

PENDING FINANCE

1. General Description:

ID:CN-24032**Project resulting from this CN: N/A***Note: CNs are developed into project proposals following consultation with donor(s).***1.1 Project Title:**

Strengthening the forestry sector value chain through sustainable forest management and utilization in Costa Rica

1.2 Submitting Country/ies:

Costa Rica

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

All forested areas in Costa Rica

1.4 Endorsement from ITTO Focal Point:

[3170_06.pdf](#)

1.5 Intended Project Duration (in months):

24

1.6 Indicative Budget (in US\$):

ITTO	512,960
Counterpart	130,000
Total	642,960

1.7 Programme Line Focus

Legal and Sustainable Supply Chains (LSSC)

1.8 Project Type

Capacity Building/Training

Project Type - Other (please explain):

Policy development/implementation Market/product development

1.9 Proposal Summary:

Costa Rica has a forest cover, including mature forests, secondary forests, and forest plantations, of 3,110,285 hectares, of which approximately one million, could be used for industrial purposes, both for wood-based products and non-timber forest products. This use will increase carbon fixation in wood products, thus contributing to commitments and goals related to climate change mitigation. Various factors have contributed to the fact that the value chain, which covers all stages from management and production to the commercialization of forest products, has experienced a notable deterioration. Consequently, forest degradation and illegal logging could become a real threat to these ecosystems, to the detriment of the enormous efforts made by forest owners and state institutions, which have allowed the extraordinary increase in forest cover, recognized both nationally and internationally. Over the last four decades, Costa Rica has managed to stop deforestation and reach the point where, since 2014, its forests have become a net sink of greenhouse gases. Efforts have been implemented to conserve forest areas, both in the public and private sectors, through incentives, Forest Promotion Programs (PFE) and private reserves. Despite the important achievements made, the value chain has experienced a worrying deterioration, putting at risk the valuable resources that have been recovered with great effort. The growing threat of illegal logging and forest degradation represents an emerging challenge that requires urgent attention and concerted actions to address effectively. There is partial knowledge of the potential of the Costa Rican Forest, including its floristic composition, volumes and areas. In 2015, it was determined that there were 915,000 hectares of unrestricted forests suitable for sustainable forest management. Through recent studies, the Chamber of Forestry, Wood and Industry (CFMI) identified the floristic composition and availability.

2. Proponent Information:

2.1 Executing Agency Information:

Name of Agency/Organization/Institution:

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

Name of main Contact Person:

Natalia Chacon Cid, Executive Director

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info@camaraforestal.org

Other E-mail address:

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Phone:

506 84851212

Fax:

no aplica

URL:

<https://www.camaraforestal.org>

2.2 Type of Organization:

Private Sector/Industry Association

Type of Organization- other case:

Private Sector/Industry Association

2.3 Collaborating Agency/ies:

Name of Agency/Organization/Institution:

Carbon Revenue Services S.A.

Name of main Contact Person:

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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 Newmarket 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:

- Improve the knowledge of national forest resources, particularly the availability of sustainable wood volumes suitable for the industry.
- 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 and non-wood forest products for the national and international markets, coming from sustainably managed tropical forests.
- Promote the expansion and diversification of national and international trade in tropical wood and non-wood forest products 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 tropical forests.
- Promote increased and further processing of tropical wood from sustainably managed 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 and non-wood forest 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 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 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.

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.

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

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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, 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 NOC 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 of degraded watersheds. Costa Rica is also part of the recently formed Greening Construction with Sustainable Wood initiative, recognizing that wood from sustainably managed forests provides climate

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

Rica is currently implementing two ITTO projects, namely: (1) PD849/17 Rev.2 (F) - Increasing Commercial Reforestation Competitiveness in Costa Rica. Executing Agency: Costa Rican Institute of Technology, School of Forestry/Research Centre for Forestry Innovation (CIF) and (2) PD931/23 (F) - Promoting SFM and Local Wood Consumption through Capacity Building and Improving Regulation in the North Zone, Costa Rica. Executing Agency: CODEFORSA - Forest Development Commission Association of San Carlos. Another project has been concluded in March 2024, which was about “Increasing the value of secondary natural forest through its sustainable use, generating rural employment, in a post-Covid context”, implemented by the Chamber of Forestry, Timber and Industry. The three projects demonstrate that there is an important area of forest with the potential to be managed sustainably. However, there is a gap between these forests and the forest industry, in other words, the forest value chain is weak and does not allow an equitable distribution of the benefits generated. If the current situation persists, there is a risk that in the short term there will be an increase in the levels of degradation and in the medium and long term there will be a return to significant levels of deforestation.

