studies by institution for the development of strategy options

Institution	Technical study	Strategy option (see note)
CIAgro	Reformulation of the regency reports as a mechanism for capturing technical information on forest regencies for decision-making on REDD+ and training in areas that tend to improve control of illegal activities that degrade and remove forest cover (*).	8
	Audit of the Forest Regency Management System (SIGEREFO) (*)	8
	Develop additional modules to expand SIGEREFO functionality and provide access to the National Forest Administration (AFE) (*)	8
	Sustainable financial arrangement to guarantee the control of the legality of forest production that SINAC conducts for CIAgro's enforcement function	8
	Review of forest regency files and protocols	8
	Field inspection of forest regencies in the Chorotega and Brunca regions	8
	Legal monitoring of grievances in CIAgro	8
FONAFIFO	Training plan for industry	4,6
	Legal support for the national REDD+ process with respect to indigenous communities (*)	10
	Study for the design of an indigenous PSA	2,3,5
	Support for indigenous territories in the land tenure action plan with topography services	10
	National forest monitoring system and estimate of changes in carbon stocks with respect to reference forest emissions. ³	1
	Design of a campesino PSA	2,3,5
FONAFIFO-ONF	Improvement and conservation of carbon stocks through an awareness campaign targeting the general public in order to reposition the use of wood (*)	4,6
	Market study for wood products and substitutes to improve conditions for increasing carbon stocks in long-lasting wood products (*)	4,6

³ Strategy option 1 seeks to accredit the reduction of emissions in protected wilderness areas. A first step is to measure and report changes in carbon stocks from the reference level that includes these areas and develop a system for monitoring them over time. During pre-consultation and SESA, other mechanisms will be explored with the interested parties in order to take this strategy option to the next level.



	Promotion of sustainable management of natural forests for the improvement and conservation of carbon stocks (*)	2,3,4,5,6
	Promotion of commercial reforestation for the improvement and conservation of carbon stocks (*)	2,3,4,5,6
	Improvement and conservation of carbon stocks through forestry activities and wood consumption by strengthening management capacity in the forestry sector	4,6
SINAC	Formulation of a technical proposal for adjusting sustainability standards for natural forest management that contains a simplified low-impact management proposal for small areas of forest and the preparation of standards for secondary forests and passive regeneration, code of practices, manual of procedures, and handbook for the forest owner (*)	2,3,5,6
	Formulation of the “Forest production program on private land in Costa Rica and adjustment of the map of potential wood production zones in the forest reserves, protected zones, and wildlife refuges and national monuments”	2,3,5,6
	Development of a digital chain-of-custody system for forest products in the context of the illegal logging control strategy	7
	Formulation of a strategy for forest protection and control and control of illegal logging	7
	Strengthening of the forest fire control strategy	7

Note: The strategy options are:

1. Integrate carbon sequestration in national parks and biological reserves into the REDD+ Strategy.
2. Maintain coverage of the Program for Payment of Environmental Services.
3. Expand coverage of the Program for Payment of Environmental Services.
4. Increase carbon sequestration through natural regeneration and the establishment of forest plantations to produce wood for national consumption on deforested land.
5. Pay for environmental services to sustain regenerated forest and manage secondary forests.
6. Incentivize the replacement of products with a large carbon footprint with sustainable wood in natural primary and secondary forests and reforested areas.
7. Strengthen SINAC activities for control of illegal logging and forest fires.
8. Strengthen CIAgro’s enforcement capacity.
9. Create new, predictable, long-term funding to finance implementation of the REDD+ Strategy.
10. Coordinate with the Initiative for the Registration and Regularization of Special Lands, including indigenous territories, in order to demarcate the 24 indigenous territories.

Status of progress

Agreement, action plan, and budget for strategy options

As of the date of writing of this midterm report, 9 of the 23 technical studies for developing the strategy options have been commissioned. The rest are expected to be commissioned and carried out in 2014. Most of the studies were launched only recently, although more progress has been made on the CIAgro consulting assignments, which seek to strengthen the forest agency information system. Training workshops have been held on the reformulation of the agency reports (i.e. verification) on PSA and other activities (see CIAgro function in Figure 3).

The agreements, action plans, and budgets will be defined during pre-consultation (and the SESA) by the REDD+ Secretariat with the relevant interested parties. Drawing on the readiness fund, a consultant will be hired to conduct a cost-efficiency analysis of the options and generate corresponding action plans. For this activity, special emphasis will be placed on proposing new options for cross-sector integration in order to achieve consistency across the AFOLU sector.

Discussion and development of a REDD+ implementation strategy

The REDD+ implementation strategy will be developed following pre-consultation and consultation with the relevant interested parties.



Other significant work in progress

The Secretariat has created a system for monitoring the status of the technical studies and, thus, the development of the options. Interviews are conducted with the consultants every eight weeks, and progress on the products is scored. The purpose of the interviews is to maintain a strategic line of action that matches the collective impact of the options based on the REDD+ approach in the country (Figure 3).

Request for additional funding

To complete component 2b, a request for \$50,000 is being made so that workshops can be held with the 24 indigenous territories in order to generate feedback on the National Forest Development Plan, inasmuch as the indigenous territories are not presently reflected in the plan. With this funding, FONAFIFO will work together with SINAC to open a forum for dialogue, ensuring that indigenous perspectives and interests are incorporated into general planning for the sector (including REDD+) over the next several years.

In addition, and for strategy options 2, 3, 4, 5, and 6, FCPF funds are requested to develop business models in the framework of REDD+. The purpose of this initiative is to link primary production with manufacturing, value-adding, and marketing by identifying successes and barriers. This will help participants in the production chain understand the long-term benefits and risks of joining REDD+. It is also expected to have a direct impact on current planting rates and forest management. These business cases will take into account the needs already identified by the FCPF in its dialogue with the private sector in Costa Rica. A total of \$1 million⁴ is being requested for this initiative, which will be used to hire a consulting firm to propose operational linkages between the producers (small and industrial), FONAFIFO, industry, and trade. According to the outcome of the dialogue between FCPF and Costa Rica's private sector, the country needs case studies for cabinet-making, woodwork, and furniture-making. The sustainability of the productive systems will stabilize the stream of co-benefits and strengthen livelihoods in the forestry sector. It also serves as a mechanism for preventing reversals, which is intrinsic to the design of the strategy.

Subcomponent 2c: REDD+ Implementation Framework

Overview

Activities under this component will lead to the design of the operating structure of REDD+, to consist of an adequate legal and institutional framework, record of activities and emissions reductions, the fraud control unit, the benefit-sharing mechanisms, and the REDD+ operating manuals.

Status of progress

Transparent and efficient adjustments made to the PSA to channel funds to the beneficiaries

Registry of emissions reductions

The registry should be incorporated into the country's carbon neutrality program since REDD+ and the forestry sector are part of the country program. This program is led by the Climate Change Directorate (DCC) (a preliminary version of the registry is expected to be in place at the DCC by November 2014). For the present purposes of REDD+ implementation, there is an operational registry at FONAFIFO for the PSA. However, it does not include forest production activities outside the PSA program. The new DCC registry slated for development in 2014 is expected to resolve this limitation at the national level. The

⁴ This estimate is from a concept note developed by the International Union for Conservation of Nature (IUCN) that includes a three-phase national work plan for the generation of case studies and capacity-building in the forestry sector.



carbon neutrality registry is intersectoral, and REDD+ is just a part of it, so funds will have to be drawn from various World Bank programs (FCPF and PMR).

Legal framework for REDD+ implementation and benefit sharing

In terms of the legal framework for REDD+, the country needs to be able to transfer title of credits to the Carbon Fund (section 18 of the ERPD template). Under the PSA, the beneficiary assigns environmental services rights to FONAFIFO in a contract. In order to be more inclusive, non-PSA beneficiaries should be given the opportunity to participate in REDD+ at the national level (Figure 5). Likewise, the participation of individuals and legal entities not eligible for the PSA should be promoted to allow for the legal transfer of environmental services to FONAFIFO. In other words, the institutional legal framework should be relaxed to guarantee the full inclusion of all parties interested in carrying out REDD+ actions, regardless of the ownership regime, so they can also contribute to the objective of improving the living conditions of the population. These developments will be undertaken in 2014 and the first half of 2015 by a legal specialist and consultants who will develop the benefit-sharing mechanism for indigenous and campesino communities. The institutional arrangements should consider the foregoing and other types of tenure situations and problems that could emerge and that require a more adaptable benefit-sharing mechanism. The legal specialist will also counsel the country on the potential adoption of the Carbon Fund's reversal management mechanism or the design of a national mechanism.

