



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 15-Sep-2023 | Report No: PIDC270363



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P179757		Moderate	EnABLE Costa Rica Country Project Supporting Social Inclusion in FCPF Emission Reductions Program
Region	Country	Date PID Prepared	Estimated Date of Approval
LATIN AMERICA AND CARIBBEAN	Costa Rica	15-Sep-2023	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Fundacion Banco Ambiental (FUNBAM)	FUNBAM	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	3.70
Total Financing	3.70
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	3.70
Miscellaneous 1	3.70

B. Introduction and Context

Country Context

As an upper middle-income country, Costa Rica has shown steady economic growth over the past 25 years. With a US\$12,047 income per capita and a population of about 5.1 million, this growth resulted from an outward-oriented strategy, based on an openness to foreign investment and gradual trade liberalization. Costa Rica was an early adopter of equitable public sector policies characterized by continuous expansion of social services, including education and universal health coverage. The combination of political stability, a



solid social contract and steady growth has resulted in a country with one of the lowest poverty rates in the Latin America and the Caribbean (LAC) region, where the proportion of the population with incomes below US\$5.5 purchasing power parity slightly decreased from 12.9 to 10.6 percent between 2010 and 2019, but then increased to 16.1 percent in 2020. The success of the country in recent decades is also reflected in its strong human development indicators. Costa Rica's Human Development Index value of 0.810 for 2019 placed the country in a high human development category, at 62 out of 189 countries and territories, and above the average of 0.766 for LAC countries.[1] Costa Rica has also built a global "Green Trademark", based on its commitment to conservation and reforestation and is the only tropical country that has managed to reverse deforestation.

The COVID-19 pandemic found Costa Rica at a crossroads, with sustained growth and political and social stability on one hand, and stagnant poverty and inequality rates on the other, which could challenge the country's successful development path. Costa Rica's combination of political and social stability, and a steady growth has resulted in one of the lowest poverty rates in Latin America and the Caribbean. However, despite numerous social accomplishments, poverty and inequality rates have remained stagnant for a decade, as the pattern of economic growth has not benefitted the low-skilled and less well-off. Inequality has been rising across most of the last 25 years and has offset or reversed the poverty-reducing impact of growth since the late 2000s.[2] Poverty rates vary across the country, with the highest in border regions such as Brunca, where they are as high as 35 percent.[3] The cantons with the highest multidimensional poverty rates are also those where most of the indigenous population lives, including Talamanca (50.2 percent), Coto Brus (38.5 percent), Buenos Aires (36.7 percent), and Turrialba (32.3 percent).[4]

Inequality is also disproportionately felt by ethnic minorities, which represent more than 10 percent of the population (8 percent Afro-descendant population and 2.4 percent indigenous population). These groups experience lower levels of human capital (e.g., only 80 percent of IP/AD complete primary compared to 87 percent of the general population); higher unemployment; and worse access to quality services including a digital divide (only a quarter of the AD population has access to the internet compared to 34 percent of the general population). The high unemployment rates in the country particularly affect afro-descendants and indigenous peoples and within these, women and youth, as well as persons with disabilities (PwDs). These vulnerable groups are over-represented in the informal sector, unskilled and low-paying jobs; confront an important wage gap (controlling for other variables, afro-descendants, indigenous peoples and PwDs earn below the national average); and are underrepresented in managerial or decision-making positions. While some gaps have been slowly closing, the regions where they live have fragile infrastructure networks and lack long-term development plans, as well as low mobilization capacity at the municipal level.

Increased poverty and unemployment rates caused by the pandemic, have intensified pre-existing social challenges and disproportionately affected vulnerable groups. Despite robust mitigation measures, incomes of the bottom 40 percent of the population declined by about 15 percent in 2020. Poverty (US\$5.5 line) increased from 10.6 to 16.1 percent of the population from 2019 to 2020. Unemployment increased especially among women, people with incomplete secondary education, and youth, partly due to the impact of the health emergency on tourism and trade, plus a contraction in the transport and construction sectors. The vaccination campaign and the strong economic performance in 2021 enabled a faster than expected



recovery that started to improve labor market and social outcomes. However, at the end of 2021, unemployment still exceeded the pre-pandemic rate (13.7 percent in Q4- 21 versus 11 percent in Q4-19), with female unemployment remaining high at 17.3 percent. Poverty had declined to an estimated 11.1 percent, still slightly above pre-pandemic levels. Further poverty reduction will require efforts to include less-educated workers in economic development.