4. Project synopsis:

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

Effective mechanisms are established for the sustainable harvesting, processing, and marketing of forest products, creating economic incentives for conservation, improving the livelihoods of forest dependent communities, and contributing to climate change mitigation and adaptation. Specific objective Sustainable management and valuation of forest resources are strengthened to safeguard their long-term availability and the ecosystem services they provide. The project objectives reflect reference to ITTO Guidelines, in particular to the Voluntary Guidelines for the sustainable management of natural tropical forests. It is expected that, thanks to the project, forest resources, coming from both mature forests, secondary forests, and forest plantations, can be valued, and managed in a sustainable manner, guaranteeing their long-term availability for future generations. Another important aspect is the creating of new employment opportunities in rural areas, especially for women and youth, thus strengthening the local economy and promoting social inclusion. Increased use of local wood can significantly contribute to climate change mitigation by promoting the manufacture of wood products from sustainably managed sources, increasing carbon sequestration, and reducing pressure on dedicated forests for preservation. Furthermore, it is known that wood replaces products with a high carbon footprint. Beneficiaries are expected to use the resources and services generated by the project in an efficient and sustainable manner. For example, it is anticipated that local communities will participate in multiple activities, both those related to the use of wood, as well as the use and transformation of non-timber forest products, thus promoting the local economy and improving their quality of life.

4.2 Key problem(s) to be addressed:

The forestry industry in Costa Rica faces several critical challenges. Firstly, the entire forestry value chain, covering management, production, and marketing, has significantly deteriorated over the last three decades, leading to a disconnect between producers and the market. Secondly, there's a shortage of specialized forestry technicians to lead management plans, attributed to various factors such as diminishing knowledge among professionals, closure of sawmills, and decline in logging activities. Moreover, timber usage in construction is minimal, primarily for low-value products, affecting value addition. Additionally, inadequate research on wood harvesting, industrialization, and marketing techniques hampers sector development and sustainable practices. The consequences of these challenges are significant. Firstly, there's a decrease in the commercial value of forests, negatively impacting the economy and leading to an erosion of intellectual capital in forestry issues. Moreover, an imbalance in trade due to timber imports, coupled with extensive use of wood substitutes, worsens forest degradation and illegal logging, posing risks of deforestation. Additionally, non-compliance with international commitments, such as NDCs and agreements with ISFC, may tarnish the country's reputation and environmental compliance. Furthermore, insufficient sustainable management fails to promote rural development and long-term sustainability, aggravated by an unprofitable value chain. To address these challenges, Costa Rica must prioritize knowledge enhancement, sustainable practices, and value chain strengthening while fulfilling international commitments for environmental sustainability and economic growth. Additionally, Costa Rican companies' interest in joining ISFC reflects a positive step towards responsible forest management.

4.3 Main stakeholders and beneficiaries:

The main stakeholders and beneficiaries involved in the project include: 1. The Forestry Industry, including the Forestry and Wood Industry Chamber of Costa Rica, and the National Forestry Office (ONF). This sector benefits from improved availability of wood and knowledge about timber and non-timber species, facilitating sustainable management practices. 2. Local Communities and forest small holders: Access to wood and non-wood products is facilitated, creating economic opportunities, and promoting sustainable resource utilization. 3. Environmental Organizations: These organizations benefit from the promotion of sustainable forest management practices and the conservation of forest resources. 4. Government Agencies, such as the National Forest Financing Fund (FONAFIFO), the Ministry of Environment and Energy: They play a crucial role in implementing policies and providing support for the training of technicians and the creation of a favorable environment for investment in the forestry sector.

