



f

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-Nov-2022 | Report No: PIDA34104



BASIC INFORMATION

A. Basic Project Data

Country Costa Rica	Project ID P178049	Project Name Costa Rica Climate Resilient Recovery and Territorial Development Project	Parent Project ID (if any)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date 02-Dec-2022	Estimated Board Date 23-Feb-2023	Practice Area (Lead) Urban, Resilience and Land
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance, Republic of Costa Rica	Implementing Agency National Commission for Risk Prevention and Emergency Response (CNE)	

Proposed Development Objective(s)

The PDO is to increase access to disaster and climate resilient infrastructure and services in selected regions of Costa Rica

Components

- Resilient reconstruction of critical infrastructure and services
- Resilient infrastructure and services for prospective risk management
- Project Management

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	350.00
Total Financing	350.00
of which IBRD/IDA	350.00
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Bank for Reconstruction and Development (IBRD)	350.00
Environmental and Social Risk Classification	
Substantial	
Decision	
The review did authorize the team to appraise and negotiate	

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **In the last three decades, Costa Rica has achieved outstanding outcomes in terms of economic growth and development indicators.** Costa Rica has shown steady economic growth over the past 25 years, except for the drop in gross domestic product (GDP) in 2020 due to the COVID-19 pandemic.¹² With a US\$12,310 income per capita and a population of over 5 million,³ economic growth has resulted from an outward-oriented strategy, based on an openness to foreign investment and gradual trade liberalization. Costa Rica was an early adopter of equitable public sector policies characterized by continuous expansion of social services, including education and universal health coverage – social spending is one of the highest and on par with the Organization for Economic Cooperation and Development (OECD) countries.⁴ The combination of political stability and steady growth has resulted in one of the lowest poverty rates in Latin America and the Caribbean and highest Human Development Index, where the share of the population with incomes below US\$5.5 per person per day decreased from 12.9 to 10.6 percent between 2010 and 2019⁵⁶, and an Human Development Index (HDI) of 0.810 for 2019 ranked 62 out of 189 countries, and above the average of 0.766 for countries in Latin America and the Caribbean.⁷

2. **Costa Rica is highly vulnerable to extreme hydrometeorological conditions and water scarcity, and climate change will increase the level of exposure and vulnerability of the country.** The National Commission for Risk Prevention and Emergency Response (CNE) and the Ministry of National Planning and Economic policy (MIDEPLAN) estimate that between 2005 and 2020 US\$3,358 million in losses were recorded in the areas of infrastructure, services, and production due to disasters caused by natural hazards.⁸ In 2017, Tropical Storm Nate, the event with the greatest

¹ World Bank. World Development Indicators. GDP growth (annual %) from 1983 to 2020. According to the Central Bank of Costa Rica, the country's GDP experienced a 7.6 percent growth in 2021 and a projected growth of 3.9 percent for 2022.

² According to the Central Bank of Costa Rica.

³ 2021 data as per Atlas methodology. World Bank.

⁴ Oviedo, Ana Maria, Susana M. Sanchez, Kathy A. Lindert, and J. Humberto Lopez. 2015. *Costa Rica's Development: From Good to Better. Systematic Country Diagnostic*. Washington, DC: World Bank

⁵ https://databank.worldbank.org/data/download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global_POVEQ_LAC.pdf

⁶ Yet, the effects of the pandemic on poverty and vulnerability were large, particularly during the lockdown. Even with mitigation measures, poverty (US\$5.5 USD (2011 PPP) is expected to have increased by 2.4 percentage points to 13 percent in 2020 (compared to a pre-crisis forecast decline (from 10.4 percent to 10.2 percent)

⁷ <https://hdr.undp.org/sites/default/files/Country-Profiles/CRI.pdf>

⁸ Economic losses caused by Natural Phenomena. MIDEPLAN.



impact in the last 25 years, caused losses exceeding US\$380 million according to data from the CNE. It is also estimated that 77.9 percent of the population and 80.1 percent of GDP are subject to high risk from multiple hazards.⁹ Unplanned urbanization and the differentiated vulnerability of the population and public infrastructure are contributing to increasingly high levels of risk, particularly for the poor segments of the population, including indigenous peoples and Afro-descendants.

