



ADAPTATION FUND

AFB/PPRC.27/21
8 March 2021

Adaptation Fund Board
Project and Programme Review Committee
Twenty-Seventh Meeting
Bonn, Germany (Virtually held) 22-23 March 2021

Agenda Item 6 (e)

PROPOSAL FOR COSTA RICA, PANAMA

Background

1. The strategic priorities, policies and guidelines of the Adaptation Fund (the Fund), as well as its operational policies and guidelines include provisions for funding projects and programmes at the regional, i.e., transnational level. However, the Fund has thus far not funded such projects and programmes.

2. The Adaptation Fund Board (the Board), as well as its Project and Programme Review Committee (PPRC) and Ethics and Finance Committee (EFC) considered issues related to regional projects and programmes on a number of occasions between the Board's fourteenth and twenty-first meetings but the Board did not make decisions for the purpose of inviting proposals for such projects. Indeed, in its fourteenth meeting, the Board decided to:

- (c) Request the secretariat to send a letter to any accredited regional implementing entities informing them that they could present a country project/programme but not a regional project/programme until a decision had been taken by the Board, and that they would be provided with further information pursuant to that decision.*

(Decision B.14/25 (c))

3. At its eighth meeting in March 2012, the PPRC came up with recommendations on certain definitions related to regional projects and programmes. However, as the subsequent seventeenth Board meeting took a different strategic approach to the overall question of regional projects and programmes, these PPRC recommendations were not included in a Board decision.

4. At its twenty-fourth meeting, the Board heard a presentation from the coordinator of the working group set up by decision B.17/20 and tasked with following up on the issue of regional projects and programmes. She circulated a recommendation prepared by the working group, for the consideration by the Board, and the Board decided:

- (a) To initiate steps to launch a pilot programme on regional projects and programmes, not to exceed US\$ 30 million;*
- (b) That the pilot programme on regional projects and programmes will be outside of the consideration of the 50 per cent cap on multilateral implementing entities (MIEs) and the country cap;*
- (c) That regional implementing entities (RIEs) and MIEs that partner with national implementing entities (NIEs) or other national institutions would be eligible for this pilot programme, and*

- (d) To request the secretariat to prepare for the consideration of the Board, before the twenty-fifth meeting of the Board or intersessionally, under the guidance of the working group set up under decision B.17/20, a proposal for such a pilot programme based on consultations with contributors, MIEs, RIEs, the Adaptation Committee, the Climate Technology Centre and Network (CTCN), the Least Developed Countries Expert Group (LEG), and other relevant bodies, as appropriate, and in that proposal make a recommendation on possible options on approaches, procedures and priority areas for the implementation of the pilot programme.*

(Decision B.24/30)

5. The proposal requested under (d) of the decision above was prepared by the secretariat and submitted to the Board in its twenty-fifth meeting, and the Board decided to:

- (a) Approve the pilot programme on regional projects and programmes, as contained in document AFB/B.25/6/Rev.2;*
- (b) Set a cap of US\$ 30 million for the programme;*
- (c) Request the secretariat to issue a call for regional project and programme proposals for consideration by the Board in its twenty-sixth meeting; and*
- (d) Request the secretariat to continue discussions with the Climate Technology Center and Network (CTCN) towards operationalizing, during the implementation of the pilot programme on regional projects and programmes, the Synergy Option 2 on knowledge management proposed by CTCN and included in Annex III of the document AFB/B.25/6/Rev.2.*

(Decision B.25/28)

6. Based on the Board Decision B.25/28, the first call for regional project and programme proposals was issued and an invitation letter to eligible Parties to submit project and programme proposals to the Fund was sent out on 5 May 2015.

7. At its twenty-sixth meeting the Board decided *to request the secretariat to inform the Multilateral Implementing Entities and Regional Implementing Entities that the call for proposals under the Pilot Programme for Regional Projects and Programmes is still open and to encourage them to submit proposals to the Board at its 27th meeting, bearing in mind the cap established by Decision B.25/26.*

(Decision B.26/3)

8. At its twenty-seventh meeting the Board decided to:
- (a) Continue consideration of regional project and programme proposals under the pilot programme, while reminding the implementing entities that the amount set aside for the pilot programme is US\$ 30 million;*
 - (b) Request the secretariat to prepare for consideration by the Project and Programme Review Committee at its nineteenth meeting, a proposal for prioritization among regional project/programme proposals, including for awarding project formulation grants, and for establishment of a pipeline; and*
 - (c) Consider the matter of the pilot programme for regional projects and programmes at its twenty-eighth meeting.*

(Decision B.27/5)

9. The proposal requested in (b) above was presented to the nineteenth meeting of the PPRC as document AFB/PPRC.19/5. The Board subsequently decided:

- a) *With regard to the pilot programme approved by decision B.25/28:*
 - (i) *To prioritize the four projects and 10 project formulation grants as follows:*
 - 1. *If the proposals recommended to be funded in a given meeting of the PPRC do not exceed the available slots under the pilot programme, all those proposals would be submitted to the Board for funding;*
 - 2. *If the proposals recommended to be funded in a given meeting of the PPRC do exceed the available slots under the pilot programme, the proposals to be funded under the pilot programme would be prioritized so that the total number of projects and project formulation grants (PFGs) under the programme maximizes the total diversity of projects/PFGs. This would be done using a three-tier prioritization system: so that the proposals in relatively less funded sectors would be prioritized as the first level of prioritization. If there are more than one proposal in the same sector: the proposals in relatively less funded regions are prioritized as the second level of prioritization. If there are more than one proposal in the same region, the proposals submitted by relatively less represented implementing entity would be prioritized as the third level of prioritization;*
 - (ii) *To request the secretariat to report on the progress and experiences of the pilot programme to the PPRC at its twenty-third meeting; and*
- b) With regard to financing regional proposals beyond the pilot programme referred to above:

- (i) To continue considering regional proposals for funding, within the two categories originally described in document AFB/B.25/6/Rev.2: ones requesting up to US\$ 14 million, and others requesting up to US\$ 5 million, subject to review of the regional programme;*
- (ii) To establish two pipelines for technically cleared regional proposals: one for proposals up to US\$ 14 million and the other for proposals up to US\$ 5 million, and place any technically cleared regional proposals, in those pipelines, in the order described in decision B.17/19 (their date of recommendation by the PPRC, their submission date, their lower “net” cost); and*
- (iii) To fund projects from the two pipelines, using funds available for the respective types of implementing entities, so that the maximum number of or maximum total funding for projects and project formulation grants to be approved each fiscal year will be outlined at the time of approving the annual work plan of the Board.*

(Decision B.28/1)

10. At its thirty-first meeting, having considered the comments and recommendation of the Project and Programme Review Committee, the Adaptation Fund Board (the Board) decided:

- (a) To merge the two pipelines for technically cleared regional proposals established in decision B.28/1(b)(ii), so that starting in fiscal year 2019 the provisional amount of funding for regional proposals would be allocated without distinction between the two categories originally described in document AFB/B.25/6/Rev.2, and that the funding of regional proposals would be established on a ‘first come, first served’ basis; and*
- (b) To include in its work programme for fiscal year 2019 provision of an amount of US\$ 60 million for the funding of regional project and programme proposals, as follows:*
 - (i) Up to US\$ 59 million to be used for funding regional project and programme proposals in the two categories of regional projects and programmes: ones requesting up to US \$14 million, and others requesting up to US\$ 5 million; and*
 - (ii) Up to US\$ 1 million for funding project formulation grant requests for preparing regional project and programme concepts or fully-developed project and programme documents.*

(Decision B.31/3)

11. According to the Board Decision B.12/10, a project or programme proposal needs to be received by the secretariat no less than nine weeks before a Board meeting, in order to be considered by the Board in that meeting.

12. The following project pre-concept document titled “Enhancing the climate resilience of local livelihoods through nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama” was submitted for Costa Rica and Panama by the United Nations Environment Programme (UNEP), which is a Multilateral Implementing Entity of the Adaptation Fund.
13. This is the first submission of the regional project pre-concept proposal using the three-step submission process.
14. The current submission was received by the secretariat in time to be considered in the thirty-sixth Board meeting. The secretariat carried out a technical review of the project proposal, with the diary number AF00000251, and completed a review sheet.
15. In accordance with a request to the secretariat made by the Board in its 10th meeting, the secretariat shared this review sheet with UNEP, and offered it the opportunity of providing responses before the review sheet was sent to the PPRC.
16. The secretariat is submitting to the PPRC the summary and, pursuant to decision B.17/15, the final technical review of the project, both prepared by the secretariat, along with the final submission of the proposal in the following section. In accordance with decision B.25.15, the proposal is submitted with changes between the initial submission and the revised version highlighted.



ADAPTATION FUND

ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT/PROGRAMME PROPOSAL

PROJECT/PROGRAMME CATEGORY: Pre-Concept for a Regional Project

Countries/Region: Costa Rica, Panama/LAC
Project Title: Enhancing the climate resilience of local livelihoods through nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama
Thematic focal area: Rural development
Implementing Entity: United Nations Environment Programme (UNEP)
Executing Entities: Fundecooperación para el Desarrollo Sostenible (Costa Rica) and Fundación Natura (Panama)
AF Project ID: AF00000251

IE Project ID: **Requested Financing from Adaptation Fund (US Dollars):** 10,693,000
Reviewer and contact person: Saliha Dobardzic **Co-reviewer(s):** Jason Spensley
IE Contact Person(s): Marta Moneo Lain

Technical Summary

The project “Enhancing the climate resilience of local livelihoods through nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama” aims to reduce the vulnerability of communities along Limon and Bocas del Toro Caribbean provinces to flooding and risk caused by extreme events and sea level rise by unlocking the potential for diversification of local livelihoods through a nature-based tourism, and by mainstreaming climate data and adaptation measures into policy and planning. This will be done through the four components below:

Component 1: Incorporation of systems for risk reduction and early warning (USD 2,500,000).