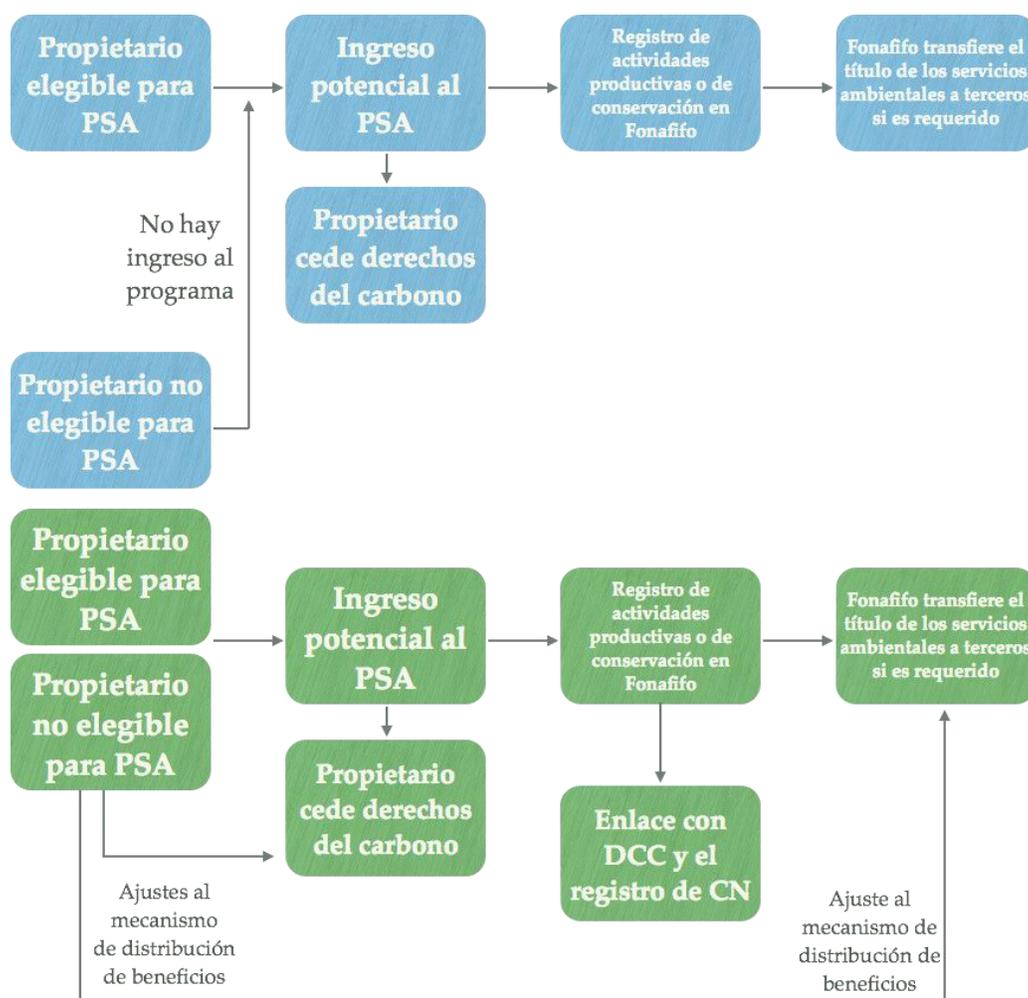


Figure 5. Adjustments to the benefit-sharing mechanism and registry. The current system is in blue; the proposed adjustments are in green.



Other significant work in progress

The most significant work in progress at the national level is the development of the Carbon Neutrality Program. This is a cross-sector program that includes the forestry sector and the REDD+ Strategy. Under this program, the domestic carbon market has been created as a main tool for achieving neutrality by 2021. The Costa Rica offset unit (UCC) was established as the transaction unit for this domestic market. The PSA and other FONAFIFO carbon projects will be registered in the framework of the Carbon Neutrality Program and will have a direct link with the domestic market (as yet to be defined in operational terms). As an initiative structured on the PSA, REDD+ is also part of the Carbon Neutrality Program. The relationship of credits produced under REDD+, the Carbon Neutrality Program, and the domestic carbon market is in the process of being defined by the DCC and MINAE.

Request for additional funding

Funds are requested to supplement the financing for the REDD+ registry at the DCC through the Partnership for Market Readiness (PMR). This initiative has \$200,000 for its registry. Costa Rica hopes to supplement that amount with another \$200,000 from the FCPF. The total amount of \$400,000 would cover the full cost of the registry, according to provider estimates.

In addition, \$30,000 is being requested for the development and documentation of the operational procedures for REDD+ implementation. These procedures are the legal rules and regulations required by government institutions to execute actions. The procedures will cover the entire REDD+ architecture and are a detailed, operational description of the institutional arrangements.

Component 2d: Strategic Environmental and Social Assessment

Overview

Under this component, the Strategic Environmental and Social Assessment (SESA) is expected to be completed, and an Environmental and Social Management Framework (ESMF) will be developed to manage potential risks and impacts in a manner satisfactory to the parties. Through the SESA and during pre-consultation, aspects related to the social and environmental risks and safeguards will be identified with the parties (see subcomponent 1b).

Costa Rica launched its SESA process in 2011 with a national workshop to explore the environmental and social risks associated with the strategy options. Based on these risks, studies were designed, which are in the process of being executed or contracted (see Table 1). The SESA process will resume in 2014 during pre-consultation, so that the social and environmental impacts and the risks associated with REDD+ implementation can be discussed with the parties in greater depth.

The final objective of the SESA is to provide input for a participatory ESMF that is culturally appropriate for all parties. Its viability will be analyzed during the consultation phase to begin in January 2015.

Status of progress

Completion of the SESA and incorporation of its results into the Strategy

A broad array of actors participated in the 2011 national SESA workshop. At the workshop, the strategy options proposed in the R-PP were discussed, and these remain the available options (see subcomponent 2b). Based on an exhaustive analysis of the options, four key risks were identified and prioritized:



1. Land tenure and overlaps in indigenous and campesino lands
2. Limited activities and access to natural resources in communities
3. PSA as sharing of benefits
4. Lack of conditions for the sustainable management of natural forests

For each one of these risks, technical studies were conducted to shed light on possible solutions. For example, for risk 1, action plans were created for the 24 indigenous territories to recover land under special land tenure regimes. This is a first step towards regularization of the cadastre in indigenous territories. For risks 2 and 3, a forum was created for the parties to be able to define the benefit-sharing mechanism that best suited their needs and interests. At this time, terms of reference (agreed upon with the respective parties) have been prepared to hire a specialist to facilitate dialogue in the indigenous territories and campesino communities. The expected result will be a benefit-sharing mechanism that has been discussed with the parties to help mitigate the risks. Lastly, for risk 4, a consulting assignment was initiated at SINAC to review the forest management principles, criteria, and indicators that support the technical development of the forest management plans. The problem in the country has been the overregulation of use and the lack of monitoring of areas subject to use. Through REDD+, the proposal is for SINAC to facilitate the execution of management plans while strengthening its logging control strategy, verifying that no products are extracted after the period of use has ended.

Pre-consultation, which will begin in May 2014, offers a fresh opportunity to address these issues anew, evaluate the status of progress on the technical studies addressing the risks identified in the 2011 SESA workshop, and create new opportunities for discussion. These new forums will include new cross-sector integration options (see subcomponent 2b).

Completion of the ESMF and incorporation of its results into the Strategy

The ESMF will be developed in parallel with the SESA (from May 2014 to November 2015) and will conclude with a detailed action plan addressing the social and environmental impacts. The terms of reference for the ESMF were revised by the Executive Committee and are subject to feedback from the parties. For this activity, an environmental specialist and a social specialist will be hired. The SESA findings will be taken into consideration for the development of the ESMF.

Other significant work in progress

There are no other activities under way.

Request for additional funding

Due to the previously identified gaps, additional funding is requested for the SESA in subcomponent 1b. The \$650,000 request covers pre-consultation, the SESA, and REDD+ consultation. There are no other funding requests for this subcomponent.

Component 3: Reference emissions level / Reference forest level

Overview

Under this component, Costa Rica is expected to have a reference level in line with the principles established by the Intergovernmental Panel on Climate Change (IPCC) and with the national inventory of greenhouse gases. The reference level is the first step in designing the MRV mechanism. The reference level is national in scope and will be designed in order to certify emissions reductions for the Carbon Fund and under the Verified Carbon Standard (VCS) – Jurisdictional and Nested REDD+ (JNR) model in the UNFCCC framework (Figure 6). Both entities have methodological frameworks that must be harmonized.



The country presented a reference level in its ER-PIN, but it was temporary, inasmuch as it was limited to the 2000-2005 period and only covered deforestation.

