

1. General Description:

1.1 Project Title:

Enhancing the value of the secondary natural forest through its sustainable use, contributing to climate change mitigation and generating rural employment, within a post-covid context.

1.2 Submitting Country/ies:

Costa Rica

1.3 Specific Location & Country/ies/regions/areas benefitting from the project:

Costa Rica

1.4 Endorsement from ITTO Focal Point:

DG-OF-044-2021.pdf

1.5 Intended Project Duration (in months):

18

1.6 Indicative Budget (in US\$):

ITTO	205500
Counterpart	114500
Total	320000

1.7 Programme Line Focus (select 1):

Legal and Sustainable Supply Chains (LSSC)

1.8 Project Type (select up to 3):

Pilot/demonstration project, Innovation, Market/product development

1.9 Proposal Summary:

Costa Rica is a country with an internationally recognized record on forest and biodiversity conservation, as well as on effective actions to combat climate change. This has allowed Costa Rica's forests to become a net sink for greenhouse gases since 2014. However, the country's forestry sector still faces several challenges to improve its performance. The current wood industry is underdeveloped and obsolete. Nearly one million hectares of secondary forest is under threat of degradation, because the available wood resources are barely utilized. This proposal aims at contributing to address those challenges. On one hand, to contribute to the reduction of the pressure on mature forests and on the other hand, to improve the sustainable management and valorization of the secondary forest, by producing and marketing high value wood products from a variety of native species, involving local communities. Importantly, these forests are mostly owned by small producers. Project activities will embrace the gender action plan under the National REDD+ Strategy and the Gender Equality in Production Units Award (GIGUP) and will involve local communities, in particular women and youth, providing additional decent work opportunities and thus improving their livelihoods. The project includes the following main activities: 1. Identify the potential of secondary forests, through structural and floristic analysis of 100 plots established throughout the country, as well as other sources; 2. Select various native species for the potential development of high value products for niche markets; 3. Involve women and youth from the communities in the different processes of the value chain; 4. Convey a preliminary market survey for potential high value products that can be manufactured in the country; 5. Design and manufacture prototypes of these products in a selected production facility, estimating production costs.

2. Proponent Information:

2.1 Executing Agency Information:

Name of Agency/Organization/Institution:

Forestry and Wood Industry Chamber of Costa Rica (Cámara Forestal de Madera e Industria de Costa Rica)

Name of main Contact Person:

Natalia Chacón Cid

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2.2 Type of Organization:

Private Sector/Industry Association

Type of Organization- other case:

NA

2.3 Collaborating Agency/ies:**Name of Agency/Organization/Institution:**

NA

2.4 Relevant experience of EA:

The Forestry and Wood Industry Chamber of Costa Rica was founded in 1994 to lead and integrate value chain. There are 23 associated companies and the support of 7 honorary members. Main activities include: (a) Promotion of the development and integration of the forestry and wood industry sectors (b) Encouraging the use of legal wood from sustainable sources identifying new market opportunities (c) Promotion change of perception on forest harvesting and use of wood.

3. Relevance:

3.1 Conformity with ITTO objectives (ITTA, 2006) and priorities (current SAP):

The proposed project is in conformity with all ITTO objectives, as set out in the ITTA, 2006. In particular, the project will:

- Contribute to the process of sustainable development; based on national policies and strategies;
- Enhance the capacity of the private sector to develop and produce high-quality and innovative wood products for the national and international markets, coming from sustainably managed secondary tropical forests;
- Promote the expansion and diversification of national and international trade in tropical wood from sustainable and legal sources, by developing a range of high-quality products targeted to niche markets.
- Promote and support research and development in the design of innovative products, definition of production processes and quality control and thus, enhancing the value of secondary tropical forests.
- Promote increased and further processing of tropical wood from sustainably managed secondary forests, with a view to promoting industrialization and thereby increasing their employment in rural areas, creating new decent job opportunities for local and export markets.
- Support natural forest restoration and rehabilitation of degraded forest land, involving local communities, in particular women and youth, for future industrial use in high value wood products.
- Improve marketing and distribution, for local and export markets, of high value wood products.