Component 2: Implementation of NbS measures and adaptation practices (USD 3,000,000)

Component 3: Strengthening of local livelihoods and productive chains (USD 1,500,000)

Component 4: Enhanced governance for strengthened resilience (USD 1,000,000)

Component 5: Knowledge transfer and upscaling (USD 1,000,000)

	<p><u>Requested financing overview:</u> Project/Programme Execution Cost: USD 855,000 Total Project/Programme Cost: USD 9,855,000 Implementing Fee: USD 838,000 Financing Requested: USD 10,693,000</p> <p>The proposal includes a request for a project formulation grant and/or project formulation assistance grant of USD 20,000.</p> <p>The initial technical review raised several issues, such as specific vulnerabilities the project aims to address, theory of change in terms of actions selected, viability/sustainability of the actions, rationale for this as a regional project, among others, as is discussed in the number of Clarification Requests (CRs) and Corrective Action Request (CAR) raised in the review.</p> <p>The final technical review finds that, while some of the requests issued in the initial technical review have been addressed, several still remain pending, such as some aspects of the theory of change of the project, the sense of scale or size of the project's target population, and the need to strengthen the vision for learning and sharing the knowledge resulting from this project.</p>
Date	February 26, 2021

Review Criteria	Questions	Comments at Initial Technical Review	Comments at Final Technical Review
Country Eligibility	1. Are all of the participating countries party to the Kyoto Protocol?	Yes. Both Costa Rica and Panama are parties to the Kyoto Protocol.	
	2. Are all of the participating countries developing countries particularly vulnerable to the adverse effects of climate change?	Yes. Costa Rica and Panama are vulnerable to the effects of extreme weather events, namely hurricanes, flooding, landslides, as well as increase in mosquito-borne diseases due to increases in temperature, and negative	

		effects on coastal areas because of stronger surges due to sea level rise.	
Project Eligibility	1. Have the designated government authorities for the Adaptation Fund from each of the participating countries endorsed the project/programme?	Yes , with letters dated January 18, 2021 (Costa Rica) and January 5, 2021 (Panama).	
	2. Has the pre-concept provided necessary information on the problem the proposed project/programme is aiming to solve, including both the regional and the country perspective?	<p>Not clear.</p> <p>Generalized information is provided on the impacts from specific climate change hazards on people in the project area. Therefore, it is not sufficiently clear what the climate change adaptation problem is that is trying to be solved. The proposal notes various types of hazards such as hurricanes, floods, landslides, sea-level rise etc. However, the project pre-concept would be strengthened by linking the activities more closely to the vulnerabilities due to these impacts. Currently, it is unclear how extreme weather, including consequent sea surges, and/or other climate hazards are negatively impacting the ability of the projects focus populations from engaging in tourism.</p> <p>CR 1: Please outline the current impacts from specific climate hazards, and some information about their anticipated future trend of the impacts of these hazards</p>	<p>CR1: Not clear. Information on climate hazards and their impacts to tourism in the region conveyed has been provided in response to both CR1 and CR2 (pp. 1). This information provides stronger articulation of the climate problem to be addressed and a foundation for the project's theory of change.</p> <p>During project development, it will be important to further refine the project outputs and associated activities and articulate how they will directly address these climate impacts in a cost-effective manner.</p> <p>Further to consider, are there some impacts of climate hazards on the tourism industry that will not be addressed by this project, and if so please explain why. Are there some impacts that risk or are anticipated to being too severe or broad to be able to be addressed by the scope of this project? If so, how is this risk anticipated to affect tourism</p>

		<p>specifically on tourism, in order to explain why the investment suggested in the proposal is needed to address these impacts on the tourism activities.</p> <p>CR 2: Please provide initial indication on the scale of the problem aiming to be addressed through this project. For example, approximately how many people and/or hectares are currently experiencing, and are anticipated to experience, these climate impacts. To the extent possible at this stage of project development, it would also be useful to provide a sense of the extent of those climate impacts on people (e.g. have tourism businesses been forced to close due to climate impacts or are they anticipated to in the future).</p> <p>CR3: Please provide initial information on the extent to which the focus populations of this project are currently engaged in the tourism industry, their population size and scale of the area in hectares that they manage. In doing so, please explain the extent to which their limited involvement in the tourism industry is due to current land use planning and policies or other factors.</p>	<p>associated livelihoods in the future and how can this project safeguard against this?</p> <p>We also note that impacts on human health are briefly mentioned. During project development, it will be important to expand on the specific impacts of climate hazards related to human health, and how this project will address these impacts. It may also be useful to consider further refining the project outputs and their activities for the contribution of climate resilience of ecosystem services for integrated public health benefits.</p> <p>CR2: Not Clear. Please provide a sense of the size of the population that are currently involved in or directly benefitting from tourism in the region. This would provide a sense of the scale of people to be directly impacted by the project. Depending on the size of the target population who will be directly impacted by this project, as a way to increase scale of impact in terms of people effected, it may also be important to expand on the potential and strategy to ensure this serves as a pilot for other parts of both countries.</p> <p>CR3: Not clear.</p>
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			<p>We note the response to CR3 raised at initial review, that <i>“The project will not actively try to engage populations who are not already involved in tourism or in agriculture, into the tourism sector, but will rather transform the way in which tourism is developed and its productive value chains. The objective of the project will be to strengthen or diversify the livelihoods of communities directly involved in tourism or in agriculture or related sector supplying to tourism.”</i> Given this, and the indication that tourism is indicated to be the largest source of employment and livelihood in the project area, it is unclear how further investment in tourism will serve to <i>“...diversify the livelihoods of communities directly involved in tourism or in agriculture related sector supplying to tourism”</i>. Please explain this logic and/or adjust accordingly to strengthen the project’s ‘Theory of Change’. Given the project’s stated objective is to diversify livelihoods as a climate resilience strategy, please explain why the project is focussed on tourism which is stated to be the main source of employment and livelihoods in the region, rather than on livelihood alternatives to enable livelihood diversity. Would the project be better defined as focussed on livelihood resilience of</p>
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			the population already active in tourism, rather than diversifying their income (presumably away from tourism)? Please clarify and adjust accordingly.
	3. Have the project/programme objectives, components and financing been clearly explained?	<p>Not clear.</p> <p>The project aims to diversity income by unlocking the potential for diversification of local livelihoods through a nature-based tourism, and by mainstreaming climate data and adaptation measures into policy and planning. However, the project pre-concept explains that tourism is already a significant economic activity in the region, and in some areas of the region it may be the most significant economic activity.</p> <p>CR4: Please clarify the focus population of the project within the focus region of both countries, their size, etc.</p> <p>CR5: Please clarify if the objective is to increase resilience to climate change of a specific segment or segments of the population that are not yet involved in tourism through income diversification into the tourism industry. If so, please clarify why the focus population is not currently benefiting from the tourism industry, and how the current and projected impacts from specific climate hazards are reducing the</p>	<p>CR4: Not clear. Please note the comment above to CR3 response. Clarifying this logic (or adjusting the concept accordingly) is fundamental to project design and needs to be addressed at this stage.</p> <p>Please also note the comment on CR2 response with regards to scope of the target population.</p> <p>CR5: Not clear. The proposal has undergone significant editing and there is very little information about target populations.</p> <p>CR6: Not clear. Additional information has been provided in the response to the initial technical review. However, questions remain. What about coral bleaching? Is this an impact of climate hazards in the region that is</p>

