### PENDING FINANCE

### 1. General Description:

ID:CN-25041

Project resulting from this CN: N/A

Note: CNs are developed into project proposals following consultation with donor(s).

### 1.1 Project Title:

Reactivation plan for the forest production sector and its value chains, promoting increased wood consumption in various regions of Costa Rica.

### 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:

DVA-067-2025OFICIOOIMT.pdf

### 1.5 Intended Project Duration (in months):

30

### 1.6 Indicative Budget (in US\$):

ІТТО	336,726
Counterpart	147,950
Total	484,676

### 1.7 Programme Line Focus

Legal and Sustainable Supply Chains (LSSC)

### 1.8 Project Type

Capacity Building/Training, Pilot/demonstration project

### 1.9 Proposal Summary:

Costa Rica has an internationally recognized track record in forest and biodiversity conservation, as well as in the development of effective actions to combat climate change, which has enabled Costa Rica's forests and forest plantations to become a net sink for greenhouse gases.

On the other hand, the country has great potential to supply timber to the domestic market, and therefore there is a need to reactivate the forest production sector, as well as to increase domestic wood consumption at a strategic level.

Furthermore, it is important to promote the increased use of wood as a vital tool for decarbonization. This approach seeks to take advantage of environmental benefits offered by timber from managed forests, as well as timber from forest plantations and agricultural land uses.

This initiative is designed to influence regional strategies that consider the use of sustainable timber as a factor in promoting better environmental practices. It aims to incorporate forestry into urban planning in cities and communities, as well as improving living conditions by bringing beneficiaries closer to the ecosystem services provided by timber and trees.

The main project objective is to promote sustainable wood consumption in Costa Rica as a means of strengthening the development of productive forest plantations and sustainable forest management, with the aim of promoting land use planning based on sustainable development and combating climate change.

The proposed activities will be implemented initially in six target cantons in Costa Rica. In the long term, the aim is to gradually replicate this initiative in the other cantons of the country.

## 2. Proponent Information:

# 2.1 Executing Agency Information: Name of Agency/Organization/Institution: National Forestry Office (Oficina Nacional Forestal – ONF) Name of main Contact Person: Luis Felipe Vega Monge Email: info@oficinaforestalcr.org Other E-mail address: nmarin@oficinaforestalcr.org Phone: 22935834 URL: https://onfcr.org/ 2.2 Type of Organization: Governmental Agency Type of Organization- other case: Non-state public organization 2.3 Collaborating Agency/ies: Name of Agency/Organization/Institution: n/a

### 2.4 Relevant experience of EA:

The ONF was established through Forestry Law No. 7575 of 1996 as a non-state public agency with its own legal status, with the aim of promoting forestry activities and the use of timber as a valid strategy for conserving and harvesting these resources, generating significant environmental, social, and economic benefits with national and global impacts.

At the national level, the ONF has accredited 40 organizations, making it a platform for consultation and coordination in the forest sector.

### 3. Relevance:

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

The proposed project is consistent with all ITTO objectives as set out in ITTA 2006. More specifically, the project will promote innovation and development of products from legal timber sources, thereby promoting forest products and processing of legally sourced timber to boost the industrialization and consumption of certified local timber, strengthen the national legal timber certification system, reactivate local economies in rural areas, engage the population in forest ecosystem restoration and conservation initiatives, promote governance and standards for increasing timber consumption in Costa Rica, and strengthen the forest value chain.

### 3.2 Relevance to the ITTO Programme Lines:

The project is particularly consistent with program line 1. Legal and sustainable supply chains. In this respect, the project aims to promote the consumption of timber from sustainable sources, raise awareness and engage local governments, civil society, and the private sector in the key role played by forest ecosystems and timber in adapting to climate change, empower cities to transform into climate-resilient communities with a landscape approach, and promote regional economic recovery through forestry activities, with the involvement of women and young people.

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

It is important to note that all well-managed forestry activities are associated with the following national SDG targets:

SDG 3: Ensure healthy lives and promote well-being for all at all ages: Sustainable forest management prevents deforestation and promotes the conservation of forest ecosystems.

SDG 8 Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all: SFM and sustainable timber certification promote decent jobs in forestry, production, and trade. Demand for certified timber drives local industries and sustainable value chains, promoting economic development in forest regions.

SDG 13 Take urgent action to combat climate change and its impacts in accordance with the agreements reached under the UNFCCC.