[1] Information available in the United Nations Development Program-UNDP. Human Development Report 2020 The Next Frontier: Human Development and the Anthropocene Briefing note for countries on the 2020 Human Development Report. Retrieved from: <https://hdr.undp.org/sites/default/files/Country-Profiles/CRI.pdf>

[2] Oviedo, Ana Maria, Susana M. Sanchez, Kathy A. Lindert and J. Humberto Lopez. 2015. Costa Rica’s Development: From Good to Better. Systematic Country Diagnostic. Washington, DC: World Bank

[3] Ibid.

[4] UNDP. Cantonal Human Development Atlas for Costa Rica 2021.

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Sectoral and Institutional Context

Costa Rica holds assets, including its natural and cultural diversity, that, if leveraged, could make important contributions to a more sustainable, inclusive, and resilient post-pandemic society. Costa Rica is richly endowed with forests and natural resources and biological and cultural diversity. It has a diverse topography and tropical climate that allow for remarkable biodiversity. Forests provide a wide range of economic benefits and ecosystem services of tremendous socioeconomic, cultural, and environmental value. In 2019, agriculture, forestry and fishing together contributed 4.2 percent of Cost Rica’s GDP. Moreover, forests contribute goods and services to rural livelihoods that are not reflected in GDP, such as land for subsistence agriculture, medicinal plants, fuelwood, seeds, game, and clean water. In an analysis of forest specific contributions to the economy, forests contribute around two percent to the country’s GDP, including returns from timber, other forest products, and economic activities that make use of forest products.[1] In addition, the country’s rich green landscape drew over 3.1 million tourists in 2019 alone, with many travelers visiting the national parks and protected areas.[2]

However, Costa Rica is also highly exposed to natural hazards and faces significant challenges from climate change with significant economic and social impacts which will likely disproportionately affect the poor and vulnerable. Costa Rica is the second most exposed country to multiple hazards based on land area, with approximately 37 percent of the total area exposed to three or more natural hazards.[3] It is estimated that 78 percent of the population and 80 percent of GDP are subject to high risk from multiple hazards. Furthermore, climate change projections for Costa Rica indicate up to a 32 percent decrease in overall rainfall precipitation by 2050. Temperatures are estimated to increase by 1°C to 2°C by 2050, and between 2°C and 4°C higher in 2080.[4] This trend is expected to continue in the future due to climate change, possibly resulting in a greater frequency or intensity of extreme events such as storms, floods and droughts. More



intense drought conditions were experienced in the tropical dry forest region as a result of abnormal weather patterns, causing vegetation stress in 2019.[5] Environmental challenges, which disproportionately affect the poor and vulnerable and hamper their economic growth, reinforce the need for Costa Rica's decarbonization efforts to reduce emissions from deforestation and forest degradation to address development challenges.

Costa Rica is regarded as a world leader in conservation and has made significant achievements in recovering its original forest cover, in part due to its world-renowned Payments for Environmental Services (PES). The Government of Costa Rica's early recognition of the potential economic, environmental, and global value of forests and reduced deforestation underpinned several framework laws that established the basic principles of Costa Rica's "Green Trademark" aimed at rehabilitating forest lands and setting aside vast areas of land as natural protected areas.[6] Over the last 30 years, the country's efforts have achieved a remarkable recovery. In 2015, forest cover was 61 percent of the country's land surface, making it the first tropical country, globally, to reverse deforestation as of the 1980s.[7] Today, while Costa Rica covers 0.03 percent of the earth's surface, it is one of the top 20 countries with the greatest biodiversity in the world.[8] This increase in forest cover is largely attributed to policy improvements and related protected area designations that have been evolving under the National System of Conservation Areas (SINAC, *Sistema Nacional de Areas de Conservación*) and the National Forestry Financing Fund's (FONAFIFO, *Fondo Nacional del Financiamiento Forestal*) Payment for Environmental Services (PES) program.[9] Costa Rica's world-renowned PES provides incentives for forest conservation and rehabilitation, covering an average of 310,000 hectares per year of government and privately-owned lands over the past two decades. The PES program builds on a series of legislation making the costs of reforestation tax deductible, establishing reforestation as a legal imperative, providing fiscal incentives with certificates that reward landowners for reforestation, and allowing the forest authority to intervene in the use of forest resources.[10] Costa Rica has also set aside 26 percent of its territory for protected areas, including national parks, and designated seven percent of its land area to indigenous territories.[11] Costa Rica's National System of Protected Areas and PES program, together cover 35 percent of the country area and 70 percent of forests.

