



# ESTABLISHING CLIMATE GOVERNANCE AT A SECTOR LEVEL: COSTA RICA'S SECTORAL AGREEMENTS

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**LAST UPDATED:** ——— 10/2019

**ACTION AREA:** ——— Mitigation

**FOCUS AREA:** ——— Engaging

**COUNTRY:** ——— Costa Rica

## SECTORS

**INVOLVED:** ——— Cross- sectoral

**TIMEFRAME:** ——— Preparation of agreements: 2017 - 2019

Implementation of agreements: 2018 - ongoing

**CASE SUMMARY:** ——— Costa Rica's Sectoral Agreements for the reduction of greenhouse gas (GHG) emissions are a response of the sectors to meet national and international commitments, such as the objectives of Sustainable Development Goals (SDGs) and the Nationally Determined Contribution (NDC) under the Paris Agreement.

The Sectoral Agreements are being coordinated at the highest ministerial level and represent binding commitments with concrete GHG reduction goals. Currently, agreements for the agriculture and livestock and the transport sector have been established. They have been developed in a thorough process involving technical experts and actors from the sectoral ministries, relevant private sector representatives, academia and research institutions, among other relevant stakeholders. Through these agreements, Costa Rica seeks to develop mitigation measures that support the transition of its sectors towards innovative and low-carbon development. The implementation of the agreements will be guided by action plans that can be implemented in the short-, medium- and long-term. The agreements are based on a set of principles. One of the most important of these principles points out that the level of ambition shall be progressively increased by revising and renewing the set targets every 5 years.

The case represents a good practice because of the strong inter-sectoral cooperation between key stakeholders, the innovative policy instrument used, and the replicability of the agreements.





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**BACKGROUND:** Costa Rica set an ambitious and unconditional goal in its NDC: A reduction of 25% of GHG emissions by 2030 compared to 2012 levels, representing a maximum of 9,374,000 tonnes of carbon dioxide equivalent (CO<sub>2</sub>eq) emissions in 2030. This commitment is aligned with the objective to become carbon neutral by 2021, as outlined in Costa Rica's Climate Change Strategy (MINAE, 2009), and with a set of concrete actions established in its recently launched Decarbonisation Plan (MINAE, 2018). In order to accomplish these commitments, Costa Rica must phase out fossil fuels in the years to come, a big step that is likely to involve a transformation of the whole economy.

In order to meet the climate-related objectives, climate change has been approached as a cross-cutting topic in Costa Rica's most recent development plan from April 2018: The Costa Rica's Strategic Plan towards 2050 (MIDEPLAN, 2018) was established to promote a sustainable and inclusive country development while at the same time meeting national and international commitments.

In this context, it was necessary to align sector actions with the current national climate-related policies and develop internal arrangements to facilitate the development of plans and actions to reach a low-carbon economy while also achieving the SDGs. As part of the Strategic Plan towards 2050, the National Programme for the Reduction of GHG emissions was developed. It includes a new mechanism to allocate total emission reduction requirements among sectors through the so-called 'Sectoral Agreements'. These represent a new governance model to drive sectoral climate action by defining a sector contribution in terms of reduction of GHG emissions, and by establishing guidelines to implement actions for the decarbonisation of the specific sector.

The Sectoral Agreements are developed through an inclusive approach, involving mainly the government, private actors, academia and research institutions, and aiming to comply with national goals within the framework of the Paris Agreement, the SDGs and other international commitments

**ACTIVITIES:** The approach followed by the government of Costa Rica to face climate change challenges is outlined in its National Programme for the Reduction of GHG emissions. It prioritises three sectors for which Sectoral Agreements shall be developed: (i) agriculture and livestock, (ii) transport, and (iii) energy. These three sectors represent the largest contributors in terms of GHG emissions and the three most relevant economic sectors for the country.