3. **The COVID-19 pandemic and recent climate disaster events have aggravated existing social and economic disparities and limit the country's financial capacity to respond to future shocks.** The pandemic resulted in a sharp decline in economic activity, weakening the country's fiscal accounts with the GDP contracting by 4.1 percent in 2020, the largest drop in four decades.¹⁰ The combined impacts of the pandemic and recent natural hazards hit close to 70 percent of the country's territory, especially less developed regions. Despite strong mitigation efforts, incomes of the bottom 40 percent declined 15 percent and an estimated 124,000 people fell into poverty, increasing the poverty rate to 13 percent in 2020.¹¹ Amid the pandemic surges, the country also faced the impact of a major tropical storm (Eta) in 2020, a severe rainfall on the Caribbean coast in July 2021, and tropical storm Bonnie on the northern region in July 2022. The government's response to the combined impact of the COVID-19 pandemic and climate hazards exhausted resources available in the National Emergency Fund,¹² exacerbating the gap in its financial protection capacities.¹³ Bridging this gap to invest in longer-term reconstruction while having the financial capacity to respond to future emergencies has become one of the government's priorities through its 2022 Government Plan, where the new Administration has proposed to develop a disaster risk reduction plan to identify the critical investments needed to mitigate risk for the most vulnerable population.

Sectoral and Institutional Context

4. **The effects of climate change are increasing the impacts of different hazards to which Costa Rica is already highly exposed.** Costa Rica ranks as highly exposed to urban, river and coastal flood hazards meaning that potentially damaging and life-threatening floods are expected to occur, and potentially damaging waves are expected to flood the coast, at least once in the next 10 years.¹⁴ As rainfall becomes more variable and is more concentrated in extreme events, both the frequency of floods and droughts will likely increase, especially in the Pacific zones. Projected losses from hydrometeorological disasters by 2030 and 2050 point to direct damages costing between US\$7 million and US\$30 million on average a year.¹⁵ All these conditions are exacerbated by climate change, which is also likely to alter slope and bedrock stability through changes in precipitation and/or temperature which may increase the occurrence of landslides.

5. **Despite Costa Rica's robust policy framework, significant obstacles still hinder effective disaster risk reduction and climate change adaptation, especially at the provincial and municipal level.** The country's current regulatory

⁹ <https://www.worldbank.org/en/results/2019/04/23/strengthening-disaster-risk-management-in-costa-rica>

¹⁰ <https://www.worldbank.org/en/country/costarica/overview#1>

¹¹ <https://www.worldbank.org/en/country/costarica/overview#1>

¹² The Fund is administered by the CNE and is authorized to invest in securities of public sector institutions and companies. The National Emergency Fund is excluded from the application of the provisions corresponding to the Single State Fund, contemplated in the law of financial administration and public budget.

¹³ Special audit on the prevention of risks associated with the CNE processes for emergency care caused by COVID-19 (<https://sites.google.com/cgr.go.cr/covid-19/ReportesCGR-Informes-de-auditoria/ACE-Prevencion-de-Riesgos-en-el-CNE-para-la-atencion-emergencia-COVID-19/Reporte-2>)

¹⁴ <https://thinkhazard.org/en/report/61-costa-rica>

¹⁵ Costa Rica (2017). Política Nacional de Gestión del Riesgo (2016–2030). URL: https://cambioclimático.go.cr/wp-content/uploads/2018/08/POLITICA_NACIONAL_DE_GESTION_DEL_RIESGO.pdf



framework grants municipalities the responsibilities to plan their territorial development,¹⁶ but this is constrained in practice due to the lack of financial and technical capacities to implement DRM strategies and policies. The lack of institutional capacities for climate adaptation at the territorial level is seen as an underlying constraint that exacerbates disaster risk and will increase stress on economic activities in the coming decades. Moreover, the inclusion of disaster risk and climate adaptation considerations in public infrastructure is usually done at the investment level rather than looking at the system of infrastructure services and prioritizing complementary structural and non-structural investments. Among the government's main priorities, as defined in the National Policy for Territorial Planning 2012-2040 and the National Development and Public Investment Plan 2018, are a) to improve public services and infrastructure in the Central Region, especially related to connectivity and public transportation, competitiveness, and quality of life; and b) to increase quality of life and opportunities of lagging regions to initiate a more inclusive and sustainable growth in the country.