While Costa Rica has become a net sink of GHG in the forest sector, its forests continue to experience deforestation and degradation because of drivers such as land conversion, opportunity cost in the use of land, and uncontrolled urban sprawl.[12] Carbon sequestration in Costa Rica's growing forests exceeded carbon emissions through deforestation, demonstrating the country's effective implementation of REDD+ policies and measures, including: (i) conservation of primary forests; (ii) reduction of deforestation in primary and secondary forests; and (iii) recovery of native forests, improving carbon stocks and significantly increasing carbon removals due to forest growth. However, despite these positive achievements, forests continue to experience deforestation and forest degradation due to drivers such as limited opportunities for productive use of forest assets at a time when opportunity cost of land is rising due to the demand from the agriculture and housing sectors, illicit activities that continue destroying the forest, and land tenure issues that affect mostly indigenous peoples' territories which in turn prevents their participation in programs such as the PES program. Although many vulnerable groups, such as indigenous peoples and local communities (IPLCs), usually make the lowest contributions to greenhouse gas emissions, they suffer the worst effects of

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climate change. The impacts of climate change compound with underlining conditions, such as socio-economic exclusion and geographic segregation, aggravate their vulnerability.

Although indigenous peoples and local communities (IPLCs) play a critical role in sustainable forest management, conservation and emission reductions, lack of enabling conditions and access barriers as well as limited technical knowledge and experience engaging directly with PES schemes have resulted in a lower participation in REDD+ and other climate-related activities and policy dialogue in Costa Rica. Specific challenges experienced by IPLCs include insecurity of tenure as a result of encroachment on indigenous lands, limited access to financing, lack of recognition of traditional decision-making structures and cultural land management practices, and limited knowledge and technical experience related to emission reductions and PES schemes. Indigenous peoples in Costa Rica represent 2.4 percent of the population, with indigenous reserves and territories making up 6.7 percent of the total land mass. Indigenous peoples' interdependence between their means of production and social reproduction and their habitats and territories makes them the ultimate forest stewards. In addition, indigenous territories in Costa Rica overlap with or border most of the country's forests, making indigenous peoples' role in conservation and reproduction of tropical forests a critical one. Indigenous peoples' territories are organized in Asociaciones de Desarrollo Integral (ADIs) as the legal structure recognized under the Costa Rican Indigenous Law. Currently, 24 ADIs hold legal title to the indigenous reserves. Many indigenous peoples perceive ADIs as externally imposed structures that do not fully consider their traditional political structures. Given indigenous peoples hold collective title through their respective ADIs, and individual landownership is not recognized, PES payments are made exclusively to the ADIs as the only legally recognized representative of indigenous peoples. Although there is a limited number of hectares within indigenous territories that benefit from the PES program, the rigidity of the PES scheme rules leads to the prohibition of certain cultural uses of land (hunting, non-timber products, and others) and the exclusion of those areas where there is a lack of clarity of rights, which is attributable to ongoing encroachments by non-indigenous farmers.

Women's participation in activities related to forest management and emission reductions is also limited as a result of gender inequalities related to land ownership, participation in decision-making, training and access to information, access to and control of economic resources, and childcare responsibilities. Women are heavily involved in forestry activities in Costa Rica where gender-specific roles are associated with agricultural and forestry activities, particularly in the conservation and sustainable management of resources, maintaining agroforestry systems in their plots or farms. Women also lead ecotourism initiatives, are engaged in the organic farming, and are actively involved in fire prevention brigades. Nonetheless, they face challenges in developing these activities further as they lack access to land tenure, institutional support, access to financing, training, information and extension services, technology, and market opportunities. Regarding land tenure, reforms from the 1990s have gradually increased women's share of the number of land parcels in the country. However, women's share of agricultural land did not increase at the same rate, leaving women with fewer and smaller farms than those of men. A report from the Organization for Economic Co-operation and Development (OECD) found that only 17 percent of private farm owners are women. Women, and particularly indigenous women, also continue to be excluded from the political process

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at the community and national levels. Women living in remote areas cannot connect or participate effectively because of connectivity and infrastructure issues or language barriers.[13]

Despite these groups' higher vulnerability to climate change and their proven role in emission reductions and devising sustainable and resilient climate solutions, they are only marginally benefiting from climate financing. Vulnerable groups often feel excluded from climate actions that have direct impacts on their lives and territories, due to lack of locally relevant information, technical capacity, and culturally appropriate channels of engagement and monitoring. A recent study by the Rainforest Foundation Norway showed that IPLCs receive less than 1 percent of the climate funding meant to reduce deforestation.[14] The Center for International Climate Research also stated recently that “REDD+ funding is not sufficiently reaching the local actors that actually have to implement changes.”[15] Indigenous groups and other local organizations have manifested over the years their lack of capacity and knowledge to effectively participate or monitor climate action in their territories, and a huge gap in access to direct financing to both strengthen and scale locally successful initiatives to address emission reductions. Of the 334,000 hectares of land recognized as indigenous territories, only a little over 77,000 hectares are under a PES scheme. Even though the number of women involved in PES schemes run by FONAFIFO increased between 2004 and 2016 due to the introduction of program targets that are linked to women’s participation[16], most distributions of PES to individuals are directed toward men.[17] Finally, although Costa Rica has an extensive policy framework related to conservation and climate change, some of which promotes the participation of vulnerable groups, this framework could be more inclusive in recognizing the role of these groups and support to their practices.

