PROJECT IDENTIFICATION FORM (PIF) [1]

PROJECT TYPE: Full-sized Project
TYPE OF TRUST FUND:GEF Trust Fund

PART I: PROJECT IDENTIFICATION

Project Title:	Sustainable management of ecosystem services: A model for conservation and sustainable use of biodiversity in terrestrial landscapes		
Country(ies):	Costa Rica	GEF Project ID:[2]	4852
GEF Agency(ies):	IADB (select) (select)	GEF Agency Project ID:	CR-G1002
Other Executing Partner(s):	National Institute of Biodiversity (InBIO) National system of conservation areas (SINAC) - Ministry of environment, energy and telecommunications (MINAET)	Submission Date:	2012-04-13
GEF Focal Area (s):	Biodiversity	Project Duration (Months)	48
Name of parent program (if applicable): ➢ For SFM/REDD+ ☐		Agency Fee ($):	348,533

A. FOCAL AREA STRATEGY FRAMEWORK[3]:

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Indicative Grant Amount ($)	Indicative Co-financing ($)
(select) BD-2	1. Increase in sustainably managed landscapes and seascapes that integrate biodiversity conservation	1. Certified production landscapes (5,000 hectares) 2. Policy and regulatory frameworks (3 national, 4 institutional) for productive sectors	GEFTF	1,867,330	14,000,000
(select) BD-2	2. Measures to conserve and sustainably use biodiversity incorporated in policy and regulatory frameworks	1. National (2) and subnational (3) regulations that incorporate biodiversity and ecosystem services valuation	GEFTF	1,448,000	922,000
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)			(select)		
(select) (select)	Others		(select)		
		Sub-Total		3,315,330	14,922,000
		Project Management Cost[4]	GEFTF	**170,000**	578,000
		Total Project Cost		3,485,330	15,500,000

B. PROJECT FRAMEWORK

[1] It is very important to consult the PIF preparation guidelines when completing this template.
[2] Project ID number will be assigned by GEFSEC.
[3] Refer to the reference attached on the Focal Area Results Framework when filling up the table in item A.
[4] GEF will finance management cost that is solely linked to GEF financing of the project. PMC should be charged proportionately to focal areas based on focal area project grant amount.

Project Objective: To improve biodiversity conservation and sustainable use through management of landscapes ecosystem services						
Project Component	**Grant Type**	**Expected Outcomes**	**Expected Outputs**	**Trust Fund**	**Indicative Grant Amount ($)**	**Indicative Cofinancing ($)**
1. Characterization and assessment of ecosystem services	TA	1.1 Three ecosystem services characterized with economic assessment and implementation tools (ecosystem services will be identified and evaluated during the final design phase) 1.2 Planning tools for ecosystemic services management approved by MINAET / SINAC.	1.1 Analysis and design of compensation mechanisms for environmental services, based on the ecosistems approach. 1.2. Study to identify the impacts of climate change on ecosystem services supply and functions. 1.3. Economic assessment of prioritized ecosystem services. 1.4. Preparation and design of value assessment tools for ecosystemic services.	GEFTF	277,330	

2. Development of a legal and policy framework, which incorporates an ecosystems approach	TA	2.1. Legal and policy framework, which incorporates an ecosystems approach established, including: - Two national policies approved by the authority. - Proposal of Urban Planning Law, which incorporates an ecosystems approach, presented to the Legislative Assembly. - Executive decree approved for publication that defines guidelines for the design of municipal and regional landscape use plans, which incorporates the ecosystems approach. 2.2. Institutional plans and municipal ecosystem use plans approved: - Updated landscape use plans incorporating an ecosystems approach, approved by three municipalities in the USEG Norte - Norte. - Three institutional plans for the USEG Norte - Norte incorporating an ecosystems approach, approved by the appropriate authority	2.1. Preparation of a proposal for a national policy of land use, which incorporates an ecosystems approach. 2.2. Preparation of a proposal to update the urban planning law. 2.3. Preparation of a national conservation policy, that incorporates an ecosystems approach. 2.4. Proposal of guidelines for the preparation of municipal and regional land use plans that incorporate an ecosystems approach. 2.5. Implementation of three training modules to introduce the ecosystem approach for decision makers and authorities. 2.6 Drafting of executive decree that defines the guidelines for the design of municipal and regional landscape use plans 2.7. Training program in sustainable management of ecosystems services, for 100 staff from government agencies, present in the Norte - Norte region, and municipalities and 120 representatives of civil society and private sector. 2.8. Update of landscape use plans for three municipalities in the Norte - Norte region, to incorporate the ecosystem approach 2.9. A communication outreach strategy, focused in the promotion of ecosystem services, implemented.	GEFTF	1,448,000	922,000