		<p>ability of this population to engage in tourism.</p> <p>CR6: Please clarify what current and anticipated climate hazards will be analysed for the targeted areas. Based on the expected outputs of component 1, it appears this will focus on sea level rise. It is unclear whether there will be a focus on other climate hazards, and if so which ones and why.</p> <p>CR7: With regards to output 4.13, please expand how the support for “innovative schemes” will be implemented to reduce the barrier of the target populations to access capital for investing in climate resilient practices, focussed on tourism. For example, beyond just sharing of existing tools and methods, please reference how the project will create commercial lines of credit at accessible rates or other approaches with microfinance or other financial institutions to catalyse investment in climate resilient micro and SMEs, as has been successfully implemented in the MEbA project that is briefly referenced in this output.</p>	<p>and will increasingly affect tourism livelihoods?</p> <p>As also mentioned in a comment on CR1 response, are there some impacts of climate hazards on the tourism industry that will not be addressed by this project, and if so please explain why, how to they risk project success, and how will the project safeguard against them?</p> <p>CR7: Cleared, as per the information provided on page 3. Adaptation finance outputs have been phrased in a more concrete way (Outputs 3.1.4 and 3.1.5).</p>
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	<p>4. Has the project/programme been justified in terms of how:</p> <ul style="list-style-type: none"> - it supports concrete adaptation actions? - it builds added value through the regional approach? - it promotes new and innovative solutions to climate change adaptation? - it is cost-effective? - it is consistent with applicable strategies and plans? - it incorporates learning and knowledge management? - it will be developed through a consultative process with particular reference to vulnerable groups, including gender considerations, in compliance with the Environmental and Social Policy of the Adaptation Fund? - it will take into account sustainability? 	<p>Not clear.</p> <p>The project idea is currently not sufficiently clear, particularly in terms of its theory of change. The proposal does not demonstrate clear linkages between the impacts of climate change and activities proposed. The project pre-concept would be strengthened by clarifying its basic theory of change.</p> <p>CR8: Please provide more focussed information on the current and projected impacts of specific climate change hazards that this project is proposing to address.</p> <p>CR9: Please explain how mainstreaming climate data and adaptation measures into policy and planning will address the impacts of these climate hazards, and thereby clarify the project's theory of change.</p> <p>The project pre-concept makes only makes brief mention of COVID19, as "<i>...a post-COVID climate change context where family economies have been seriously affected, especially those reliant on tourism, there is a big opportunity for livelihoods in the region to be strengthened and diversified through nature-based tourism.</i>"</p>	<p>CR8: Not clear. Please see comments on responses to CR1 and CR2 above.</p> <p>CR9: Not clear. Additional information has been provided in the response to the review but this information is not found in the proposal.</p> <p>CR10: Cleared. International Air Transport Association has said that global air traffic will not return to pre-pandemic levels until 2024. However, tourism recovery in this tourism-dependant region will be faster than trying to change the economy and livelihood share, faster than moving towards an economy based on primary production or industry. The Ministries and National Institutes of Tourism and the international tourism entities, such as the WTO, are not discussing if tourism needs to be recovered but rather what the best way is to recover and to create resilience.</p>
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		<p>CR10: Please include consideration of the current and anticipated impact of the pandemic on the viability of tourism for the region. In doing so, please clarify the following:</p> <ul style="list-style-type: none"> • Why is diversifying incomes in the tourism sector that is strongly hit by COVID19 a good investment to increase income diversity? What other economic activities have potential for income diversification in the region, and why focus on tourism preferable over such alternatives? <p>CR11: Please explain why this project is better implemented as a regional one rather than two single-country projects.</p>	<p>CR11: Cleared.</p> <p>The regions are geographically, ecologically and culturally connected, including some of the common indigenous communities that live straddling the border between the two countries. The regions are also economically connected. The project will work on common-regional information systems and exchange of information for risk assessment, early warning systems and decision planning. Costa Rica's more-advanced planning in risk assessments and adaptation measures will be of use to enhance the planning capacities of Panama. In the same way, adaptation experiences in both countries will be of benefit to the other country, since their impacts and challenges are very similar. There is also scope for involving relevant bi-national and regional institutions in the project.</p>
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	<p>5. Does the pre-concept briefly explain which organizations would be involved in the proposed regional project/programme at the regional and national/sub-national level, and how coordination would be arranged? Does it explain how national institutions, and when possible, national implementing entities (NIEs) would be involved as partners in the project?</p>	<p>Not clear. This question will be reassessed after considering the response to CR11 above. Furthermore:</p> <p>CR12: To ensure strengthening of local capacities in the region, and local ownership, please consider further and indicate what local partners will be worked with. For example, what NGOs, Indigenous Peoples associations, and/or community groups exist in the focus regions of both countries (E.g. ANAI or others).</p> <p>CR13: Please expand on potential for engagement of national tourism authorities and associations in both countries, in order to strengthen the learning and influence in other parts of the countries.</p>	<p>CR12: Cleared, as per the information provided on page 5.</p> <p>The project will be executed by the National Implementing entities of both countries (Fundecooperación in Costa Rica and Fundación Natura in Panama) and with the provincial, municipal and local government, tourism and environment institutions. Local partners will include organizations, NGOs, Indigenous Peoples associations and community groups. The identification and selection of partners will be defined in further phases. A tentative list of potential local partners has been provided (as the entity's response to the initial technical review and on p.9 of the resubmission).</p> <p>CR13: Not cleared.</p> <p>The scale of project impact could and should be increased by strengthening the multi-sight learning and replication aspect of this project. For example, how will learning from the design of early warning systems, municipal planning, and microfinance be shared and encouraged to be taken up by local authorities, communicates and MFIs in other parts of both countries?; What is the potential for this to directly influence national policy and institutional</p>
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		<p>CR14: Please consider and expand on potential to engage with other public and private financing initiatives and institutions, such as for example Fondo Cooperacion and others, to create or strengthen ongoing and sustainable financing instruments for climate resilient economic activities and businesses in the region.</p>	<p>reform in both countries; Etc.? We suggest considering any refinement to outputs and budget allocation.</p> <p>CR14: Cleared. Fundecooperación has been the Costa Rican partner of UNEP's MEbA multi-country programme on microfinance. There is potential for synergies with the national microfinance networks of Costa Rica (REDCOM) and Panama (REDPAMIF), and the regional network (REDCAMIF). Work will be done with the microfinance institutions of those networks in the area. If necessary, the project will receive assistance from YAPU Solutions GmbH, a partner of UNEP in the MEbA programme, in order to provide support in the identification, selection and development of capacities of the microfinance institutions.</p>
Resource Availability	Is the requested project / programme funding within the funding windows of the programme for regional projects/programmes?	Yes. We note that a PFG has been requested for a total of USD 20,000.	
	6. Are the administrative costs (Implementing Entity Management Fee and Project/ Programme Execution Costs) at or below 20 per cent of the	Yes , with the project execution cost at 9.5% and project management implementation entity fee of 8.5%.	

	total project/programme budget?		
Eligibility of IE	7. Is the project/programme submitted through an eligible Implementing Entity that has been accredited by the Board?	Yes.	

ADAPTATION FUND BOARD SECRETARIAT TECHNICAL REVIEW OF PROJECT/PROGRAMME PROPOSAL

PROJECT/PROGRAMME CATEGORY: Pre-Concept for a Regional Project

Countries/Region: Costa Rica, Panama/LAC
Project Title: Enhancing the climate resilience of local livelihoods through nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama
Thematic focal area: Rural development
Implementing Entity: United Nations Environment Programme (UNEP)
Executing Entities: Fundecooperación para el Desarrollo Sostenible (Costa Rica) and Fundación Natura (Panama)
AF Project ID: AF00000251

IE Project ID:
Reviewer and contact person: Saliha Dobardzic
IE Contact Person(s):

Requested Financing from Adaptation Fund (US Dollars): 10,693,000
Co-reviewer(s): Jason Spensley

Technical Summary	<p>The project “Enhancing the climate resilience of local livelihoods through nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama” aims to reduce the vulnerability of communities along Limon and Bocas del Toro Caribbean provinces to flooding and risk caused by extreme events and sea level rise by unlocking the potential for diversification of local livelihoods through a nature-based tourism, and by mainstreaming climate data and adaptation measures into policy and planning. This will be done through the four components below:</p> <p><u>Component 1:</u> Integration of risk management for community-based activities (USD 2,500,000).</p> <p><u>Component 2:</u> Local livelihoods strengthening and diversification through pilots and implementation of adaptation measures (USD 4,500,000)</p> <p><u>Component 3:</u> Enabling conditions for community engagement and ownership (USD 1,000,000)</p> <p><u>Component 4:</u> Stakeholder collaboration and knowledge management (USD 1,000,000)</p> <p><u>Requested financing overview:</u></p>
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	<p>Project/Programme Execution Cost: USD 855,000 Total Project/Programme Cost: USD 9,855,000 Implementing Fee: USD 838,000 Financing Requested: USD 10,693,000</p> <p>The proposal includes a request for a project formulation grant and/or project formulation assistance grant of USD 20,000.</p> <p>The initial technical review raised several issues, such as specific vulnerabilities the project aims to address, theory of change in terms of actions selected, viability/sustainability of the actions, rationale for this as a regional project, among others, as is discussed in the number of Clarification Requests (CRs) and Corrective Action Request (CAR) raised in the review.</p>
Date	February 5, 2021

Review Criteria	Questions	
Country Eligibility	3. Are all of the participating countries party to the Kyoto Protocol?	Yes. Both Costa Rica and Panama are parties to the Kyoto Protocol.
	4. Are all of the participating countries developing countries particularly vulnerable to the adverse effects of climate change?	Yes. Costa Rica and Panama are vulnerable to the effects of extreme weather events, namely hurricanes, flooding, landslides, as well as increase in mosquito-borne diseases due to increases in temperature, and negative effects on coastal areas because of stronger surges due to sea level rise.
Project Eligibility	8. Have the designated government authorities for the Adaptation Fund from each of the participating countries endorsed the project/programme?	Yes , with letters dated January 18, 2021 (Costa Rica) and January 5, 2021 (Panama).
	9. Has the pre-concept provided necessary information on the problem the proposed project/programme is aiming to solve,	Not clear.

	including both the regional and the country perspective?	<p>Generalized information is provided on the impacts from specific climate change hazards on people in the project area. Therefore, it is not sufficiently clear what the climate change adaptation problem is that is trying to be solved. The proposal notes various types of hazards such as hurricanes, floods, landslides, sea-level rise etc. However, the project pre-concept would be strengthened by linking the activities more closely to the vulnerabilities due to these impacts. Currently, it is unclear how extreme weather, including consequent sea surges, and/or other climate hazards are negatively impacting the ability of the projects focus populations from engaging in tourism.</p> <p>CR 1: Please outline the current impacts from specific climate hazards, and some information about their anticipated future trend of the impacts of these hazards specifically on tourism, in order to explain why the investment suggested in the proposal is needed to address these impacts on the tourism activities.</p> <p>CR1 response:</p> <p>Limon and Bocas del Toro are a continuous geographic and ecological region, threatened by the same climate hazards and affected by similar impacts. The most common climate hazards are¹:</p> <ul style="list-style-type: none"> - Sudden or rapid hazards related to extreme weather events, mainly associated with hydrometeorological phenomena such as troughs, low pressures, cold fronts and tropical
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¹ Hazards identified by the national Climate Change Directions, and verifiable in the diagnosis of the region Huétar-Caribe in Costa Rica, as part of the National Adaptation Plan, implemented by UNEP with the Climate Change Direction of Costa Rica (the diagnosis assesses RCP 4.5 and 8.5 scenarios for precipitation and temperature for 2040 and 2070, and show the mapping of the areas exposed to flooding, landslides and sea-level rise hazards); and the Panama 2018 National Climate Change Strategy.

