



The World Bank

Costa Rica Sustainable Fisheries Development Project (P168475)

Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 13-Mar-2019 | Report No: PIDISDSA25916

**BASIC INFORMATION****A. Basic Project Data**

Country Costa Rica	Project ID P168475	Project Name Costa Rica Sustainable Fisheries Development Project	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 19-Mar-2019	Estimated Board Date 30-Apr-2019	Practice Area (Lead) Environment & Natural Resources
Financing Instrument Investment Project Financing	Borrower(s) Republic of Costa Rica	Implementing Agency Instituto Costarricense de Pesca y Acuicultura (INCOPESCA)	

Proposed Development Objective(s)

The Project Development Objective (PDO) is to improve management of priority fisheries and enhance economic opportunities from those fisheries for Costa Rica.

Components

- Strengthening the governance and management of fisheries
- Investing in sustainable fisheries value chains
- Strengthening mechanisms for social and environmental sustainability
- Project Management, Monitoring, and Communications

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	100.00
Total Financing	100.00
of which IBRD/IDA	90.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Bank for Reconstruction and Development (IBRD)	90.00
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Non-World Bank Group Financing

Counterpart Funding	10.00
Borrower/Recipient	10.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Considered one of the most politically stable, progressive, and prosperous nations in Latin America and the Caribbean (LAC), Costa Rica is a development success story in many respects.** An upper middle-income country, it is under consideration for membership to the Organization for Economic Co-operation and Development (OECD). Gross Domestic Product (GDP) per capita, currently at US\$13,876 in Purchasing Power Parity (PPP) terms, has tripled since 1960 and its growth averaged 4.5 percent between 2000 and 2013, compared to the regional average of 3.8 percent for the same period. After decelerating from 4.8 percent in 2016 to 3.3 percent in 2017, GDP growth is expected to continue to decelerate and hover around 2.5 percent through 2020.

2. **The combination of political stability, a strong social compact, and steady growth has resulted in one of the lowest poverty rates in LAC.** In 2016, just 10.7 percent of the population was living below the internationally comparable upper middle-income poverty line (US\$5.5 per person per day, 2011 PPP). Although growth contributed to poverty reduction in the mid-2000s, these gains were reversed during the 2008-09 global financial crisis. The share of the population living below the lower middle-income poverty line (US\$3.2 per person per day, 2011 PPP) remained stagnant at about four percent between 2010 and 2016, while the share of the population below the upper middle-income line decreased only slightly from 12.9 to the current 10.7 percent. The country's success over the past decades is also reflected in its strong human development indicators, which continue to rank higher than those of other countries in the region, and the size of the middle class, which has been the largest group in society since 2010.

3. **Costa Rica is also a global leader for its environmental policies and accomplishments, which have helped the country to build its Green Trademark.** The pioneering Payments for Environmental Services (PES) program has been successful in promoting forest and biodiversity conservation and Costa Rica is one of the few tropical countries in the world that has reversed deforestation. It has also been active in seeking to



mitigate climate change through several innovative initiatives, such as its goal to reach carbon neutrality by 2021; and a pioneer in promoting increased resilience to natural disasters with the first of its kind Development Policy Financing with Catastrophe Deferred Draw Down Option (P111926) approved by the World Bank and successfully closed in 2018.

4. Despite these impressive achievements, the country is showing symptoms of deeper structural problems that could threaten the sustainability of Costa Rica's development model. Two pressing development challenges stand out: the deteriorating fiscal situation and stubborn inequality. First, the persistence of large fiscal deficits and continued increases in the public debt-to-GDP ratio make Costa Rica vulnerable to adverse changes in financial markets sentiment. Just before the global financial crisis in 2008, Costa Rica had a slight surplus of 0.2 percent of GDP, while two years later in 2010, the fiscal deficit reached 5.2 percent of GDP and reached 6.2 percent of GDP in 2017, the highest level observed since 1980, when Costa Rica went through the largest economic crisis in its history. Continued deterioration of the fiscal situation could result in further loss of confidence and increases in risk premium for public debt, negatively impacting investment and growth and undermining the sustainability of the country's Social Compact and Green Trademark. Second, despite reasonable growth and a strong commitment to the Social Compact, poverty reduction has stagnated, and inequality is rising. These challenges cut across the fabric of Costa Rica's development model and affect the basic pillars of development: inclusion, growth, and sustainability. Due to a combination of geographic variations and economic factors, Costa Rica is highly vulnerable to extreme climate events and natural hazards, which are exacerbating the country's other development challenges. The government has strived to address these problems and is committed to an inclusive society that guarantees the welfare of its people, supported by transparent and accountable public institutions.