SDG 15 Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation

In addition, the initiative is related to GFG 2: Enhance forest-based benefits and livelihoods, as the project seeks to increase demand for certified and sustainable timber, thus promoting responsible markets, and increasing the value of forest products from legal and well-managed sources. Sustainable timber production creates economic opportunities for local communities, including those in rural or developing areas, reducing poverty. Sustainably certified products tend to fetch higher prices in the marketplace, benefiting producers and improving their competitiveness. In addition, SFM ensures adequate and safe working conditions, promoting decent jobs in the forest value chain. Overall, consuming timber from sustainable sources ensures the conservation of forest resources for the future.

### 3.4 Relevance to submitting country's policies:

The National Development Plan is Costa Rica's main political and economic planning instrument. The plan is drawn up by the Ministry of Planning and Economic Policy (MIDEPLAN). The sectoral objective from the Environment and Energy sector that is consistent with the proposed initiative and to which the project will contribute is as follows: Sectoral objective D: Strengthen the country brand, including sustainable agricultural production, by highlighting actions taken to eradicate deforestation and reduce GHG emissions.

In addition, public actions (PA) under the national development and public investment plan, specifically in the Environment and Energy sector, that are consistent with the project include:

PA 1. Sectoral program for environmental management. PA 4. Financing program for Environmental Goods and Services. PA 6. National Policy and Plan for Sustainable Production and Consumption.

REDD+ promotes the use of forest resources as a key activity for achieving natural resource sustainability through two specific policies: incentives for conservation and sustainable forest management, and the restoration of forest landscapes and ecosystems.

Another important initiative is Costa Rica's Nationally Determined Contribution (NDC), which addresses the need to maintain and increase forest cover as a means of mitigating and adapting to climate change.

Costa Rica's National Climate Change Strategy establishes both mitigation and adaptation measures to reduce GHG emissions and strengthen the country's resilience. In this regard, the proposal is related to the following adaptation and mitigation measures: ecosystem conservation and restoration, consumption of sustainable materials, sustainable construction, and land use and urban planning.

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

Costa Rica is currently implementing two ITTO-supported projects: PD 849/17 Rev.2 (F), "In Increasing Commercial Reforestation Competitiveness in Costa Rica", which is being implemented by the Technological Institute of Costa Rica, and project, ID:CN-21006, entitled "Conserving and increasing carbon in secondary forests in northern Costa Rica" which is being implemented by the San Carlos Forestry Development Commission. The National Forestry Office (ONF) has actively participated in various initiatives and activities in both projects. Similarly, the initiatives proposed in this project seek to address the needs of the forest value chain with the aim of increasing the competitiveness of the entire sector. In 2023, Costa Rica implemented project CN-21004, entitled Enhancing the value of secondary natural forests through their sustainable use, contributing to climate change mitigation and generating rural employment in a post-COVID context. The National Forestry Office (ONF) played a key role in the implementation of this project, just like in the other aforementioned projects. The proposal's approach provides continuity to previously established initiatives, especially in activities related to the design of high value-added products and the necessary improvements in policies and regulations to ensure the sustainability of forest resources in Costa Rica.

### 4. Project synopsis:

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

Project objectives are in line with ITTO Guidelines, in particular the guideline "Promoting greater domestic use of legal and sustainable tropical timber."

The main objective of the project is to implement the Planificación Territorial Verde – PTV (Green Land Planning) Initiative to promote wood consumption in Costa Rica. Specifically, the project seeks to reactivate Costa Rica's forest production sector.

### 4.2 Key problem(s) to be addressed:

The commercial value of wood products has fallen in recent years, adversely affecting not only forest ecosystem owners but also wood processors. However, forestry is a source of employment in rural and vulnerable areas and generates added value to their products.

The cultural importance of timber must be reinforced, promoting the conservation of our natural forests by encouraging their sustainable use through commercial reforestation, sustainable forest management, and increased consumption of domestic timber from legal sources.

The wood processing sector needs to be strengthened. To this end, the country must promote industrial forestry development by improving the quality of available raw materials and aligning production with market trends. It is also necessary to boost timber-related businesses through better coordination of policies related to extraction and transport.

In line with the principles of the circular bioeconomy, and following consumer trends favouring renewable materials, there is an opportunity to enhance wood and its properties, as it is the only emission-free material that has the capacity to absorb and sequester carbon during its processing, making it an attractive option as a green business model.

It is important to highlight the international environmental agreements under which Costa Rica has committed to taking actions to counteract climate change, with forest ecosystems playing a key role.

Furthermore, Costa Rica aspires to be a decarbonized and emission-free economy by 2050, which is why there is a commitment to implement initiatives under the circular economy scheme in line with the principles of sustainable development.