3. Sustainable management of ecosystem services in the USEG Norte - Norte	Inv	3.1. Biodiversity enhanced in biological corridors in the USEG Norte - Norte (indicator: units will be determined during project preparation and based on experimental design) 3.2 Compensation mechanisms for specific ecosystem services are implemented for biodiversity sustainable use and conservation (indicator: amount (USD) of resources allocated to compensation schemes) 3.3. Producers have adopted sustainable best practices and certified their productive activities (indicator: area under sustainable use / certified)	3.1. 12,000 hectares participate in compensation schemes, of which at least 50% are located in biological corridors (areas to be identified during final design of the project) 3.2 Two best practices manuals updated for prioritized sectors that promote landscapes sustainable use 3.3. 500 producers trained in best practices 3.4. 500 of beneficiaries participating in the compesation schemes 3.5 Three ASADAS invest in water management and water supply systems	GEFTF	1,500,000	13,960,000
4. Monitoring and evaluation	TA	4.1 National systems for monitoring and evaluation of biodiversity at SINAC and InBIO updated	4.1 Indicators and methodologies incorporated in annual plans (probabilistic analysis and experimental design to be prepared during final design of the Project) 4.2 Staff at SINAC / InBIO trained in M&E systems and methodologies 4.3 Mid term review and project final evaluation	GEFTF	90,000	40,000
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
			Sub-Total		3,315,330	14,922,000
			Project Management Cost[5]	GEFTF	170,000	578,000
			Total Project Costs		3,485,330	15,500,000

C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, ($)

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount ($)
Local Government	Local Covernments of: Guatuso, Los Chiles and Upala	In-kind	300,000

[5] Same as footnote #3.

Bilateral Aid Agency (ies)	European Union. Project for Central American Coastal Communities and CLimate Change, executed by FUNPADEM-INBio	Grant	900,000
Foundation	InBIO (projects under negotiation with Norway, Japan and Germany)	Grant	1,600,000
Foundation	InBIO	In-kind	500,000
National Government	FONAFIFO	Grant	5,500,000
National Government	SINAC	In-kind	800,000
National Government	SINAC - USEG	Grant	100,000
Private Sector	Beneficiaries	In-kind	2,000,000
Foundation	InBIO - AECID - ¨Río Frío Project¨	In-kind	400,000
GEF Agency	IDB (IDB Ordinary Capital, Sustainable Energy and Climate Change Initiative and loan CR-L1024)	Hard Loan	3,400,000
Total Cofinancing			15,500,000

D. GEF/LDCF/SCCF/NPIF RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY[1]

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (a)	Agency Fee (b)[2]	Total c=a+b
IADB	GEFTF	Biodiversity	Costa Rica	3,485,330	348,533	3,833,863
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
(select)	(select)(select)	(select)				0
Total Grant Resources				3,485,330	348,533	3,833,863

[1] In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table

[2] Please indicate fees related to this project.

PART II: PROJECT JUSTIFICATION

A. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

A.1.1 For the GEF focal area/LDCF/SCCF strategies /NPIF Initiative:

1. The proposed project fully complies with the GEF Strategic objectives under the Biodiversity Focal Area for the conservation and sustainable use of biodiversity and the maintenance of ecosystem goods and services. In particular, this project contributes to mainstream biodiversity conservation and sustainable use into production landscapes and sectors (BD-2) in the Norte - Norte region in Costa Rica initially, and in the rest of the country later on, through the design and implementation of a policy and technical framework (laws, policies and specific guidelines) to incorporate an ecosystems approach to promote the conservation of biodiversity. Field activities will help national agencies and local governments to learn about the implementation process of this framework, and at the same time to include an ecosystems approach in productive activities, leading to the integral management of the territory. Results of this project will contribute to Focal Area Objective 2 outcomes 2.1 and 2.2.

A.1.2. For projects funded from LDCF/SCCF: the LDCF/SCCF eligibility criteria and priorities:

A.1.3 For projects funded from NPIF, relevant eligibility criteria and priorities of the Fund:

A.2. National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAS, NAPs, NBSAPs, national communications, TNAs, NIPs, PRSPs, NPFE, etc.:

1. Costa Rica is a signatory to the CBD, which was ratified by the National Assembly in July 24th, 1994 through Law No. 7416. This project is consistent with the Biodiversity Law (No. 7788, signed in 1998), which has two main objectives; i) to promote the conservation and sustainable use of biodiversity and Costa Rica's natural resources; and ii) to promote the equitable distribution of costs and benefits generated by this use. The Biodiversity Law created the Conservation Areas National System (SINAC for its Spanish acronym), which is the agency in charge of the conservation of biodiversity and sustainable use of natural resources. Also, this project is consistent with the Environment Law (No. 7554, signed in 1995), which defines the broad guidelines for a policy of land use planning. This project is in line with the precepts of the Forestry Law (No. 7575, approved in 1995) and the Wildlife Conservation Law (No 7317, signed in 1999).

2. This project contributes to the goals established in the Second National Communication to the UN Framework Convention on Climate Change, which recognize that the Norte - Norte region will be one of the most affected in Costa Rica. This document also highlights the effects of climate change on biodiversity, an issue that will be addressed by this project.