In 2020, the GoCR signed an Emission Reductions Payment Agreement (ERPA) with the World Bank for US\$ 60 million for the REDD+ Emission Reductions Program. The Forest Carbon Partnership Facility (FCPF) Emission Reductions Program (ERP) accounting area covers almost all of Costa Rica’s continental territory—about 5,000,000 ha included within the accounting area are 24 indigenous territories covering 334,000 ha. The objectives of the ERP are to: (i) make payments for measured, reported, and verified Emission Reductions (ERs) related to reduced deforestation and forest degradation, (ii) enhance forest carbon stocks (REDD+) at the national level in Costa Rica, and (iii) ensure distribution of ER payments in accordance with agreed Benefit Sharing Plan (BSP). The ERPA is expected to provide Costa Rica with access to additional financial resources through a REDD+ mechanism, increase the value of standing forests to Costa Ricans by recognizing their role in global GHG mitigation, and support Costa Rica in addressing the drivers of deforestation and forest degradation by improving forest management and conservation of forest carbon stocks.

Costa Rica’s BSP provides a roadmap for channeling its ER revenues for diverse purposes and groups of beneficiaries. The ERP’s BSP provides that monetary benefits will be distributed among the different stakeholders participating in the implementation of REDD+ actions at the local level. Three classes of stakeholders are involved in the implementation of the ERP measures and included as monetary beneficiaries: (1) public institutions (primarily SINAC and the National REDD+ Secretariat); (2) private forest landowners; and (3) IPs. Benefits are monetary and non-monetary and include under the former capacity-building initiatives, and among the latter direct payments to beneficiaries through forest-based Emission Reductions Contracts (CREFs, *Contrato de Reducción de Emisiones Forestales*), among others. Costa Rica has



developed an inclusive benefit-sharing plan for its ER program that seeks to improve the rural incomes and economies of small and medium producers. The BSP of Costa Rica is designed to promote greater resilience among rural communities through activities that promote climate change mitigation and adaptation in forest ecosystems. It includes two dedicated funds: a Green Business Fund (*FNV, Fondo de Negocios Verdes*) that distributes benefits to individuals or groups of forest landowners or to non-owners who are not eligible for contracts for reducing emissions from forests, and an Inclusive Sustainable Development Fund (*FOINDES, Fondo Inclusivo de Desarrollo Sostenible*) focused on distributing benefits to vulnerable groups, including women. Additionally, a Gender Action Plan was developed to assist with the equitable operationalization of these benefit-sharing funds.

The proposed Enhancing Access to Benefits while Lowering Emissions (EnABLE) initiative is a grant mechanism that promotes a socially inclusive distribution of and benefits from ERPs, with a particular focus on marginalized or excluded groups and communities. Incentivizing efforts to address climate change can come with challenges in reaching and engaging beneficiaries, and especially disadvantaged and marginalized communities and groups, such as women, youth, persons with disabilities, migrants and IPLC, in the implementation of mitigation and adaptation activities. However, communities with a stake in the process are more likely to embrace activities that contribute positively to emission reductions efforts and strengthen the uptake of new technologies. Benefits generated by the Costa Rica ERP that are retained by disadvantaged groups create incentives for these groups to support the Program. Their active support and participation also contribute to better implementation and ultimately better climate benefits. The proposed EnABLE Project in Costa Rica would work in coordination with Costa Rica’s ERP to strengthen target beneficiaries’ participation and access to benefits by supporting social inclusion and gender equity in the operation.