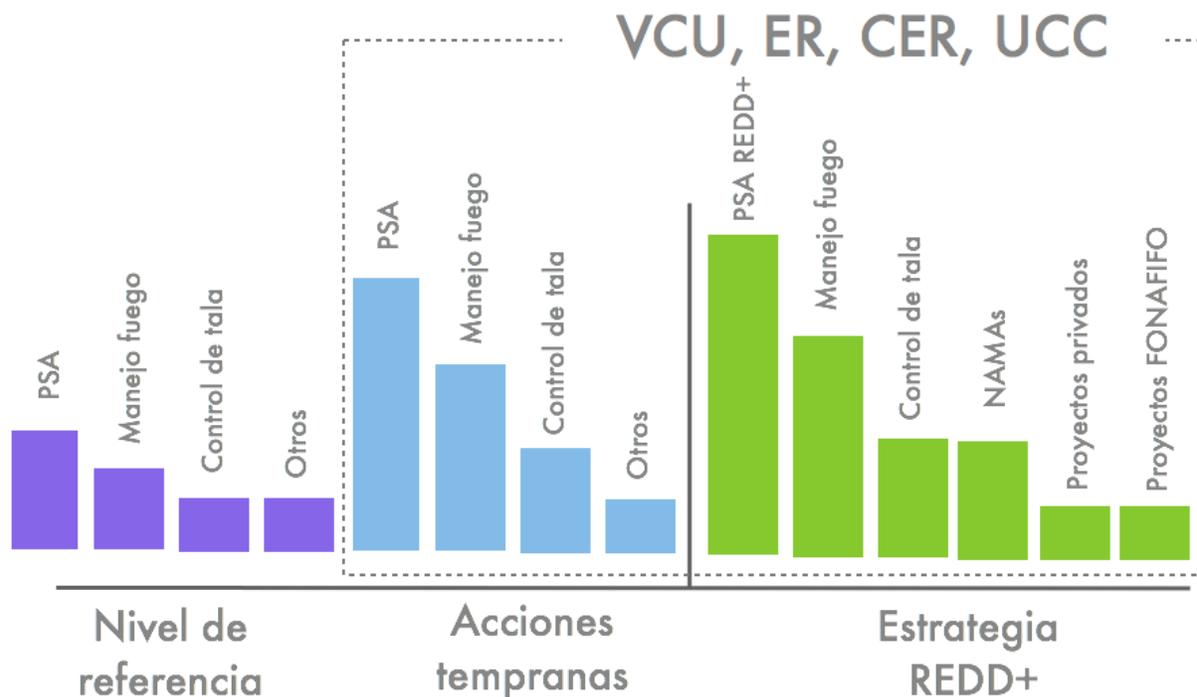


Figure 6. Activities that will be included in the reference level and activities that will generate different categories of credits starting with early implementation of the PSA (early actions) and the REDD+ Strategy. The bars, which are conceptual and do not correspond to known values, represent net emissions or emission reductions. The acronyms are various types of credits: VCU, verified carbon unit; ER, emission reduction; UCC, Costa Rican offset unit.

The World Bank, with Carbon Fund resources, is supporting FONAFIFO by hiring a consortium (second consortium described in subcomponent 2a) to establish the reference level (Figure 7). This consortium will help the country explore options for the reference level, set guidelines for its MRV approach, and generate the accounting link for the national inventory of greenhouse gas emissions.





Figure 7. Process flowchart for the consortium that will generate reference level options and accounting for the land use, land use change, and forestry (LULUCF) sector. The time series is the final product of the first consortium described in subcomponent 2a for reprocessing satellite images for the historical reference period.

Status of progress

Definition of comprehensive reference level

Similar to progress described in subcomponent 2a, the progress made thus far has been administrative in nature, mainly consisting of hiring the consortium, but also of establishing governance and technical decision-making entities (see subcomponent 1a). These governance entities will supervise product development by both consortiums. The Secretariat revises the map of actors on an ongoing basis to include additional actors that may play a role in the reference level or the MRV mechanism.

The technical roundtable (see subcomponents 1a and 4a) discussed a preliminary approach for the measurement, reporting, and quality control of the emission factors and activity data for the five REDD+ activities defined at the Conference of the Parties in Cancún. The results of the first roundtable reflect this



progress, which lays the groundwork for conceptualization of the reference level (<http://reddcr.go.cr/es/centro-de-documentacion/sistema-nacional-de-monitoreo-de-bosques>). At this time, the plan is to include all activities, with special emphasis on the activities proposed in the ER-PIN delivered by Costa Rica to the FCPF.

Other significant work in progress

There is no other work under way, but see the progress described in subcomponent 4a.

Request for additional funding

This component is proceeding with Carbon Fund resources. No additional funding is requested of the FCPF.

Subcomponent 4a: Forest Monitoring System

Overview

This component is expected to produce a monitoring system for the REDD+ Strategy (and its pilot initiative: ER-program). The National Forest Monitoring System (SNMB) is a technical platform that also seeks to integrate forest monitoring programs at the national and cross-sector level. The SNMB must measure, report, and verify the activities shown in Figure 6 of component 3. The SNMB in Costa Rica operates in a coordinated manner and will culminate in a report on the national inventory of greenhouse gas emissions prepared by the National Meteorological Institute (IMN) for the UNFCCC and the REDD+ report prepared by FONAFIFO for the FCPF for the period 2015-2020.

The SNMB includes field data with the forest inventory (Figure 8) but also incorporates remote sensing data with the land use maps. This combination makes it possible to monitor changes in carbon stocks resulting from land use changes. The consortium that will define options for the reference level plays an important role in developing the SNMB. The final decision will be supported by the technical roundtable and the REDD+ Executive Committee (see subcomponent 1a).

Costa Rica has an MRV base proposal that will inform the discussion on monitoring options with the chosen consortium. The base proposal includes the REDD+ activities that have been proposed and approved in the ER-PIN. The main institutions and their primary roles for the SNMB are as follows:

- National Meteorological Institute (IMN): focal point and reporting to the UNFCCC
- National Statistics and Census Institute (INEC): Responsible for the 2014 Farm Census
- National System of Conservation Areas (SINAC): Forest inventory and emissions factors; operation of the strategies for control of illegal logging and forest fires
- National Fund for Forest Financing (FONAFIFO): operation of the PSA and reporting to the FCPF
- Ministry of Agriculture and Livestock (MAG): Operation of the NAMAs
- Committee for the Use of Remote Sensors and Other Technologies (IMN-SINAC-FONAFIFO): supervision of development of the protocol for generating land use change maps and execution of the protocol in 2015, 2017, and 2020
- National Commission on Forest Sustainability (CNSF): technical verification of academia



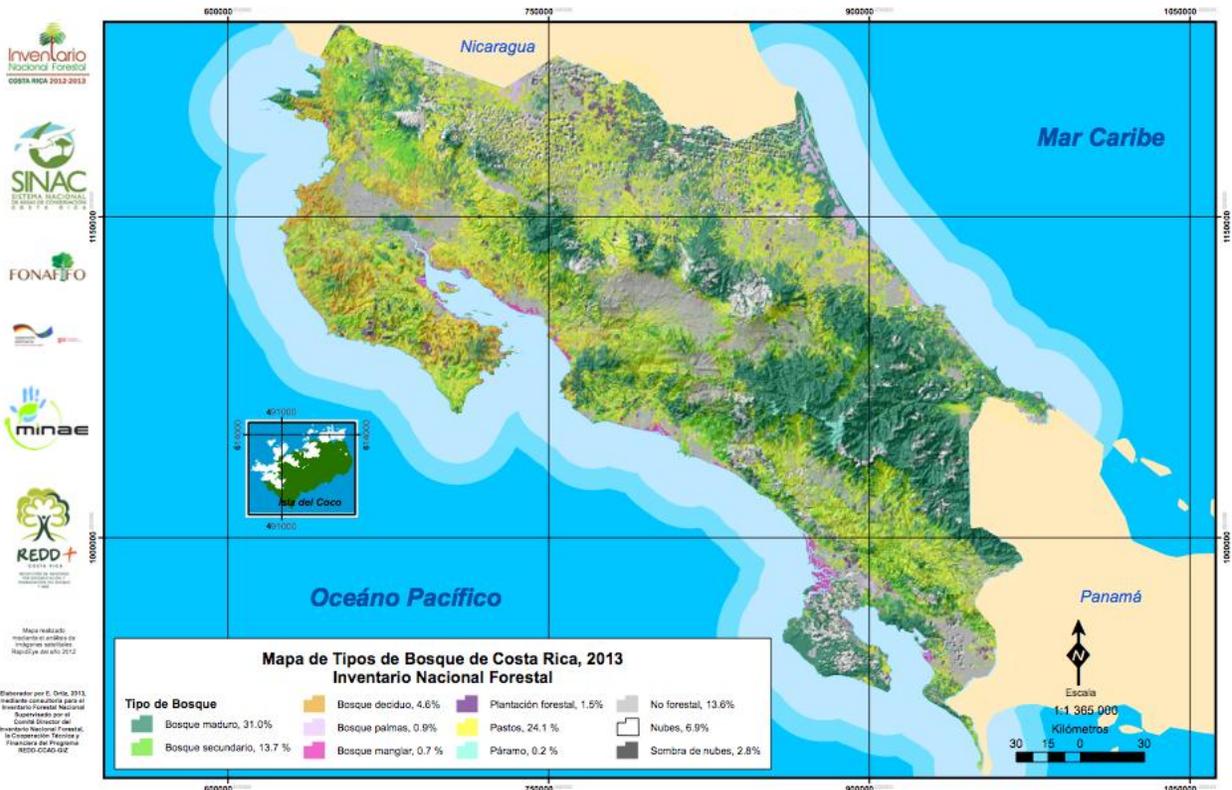


Figure 8. Map of forest types based on the national forest inventory financed by GIZ and implemented by SINAC-FONAFIFO in the framework of the national REDD+ Strategy