		<p>waves, which cause heavy rainfalls and strong winds, and that are sometimes associated with hurricanes in the Caribbean: landslides, overflow of rivers, inland and coastal flooding and storm surges;</p> <ul style="list-style-type: none"> - Seasonal hazards due to rainfall variability, sometimes associated with La Niña cooling phase of El Niño-Southern Oscillation: dry events and seasonal or temporary meteorological, hydrological and agricultural drought; - Slow-onset hazards: temperature increase and sea level rise and salinization of coastal areas. <p>The impacts of these hazards in the region are:</p> <ul style="list-style-type: none"> - Sudden hazards trigger sudden-onset events that affect human security and well-being, even causing death of people, and damages mainly to agriculture, rivers and streams, and roads and infrastructure. - Dry events and droughts affect mainly agriculture, by reducing crop productivity, affecting human security and health, and impacting services and households, reducing water availability. - Slow-onset hazards: increase of temperature cause decreased comfort level and human health problems due to heatwaves, that can even cause fatalities; sea-level rise reduces the availability of coastal areas and changes in coastal ecosystems, and increases the saltwater intrusion and salinization in coastal areas, ecosystems and crops and reduces the freshwater availability. <p>These Caribbean regions are among the most vulnerable of these countries. In the medium and</p>
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		<p>long term, climate impacts will lead to a lag in the development of the communities, as described by Retana et.al., 2017² for Costa Rica.</p> <p>Regarding tourism, Costa Rica developed an impact chain that exemplifies specific impacts in tourism, as described in the CR2 response. The above-described impacts are anticipated to lead to negative impacts in tourism specifically: damages to tourism infrastructure, infrastructure on which tourism depends (such as roads) and tourism attractions, including natural sites, resources and ecosystems; availability of supply for tourism, including agriculture products and quality water; human security, well-being and health issues for tourism users; and loss of coastal areas and change of coastal ecosystems on which tourism depends.</p> <p>CR 2: Please provide initial indication on the scale of the problem aiming to be addressed through this project. For example, approximately how many people and/or hectares are currently experiencing, and are anticipated to experience, these climate impacts. To the extent possible at this stage of project development, it would also be useful to provide a sense of the extent of those climate impacts on people (e.g. have tourism businesses been forced to close due to climate impacts or are they anticipated to in the future).</p> <p>CR2 response:</p>
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² A record of the extreme hydrometeorological events in the Caribbean that have affected the cantons of Matina and Talamanca between 1970 and 2015 is detailed in Retana et. al., 2017, p. 35-37.