3. In 2011, Costa Rica launched a National Development Plan (2011 - 2014), which proposes to consolidate the environment gains of the country as a strategic objective. This plan defines five objectives, of which the first one is "to improve the consistency between economic development and environmental status". The National Development Plan defines several lines of action to achieve these goals, of which "environment and land use planning" contain two specific proposals directly related to the project: i) conservation and protection of biodiversity; and ii) carbon neutrality and climate change.

4. The National Conservation and Sustainable Use of Biodiversity Strategy has as one of its strategic pillars, the "strengthening of national and regional processess of land use planning". This pillar will be implemented through the integration of conservation elements and regional planning processes. The national strategy also promotes the development of joint efforts

between the Government and civil society to improve biodiversity management.

5. Also, the Government of Costa Rica is currently updating the National Biodiversity Strategy, which includes an action plan to achieve the goals establised in Aichi. The proposal includes references to specific issues that will be addressed by this project, like: i) insufficient knowledge and practice in the approaches for ecosystem management; and ii) insuficient studies, knowledge and funding for ecosystem management. Costa Rica prepared a study of conservation gaps, indentifying critical ecosystems not represented in the current national system of conservation areas. This study denominated GRUAS, established the National System of Biological Corridors, which will be strengthened by this project.

B. PROJECT OVERVIEW:

B.1. Describe the baseline project and the problem that it seeks to address:

1. The principal issue to be addressed by this Project is the increasing degradation of biodiversity resources within and around protected areas and the increasing level of threats to biodiversity in Costa Rica's Norte - Norte region. With just 51,100 Km2 of land surface (0.03% of worlds surface), Costa Rica is considered one of the 20 countries with the highest concentration of biodiversity. 26.2% of the country has been declared protected areas, which are connected by 37 biological corridors. The Norte - Norte region is comprised of four municipalities and accounts for 10% of the national territory. It is part of one of the most important watersheds of Central America, the San Juan river watershed. Use of water has increased in the region, leading to degradation and overuse. Aware of this situation, the Government has started an aggressive program of investment in water supply, management of water sources (surface and underground) with an special focus in the poor areas of the Norte - Norte region. Almost 50% of the Norte - Norte region is covered by natural ecosystems. In this region alone 13 protected areas are located, representing 33.7% of its territory. More than 172,000 hectares have been identified as biological corridors, which are part of the National System of Biological Corridors. At the same time, 38% of the area is used for agricultural and livestock production. 35% of the landscape is covered by forest and 4% has been identified as wetlands. The expansion of land for agriculture has resulted in the reduction of forest cover, leading to ecosystem degradation and increased forest land fragmentation. In 1979, average size of forest fragments was 2,146 ha, but in 2005, it was only 102 hectares (IV Country Report to the CBD). The decrease in the size of forest fragments reduces the effectiveness of biological corridors and reflects pressures on protected areas. This pressure comes in part from growth in productive activities (agriculture and livestock in the Norte - Norte region have grown, for example pineaple production has grown from 20,000 hectares in 2000 to 90,000 hectares in 2011) and population growth (from 2000 to 2009, the population in the Norte - Norte region has grown by 5% on average, annually). CATHALAC (the Water Center for the Humid Tropics of Latin America and the Caribbean, for its Spanish acronym) has identified the Norte - Norte region as one of the critical areas in Central America for conservation efforts, because of its high concentration of species and the severity of the negative effects of climate change in this region. The disappearance of at least two species (*Atelopus various* and *Ollotis periglenes*) can be related to changes in temperatures and rainfall. Other species such as hummingbirds for example, have changed their geographic distribution patterns because of changes in climate, which could affect polinization and other ecological relations.

2. To better manage this development and to effectively protect biodiversity, clear guidelines are needed. Individuals and local authorities need the right incentives so that in their continued effort to promote the expansion of economic opportunities and the region productivity, they can as well incorporate biodiversity and ecological considerations into their planning, and thus, guarantee the sustainability of the environment and their livelihoods. Aware of this reality, the Government of Costa Rica wants to develop a Land Use Planning Policy. This policy is needed to organize and provide guidelines to local and national initiatives for planning, management and use of ecosystems, based on an ecosystems approach. Present legislation about land use is dispersed and considers only urban areas. Planning tools currently in use by local governments

do not take into account the environment and do not facilitate the setting of environmental and development objectives. Existing regulations related to land use planning do not mention biodiversity conservation or environmental services. Most laws are outdated, for example the Urban Law dates from 1968. Government agencies have action plans, but they focus on activities that in most cases are contradictory to biodiversity conservation and, unless specific guidelines are put in place, these will not consider the protection of ecosystems or environmental services. Decision makers are not completely aware about the problem of what undervaluation of ecosystem services represents and that once legislation and guidelines are approved, they need training and technical assistance for implementation. Local governments do not have land use plans for the entire territory. Usually, municipal plans are focused on urban areas leaving other areas out, and do not consider landscape and ecosystem services. At the same time, Costa Rica has not prepared a national policy on conservation with an ecosystems approach. Such policy should clearly outline lines of work, goals and targets for watershed, biodiversity and wildlife conservation and management. To be consistent with current Costa Rica's environmental objectives, these kind of policies need to be developed.