Sectoral and Institutional Context

5. With a maritime jurisdiction over ten times its land area¹, Costa Rica is endowed with substantial marine resources with untapped potential to contribute to the country's economic growth and shared prosperity. Representing a small -and declining- share of Costa Rica's economy, fisheries and aquaculture generated US\$145.4 million in 2015, down 14% from 2011, accounting for about 0.28% of GDP. Trade in fisheries products generated US\$139 million of exports and US\$150 million of imports in 2015, accounting for just under 1% of the country's total exports and 1.6% to total imports. The sector is estimated to have employed 8,397 people in 2015, including indirect jobs in processing and other sector-related activities, representing 0.37% of the total labor force that year and a decrease by about 50% compared to 2013. At least 1,000 of these jobs were likely to be held by women in processing and sales, where they are mostly employed. There are about 2,000 small-scale vessels licensed to fish, largely held by men, although unofficial estimates indicate that the number of small-scale commercial vessels are closer to 5,000, with the difference being made up by unregulated boats.

6. Despite their relatively small contribution to the economy, fisheries are critically important for coastal communities that have exploited them for decades as a source of livelihood. Along both coasts, fishing dependent families have limited alternative income-generating opportunities, especially women, due to the skills gap between fishers and the requirements of other sectors such as tourism. The province of Puntarenas, where the great majority (78 to 88 %) of all fishing activity is concentrated, has experienced economic decline in recent years and currently has the highest unemployment rate in the country. The 24 coastal cantons where

¹ Costa Rica's Exclusive Economic Zone (EEZ) stretches over 574,725 km², compared to a land area of 51,100 km².



fishing takes place are among the poorest in Costa Rica, and nearly all rank among the lowest in the national social progress index.

7. A main driver of economic decline is the overexploitation of coastal fisheries, which is reflected in a decline of the capture fisheries volume by 45% between 2000 and 2015. The shrimp trawl fishery, for example, has been in decline for over a decade due to overfishing and today consists of only three deep-water trawlers. In 2013 the Constitutional Court banned the renewal of trawling vessel licenses until a science-based and sustainable management plan is established for this fishery. This has had a significant impact on both shrimp vessel crews and hundreds of women working informally as shrimp peelers, whose lack of formal education constrains alternative job opportunities. A similar trend is seen in the decline in catches and lower incomes of artisanal fishers, as they now find themselves capturing smaller, often juvenile specimens, in lower quantities, and of lower market value. Recent academic research and government reports indicate that key targeted fish species in the Gulf of Nicoya (croakers, drums, snappers, groupers, grunts) face high rates of overexploitation and that maximum sustainable yield was reached between 1964 and 1999, suggesting that overfishing has been a decades-long trend. Furthermore, a weak investment and business climate, coupled with limited or underperforming infrastructure and services, significantly constrain industrial and artisanal private sector development. Unlike its Pacific jurisdiction, Costa Rica's Caribbean maritime zone is much smaller and much less productive, accounting for only 1% of total catches and dominated by a seasonal small-scale lobster fishery, subsistence fishing and a small but unregulated longline fleet. While data on the status of nearshore fishery resources in the Caribbean part of the country are scarce, it is likely that a similar situation exists across both coasts.

8. Offshore pelagic fish resources found in Costa Rica's Pacific Exclusive Economic Zone (EEZ) stand in sharp contrast to coastal fisheries, generating the majority of catches and public revenues and representing a vast natural capital with untapped potential. The benefits of these offshore large pelagic resources to Costa Rica have been minimal to date and restricted to license fees. Key species in terms of total value include tuna, which is mainly captured by foreign vessels licensed to operate in Costa Rican waters, and sharks, swordfish, sailfish, marlins, and common dolphinfish/dorado caught by a domestic fleet of an estimated 400 longline vessels. Pacific yellowfin tuna represents the most valuable fishery resource in the country with an estimated landed value of US\$50 to US\$70 million per year. Currently, foreign purse sein licenses generate approximately US\$200,000 per year in public revenue. Similarly, the assignment of Costa Rica's national allocation of fishing capacity under the Interamerican Tropical Tuna Commission to foreign purse seiners generate an additional US\$1.4 million per year. This revenue contributes significantly to government sector support, which as a percentage of the value of landings is relatively small in comparison to OECD countries (20% vs. 7% in Costa Rica). With little capacity to monitor fishing activity it is possible that foreign purse seine vessels are fishing illegally in Costa Rican waters while the Costa Rican longline vessels are generally believed to fish illegally in the waters of neighboring countries. By limiting purse seining in Costa Rica's Pacific EEZ and redirecting the longline fleet towards targeting primarily tuna, the Government aims to significantly increase the value of this resource generated for the country.

9. Recreational fishing linked to the national tourism industry has been steadily increasing, surpassing commercial fishing in economic terms. With about 450 registered commercial vessels, it contributes around US\$100 million per year to the economy. Marlin and sailfish, which are caught by the pelagic longline fleet, are highly prized by this sector. With higher catch rates and increased promotion, the recreational fishing sector could attract even more high-end international tourists and grow further, potentially providing



employment opportunities including along the Caribbean coast.

