



## **Meeting of the Global Climate Action Programs (GCAP) Sub-Committee**

**Washington, D.C. (Hybrid)**

**Thursday, November 9, 2023**

**COSTA RICA (REI) INVESTMENT PLAN  
ANSWERS TO QUESTIONS AND COMMENTS**



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GCAP/SC.5/Inf.03  
November 8, 2023

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## CIF RENEWABLE ENERGY INTEGRATION PROGRAM INVESTMENT PLAN FOR COSTA RICA

### Answers to questions and comments

#### Switzerland

1. (C) The requested USD 70 million from the REI Program (under SCF) is well beyond the available funding for a REI pilot single country, taking into account the remaining funds of USD 155 million vs the submission of up to 8 investment plans within the deadline of 30th November 2023. As earlier communicated, the allocation would have to be right-sized and take into account the respective guidance therefore issued by the CIF Secretariat, which place an adequate allocation for Costa Rica in the range of USD 20-45 million. In that sense, we are not in a position to endorse the IP (with a CIF REI allocation of USD 70 million).

#### Response:

- Thank you for your comments, we have taken note of your concerns. We would like to clarify that the Costa Rica REI IP preparation began before the ongoing discussions on rightsizing and the Proposal for CTF Support of REI Investment Plans. However, as these discussions are being held during the same TFC meetings where the Costa Rica REI IP is being presented, it has been challenging for the government and the participating MDBs to accurately estimate the size of the pipeline under the IP based on unconfirmed assumptions. It's important to note that a small amount of funding alone will not achieve the desired transformational change, especially in cases where the IP is 100% private sector.
2. (C) The eligibility of Costa Rica, as a second-tier country in the GCAP decision on allocations of REI funding (14th October 2021), to receive an allocation to fund projects under its IP, once endorsed, must be clarified by the CIF Secretariat and confirmed by a decision of the GCAP Subcommittee.
  3. (C) Our appraisal resulted in qualifying the CIF REI investment plan (IP) for Costa Rica technically ambitious and with mixed and partially unclear expected results, with the following highlights and open questions:
    - i. (C) We welcome the very ambitious plan to scale-up smart metering, deploy information systems and generally accelerate digitalization, which in our opinion will be the backbone for enabling the large-scale integration of VRE into the power grids as well as for substantial energy efficiency gains at all levels.
    - ii. (C/Q) It is our perception that these effects have not been adequately quantified and included in the program's expected results. Could this be added in a way?

**Response:**

- Thank you for sharing your observation with us. We appreciate your input and assure you we will consider it while developing the results matrix for each project to be submitted under the IP. We have already included some expected results from the smart metering infrastructure in the IP (sub-chapter 1.3):
  - a. Reach 67% (1,295,571 users) of smart meter coverage with the installation of 724,000 advanced metering system units.
  - b. Reduce the cost of electricity service operation by USD 1.2 million annually through improved grid management resulting from advanced metering systems.
- iii. (C) We equally welcome the ambitious electrification of public transport and consequent extension of RE-based generation capacity.
- iv. (C) It is our perception that the addition of 36 MW should result in higher than the stated 40.5 GWh/y electricity generation (which seem to also include the industrial boilers). This equally applies to the 17,729 tCO<sub>2</sub>eq/y avoided or reduced emissions. Please verify these figures.

**Response:**

- We appreciate your valuable comments and feedback. We agree that the plant's size will enable it to produce more than 40.5 GWh annually. It is important to note that the MW sizing includes a 5-year period during which the electrification of transportation and industry is expected to ramp up significantly due to the project's replicability. The figures were confirmed to ensure that the proposed project will reduce emissions, and we calculated that it would reduce 17,729 tCO<sub>2</sub>e per year, including transportation and industry.
- v. (C) We are less convinced by the proposed support to replace 628 fossil-fueled boilers by electric ones. It is unclear in what form this subsidization should work, to what extent this proposal responds to the REI design and we see it rather a case for an industry decarbonization program. The expected results attributable to this activity are equally unclear.

**Response:**

- This is to clarify that the IP considers 5% of the potential 628 fossil-fuel boilers identified for electrification.
- With regard to CIF-REI's support for the electrification of the industry, the REI's design document mentions the following:
  - a. On page 3, one of the areas supported by the program includes "*electrification and demand management.*"
  - b. Table 2 states that activities to be supported with investment and blended finance operations include the "*technologies that*

*enable electrification of other sectors, such as electric vehicle charging infrastructure, to open doors to new markets for renewable generation."*

- c. Investment criteria under the CIF-REI program, as mentioned in Annex 1, include "*electrification and demand management.*"
  - d. Annex 1 also states that the potential for transformational change, relevance, and scale are impacts to be measured in the electrification of different sectors.
    - The expected results focus on replacing only 5% of the identified potential. To do so, it will be needed to increase New Sources of Renewable Energy (NSRE), and the replacement of equipment will directly reduce emissions by 6,439 tCO<sub>2</sub>e. These results have been validated and are presented in the document.
- vi. (C) The expected co-financing leverage of 1:9.6 is well in line with our expectations to the REI program and close to CTF (1.10).
4. (Q) What are the respective co-financing contributions of the different MDBs?