3. Costa Rica is a pioneer in the implementation of payment for environmental services (PES) in Central America. The institution in charge of its administration is FONAFIFO (National Fund for Forestry Finance, by its Spanish Acronym). The Forestry Law that created FONAFIFO in 1990, recognizes only four services: mitigation of greem house gases, protection of water for urban, rural or hidroelectric use, protection of biodiversity, and protection of ecosystems; and payments are made in bulk. FONAFIFO provides incentives for reforestation and / or conservation of natural forests in contracts that last five years. However, the system implemented by FONAFIFO does not take into acocount the contribution of each partipant to an especific environmental objective. This creates a bias in terms of areas covered and protection of certain ecosystems. There are other initiatives of PES in Costa Rica. For example, the Public Services Company of Heredia (ESPH, by its Spanish acronym) scheme, which charges as part of water bills, an amount that is used to provide payments to protect watersheds used by ESPH; or private innitiatives managed by FONAFIFO.

4. Costa Rica, with funding from Spain, is implementing the Río Frío Project which seeks to develop landscape management plans that consider not only urban areas, but the whole territory and its components. Landscape management plans (planes reguladores, in Spanish) are a step forward in planning the use and development of a specific area. The Rio Frio project aims to improve the livelihoods and to reduce the vulnerability of local communitities in Guatuso and Los Chiles municipalities (part or the Norte - Norte region). Lessons learned from this project indicate that in order to achieve an appropriate management of ecosystems, it is necessary to develop incentives, both for users and providers of environmental services. This effort has been complemented by studies developed by SINAC, which have proposed new management areas, called socio-ecological management units (USEG, by its Spanish acronym). However, plans developed by the Río Frío project are not based on an ecosystems approach. To effectively protect conservation areas, which constitute 26% of the country, it is necessary to change the way landscapes have been managed in Costa Rica. The Norte - Norte region was chosen by SINAC to start the implementation of this new way of managing landscapes because the Rio Frio Project and other iniatives have generated sufficient local support and the scale of intervention will provide enough information to scale up the approach to the rest of the country. Moreover, studies of water management and deficit of infrastructure done during the preparation of the IDB loan CR-L1024 showed that the Norte - Norte region needed more investment in infrastructure, but also, training and technical assistance to manage water bodies. At the same time, loan CR-0142, implemented by the Ministry of Agriculture and Livestock (MAG, by its Spanish acronym) and funded by the IDB generated capacity in terms of extension services and training facilities. This loan facilitated the adoption of a set of technologies, designed to increase productivity and improve the environmental management of farms. Although the focus of the project was livestock and coffee production, it generated a

series of technical documents, methodologies and training strategies that will be updated by the GEF project. Producers, users, and authorities at the local level need to participate in an integrated approach, that recognizes biodiversity protection starting outside of protected areas.

5. Although FONAFIFO is active in the Norte - Norte region (approximately 13,000 hectares have received incentives), there is little information about the value or relative importance of specific ecosystem services. The demand-driven strategy of FONAFIFO is not matched with field activities (supply-side) that motivate local communities to participate, based on specific environmental objetives. For example, only 10% of the area that received funding from FONAFIFO in the Norte - Norte region, is part of the biological corridors. These and other shortcomes were identified in the document "Payments for environmental services and the GEF", prepared by the STAP (link). To prepare a land use plan that incorporates an ecosystems approach, information about the principal ecosystem services in that specific area is required. Specifically, users and policy makers need to approximate the value of each service, define wich is the best management approach, and design the appropriate tools and institutions to manage them.

B. 2. Incremental /Additional cost reasoning: describe the incremental (GEF Trust Fund/NPIF) or additional (LDCF/SCCF) activities requested for GEF/LDCF/SCCF/NPIF financing and the associated global environmental benefits (GEF Trust Fund/NPIF) or associated adaptation benefits (LDCF/SCCF) to be delivered by the project:

1. The objetive of this project is to improve biodiversity conservation and sustainable use through the management of landscape ecosystem services. The objective will be accomplished through the implementation of three components: i) characterization and assessment of ecosystem services; ii) development of a legal and policy framework incorporating an ecosystems approach; and iii) sustainable management of ecosystem services in the USEG Norte - Norte.