		<p>The region covers 13,845.72 km² (9188.52 km² Limon and 4657.2 km² Bocas del Toro). According to the Costa Rican 2020 household survey and the 2010 census of Panama, in this region they live 607,407 people (460,168 in Limon and 147,302 in Bocas del Toro). At the provincial and municipal level the project will work on information, planning, capacity strengthening and communication. At the local and community level, in addition to the above, the project will implement concrete adaptation actions with the potential to be scaled up to the rest of the region.</p> <p>The areas most exposed to hazards are the basins of the rivers Tortuguero, Reventazón and Bananito in Costa Rica, the Sixaola transboundary basin, and the coastline in both countries and the Bocas del Toro archipelago. The definition of specific areas most prone to suffer climate impacts depend on the socio-economic baseline that will be improved in the concept note phase. Information on the specific localities and communities of the project is described in CR3 response.</p> <p>In Costa Rica, thanks to a participatory effort with more than 40 actors from the tourism public and private sectors and civil society in the Huétar-Caribe (where Limon province is located), an impact chain was generated, exemplifying how the increase in temperature, rainfall variation and the sea-level rise is affecting tourism:</p> <ul style="list-style-type: none"> - Impacts by sudden or rapid events related to extreme weather, or by events related to increase in temperatures: deterioration of inland, coastal and land marine ecosystems as tourist attractions; road collapse and interruption of
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		<p>tourist flows, goods and services for the tourist industry; reduction of the comfort of tourists and increase of thermal shocks, degrading the quality of the experience; increase in the transmission of vector-borne diseases.</p> <ul style="list-style-type: none"> - Impacts by sea-level rise and salinization: degradation of drinking water wells, decrease in availability of drinking water, and deterioration of water sanitation systems, which leads to reduction of the quality of tourist services; coastal erosion; damage to road and port infrastructure and interruption of tourist flows; loss of infrastructure and tourist services. <p>These impacts additionally cause a deterioration of the positioning of the sites as tourist destinations, changes in tourist demand, economic losses and increase in operation costs, and imply a risk of loss of competitiveness of tourism and related livelihoods, including indirect livelihoods that rely on tourism, such as small-scale agriculture. To worsen the situation, COVID has impacted the sector heavily, as both provinces were reliant on international tourism.</p> <p>Specific climate impact assessments and scenarios for tourism haven't been developed but are expected to be part of future phases of project development or early stage of implementation.</p> <p>On the other hand, agriculture is the most climate vulnerable sector on which tourism depends. Thanks to tourism, some small-scale farmers can sustain their agricultural livelihoods, though the productive chain connectivity is limited.</p>
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		<p>Impacts on agriculture include sudden or rapid events related to extreme weather, events related to increase in temperatures, or sea-level rise and salinization: conflicts over access to water between productive activities and domestic use; reduction on agricultural production, loss of crops and livestock production; difficulties on the transport of agricultural products due to deterioration of roads/ports. As a result, commercial agricultural is limited, as well as access to market and supply to the tourism sector.</p> <p>CR3: Please provide initial information on the extent to which the focus populations of this project are currently engaged in the tourism industry, their population size and scale of the area in hectares that they manage. In doing so, please explain the extent to which their limited involvement in the tourism industry is due to current land use planning and policies or other factors.</p> <p>CR3 response:</p> <p>The focus populations of this project are either directly involved in tourism or involved in small-scale agriculture that supplies products to tourism. Agriculture is the most climate vulnerable sector on which tourism depends and, small-scale farmers can sustain their agricultural livelihoods through the provision to the tourism sector, so small-scale agriculture is considered as an indirect activity of the tourism sector in the target sites. As per CR2 response, the specific area, localities and communities will be selected in the concept note development phase. The project will not actively try to engage populations who are not already involved</p>
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		<p>in tourism or in agriculture, into the tourism sector, but will rather transform the way in which tourism is developed and its productive value chains. The objective of the project will be to strengthen or diversify the livelihoods of communities directly involved in tourism or in agriculture or related sector supplying to tourism.</p> <p>An analysis of involvement in the tourism industry considering current land use planning and policies, or other factors is planned to be performed in the next phase of project development.</p> <p>A preliminary selection of the focus populations includes the Costa Rican localities of Tortuguero in the northern part of Limon, and Cahuita - Puerto Viejo, in the southern part; and Panamanian localities of the archipelago of Bocas del Toro, and coastal communities of Bocas del Toro province. The specific localities and communities will be selected in the CN development phase. In that phase, a socio-economic baseline will be developed, and will be matched to the areas most exposed to hazards. That socio-economic baseline will focus on tourism and related activities, such as the small-scale agricultural sector. Thus, the selected localities and communities for concrete actions will depend on the exposition to hazards, the socio-economic vulnerability, the predominance and potential of resilient tourism-related livelihoods for the most vulnerable groups, and the conditions and opportunities for transforming or diversifying livelihoods to climate-resilient ones.</p>
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	<p>10. Have the project/programme objectives, components and financing been clearly explained?</p>	<p>Not clear.</p> <p>The project aims to diversity income by unlocking the potential for diversification of local livelihoods through a nature-based tourism, and by mainstreaming climate data and adaptation measures into policy and planning. However, the project pre-concept explains that tourism is already a significant economic activity in the region, and in some areas of the region it may be the most significant economic activity.</p> <p>CR4: Please clarify the focus population of the project within the focus region of both countries, their size, etc.</p> <p>CR4 response:</p> <p>As explained in CR2 and CR3 responses, the focus populations of this project are either directly involved in tourism or in small-scale agriculture that supplies products to tourism. Their size and area will be determined by the baseline and risk assessment performed in the CN phase of project development.</p> <p>CR5: Please clarify if the objective is to increase resilience to climate change of a specific segment or segments of the population that are not yet involved in tourism through income diversification into the tourism industry. If so, please clarify why the focus population is not currently benefiting from the tourism industry, and how the current and projected impacts from specific climate hazards are reducing the ability of this population to engage in tourism.</p>
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		<p>The objective of the project will be to strengthen or diversify the livelihoods of communities directly involved in tourism or in small-scale agriculture that supplies products to tourism. The tourism activities and agricultural practices that can be resilient to climate will be strengthened. In addition, the project will contribute to providing opportunities for livelihood diversification for those activities or practices that have no possibility to be transformed into climate-resilient.</p> <p>Although not the focus, knowledge sharing might naturally provide the conditions so that those who want to start getting involved in tourism or in small-scale agriculture as a way to diversify their livelihoods, can do it as part of a climate resilient nature-based tourism model.</p> <p>It should be noted that a large part of the population that dedicates to tourism does so in an informal or precarious way, under conditions that do not allow to achieve a decent quality of life. This is due to lack of information or lack of regulations in the tourism sector, which has caused the development of uncontrolled tourism. Such is the case of indigenous peoples, who continue to be one of the groups furthest behind in accessing decent and resilient livelihoods. Therefore, their involvement in tourism is usually more precarious and their livelihoods more vulnerable, which is aggravated by climate change.</p> <p>Current and projected impacts challenge the strengthening or diversification of livelihoods inside tourism, and reduce the ability of new population to engage in tourism due to the frequent impacts to the sector and lack of exchange of adaptation and resilience knowledge.</p>
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		<p>CR6: Please clarify what current and anticipated climate hazards will be analysed for the targeted areas. Based on the expected outputs of component 1, it appears this will focus on sea level rise. It is unclear whether there will be a focus on other climate hazards, and if so which ones and why.</p> <p>CR6 response:</p> <p>Sea-level rise will be one of the hazards in which the project will focus. However, there are other hazards that will be analysed for the targeted areas, as identified by the countries, and which will be checked with the results of local and community consultations. The hazards to be considered in the project are listed in the CR1 response, and include sudden or rapid hazards related to extreme weather events (landslides, overflow of rivers, inland and coastal flooding and storm surges); seasonal hazards due to rainfall variability (dry events and meteorological, hydrological and agricultural drought); and slow-onset hazards (temperature increase and sea level rise and salinization).</p> <p>CR7: With regards to output 4.13, please expand how the support for “innovative schemes” will be implemented to reduce the barrier of the target populations to access capital for investing in climate resilient practices, focussed on tourism. For example, beyond just sharing of existing tools and methods, please reference how the project will create commercial lines of credit at accessible rates or other approaches with microfinance or other</p>
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		<p>financial institutions to catalyse investment in climate resilient micro and SMEs, as has been successfully implemented in the MEbA project that is briefly referenced in this output.</p> <p>CR7 response:</p> <p>Adaptation finance outputs have been phrased in more concrete way. Activities will rely on the experience of the Microfinances for Adaptation based on Ecosystems (MEbA) programme of UNEP, and the experience of the Fundecooperación. Adaptation finance outputs will have a potential for synergies with the national microfinance networks of Costa Rica (REDCOM) and Panama (REDPAMIF), and the regional network (REDCAMIF). The innovative schemes will include the training about microfinance-credit schemes (grant and loan) for financial institutions and the feasibility of financial risk transfer (climate risk insurance) mechanisms will be evaluated with local stakeholders. In this region, MEbA experience will be transferred for the productive sector, and will be started for the tourism sector. The national and regional microfinance networks that exist provide great potential in this area.</p> <p>Although these national and regional networks are very well established with solid institutions and participation of associates and clients, they lack of mainstreamed climate and risk in their planning, and do not grant credits to climate-related investments. That is where the project will have added value in the innovative schemes for accessing microcredits. The project will create capacities in the microfinance institutions and will support focus population.</p>
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	<p>11. Has the project/programme been justified in terms of how:</p> <ul style="list-style-type: none"> - it supports concrete adaptation actions? - it builds added value through the regional approach? - it promotes new and innovative solutions to climate change adaptation? - it is cost-effective? - it is consistent with applicable strategies and plans? - it incorporates learning and knowledge management? - it will be developed through a consultative process with particular reference to vulnerable groups, including gender considerations, in compliance with the Environmental and Social Policy of the Adaptation Fund? - it will take into account sustainability? 	<p>Not clear.</p> <p>The project idea is currently not sufficiently clear, particularly in terms of its theory of change. The proposal does not demonstrate clear linkages between the impacts of climate change and activities proposed. The project pre-concept would be strengthened by clarifying its basic theory of change.</p> <p>CR8: Please provide more focussed information on the current and projected impacts of specific climate change hazards that this project is proposing to address.</p> <p>CR8 response:</p> <p>Climate hazards and impacts are described in CR1 response, and specific impacts in the tourism sector to be addressed are described in CR2 response.</p> <p>CR9: Please explain how mainstreaming climate data and adaptation measures into policy and planning will address the impacts of these climate hazards, and thereby clarify the project's theory of change.</p> <p>CR9 response:</p> <p>Mainstreaming climate data into policy and planning will address the impacts of climate hazards through:</p> <ul style="list-style-type: none"> - DRR plans and recovery plans: present and future climate risks will be considered when planning DRR plans, both for the tourist sector at territorial level and in different specific plans for key institutions/entities. Thus, DRR and
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		<p>contingency plans will be more effective when dealing with climate risks, and the response and emergency protocols will be tailored for climate risks, with recovery actions linked to adaptation practices and a focus on resilience. E.g. in the tourism recovery plans, recovery actions that create resilience will be prioritized, such as relocation of facilities during reconstruction.</p> <ul style="list-style-type: none"> - Territorial planning: the territorial planning institution gathers climate risk information and scenarios and integrates it into the territorial planning at different levels, thus avoiding certain vulnerable activities in an exposed area, or avoiding activities that will add vulnerability to that area, in view of the maps of present and future climate risks. E.g. infrastructure not allowed in areas that will suffer flooding either inland (heavy rainfall or river overflow) or in coastal areas (storm surges or sea-level rise), or certain crops will not be allowed in some areas in face of water scarcity and salinization. - Development plans: climate is mainstreamed in these plans in order to achieve a medium-term and long-term development more resilient in face of future climate risks, and avoiding actions that will add vulnerability to the territories. E.g. the type of crops prioritized in the region or the type of recreational activities permitted for tourism operators will depend on climate vulnerability maps and risk scenarios. - Protected areas management plans: protected areas will be managed more efficiently in face of medium-term and long-term risks to the ecosystems and to the ecosystem services. E.g. vulnerability assessments and risk scenarios will guide whether a protected area need to focus on conservation / restoration, water
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		<p>management or if productive or recreational activities will be reduced or prohibited in that area.</p> <ul style="list-style-type: none"> - Standards for resilient tourism: these standards will be useful for encourage the focus populations in transforming or diversifying their non-resilient livelihoods, promoting good practices. E.g. tourist itineraries considering ecosystem conservation, and tourist facilities having a DRR plan and water management plan, considering hazard assessments and climate risk scenarios. - Microfinance for adaptation: mainstreaming climate change and adaptation in microfinance mechanisms, including credits, grant and loan schemes, and climate risk insurance, will allow small-scale owners and producers to access credit and other mechanisms for climate resilient activities. E.g. if a financial entity is supported, a credit line for a producer to access credit for moving towards agroecology practices, efficient water management or crop species alternation and diversification might be possible. Entities could see the potential in providing credit for small tourist operator to transform their facilities into resilient ones, with a rainfall resistant structure and rainfall harvesting system, renewable energy system, and relocating activities (moving out of a floodplain or a threatened ecosystem) considering climate risk scenarios. <p>The project pre-concept makes only makes brief mention of COVID19, as “...a <i>post-COVID climate change context where family economies have been seriously affected, especially those reliant on</i></p>
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		<p><i>tourism, there is a big opportunity for livelihoods in the region to be strengthened and diversified through nature-based tourism."</i></p> <p>CR10: Please include consideration of the current and anticipated impact of the pandemic on the viability of tourism for the region. In doing so, please clarify the following:</p> <ul style="list-style-type: none"> • Why is diversifying incomes in the tourism sector that is strongly hit by COVID19 a good investment to increase income diversity? What other economic activities have potential for income diversification in the region, and why focus on tourism preferable over such alternatives? <p>CR10 response:</p> <p>The COVID pandemic has shown the vulnerability of the tourism sector, especially in countries with high reliance on external trade and international flows of goods and people, like Costa Rica and Panama. Costa Rica and Panama are among the 3 most tourism-dependent countries in Central America, with a share of GDP of 9% in Panama and 5% in Costa Rica (UNWTO, 2020). IADB (2020), analyzing the pandemic shock to tourism, projected percentage point losses of employment of up to 4.3% (for Panama) and 3.6% (for Costa Rica), as well as up to 8.3% (for Panama) and 4.9% (for Costa Rica) of loss of export receipts in % points of GDP.</p> <p>The International Air Transport Association has said that global air traffic will not return to pre-pandemic levels until 2024. However, tourism recovery in this</p>
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		<p>tourism-dependant region will be faster than trying to change the economy and livelihood share, faster than moving towards an economy based on primary production or industry. The Ministries and National Institutes of Tourism and the international tourism entities, such as the WTO, are not discussing if tourism needs to be recovered but rather what the best way is to recover and to create resilience. Tourism recovery plans need to provide focused and tailored support to preserve productive assets, help diversify/strengthen sources of incomes for populations engaged in tourism, as well diversifying the market (e.g. re-focus on domestic tourism) through resilient tourism strategies in the face of increasing restrictions, costs and safety concerns. In this context, there is wide opportunity to engage the tourism sector to promote sustainability and “green” growth, including “blue” economies, while investing in nature-based solutions and mainstreaming climate adaptation and disaster risk reduction in the sector.</p> <p>Costa Rica and Panama are working on strategies for recovering the touristic sector, and the Ministries of Environment identified the tourism sector as a priority for adaptation efforts and for post-covid economic recovery initiatives. A key strategy for strengthening resilience is to diversify the market base, to avoid reliance on a limited range of markets which could be susceptible to decline. That strategy will diversify also livelihoods from productive sectors that supply to tourism, such as small-scale agriculture, which also has a great potential for livelihood diversification. Domestic and nearby markets may play an increasing part in resilient tourism strategies into the future.</p>
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		<p>The project logic of intervention is aligned to the countries and territorial COVID recovery plans, and to UNEP's post-COVID recovery programme and guidelines. There is an opportunity to build back better considering low-carbon activities and green and circular economy, with a focus on resilience. For this recovery, Nature based Solutions will be essential. In the XXII Forum of Ministers of Environment of Latin America and the Caribbean (February 2021), the countries committed to establish sustainable recovery strategies from the COVID-19 pandemic, integrating the environmental and climate dimensions.</p> <p>CR11: Please explain why this project is better implemented as a regional one rather than two single-country projects.</p> <p>CR11 response:</p> <p>The project is better implemented as a regional project rather than 2 single-country projects since:</p> <ul style="list-style-type: none"> - Limon and Bocas del Toro are a continuous geographic and ecological region, and are threatened by the same climate hazards and affected by similar impacts. - Both regions are culturally connected, and some common indigenous communities live between both countries. - The project will work on common-regional information systems and exchange of information for risk assessment, early warning systems and decision planning. - Costa Rica more-advance planning in risk assessments and adaptation measures will be
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		<p>of use to enhance the planning capacities of Panama. In the same way, adaptation experiences in both countries will be of benefit to the other country, since their impacts and challenges are very similar.</p> <ul style="list-style-type: none"> - Tourism flow and activities are connected between the two regions. - There is potential to work with the bi-national and regional institutions, such as the Sixaola Binational Commission, and the Central American Integration System (SICA). - There is a potential to work a regional programme for resilient nature-based tourism investment with the regional network on microfinances (REDCOM).
	<p>12. Does the pre-concept briefly explain which organizations would be involved in the proposed regional project/programme at the regional and national/sub-national level, and how coordination would be arranged? Does it explain how national institutions, and when possible, national implementing entities (NIEs) would be involved as partners in the project?</p>	<p>Not clear. This question will be reassessed after considering the response to CR11 above. Furthermore:</p> <p>CR12: To ensure strengthening of local capacities in the region, and local ownership, please consider further and indicate what local partners will be worked with. For example, what NGOs, Indigenous Peoples associations, and/or community groups exist in the focus regions of both countries (E.g. ANAI or others).</p> <p>CR12 response:</p> <p>The project will be executed by the National Implementing entities of both countries (Fundecooperación in Costa Rica and Fundación Natura in Panama) and with the provincial, municipal and local government, tourism and environment institutions. Local partners will include organizations, NGOs, Indigenous Peoples</p>

