

**PROJECT INFORMATION DOCUMENT / INTEGRATED SAFEGUARDS DATA  
SHEET (PID/ISDS)  
CONCEPT STAGE**

Report No.:PIDISDSC20967

**Date Prepared/Updated:** 28-Mar-2017

**I. BASIC INFORMATION**

**A. Basic Project Data**

<b>Country:</b>	Costa Rica	<b>Project ID:</b>	P160368
		<b>Parent Project ID (if any):</b>	
<b>Project Name:</b>	Costa Rica REDD+ Emission Reductions Program (P160368)		
<b>Region</b>	LATIN AMERICA AND CARIBBEAN		
<b>Estimated Appraisal Date:</b>		<b>Estimated Board Date:</b>	01-Mar-2018
<b>Practice Area (Lead):</b>	Environment & Natural Resources	<b>Financing Instrument:</b>	
<b>Borrower(s)</b>	Ministerio de Ambiente y Energia		
<b>Implementing Agency</b>	Fondo Nacional de Financiamiento Forestal (FONAFIFO), Sistema Nacional de Areas de Conservacion (SINAC)		
<b>Financing (in USD Million)</b>			
	<b>Financing Source</b>		<b>Amount</b>
	Borrower		0.00
	Carbon Fund		63.00
	Total Project Cost		63.00
<b>Environmental Category:</b>	B-Partial Assessment		
<b>Is this a Repeater project?</b>	No		

**B. Introduction and Context**

**Country Context**

1. Costa Rica is a small country, with ambitious economic, social, and environmental goals. The country covers a land area of 51,100 square kilometers, with a population of 4.7 million, of which about two-thirds live in urban areas. An upper-middle income-country, with GDP per capita of US\$13,876 (current PPP), it is under consideration for membership to the Organization for Economic Co-operation and Development (OECD), with discussions scheduled for this year.

2. Costa Rica's development model centers on four key pillars: its long-standing democracy, an ambitious Social Compact, an outward-oriented economy, and its celebrated Green Trademark. This

model has achieved many successes, including sustained economic growth rates, improvements in social indicators, environmental gains, and one of the lowest poverty rates in the Latin America and Caribbean region. This outward-oriented development model has been successful in attracting Foreign Direct Investment and has transformed the country from a rural agriculture-based economy in the mid-1950s to one with high value-added industries that contribute to several global value chains.

3. Despite these impressive achievements, however, underlying vulnerabilities challenge Costa Rica's development model. Although Costa Rica has achieved impressive "levels" of performance for many indicators (relatively low poverty rates, long life expectancy, near-universal literacy, environmental conservation), much remains to be done to urgently address issues such as rising inequality; growing unemployment, especially among the poor and indigenous communities; consistently high school dropout rates; increasing dissatisfaction in the quality of the health care system; rising electricity costs; a near halting of infrastructure investment; increasing air and water pollution; and the deteriorating fiscal balance. These risks are symptoms of deeper structural problems in the economy and the public sector. Although the economy is expected to continue to grow at healthy rates, poverty reduction has stagnated, the incomes of the bottom 40 percent are falling behind, and inequality is rising.

### **Sectoral and Institutional Context**

4. Costa Rica has built a world-renowned 'Green Trademark,' centered on conservation, reforestation, and protected areas. It is the only tropical country in the world that has reversed deforestation, increasing the area covered by forests from 26 percent in 1983 to 52 percent today (Source: Costa Rica Systematic Country Diagnostic. April 2015. World Bank Group).

5. This increase in forest cover is attributed, in part, to the Payments for Environmental Services (PES) program, which provides incentives to forest conservation and rehabilitation, covering an average of 310,000 hectares per year of privately owned lands over the past decade. Costa Rica has also set aside 26 percent of its land area for protected areas, including national parks, which have become an important destination for tourists (53 percent of tourists visited those parks in 2012). Tourism has become a dynamic sector, contributing 4.6 percent of GDP and 14.2 percent of total exports in 2013. Costa Rica also stands out as the first country to adopt the goal of achieving carbon neutrality by 2021.