Costa Rica’s institutional arrangements for REDD+, the ERP, and its BSP are fully aligned with the proposed EnABLE project for Costa Rica, as it aims to enhance the inclusion of beneficiary marginalized communities and their disadvantaged groups in emission reductions programs. EnABLE constituencies for the Forest Carbon Partnership Facility (FCPF) Emission Reductions Programs are defined as: indigenous peoples, local communities (LCs), and other disadvantaged and marginalized groups, such as women, youth, and people with disabilities (EnABLE Annual Report 2022). The proposed Project aims to improve the coherence and effectiveness of social inclusion activities in the FCPF-supported ERP in Costa Rica. It seeks to enable a stronger knowledge sharing agenda, establish a clearinghouse for information, and support synergies in countries and communities where multiple funds are active. Moreover, it is aligned with the World Bank’s Social Sustainability and Inclusion Strategy (SSI) and Climate Change Action Plan 2021-2025 (CCAP), which includes, inter alia, a strong emphasis on strengthening social resilience to climate extremes and natural hazards, as well as on engagement of marginalized groups in decision-making around climate change mitigation and adaptation policies.

[1] “Accounting reveals that Costa Rica’s forest wealth is greater than expected.” 2016. World Bank.



[2] Costa Rica's National Institute for Tourism, Statistics on tourism 2019.

[3] Oviedo, Ana Maria, Susana M. Sanchez, Kathy A. Lindert and J. Humberto Lopez. 2015. Costa Rica's Development: From Good to Better. Systematic Country Diagnostic. Washington, DC: World Bank.

[4] "Costa Rica Climate Data Projections". 2020. World Bank Climate Change Knowledge Portal. <https://climateknowledgeportal.worldbank.org/country/costa-rica/climate-data-projections>

[5] "NASA Gauges Plant Stress In Costa Rican Drought". 2019. Climate Change: Vital Signs Of The Planet. <https://climate.nasa.gov/news/2901/nasa-gauges-plant-stress-in-costa-rican-drought/>.

[6] Oviedo, Ana Maria, Susana M. Sanchez, Kathy A. Lindert and J. Humberto Lopez. 2015. Costa Rica's Development: From Good to Better. Systematic Country Diagnostic. Washington, DC: World Bank (p. 19).

[7] Agresta (2015). Generating a consistent historical time series of activity data from land use change for the development of Costa Rica's REDD plus reference level. San José, Costa Rica; Córdoba Peraza, J. (2019). Informe final elaboración del mapa de cobertura y uso de la tierra en Costa Rica 2015. San José, Costa Rica.

[8] Oviedo, Ana Maria, Susana M. Sanchez, Kathy A. Lindert and J. Humberto Lopez. 2015. Costa Rica's Development: From Good to Better. Systematic Country Diagnostic. Washington, DC: World Bank (p.19).

[9] Ibid.

[10] Forest Law No. 4475 of 1969, Forest Law No. 6184 of 1977, Forest Laws No. 7032 of 1986 and 7174 of 1990.

[11] International World Group for Indigenous Affairs (IWGIA). 2020. "Costa Rica." The Indigenous World. http://iwgia.org/images/yearbook/2020/IWGIA_The_Indigenous_World_2020.pdf.

[12] Costa Rica - REDD+ Emission Reductions Program of Costa Rica Project (English). ANNEX 4: Summary of Drivers of Deforestation and Forest Degradation. Washington, D.C.: World Bank Group.

[13] Gender Equity in Land and Forest Tenure in REDD+ Programming: Deep Dive Country Profiles. 2021.

[14] <https://www.regnskog.no/en/news/falling-short>

[15] Center for International Climate Research. 2022.

[16] FONAFIFO 2018; UNDP 2020.

[17] In 2016, 75 percent of the projects on behalf of individuals were associated with men, with the remaining 25 percent undertaken on behalf of women. Women with PES contracts generally correspond to regions where there is a higher percentage of women who own land and where there are areas of importance for conservation. To the extent that women derive benefits from PES, they do so because they



have organized themselves to receive some of the benefits shared with the larger community group. While women may have some power by virtue of their participation in the design of programs that are more accessible and effective for them, ultimately, more effort is needed to ensure that women can meaningfully engage in the programs' governance and benefit from some of their more lucrative activities.

Relationship to CPF

The proposed operation is aligned with the World Bank Group's County Partnership Framework (CPF) and is consistent with the World Bank Group framework for Green, Resilient, Inclusive Development (GRID).

The proposed operation is aligned with the FY16-20 Country Partnership Framework (CPF) discussed by the Board of Executive Directors on May 26, 2015 and extended through FY22 under the corresponding Performance and Learning Review (PLR), discussed by the Board on January 13, 2020. In particular, the operation is consistent with efforts to expand capacity to promote climate-smart and environmentally sustainable development (Objective 6). The proposed operation is also consistent with the framework for GRID, adopted by the World Bank Group in 2021 to tackle rising poverty and deepening inequality while addressing both the immediate devastation brought by COVID-19 and the longer-term challenge of climate change. Finally, the operation aligns fully with the World Bank's policies for upper middle-income economies by supporting reforms that will significantly contribute to the country's climate change agenda, which represents a key global public good.