		<p>associations and community groups. The identification and selection of partners will be defined in further phases. Here is a tentative list of potential local partners that will be contacted to explore collaboration opportunities:</p> <ul style="list-style-type: none"> - Costa Rica: Pococí Tourist Business Services Association, Tours Win Ka - Bribri Indigenous Territory, SOMOS CARIBE (platform of public and private entities), Raising Corals. - Panama: Bocas Alliance (coalition of organizations, institutions and communities), Bocas Dolphines, PROMAR Foundation, PANCETACEA, Bocas del Toro Community Tourism Network (REDTUCOMBO), Panamanian Foundation for Sustainable Tourism. <p>CR13: Please expand on potential for engagement of national tourism authorities and associations in both countries, in order to strengthen the learning and influence in other parts of the countries.</p> <p>CR13 response:</p> <ul style="list-style-type: none"> - Tourism Ministries and National Tourism Authority or Institute will be involved in the execution of the project, as well as territorial and local authorities starting on the concept development. This will ensure alignment of the project with their priorities and needs, will ensure no duplication with other ongoing projects, and will allow provision of climate-risk insights for their recovery and development plans.
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		<ul style="list-style-type: none"> - Other tourism associations that will be contacted for potential involvement include: Somos Caribe and Pococi tourism business services association in Costa Rica, and tour operators of indigenous territories. - The project plans to work with UNEP's Global Programme on Sustainable Tourism and related networks and will explore synergies with the One Planet Network, the framework of programmes on sustainable consumption and production (Secretariat is hosted by UNEP), in alignment with its programme "Transforming tourism", including the Network's vision for responsible recovery from COVID-19. <p>CR14: Please consider and expand on potential to engage with other public and private financing initiatives and institutions, such as for example Fondo Cooperacion and others, to create or strengthen ongoing and sustainable financing instruments for climate resilient economic activities and businesses in the region.</p> <p>CR14 response:</p> <p>Fundecooperación has been the Costa Rican partner of UNEP's MEbA multi-country programme on microfinance. There is potential for synergies with the national microfinance networks of Costa Rica (REDCOM) and Panama (REDPAMIF), and the regional network (REDCAMIF). Work will be done with the microfinance institutions of those networks in the area. If necessary, the project will receive assistance from YAPU Solutions GmbH, a partner of UNEP in the MEbA programme, in order to provide support in the identification, selection and</p>
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		development of capacities of the microfinance institutions.
Resource Availability	13. Is the requested project / programme funding within the funding windows of the programme for regional projects/programmes?	Yes. We note that a PFG has been requested for a total of USD 20,000.
	14. Are the administrative costs (Implementing Entity Management Fee and Project/ Programme Execution Costs) at or below 20 per cent of the total project/programme budget?	Yes , with the project execution cost at 9.5% and project management implementation entity fee of 8.5%.
Eligibility of IE	15. Is the project/programme submitted through an eligible Implementing Entity that has been accredited by the Board?	Yes.



ADAPTATION FUND

PRE-CONCEPT FOR A REGIONAL PROJECT/PROGRAMME

PART I: PROJECT/PROGRAMME INFORMATION

Title of Project/Programme: **Enhancing the climate resilience of local livelihoods through nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama**

Countries: Costa Rica and Panama

Thematic Focal Area³: Disaster risk reduction and early warning systems

Type of Implementing Entity: International

Implementing Entity: United Nations Environment Programme (UNEP)

Executing Entities: Fundecooperación para el Desarrollo Sostenible (Costa Rica) and Fundación Natura (Panama)

Amount of Financing Requested: 10.693 million (in U.S Dollars Equivalent)

Project / Programme Background and Context: Costa Rica and Panama are among the three most-tourism dependent economies in Central America (IADB 2020) and are home to Limon and Bocas del Toro; bordering provinces in the countries' Caribbean coast. Limon's economic dynamic, with a population of around 607,407 people⁴, is mainly based on tourism and port activity in its northern side, while the centre and southern part is based on agriculture, with tourism focusing mostly on the area of Cahuita and Puerto Viejo. Bocas del Toro has a population of 147,302 people⁵ and the main source of job generation is the services sector, centred on tourism and retail. Agriculture and livestock are the next most important sectors.

More unpredictable weather patterns have affected tourism planning and preparedness to extreme events. Along with higher temperatures, precipitation has decreased in the summer season and increased in winter, escalating the risk of flooding and landslides, impacting agriculture and the supply chain for tourism, and causing a general discomfort in visitors. Besides from flooding and landslides, storm surges and other associated hydrometeorological events (such as hurricanes), and sea level rise are among the main climate hazards in the region. The physical destruction caused by these hazards damages touristic infrastructure, local housing, and agricultural land. The collapse of road infrastructure causes the interruption of transport, port, and supply services too. These events also cause the degradation of coastal and terrestrial ecosystems, a higher erosion of coastal areas and saline intrusion. All this increases the vulnerability of communities in several ways. For example, the reliability of water and food supply and transport services in the provinces is reduced, concerning both locals and tourists. Since Limon and Bocas del Toro rely on its natural landscapes as its main touristic attractions, these climate change impacts also represent a direct threat to the touristic value of the sites, affecting its positioning as preferred destinations and decreasing its competitiveness. As a result, the livelihoods for the communities reliant directly and indirectly on tourism are jeopardized.

³ Thematic areas are: Food security; Disaster risk reduction and early warning systems; Transboundary water management; Innovation in adaptation finance.

⁴ Costa Rica's 2020 household survey.

⁵ Panama's 2010 census.