10. The Costa Rican Institute for Fisheries and Aquaculture (INCOPESCA) is responsible for managing Costa Rica's fisheries and aquaculture sector. An autonomous agency under the Ministry of Agriculture and Livestock (MAG), it is overseen by a Board of Directors of which industry representatives have historically made up the majority. INCOPESCA led the development of an ambitious National Fisheries Development Plan, approved in 2013 through Ministerial Decree (Nº 37587-MAG), but there has been no structured implementation nor monitoring of it thus far. Historically, INCOPESCA has applied rudimentary measures to control fishing effort including gear restrictions, minimum size limits and seasonal closures. There are no output limitations such as total allowable catches and the institute has limited capacity to carry out data collection and stock assessments as a basis for science-based decision-making. In recent years INCOPESCA has established a number of Responsible Fishing Areas (RFAs) as a key mechanism for improving the management of nearshore small-scale fisheries through a participatory process with local communities.

11. Aligning objectives and strengthening coordination among the different agencies with a mandate over marine resources is a key challenge for effectively managing the fisheries sector. The Ministry of Environment and Energy has a broad mandate to ensure the conservation of coastal and marine biodiversity. While it has no direct oversight of fisheries, it has played an active role in promoting the conservation of marine species including sharks, rays, and marine turtles, and plans to establish 11 Marine Protected Areas by 2020 as part of its National Action Plan to implement the Convention on Biological Diversity Aichi targets. Enforcement is under the jurisdiction of the National Coast Guard Service on the water and the police force on land but there is limited capacity and resources allocated to preventing illegal fishing and trade. Other institutions that have a key role in fisheries include the Mixed Institute for Social Support (IMAS) which provides targeted cash transfers to vulnerable fishers during closed seasons; the National Animal Health Service responsible for food and safety regulations; the National Learning Institute which provides training and extension services; the Ministry of Labor and Social Security; the Ministry of Public Works and Transport; and the Ministry of Foreign Trade which oversees and promotes fisheries trade and exports.

12. A combination of gaps in legal and institutional frameworks, limited human and infrastructure capacity, and weak oversight of international industrial fishing limit domestic and foreign investment contributing to poor sector growth, and have impacted coastal habitats and marine biodiversity negatively. A 2012 Presidential Commission on Marine Governance identified ecosystem degradation, overexploitation of marine and coastal resources, and the use of marine space for illicit activities as the key trends of the sector, identifying seven governance challenges that need to be addressed: i) the lack of clear policies and interinstitutional coordination to manage marine space and resources; ii) overlapping competencies among agencies; iii) gaps in key areas of marine resource management; iv) the lack of sustainable financing strategies; v) conflicting interests among stakeholders using marine resources; vi) the limited presence of the State in maritime jurisdictions; and, vii) the lack of marine spatial planning. Lack of growth in fisheries is an important limiting factor in reducing poverty in the country's coastal areas.

13. Improved management of Costa Rica's fisheries is critical to ensure their sustainable contribution to the country's economic growth and to climate resilience. If properly managed, a restructuring of the fishery sector can bring substantial benefits and drive investments and job creation along the coast in the medium-term, along with more public revenues and sustainability. However, this and other value-generating opportunities will not be realized if current trends in weak governance, overexploitation, underinvestment,



and subsequent decreasing profitability in fisheries continue. Realizing this currently untapped potential, the Government of Costa Rica has prioritized reforming the fisheries sector and improving fishing-dependent livelihoods by introducing a number of initiatives to improve fisheries management, including as part of its accession process to the OECD. Implementing these and addressing other needs to improve sector governance, institutional capacity, and create an enabling business environment for private sector participation provides clear entry points for Bank support to reverse the current situation, allowing fisheries to contribute far more than they currently do to Costa Rica's sustainable growth.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

14. The Project Development Objective (PDO) is to improve management of priority fisheries and enhance economic opportunities from those fisheries for Costa Rica.

Key Results

15. The following key results will be used to monitor the success of the proposed Project:
- i. Fisheries management plans implemented (Number); (Corporate Results Indicator);
 - ii. Priority fisheries that show signs of recovery (Number);
 - iii. Public revenue from licensing and allocation of vessel capacity in the tuna fishery (USD);
 - iv. Fishers reached with agricultural assets and services (Number); of which female (%) (Corporate Results Indicator);

D. Project Description

16. **The project reflects an ambitious and long-term effort of the Government to transform the fishing sector and harness the country's untapped blue natural capital for long-term gains in inclusive economic growth.** The project will lay the foundations for sustained and equitable fisheries-based growth by strengthening the government's capacity to manage and govern the fisheries sector, improving infrastructure and providing an enabling environment for value added by the private sector, ultimately increasing the contribution of the country's vast marine resources to national and local economies. It will enable INCOPESCA to promote the sustainable expansion of the domestic tuna sector and the recovery of nearshore fisheries to create more secure employment along the coast. The project will also allow INCOPESCA to coordinate more closely with other government agencies and local authorities to stimulate growth in the fisheries sector by building entrepreneurial capacity among fishing organizations, identifying and addressing key infrastructure needs to facilitate landing, preservation of product quality, value-added and transport of fish and by identifying and creating higher value markets both domestically and abroad. To mitigate the temporary loss of income resulting from reduced fishing effort, the project will also support INCOPESCA in its efforts to coordinate with other institutions to promote access of vulnerable fishing households to existing government programs that provide income support to eligible households, as well as support for alternative livelihood and employment opportunities. Strengthening fisheries management will also contribute to decreased vulnerability of the sector to climate change risks and increase the provision of marine ecosystem goods and services. The project includes the following four components:

17. **Component 1: Strengthening the governance and management of fisheries resources.** This component will primarily support the strengthening of institutional capacities and regulatory frameworks, and



other actions by the public sector necessary to improve the management of priority off-shore and coastal fisheries. This will include analytical work to inform institutional reforms, and strengthening of inter-ministerial cooperation on issues such as food safety, enforcement of fishing regulations, registering vessels authorized to fish, exporting seafood and overseeing port operations, scientific research, and monitoring, control and surveillance.

18. **Component 2: Investing in sustainable fisheries value chains.** This component will focus on creating an enabling environment for sustainable growth in the fisheries sector by supporting public investments in critical infrastructure and related services to improve the business climate for viable private sector investments. Infrastructure efforts will focus on improving fish landing facilities for the full range of vessels offloading fish along both coasts. The project will support INCOPESCA in analyzing options for expanding tuna landing capacity along the Pacific coast, along with identifying the best structure to design, build and operate these sites. A similar analysis will be done to explore how these types of infrastructure investments could support greater profits for small-scale fishers while incentivizing licensing and compliance with recovery plans. Near-shore fishery infrastructure projects deemed necessary by both INCOPESCA and local fishing communities will be financed. Concessions to operate these sites will be offered to well organized small-scale fishing organizations.

19. **Component 3: Strengthening mechanisms for social and environmental sustainability.** This component will focus on supporting the government's efforts to ensure an effective, efficient, and equitable transition towards a sustainable fisheries management regime while addressing short-term socio-economic costs and optimizing the environmental (including climate) benefits associated with that transition. Managing and rebuilding overexploited fishery resources (blue natural capital) will likely require a further reduction in catches in the short-run to allow for expanded higher value landings in the mid and long-term and ensure the continuity of fishing activities by coastal communities in a sustainable way. The project will support INCOPESCA in engaging with stakeholders in the planning and implementation of stock rebuilding plans through co-management of designated fishing areas (RFAs). Various innovative financial mechanisms will also be explored to compensate fishers and seafood workers for lost income resulting from the project, in addition to seeking alternative livelihoods opportunities and providing training programs to build skills for engagement in other sectors. The project will also include activities to integrate fisheries into a broader blue economy development framework and to address issues related to the environmental sustainability of the sector, including habitat restoration and marine pollution.

20. **Component 4: Project Management, Monitoring and Communications.** This component will strengthen INCOPESCA's capacity to manage, implement, monitor, and report on project activities.

E. Implementation

Institutional and Implementation Arrangements

21. **The project will be implemented by INCOPESCA as the agency responsible for managing the fisheries and aquaculture sector in Costa Rica,** under the political direction of the MAG as the lead government agency responsible for defining fisheries policy objectives and the National Fisheries and Aquaculture Development Plan, in coordination with INCOPESCA. The development of economic instruments for marine ecosystem services will be implemented with the support of a Marine Ecosystem Services Support Entity, namely the



Environmental Bank Foundation (FUNBAM, for its Spanish acronym) given its mandate and experience with operating similar schemes in the broader environment sector.

22. A Project Coordination Team (PCT) will be embedded within INCOPESCA to strengthen its capacity for day-to-day project coordination and monitoring. The PCT will be led by a Project Coordinator who will respond directly to the Executive President of INCOPESCA, and will include specialists on monitoring and evaluation, social and environmental safeguards, communications, and administrative support. In addition, the project will finance specialized expertise to directly strengthen the implementation capacity of each of INCOPESCA's main Departments, including procurement and financial management specialists for the Financial Administration Department, technical specialists (i.e. marine biologists and fisheries experts) for the Technical Department, social and community experts for the Fisheries Organizations Department, legal expertise for the Legal Advisor, and an Information and Communications Technology specialist for the Technology and Information Unit. INCOPESCA will hire a human resources firm to assist in the selection, recruitment and processing of payments to PCT staff.

