# World Bank support to Nicaragua Emissions Reductions Program Development

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# Outline

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# ER Program responds to priorities of the Human Development National Plan (PNDH) 2018-2021

1. The PNDH has a strong focus on addressing climate change, developing the Caribbean Coast, as well as protecting the environment and natural resources. It foresees a number of specific actions, including:
   - The development of a National Low-carbon Development Policy;
   - Actions to comply with the United Nations Convention on Climate Change (UNFCCC), including the Paris Agreement
   - Economic and inclusive development of the Caribbean Coast, including by promoting the expansion of agro-industries. Currently, the main economic activities are subsistence agriculture, livestock, coffee, cocoa, African palm, bamboo and fishing, logging and mining.
   - Consolidate community land rights of the indigenous and Afro-descendent communities. The GoG has delimitated and titled 23 Indigenous territories (37,657 Km2 or one-third of the national territory of the Caribbean Coast) benefiting 314 communities, >35,000 families, and >200,000 inhabitants.
2. National Determined Contribution
   - Nicaragua emitted around 15MtCO2e in 2010, which could increased between 33%-55% by 2030.
   - The land-use, land-use change and forestry sector contributed around 68% of the emissions in 2010; high deforestation within protected areas (11, 305 ha/year).

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# World Bank supports the REDD+ agenda in Nicaragua

- **Readiness:**
  - Second versión of the ENDE-REDD+ strategy is under developmet, with a focus on the Pacific-Central-Northen región. First versión focused on the Caribbean Coast. MARENA is applying lessons learned on consultation, undertaking SESA, and development of the ESMF.
  - National Forest Reference Emissions Levels (FREL) developed and currently under UNFCCC technical review
  - Monitoring, Reporting, and Verification (MRV) system established and functioning. Early warning Systems under development and in preparation for testing.
  - Feedback and Grievance Redress Mechanism designed and under piloting phase.
  - Ongoing update of the National Forest Program.
- **Investment:** The Bank supports MARENA in (i) aligning the underlying projects proposed to GCF and GEF7 and the ER Program; and (ii) developing a portfolio of forest-friendly projects to be developed in the Caribbean Coast.
- **Payments for Results**: ERPD complies will all indicators of the Carbon Fund Methodological Framework.

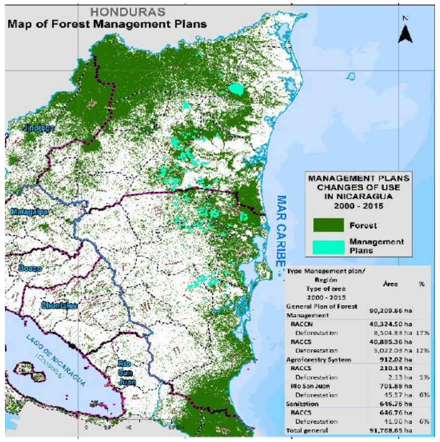
# ER Program design

- **Scope**: subnational covering around half of the national territory; it includes 23 indigenous and Afro-descendant territories; 23 protected areas, including the BOSAWAS and the Indio Maiz forest reserves.

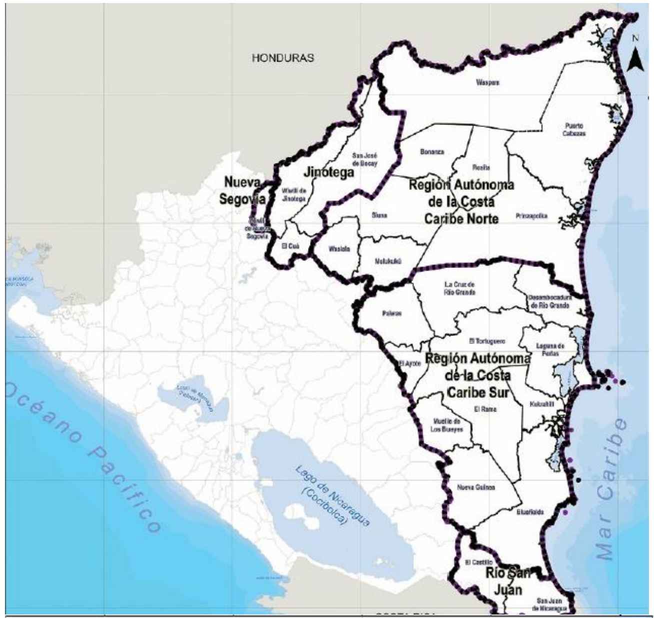
- **Accounting Area**: ~7 M hectares (around ~3M are covered by forests)