The Sectoral Agreements represent important governance instruments. They are bilateral agreements among two sectoral ministries (the Ministry of Environment and Energy (MINAE) with the relevant sectoral ministry) and they include concrete measures and actions to achieve a GHG emission reduction target for the sector. The sectoral target is proposed by the sector after a multi stakeholder process and is expected to be revised and updated every five years, aligned with Costa Rica's NDC cycles, in order to regularly increase the ambition of the targets.

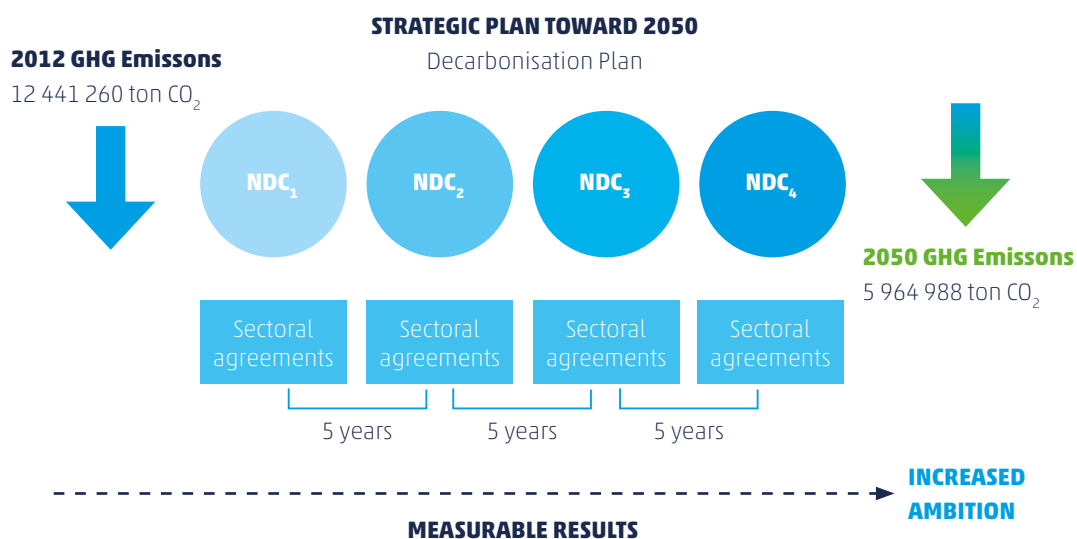


Figure 1: Conceptualisation of the Sectoral Agreements (adapted from MOPT & MINAE, 2018)

Until February 2019, Costa Rica has signed two Sectoral Agreements; The first between the Ministry of Agriculture and Livestock (MAG, for its acronym in Spanish) and the MINAE, signed on February 2018. The second agreement was signed between the Ministry of Public Works and Transportation (MOPT) and MINAE in February 2019. Both agreements have taken into account particular aspects of each sector and have been built through a participative process.

The third agreement, which aims to reduce emissions in the energy sector, is still under development. MINAE and the Executive Secretary of Planning in the Energy Sector (SEPSE) are working together in coordination with the National Commission of Conservation of Energy (CONACE) to assess scenarios, targets and potential measures.

### AGRICULTURE AND LIVESTOCK SECTOR

Costa Rica considers the agriculture sector to be a source of biodiversity, employment, food security and nutrition, income, rural development, productivity, competitiveness, production of natural resources and ecosystem services. The sector is highly vulnerable to climate change. At the same time, it has significant potential to mitigate GHG emissions and adapt to the adverse effects of climate change. It is estimated that the agriculture and livestock sector is responsible for approximately 37% of the GHG emissions of Costa Rica, from which more than half (54%) is nitrous oxide (Veeger et al., 2018).

In this context, an important policy framework has been developed over the past years, aiming to achieve a low-carbon and efficient agriculture sector while responding to climate change and economic challenges. This framework includes the State Policy for Agri-food Sector and Rural Development 2010 – 2021, the Policy of Agriculture, Livestock and Development of Rural Territory 2015 – 2018, and the National Agriculture and Environment Agenda.