6. The current environmental regulatory framework favors a strong conservation approach that has limited productive opportunities. During the last four decades, for example, the focus on conservation has led to the development of a nature-based tourism sector, on the one hand, and a significant contraction of the domestic timber industry, on the other. As a result, Costa Rica has become a net importer of processed and finished wood products, such as furniture. As the demand for wood and processed timber have steadily increased over the last decade, underinvestment in the timber industry has led to a 36.4 percent drop in output of processed timber between 2007 and 2012 and an increase in the exports of low-value unprocessed products (such as palettes [tarimas], construction material, and sawn wood). Agricultural productivity of many of Costa Rica's main crops (especially coffee) has also declined and has negatively impacted the livelihood of rural populations engaged in agriculture. The focus on conservation has also limited the country's potential to address increasing national energy demand through renewable energy generation (such as hydropower, geothermal, and biomass), because most of these renewable sources are located within the boundaries of protected areas.

7. Sustaining and promoting a Green Trademark needs to extend beyond forest conservation and reforestation. The "green" forest-based asset that Costa Rica has established can only be sustained through an integrated landscape and multisector approach that enables the conservation of natural resources to be developed in parallel with other productive activities while optimizing synergies and mitigating financial and environmental trade-offs.

### **Relationship to CAS/CPS/CPF**

8. The proposed ER Program is fully aligned with the FY16-20 Country Partnership Framework (CPF) for Costa Rica. REDD+ and the FCPF Program figure prominently in Objective 6 of the CPF under the second pillar, namely “Expanding capacity to promote climate-smart and environmentally sustainable development.” In particular, the results of the FCPF Carbon Fund operation will be the main data source for measuring the success of CPF indicator 6.1 “Increased Government capacity to promote low carbon development, as measured by forest GHG emission reductions achieved.” In addition, the FCPF REDD+ operation is highly relevant for two more reasons mentioned in the CPF: i) the piloting of alternative financing instruments and non-traditional project design may work better to finance complex reforms and that result in measureable and sustained development outcomes, and ii) the need to diversify funding sources for the PES program making it less reliant on a fuel tax in the long-term.

9. The proposed ER Program is also aligned with the World Bank’s corporate commitments on Forests and Climate Change. In particular, the WBG Forest Action Plan for FY16-20 (FAP) identifies Costa Rica as one of the key countries to deploy REDD+ performance-based payments towards a low-carbon development trajectory; and many of Costa Rica’s ER Program Policies and Actions will directly support several intervention areas under the FAP Focus Areas (Sustainable Forestry and Forest Smart Interventions) and Cross-Cutting Themes (Climate Change and Resilience, Rights and Participation, Institutions and Governance). In addition, the ER Program is aligned with the WBG Climate Change Action Plan’s top-level priorities on Supporting Transformational Policies and Institutions, by translating Costa Rica’s NDC into climate policies and investment plans into actions; and on Scaling Up Climate Action by mobilizing REDD+ financing to support a large-scale, multi-sectoral program in the climate-smart land use, water and food security high-impact area.

10. The ER Program is integrated at the highest level of national strategic planning. It has been included as one of the key programs to be implemented by the current administration in the environment sector in the National Development Plan 2015-2018 “Alberto Cañas Escalante”. In addition, the Program will support other strategic objectives included in the National Forest Development Plan 2011-2020, and the National Strategy on Climate Change, both in mitigation and adaptation, especially in relation to the Carbon Neutrality goal and in increasing ecosystem and human resilience to climate change. The Program is explicitly mentioned in the country’s NDC submission as part of the mitigation efforts in the AFOLU Sector, together with other key sectors such as energy and transport. The ER Program is also linked to other country initiatives such as Costa Rica’s commitment under the recently launched 20x20 Initiative, and its efforts to scale up its successful experience with productive landscapes.

11. Historically, Costa Rica has been a key player in international negotiations on forests and climate change. Together with Papua New Guinea, the country was instrumental in inserting REDD+ as an agenda item under the UNFCCC in 2005, which successfully concluded after 10 years of negotiations at COP21. Given its historic experience and commitment, Costa Rica’s pioneering REDD+ Program would also provide a learning case of global relevance, being the first of its kind under the FCPF Carbon Fund. For the World Bank this is a very strategic involvement in a country that is already considered a model by the rest of the world for its leadership in environmental stewardship, particularly in the forest sector which is critical for reducing greenhouse gas emissions due to deforestation and forest degradation and holding global warming to less than 1.5oC by 2100.