3.2 Relevance to the ITTO Programme Lines:

The project is mainly relevant to the Programmatic Line #1: Legal & Sustainable Supply Chains (LSSC), contributing to achieve the following objectives under this programme line:

- Promoting and strengthening networks to increase the manufacture and legal trade of wood products from sustainably managed secondary forests.
- Improving market intelligence on the national and international wood products markets, including the development of forest legality requirements, particularly to markets with established regulations for the import of legally sourced products.
- Enhancing the capacity to produce legal and sustainable wood products, facilitating products traceability, and enabling the due diligence process, whenever necessary.
- Raising awareness within the government, private sector and civil society of the critical role that sustainably managed secondary tropical forests play in contributing to the three pillars of sustainability (economic, social and environmental), including the achievement of the SDGs and other global forest related goals and commitments. That includes the contribution of sustainably manufacture wood products to climate change mitigation, generation of rural employment involving women and youth.

3.3 Relevance to the Sustainable Development Goals (SDGs) and the Global Forest Goals (GFGs) and other forest related global agenda:

This project proposal is relevant to the following SDGs: Goal 13 Climate Action: Costa Rica is in one of the geographical areas most vulnerable to climate change. Forests contribute to both mitigation, as GHG sinks, and adaptation to climate change. A main outcome is to give value to the forests and therefore promote its conservation and sustainable use. Goal 5 Gender Equality: The Costa Rican Gender Action Plan REDD+ Strategy has made visible the important role of women in conservation and sustainable forest management. The project aims at generating new employment opportunities for women and youth at various levels in the forest and in the industry. Furthermore, the project and its subsequent actions will be framed within the Gender Equality Award in Productive Units (GIGUP), so that the products derived from it will be differentiated from others by guaranteeing gender equality and recognition of the role of women. Goal 15 Life on Land: the project will benefit the conservation and sustainable management of forest ecosystems, in particular secondary forests. Goal 9 Industry, Innovation and Infrastructure: This project will promote the manufacture of high value wood products from an ecosystem that has been underutilized, which is the case of secondary forests. This will require innovation in both processing and final products. Other goals relevant: Many of the poorest and disadvantaged populations are located in or near forested areas. These areas have been hit hard by COVID 19. This project will give value to an underutilised ecosystem, generating new employment opportunities and welfare in an equitable manner, and thus, it will contribute in achieving additional Sustainable Development Goals: Goal 2 Zero Hunger Goal 3 Good Health and Welfare Goal 8. Decent work and economic growth Goal 10 Reduced inequalities

3.4 Relevance to submitting country's policies:

The most important instrument of National Planning is the National Development Plan. The following objective has been included in the Strategic Area: Infrastructure, Mobility and Land Use Planning, to which the project will directly contribute, in particular advancing towards carbon neutrality with the contribution of the forestry sector and key sectors such as public transportation, agriculture and livestock and encouraging the participation of local governments to mitigate climate change. Likewise, the activities of the project are framed within the National Decarbonization Strategy, in axis 10 objective 10.1, which states: "10.1. implement the REDD+ Strategy to promote the reduction of emissions from deforestation, avoided degradation and conservation of forests and ecosystems in both rural and urban areas. At the level of objectives that can be impacted by REDD+, it is proposed to

stop deforestation and regenerate degraded lands through forest restoration and reforestation.” In addition, Costa Rica's NDC proposes the need to maintain and increase forest cover as an element to mitigate and adapt to climate change. The country also has a National REDD+ Strategy that states, among others, that one of the drivers of deforestation is the lack of an efficient and successful forestry sector in the production, industrialization and marketing of wood products. The Strategy also has two relevant policies which are considered by the project activities: Policy 3: Incentives for conservation and Sustainable Forest Management. Policy 4: Restoration of forest landscapes and ecosystems. More specifically, the project will contribute to on-the-ground implementation of the following measures: Measure 3.3.1. Promotion throughout the wood and forest products value chain. Action 4.1.1. Restoration in degraded watersheds

3.5 Linkages to previous/ongoing ITTO and other projects/activities (if any):

As of today, Costa Rica has not implemented any ITTO funded project. The proposed project is complementary to other projects either implemented over the last few years or under implementation. For example, an Emissions Reductions Purchase Agreement (ERPA) between the Government of Costa Rica and the Forest Carbon Partnership Facility (FCPF) has been signed and a project with the Green Climate Fund (GCF) for payment by results for the emission reductions of the years 2014-2015 has been approved. Also on this occasion, two additional proposals are being submitted to the ITTO, located in the Northern Huetar Region of Costa Rica, which are complementary to the present one. One is called Conserving and increasing carbon in the secondary forests of northern Costa Rica and the other is called Repositioning forest management as a competitive land use in the agroforestry landscape. These three proposals are important and jointly with other initiatives can help improve the performance of the forestry sector in Costa Rica.