23. A Project Coordination Committee (PCC) with representatives from participating government agencies will be established to ensure effective interinstitutional collaboration in project activities. The PCC will meet semi-annually and provide overall implementation oversight and facilitate coordination and resolution of any administrative bottlenecks. Key institutions include the Ministry of Agriculture and Livestock, the Ministry of Environment and Energy, the National Coast Guard Service, the National Animal Health Service, the Ministry of Public Works and Transport, the National Learning Institute, the Ministry of Foreign Trade, the Mixed Institute of Social Support, and the Ministry of Labor and Social Security, among others. Its composition and functions will be specified in the Project Operational Manual. INCOPESCA will also sign specific Collaboration Agreements with selected institutions participating in the project to specify the terms of their participation under the project.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

Costa Rica is considered one of the countries with the greatest biodiversity in the world, harboring approximately 3.5% of the world marine species. This expansive area is comprised of high seas and coastal ecosystems, including coral reefs, mangroves, a tropical fiord, an oceanic trench up to 4,000 meters deep, a seasonal upwelling area, an oceanic thermal dome, a submarine mountain range (Cocos Ridge), multiple coastal islands, and one oceanic island (Cocos island). Costa Rica has 166 protected areas covering 50% of the coastline; of these 20 are Marine Protected Areas, classified as National Parks (90.6%), National Wildlife Refuges (6.6%), Wetlands (1.5%), Biological Reserves (1%), and one Absolute Natural Reserve (0.3%).

According to IUCN criteria, 93.7% correspond to category II, 5% to IV and 1.3% to I. The marine protected surface is 5 296.5km², corresponding to 17.5% of the territorial waters and 0.9% of the Exclusive Economic Zone. The project will be national in scope, focusing on the marine areas (ocean and coastal) of Costa Rica, with infrastructure investments and responsible marine fishing areas to be potentially established, mainly around the Provinces of Puntarenas and Guanacaste in the Pacific and Limón in the Atlantic coasts. About 2.4% of the population identifies as indigenous and represents eight ethnic groups: Cabécar, Bribrí, Brunca or Boruca, Guaymí or Ngäbe, Huétar, Guatuso or Maleku, Térraba or Teribe and chorotega; and about 8% identifies as Afro-descendants. While specific project locations will not be known during project



preparation, since they will be defined based on participatory processes to be conducted as part of project execution (to determine the levels of interest for the project activities by the local stakeholders), as well as economic viability analyses, it is likely that Indigenous Peoples and Afro-descendant communities may be present in the area of influence of the activities of the project, particularly in the Conte Burica and Limon areas, respectively. Regulatory reforms that could potentially be supported by the project in coastal areas may also involve the need to maintain indigenous peoples organizations engaged throughout those processes.

G. Environmental and Social Safeguards Specialists on the Team

Maria Elena Garcia Mora, Social Specialist
Andrew Francis Drumm, Environmental Specialist
Rodolfo Tello Abanto, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The aim of the project is to support the sustainable management of priority fisheries resources in Costa Rica. The overall impact of the project is expected to be positive and none of the foreseen activities are expected to generate significant risk or irreversible adverse impacts in the coastal or oceans fisheries targeted by the project, or produce major social impacts. As such, based on the available information this project has been classified as Category B. The fisheries sector reforms included in Component 1 involve the risk of intensifying social tensions among stakeholders with competing interests on fishing resources. Activities envisaged under Component 2, which may generate moderate adverse impacts, include small-scale infrastructure works such as the rehabilitation or expansion of fisheries infrastructure (landing sites, warehouses, markets, office buildings, mobile communication towers, etc.). Typical impacts of these works may include waste management, construction noise, community and occupational health and safety, land



acquisition, and potential impacts related to labor influx. These impacts are anticipated to be of small scale, site-specific, time-bound, and could be readily mitigated through the environmental and social management plans and their mitigation measures to be prepared for each of the subprojects.

The measures included in Component 3 have the potential to create adverse impacts on the livelihoods of coastal fishing populations, specifically as a result of the expected reduction in the fishing effort, regarding which the same component already includes measures to reduce and mitigate these likely impacts and risks, as well as to promote the sustainability of the fisheries sector as a whole.

To manage the impacts and risks of the project, and given that the precise locations and impacts of the envisaged civil works cannot be defined during project preparation, the Borrower prepared an Environmental and Social Management Framework (ESMF), which includes the identification and analysis of environmental and social impacts and risks, as well as guidelines for the preparation of environmental and social impact assessments (ESIAs), social assessments (SAs) and environmental and social management plans (ESMPs) for the subprojects that will be defined during project execution. The ESMF was prepared with an emphasis on the livelihoods of the fishing communities, with a gender, ethnic, and generationally sensitive approach, and provisions for the identification of vulnerable and disadvantaged populations, as well as livelihood restoration measures to be carried out during project implementation, included under Component 3. A social analysis process, based on information from socioeconomic surveys incorporated in the project's monitoring arrangements, and information from key institutional stakeholders such as the Instituto Mixto de Ayuda Social (IMAS), will be carried out regularly during project implementation to complement the Social Assessment included in the ESMF, monitor the impacts of project activities and adjust them as needed, as well as to guide the update of the Government's National Development Plan for the Fisheries and Aquaculture sector. The ESMF also



includes a strategy for Afro-descendants, as well as a Gender and Youth Strategy.

