



**Global Environment Facility**

GEF/ME/C.28/5  
May 12, 2006

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GEF Council  
June 6-9, 2006

Agenda Item 6

**GEF COUNTRY PORTFOLIO EVALUATION -  
COSTA RICA (1992 - 2005)**

**(Prepared by the GEF Evaluation Office)**

### **Recommended Council Decision**

The Council, having reviewed the document GEF/ME/C.28/5, GEF Country Portfolio Evaluation – Costa Rica (1992 – 2005), takes note of the findings and recommendations. The Council requests the GEF Evaluation Office to report through the Management Action Record on the follow-up to the following decisions:

- (a) The GEF Evaluation Office should continue conducting GEF Country Portfolio Evaluations in other countries, selected with transparent criteria.
- (b) The GEF Evaluation Office should conduct an evaluation of GEF regional projects in Central America, as a cohort. A budget for such an evaluation will be presented to Council at its next session.
- (c) The GEF Secretariat needs to improve the information mechanisms in the GEF, most notably the GEF website, to make essential operational information available at the national level.
- (d) The GEF Evaluation Office is invited to continue its interaction with the government of Costa Rica on the evaluation report and to report back to Council on Costa Rica's experience implementing the RAF and their attempt at defining the country's potential national contribution to global environmental benefits and how it has used it in the prioritization of projects for future GEF funding, as part of the review of the RAF in 2 years time.

Council reiterates its decision of June 2005 that “the transparency of the GEF project approval process should be increased” and requests the GEF secretariat to reinforce its efforts to improve this transparency.

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## **Executive Summary**

1. Costa Rica and the GEF have worked successfully together as partners in the effort against the decline in global environmental conditions since the beginning of the GEF. Costa Rica has been the recipient of GEF financial support since 1992 through a variety of projects and activities in collaboration with the GEF's Implementing and Executing Agencies. The activities supported by the GEF have assisted Costa Rica in the development of its environmental and national development strategies. Costa Rica's rich natural endowments, well developed environmental sector and national human resources capacity have helped the many achievements attained in the country with GEF support.
2. The present evaluation is the first of its kind produced by the GEF Evaluation Office. This type of evaluation was requested by the GEF Council with two main objectives (1) to provide Council with additional information on the results of the GEF supported activities and how they are implemented, and (2) to evaluate how GEF supported activities fit into the national strategies and priorities as well as within the global environmental issues mandated to the GEF. Costa Rica was selected for the first evaluation as a pilot with the additional objective of learning and assessing if this new evaluation modality can actually be implemented in other countries in the future.
3. The evaluation focused on a portfolio of 12 full and medium size projects, some completed and others still under implementation, approved between 1992 and 2005 for a total of \$32 million. In addition, the evaluation includes the Small Grants Programme, established in Costa Rica since 1993 with an accumulated investment of \$5 million in 354 small projects. The GEF support to Costa Rica has been concentrated in the biodiversity focal area (almost 70% of the GEF investment) but there are examples of projects in all the other GEF focal areas.
4. The Costa Rica Country Portfolio Evaluation produced very good results and proved that this kind of evaluation is indeed valid and feasible. The evaluation is relevant to the GEF system, in particular to establish a historic assessment of how the GEF has been implemented in the country. Based on this experience the evaluation produced recommendations to improve GEF functioning in its new phase, under the implementation of the RAF.
5. The evaluation reached the following conclusions:

### **Relevance of the portfolio**

- (1) GEF support to Costa Rica has been relevant to the progress of the country's environmental agenda.
- (2) The GEF's support could be more relevant in terms of the country's contribution to global benefits.

### **Results of the portfolio**

- (3) GEF support of Costa Rica has produced global benefits and has been in accordance with the GEF's mandate.

### **Portfolio's efficiency**

- (4) The duration of project preparation and approval varied greatly from very short to very long. No common problem areas, constituting bottlenecks for all projects, were found in this evaluation.
- (5) The mechanisms available for tracking project preparation and negotiation processes are generally very limited and the parties involved in these processes at the national level do not have direct access to them. This limitation is particularly severe in the pre-pipeline and post-GEF Council approval stages.
- (6) GEF operational information (project procedures and requirements, decisions of Council, etc.) is not easily available and is presented in a confusing way.
- (7) Costa Rica is beginning to prepare for the challenges of the GEF's new Resource Allocation Framework (RAF), though with some delay, particularly with regards to institutional coordination and project prioritization.