4.4 Key activities:

Product 1: The availability of wood for the industry is known. The volumes of commercial species that can be extracted legally and sustainably are evaluated, be from mature natural forests, secondary forests, or from forest plantations. Activity 1.1 Carry out an evaluation of the forest resources of mature natural forests, secondary forests, and forest plantations, based on existing information. Activity 1.2 Identify the commercial species present in each type of forest, considering their volume and geographical distribution. Activity 1.3 Evaluate the natural regeneration capacity of species and their growth rate in different forest areas. Activity 1.4 Review and if necessary, modify the legal regulations and environmental restrictions related to the use of wood in each type of forest. Activity 1.5 Review and, if necessary, modify the sustainability criteria for wood extraction, considering the regeneration capacity of the species, the conservation of the ecosystem and the financial aspects related to forest management. Activity 1.6 Propose continuous monitoring systems to periodically update information on wood availability and ensure its long-term sustainable management. Product 2: The main non-timber forest products are identified. In addition to wood, other products and services offered by forests must be evaluated, which can be used sustainably and marketed, both in national and international markets. Activity 2.1: Carry out an exhaustive study of forest ecosystems to identify and catalog the non-timber products and services they offer, such as fruits, oils, resins, medicinal plants, fibers, among others. Activity 2.2: Evaluate the demand and commercial value of a selection of non-timber products identified in national and international markets. Activity 2.3: Analyze the technical and economic feasibility of the production and marketing of each non-timber product, considering aspects such as the availability of resources, production costs.

4.5 Expected outcomes and impacts, including innovation/transformation:

The following outcomes and impacts collectively contribute to the transformation of forestry practices towards sustainability, innovation, and economic growth: 1. Increased Knowledge and Awareness: Through evaluations and studies, stakeholders will have a comprehensive understanding of available wood resources, non-timber forest products, and their sustainable extraction methods, enhancing awareness of forest management practices. 2. Enhanced Sustainability: Proposed modifications to legal regulations and sustainability criteria will ensure the long-term viability of wood and non-wood extraction, promoting ecosystem conservation and financial viability. 3. Improved Accessibility: Streamlined administrative procedures and electronic management systems will facilitate legal and sustainable access to forest resources, reducing bureaucracy and preventing illegal logging. 4. Knowledge Dissemination: Research findings on timber species qualities and workability will be disseminated through various channels, fostering innovation in wood utilization, and enhancing the efficiency of forestry practices. 5. Investment and Market Growth: Proposed programs, tax incentives, and marketing strategies will attract investments, stimulate demand, and improve market access for forest products, fostering economic growth in the forestry industry. 6. Capacity Building: Collaboration with educational institutions and training programs will develop skilled technicians, promoting sustainable forest management and innovation in wood processing techniques.

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:

N/A

4.8 Risk mitigation measures:

These following measures aim to enhance project effectiveness, foster collaboration, and leverage expertise, thereby reducing risks and maximizing positive impacts on forest ecosystems, climate resilience, and rural livelihoods. The proposed projects must align with established policies and initiatives for forest conservation, climate change mitigation, and rural livelihood improvement. To ensure this alignment and mitigate associated risks, the following measures will be implemented: 1.

Collaboration with national and international institutions and organizations that share project goals and objectives. 2. Engagement with forestry companies, forestry communities and small holders to actively contribute to project development and implementation, fostering partnerships for sustainable outcomes. 3. Establishing connections with national forest research centers to leverage expertise, access data, and incorporate scientific insights into project strategies.

Donor:

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5. Indicative Budget (in US\$):

Indicative Budget (in US\$):

Description	ITTO	Counterpart	Total
Personnel	60,000	30,000	90,000
Sub-contracts	135,000	15,000	150,000
Travel and DSA	55,000	20,000	75,000
Capital Items	65,000	10,000	75,000
Consumables	30,000	35,000	65,000
Publication / Dissemination	35,000	5,000	40,000
Miscellaneous	40,000	15,000	55,000
Total	420,000	130,000	550,000

ITTO Project Monitoring & Review	20,000	-	20,000
Annual/Final Audit	8,000	-	8,000
ITTO Programme Support	54,960	-	54,960
ITTO Ex-post Evaluation	10,000	-	10,000
GRAND TOTAL	512,960	130,000	642,960