2. Component 1. Characterization and assessment of ecosystem services. Although some work has been done in the Norte - Norte region to collect information about the value of biodiversity, more precise studies are needed to prioritize and characterize specific environmental services. These studies will also help to approximate the value of each environmental service to users and society, information that is key to develop compensation schemes. The Ecomercados project, implemented by FONAFIFO also generated valuable information about the complexities of managing a PSE program. However, most of the investment was done in areas different than the Norte - Norte region. At the same time, those investments were based on bulk payments implemented by FONAFIFO, without specificly targeting areas in biological corridors or specific ecosystem services. Based on studies prepared by this project, three ecosystem services will be identified as well as characterized, and in particular, their contribution to biodiversity will be assessed. Part of the identification and assessment will be carried out during the prepartion phase of this project. This information will then feed into land use planning at the local level (component 2) and the design of compensation schemes (component 3).

3. Component 2. Development of a legal and policy framework incorporating an ecosystems approach. As discused above, national regulations and institutional guidelines do not take explicitly into account biodiversity and ecosystems values. Even established PES schemes, like the ones implemented by FONAFIFO can benefit if focused on environmental services and biological corridors. Also, local governments do not have appropriate tools to manage landscapes and ecosystem services. Due to the lack of these tools, providers of ecosystem services are not compensated and users do not incorporate the costs involved in the provision of these services. Legislation, including environmental legislation, has not been updated to reflect Costa Rica's priorities and environmental assets. This component will address these weaknesses at the national and local levels. At the national level, the project will work with MINAET and SINAC to develop a policy framework based on an ecosystems approach. This framework

includes national policies, a revision of the Urban Planning Law, as well as national guidelines for the design of municipal and regional ecosystem use plans. A National Conservation Policy will be prepared and based on an ecosystems approach. This policy will clarify the vision of the country in terms of conservation of watersheds and wildlife. These guidelines will facilitate the preparation and implementation of new land use plans, which will become landscape use plans when environmental services and ecosystem values are incorporated. Landscape use plans incorporate the integral perspective of ecosystems approach in order to manage the landscape, and will benefit from the characterization of ecosystem services prepared in component 1. This project will facilitate the update of three municipal plans in the Norte - Norte region. The development of these plans will requiere an intense participation of land users, civil society, authorities and institutions. To have a sucessful process, training will be provided to municipal and national institutions present in the area as well as associations and other private organizations. To complete the strategy, this project will facilitate the revision and preparation of institutional plans for key national agencies (SINAC, MAG, AyA - Water and sanitation agency - and MIVAH - Ministry of Housing and Human Settlements). During their annual planning process, these institutions will incorporate the ecosystems approach to implement municipal landscape use plans. This integration of activities will materialize the integral approach that the landscape use plans require.

4. Component 3. Sustainable management of ecosystems services in the USEG Norte - Norte . The objective of this component is to improve the conservation and use of biodiversity by developing local land use incentive mechanisms, which compensate land use decision makers for the adoption of biodiversity "enhancing" technologies or land use practices. At the same time, such incentives will facilitate the implementation of landscape use plans developed in component 2 for three municipalities of the Norte-Norte region. The project will use the landscape use plans preparation phase to sensitize potential users and producers of ecosystem services. Users include water supply agencies, which are in charge of investments, management and planning. The project will coordinate with these agencies to guarantee that compensation schemes are linked to water usage. The studies undertaken in component 1 will provide crucial information to implement compensation schemes, which will use current platforms (like FONAFIFO) or new ones, depending on institutional and technical advantages of other incentive mechanisms (to be identified during project design).

5. In close coordination with line ministries, this project will support producers to adopt technologies and to implement practices that protect and conserve biodiversity. Existing technologies developed and tested in Costa Rica and elsewhere will be selected for implementation. PPG funds will help SINA and InBIO to update and adapt these technologies for the Norte – Norte region. Technologies promoted during the implementation of loan CR-0142, funded by the IDB, will be updated to reflect its economic and financial viability and contribution to the conservation of ecosystem services. Technologies will be ranked based on their contribution to the conservation of ecosystem services and productivity. Producers will adopt technologies if they can perceive benefits. For example, use of organic fertilizers instead of chemical fertilizers will be promoted. This will reduce water pollution and reduce production costs; water management, including drip irrigation will increase yields, reduce the need of herbicides and pesticides, and reduce demand for water; trees for feed and soil conservation will increase forest cover in biological corridors and protect rivers and streams. This effort will result in healthier ecosystems and better services from the ecosystem. By promoting best practices for agricultural and livestock production, producers will move towards a more sustainable production pattern, which in time will allow them to get an internationally recognized certification. Certification of sustainable production will be achieved through the implementation of agricultural practices, which will be funded partially by the project. Most of the investment will be carried out by farmers. Actual number of producers, selection criteria and area under certification will be determined during the preparation phase of the project, but it is expected that at least 500 producers will participate. The project will fund

technical assistance and finance partially the implementation of these technologies, which will be cofinanced by the beneficiary. Potential partners in certification are Rainforest Alliance and Fair trade international. This compensation for beneficiaries conservation efforts will be measured by their marginal contribution to: i) biodiversity and supply of ecosystem services; ii) strengthening of biological corridors; and iii) change in productivity and carbon footprint. Depending on the technology adopted, the compensation will be part of a broader effort, like FONAFIFO's PES or the compensation schemes that will be proposed in component 1. By implementing best practices and protecting environmental services, producers will be implementing and complying with landscape use plans, previously upgraded through activities in component 2.