The SNMB should ensure accounting consistency across sectors. This should be explicit in the DCC registry (see subcomponent 2c). The national inventory of greenhouse gas emissions should reflect these emissions reductions. Following the guidelines set by the IPCC in 2006, the forestry and agriculture sectors should be counted together. This is the AFOLU sector. For Costa Rica, MAG and MINAE programs should be harmonized. Specifically (see Figure 7):

- REDD+ Strategy, which includes the strategies for control of illegal logging and management of forest fires
- NAMAs for sugarcane, coffee, livestock, and cacao
- Carbon neutrality accreditation of private and State-owned enterprises in line with the provisions of the Technical Standards Institute (INTECO) and under the Domestic Carbon Market model
- Private projects for carbon trading sponsored by FONAFIFO or through the VCS-JNR
- Carbon trading projects led by FONAFIFO
- Other private projects outside the national REDD+ registry

In compliance with the IPCC principles of completeness and accuracy, there should be no double accounting. Each action on the previous list should be spatially explicit. Accordingly:

$$RE_{REDD} \neq RE_{NAMA} \neq RE_{pp} \neq RE_{pe} \neq RE_{MDC}$$

and

$$RE_t = \sum RE_{REDD} + \sum RE_{NAMA} + \sum RE_{pp} + \sum RE_{pe} + \sum RE_{mdc}$$

and



$$RE_t \leq NR$$

where:

RE: Emission reductions

pp: Private projects

pe: Public projects

MDC: Domestic carbon market

NR: Reference level for forest emissions

Status of progress

Capacity-building and coordination for carbon monitoring

The progress made in contracting the consortiums has been the country's most decisive step toward achieving consistency in accounting for REDD+ and the national inventory of greenhouse gas emissions. This is the most significant progress to date. An intensive process of information generation and analysis is expected in 2014.

Recently, the company was hired that will support development of the SINAC chain of custody, which will inform the MRV in terms of areas of deforestation and their relationship with forest management plans and other activities. This Forest Resources Information System (SIREFOR) is a key tool for understanding how deforestation starts in the country and where it is occurring. At present, there is spatially explicit information on the location of use permits. The objective is to tie in this monitoring with the transport guidelines and the volume of wood that is reaching the industry.

The technical roundtables held to date (five regular meetings and one special meeting) are a forum created to establish institutional arrangements, but they also serve as a platform to build carbon monitoring capacity. For example, potential arrangements for three of the five REDD+ activities have already been discussed in detail, and there is a general proposal on the table for the remaining REDD+ activities.

Other significant work in progress

Costa Rica has taken some important steps forward with the SNMB. First, with GIZ support, the national forest inventory was generated. The field stage of this inventory will conclude in September 2014, and a national map based on RapidEye images is already available (Figure 8). This map shows the types of forest in the country. Also with GIZ support, allometric models are currently being generated for four types of forest that are strongly represented in the country.

The REDD+ Secretariat agreed with the IMN on a plan for incorporating REDD+ information into the national inventory of greenhouse gas emissions through the national communication and biennial report to the UNFCCC. This plan corresponds to the first special meeting of the technical roundtable on the SNMB. The IMN also has funds to strengthen the intersectoral MRV, including the forestry sector and REDD+, which will directly support the incorporation of the REDD+ MRV elements into the greenhouse gas inventories and the reports to the UNFCCC.

Request for additional funding

Additional funding is requested to move ahead with various aspects of the SNMB. First, the SINAC needs to finalize the chain of custody that has been strengthened with FCPF readiness funds. So far, the plan is to link extraction permits (i.e., includes forest management) and locate trees on maps. These trees are monitored during transport. This makes it possible to assess the volume of unauthorized wood. The next phase in the chain of custody is to track the trees to industry. This is important because it ensures the



traceability of the permits issued by the government and identifies the types of products that end up being made. This latter aspect is essential for knowing the final destination of legally harvested wood and whether carbon is being sequestered in long-lasting wood products (in its ER-PIN, Costa Rica proposed the sequestration of five million tons of carbon dioxide equivalent (tCO₂e) in these types of product). To complete the chain of custody, \$120,000 in additional funding is requested from the FCPF.

Additional funds are also being requested for an SNMB communication strategy, which is important for several reasons. First, it is a way to publicize the activities that the government conducts for the control and monitoring of forest resources, which may discourage illegal logging by raising awareness among producers. In addition, it allows the general public to see the technical development of REDD+ and helps build confidence in the national forest programs that are monitored through the SNMB. These include the NAMAs, the Carbon Neutrality initiative, REDD+, and private projects for reducing emissions. A total of \$50,000 is requested for this campaign.

Alongside construction of the SNMB at the national level, local MRV strategies will be developed in indigenous territories. These will generate useful information for planning forestry and agricultural production, while serving as a quantitative input for the National Development Plan proposed in subcomponent 2a. The local MRV essentially consists of land use plans and production monitoring. The indigenous metrics are translated to tons of carbon dioxide equivalent (tCO₂e) at the level of the REDD+ Secretariat in order to prevent additional cost to the indigenous territories. A total of \$100,000 is requested to work with the 24 indigenous territories on forest production plans.

Lastly, additional funding is requested to invest in biomass prediction models that are spatially explicit and can be run using information from satellite images. This is a chain of models that includes field data, satellite images, and auxiliary light detection and ranging (LIDAR) data. This could be a cost-effective option for supplementing the national forest inventory. The FCPF is requested to provide \$950,000 to generate biomass prediction models for the types of forest defined in the current forest inventory and potentially for forest types defined in future maps. This would make it possible to estimate emissions factors in future monitoring events for which there is as yet no specific financing for the forest inventory. An important aspect of these models is that carbon stocks in the *past* can be estimated, inasmuch as satellite images are used for the historical reference period, and these can be fed into the models. In subsequent measurement events, the models would then be able to identify areas of loss of forest as well as loss of carbon in areas without loss of forest (forest degradation). In the end, the models generate spatially explicit carbon maps. The cost of \$950,000 was estimated based on data from companies that provide this service. The assumptions are a sampling of 5% of the country, for an inference on 2,657,200 square kilometers (52% of national territory) at a total cost of \$0.35 per hectare.



Subcomponent 4b: Information System for Multiple Benefits, Other Impacts, Governance, and Safeguards

Overview

This component is expected to provide the country with an integrated information system on the multiple benefits, other possible impacts, development of governance, and the safeguards defined in the UNFCCC. For this, several information systems are involved. For example, the safeguard information system (SIS) reports indicators that comply with the UNFCCC safeguards, and at the same time, the environmental and social risks addressed in the ESMF are taken into account. Information is also incorporated on the multiple benefits (co-benefits) of REDD+ implementation. Because the World Bank is the implementing partner, the country must also consider its environmental and social operational policies.

Through participatory processes with the relevant interested parties, appropriate indicators will be defined to address the risks, other impacts, and safeguards through the SIS. Ideally, the SIS will take into account multipurpose indicators that safeguard REDD+ preparation and implementation in a manner satisfactory to the parties. During REDD+ implementation, the World Bank requests compliance with its operational and environmental policies. The policies are applied in the areas of REDD+ implementation. The common approach of this report describes the environmental and social operational policies that apply to Costa Rica.



Figure 9. Relationship between the ESMF, the co-benefits, other impacts, the safeguards, and the regional forest monitoring system (PERFOR) with the SIS and preparation and implementation of the Strategy. The World Bank's operational policies that apply solely to implementation of the ER-Program appear in yellow.



Status of progress

The status of progress on the SESA and the plan for the ESMF was described in subcomponent 2d. In the event that the ESMF suggests monitoring of indicators, these will be incorporated into the SIS. The Cancún safeguards have been interpreted by the indigenous territories, and key items for discussion have been identified. However, more detailed work is needed to define indicators that are culturally appropriate for the potential beneficiaries of REDD+ (including campesinos).

Other significant work in progress

The SIS has been advanced at FONAFIFO for discussion with the parties through a specific support from UN-REDD. A review of 35 indicators to address the 7 Cancún safeguards was completed. For each indicator, methodological notes were prepared that are available for comment by the parties.

INBio-CATIE is working to identify and quantify co-benefits, which may include protection of biodiversity, scenic beauty, regulation of the flow, quality, and quantity of water for human consumption and irrigation (erosion control and horizontal rainwater harvesting), pollination services and biological control for coffee cultivation, wood production on forest plantations and through natural management of primary and secondary forests, and bioenergy. There are also plans to establish a link with PERFOR, with IUCN support, to incorporate other non-carbon aspects associated with REDD+ into the information system. A final proposal is expected in November 2014.