The ESMF will guide the inclusion of elements like climate and disaster risk, grievance redress mechanisms, labor influx, and measures to prevent forced and child labor in the ESMPs. The project will be based on local contract laws which prioritize local workforce, so labor influx in particular is not expected, however this issue will be addressed through codes of conduct in construction contracts and supervised by INCOPESCA. The ESMF also includes a screening provision to assess the environmental and social impacts of subprojects, and will exclude from project funding subprojects likely to cause irreversible or significant environmental or social impacts (Category A). The ESMF also provides a set of mitigation activities, implementation arrangements, monitoring provisions, and budget.

The project also prepared a Stakeholder Engagement Plan (SEP) to promote the participation of local fishing communities and other relevant stakeholders during project preparation and execution. Both the ESMF and the SEP were publicly disclosed in December 2018 and March 2019 in INCOPESCA's website at the following link: [https://www.incopesca.go.cr/publicaciones/consulta_cuidadana_proy.html] and consulted as part of the project preparation process. No issues were raised.

Performance Standards for Private Sector Activities OP/BP 4.03	No	This policy is not triggered.
Natural Habitats OP/BP 4.04	Yes	Project activities will not involve significant loss or degradation of natural habitats. In fact, the marine areas (coastal and ocean) of Costa Rica are known to include sites rich in biodiversity, and project activities are designed to enhance positive and sustainable returns to these important habitats. Nonetheless, potential civil works could have minor small-scale impacts on natural habitats. Any investment funded under the project will be screened for its potential to cause negative impacts to natural habitats under the ESMF procedures,



		including critical natural habitats and coastal and Marine Protected Areas (MPAs). Activities likely to cause irreversible or significant damages to habitats will be excluded from project funding.
Forests OP/BP 4.36	Yes	It is not anticipated that project activities will negatively impact forests. Nonetheless, as specific subproject locations are not yet known, there is a chance that some civil works could have minor small-scale impacts on mangrove forests. In addition, the project will include some proactive mangrove restoration works to enhance fisheries habitat. The ESMF therefore includes provisions to ensure that the mangrove restoration activities are carried out in a manner consistent with this policy, and also that any potential negative impacts on mangrove forests derived from small-scale civil works are addressed.
Pest Management OP 4.09	No	The project is not envisaged to purchase, distribute, apply or dispose of any pesticides, including bactericides.
Physical Cultural Resources OP/BP 4.11	Yes	Project activities are largely going to take place in off-shore and near-shore waters or in coastal areas, and do not involve any major civil works. No major movement of earth or excavation is anticipated, nor is it expected that natural features and landscapes with some level of cultural significance might be present in the areas of the project. As such, it is unlikely that physical cultural resources will be adversely impacted. Nevertheless, this policy was activated as a precautionary measure, given that specific subproject locations are not finalized. To comply, the ESMF includes provisions for subproject specific assessments and management plans to screen for and address any cultural heritage impacts, as well as a chance finds procedure to be added to all bid documents.
Indigenous Peoples OP/BP 4.10	Yes	While specific subproject locations will not be defined until project execution, given the presence of Indigenous Peoples in Costa Rica, particularly in the area near Conte Burica territory, even though and their connection with the project and the fisheries sector is not particularly significant, an Indigenous Peoples Planning Framework (IPPF) was prepared for this project. The IPPF establishes provisions to screen subproject-level activities to



identify the presence of Indigenous Peoples present in the area of influence of the project activities. If their presence is confirmed, the project could affect them positively or negatively, so the Borrower will need to prepare Indigenous Peoples Plans (IPP), based on the provisions of the IPPF, and follow a free, prior and informed consultation process that leads to broad community support for the subproject(s). The IPPs will (a) both assess the potential impacts to Indigenous Peoples as a result of the different actions to be supported by the project, and define the necessary mitigation measures to address them in a culturally appropriate manner; and (b) will identify opportunities and define concrete activities to enable Indigenous Peoples to benefit from the project activities, promoting their social inclusion in a culturally appropriate way. Gender considerations will also be addressed so that both indigenous women and men are able to benefit from the project. The IPPs will also identify the socioculturally-specific provisions that can be adopted to address any grievances that may arise through project implementation, as part of the functioning of the project's Grievance Mechanism.

The IPPF was disclosed and consulted with the national indigenous organization, the Mesa Nacional Indigena (MNI), which is constituted by representatives of the different indigenous groups of Costa Rica. Consultations with indigenous representatives were conducted during project preparation, as part of a process that involved preliminary meetings with MNI leaders in November and December 2018, a period for virtual review of the environmental and social instruments, including the IPPF and the SEP, and one larger consultation event on February 8-9, 2019. As requested by the indigenous representatives, INCOPESCA will also continue engaging this national indigenous organization throughout the different activities and events of the project preparation and implementation, as part of a meaningful and continuing consultation process, as defined in the SEP.