The proposed operation is also aligned with World Bank's climate action plan and Costa Rica's climate change mitigation and adaptation objectives, as specified in its 2020 NDC submitted to the United Nations Framework Convention on Climate Change (UNFCCC) and elaborated in its NDP and the National Adaptation Plan. Data from 2010 indicated that Costa Rica had 6.8 percent of its total area is exposed to three or more adverse natural events and approximately 78 percent of its population and approximately 80 percent of the country's GDP in areas at high risk of multiple hazards. The country is exposed to climate risks (e.g., flooding in coastal and riverine and urban areas) and wildfires due to the expected changes in precipitation and temperature. This operation supports Costa Rica's goal of taking a "whole of economy" approach to its decarbonization and green growth agenda. This operation will seek to further contribute to the World Bank's ongoing support of key reforms for augmenting climate adaptation and resilience in the country.

C. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective (PDO) is to promote the socially inclusive sharing of benefits from Costa Rica's Emission Reductions Program and its Benefit Sharing Plan, with a focus on indigenous peoples and local communities (IPLCs).



Key Results

The Project is expected to benefit a total of 20,000 individuals. It will directly benefit approximately 4,000 forest-dependent IPLCs through capacity building, work on enabling conditions, and support for their subprojects to promote sustainable forest management and productive activities while contributing to emission reductions. Approximately 16,000 IPLCs will benefit indirectly through improved enabling conditions and benefits gained from the ERP that results from their enhanced IPLCs' participation in policy dialogues and processes related to REDD+, emission reductions and climate change. Gender-specific activities and indicators to measure progress will be incorporated to promote the inclusion of women as direct beneficiaries in activities related to land tenure security, policy dialogue participation, and subprojects led by women's associations.

D. Preliminary Description

Activities/Components

The Project will work directly with IPLCs to enhance their voice and participation, thereby enhancing their ability to gain benefits from Costa Rica's Emission Reductions Program and other REDD+ activities in Costa Rica. Project beneficiaries consist of IPLCs, with a strong focus on women and youth, in selected geographical areas in Costa Rica that currently benefit, or have the potential to benefit, from the ERP, its BSP, and other REDD+ activities. IPLCs, including women's organizations, have been identified as playing a critical role in forest management, conservation, and emission reduction activities in the country.

Under Component 1, the Project will finance the strengthening of organizational capacity and enabling conditions that will allow IPLCs to meet necessary requirements to participate in Costa Rica's ER program. Through this component, the Project will identify IPLCs that have the potential to benefit from the ERP and will work with them to close identified gaps that currently prevent their participation. Component 2 will finance pre-investment subprojects geared towards (i) assisting IPLC organizations to access funds within the FOINDES and FNV; and (ii) preparing IPLC organizations to implement their Environmental Forest and Territorial Plans (PAFTs, *Planes Ambientales Forestales y Territoriales*)[1]. Component 3 will finance project administration, monitoring, and evaluation.

Component 1: Improve socially inclusive participation and benefits from Costa Rica's ERP and its BSP by strengthening organizational capacity and supporting enabling conditions. (US\$1,200,000)

Subcomponent 1.1: Strengthen Organizational Capacity of indigenous peoples and local community organizations (US\$300,000)

Under this subcomponent, the Project will finance technical assistance to selected IPLC organizations, with an emphasis on the participation of women and youth, to strengthen their organizational capacity. This includes identification of specific needs of organizations that already participate, or have the potential to participate, in CR's ERP to meet technical and reporting requirements. Training courses will include basic aspects of project and financial management such as project formulation, development of workplans and



business plans, financial management, and environmental and social issues management, among others. In addition, focused courses related to the national REDD+ Strategy, the ERP and ERPA, including eligibility of beneficiaries and structure of the BSP, ER measuring and reporting, certification mechanisms, and national monitoring mechanisms will be included in the curricula. Design and delivery of the courses will be done in coordination with FONAFIFO to ensure alignment with national strategies and programs. But they will also respond to IPLC's priorities, in that they will be culturally sensitive and locally relevant, take into consideration the participants' capacities at entry, and account for limitations such as reduced access to the Internet. The courses will be delivered using appropriate teaching methodologies, materials, languages, and locally available technologies. The subcomponent will also support activities to promote knowledge exchanges among organizations to share best practices in successful GHG reductions and reporting under the ERP. The selected Implementing Partner[2] for the delivery of this capacity strengthening program will build upon the methodology implemented under the successful Cultural Mediators Program previously implemented by FONAFIFO, where indigenous promoters selected by their territorial authorities supported the dissemination of information, consultation process, and capacity building in local languages and with their communities during the development of the national REDD+ Strategy.