Request for additional funding

Additional funding is needed to discuss the indicators compiled with the relevant interested parties, as well as to gather ideas from the parties on other possible indicators, so final decisions can be made that will produce an SIS that is simple but efficient in its design and that ensures that the key requirements of the UNFCCC can be met. The requested funds are for regional and national workshops. The expectation is that with these funds, work can be completed on defining the indicators and the framework for distributing the reports on how the safeguards are addressed. A total of \$50,000 is requested to hold the workshops.



Section 2. An analysis of progress achieved in those activities funded by the FCPF Readiness Preparation Grant

Committed funds

As of April 2014, a total of \$1,891,405 has been committed, of which \$489,842 has been disbursed (Table 2).

Table 2. Funds committed and disbursed as of April 2014 from the FCPF Readiness Fund in Costa Rica

Sub-component	Activities	US\$ Committed	US\$ Disbursed
1a	Workshop to develop FONAFIFO-REDD+ action plan	7,380	0
1b	Advisory services for consultation process, grievance procedure, and national, regional, and local participation of campesino groups and civil society	300,000	210,000
	Communications strategy	40,000	40,000
	CCF workshops	20,000	16,000
	Workshops with the relevant interested parties and high-level government officials for consultation and participation processes	52,000	36,400
	Workshop and event with various indigenous sectors; development of a funding proposal for indigenous territories; food and lodging	7,400	7,400
	Logistical and administrative support for the consultation process in phases 1 and 2 (outreach and pre-consultation), design and implementation of the indigenous action plan on land tenure and regularization of territories, and establishment of an indigenous secretariat for the execution of agreements, advisory services, and regional coordination for the North Central Block	166,000	0
	Logistical and administrative support for the consultation process in phases 1 and 2 (outreach and pre-consultation), design and implementation of the indigenous action plan on land tenure and regularization of territories, and establishment of an indigenous secretariat for the execution of agreements, advisory services, and regional coordination for the RIBCA Block	196,000	0
	Printing and publication of brochures, relevant interested parties	5,882	0
	Technical support for the indigenous consultation and grievance procedure	36,500	7,300
	Communication strategy for the 2014 REDD Project	48,000	0
	Support on social development aspects of the REDD+ Strategy	40,000	0
	Logistical and administrative support for the consultation process in phases 1 and 2 (outreach and pre-consultation), design and implementation of the indigenous action plan on land tenure and regularization of territories, and establishment of an indigenous secretariat for the execution of agreements, advisory services, and regional coordination for the Union Gnabe – Southern Pacific Block	171,000	0
2b	Project administrator and recommendation on public policy	31,000	-



	Improvement and conservation of carbon stocks through an awareness campaign targeting the general public in order to reposition the use of wood in civil construction	76,500	0
	Development of additional modules to expand SIGEREFO functionality and provide access to AFE	20,000	0
	Promotion of commercial reforestation for the improvement and conservation of carbon stocks	79,964	0
	Formulation of a technical proposal for adjusting sustainability standards for natural forest management that contains a simplified low-impact management proposal for small areas of forest and the preparation of standards for secondary forests and passive regeneration, code of practices, manual of procedures, and handbook for the forest owner	65,000	0
	Promotion of sustainable management of natural forests for the improvement and conservation of carbon stocks	79,034	0
	Improvement and conservation of carbon stocks through forestry activities and wood consumption by strengthening management capacity in the forestry sector	80,000	0
	Market study for wood products and substitutes to improve conditions for increasing carbon stocks in long-lasting wood products	74,962	0
2d	Assistance on social aspects of the REDD+ Strategy	27,800	27,800
	Advisory services for implementation of the work plan, SESA, grievance procedure, and consultation plan	54,000	39,000
4a	Development of the baseline and advisory services for measurement, reporting, and verification activities in the REDD+ Strategy	33,000	33,000
	Audit of the information systems	9,700	3,880
	Sustainable financial arrangement for control of the legality of forest production that SINAC conducts for CIAgro's enforcement function	25,450	5,090
	Equipment and tools (GPS, diametric tape, clinometers)	2,431	2,431
	Reformulation of the regency reports as a mechanism for capturing technical information on forest regencies for decision-making on REDD+ and training in areas that tend to improve control of illegal activities that degrade and remove forest cover	59,275	0
	Development of the baseline and advisory services for measurement, reporting, and verification activities for the 2014 REDD+ Strategy	60,000	0
Other	Hard disks	1,261	1,261
	Computer equipment (Laptop and desktop computers)	19,645	19,645
TOTAL		1,891,405	489,842

The activities financed by the FCPF have made possible the progress presented in section 1, but specifically:

Component 1

The REDD+ outreach phase was financed with the relevant interested parties, laying the foundation for the pre-consultation, the SESA, and the REDD+ consultation. The parties included in the outreach and communication phase were as follows:

- Agroforestry sector and owners of overused lands
- Private sector
- Indigenous territories
- Government institutions



Organization of the indigenous territorial blocks was consolidated. Specifically, financing was provided for these processes in the Central, North, RIBCA, and Gnöbe blocks. This encompasses 19 of the 25 indigenous territories in the country. For the remaining 6 territories, dialogue was initiated on their participation in REDD+ preparation.

Financing was provided under this component for the design and implementation of the strategy for publicizing the REDD+ Strategy. This included establishing channels of communication with the relevant interested parties and providing appropriate materials for each sector. The REDD+ image was constructed in the country, and the strategy was positioned at the highest political level.

This component financed support for the social processes of participation and communication at the REDD+ Secretariat and administration of the Strategy. This also includes a REDD+ capacity-building program at FONAFIFO.

Component 2

Through the FCPF, Costa Rica has financed part of the development of its strategy options, including the review of the forest regencies for verification of forestry activities, a reformulation of the criteria for natural forest management, and an increase in wood production and consumption nationwide.

To increase wood consumption specifically, market studies were conducted to identify wood substitutes in construction, a wood construction training plan for engineers and architects was developed, and technology packets for investment in forest plantations were produced.

Financing was also provided to develop the work plan for the strategic environmental and social assessment (SESA). This plan was based on the 2011 national workshop and is intended to identify the risks and impacts of REDD+ implementation in accordance with the Cancún safeguards and the World Bank's operational policies. The work plan can be obtained from the REDD+ Secretariat by writing to info@reddcr.go.cr.

Component 3

With publication of the Carbon Fund methodological framework, the approach and methodological limitations of the reference level in Costa Rica's ER-PIN were identified. To resolve these issues, two specialized consortiums were hired with Carbon Fund resources to improve the historical assessment of the land use analysis and the definition of the reference level. The FCPF financed a review of the ER-PIN and the proposal of actions to improve it. With this funding, the technical roundtable was created, which brings together academia and the government institutions that conduct forest monitoring in the country. The roundtable discusses the technical aspects of the reference level and the MRV activities required for REDD+, as well as the medium-term forest monitoring system approach for the country and the national communications with the UNFCCC.

Component 4

Financing was provided for the development of a preliminary methodological proposal for the measurement, reporting, and verification (MRV) of the REDD+ activities proposed by Costa Rica in the ER-PIN. This proposal is being discussed in the aforementioned roundtable forum. The proposal designates the responsible institutions, identifies the information systems, and establishes the technical specifications for estimating emission factors and activity data. This is the foundation for the institutional arrangements that will be consolidated in 2014.

FCPF financing was used to create a committee specializing in the use of remotes sensors and other technologies to monitor the development of a protocol for the production of maps depicting land use (and



changes in land use) at MINAE and potentially at MAG. This committee will monitor the development of a historical time series of land use changes and will apply the protocol to future monitoring events.

Funds to be committed

The funds to be committed are presented in Table 3.

Table 3. Funds to be committed for REDD+ preparation in Costa Rica.