#### 4.3 Main stakeholders and beneficiaries:

National Forestry Office (ONF), National Forest Financing Fund (FONAFIFO), National Union of Local Governments (UNGL), local governments of Sarapiquí, Nicoya, Hojancha, Puerto Jiménez, and Pococí, public sector, private sector, and other local communities.

### 4.4 Key activities:

- 1. Identify the potential of community construction projects by assessing current community structures.
- 2. Implement a forestry education campaign complemented by capacity building in communities and local governments.
- 3. Design construction prototypes for community structures and other construction projects.
- 4. Promote environmental agreements to increase the consumption of legal timber in Costa Rican communities.

### 4.5 Expected outcomes and impacts, including innovation/transformation:

The implementation of this project will promote legal, locally sourced, high-quality, value-added wood products: Increased use of local wood can significantly contribute to climate change mitigation by promoting the manufacture of wood products from sustainably managed sources, which increases carbon sequestration and reduces pressure on conservation forests.

Furthermore, it is expected to contribute to environmental and biodiversity conservation: through environmental education and the sustainable use of forest resources, beneficiaries will be able to share this information and offer their knowledge as a service to local initiatives (NGOs), schools, and domestic and international tourists, among others.

This initiative seeks to promote partnerships between the public and private sectors to advance project activities and engage as many stakeholders as possible. In the public sphere, this includes bodies such as MINAE, FONAFIFO, SINAC, UTN, UNA, UCR, TEC, participating municipalities (six municipalities in Costa Rica), INDER, rural aqueducts, CACR, ICE, AyA, CNFL, among others.

The project seeks to involve different vulnerable groups in the proposed capacity-building activities. This will facilitate access to information developed by each local government and enable these individuals to participate in decision-making processes.

The aim is to increase wood consumption in all districts of the canton, thereby promoting all relevant benefits, such as the productive chain in the forest sector, the consumption of sustainable materials, and a reduction in the carbon footprint, among others.

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

To date, no potential donors have been contacted.

### 4.7 Any other information deemed necessary/important:

The implementation of a pilot program in six priority cantons seeks to attract the interest of other local governments nationwide. This initiative combines fieldwork with a political approach that seeks to ensure support for and sustainability of the use of legal and domestic timber over time.

It is important to mention that the project will initially be implemented in six municipalities, which have been chosen based on the socioeconomic context of the territories, i.e. cantons where forestry is most actively carried out in Costa Rica. In addition, key activities to ensure the sustainability of the project include:

- Political advocacy: Promote the uptake and continuity of the project in local governments.
- Community participation: Engage the population by showing the economic, social, and environmental benefits of the initiative.
- Stakeholder management: The executing agency has effective tools to coordinate all stakeholders involved.
- Capacity building: Develop skills and knowledge among beneficiaries to ensure ownership and continuity of the project.
- Commitments with key stakeholders: Promote agreements and commitments with public and private stakeholders in the project, which will ensure funding for activities, community support, and other activities over time.

### 4.8 Risk mitigation measures:

The PTV Initiative was included on the agenda of the Ministry of Environment and Energy, which means that the proposed activities have its support. Similarly, the ONF will work hand in hand with allies and strategic partners from academia and the public and private sectors.

In the event of an activity posing a risk, a mitigation strategy will be implemented based on an analysis of causes and reguiding of actions. Coordination with local governments will be strengthened to identify specific challenges and adjust strategies according to the needs and opportunities of the area.

When necessary, partnerships with other strategic stakeholders, such as community organizations or the private sector, will be explored to expand the scope and effectiveness of the project. Similarly, the possibility of implementing alternative solutions to enable progress towards expected outputs will be evaluated, ensuring the sustainability and positive impact of the initiative.

In order to ensure the success of the project, a strategic outreach campaign will be implemented, focusing on informing, awareness-raising, and motivating target audiences. This campaign will include defining key messages, selecting appropriate channels (social media, traditional media, events, and outreach materials), and a phased dissemination plan to ensure community participation.

### 5. Indicative Budget (in US\$):

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Description	ITTO	Counterpart	Total
Personnel	97,000	138,450	235,450
Sub-contracts	10,000	0	10,000
Travel and DSA	25,000	0	25,000
Capital Items	47,300	0	47,300
Consumables	5,000	0	5,000
Publication / Dissemination	15,000	7,000	22,000
Miscellaneous	71,348	2,500	73,848
Total	270,648	147,950	418,598

ITTO Project Monitoring & Review	15,000	-	15,000
Annual/Final Audit	5,000	-	5,000
ITTO Programme Support	36,078	-	36,078
ITTO Ex-post Evaluation	10,000	-	10,000
GRAND TOTAL	336,726	147,950	484,676