6. Compensation schemes designed in component 1, which include modifications to the criteria used to select beneficiaries for FONAFIFO´s PSE, will complement the activities for the adoption of biodiversity conservation prone technologies and practices. The relative weight of those areas in biological corridors, as defined in GRUAS (Volume II of the report, "Analysis of conservation representative gaps in Costa Rica") will be increased. Also, the relative importance of the area for the conservation of a specific environmental service will be included in the criteria. To ensure an appropriate consideration of gender and indigenous communities, specific criteria will be added. These criteria will facilitate the participation in the project of women land – owners and indigenous groups. This change will allow Costa Rica to increase the likelihood of biodiversity conservation in areas identified as critical for conservation and at the same time, to offer local communities alternatives for development. Actual areas to be included will be determined during the project´s preparation phase, although it is expected that around 7000 hectares of forest for forestation and 5000 for protection will be included, of which around 50% will be part of the biological corridors. The selection process will verify that land – owners are not participating in other PSE schemes (like the one currently implemented by FONAFIFO). This field verification will then be checked against cadaster databases and FONAFIFO's databases. Improved landscape management and healthier ecosystems will result in higher resilience to climate change. Higher forest cover in the region, together with enhanced water management will help producers to maintain or increase production, while at the same time biodiversity is protected.

7. This component offers a unique opportunity to meassure impacts based on experimental designs. By using beneficiaries and non - beneficiaries (counterfactual) of incentives to adopt environmental benefits best practices and forest conservation technologies, the project will provide data on: i) increase and quality of biodiversity; ii) contribution to the provision of environmental services; iii) gender and participation of indigenous communities; and iv) productivity changes and carbon footprint.

8. Component 4. Monitoring and evaluation. As presented above, this project will benefit from a detailed impact evaluation system. During the preparation phase, target beneficiaries and control groups (counterfactual) will be identified. A sample of these two groups will be enterviewed to collect data on: i) biodiversity variables, especially those influenced by better planning, best agricultural practices and compensation mechanisms; ii) ecosystem services variables; and iii) productivity and other variables at the farm level. The inclusion of an impact evaluation´s experimental design in this project is consistent with STAP´s advisory document "Experimental project design on GEF", which states that this kind of tools to collect and draw clear evidence on the implications on Global Environmental Benefits from GEF investments are consistent with GEF´s mandate, its Strategy and Programming documents, its Results-based Management Framework and its efforts to improve knowledge management". In addition, STAP´s advisory document recommends that projects do more than simple monitoring of the variables defined at the initial point of intervention, but rather should be designed so to be able "to permit credible inferences to be drawn about whether the program is contributing to changes in the status and trends of the indicators." Additional funds outside of the country allocation are being requested in the PPG for a total of 70,000 USD.

9. The monitoring system will use the same methodology to measure progress through a similar survey at the end of the project, which will be implemented along the final evaluation. Also, a mid term review will be funded to assess the implementation progress. Indicators and variables designed for the project, will be included in the national system of biodiversity monitoring.

10. The sucessful implementation of these components will help Costa Rica to contribute to several global environmental benefits. Biodiversity will be preserved and restored in biological corridors, and functional integrity of natural ecosystems will be guaranteed through better planning at the municipal level. Also, biological diversity conservation efforts will be strengthened, including globally significant biodiversity. This project will measure variables for both global environmental benefits through experimental methods.

B.3. Describe the socioeconomic benefits to be delivered by the Project at the national and local levels, including consideration of gender dimensions, and how these will support the achievement of global environment benefits (GEF Trust Fund/NPIF) or adaptation benefits (LDCF/SCCF). As a background information, read Mainstreaming Gender at the GEF.":

1. At the national level, the project will help to incorporate an ecosystems approach to a variety of laws and regulations that will help local comunitites to protect and conserve biodiversity. This new set of legislation is necessary to align Costa Rica´s current development with its environmental assets. Economic activities, not only in the Norte - Norte region, depend on ecosystem services. For example, production of pineapple and livestock employ 180,000 persons and generate more than 35% of agricultural value each year, which need a constant and reliable flow of ecosystem services. Only by protecting these assets future growth is possible. At the same time, because national regulations take time to be implemented at the local level, without support from this project, there is a high probability that these changes will take several years, if ever happen.

2. Compensation schemes and better technologies will help producers and local goverments to put in practice land use plans incorporating an ecosystems approach. At the same time, adoption of technologies will help producers to adapt to climate change and to get certifications that will open new markets. The technologies proposed will be based on sucessful experiences from the PFPAS project (promotion of sustainable agricultural production) executed by MAG and funded by the IDB. These technologies included water management, better use of inputs and implementation of activities towards environmental certification. Best practices can increase yields up to 20%, which just for the pineapple industry represent 2.8 million USD per year. An improved farm management will increase resilience to climate change and will increase returns to the investment. The PFPAS project demostrated that profits can increase up to 15% or more per year if technologies are adequately implemented. Higher productivity will be measured in economic terms, in order to demonstrate how feasible it would be to replicate this approach in other regions of the country.