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Besides from climatic drivers, unsustainable business-as-usual tourism development also increases the vulnerability of ecosystems and communities. Climate data and disaster risk are not generally considered in tourism or land-use planning. This, along with the limited productive connectivity between the demand from tourism and the supply of local agriculture and other sectors, leaves visitors -and local populations- with no access to food, water, and other basic services during extreme events. Additionally, deforestation and land-use change are affecting natural barriers that mitigate the effects of such events. Agriculture is the other main activity in the area, and techniques used do not consider climate aspects or adaptation practices. Banana, the most important crop, is mainly produced by large companies for export, increasing the pressure for monocropping. To worsen the situation, the COVID pandemic has left many unemployed, as the region was highly dependent on international tourism. A tailored support is therefore needed to help strengthen ecosystems and sources of income.

Promoting nature-based solutions (NbS) for disaster risk reduction (DRR) and climate change adaptation as an integral part of economies is fundamental for a sustainable post-COVID reconstruction. The re-opening of international tourism is uncertain at this point, but by implementing innovative strategies for resilience and promoting productive connectivity in the local value chain, there is a unique opportunity not only to build back a better tourism sector, but mainly to put communities at the centre and reduce their current vulnerability.

Project / Programme Objectives: The project aims to reduce the vulnerability to climate hazards of communities directly and indirectly reliant on tourism along Limon and Bocas del Toro Caribbean provinces by unlocking the potential of nature-based tourism for local livelihood diversification and reduced ecosystem damage, and by mainstreaming climate information and adaptation strategies into policy and planning.

Project / Programme Components and Financing:

Project/ Programme Components	Expected Outcomes	Expected Outputs	Countries	Amount (US\$)
1. Incorporation of systems for risk reduction and early warning.	1.1 Improved provincial and regional capacity to monitor and forecast climate hazards for enhanced decision-making for adaptation	1.1.1 Platform for local stakeholders established to support the production of tailored climate information or services. 1.1.2 Binational information system on climate hazards established to provide, monitor and project information to the local level by developing and downscaling hazard maps and future scenarios. 1.1.3 Climate risk maps and vulnerability assessments developed or downscaled to identify priority areas for adaptation. 1.1.4 A disaster risk reduction municipal or provincial plan developed and implemented, including an early warning system and the modelling of NbS potential impact. 1.1.5 Established mechanisms for multi-stakeholder coordination for territorial risk-informed management in tourism.	Costa Rica and Panama	US\$2.5M
2. Implementation of NbS measures and adaptation practices	2.1 Increased resilience of key ecosystems and their services.	2.1.1 NbS pilots implemented in key areas identified for mitigation of climate hazards, including measures for protected areas. 2.1.2 Concrete adaptation actions piloted for resilient watershed management. 2.1.3 Good agricultural practices from local, indigenous, and traditional knowledge identified and piloted for the promotion of climate-smart agriculture.	Costa Rica and Panama	US\$3.0M

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3. Strengthening of local livelihoods and productive chains	3.1 Strengthened local livelihoods and productive chains linked to tourism	2.1.4 Concrete adaptation actions piloted for the protection of coastal and road infrastructure.	Costa Rica and Panama	US\$1.5M	Deleted: <#>Increased resilience of ecosystems and their services through the implementation of NbS measures in response to climate change.¶ ¶ ... [10]
		3.1.1 Value chains linked to tourism identified, including an inventory of supply needs and productive gaps, and an assessment of its impacts on ecosystems.			Deleted: <#>Implemented ecosystem-based adaptation measures, identified by national and sub-national governments, including measures for protected areas.¶ Implemented solutions for integrated management of water resources with community participation and leadership.¶ ¶ Climate-resilient agricultural and fishing practices implemented, based on good practices and on local, indigenous, and traditional knowledge.¶
		3.1.2 Improved connectivity between the tourism value chain, local production (e.g. agriculture) and enhanced ecosystem services.			Deleted: 4...5 ... [13]
		3.1.3 Local stakeholders trained about the use of climate-risk information for their economic activities, diversification alternatives in a COVID recovery context, and the potential of NbS to reduce vulnerability.			Deleted: Local livelihoods and productive chains strengthening and diversification through pilots and implementation of adaptation measures ... [9]
		3.1.4 Financial entities supported to build their capacity to develop credit lines that promote adaption finance and a more inclusive and resilient tourism model, emphasizing access to women, Afro-Antillean and indigenous people.			Formatted: Font: (Default) Arial, 10 pt
4. Enhancing governance for strengthened resilience	4.1 Climate change adaptation mainstreamed into policies, regulations, and instruments to strengthen resilience	3.1.5 Local stakeholders trained about the potential of microfinance for adaptation, grant and loan schemes and the feasibility of financial risk transfer (climate risk insurance) mechanisms.	Costa Rica and Panama	US\$1.0M	Formatted: Font: (Default) Arial, 10 pt
		4.1.1 Climate change adaptation considerations and incentives included in local planning and management tools, namely land zoning (e.g. "planes reguladores", "planes de ordenamiento territorial") and local development plans at municipal/cantonal or provincial levels.			Deleted: Pilots implemented for diversification of tourism activities, like tourism facilities and itineraries, and activities that contribute to the local tourism value chain such as agriculture, fishing and handicraft, towards a more resilient range of livelihoods and economic structure with integration of local goods and services into tourism.¶ ¶ ... [11]
		4.1.2 Risk-informed tourism recovery plans are developed promoting NbS in tourism policies, in alignment with their NAP readiness plans and local DRR strategies.			Formatted: Font: (Default) Arial, 10 pt
		4.1.3 Protected areas management plans enhanced by integrating climate-risk assessments considerations and NbS.			Formatted ... [12]
		4.1.4 Standards for resilient tourism developed or adjusted, and piloted to consider climate change adaptation, disaster risk reduction, carbon and water footprints, promotion of local consumption and sustainable agricultural practices.			Deleted: Improved
5. Knowledge transfer and upscaling	5.1 Knowledge transfer and upscaling promoted to increase resilience and collaboration	5.1.1 An awareness-raising strategy designed and implemented, centered on disseminating strategies for climate risk-informed tourism recovery in the Caribbean communities of Costa Rica and Panama.	Costa Rica and Panama	US\$1.0M	Deleted: m
		5.1.2 Strengthened community organization and ownership, with active participation of women, Afro-Antillean and indigenous group through exchange programmes about good			Formatted ... [15]
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		practices for resilient tourism related stakeholders (including farmers that supply productive chain).		
		5.1.3 Innovative schemes and tools shared to support resilient community-based livelihoods.		
		5.1.4 Communication campaign designed and implemented for tourists to recognize the impacts of their touristic choices by promoting local consumption, strengthening of local productive chains, and a re-focus on domestic tourism.		
6. Project/Programme Execution cost (9.5%)			0.855 M	
7. Total Project/Programme Cost			9.855 M	
8. Project/Programme Cycle Management Fee charged by the Implementing Entity (if applicable) (8.5%)			0.838 M	
Amount of Financing Requested			10.693 M	

Project Duration: 4 years (48 months)

PART II: PROJECT / PROGRAMME JUSTIFICATION

(I) Project components: The project is divided into five components focused on reducing the communities vulnerability and helping them adapt, with activities that promote Nature based Solutions (NbS), including Ecosystem based Adaptation (EbA) measures, for disaster risk reduction, by: i) Incorporating systems for risk reduction and early warning; The establishment of a system; ii) Implementing NbS measures and adaptation practices; iii) Strengthening local livelihoods and productive chains; iv) Enhancing governance for strengthened resilience; and iv) Transferring and upscaling knowledge. Project activities in the different components will feed into others, improving the conditions, and reducing the existing barriers for effectiveness. Project geographical scope is significant, encompassing the entire Caribbean coast of Costa Rica (Limon province), while covering the Province of Bocas del Toro in Panama. Concrete sites of intervention are yet to be determined in further stages. Beneficiaries include indigenous communities in both countries, such as indigenous peoples of the Ngäbe Bugle reserve, and the Naso and Bri Bri indigenous peoples. The project builds added value through its regional approach. Both provinces are a continuous geographic and ecological region, connected by its coastal/marine and terrestrial ecosystems, and therefore, facing the same climate hazards and suffering similar impacts. As a matter of fact, given the proximity, tourism flow and activities between the two sites are common. On the social side, the areas share similar socio-economic structures and main activities, and are culturally connected as some common indigenous communities live between both countries. Working on a common-regional information system for risk assessment, early warning systems and decision planning is therefore expected, as there are extensive opportunities to exchange experiences and data, allowing for an enhancement and alignment of policies, practices, and collaborative schemes. For example, Costa Rica's more-advance adaptation planning process will be of use to enhance the planning capacities of Panama, while the recent creation of the Naso Teribe territory in Bocas del Toro will provide an updated frame for the dialogue with indigenous communities in both countries. Institutionally, there is potential to work with bi-national and regional institutions, such as the Sixaola Binational Commission and the Central American Integration System (SICA), and to feed from regional network on microfinances (REDCOM) to work on a regional programme for adaptation financing or resilient nature-based tourism investments.

(II) Innovative solutions: The project has innovative features related to a resilient nature-based tourism model, such as: 1) support to develop microfinance schemes for adaptation in tourism and related sectors; 2) emphasis on the productive connectivity of the local value chain; 3) potential financial risk transfer (climate risk insurance) mechanisms; 4) tourism standards that include climate and DRR criteria, among others. Innovation also resides in the ambition of mainstreaming climate change data into tourism and related activities

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- Innovative schemes and tools shared to support resilient community-based livelihoods (e.g.: Microfinances for Ecosystem based Adaptation - MEbA manuals, and Eco.. [25]
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for strengthening the livelihoods of communities, while setting the conditions to consolidate a nature-based tourism model based on resilient goods and services.