Sub-component	Activity	Total (\$)
1a	Legal support for the national REDD+ process	32,800
	Management, contracting, and administration of qualified human talent for the REDD project	126,000
	Implementation of grievance mechanism	40,000
	Creation of capacity for implementation of the grievance mechanism	40,000
1b	Various communication services for the REDD+ Strategy, printed material, video recordings, charts, retail materials	27,500
	Organization and implementation of national workshops (hotels and food)	6,000
	Campesino and indigenous regional workshops (meeting room, food, lodging)	6,000
	Implementation workshops for public and private sectors (meeting room, food, lodging)	11,000
	Food service for various workshops on the REDD+ Strategy	10,000
	Capacity-building workshops with the campesino sector	40,000
	Workshops for REDD+ consultation with five campesino regions	47,000
	Workshops for REDD+ consultation with five indigenous territories	47,000
	Coordination and execution of workshops for the social and environmental assessment	79,000
	Workshop for evaluation of readiness by the relevant interested parties	38,000
	Travel expenses of the representatives of the Executive Committee (lodging and per diem)	10,000
	Per diem for field visits during the communication, strategy preparation, and national consultation processes	4,000
	Expenses related to various activities with the relevant interested parties	17,200
	Expenses related to the systematization of workshops	48,000
	Facilitation for development of the consultation plan, design and implementation of the indigenous action plan on land tenure and regularization of the territories, establishment of an indigenous secretariat for the execution of agreements, advisory services, and national coordination for the China Quicha and Ujarrás Block	60,000
	Consulting assignment for development of the consultation plan, design and implementation of the indigenous action plan on land tenure and regularization of the territories, and establishment of an indigenous secretariat for the execution of agreements, advisory services, and national coordination for the Central Pacific Block	156,000
	Preparation and consultation of the REDD+ Strategy	36,000
	Support for communication and participation processes	40,000
	2b	Formulation of strategy for forest control and protection, control of illegal logging
Strengthening of the forest fire control strategy		60,000
Support to indigenous territories for the land tenure action plan with topography services		24,000
Development of the strategy options		50,000
Formulation of the "Forest production program on private land in Costa Rica and adjustment of the map of potential wood production zones in the forest reserves, protected zones, and wildlife refuges and national		30,000



	monuments”	
	Training plan for industry	30,000
2c	Study for the design of an indigenous PSA	20,000
	Design of a campesino PSA	30,000
2d	Support for development of the Social and Environmental Assessment System (SESA)	40,000
	Implementation of the social component in the social and environmental management framework of the Costa Rica REDD+ Strategy	60,000
	Development of the framework for social management	40,000
	Development of the framework for environmental management	40,000
3	Estimate of REDD+ emission factors and activity data and capacity-building in the consultation process for the measurement, reporting, and verification (MRV) system	20,000
4a	Development of a digital chain-of-custody system for forest products in the context of the illegal logging control strategy	55,000
	Review of forest regency files and protocols	34,000
	Field inspection of forest regencies in the Chorotega and Brunca regions	70,000
	Legal monitoring of grievances in the Association of Agronomists (CIAgro)	40,000
	Field measurements in PSA areas and verification of REDD+ activities	32,000
Other	Audit of the REDD project	10,000
	Bim video	900
TOTAL		1,708,595

Drawing on the funds to be committed, the following progress is expected:

Component 1

With the funds earmarked for consultation, a ***national*** consultation process will be conducted. This involves discussion with the REDD+ Executive Committee and the key representatives of the sectors.⁵ This activity is expected to produce feedback from the various sectors. Part of the funds for the ***national*** consultation include self-evaluation by the relevant interested parties, as required for the readiness package (R-package) to be presented to the FCPF.

A lawyer will be hired to support preparation of the R-package, especially the institutional arrangements for REDD+ implementation and the benefit-sharing mechanism. The support personnel for FONAFIFO will be a group of financial administration, procurement, and technical professionals to strengthen the participation of the institution in REDD+ preparation. A total of \$80,000 is expected to be committed to implement the grievance mechanism and build capacity for using it.

In terms of promoting participation and dissemination, activities will be contracted to facilitate outreach in the China Quichá and Ujarrás and the Central Pacific Territories. There are also plans to implement the communication strategy by creating and printing materials and generating multimedia content. Lastly, financing will be provided to draft the REDD+ Strategy, which will also support the Secretariat in its efforts to prepare the R-package.

Component 2

First, the plan is to finance the development of the strategy options prior to the SESA, so a more informed discussion can be held with the parties. At the same time, the SINAC strategies to control illegal logging and forest fires will be strengthened.

⁵ For a more local consultation, additional funding is being requested from the FCPF (see section 6).



This component provides financing for other programs related to the promotion of forest management, such as the program for production on private lands and the plan for industry training. In association with REDD+ implementation, financing will be provided to develop appropriate benefit-sharing mechanisms for campesino and indigenous communities.

In terms of the SESA and the ESMF, there are plans to hire a specialist to systematize the SESA workshops. An environmental expert and a social expert will also be hired to develop the ESMF.

Component 3

There are plans to hire a national expert to systematize databases to support estimates of emission factors and activity data on forest degradation. The more substantial development of the reference level will be handled by a consortium contracted by the World Bank.

Component 4

Investments will be made in the illegal logging chain of custody so that forest use permits can be monitored in a spatially explicit manner. In addition, three consulting assignments are planned in order to strengthen CIAgro inspection capacity in its verification of forest activities. Both initiatives are related to MRV activities. Lastly, a forestry professional will be hired at the PSA Office to support contract verification work.



Section 3. An updated financing plan for the overall Readiness preparation activities, including funds pledged by, and a brief description of activities supported by, other development partners

Financing plan for REDD+ preparation

Assumptions and operating model

The financing plan is based on the following assumptions (Table 4):

- The actual financing granted by the FCPF and the additional funding requested of the FCPF is **sufficient** for effective preparation of REDD+
- Financing from other implementing partners has been instrumental in fine-tuning the preparation activities at the **local** level with the actors and in obtaining greater technical **certainty**.
- Financing from other implementing partners is hard to predict and is subject to project timelines, which requires FONAFIFO to have a **flexible** budget proposal that allows it to take advantage of financing opportunities as they arise.
- The readiness fund covers the basic needs of the components requested by the FCPF for the **readiness package**; the request for additional funding is meant to improve processes at a more local level, conclude negotiation processes with the sectors, and install more efficient mechanisms for REDD+ implementation (e.g., registry, financial system, LIDAR).

As an example of the coordination of cooperation, Costa Rica has scientific studies and permanent measurement parcels in diverse types of forest to estimate emission factors for deforestation. This is high-quality information for REDD+, and in the FCPF budget, there were activities planned to strengthen this information. However, through GIZ, there was an opportunity to finance the country's first forest inventory, which significantly improved the country's capacity to estimate carbon stocks. In this example, the country was REDD+ compliant with the original proposal, but with GIZ support, a considerable improvement was made, resulting in more detailed information.

Time considerations in the use of funds

The **existing** readiness fund will be used to complete the **readiness package** for the FCPF, including the self-evaluation by the relevant interested parties. The **additional** funds that are being requested will be used to improve the existing systems, provide support to the institutions and sectors in preparation for REDD+ implementation, and initiate **local** consultation and monitoring processes. Accordingly, the FCPF is asked to approved a longer execution period for the funding, in order to allow sufficient time to complete the development of these mechanisms and processes.

Table 4. Financing plan for preparation activities in Costa Rica (USD = \$)

R-PP Component	Total needed (A)	Funds pledged (B)	Funds used		Funds available (= B - C)	Financing gap (= A - B)	Request to FCPF
			Funds committed	Funds disbursed (C)			
1a	800,800	250,800	92,000	31,000	219,800	550,000	550,000
1b	2,746,500	1,806,500	1,078,580	358,162	1,448,338	940,000	940,000
2a	184,000	134,000	0	0	134,000	50,000	50,000
2b	196,000	166,000	76,000	0	166,000	30,000	30,000
2c	2,126,500	516,500	384,050	0	516,500	1,610,000	1,610,000



2d	234,000	234,000	54,000	39,000	195,000	0	
3	53,000	53,000	33,000	33,000	20,000	0	1,220,000
4a	1,606,300	386,300	152,575	7,480	378,820	1,220,000	50,000
4b	50,000	0	0	0	0	50,000	
Other	32,100	32,100	21200	21200	10,900	0	
Total	8,029,200	3,600,000	1,891,405	489,842	3,089,358	4,450,000	4,450,000
Funding sources							
FCPF		3,600,000	1,891,405	489,842	3,110,158		
Government of Costa Rica		400,000	150,000	150,000	250,000		
GIZ		2,000,000	2,000,000	2,000,000	0		
NORAD		2,133,800	522,000	522,000	1,611,800		
USAID		350,000	5,000	5,000	345,000		
UN-REDD		225,000	153,000	0	225,000		
Carbon Fund		650,000	0	0	650,000		
Total		9,358,800	4,721,405	3,166,842	6,191,958		

Coordination of funds of other implementing partners

The largest funding entities are GIZ, NORAD, USAID, the Carbon Fund, and UN-REDD (Table 4). The Government of Costa Rica has contributed professional time, resources, and materials valued at an estimated \$150,000. Similar investments for an additional \$250,000 are expected through June 2015, especially during the participation of personnel in coordination activities.

GIZ supports the establishment of the national forest inventory, which is being implemented, with final results expected in September 2014. In the framework of this inventory, the 2013 map was created based on high-resolution RapidEye images. GIZ is also financing the development of allometric carbon models in four key ecosystems in the country. GIZ, through CATIE, launched a cultural mediator program to provide training to indigenous leaders on the REDD+ Strategy. These leaders are essential for ensuring a culturally appropriate consultation process. Also, in 2011, GIZ financed six workshops facilitated by ACICAFOC and REFOCAN with the campesino sector, which resulted in the creation of the National Agroforestry Union (UNAFOR). In 2013, GIZ is financing a REDD+ outreach process through UNAFOR with the campesino sector. Total investments come to \$2 million.