### **C. Proposed Development Objective(s)**

#### **Development Objective(s)**

12. The objective of the Program is to make payments to the Program Entity for measured, reported and verified Emission Reductions (ER payments) related to reduced deforestation, forest degradation and the enhancement of forest carbon stocks (REDD+) at the national level in Costa Rica, and distribution of ER payments in accordance with agreed Benefit Sharing Plan.

### **Key Results**

13. The achievements of the PDO will be measured through the following indicators:

- (i) Volume of CO<sub>2</sub> Emissions Reductions that have been measured and reported by the Program Entity, verified by a Third Party, and transferred to the FCPF Carbon Fund; (tCO<sub>2</sub>e)
- (ii) Payment by the FCPF Carbon Fund for CO<sub>2</sub> Emission Reductions generated by the Program (USD);
- (iii) Emission Reductions payments distributed in accordance with agreed Benefit Sharing Plan and arrangements. (Yes/No)

### **D. Concept Description**

14. The proposed Carbon Finance Transaction (A Carbon Finance Transaction refers to the commercial transaction involving delivery of and payment for emission reductions between the Program/Project entity and the Bank as Trustee of Carbon Funds) is part of the pipeline of Emission Reductions (ER) Programs under the FCPF Carbon Fund, and would be the first of such Programs in the world to receive payments based on verified REDD+ results. Costa Rica's ER Program Idea Note (ER-PIN) was the first to be accepted in the Carbon Fund pipeline on March 2013. Subsequently, in September 2013, the World Bank signed a Letter of Intent (LOI) with the Government of Costa Rica for the purchase of up to 12 million tons of CO<sub>2</sub>e from the Costa Rica REDD+ ER Program (extended in November 2015). Preparation of the ER Program started in December 2012 through a Bank-executed US\$ 650,000 grant (TF013758), and is described in detail in Costa Rica's draft Emission Reductions Program Document (ERPD), reviewed by an FCPF Technical Advisory Panel (TAP). Costa Rica's ERPD describes in detail the ER Program's policies and actions, operational and financial planning, stakeholder consultation, methodological aspects (e.g. reference level and MRV), safeguards application, benefit sharing arrangements, and institutional arrangements. It is available at: <https://www.forestcarbonpartnership.org/costa-rica>. The Program was presented during the 14th meeting of the Carbon Fund Participants in 20-22 June of 2016 and was provisionally endorsed, conditional to the provision of a revised Forest Reference Level, including details on how forest degradation will be assessed and accounted for during the implementation of the ER-Program, by May 01, 2017. Approval of the Program would trigger the start of negotiations for the signing of an Emission Reductions Payment Agreement (ERPA) for an amount up to US\$ 63 million.

15. Costa Rica has been at the forefront of environmental conservation, pioneering the implementation of REDD+ like actions for many decades. Once known as having one of the world's highest deforestation rates, Costa Rica achieved negative net deforestation in the early 2000s. This is due to well-designed governance, legal, and fiscal frameworks and sustained by significant public and private investments, which have successfully underpinned the national forest sector for more than thirty years.

16. In 2010, Costa Rica engaged in a more ambitious phase of its REDD+ efforts, mainly by scaling up its PES program with the support of the World Bank (P093384), and strengthening SINAC's different programs on fire management, monitoring of illegal logging, and land regularization. Through the FCPF REDD+ Readiness project (P123702), the country engaged in an exhaustive participatory consultation process with the main forest stakeholders including government institutions, academia, indigenous peoples, small farmers, and the private forest industry. The goal was to identify the key gaps and weaknesses of the current forest governance framework through a Strategic

Environmental and Social Assessment (SESA), which resulted in the National REDD+ strategy, currently in its final stage of consultation.