3. By implementing better planning and providing enough incentives to producers, existing protected areas will face less threats. SINAC recognizes that by reducing pressures outside protected areas, biodiversity has a better chance of contributing to the future to Costa Rica's development. Farms that include reforestation in their productive landscape can contribute significantly to biological corridors. Actual numbers and contribution to biodiversity will be established during the final design of the project. This not only reduces the presure to increase productive land, but also facilitates the protection of biodiversity in these corridors. Economic benefits from biodiversity protection will be calculated in the baseline using experimental methods.

B.4 Indicate risks, including climate change risks that might prevent the project objectives from being achieved, and if possible, propose measures that address these risks to be further developed during the project design:

1. The main risk that might prevent the project to achieve its goals, is the weakness of local

management capacities. Landscape use plans requiere an active participation of local authorities and their lidership to design and implement these plans. The project will provide training and technical assistance, which will explicit the benefits in the short and medium run of improved planning and compensation schemes. Low Risk.

2. Also, the project needs a close collaboration and coordination with other institutions, both at the national and local levels. The current limited inter-institutional coordination will be a weakness, which will be mitigated by the project through the process of preparation of new legislation. Low Risk.

3. Because compensation schemes and adoption of new technologies depend on markets and climate variables, there is a risk during the implementation phase that producers could face negative conditions that reduce their interest to participate in the project. The project will work closely with producers associations and certification bodies to reduce this risk. Medium Risk.

4. Although FONAFIFO has developed tools to reduce risks of adverse self - selection and non - compliance, its current strategy has room for improvement. Incentives promoted by this project and support to certification efforts are exposed to the same risks. Modification of operating guidelines for field work and a detailed ex - ante analysis of potential beneficiaries will reduce these risks. Also, this project will develop an impact assessment methodology that will have tools to monitor these and other risks. Low Risk.

5. To reduce the risk of double compensation, the design of the PES mechanisms and modification of existing ones will include a specific validation process that will be carried out in the field. Registries of potential program beneficiaries will be cross-referenced with existing databases of other PES or compensation schemes. The Program Operating Manual will detail this verification process and the eligibility criteria for beneficiaries, which will include the requirement of not being part of other PES schemes. Low Risk.

B.5. Identify key stakeholders involved in the project including the private sector, civil society organizations, local and indigenous communities, and their respective roles, as applicable:

1. This project will engage actively civil society, both at the national and local levels. At the national level, line Ministries: MINAET, which is in charge of national policy related to energy, environment and communications, chairs SINAC board; MAG as the line ministry of agriculture and livestock, is in charge of policy related to agricultural production, extension and innovation; MIVAH is the ministry in charge of urban planning, and currently also in charge of defining guidelines to prepare land use plans. At the local level, the municipal governments, and especially their Environmental Units, will be critical to prepare and implemement the ecosystem use plans; producers associations, in particular the livestock association and the pineapple association will be key partners in the definition of ecosystem services, compensation schemes and technology packages. InBIO will be the agency in charge of executing this project in closely coordination with SINAC, which will chair the coordination committee that will be created during the final design of this project. All line ministries and representatives of the municipal governments will also be part of this committee.

As part of the activities funded by the PPG, an Stakeholder analysis, consultation process and environmental and social risk analysis will be carried out to ensure the participation of local an indigenous communities taking into account both GEF policies on stakeholder participation.

B.6. Outline the coordination with other related initiatives:

1. This project complements IDB's lending program in Costa Rica. This project will complement investments of loan "Tourism Program in Protected Areas" (CR-L1001), which started activities in October, 2011 and aims to strengthen the link between tourism in state-owned protected areas, conservation of those areas and sustainable socio-economic development of the communities living in proximity to protected areas. Also, this project will contribute to the goals and activities planned by loan CR-L1024, "Water and sanitation program", which, as indicated in the design documents, proposes to work with water user associations in the Norte –

Norte region of the country. Because of delays in congressional approval for this loan, it is not possible to include it as cofinancing, even though a significant part of the investment will be done in the Norte – Norte region. IDB will closely follow developments around the approval of this loan.

2. The activities proposed in this project will closely coordinate numerous activities of GEF project "Overcoming Barriers to Sustainability of Costa Rica´s Protected Areas System"(GEF ID: 2773) and finance activities to strengthen SINAC's financial and administrative systems, as well as to enhance the planning and management of sustainable tourism in and around protected areas, several of which are in coastal regions. Coordination between the loan and this project is readily established, given that SINAC has a key role in both projects and execution of both will be coordinated by IDB's office in Costa Rica. Some of these barriers are related to gaps in the ecological representation of protected areas and planning, both at the national and local levels. Some of the gaps identified in Costa Rica are addressed through biological corridors, which are the main focus of investments of Component 3. Coordination is needed to prioritize biological corridors in the Norte – Norte region and to define operating plans for SINAC at the local level, that include an ecosystems approach.