		Project activities are not expected to involve any land acquisition leading to involuntary resettlement. The small-scale fisheries infrastructure under Component 2 of the project will be built on land received through concession or donation agreements with local municipalities and other public institutions as per established practices with INCOPESCA. However, as the specific location of these works is not defined yet, INCOPESCA has prepared a Resettlement Policy Framework (RPF), based on OP 4.12, which contains provisions to identify and manage potential impacts related to this policy, including land acquisition, physical and/or economic displacement, restrictions in access, and the establishment of easements. If cases of potential resettlement were to be identified, the project will explore alternatives to avoid or minimize the need for such displacement, as defined in the RPF and OP 4.12, which includes the potential preparation or resettlement action plans (RAPs) and/or abbreviated resettlement plans (ARAPs). The RPF also includes guidelines to guide voluntary land donations if needed in exceptional cases.
Involuntary Resettlement OP/BP 4.12	Yes	The project will not finance the creation of new or the expansion of existing legally designated Marine Protected Areas (MPAs). While the project may involve potential access restrictions to marine resources, be it seasonal, temporary or permanent, which involve the prospect for potential adverse impacts on the livelihoods of the people that depend on such resources, these impacts will be addressed with mitigation measures included under Component 3 of the project, and following the participatory processes defined in the SEP. These measures are part of the project design, covering both local communities and individuals. A Process Framework will not need to be developed because fisheries represent an exempted category in the application of process frameworks. The RPF was publicly disclosed and consulted prior to project appraisal, along with the other safeguard instruments.
Safety of Dams OP/BP 4.37	No	Project activities will not involve dams and project activities will not rely on the performance of any dam.



Projects on International Waterways OP/BP 7.50	No	Project activities will not be located or take place in international waterways.
Projects in Disputed Areas OP/BP 7.60	No	Project activities will not be located or take place in disputed areas.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

This is a Category B project that triggers OP 4.01 Environmental Assessment, OP 4.04 Natural Habitats, OP 4.36 Forests, OP 4.11 Physical Cultural Resources, OP 4.10 Indigenous Peoples, and OP 4.12 Involuntary Resettlement. Its overall safeguards risk rating is SUBSTANTIAL. This risk rating is mostly driven by social aspects, particularly by the contextual risk posed by the fisheries stakeholders, while environmental risks are expected to be moderate and manageable. The main environmental and social impacts and risks identified for this project, as part of the environmental and social assessment conducted, are related to the infrastructure investments to be financed, which include risks related to occupational and community health and safety, waste management, natural habitats, construction noise, and labor influx. The project is also expected to support new restrictions on the fishing activities of local communities, particularly as a result of the creation of participatory fisheries management plans. The project may also intensify the social tensions among the different stakeholders about the use of marine resources, particularly in the longline fishing sector. The project will not involve any land acquisition expenditures; fisheries infrastructure under the project will be built on land received through concession or donation agreements with local municipalities and other public institutions, as per established practices with INCOPESCA, and due diligence will be carried out to ensure that the lands comply with the provisions of OP 4.12 as per the RPF. There are also risks related to associated policy reforms in the fisheries sector as a result of potential restrictions on the use of fisheries resources; and the institutional strengthening of INCOPESCA to ensure that the planned infrastructure adequately conforms to Bank policy, to avoid negative impacts on coastal natural habitats and in Marine Protected Areas. OPs 4.36 and 4.11 are triggered as a precautionary measure.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The indirect and long-term effects of the project are mostly positive, since the goal of the project is to improve the environmental, social, and economic sustainability of the fishing activity in the country. Thus, the main risk of indirect impacts is related to the possibility that the mitigation measures planned are not effectively implemented.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

The selection of the sites where infrastructure investments are expected will consider the available alternatives for the different interventions, based on the information provided by the feasibility studies, and in consultation with the relevant stakeholders. The specific safeguard management instruments, such as the Resettlement Policy Framework, will also require INCOPESCA to identify and analyze alternative options that avoid and/or reduce affectations if potential adverse impacts were to be identified, with the goal of avoiding or minimizing the adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.



To manage the potential environmental and social impacts and risks of the project, the Borrower prepared an integrated Environmental and Social Management Framework (ESMF), which was consulted with and disclosed to the relevant stakeholders. The ESMF includes a Stakeholder Engagement Plan. The Borrower also prepared an Indigenous Peoples Planning Framework (IPPF) and a Resettlement Policy Framework (RPF). Once the subprojects and their locations have been defined, the Borrower will conduct the necessary assessments, which may include the following ones: ESAs and/or SAs, and ESMPs, for each of the subprojects, which will provide the necessary information to determine if additional management instruments, such as IPPs, RAPs or ARAPs, will need to be prepared.