Subcomponent 1.2: Improve Enabling Conditions (US\$900,000)

This subcomponent will finance work around enabling conditions that support IPLCs, with an emphasis on women and youth, to access to ERP and BSP benefits.

Support for securing land tenure (US\$600,000): The tenure status of IPLC lands is directly related to the ownership of benefits from emission reductions in Costa Rica as the program's legal instruments establish that emissions reduced are owned by the legal owners of the land, and that BSP beneficiaries will be those with a legal right to the land that produced the reduction. Therefore, supporting organizations and individuals in resolving pending land tenure issues, complying with requirements to have recognized ownership rights, or mediating land tenure conflicts, is essential to enable their participation in PES or CREF. The project will support beneficiaries to comply with administrative and national measures that facilitate land titling, including rights of possession, which can be addressed through existing national administrative strategies, or the issuance of national regulations that promote territorial-level solutions. This subcomponent will finance: (i) technical assistance in legal, mediation and technical services to address pending administrative land tenure issues or conflicts that serve as a barrier to achieving land titling or ownership rights of beneficiary organizations and/or individuals; and (ii) support for surveying and cadastral updating to strengthen territorial management.

Support the operationalization of the Sustainable Development Fund (FOINDES) (US\$100,000): FOINDES was designed as part of the BSP to comply with the recommendations of Costa Rica's Gender Action Plan, which was developed as part of the ERP's preparation. While not yet operational, this Fund is oriented to helping organizations and/or individuals to meet the requirements to engage in PES or CREF. It will promote financial mechanisms for the conservation and sustainable management of forests, benefiting women and IPLCs in particular, considering the requirements and expectations of women and IPLC forest owners and non-forest owners who currently do not have access to financing, mostly because they lack access to secure land



tenure. This Fund also aims to create a CREF or PES Agroforestry Systems modality that takes into consideration gaps in land tenure and the characteristics of women’s farms and that can be targeted to IPLC individuals or groups, for example gender-responsive PES. Activities to support the operationalization of the Fund include the development of assessments to identify gaps and opportunities, development of operational procedures, design of a pilot gender-responsive PES/CREF modality, and dissemination of information on requirements to access the Fund. This activity will be implemented in coordination with FONAFIFO and with the participation of IPLCs and women’s associations, providing them with an opportunity to influence the design to ensure it responds to their needs and priorities.

Effective participation in policy dialogue (US\$200,000): The voice and participation of IPLCs in climate-related decision-making bodies could use enhancement, to make their knowledge and practices more visible and facilitate their contributions to policy making regarding climate change and other REDD+ activities in Costa Rica. The objective would be to generate tools and protocols to strengthen the capacity of IPLCs, women and youth to bring to the table not only the barriers they face but also their plans for participating in national dialogues regarding inclusive means for reducing emissions. This would assist them in their efforts to achieve greater financial inclusion, improve their livelihoods, and build their capacity to participate in activities that increase the value of standing forests. This will be done through structured participatory action plans to be prepared and implemented by selected beneficiary organizations.

Component 2: Access to resources to promote sustainable practices for forest conservation, use, and management activities that reduce GHG emissions, in line with Costa Rica’s national REDD+ Strategy (US\$2,000,000)

Under Component 2, the Project will provide seed funding for pre-investment subprojects geared towards: (i) assisting IPLC organizations to successfully access funds within the FOINDES and FNV; and (ii) preparing IPLC organizations to engage in the effective implementation of their Environmental Forest and Territorial Plans (PAFTs, *Planes Ambientales Forestales y Territoriales*), whose preparation has been promoted by FONAFIFO. Implementing Partners, which are second-tier organizations (regional IPOs, ADIs, or CSOs) with relevant sectoral experience designing and implementing projects, will work directly with beneficiary communities at the local level in the preparation and implementation of subprojects.

Among the activities to be financed by the subprojects are: (i) assisting potential beneficiaries with the legal registration of organizations and associations, which is essential to fully operate, be eligible for financial assistance, grants and loans, and receive certain tax benefits; (ii) providing capacity building and technical assistance to develop strategic plans and business plans for productive initiatives, financial education, and financial tools; (iii) pre-feasibility studies, research and development, market analysis; (iv) small-scale infrastructure and equipment; (v) specialized training or consulting services for tailored technical assistance; (vi) knowledge exchanges; and (vii) supporting IPLC organizations with preparation of project proposals and applications. Under the PAFTs, subprojects will include the financing of pre-investments for prioritized activities within said Plans that promote sustainable management of biodiversity and contribute to the reduction of GHG emissions, in line with Costa Rica’s national REDD+ Strategy and CREF requirements as stated in the BSP. Subprojects will be screened to ensure activities to be financed are in line with eligible



expenses and are not in conflict with the exclusion list, which will include any activity that leads to deforestation or forest degradation. Moreover, these activities will support a strong, socially inclusive ERP, by increasing the participation of all stakeholders to address the drivers of deforestation and forest degradation.