6. **The Government of Costa Rica has acknowledged the need to boost investment in reconstruction, as well as to build longer-term resilience in highly hazard prone, lower income areas.** As per the World Bank's Unbreakable Resilience Indicator,¹⁷ reducing the exposure of the poor by 5 percent of total exposure in Costa Rica would avoid approximately 8 percent of well-being losses and accelerating reconstruction by 33 percent would result in avoided well-being losses of 9.7 percent, or US\$48 million per year. As part of the resilient reconstruction agenda and guided by the trend in disaster-related losses, the government has defined three key priority areas: 1) water resource management at the basin level, including the construction of green and hybrid solutions in denser areas for both flood risk mitigation; 2) the reconstruction and repair of transport infrastructure particularly bridges and critical connections; and 3) the construction or reinforcement of key public facilities, including but not limited to response and shelter facilities. The Government Plan 2022-2026 also highlights the need to create regional mechanisms to engage provinces and municipalities in a more efficient territorial management, putting institutional capacity building for risk identification and response as the backbone in the between the central government and the regions. As such, the GoCR has identified a package of investments for the reconstruction of damaged critical infrastructure that would support selected regions to recover and prepare for future hazards, including climatic events. Moreover, within its 5-year strategy, the CNE has prioritized the decentralization of its emergency response services through the development of regional centers, making sure it has presence in the country's six regions, and the strengthening of its emergency response logistics network through the reinforcement of multipurpose shelters and the upgrading of public facilities for accessible and inclusive emergency preparedness and response services.

Relationship to CPF

7. **The project is aligned with the Country Partnership Framework (CPF) FY16-FY20 and the Performance and Learning Review (PLR) which extended the CPF period to FY22, and directly addresses one of the main bottlenecks for development, namely Costa Rica's high exposure to natural hazards and territorial inequalities.** As per the CPF, Costa Rica is the second most exposed country in the world to multiple hazards based on land area, with 36.8 percent of the total area exposed to three or more natural hazards, 77.9 percent of the population and 80.1 percent of GDP subject to high risk. This project directly links to Pillar 1 – Reducing Constraints to Productive inclusion – through Objective 3 (Promote sustainable investments in energy and transport to support competitiveness); and Pillar 2 – Bolstering Fiscal, Social, and Environmental Sustainability – through Objective 6 (Expand capacity to promote climate-smart and environmentally sustainable development).

¹⁶ Urban Planning Law No. 4240 of 2010 decentralized responsibilities in terms of development planning and land use planning

¹⁷ <https://unbreakable.gfdrr.org/>



8. **Furthermore, the Project is consistent with World Bank Group (WBG) corporate priorities the WBG's Climate Change Action Plan to support Green, Resilient, and Inclusive Development (GIRD).** The project promotes a GIRD by increasing access to nature-based and disaster and climate resilient infrastructure and by strengthening the country's capacities for DRM at the national and territorial levels. Moreover, by embedding climate smart and energy efficiency standards in the public facilities built or upgraded by the project to strengthen the disaster risk management system, the Bank will also support climate mitigation by incentivizing higher energy efficiency standards which can also help reduce the need for and cost of energy. Additionally, in tandem with the proposed project, the Bank is also preparing the US\$150 million Second Costa Rica Cat DDO (P179861) which aims to enhance the Government of Costa Rica's capacity to manage the disaster risk resulting from natural and health-related hazards, including the adverse effects of climate change and disease outbreaks.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The PDO is to increase access to disaster and climate resilient infrastructure and services in selected regions of Costa Rica.

Key Results

- a. People in selected areas with increase access to climate and disaster resilient infrastructure; of which women; of which Indigenous Peoples and/or Afro descendants; of which households with persons with disabilities [number]
- b. People in selected areas with increased access to early warning, preparedness, and response services; of which Indigenous Peoples and/or Afro descendants; of which households with persons with disabilities [number]
- c. Cities with improved livability, sustainability, and/or management (CRI) [number]

D. Project Description

9. **Using reconstruction as an entry point, this project aims to operationalize Costa Rica's commitment towards comprehensive and inclusive disaster risk management and climate change adaptation through resilient infrastructure and services.** The project takes a territorial approach to disaster recovery, climate, and multi-hazard resilience through the combination of structural and non-structural measures that can be applied to both reconstruction and prospective resilience-building investments and activities. The project design also considers spatial inequalities and exclusion of vulnerable groups including ethno-racial minorities, the extreme poor, refugees, asylum seekers, and migrants in vulnerable conditions.

Component 1 – Resilient reconstruction of critical infrastructure and services

10. **This component would finance interventions, infrastructure projects and technical assistance for Costa Rica's reconstruction and recovery, and as such would be implemented under the provisions of active emergency decrees covering many vulnerable cantons in the country.** Projects would follow the provisions of Law No. 8488 on National Emergencies and Risk Prevention, where the CNE's board would oversee their approval and implementation. Investments under this component may include but not be limited to grey and green infrastructure to address fluvial and pluvial flooding in selected regions; slope stabilization works such as walls, drains, excavations, and others; repair, reconstruction, and replacement of bridges and of critical road network infrastructure in general. This component could also finance the



reconstruction of local/community infrastructure including the retrofitting of damaged local shelters to climate-resilient standards, among others.