INCOPESCA lacks experience and capacity to implement safeguard policies in general, and World Bank procedures in particular. However, they have experience with participatory processes in the context of the Mesa Nacional de Dialogo, a platform to engage the different stakeholders at the national level interested or involved in the fishing sector, including indigenous communities. The process of strengthening the environmental and social management capacity started by supporting the in-house staff of INCOPESCA in the process of preparing the environmental and social safeguard instruments to comply with Bank procedures, which will be complemented by the hiring and training additional social and environmental specialists (consultants), and by applying the procedures included in the project's ESMF, which includes provisions for monitoring environmental and social sustainability. As part of the process of strengthening the environmental and social capacity of INCOPESCA, the Bank's supervision visits will also support the strengthening of the skills of the local staff, as part of the implementation of the project's social and environmental management frameworks, and the plans to be prepared during project execution.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The main stakeholders of the project are the small-scale artisanal fishers, longline fishers, industrial fishers, recreational fishers, government institutions, municipalities, manufacturing businesses, export companies, and the local coastal communities in the area of influence of the infrastructure investments and/or the responsible fishing areas, which are expected to be defined as part of project execution. Given the importance of adequate stakeholder management for the success of the project, and the appropriate implementation of the mitigation measures devised in the environmental and social management instruments, the project prepared a Stakeholder Engagement Plan (SEP), which included consultation events to inform and request the feedback of the relevant social actors identified in the stakeholder mapping exercise, which was conducted as part of the preparation of the SEP. As part of the implementation of the SEP, the team conducted a consultation process between December 2018 and February 2019, with supporting evidence included as an annex to the SEP. The consultation process included workshops with representatives of the different groups of stakeholders, and a period of virtual review of documents. Several workshops were held in San José, Puntarenas, Limón, Liberia Guanacaste, Nicoya, and Golfito. Stakeholders represented include government agencies, NGOs, academia, Afro-descendants organizations, indigenous leaders and the National Indigenous Roundtable, women and youth groups and several sectors of the fisheries industry. Overall there is support for the project and interest in participating. The detailed feedback can be found in the Annexes of the Stakeholder Engagement Plan. The stakeholder engagement process is expected to continue throughout project implementation, as defined in the SEP.

The environmental and social safeguard instruments were publicly disclosed in December 2018 and March 2019 at the following link: https://www.incopesca.go.cr/publicaciones/consulta_cuidadana_proy.html. These documents have also been disclosed at the World Bank's portal at the following link:

<http://projects.worldbank.org/P168475/?lang=en&tab=documents&subTab=projectDocuments>

In addition to online dissemination, the safeguards instruments were sent by email to the participants in the consultations and the representatives of the local governments in the expected area of influence of the project.



Physical versions of these instruments were also made available at INCOPESCA's regional offices, including a note on their information boards announcing their public availability.

B. Disclosure Requirements**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
02-Feb-2019	12-Mar-2019	

"In country" Disclosure

Costa Rica

12-Mar-2019

Comments

The ESMF was first published on December 17, 2018, and a revised version on March 12, 2019, and is available at the following link: https://www.incopesca.go.cr/publicaciones/consulta_cuidadana_proy.html

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
25-Jan-2019	12-Mar-2019

"In country" Disclosure

Costa Rica

12-Mar-2019

Comments

The RPF was first published on December 17, 2018, and a revised version on March 12, 2019, and is available at the following link: https://www.incopesca.go.cr/publicaciones/consulta_cuidadana_proy.html

Indigenous Peoples Development Plan/Framework

Date of receipt by the Bank	Date of submission for disclosure
13-Feb-2019	12-Mar-2019

"In country" Disclosure

Costa Rica

12-Mar-2019

Comments



The IPF was first published on December 17, 2018, and a revised version on March 12, 2019, and is available at the following link: https://www.incopesca.go.cr/publicaciones/consulta_cuidadana_proy.html

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

OP/BP 4.10 - Indigenous Peoples

Has a separate Indigenous Peoples Plan/Planning Framework (as appropriate) been prepared in consultation with affected Indigenous Peoples?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

If the whole project is designed to benefit IP, has the design been reviewed and approved by the Regional Social Development Unit or Practice Manager?

NA

OP/BP 4.12 - Involuntary Resettlement



Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

OP/BP 4.36 - Forests

Has the sector-wide analysis of policy and institutional issues and constraints been carried out?

NA

Does the project design include satisfactory measures to overcome these constraints?

NA

Does the project finance commercial harvesting, and if so, does it include provisions for certification system?

NA

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT

World Bank



Stavros Papageorgiou
Senior Environmental Specialist

Miguel Angel Jorge
Sr Fisheries Spec.

Borrower/Client/Recipient

Republic of Costa Rica

Implementing Agencies

Instituto Costarricense de Pesca y Acuicultura (INCOPESCA)
Moises Mug
Presidente Ejecutivo
mmug@incopesca.go.cr

FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

APPROVAL

Task Team Leader(s):	Stavros Papageorgiou Miguel Angel Jorge
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Approved By

Safeguards Advisor:		
Practice Manager/Manager:	Valerie Hickey	14-Mar-2019
Country Director:	Andrea C. Guedes	14-Mar-2019



The World Bank

Costa Rica Sustainable Fisheries Development Project (P168475)