17. In addition to strengthening Costa Rica's more traditional policies and programs, the Costa Rica National REDD+ Strategy sets forth six high-level policies that represent incremental actions to incorporate and address the diverse set of priorities expressed by stakeholders through the SESA, e.g. addressing land tenure conflicts, updating forest management regulations to support the timber industry, and developing new financing options for special groups such as Indigenous Peoples and small agroforestry producers. Each REDD+ policy includes a specific set of actions and measures that are additional and/or build upon existing relevant laws and policy frameworks, which have not been fully implemented so far due to insufficient human, technical and financial resources. The list of the Costa Rican National REDD+ Strategy Policies and Actions is included below:

POLICY 1. Guarantee the integrity of the State Natural Heritage and private forests, as well as the Measurement, Reporting And Verification (MRV) capacities, according to REDD+'s requirements  
ACTION 1.1: Strengthen the operation and financing of SINAC's Forest Fires Management Strategy inside and outside Protected Conservation Areas  
ACTION 1.2: Strengthen the operation and financing of SINAC's Illegal Logging Control Strategy  
ACTION 1.3: Strengthen Costa Rica's system for monitoring land use/cover dynamics  
ACTION 1.4: Develop a strategy to integrate public lands to the State Natural Heritage  
ACTION 1.5: Contribute to the consolidation of SINAC's Protected Areas System  
ACTION 1.6: Develop synergies between conservation and resilience of the State's Natural Heritage  
ACTION 1.7: Execute action plans to address direct and underlying causes of deforestation and forest degradation

POLICY 2: Promote the comprehensive and harmonious participation of stakeholders in REDD+, including lands under special land-tenure regimes  
ACTION 2.1: Prepare a Forestry Development Plan for Indigenous Territories  
ACTION 2.2: Implement a conflict resolution mechanism for REDD+  
ACTION 2.3: Develop mechanisms to promote the participation of agroforestry producers and farmers in REDD+

POLICY 3: Improve capacities in the public and private sectors to manage and promote silvicultural practices in forests, and tree plantations, in order to increase their productivity and competitiveness  
ACTION 3.1: Contribute to the implementation of forest policies in the National Forestry Development Plan related to improving management capacities in support of REDD+ implementation  
ACTION 3.2: Strengthen policies to promote and recognize sustainable agricultural and agroforestry practices

POLICY 4: Promote legal security by supporting clarification and regularization procedures of land tenure and emission reduction rights, with an emphasis on indigenous territories, public lands, and areas under special land-tenure regimes  
ACTION 4.1: Address land-tenure and emission reductions rights in indigenous territories  
ACTION 4.2: Address land-tenure and emission reductions rights in areas under special land-tenure regimes  
ACTION 4.3: Address land-tenure and emission reductions rights in public lands  
ACTION 4.4: Promote consistency in the delimitations rules for areas under special land-tenure regimes

POLICY 5: Increase opportunities for all stakeholders to receive benefits from REDD+ activities, as

well as those addressing deforestation and forest degradation

ACTION 5.1: Develop land use plans as a function of the potential contribution of areas to REDD+ objectives

ACTION 5.2: Improve competitiveness of forestry and agroforestry financing mechanisms, also in relation to other land uses

ACTION 5.3: Broaden financing sources and consolidate a benefit sharing mechanism, which is consistent with the goals of the National REDD+ Strategy.

ACTION 5.4: Promote tree planting in urban public zones

POLICY 6: Guarantee the operation of participation, follow-up and accountability mechanisms, consistent with technical, methodological and political provisions applicable to REDD+

ACTION 6.1: Design, test and implement a Safeguards Information System (SIS)

ACTION 6.2: Implementation and follow-up of the Environmental and Social Management Framework (ESMF)

ACTION 6.3: Establish a sound Measurement, Reporting and Verification (MRV) system

ACTION 6.4: Consider gender, youth and the participation of other relevant groups

18. The proposed ER Program sets forth the operational framework for implementing the National REDD+ Strategy, through which the PDO will be achieved. It has been designed in a way to support the county's successful policies and programs in the forestry sector implemented during the last 20 years resulting in low deforestation and forest degradation rates, while addressing the current deficiencies of the forest sector identified by key stakeholders through the SESA by placing forests within the broader context of productive rural landscapes. It will be implemented at the national scale, and is expected to become a key instrument to continue the political efforts towards carbon-neutrality and enhanced resiliency of natural resources and communities to climate change, as well as to contribute to the accomplishment of the goals included in Costa Rica's NDC presented to the UNFCCC at COP 21.