3. Additionally, GEF project "Mainstreaming Market-Based Instruments for Environmental Management" (IBRD/ FONAFIFO/MINAET) builds on the Ecomarkets project (GEF ID: 671) by developing and implementing Payment for Environmental Services (PES) programs in productive landscapes in the buffer zones of protected areas and the corridors connecting them. Since MINAET is an executing partner in both projects, exchange of information between the projects is greatly simplified. Lessons learned of the Ecomarkets project will be incorporated in the design of this project. Although the Ecomarkets project focused only in the delivery of PES and it was mainly designed to strengthen FONAFIFO's mandate, it developed a set of tools for monitoring and evaluation. This tools, will also be used in this project. Databases from FONAFIFO will be used to avoid double compensation, as well as field verification. To mitigate this risk more effectively, an activity has been proposed his project will help SINAC to build a centralized database of beneficiaries of all PES schemes, including those implemented by FONAFIFO to avoid duplication.

C. DESCRIBE THE GEF AGENCY'S COMPARATIVE ADVANTAGE TO IMPLEMENT THIS PROJECT:

1. IDB has a strong portfolio of investment projects related to biodiversity protection, rural development and technology transfer, as well as an expanding portfolio in climate change adaptation and mitigation, particularly in projects that combine sustainable productive uses and ecosystem conservation. This agency has a specialized division that prepares, supports the implementation and provides technical backstoping to projects in 26 countries in Latin America and the Caribbean. In addition, the IDB has two other units that support compliance with Environmental and Social Safeguards and Gender and Diversity mainstreaming. Recently, IDB created a division that specializes in climate change adaptation and mitigation, which will be part of the team and will be in charge of project´s desing and technical support. Currently, IDB is also implementing two GEF projects in Cost Rica: GEF ID: 2517 "Sustainable environmental management of the Sixaola River Basin¨ (regional); and GEF ID: 2881 "Integrated management of marine and coastal resources in Puntarenas¨.

2. IDB country office will provide technical support, as well as procurement and financial oversight. This office is comprised of 24 technical staff and 20 administrative and support staff. IDB has hired a professional for the Costa Rica office to exclusively support the implementation of GEF projects.

C.1 Indicate the co-financing amount the GEF agency is bringing to the project:

The IDB will contribute to this project through the project CR-T1081 "Costa Rica Biodiversity Adaptation to Climate Change", currently being designed for 400,000 USD.

As explained above, loan CR-L1024 is a potential sources of cofinancing. 3 million of IDB loan

will be used as cofinancing for this project. Component 2 of this loan will work in the three municipalities where this project will be implemented. However, the loan will also target other five municipalities in the Norte - Norte region. This loan is pending ratification by Costa Rica Congress. IDB will closely follow developments around the approval of this loan.

C.2 How does the project fit into the GEF agency's program (reflected in documents such as UNDAF, CAS, etc.) and staff capacity in the country to follow up project implementation:

This project contributes to IDB's commitment to one of the main development challenges identified during the preparation of the ninth capital replenishment of the Bank: "Closing the growth gap in the LAC region while contributing to global environmental sustainability". At the same time, this project will contribute to one of the region's main challenges, "Protecting the environment and responding to climate change", also prioritized by the IDB. The IDB is working with partners and Governments to develop institutional and regulatory frameworks to allow investment in sustainable transport, alternative fuels, renewable energy, and energy efficiency. The IDB has the largest lending portfolio of development banks in the region, and has a strong presence in the areas of environmental protection, sustainable energy, and climate change. The Bank is helping countries to understand these phenomena and design the right policies to deal with them, as well as to enhance the countries' institutional capabilities to implement these policies. In order to do so, IDB has been strengthening its expertise and expanding its capabilities in this sector. For example, the Bank has launched and is expanding its Sustainable Energy and Climate Change Initiative (SECCI) (GN-2435-1) and is preparing a Bidiversity Platform, to be approved in the short-run.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S): (Please attach the Operational Focal Point endorsement letter(s) with this template. For SGP, use this OFP endorsement letter).

NAME	POSITION	MINISTRY	DATE *(MM/dd/yyyy)*
Rubén Muñoz Robles	GEF Operational Focal Point in Costa Rica	**DIRECCIÓN COOPERACIÓN INTERNACIONAL**	**02/29/2012**

B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for project identification and preparation.

Agency Coordinator, Agency name	Signature	DATE *(MM/dd/yyyy)*	Project Contact Person	Telephone	Email Address
Michael Collins		04/13/2012	Juan de Dios Mattos	502 2379 9352	jmattos@iadb.org