The above mentioned policy framework together with policy instruments such as the coffee and the livestock Nationally Appropriate Mitigation Actions (NAMAs) provided a context in which private and public actors worked together in order to improve the productivity of specific crops and at the same time mitigate GHG emissions. These NAMAs provided important lessons learned and foundations to build the Sectoral Agreement between MAG and MINAE, especially regarding the process for an effective participation of all relevant actors as a key element for a successful implementation.



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The Sectoral Agreement on Agriculture and Livestock was built through a participative process, which involved actors from the private sector, academia, research institutions and the government itself. An important element of the process was to establish a dialogue between the most relevant actors of the sector in order to develop a transition pathway that guarantees a competitive development for the private sector and, at the same time, considers climate change aspects.

The first draft of the agreement was elaborated with stakeholders from the agriculture sector only: MAG experts, academia and representatives from the most important private associations. At a second stage, the application of a methodology based on climate scenarios provided input, which was initially discussed among the stakeholders in small meetings and then considered during the development of the final Sectoral Agreement. The climate scenario methodology was developed by the Consultative Group for International Agricultural Research (CGIAR), the Research Programme on Climate Change, Agriculture and Food Security (CCAFS) and Oxford University. It was locally applied by the University for International Cooperation (UCI) in collaboration with Utrecht University's Copernicus Institute of Sustainable Development (Veeger et al., 2018).

The final agreement sets an emission intensity target for the agriculture and livestock sector, which aims to reduce the emissions between 30 and 45 kilogramme (kg) of CO<sub>2</sub>eq per unit of gross domestic agricultural product, and provides principles and guidelines to drive the implementation of actions in order to reach this target. As the target was set by sectoral stakeholders themselves, it is context-specific and takes into consideration the whole sector going beyond the previous targets (e.g. from the coffee and livestock NAMAs).

It is worth mentioning that the effort was not just focused on reducing emissions but also on generating a sector transformation that involves small, middle and large farmers, identifying all the enabling conditions needed to reach that transformation in the process.

The Sectoral Agreement follows a gradual and progressive approach which considers the review and update of the target every five years. Other principles have also been incorporated, such as the continuous improvement of the quality; the availability and generation of data; food security; transparency on the availability of data and access of methodologies; and an eco-efficient approach to resource management. The latter is of interest to the private sector, as it implies the identification and deployment of technology that will help to increase the sector's efficiency and competitiveness.

Finally, to support the transition of the sector toward a low-emission agriculture sector, both parts agree to develop and consolidate market mechanisms and incentives that promote the carbon neutrality and eco-competitiveness of the sector, ensuring the alignment with the NDC targets and the Reducing Emissions from Deforestation and Forest Degradation (REDD+) Strategy. Also, both institutions commit to develop and promote systems that acknowledge carbon neutrality, eco-efficiency and green seals, differentiated credit lines that adjust to the characteristics of the agricultural sector, and public-private partnerships

#### **TRANSPORT SECTOR**

The second Sectoral Agreement put in place was for the transport sector, which presents a series of challenges for Costa Rica's government. On the one hand, the sector is responsible for 44% of the total GHG emissions in the country (MINAE, 2015b) while generating a high concentration of particulate matter in the air that causes negative impacts on public health. On the other hand, according to the National Energy Plan 2015-2030, the vehicle fleet has an average age of 16 years, resulting in an inefficient use of energy while, again, aggravating air pollution (MINAE, 2015a). Thus, the contribution of the transport sector is highly important for the decarbonisation of the economy.

In order to face those challenges, Costa Rica has developed long-term plans and strategies for improving efficiency in the transport sector, such as the National Energy Plan 2015-2030, the National Transport Plan 2011 -2030 and the National Logistic Plan for Heavy Cargo 2014 - 2024.

The starting point for the Sectoral Agreement for the transport sector between the MOPT and MINAE was the agreement developed for the agriculture and livestock sector. It therefore includes similar elements, such as the set of principles and guidelines to achieving a sector target.

Further principles in the Sectoral Agreement for the transport sector include the objective to decarbonise the economy and to ensure sustainability in terms of emissions and mobilisation. Furthermore, besides the participative and integral approach followed for the development of the agreement, the participative principle will also drive its implementation.