## CARBON FINANCE ASPECTS

19. Carbon Finance Aspects. The Program implementation period is from 2012 to 2025, while the ERPA period will start in 2018. The Forest Reference Level proposed by Costa Rica is the historical average of net emissions/removals from deforestation and carbon stock enhancement activities for the period 1998-2011, including all carbon pools except soil organic carbon. This equals 3,385,759 tCO<sub>2</sub>e/yr, of which 7,749,558 tCO<sub>2</sub>e/yr are due to deforestation and -4,363,799 are due to carbon stock enhancement. Forest degradation and forest management activities, although estimated to be significant for carbon emissions/removals, have been temporarily excluded from the Program GHG accounting due to the lack of available data and will be incorporated in the near future through a step-wise approach as more data is obtained. FONAFIFO's ex-ante estimates indicate that the Program would generate a total of 24,536,680 tCO<sub>2</sub>e by 2025, based on the observed effectiveness of the Program during the 2012-2013 period, which generated a total of 3,505,240 tCO<sub>2</sub>e of Emissions Reductions.

20. ERPA payments for an amount up to US\$63 million will occur periodically based on results, i.e. after the Measurement, Reporting and Verification (MRV) of ERs generated by the Program in accordance with the Methodological Framework of the FCPF Carbon Fund. The Program foresees four points of ER MRV and ERPA payments, preliminary set for 2018, 2020, 2022 and 2024. Negotiation of the commercial terms of the ERPA (including the price per tCO<sub>2</sub>e) will start after the Program is approved by the Bank (Decision Meeting stage, planned for June 2016), and are expected to last 6 to 10 months. ERPA payments will be reinvested in Program activities to support its financial viability in

accordance with a Benefit Sharing Plan to be agreed with stakeholders prior to ERPA signature. the ability to transfer title to ERs to the FCPF Carbon Fund. The analysis concludes that there is sufficient clarity and certainty under the existing legal framework to establish that the owner of the land is also the owner of the carbon and therefore the original title holder to the ERs. Based on this analysis, the amount of ERs available to be transferred to the Carbon Fund would be 32% of the total, equaling 7,537,668 tCO<sub>2</sub>e during the period 2012-2025. This percentage represents the area of land in the ER Program (i.e. the country), as a proxy, where the GoCR has clear rights over the carbon stocks. Currently this includes 26% of the country's land under the System of Natural Protected Areas, and 6% under PES contracts. The GoCR plans to increase this percentage during the Program implementation through option contracts with additional entities that are willing to participate in REDD+ activities (i.e. private landowners, Indigenous Peoples, public institutions, etc.) and that would allow for additional ERs to be transferred to the Carbon Fund.

22. Early Actions. It is important to mention that Costa Rica is seeking to use the results of the 2012-2017 period as a buffer against the risk of Reversals during the ERPA period (2018-2025), as a recognition of its "Early Actions", i.e. ERs generated prior to ERPA signature. This proposal however was not accepted by the CFPs and the ERPA will only pay for ERs that have been generated during the ERPA period.

## II. SAFEGUARDS

### A. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

23. Actions and activities under the ER-Program will be national in coverage. Targeted geographical areas include private lands under FONAFIFO's PES schemes, SINAC's conservation areas as well as other public lands that are part of Costa Rica's natural heritage. Also, forest areas in indigenous lands will be targeted to revert and prevent forest degradation and deforestation in Costa Rica.

### B. Borrowers Institutional Capacity for Safeguard Policies

24. The Government of Costa Rica has ample experience, and is familiar, with WB social and environmental operational policies due to execution of previous projects such as Ecomarkets 1, Ecomarkets 2, and REDD+ Readiness, and has made substantial efforts in establishing solid institutional arrangements for managing the national REDD+ Readiness process, including safeguards arrangements for ensuring the ample and informed participation of a variety of stakeholders and sectors through the establishment of REDD+ specific platforms which will continue during the ER-Program implementation. For the preparation of the National REDD+ Strategy and as part of the Strategic Environmental and Social Assessment, several workshops with multiple stakeholders, including indigenous peoples, were carried out; the consultation process provided valuable inputs that will be used to finalize the different safeguards instruments that will be applied to the ER-Program.