**Response:**

- The IP is expected to receive a total co-financing of US\$120 million from IDBG and WBG, depending on the TFC-approved funding. The financing operations under this project will not be subject to a sovereign guarantee by the Government of Costa Rica and will be managed equally by IDB Invest and IFC, with each institution contributing approx. US\$60 million.
5. (C) We are not convinced by the proposed use of USD 2 million grants for "mainstreaming the gender perspective and social inclusion in all projects ..." as we think this must be done in all projects regardless of the availability of grant financing. However, we are open for project preparation grants, where needed, and for grants to fund technical assistance and capacity building. Such grants, unless outlined as a separate specific project, should not exceed 5% of the CIF REI contribution. The need and potential for technical assistance and the improvement of framework conditions should be more specifically addressed in the IP, in particular re. component I.

**Response:**

- In addition to the gender and inclusion activities that are already part of all MDBs projects, the proposed technical assistance resources will be used to ensure gender and social inclusion is integrated into all projects developed under both components. Specifically, in component 1, the focus will be on increasing the participation of women and diverse groups in the operation and maintenance of electric buses, preparing technical and financial feasibility

studies to validate the change of equipment, and training the banking system to identify financing opportunities in the electrification of energy usage.

6. (C) The consultation could have gained from a more rigorous methodology, more systematically addressing (all) stakeholder groups. We noticed that few enterprises were consulted in a context where the private sector is supposed to play a major role.

**Response:**

- In addition to public consultation, inclusive consultations were carried out considering all stakeholder groups: the public and private sector and representatives from civil society to identify potential barriers and opportunities for women and other diverse groups, including the youth, the elderly, indigenous people, afro descendants, LGBTQ+, and people with disabilities within the scope of the CIF REI Investment Plan in Costa Rica. Companies that were interviewed included Compañía Nacional Luz y Fuerza - a public company in charge of generating, distributing and commercializing electric energy in the national territory, *Consorcio Nacional de Empresas de Electrificación de Costa Rica* - formed by the four private cooperatives of the electric sector in the country, and the National Bank of Costa Rica and Banco Popular. Importance was given to civil society organizations to ensure representation of different diverse groups and sectors, as well as the public sector, particularly the Ministry of Energy and Environment, Ministry of Science, Innovation and Technology, Ministry of Planning, the National Institute of Women and the National Council of the elderly. See Annex II of the Investment Plan for a summary of the stakeholders' consultation process.

**Observer Dennis Mairena Arauz**

**Response:**

Thank you for your comments on behalf of the Indigenous Peoples. We appreciate your valuable input and would like to take this opportunity to provide further clarification. We are open to discussing this matter further in person.

Executive Decree No. 40932 applies when administrative measures are foreseen, State-mandated projects are being developed, or private projects affect indigenous communities. While we believe the CIF Investment Plan is an indicative program and not a specific project subject to consultation under Decree No. 40932, we recognize the importance of public consultations with affected communities, including indigenous peoples, as mandated by Costa Rican legislation and international regulations.

During the preparation of the IP, the ACICAFOC – a network of organizations dedicated to promoting the rights of Indigenous Peoples, the protection of natural resources, and sustainable development in Central America – was included in the inclusive consultations

in August and September 2023. We also attempted to contact representatives from eight indigenous people's groups (Bribris, Cabécares, Térrabas, Bruncas, Ngöbes, Maléku, Chorotegas, and Huetares), but unfortunately did not receive a response. To ensure broader representation, the consultancy firm conducting the inclusive consultations asked stakeholders about key organizations related to indigenous peoples to be contacted.

Furthermore, we held open and public consultations during the preparation of the IP, during which the IP was published for 15 days on the Ministry of Energy and Environment's webpage. We received no comments from Indigenous Groups during this period.

As we move forward with each project developed under the IP, our commitment to upholding Indigenous People's policies and the Social and Environmental Policy Framework remains unwavering. These policies include robust provisions for human rights, labor, community health and safety, and more explicit provisions for Indigenous Peoples and other vulnerable groups, as outlined by both the WBG and the IDBG.



## The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

### THE CLIMATE INVESTMENT FUNDS

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