The Norwegian Agency for Development Cooperation (NORAD), through VCS and joint implementation with IUCN, provided financing for the VCS-JNR pilot program for the voluntary carbon verification system. FONAFIFO will present a jurisdictional project proposal at the national level. This will facilitate the incorporation of private projects into the national registry of emissions reductions and accreditation of other emissions reductions outside the scope of the FCPF Carbon Fund. NORAD has also financed a project led by INBio and CATIE that has several objectives, including to assess the efficiency of the PSA program, identify REDD+ co-benefits, identify deforestation and degradation drivers, and develop the early warning mechanism for the forest monitoring system. Lastly, NORAD, will finance the Web platform for that system. NORAD has allocated \$133,800 for the VCS pilot initiative.

The United States Agency for International Development (USAID) is expected to provide financing to explore markets for emissions reductions, estimate the cost of REDD+ implementation, including the cost of tons of carbon dioxide equivalent (tCO₂e), and prepare a strategy to position carbon credits for sale and incorporation in the carbon neutrality initiative. In addition, the U.S. State Department, through



Conservation International and in partnership with ACICAFOC, has provided support since September 2013 (operational since March 2014) for a process to improve the participation of interested parties in the REDD+ Strategy, totaling \$350,000 for a period of three years. USAID, through the U.S. Forest Service, will hire an expert on remote sensors for a period of two years to strengthen the FONAFIFO Control and Monitoring Department.

UN-REDD is financing, through a specific support, the creation of the safeguards information system for REDD+. Indicators have been generated for review during pre-consultation with the interested parties. In addition, a link with the forest monitoring system will be established, and the co-benefits of INBio-CATIE will be estimated. Financing through this specific support was used to create the REDD+ Costa Rica website, the institutional video for REDD+, and the posters that will be used by the cultural mediators.

The FCPF Carbon Fund issued a \$650,000 grant to Costa Rica, administered by the World Bank, for development of the ERP. These funds have been used to contract the consortiums that will work on developing the land use time series and reference level (key points identified in the Costa Rica ER-PIN).



Section 4. A review of Costa Rica's compliance with the Common Approach

Costa Rica's FCPF implementing partner is the World Bank, so REDD+ preparation and implementation must be consistent with the Cancún Safeguards through the Safeguards Information System (SIS), the national regulatory framework (environmental and social), and the relevant operational policies. The operational policies applicable to the REDD+ process in Costa Rica were agreed upon during the World Bank's last mission to the country in March 2014 (Table 5). The specific operational policies identified for the preparation phase are:

- OP 4.10 Indigenous Peoples
- OP 4.12 Involuntary Resettlement⁶
- OP 4.36 Forests
- OP 4.01 Environmental Assessment
- OP 4.04 Natural Habitats and Annex A

Table 5. Actions for compliance with Operational Policies (OP) 4.10, 4.36, 4.01, and 4.04

Operational Policy	Section	Compliance actions
OP 4.10 Indigenous peoples	1. Consultations must comply with the free, prior, and informed consent requirement.	Costa Rica's consultation plan ⁷ includes free, prior, and informed consent with the indigenous peoples.
	1. In projects prepared by the World Bank, avoid, minimize, mitigate, or compensate for potentially adverse effects.	Participation in REDD+ Costa Rica is voluntary, through participation in the PSA. An indigenous modality of the PSA is generated to bring the PSA guidelines in line with their culture and needs, in order to reduce the potentially adverse effects of joining the program.
	1. Indigenous people must receive culturally appropriate social and economic benefits.	An indigenous modality of the PSA is generated to bring the PSA guidelines in line with their culture and needs, in order to reduce the potentially adverse effects of joining the program. Admission through the PSA is administered by the ADI, an entity that coordinates domestic investment in a culturally appropriate manner.
	2. It is recognized that indigenous peoples play a vital role in sustainable development and are recognized under domestic and international law.	The current request for FCPF funds includes improvements to the National Forest Development Plan, including a new chapter on indigenous considerations that identifies indigenous interests and forestry objectives in order to explicitly recognize the role of the indigenous territories in national forest policy.
	8. For project preparation, the World Bank requires screening to identify the presence of indigenous peoples.	Costa Rica, through its registry and cadastre, has identified the boundaries of the 24 indigenous territories. For these 24 territories, action plans were generated in order to recover indigenous lands being held by non-indigenous people, in line with REDD+ recognition of their ancestral land.
	9. A social assessment is performed to identify possible effects on indigenous peoples and project alternatives to minimize them.	The REDD+ Secretariat has social specialists to develop the SESA and the ESMF, in order to include possible social risks to the indigenous territories participating in REDD+. This operational policy will be taken into account during these processes.
	10. When indigenous	Costa Rica's consultation plan includes free, prior, and informed consent

⁶ This operational policy will be evaluated according to the interpretation that there may be risks associated with forest protection or the implementation of other forest production activities in the framework of the REDD+ Strategy that lead to involuntary resettlement, without this meaning that such resettlements were directly compelled by REDD+.

⁷ http://reddcr.go.cr/sites/default/files/centro-de-documentacion/anexo8_planconsulta.pdf



	peoples are affected, the borrower must engage in free, prior, and informed consultation with them.	with the indigenous peoples.
	11. The borrower must document the findings of the social assessment and the consultations to ascertain the viability of the project.	Consultation of the REDD+ Strategy consists of three phases: outreach, pre-consultation, and consultation. This modality was designed to gather feedback on REDD+ at three different junctures from the indigenous territories. FONAFIFO will present a report on consultation with the results, which will be integrated into the final strategy on 6/15.
	12. An indigenous peoples plan is developed with measures to address the effects and risks identified.	Based on the SESA, Costa Rica will generate an ESMF that includes working solutions for the potentially adverse effects that may arise in the REDD+ framework. The ESMF will explicitly include the indigenous territories and as such represents a plan for indigenous territories.
	15. The borrower makes the findings of the social assessments and subsequent plans available to the indigenous peoples in a culturally appropriate format.	Costa Rica launched the cultural mediator program as a way to conduct the indigenous consultation in the territories in a culturally appropriate manner. According to the consultation plan and the request for additional funding to print materials, the results and the final REDD+ Strategy are expected to be disclosed in a culturally appropriate manner. This is also tied to the REDD+ Communication Strategy. ⁸
	16. (a) (c) (d) Take into account the customary rights, cultural values, and practices of indigenous peoples.	The objective of the indigenous PSA is to create an opinion forum in which the indigenous territories participating in REDD+ can declare their interests, plans, cultural values, and customary rights and promote their indigenous practices.
	16. (b) Consider the need to protect land against illegal intrusion or encroachment.	Costa Rica, through its registry and cadastre, has identified the boundaries of the 24 indigenous territories. For these 24 territories, action plans were generated in order to recover indigenous lands being held by non-indigenous people, in line with REDD+ recognition of their ancestral land.
	17. Legal recognition of indigenous land.	Costa Rica, through its registry and cadastre, has identified the boundaries of the 24 indigenous territories. For these 24 territories, action plans were generated in order to recover indigenous lands being held by non-indigenous people, in line with REDD+ recognition of their ancestral land.
	18. Report and agree upon a culturally appropriate plan for the use of natural and cultural resources.	REDD+ promotes forest management in a culturally appropriate manner for indigenous peoples. The territories will be able to establish how forest management will be conducted in the indigenous PSA. This management effort will be carried out by the indigenous territories under the applicable legal framework, and no other types of uses are planned.
	20. Physical displacement of indigenous peoples.	REDD+ does not promote the displacement of indigenous territories, which are already established by law, and the REDD+ implementation framework associates land with emission reduction rights, guaranteeing indigenous territories the right to their land.
	21. Areas of overlap between indigenous lands and designated national parks.	Costa Rica, through its registry and cadastre, has identified the boundaries of the 24 indigenous territories. For these 24 territories, action plans were generated in order to recover indigenous lands being held by non-indigenous people, in line with REDD+ recognition of their ancestral land. This means that it is recognized that some indigenous territories overlap with non-indigenous land claims, conflicts that the government is working to resolve.
OP 4.36 Forests (Bank procedures)	4. Conduct an assessment during project preparation to take inventory of forest areas.	Costa Rica knows the extent of its forests at various points in time and now has a more precise inventory of forest types based on the 2013 MINAE map.
	4. In this same report, assess the feasibility of giving preference small-scale, community level harvesting approaches to harness the potential of	The REDD+ Strategy proposes an increase in forest production activities in indigenous territories and campesino communities, especially targeting areas with low economic development indices and individual landowners (with the exception of indigenous territories that are communally owned). The objective is to boost economic development by increasing forest production among small producers.