25. For the ER-Program, the World Bank Group's social and environmental operational policies will be applied through the implementation of procedures described in the Environmental and Social Management Framework (ESMF), including a Resettlement Policy Framework (RPF) and an Indigenous Peoples Planning Framework (IPPF). These instruments, already in advanced draft form, have been prepared by the National REDD+ Secretariat housed by FONAFIFO under the Ministry of Environment and Energy (MINAE). During the Readiness phase, the REDD+ Secretariat included a social and environmental team of consultants responsible for preparing the aforementioned safeguards instruments, in order to provide review and guidance on the treatment of environmental and social issues associated with the Readiness phase. As part of the institutional settings, during implementation of ER-Program activities and measures, there will be a dedicated Safeguards Team housed in the

Costa Rica National REDD+ Secretariat (including at least an environmental specialist and a social specialist). Based on the Annual Investments Plans derived from the REDD+ National Strategy Implementation Plan –prepared by the REDD+ Secretariat - the safeguards team will conduct an environmental and social supervision of the proposed investments. Based on the results of the environmental and social supervision of the proposed investments, an annual Safeguards Performance Report will be developed by the Costa Rica REDD+ National Secretariat and submitted to the Bank for review.

### C. Environmental and Social Safeguards Specialists on the Team

Juan MartinezGSU02

Raul TolmosGEN04

### D. POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered ?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	<p>This ER-Program is classified as Category B since it consists mainly of policy interventions aimed at reverting and preventing forest degradation and deforestation in Costa Rica. Any potential environmental impacts and risks stemming from the implementation of on the ground interventions will be very low, localized and manageable.</p> <p>A Strategic Environmental and Social Assessment (SESA) process has been completed. Several workshops were carried out to receive feedback on the preparation of the National REDD+ Strategy as part of the SESA and ESMF process. The SESA process has been conducted in a manner consistent with the applicable World Bank operational environmental and social (safeguards) policies. Since the explicit goal of the National REDD+ Strategy, to be operationalized through the National REDD + Strategy Implementation Plan, is to promote a reduction in the rates of deforestation and forest degradation by rewarding measures to protect and conserve forests, the environmental impacts of the strategy are expected to be mostly positive. As forest cover improves so too will the associated benefits associated with forests, including healthier natural habitats. Not only as a sink for carbon but also for the many environmental services forests provide such as watershed protection, provision of important habitats, sustainable source of NTFP and other</p>



	<p>forest based livelihoods. The ER-Program itself will not finance the harvesting or conversion of forests so there is little to no direct adverse impact associated with activities planned as part of the REDD+ strategic options. Potential risks associated with the successful implementation of the ER Program could arise, for example, if REDD+ actions result in enactment of policies/laws that could displace Indigenous Peoples or other forest-dependent communities. These risks will be closely supervised and procedures will follow those established in the IPPF, RPF and PF. Other risks could involve incentives that could lead to clearing of natural forests in favor of planting fast-growing non-native trees or other CO2-absorbing crops To prevent forest conversion to agricultural land, baseline data, including satellite images, on forest cover within the boundaries of the ER Program will be used by entities implementing agroforestry activities listed in the REDD+ National Strategy. Also, terms of reference for technical assistance oriented activities are being prepared to develop a georeferenced inventory of forest plantations in the country which will allow to monitor the clearing of natural forests in favor of planting fast-growing non-native trees.</p> <p>The principal risk would arise in the event that the strategies to be implemented under the ER-Program fail to achieve their objectives thereby creating unexpected indirect adverse impacts through the unintended creation of “perverse” incentives to clear forests for other purposes. This could occur, for instance, if PES schemes failed to provide sufficient monetary incentives to retain areas under forest cover.</p> <p>Key social and environmental risks and potential impacts associated with ER-Program actions and specific activities, as well as mitigation measures, are considered in the ESMF prepared for the REDD+ strategic options and currently under review by the National REDD+ Secretariat. The ESMF (Table 1) clearly and specifically differentiates “recommendations” for measures to address potential impacts</p>
--	---