In the development phase of the agreement, a group of experts from MOPT and MINAE worked together during eight months, supported by the Costa Rican Electricity Institute (ICE) and the Gesellschaft für Internationale Zusammenarbeit (GIZ), in order to analyse existing plans and strategies and reach an agreement on a potential pathway for the transition to a low-carbon and innovative transport sector. Other stakeholders from the private sector, civil society and relevant institutions were also invited during the process. Together they defined a set of measures that would allow the development of action plans to be implemented in the short, medium and long term.

In order to organise the intervention in the sector, the Sectoral Agreement defines a set of concrete actions in four areas of work: (i) public transport, (ii) heavy cargo transport, (iii) private transport, and (iv) non-motorised transport. Additionally, there is a transversal axis that considers actions related to energy transition, cultural changes, education, access to and digitalisation of information, and incentives. In total, there are more than 50 actions defined in the agreement. This outcome has been the result of four participatory workshops, one per area of work, to which all relevant actors delivered important inputs. The implementation of these actions will be challenging but, at the same time, their achievement would set the sector on a pathway toward a resilient and low-emission future.

The Sectoral Agreement between the MOPT and MINAE established a commitment to facilitate and develop activities to improve the service quality of heavy cargo and public transport, discourage the use of motorised private transport, and generate enabling conditions to promote non-motorised transport. In terms of GHG emissions, the agreement sets a target to reduce 0,5 MtCO<sub>2</sub>eq by 2024 compared to the business as usual (BAU) scenario. For the long term (2050), a reduction of 4,76 Mt CO<sub>2</sub>eq is estimated as the contribution of the transport sector to achieve the NDC objective. As the policies and measures included in the agreement will contribute with a reduction of 4,01 Mt CO<sub>2</sub>eq by 2050, additional measures will be needed.

## **INSTITUTIONS**

### **INVOLVED:**

- Ministry of Agriculture and Livestock (MAG)
- Ministry of Public Works and Transportation (MOPT)
- Ministry of Environment and Energy (MINAE)

### **COOPERATION WITH:**

- GIZ was an important partner during the two processes of establishing the Sectoral Agreements in the agriculture and livestock sector and in the transport sector.
- United Nations Development Program (UNDP) supported the process of developing the Agriculture and Livestock Sectoral Agreement.



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- The climate scenario methodology for the agriculture and livestock agreement was developed by the Consultative Group for International Agricultural Research (CGIAR), the Research Programme on Climate Change, Agriculture and Food Security (CCAFS) and Oxford University. It was locally applied by the University for International Cooperation (UCI) in collaboration with Utrecht University's Copernicus Institute of Sustainable Development (Veeger et al., 2018).

**FINANCE:** — The preparation process for the Sectoral Agreement in the agriculture and livestock sector was developed in collaboration with international development agencies such as UNDP and GIZ. UNDP supported the process by funding consultants. The establishment of the Sectoral Agreement in the transport sector was supported by GIZ, which funded workshops.

The resources required for the implementation of the agreements will be mobilised through financial mechanisms that have already been developed for the coffee NAMA and guidelines that will be provided by the Investment Plan for the NDC, which is currently under development.

**IMPACT OF ACTIVITIES:** — The aforementioned activities have inter alia led to the following impacts:

- Development and strengthening of capacities in climate change management in the public sector
- Establishment of a sectoral governance mechanism to plan and operationalise the implementation of climate policies at the sector level
- Increased commitment and understanding of the challenges of climate change for the sector and the relevance of timely and effective action at a political and technical level

### WHY IS IT

**GOOD PRACTICE:** — **• INTER-SECTORAL COOPERATION:** The Sectoral Agreements present a governance mechanism in which the competent entity for climate change and the competent entity for a sector make an agreement that aligns the interests from both sides for a joint implementation of the NDC.