⁸ http://reddcr.go.cr/sites/default/files/centro-de-documentacion/estrategia_comunicacion_final_1.pdf



	forests to reduce poverty in a sustainable manner.	
	5. Action plans for harvesting operations and performance benchmarks.	The REDD+ Strategy is analyzing the principles, criteria, and indicators for forest management. This is the action and planning framework for forest production. The objective is to have robust guidelines in place to set suitable management standards. The principles, criteria, and indicators are publicly available.
	6. Community-based forest management and development, and aspects to consider.	The request for funding includes the development of community monitoring plans for indigenous territories in order to have tools available for land use planning and management. The project will be developed in line with the section of the operational policy.
	7. Prioritize reforestation activities in areas where there is potential to improve biodiversity and ecosystem functions, in critical habitats, and to prevent degradation.	The areas of REDD+ implementation are prioritized by location in biodiversity conservation gaps, in areas of hydro production, and in biological corridors, in order to improve, at the landscape level, the ecological integrity of the interventions.
OP 4.04 Natural habitats	3. and 9. The Bank should promote habitat conservation and improved land use by maintaining ecological functions.	The areas of REDD+ implementation are prioritized by location in biodiversity conservation gaps, in areas of hydro production, and in biological corridors, in order to improve, at the landscape level, the ecological integrity of the interventions. REDD+ is also consistent with a landscape restoration strategy that seeks to maintain ecological functions.
	4. Support will not be provided for the conversion of critical natural habitats.	REDD+ seeks to reduce deforestation and by extension the conversion of critical natural habitats. As part of forest management, robust technical guidelines will be developed to ensure that management activities are not inefficient or inappropriate for the ecological conditions of the site.
	5. Insofar as possible, projects are sited on lands already converted.	Much of the REDD+ proposal is focused on regenerating forest on 120,000 hectares of land in the country and planting trees on 72,000 hectares, all on already converted lands, in order to improve the integrity of forest ecosystems and their function.
	6. and 7. Identification of possible adverse impacts on natural habitats.	FONAFIFO has environmental experts to analyze the REDD+ proposal and identify environmental risks. Likewise, the relevant interested parties will be able to identify possible risks during the SESA. An environmental expert will be hired to perform a specific assessment of risks associated with this operational policy.
	10. Dialogue on policies and possible opinions of people affected by projects involving natural habitats.	Consultation of the REDD+ Strategy consists of three phases: outreach, pre-consultation, and consultation. This modality was designed to gather feedback on REDD+ at three different junctures from potential interested parties and those affected by projects involving natural habitats. FONAFIFO will present a report on consultation with the results, which will be integrated into the final strategy on 6/15.
OP 4.01 Environmental assessment	1. Presentation of environmental assessments of projects.	The REDD+ environmental assessment is part of the SESA for preparation and is included in the ERPD for the zones designated as pilot areas. The ESMF also provides tools for the environmental assessment, which will become safeguard instruments in the areas of implementation.
	4. Independent environmental assessment of the project.	FONAFIFO will hire an environmental specialist to support the SESA and the ESMF by providing specific technical assistance on the environmental assessment. This specialist will provide support on the independent environmental assessment for the ER-Program.



Section 6. Summary statement of request for additional funding to the FCPF

The funding request is based on the financing requirements described in section 1 by subcomponent and the gaps identified in section 3 (Table 5). The total request is for \$4,450,000. Funding commitment and disbursement capacity has been considered, based on which the proposal is for a small number of contracts designed to deliver comprehensive products. The purpose of this is to accelerate the administrative process. The additional funding is key for **carrying out the local consultation and monitoring processes, improving the mechanisms that comprise the implementation framework, and helping institutions and sectors transition from REDD+ preparation to implementation**. As a result, **the FCPF is asked to approve a long execution period for the additional funding requested** to perform these activities in the framework of the FCPF and considering the 2021 carbon neutrality goal.

Specifically, support personnel at FONAFIFO and the Secretariat are needed to help staff successfully conclude the preparation process and transition to REDD+ implementation. There are country-level activities that require the Secretariat's attention and may be extended beyond 2015. These include responding to complaints under the grievance mechanism, drafting additional institutional agreements, attending to and providing training for interviews with other institutions or coordination meetings with other implementing partners. These additional support personnel will play a key role in helping FONAFIFO transition from preparation to implementation and in building capacity for enforcing the newly established rules and regulations.

The request for additional funding is also crucial for monitoring the *local* REDD+ consultation. Readiness funds have been invested so far in the outreach phase, which has been the basis for information and dialogue with the actors. The *national* pre-consultation and consultation phases are an opportunity to establish a common language on the key actions in the forestry sector for REDD+. The *local* consultation process is needed to generate feedback on the strategy at a smaller scale, which should inform the national landscape restoration strategy. Thus, *local* consultation is the path to gaining a more precise understanding of the actors' interests and needs, both in the forestry and agriculture sectors. In particular, as part of this funding request, consideration is given to the participation of young people and indigenous women in the *local* consultation processes.

Funds are also requested to develop a sustainability strategy for REDD+ implementation. Based on the dialogue with the private sector, funds are requested to initiate case studies on successful businesses for forest production activities. Costa Rica has placed considerable emphasis on providing forest landowners with valuable information for pursuing environmentally and financially sustainable activities. In the framework of the strategy options, financing is requested to generate a National Forest Development Plan that includes the indigenous territories, in order to lay a policy foundation for the full participation of indigenous territories in REDD+ and the national forestry programs.

Much of the additional funding request includes the establishment of mechanisms for REDD+ implementation. This includes funds to complement the DCC carbon neutrality initiatives in terms of the emissions reduction registry, the establishment of internal legal rules and regulations at MINAE (and MAG), and a stronger financial system at FONAFIFO in anticipation of an increase in the volume of hectares administered according to REDD+ targets.

An important aspect of the funding request is to be able to initiate monitoring work at the *local* level, specifically in indigenous territories and private campesino holdings, which could also serve as input for the National Forest Development Plan and the indigenous and campesino PSA modalities, respectively. At the same time, there are plans to launch an active campaign to publicize the forest monitoring system so the public gains an understanding of the interrelatedness of the government's forest monitoring programs. This would fall under the carbon neutrality program and would have top political priority. Part of this campaign includes dissemination of the early warning system and the Web platform. These tools are extremely important for community participation in measurement, reporting, and verification (MRV). As



part of MRV activities, funds are also being requested to generate more precise biomass prediction models, based on the rationale in subcomponent 4a. For safeguards and their definition, funds are requested to hold national workshops, in order to continue to build confidence in REDD+ by fine-tuning safeguards adapted to the interests of the parties.

The FCPF has played a crucial role in REDD+ preparation in Costa Rica, and the Participants Committee and Donor Countries are thanked for their contributions to the considerable progress made so far in the country. The additional funds will be used, through FONAFIFO, to complete REDD+ preparation at the national level, generating valuable lessons learned for sharing experiences regionally and nationally. Costa Rica aspires to excellence in all its environmental endeavors, and REDD+ is no exception. With the additional funds that have been requested, the plan is to complete the long-term preparation process that will point the way to solutions to mitigate climate change at the country level.

Table 5. Requests for additional funding from FCPF for REDD+ preparation

SubC ⁹	Activity	Total (\$)
1a	Human talent support at FONAFIFO with specialization in financial, legal, and procurement administration to improve the administrative capacity of FONAFIFO during REDD+ implementation	350,000
	Support at the Secretariat to facilitate the transition from “readiness” to implementation of the REDD+ Strategy, monitoring of agreements, operation of governance entities	200,000
1b	Local consultation and communication with the civil society and overused lands sector	325,000
	Publications and multimedia for the REDD+ consultation and publication of the final strategy	150,000
	Local consultation and communication with the indigenous sector	325,000
	Development of the participation of indigenous women in local REDD+ consultation processes, with an emphasis on the benefit-sharing mechanism for indigenous territories	100,000
	National workshops to publicize the final REDD+ Strategy, with the relevant interested parties	40,000
2b	Workshops to prepare the indigenous chapter of the National Forest Development Plan	50,000
	Legal support for the civil society and overused lands sector	30,000
	Sustainability strategy for REDD+ implementation and business models for forest management, agroforestry systems, and forest plantations	1,000,000
2c	Additional options for REDD+ benefit-sharing and linkage with the PSA, especially in special land tenure systems to increase the inclusiveness and participation in REDD+ implementation	30,000
	REDD+ registry, fraud control office, and reversal management mechanism integrated into the Carbon Neutrality Registry at the Climate Change Directorate (DCC)	200,000
	Legal development of the legal procedures and regulations required at the National Forest Administration (AFE) to implement the REDD+ Strategy	30,000
	PSA financial administration system	200,000
	Software for PSA financial administration	150,000
4a	Publicity campaign for the national forest monitoring system and REDD+ registry to heighten transparency and consistency of emissions reduction accounting, as well as to help reduce illegal logging by raising awareness among the general public	50,000
	Community monitoring and local forest production plans that provide input for the national forest monitoring system	100,000

⁹ Subcomponent of the R-PP.



	Development of an additional module for monitoring the chain of custody for wood production at SINAC	120,000
	Use of technologies to improve carbon estimates and reduce the uncertainty of activity data and emission factors for REDD+ and the national greenhouse gas inventory	950,000
4b	Workshops for the construction of safeguards in REDD+ implementation (SIS)	50,000
TOTAL		4,450,000