		<p>concerning the various activities, from actual requirements. The list of required measures covers relevant requirements under applicable WB safeguard policies. Also, the ESMF clearly distinguishes requirements in terms of environmental and social management instruments for the environmental assessment classification of activities (e.g. B1, B2 and C).</p> <p>Public disclosure and consultations: The ESMF also includes a description of the public disclosure and consultation process for the ESMF, issues raised and how they will be addressed. This information will be included in the final version of the ESMF before it is disclosed at national level and in the World Bank InfoShop. The ESMF also will describe provisions for public disclosure and consultations under implementation of the ER Program, including some discussion of what type of public disclosure and consultations that entities receiving financing (PIRs) are required to undertake.</p> <p>Institutional arrangements: The ESMF provides detailed and convincing information on institutional arrangements, i.e. who will do what. It includes clear information about the social and environmental specialist team at the National REDD+ Secretariat and how it will do all the environmental and social supervision, as well as the role of other institutions involved in the process. The ESMF also includes an assessment of the REDD+ Secretariat's institutional capacity to fulfill these responsibilities and identifies the need for specific capacity-building measures and a dedicated socio-environmental team.</p> <p>Grievance Redress Mechanism: the ESMF provides a description of how the GRM is structured and functions, as well as institutional responsibilities for implementation.</p>
Natural Habitats OP/BP 4.04	Yes	<p>This policy was triggered given that actions and specific activities under the ER-Program will be implemented both within the existing declared protected areas system (SINAC) as well as other natural and critical habitats (outside declared protected areas) of varying significance within the boundaries of the ER</p>

		<p>Program. If the REDD+ strategies and ER-Program actions and specific activities are successful, the impacts on critical natural habitats, including forests, are expected to be positive. For instance, strengthening of the operation and financing of SINAC's Forest Fires Management Strategy inside and outside natural protected areas might result in less forest fires and reduced risks and impacts on wild fauna and flora as well as forests. Similarly, strengthening the operation and financing of SINAC's Illegal Logging Control Strategy might prevent significant risks and impacts on natural habitats inside and outside protected areas.</p> <p>The ESMF has been reviewed and updated by the Client to include a substantive gap analysis comparing national legislation on forests, and natural and critical habitats with the World Bank environmental safeguard policies on Forest (OP)/BP 4.36) and Natural Habitats (OP/BP 4.04). The ESMF indicates that protection of natural and critical habitats extends to all natural habitats beyond declared protected areas under SINAC.</p>
Forests OP/BP 4.36	Yes	<p>This policy was triggered due to the fact that most actions and specific activities under the ER-Program will be implement in areas characterized by forest ecosystems. Forest management plans and forest management strategies to be implement will need to pay attention to issues related to the health of forest ecosystems (e.g. planting of native versus exotic tree species, forest fire prevention and control practices, etc.) In addition, due to the obvious importance of REDD+ as part of Costa Rica's long term forest and environmental management programs and the importance of forests for the livelihoods of many communities, this policy will apply. Costa Rica's National REDD+ Strategy Implementation Plan contemplates commercial forest plantation activities within the boundaries of the ER program. These forest plantations will be certified according to the national forest legislation and certification schemes for commercial plantations and small-scale agroforestry producers will be supported under the National REDD+</p>

		Strategy Implementation Plan. In the case of small-scale forestry activities, they will follow principles of this OP in regard to time-bound planning for achieving sustainable management. The ESMF clearly indicates what kind of tree species (e.g. exotic monoculture plantations, native, etc.) will be used in national plantation programs and national requirements regarding sustainable forestry certification. In addition, the environmental assessment coverage and requirements for forestry activities covers in detail health and safety issues under firefighting programs (since firefighting is an identified area for strengthening).
Pest Management OP 4.09	Yes	This policy was triggered since it is conceivable that some forestry, agricultural and agroforestry practices supported by activities under the ER-Program might involve the use of pesticides. Impacts and risks of any potential use of chemicals in forest management and agroforestry activities, if needed, will be analyzed and mitigated through actions contained in forest management plans. The ESMF mentions pest management or pesticides use since there is potential for this especially in forest and plantation nurseries. The fact that these activities are likely to involve smallholders (less equipped to handle/manage potentially dangerous chemicals) makes it particularly important to include appropriate guidance and provisions in the ESMF. This guidance and provisions have been included in the ESMF.
Physical Cultural Resources OP/BP 4.11	Yes	This policy was triggered since some forest areas where ER-Program activities will be implemented might be considered by some groups in society as important cultural, spiritual and historical places. This policy is triggered despite that forest areas in Costa Rica are not considered physical cultural resources by the Government of Costa Rica. The ESMF includes related provisions as well as a brief discussion of potential issues and the relevant requirements to deal with chance finds.
Indigenous Peoples OP/BP 4.10	Yes	The proposed ER-Program will involve and potentially affect Indigenous Peoples present in the Program area. An Environmental and