Component 2 – Resilient infrastructure and services for prospective risk management

11. **This component would finance interventions and technical assistance aimed to strengthen Costa Rica’s disaster risk management capacity and to promote a climate resilient and inclusive territorial development with a focus on prospective risk management.** Investments under this component include the infrastructure for the national and subnational disaster risk management system with a particular focus on improving decentralized capacity for preparedness and emergency response such as warehouses and storage facilities for disaster response, emergency shelters, early warning systems at a basin level, and national and regional CNEs offices and emergency operation centers.

Component 3 – Project Management

12. **This component will finance project management and implementation support activities.** Activities include, inter alia, Project audits; monitoring and evaluation of the Project; preparation of the Environmental and Social Impact Assessments (ESIA), Land Acquisition and Resettlement Action Plans (LARAP), and other environmental and social instruments, citizen engagement and social accountability, accessible and culturally pertinent communication campaigns, monitoring of climate indicators, grievance redress mechanisms and other participatory mechanisms such as community scorecards, etc. Project Implementation staff will be hired with the loan resources to support both component 1 and 2. It would also finance requirements related to the Bank’s fiduciary policies and guidelines, as well as the implementation of environmental and social standards. Other expenditures include operating expenses associated with site visits, trainings, and other incremental costs associated with implementation.

Legal Operational Policies	
	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

13. **Overall, this project is expected to have positive environmental impacts resulting from the reconstruction of key infrastructure exposed to natural hazards (rehabilitation and new structures).** This includes flood management works (dikes river and slope stabilization); construction and reconstruction of bridges and damaged social infrastructure; and critical road network infrastructure development. It also includes technical assistance aimed to strengthen Costa Rica’s disaster risk management capacity to promote climate resilient territorial development. However, substantial risks are expected due to the project scope and nature, and environmental sensitivity, especially Component 1, which will finance several activities, including the construction of physical infrastructure. The subprojects are not yet defined, but these interventions may take place on environmentally sensitive areas and result in substantial negative impacts during civil works from various infrastructure investments (bridges, flood dikes, etc.).



14. **Furthermore, managing Occupational Health and Safety (OHS) risks and hazards are critical elements of implementing the ESF.** Health and safety of the workers and the community would need to be considered and properly managed. Potential Occupational Health and Safety (OHS) risks and hazards that can be associated with the construction of physical infrastructure include: (i) exposure to construction hazards such as working at heights; traffic safety; working over water; hot work (i.e. welding and torching); electrical hazards; exposure to dusts, fumes, and gases; excavations; rotating and moving equipment; unprotected machines and moving parts (ii) exposure to loud noise due to frequent or excessive use of vibrating tools which can cause cognitive impairment, tinnitus and hearing loss, (iii) ergonomic hazards, stress and fatigue due to frequent or excessive manual handling of loads; and (iv) other hazards such as construction-site fire and explosions, contact with asbestos-containing materials and potentially corrosive and reactive chemical substances.

15. **From a social perspective, substantial risks are also expected due to the potential social, health and safety implications inherent to the potential scale, variety, number, and remote/disparate geographies of the works to be financed or planned under the project.** This will be further assessed as more detailed information becomes available about the specific investments, their scale, and their ambit of impact, particularly among vulnerable groups identified. During project preparation, once more location specific information is available, existing gender and inclusion gaps will be further assessed, and citizen engagement processes and indicators further designed. This assessment will review the currently proposed social impact assessment and participatory approaches developed internally by CNE for reconstruction and recovery, including the social accompaniment to households affected by disasters.

16. **The project will have wide ranging positive social impacts, given its national scope, its territorial approach and embedded social inclusion lens, which prioritizes interventions across regions with lower social development indicators and higher poverty rates.** Despite this socially inclusive approach, some key social risks should be considered, particularly as the particularities of the interventions are yet to be defined, quantified, or located. As the Borrower progresses with the prioritization of interventions, it will be necessary that disadvantaged and vulnerable groups receive information about the Project's objectives, its scope and timelines, prioritizing engagement with, among others: people living in rural communities with difficult access to national public services; indigenous peoples who face discrimination and have a historical mistrust of government institutions; migrants and refugees, particularly seasonal workers from Nicaragua who often work and live in regions with high hazard risk and who lack access to social protection mechanisms; women, particularly those living in poverty and who frequently have a dual role as family earners and caretakers; and other discriminated minorities such as lesbian, gay, bisexual, transgender, and intersex (LGBTI) people and persons with disabilities. The scale and diversity of interventions suggests a considerable risk of sexual exploitation and abuse and sexual harassment (SEA/SH) due to expected intensive civil works, which would require robust monitoring strategies, comprehensive and tailored Grievance Redress Mechanisms (for the public and for Project workers), and systematic capacity building and awareness raising plans for the different types of workers that are involved with the Project.