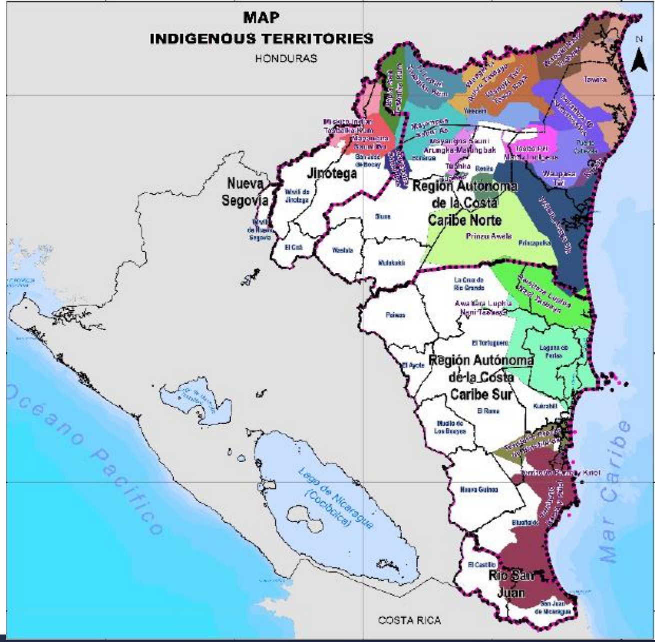
- **Land tenure**: 98% of the ER Program area is titled: 53% communal property and belongs to Indigenous and Afro-descendant peoples; 45% is private property and 2% is not titled. Protected areas includes both private and communal lands.

- **Solid identification of drivers of deforestation and forest degradation.** Land clearing for extensive pasture and livestock management, land speculation, forests fires, illegal logging, unsustainable fuelwood use; and complex governance affecting forest conservation.
  - Annual deforestation rate is 90,854 ha/year (2005-2015)
  - Deforestation in the BOSAWAS reserve: 16,667 ha/year
  - Deforestation in Indio Maiz reserve: 7640 ha/year




| Type Management plan/ Región Type of area 2000 - 2015 | Área | % |
|---|---|---|
| General Plan of Forest Management | 90,209.86 ha | |
| RACCN | 49,324.50 ha | |
| Deforestation | 8,504.83 ha | 17% |
| RACCS | 40,885.36 ha | |
| Deforestation | 5,022.03 ha | 12% |
| Agroforestry System | 912.02 ha | |
| RACCS | 210.14 ha | |
| Deforestation | 2.13 ha | 1% |
| Río San Juan | 701.88 ha | |
| Deforestation | 45.57 ha | 6% |
| Sanitation | 646.76 ha | |
| RACCS | 646.76 ha | |
| Deforestation | 41.90 ha | 6% |
| Total general | 91,768.65 ha | |

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# ER Program interventions respond to identified drivers of deforestation

**Forest Conservation + Enabling Conditions + Intensified productivity**

**Policy and legal framework**

- Human Development National Plan
- Autonomy of regional governments
- Potential for government-communities alliances

**Ongoing programs and projects**

- Reforestation
- Natural regeneration
- Livestock intensification
- Agroindustry (coco)

**Strategy: Land-use planning + improved forest governance + promoting land use intensification**

## Interventions

### Direct Measures

**Conservation**

- Forest Governance in Indigenous Territories
- Consolidation of Protected Areas

### Institutional and productive enabling conditions

**Land-use planning and forest governance**

- Use and access of information
- Early warning systems
- Law enforcement and institutions strenthening

**Productivity**

- Promotion of forest-friendly investments
- Access to credit
- Technical Assistance

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# Ongoing financial strategy to fund new activities that would lead to ERs

- ✓ One flagship program to fund the underlying activities that would lead to ERs generation. The Green Climate Fund approved a concept note for an indicative US$110.4 million. MARENA is leading preparation with technical support from FAO, and the Central American Bank for Economic Integrity (CABEI) as Accredited Entity before the United Nations Convention on Climate Change (UNFCCC).
- ✓ Preparing a 1 Million proposal to the GEF to complete the country's Capacity Building Initiative for Transparency (CBIT), which seeks to strengthen Nicaragua's institutional and technical capacity
- ✓ Preparing a US$1.5 million to the Central American Environmental Commission (CCAD) for forest landscape restoration in the BOSAWAS Biosphere Reserve (to be administered by CABEI).
- ✓ In July 2018, GCF approved a US$28M project for Central America to support micro-small and medium enterprises in implementing climate change adaptation measures in agriculture. The proposed project will support farmers in the Northern and Central regions of Nicaragua.
- ✓ MHCP is developing a portfolio of projects that would contribute to reduce deforestation in the Caribbean Coast

# Continued technical preparation and implementation of enabling and direct activities

- ✓ Territorial planning finalized in 10 out of 23 Indigenous Territories , 5 of them carrying out resine management plans
- ✓ Reforestation campaigns in more than 150 municipalities and about 100 municipal have established arboretums.
- ✓ Update of the National Forest Program is ongoing.
- ✓ Implementation of related projects is on track
  - NICADAPTA (US$36,000): support to adaptation to Climate change and market changes in coffee and cacao.
  - Climate change adaptation of the agricultura sector  through wáter harvesting (US$7M)
  - Improvement of organizational and productive capabilities of cacao producers , PROCACAO (US$4.8M)
  - Program to support the livestock value chain, Bovinos (US$8.7M)
  - Sustainable livestok Project (US$1.6M)
  - PAIPSAN (US$42M) Caribbean Coast Food Security Project