		<p>Social Management Framework (ESMF) has been prepared and submitted to the Bank and will serve as an instrument to provide a framework for guiding the implementation of the National REDD+ strategy and the specific investments to be financed on the ground by the ER-Program. The ESMF includes the Indigenous Peoples Planning Framework (IPPF) that has been prepared in a culturally appropriate way in compliance with the Indigenous Peoples policy (OP 4.10) for addressing issues arising from specific investments during the implementation of the national ER-Program. The IPPF will be applied to relevant Program policies and actions, and site- and/or action-specific IPPs will be prepared during implementation of the ER Program. In addition the IPPs will be prepared under the principle of free, prior and informed consultation.</p>
Involuntary Resettlement OP/BP 4.12	Yes	<p>As part of the ESMF, a Resettlement Policy Framework (RPF) and Process Framework (PF) was prepared during the REDD+ readiness phase; The ESMF, the RPF and the IPPF will be consulted and disclosed prior appraisal and all inputs resulted from the consultations process with different stakeholders will help to finalize these safeguards instruments. The Resettlement Policy Framework (RPF) has been prepared to address potential resettlement and compensation of private land owners that are currently living in protected areas and indigenous people's territories. In addition, a Process Framework (PF) has been prepared for managing the potential restriction of access of local communities to natural resources.</p>
Safety of Dams OP/BP 4.37	No	<p>This policy is not triggered as the project will neither support the construction or rehabilitation of dams nor will it support other investments which rely on performance of existing dams.</p>
Projects on International Waterways OP/BP 7.50	No	<p>This policy is not triggered as the project will not finance activities involving the use or potential pollution of international waterways.</p>
Projects in Disputed Areas OP/BP 7.60	No	<p>This policy is not triggered as the project will not finance activities in disputed areas as defined in the policy.</p>

## E. SAFEGUARD PREPARATION PLAN

### 1. Tentative target date for preparing the Appraisal Stage ISDS:

01-Jun-2017

### 2. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the Appraisal-stage ISDS.

The SESA and Draft ESMF (including the drafts of IPPF, RPF and PF) have been completed and will be finalized, consulted and disclosed prior to appraisal of the ER Program and will cover all policy requirements including requirements for social assessment and free, prior and informed consultations under 4.10. A Decision Meeting for the proposed ER Program is planned for June 2017, and Appraisal of the ER Program is expected to be completed by October 2017 at which stage an Appraisal-stage ISDS will be generated.

## III. Contact point

### World Bank

Contact: Stavros Papageorgiou  
Title: Environmental Specialist

### Borrower/Client/Recipient

Name: Ministerio de Ambiente y Energia  
Contact: Edgar Gutierrez Espeleta  
Title: Minister  
Email: info@minae.go.cr

### Implementing Agencies

Name: Fondo Nacional de Financiamiento Forestal (FONAFIFO)  
Contact: Jorge Mario Rodriguez  
Title: General Director  
Email: jrodriguez@fonafifo.go.cr  
Name: Sistema Nacional de Areas de Conservacion (SINAC)  
Contact: Mario Coto Hidalgo  
Title: General Director  
Email: mario.coto@sinac.go.cr

## IV. For more information contact:

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

**V. Approval**

Task Team Leader(s):	Name:Stavros Papageorgiou	
<i>Approved By:</i>		
Safeguards Advisor:	Name: Noreen Beg (SA)	Date: 28-Mar-2017
Practice Manager/Manager:	Name: Raul Ivan Alfaro Pelico (PMGR)	Date: 29-Mar-2017
Country Director:	Name:Maryanne Sharp (CD)	Date:25-May-2017

<sup>1</sup> Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.