Based on lessons learned from other similar projects and community driven development (CDD) projects, this component will also finance capacity building and technical assistance to subproject beneficiary organizations throughout the subproject cycle which will be provided by Implementing Partners. The extent of technical assistance provided will depend on the size and complexity of the subproject and the capacity of the subproject organization.

The Project will establish the selection criteria, which will be in line with EnABLE principles and operational guidelines. Examples of the type of subprojects eligible for financing include seed funding for pre-investments for reforestation and conservation initiatives, sustainable agroforestry systems, cultural forest management initiatives, water resources management, and post-harvest protection, among others. The goal is to ensure that the implementation of Costa Rica's ERP and BSP are supported by EnABLE, such that the beneficiary organizations are socially included and compensated for activities that support their livelihoods while also increasing carbon sequestration and reductions in GHG emissions.

Component 3: Project Administration, Monitoring, and Evaluation (US\$500,000)

This component will finance operating costs of the Project Administration Agency (PAA), the Environmental Bank Foundation (*Fundación Banco Ambiental*, or FUNBAM), the Project Steering Committee (SC), and Implementing Partners to: (i) carry out coordination, supervision, and Project management; (ii) provide technical assistance for implementation of project components; (iii) conduct Project reporting, monitoring, and evaluation; and (iv) provide support on procurement, financial management, and E&S issues management. A mid-term evaluation will be undertaken to measure progress, challenges, and opportunities, and the extent to which Project activities are meeting the beneficiary organizations' needs. Throughout Project implementation, FUNBAM and Implementing Partners will have to supply periodic reports that allow the Bank and the Project Steering Committee to assess whether Project-supported activities are contributing to changes at the national and subnational levels and, if so, how and for whom.

[1] The PAFTs are a requirement for indigenous territories to engage in a CREF. The United Nations Development Programme (UNDP) is currently working with FONAFIFO to finalize the development of these plans. Two out of the 24 plans have been finalized and the rest are pending.

[2] National indigenous peoples organizations (IPOs), ADIs, and national or regional civil society organizations (CSO), in those cases where activities are geared to local communities, will act as Implementing Partners for the implementation of Project activities and will work directly with beneficiary communities. Further details on selection criteria and roles and responsibilities of Implementing Partners can be found under the section on Implementation Arrangements.



Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

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Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The overall Environmental and Social risk is Moderate. The project will enhance IPLCs' participation and access to benefits generated by the ERP and other REDD+ activities in Costa Rica, thus promoting social inclusion, better implementation of the national PES scheme, and climate co-benefits, particularly to vulnerable groups including women and youth. Under component 1, the project will provide technical assistance, legal assistance, and organizational support to beneficiary institutions. These activities do not entail any material environmental risks and impacts. Under component 2, the project will provide seed funding for pre-investment subprojects (reforestation and conservation initiatives, small-scale sustainable productive activities) to assist IPLC organizations. Overall, subprojects are expected to generate positive environmental impacts through reduction of deforestation and forest degradation, and the enhancement of forest carbon stocks. Negative environmental risks include vegetation clearance, water overuse, introduction of invasive species, mismanagement of waste and/or wastewater, and occupational health and safety hazards. Social risks include failing to secure representativeness and objective alignment in the constitution



of the Steering Committee; inadequate selection criteria of potential beneficiaries and their limitations; failing to acknowledge the diversity of IP communities; inadequate stakeholder engagement processes; and risk of exclusion of vulnerable groups within the IPLCs. To manage E&S risks, the project has adopted a framework approach. The Environmental and Social Commitment Plan (ESCP) will define the necessary actions and measures to be undertaken during preparation and implementation, their timeframes, and monitoring and evaluation arrangements. Additionally, the Borrower will develop, consult, disclose and implement the following E&S instruments for the project to manage E&S risks and impacts: Environmental and Social Management Framework (ESMF) and a Stakeholder Engagement Plan (SEP). Before Bank approval, the IA will prepare TORs for the project’s ESMF; prepare and disclose an ESCP; and prepare and disclose a draft SEP that describes the project main stakeholders and the project’s consultation strategy.

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