**• INNOVATION:** Costa Rica's approach to comply with its climate change commitments is based on its national political framework and on a novel policy instrument, the Sectoral Agreements. This new instrument aims to set sector targets, which constitutes an important basis for the formulation and implementation of effective policies. A key element of the Sectoral Agreements is the process followed for their formulation: It allows each sector to set an emissions reduction target, either fixed, as in the agreement for the transport sector; or per unit of GDP, as in the agreement for the agriculture and livestock sector.

**• REPLICABILITY:** Each agreement is designed according to the sectoral context and reality. However, the process and principles from previous agreements can provide a basis for following agreements.

**SUCCESS FACTORS:** — **• LEADERSHIP AND POLITICAL COMMITMENT:** The involvement of vice ministers in the preparation phase of the agreements for the agriculture and transport sectors was key to facilitate and expedite the decision-making during the process and to transmit confidence among stakeholders.

**• STAKEHOLDER PARTICIPATION:** The involvement and empowerment of government officers during the design process of the agreements promoted the internalisation and appropriation of climate change objectives within the implementing sectors. Also, the establishment of actions and goals proposed by the implementing sectors ensures that relevant aspects of the sector have been considered.

### OVERCOMING BARRIERS / CHALLENGES:

#### WHAT WERE THE MAIN BARRIERS / CHALLENGES TO DELIVERY?

##### **INSTITUTIONAL:**

The joint agreement between two different sectors represented a new model of public policy for Costa Rica which was not easy to understand at the beginning, since it was not a common policy instrument such as a plan or strategy.

##### **INFORMATIONAL:**

In order to ensure that actions to reduce GHG emissions in the transport sector would be implemented and are based on the current policies of the sector, it was necessary to involve technicians from the sector, for whom the concept of climate change and emission reductions was new

#### HOW WERE THESE BARRIERS / CHALLENGES OVERCOME?

During the process of drafting the Agricultural Sectoral Agreement, the need to involve legal advisers in order to allow a proper functioning of the agreement once it entered into force was noticed. Hence, legal officials from both ministries participated already in early stages of the development of the Sectoral Agreements in order to understand the new policy instrument proposed and to undertake all the provisions needed for implementation.

During the process of drafting the agreement, the MOPT technicians managed to understand the concept of climate change and proposed actions to mitigate its effects. The capacities built in the sector will be vital for the implementation stage and also for future policies designed for the sector.

### LESSONS LEARNED:

- **INVOLVE TECHNICAL EXPERTS IN THE PROCESS OF BUILDING SECTORAL AGREEMENTS:** The involvement of sector technicians from an early development stage of the Sectoral Agreements onwards allows a high level of engagement at a technical level. As was mentioned before, each Sectoral Agreement is based on a commitment at the ministerial level. However, this does not automatically guarantee the understanding and commitment at the technical level.
- **INVOLVE SECTOR EXPERTS TO ACHIEVE CONSENSUS:** The early involvement of sector experts provides a solid foundation that reflects the nature and reality of each sector, and is an important factor facilitating the consensus at further stages until the final approval of the Sectoral Agreements.

### HOW TO REPLICATE THIS PRACTICE:

- **ENSURE AN EFFECTIVE PROCESS DESIGN:** When considering replicating this experience of inter-sectoral work, the effective design of the process is probably the most important element that will ensure the success of the agreement.
- **GET THE BUY-IN FROM KEY STAKEHOLDERS:** It is key to ensure both high-level political commitment as well as the participation of all relevant stakeholders in the implementing sector throughout the whole process.

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#### FURTHER KEY

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**WEBSITE:** ———— Website of the Costa Rica Climate Change Directorate: <https://cambioclimatico.go.cr/>

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## IMPRINT GPD

### PUBLISHED BY:

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (in cooperation with the United Nations Development Programme – UNDP)

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<https://www.ndc-cluster.net/good-practices>

This product is being published by GIZ in cooperation with UNDP under the framework of the Partnership on Transparency in the Paris Agreement and the NDC Support Cluster. The analysis has been funded by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) under its International Climate Initiative (IKI), the German Federal Ministry for Economic Cooperation and Development (BMZ) and the European Commission (EC).