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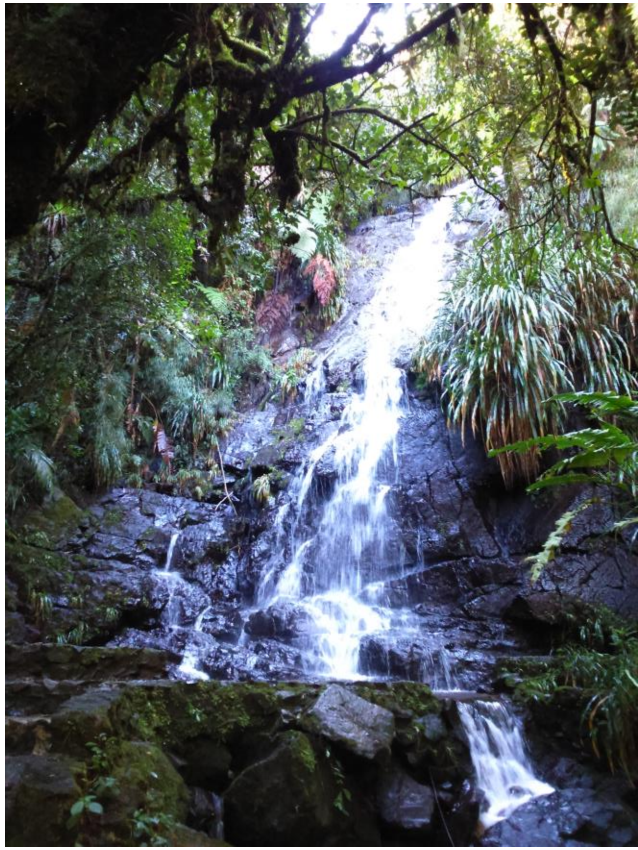
# ER Program design: key features

- **Benefit Sharing**: Draft benefit sharing developed and under revision by the World Bank.
  - Preliminary benefit-sharing formula foresees 69% of the potential benefits to be distributed based on performance among Indigenous and Afro-descendantTerritories.
  - Benefits would be monetary and non-monetary. Within Indigenous Territories benefitis would be invested in community and forest development plans.
  - The Benefit-Sharing mechanism proposes the development of a dedicated Trust Fund to be managed by a commercial bank.
  - Draft benefit-sharing plan was consulted with the advisory Committee of the REDD+ platform (Group I)
- **Non-Carbon Benefits:** The ER Program would focus on biodiversity conservation and off-farm employment.
- **Carbon rights** linked to the right to the underlying resource (forest and soil) with the qualification that REDD+ contributions are a key factor for assuming ER Title



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# Status of World Bank Due-diligence

**Development Objective:** To make payments to MHCP  for measured, reported and verified ERs from reduced deforestation, forest degradation, and the enhancement of forest carbon stocks (REDD+) in selected areas of Nicaragua and to ensure that paid amounts are distributed according to an agreed benefit sharing plan.

- World Bank Management approved further Bank due diligence to the ER Program and provided the following feedback.
  - Closely manage the risk of not securing the necessary underlying financing to generate ER
  - Closely  monitor the aligment of underlying projects with the ER Program.
  - Invest Readiness resources in creating and strenthening institutional and stakeholder's capacity to participate in improved forest governance, land-use planning, low-carbon agriculture and livestock, among others.
  - Intensify efforts to remove forest governance barriers, including legal barriers.

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# Status of World Bank Due Diligence: Safeguards

- An Strategic Environmental and Social Assessment (SESA) and Environmental and Social Management Framework (ESMF) were prepared for the REDD+ Strategy through a highly consultative process.
- The Program has to comply with the new Environmental and Safeguards Standards (ESF), therefore MARENA is developing the following instruments:
  - An specific ESMF for the ER program.
  - Other instruments include: Indigenous Peoples Planning Framework, Involuntary Resettlement Framework, Process Framework, as well as specific plans to ensure proper Management of evironmental risks, as well as risks related to cultural heritage, among others.

# Next steps



## 1 Benefit Sharing

- Develop and validate the advaced Benefit-sharing plan.
- WB due diligence (fiduciary, legal, institutional)
- Consult the advanced-draft benefit sharing plan

## 2 REDD Systems

- Develop and test the registry, Safeguards Information System, Feedback Grievance Redress Mechanism .

## 3 Financial Strategy

- Manage the risk of not securing underlying finance

## 4 Safeguards

- Develop the safeguards instruments and plans
- Conduct dialogues of safeguards instruments
- World Bank approval of safeguards instruments and plans
- Disclosure of information

## 5 Institutional arrangements

- WB due diligence of institutional arrangements, including capacity and fiduciary aspects.