4. Project synopsis:

4.1 Objectives (reflecting reference to elements within all ITTO Guidelines as applicable):

This project seeks to contribute to rural development and to climate change mitigation through the management and sustainable utilization of secondary forests. This ecosystem accounts for approximately 1 million ha (24 percent) of Costa Rican territory. These areas have a high potential for the production of wood products, and

therefore, they present opportunities for development by producing high value products for niche markets. In addition, the project represents the opportunity to identify the potential value of Guanacaste's secondary forests and the associated value chain. It also allows the incorporation of strategies that involve women and youth from rural communities in the processes of forest management, design, manufacture, marketing and sale of the products or services identified, improving their livelihoods. The production of prototype high quality products will present an opportunity to small scale producers to benefit from technological change and process innovation. The following elements are important to achieve the objectives: participation of the private sector as a facilitator of innovation and technology, participation of the public sector in the development of applied research, institutional participation to facilitate project management and implementation processes. The project objectives reflect reference to ITTO Guidelines, in particular to the "Voluntary Guidelines for the sustainable management of natural tropical forests". The main objective is to enhance the sustainable use of secondary forests in the Guanacaste province, contribute to climate change mitigation and generate decent employment to rural populations, including women and youth.

4.2 Key problem(s) to be addressed:

Costa Rican secondary forests are threatened to be degraded, a process that it is already visible today. Most owners of secondary forests are in private hands of many small holders. Trees are barely harvested due to low demand and the absence of a competitive processing industry, and thus, almost no value is generated from these forests. A side effect is an increased of unemployment rates, in particular women and youth, worsened by the impact of the Covid-19. Illegal logging activities also contribute to the degradation of the secondary forests, negatively affecting the environment and the economy in rural areas.

4.3 Main stakeholders and beneficiaries:

Forestry and Wood Industry Chamber of Costa Rica National Forest Financing Fund (FONAFIFO) National Forestry Office (ONF) Private sector Beneficiaries Local communities Secondary forest owners of Guanacaste Guanacaste processing industry, mainly small-scale producers National Economy

4.4 Key activities:

1. Identify the potential of secondary forests, through structural and floristic analysis of 100 plots established throughout the country, as well as other sources;
2. Select various native species for the development of high value products for niche markets;

3. Involve women and youth from the communities in the different processes of the value chain; 4. Convey a preliminary market survey for potential high value products that can be manufactured in the country; 5. Design and manufacture prototypes of these products in a selected production facility, estimating production costs.

4.5 Expected outcomes and impacts, including innovation/transformation:

Commercial value of secondary forest is increased, as a source of income for small producers. New wood products are developed, and market niches identified. Participation of women and youth are enhanced in the forest value chain. Local economy is improved. Processing technology, innovation, and development in industrial processes are introduced. Reduction of times, costs, and processes in the design and manufacture prototypes are achieved.

4.6 Existing funding for (related) initiative(s)/established contacts to potential donors:

No potential donors have been contacted so far. Co-funding from the private sector has been secured.

4.7 Any other information deemed necessary/important:

Secondary natural forests embrace many different wood species and relatively low volumes of the same species. It is therefore necessary to develop innovative wood products for a niche market that appreciate the social and environmental value of these products. The collapse of the wood industry in Costa Rica over the last decades has made difficult to sustainably utilize the forest resources. Instead, illegal logging has increased and decent employment opportunities are reduced.

4.8 Risk mitigation measures:

The activities of the proposed projects must be complementary to existing policies and initiatives related to forest conservation, combating climate change and improving the livelihoods of rural populations. Therefore, the following mitigation measures would be taken: Link with national and international institutions and organizations complementary to the project. Link with forestry companies that contribute to the development of project activities. Link with national forest research centers.

5. Indicative Budget (in US\$):

Indicative Budget (in US\$):

Description	ITTO	Counterpart	Total
Personnel	90500	45000	135500
Sub-contracts	32000	3000	35000
Travel and DSA	28500	18000	46500
Capital Items	35000	4000	39000
Consumables	8500	35000	43500
Publication / Dissemination	7000	1500	8500
Miscellaneous	4000	8000	12000
Total	205500	114500	320000