17. **To manage potential risks and impacts, the Borrower will prepare E&S instruments, including an Environmental and Social Management Framework (ESMF).** In addition to the ESMF, the Borrower will prepare a Stakeholder Engagement Plan (SEP), Labor Management Procedures (LMP), an Indigenous Peoples Planning Framework (IPPF) and a Resettlement Policy Framework (RPF) to provide guidance for the preparation of appropriate site-specific instruments. As stated in the Environmental and Social Commitment Plan (ESCP) the final version of these instruments will be disclosed and adopted no later than 60 days after project effectiveness. The ESCP will include appropriate measures to ensure compliance with the WB ESSs over specified timeframes during the life of the proposed project. Advanced drafts of the instruments will be prepared and disclosed prior to Project Appraisal. To manage TA activities, the ESCP will include a commitment to prepare studies or TORs for studies supported by the TA that are acceptable to the Bank and consistent



with the relevant provisions of the ESF; and if a TA activity is identified during preparation, a (draft) TOR would be also prepared along with other E&S risk management instruments.

E. Implementation

Institutional and Implementation Arrangements

18. **As the lead coordinating entity of Costa Rica’s disaster risk prevention and response actions, the CNE will be responsible for project implementation.** The CNE is situated in the President's office and is managed by a multisectoral board.¹⁸ A project implementation team (PIT) for the project will be established in the CNE following effectiveness,¹⁹ and would recruit or appoint a Project Manager, an FM Specialist, and a Procurement Specialist. The PIT will carry out the required environmental and social safeguards and monitoring and evaluation functions, which will be coordinated by the PIT Project Manager. For the coordination of multisectoral investments, the CNE will establish a dialogue with relevant sectors through its governance structure including CNE’s Board of Directors, MIDEPLAN, the Ministry of Finance, and sectoral ministries and government agencies to avoid duplication of efforts and maximize synergies.

19. **The CNE has limited experience implementing the Bank’s Environmental and Social Framework (ESF); however, it is currently implementing the Costa Rica COVID-19 Vaccines Project (P178320).** The Bank will provide training on the ESF to key CNE staff in the context of project preparation. The capacity of CNE to effectively manage social and environmental risks of the proposed project will require further strengthening, considering in particular: (a) the complexity of environmental and social risks and impacts on the proposed project; (b) the need for strong institutional capacity to carry out continuous stakeholder engagement while managing the challenging demands of emergency contexts, as well as to ensure robust implementation of a well-functioning Grievance Redress Mechanism (GRM), and required risk management plans and instruments for project environmental, social, health and safety aspects; and (c) the ability of the PIU to effectively manage the implementation of multiple simultaneous subprojects.

CONTACT POINT

World Bank

Abigail C. Baca
Senior Disaster Risk Management Specialist

Felipe Montoya Pino
Urban Specialist

Borrower/Client/Recipient

¹⁸ In accordance with article 17 of Law 8488, the Board of Directors of the National Commission for Risk Prevention and Emergency Attention is made up of 1) A president appointed by the Executive Power, by decree, who will preside over the Board. 2) Minister of the Presidency, of Public Works and Transportation, of Finance, of Public Security, of Health, of Housing and Human Settlements, of Environment and Energy. 3) The Executive Presidents of the IMAS and the INS 4) A representative of the Red Cross

¹⁹ Terms of reference agreed with the Bank for PIT consultants shall be prepared in advance and be part of the Operational Manual. These shall ensure that procurement and financial management specialist(s) will have the experience necessary and that such positions will be contracted under competitive procedures.



Ministry of Finance
Melvin Quiroz Romero
Director of Public Credit
Quirosrme@hacienda.go.cr

Republic of Costa Rica

Implementing Agencies

National Commission for Risk Prevention and Emergency Response (CNE)
Alejandro Picado
PRESIDENT
ajpicado@cne.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):	Abigail C. Baca Felipe Montoya Pino
----------------------	--

Approved By

Practice Manager/Manager:		
Country Director:	Joelle Beatrice Dehasse	29-Nov-2022