(III) Cost effectiveness: Besides from the well-known nature-based solutions' cost-effectiveness, the regional approach is key to increase the scope of the expected benefits. Both countries will share expertise and technical support on integrated risk management to address transboundary climate change challenges that affect their Caribbean coastal area. By sharing and learning from each other's experiences, resources will be optimised. Likewise, at the community level, it will be cost-beneficial to implement, in parallel, similar or complementary pilots and policies, promoting opportunities for scaling-up and replication.

(IV) Consistency: The project is complementary to other related national and binational government efforts, led by national entities of both countries including the Ministries of Environment (MINAE Costa Rica and MiAmbiente-Panama), the Tourism authorities (ATP-Panama and ICT Costa Rica) and local authorities, such as the efforts: 1) Towards the transboundary Integrated Water Resource Management (IWRM) of the Sixaola River Basin shared by Costa Rica and Panama (GEF project implemented by UNDP); 2) Central American Strategy for Rural Territorial Development (ECADERT) of the SICA, Binational pilot project CBCRS "Fincas Integrales" (Integrated farms); 3) Sixaola Binational Commission working programme and the implementation of the Strategic Plan for Transboundary Territorial Development (2017-2021); 4) Development of Sub-national Capacities for the Implementation of the National Adaptation Plan in Costa Rica, implemented by MINAE and UNEP, framed within the Readiness program of the Green Climate Fund, advancing adaptation planning and risk analysis for 20 pilot *cantones*, including the cantons of Talamanca, Siquirres, Matina and Pococi; 5) the Sustainable Tourism Master Plan of Panama; 6) the Integrated Urban Development of Cities with a world-class tourist destination Programme financed by the IDB (Panama); 7) Conduction of a Climate Vulnerability Assessment and identification of key adaptation measures for the tourism sector, conducted as part of Costa Rica' Fourth National Communication to the UNFCCC, and the tourism sustainability standards in both countries; 8) Post-COVID recovery strategies in both countries, that prioritize tourism as a keys sector for adaptation work; 9) Tu-Modelo ("Tourism as local development engine") and MEbA initiatives in Costa Rica (executed by Fundecooperación), that promote adaptation financing and the productive connectivity in local value chains.

Building upon these initiatives, the project aims to operate from various entry points: DRR, policy, planning implementation, adaptation finance, and local communities' livelihoods.

(V) Learning and knowledge management: The project proposes component 5 to capture and disseminate lessons learned with local and regional stakeholders.

(VI) Consultative process: The concept note and full proposal processes will require consultation processes which will benefit from previous binational schemes operating for the Sixaola Watershed and La Amistad International Park Binational Site, facilitating national and local institutions engagement. Because of the presence of indigenous peoples in both countries, Free, Prior and Informed Consent (FPIC) processes will be considered. A gender-sensitive approach will guide the process, including development of a gender action plan.

(VII) Sustainability: Activities will be designed ensuring community and country ownership to guarantee sustainability and component 5 is key for that as it centers on knowledge sharing and upscaling. Additionally, by not focusing on the tourism sector per se, but rather in the livelihoods of communities related directly and indirectly to tourism through the local value chains, the project ensures the strengthening of locals even with the international tourism scenario being uncertain. Finally, by applying climate data to policy, and planning and activities implementation concentrating on NbS, resilience is secured after project completion.

PART III: IMPLEMENTATION ARRANGEMENTS

Overall guidance will be provided by UNEP as Implementing Entity. Accredited NIEs of both countries, Fundecooperación para el Desarrollo Sostenible (Costa Rica) and Fundación Natura (Panama), are expected to be the Executing Entities, supported by the national environmental and tourism authorities of both countries: Ministry of Environment (MiAmbiente), Tourism Authority of Panama (ATP), Ministry of Environment and Energy of Costa Rica (MINAE), and Tourism Institute of Costa Rica (ICT). Implementation of adaptation measures will require strong engagement of local authorities municipalities, as well as traditional and

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indigenous authorities. Project architecture includes a binational steering committee, implementation unit, and technical support from government entities, local NGOs (potential local partners to be contacted include Pococi Tourist Business Services Association, Somos Caribe, Raising Coral, Bocas Alliance, REDTUCUMBO, among others), as well as private sector engagement (microfinance national and regional networks: REDCOM, REDPAMIF and REDCAMIF) and local community groups and organizations, including indigenous ones.

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PART IV: ENDORSEMENT BY GOVERNMENTS AND CERTIFICATION BY THE IMPLEMENTING ENTITY

A. Record of endorsement on behalf of the government

Milciades Concepción, Minister, Ministry of Environment, Panama	Date: January 5, 2021
Patricia Campos, Director, Direction of Climate Change, Ministry of Environment and Energy, Costa Rica	Date: January 18, 2021

B. Implementing Entity certification

I certify that this proposal has been prepared in accordance with guidelines provided by the Adaptation Fund Board, and prevailing National Development and Adaptation Plans and subject to the approval by the Adaptation Fund Board, commit to implementing the project/programme in compliance with the Environmental and Social Policy of the Adaptation Fund and on the understanding that the Implementing Entity will be fully (legally and financially) responsible for the implementation of this project/programme.



Gustavo Máñez
Implementing Entity Coordinator

Date: January 18, 2021	Tel. and email: +50761406202 / gustavo.manez@un.org
Project Contact Person: Marta Moneo Lain	
Tel. And Email: +50760388570 / marta.moneo@un.org	



January 18th, 2021

To: The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for “Enhancing the climate resilience of local livelihoods and nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama”

In my capacity as designated authority for the Adaptation Fund in Costa Rica, I confirm that the above regional project/programme proposal is in accordance with the government’s priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the region.

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund. If approved, the project will be implemented by UN Environment Programme and executed by Costa Rica’s NIE Fundecooperación and Panama’s NIE Fundación Natura.

Sincerely,

A handwritten signature in black ink, appearing to read "Patricia Campos".

Patricia Campos
Director, Direction of Climate Change, Ministry of Environment and Energy

January 5, 2021
DM-0013-2021

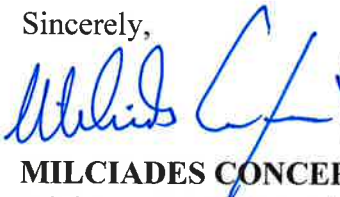
The Adaptation Fund Board
c/o Adaptation Fund Board Secretariat
Email: Secretariat@Adaptation-Fund.org
Fax: 202 522 3240/5

Subject: Endorsement for “Enhancing the climate resilience of local livelihoods and nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama”

In my capacity as designated authority for the Adaptation Fund in Panama, I confirm that the above regional project/programme proposal is in accordance with the government’s priorities in implementing adaptation activities to reduce adverse impacts of, and risks, posed by climate change in the region.

Accordingly, I am pleased to endorse the above project proposal with support from the Adaptation Fund. If approved, the project will be implemented by UN Environment Programme and executed by Costa Rica’s NIE Fundecooperación and Panama’s NIE Fundación Natura.

Sincerely,



MILCIADES CONCEPCION
Minister of Environment, Ministry of Environment



MC/JUQ/LC

ACU

Albrook, Calle Broberg, Edificio 804
República de Panamá
Tel.: (507) 500-0855

www.miambiente.gob.pa



Project Formulation Grant (PFG)

Submission Date: January 18, 2021

Adaptation Fund Project ID: N/A

Country/ies: Costa Rica and Panama

Title of Project/Programme: Enhancing the climate resilience of local livelihoods through nature-based tourism in the Caribbean communities of Limon, Costa Rica, and Bocas del Toro, Panama

Type of IE (NIE/MIE): MIE

Implementing Entity: United Nations Environment Programme (UNEP)

Executing Entity/ies: Fundecooperación para el Desarrollo Sostenible (Costa Rica) and Fundación Natura (Panama)

A. Project Preparation Timeframe

Start date of PFG	April 5, 2021
Completion date of PFG	August 2, 2021


B. Proposed Project Preparation Activities (\$)

Describe the PFG activities and justifications:

List of Proposed Project Preparation Activities	Output of the PFG Activities	USD Amount
Baseline, vulnerability, risks and needs assessments conducted by two national consultants	Assessments of the target areas performed with recommendations for the intervention strategy and activities	5,000
Maintain consultations with stakeholders at national, provincial, and territorial level for concept formulation, review and feedback	Received approval, feedback and appropriation of the proposal by the relevant stakeholders at a national, provincial and territorial level	5,000
Preparation of the concept note with a coordinator consultant (with role also as national consultant for one country) and another national consultant	Concept note and annexes prepared	10,000
Total Project Formulation Grant		20,000

C. Implementing Entity

This request has been prepared in accordance with the Adaptation Fund Board's procedures and meets the Adaptation Fund's criteria for project identification and formulation

Implementing Entity Coordinator, IE Name	Signature	Date (Month, day, year)	Project Contact Person	Telephone	Email Address
Gustavo Máñez, UNEP		January 18, 2021	Marta Moneo Lain	+50761406202	marta.moneo@un.org