### **Country Portfolio Evaluations**

- (8) GEF portfolio evaluations at the country level are valid and feasible despite the fact that there is no national GEF program or strategy.
6. The evaluation provides two set of recommendations:
- (a) to the Council:**
    - (1) Continue with GEF portfolio evaluations in other countries
    - (2) Evaluate Regional Projects for Central America
    - (3) Reinforce the effort to improve transparency in the GEF project cycle
    - (4) The information mechanisms in the GEF, most notably the GEF website, need to be improved to make essential operational information available at the national level
  - (b) to the government of Costa Rica:**
    - (1) Explicitly define the potential national contribution to global environmental benefits and use this definition in prioritizing the country's proposals to the GEF in the future.
    - (2) Speed up processes for meeting the challenges inherent to the introduction of the RAF.
7. In addition, the evaluation also recommends that the on-going joint evaluation of GEF activities and modalities conducts further investigation for developing proper support or mitigation actions for GEF project proponents particularly during the pre-pipeline part of the project cycle when most of the investments of counterpart organizations take place.
8. The document begins with a presentation of main conclusions and recommendations coming from the evaluation. The following chapters present the information collected and the analysis conducted and how they support the conclusions and recommendations.

9. The evaluation was conducted by a team of consultants under the leadership of Claudio Volonte (Sr. Evaluation Officer, GEF Evaluation Office) and Alejandro Imbach (consultant). A draft document was presented in Costa Rica on April 20, 2006 to national stakeholders, including national government, Implementing and Executing Agencies, NGOs and other civil society partners. Feedback was very positive. Comments received are included in this final version. The Office remains fully responsible for the contents of this report.

## **CHAPTER 1. MAIN CONCLUSIONS AND RECOMMENDATIONS**

### **Background**

10. Costa Rica has been the recipient of GEF financial support since 1992 through a variety of projects and activities in collaboration with the GEF's Implementing and Executing Agencies. From the end of 2005 until April 2006 the GEF Evaluation Office undertook an evaluation of the GEF support to Costa Rica. This is the first time that the Office has performed such an evaluation. The GEF Council asked the Office to begin conducting evaluations of activities supported by the GEF at the country level with the goal of providing pertinent information to the Council on how those activities relate to the country's sustainable development agenda, national environmental strategies and priorities and the GEF's mandate. Costa Rica was selected as a pilot case for testing the methodology and, based on that experience, for drawing up terms of reference for similar future evaluations.

11. The focus of the evaluation is a portfolio of 12 projects funded by the GEF during the period from 1992 to the present with an investment of almost \$32 million. Eight of those projects were completed and four are under execution. This portfolio was not developed based on a predetermined program or strategy, but consists of various projects with different aims and objectives, developed and implemented over a 14-year period.

12. All the focal areas are represented in this group, as are all GEF Implementing Agencies (World Bank, UNDP and UNEP) and the IADB. In addition to those projects, the evaluation included the Small Grants Programme, which has been under implementation in Costa Rica since 1993 and has funded 354 projects worth \$5 million.

### **Conclusions**

#### ***Relevance of the portfolio***

13. On the relevance of GEF support for the country's sustainable development agenda and its environmental priorities, as well as its relevance to the GEF's mandate and programs, the following conclusions were reached.

#### **Conclusion 1. GEF support to Costa Rica has been relevant to the progress of the country's environmental agenda.**

14. The analysis of the GEF portfolio shows that it was in line with National Development Plans and national environmental strategies. Also, an analysis of the origins and results of completed projects shows that Costa Rica has full ownership of the GEF's portfolio in the country and has managed it in accordance with the national agenda. Projects that were completed several years ago demonstrated catalytic and replication effects.

15. Over the years the GEF support has become increasingly important relative to development grants, given the relative constancy of the former compared to the drastic reduction of the latter in the last few years.

**Conclusion 2. The GEF's support could be more relevant in terms of the country's contribution to global benefits.**

16. Although the preceding conclusion points out the relevance of GEF support of Costa Rica's agenda and indicates that this agenda is clearly in line with the GEF's global agenda, Costa Rica has not clearly defined its potential contribution to global benefits, even though it has the capabilities and information needed to do so, as is evidenced by the work done in preparing the GEF Programmatic Framework (2000) on biodiversity. Doing so would allow even better alignment of the GEF's mandate, the country's priorities and projects.

17. Given the fact that the activities supported by the GEF in Costa Rica were carried out without a programmatic focus (the GEF does not require this in any of its programs), GEF support puts special emphasis on the area of biodiversity (almost 70% of total funds) and little on other major areas such as land degradation, and marine and coastal areas. This might be due to the fact that other donors supported the country in those areas<sup>1</sup>, which was not studied further in this evaluation.

***Results of the portfolio***

**Conclusion 3. GEF support of Costa Rica has produced global benefits and has been in accordance with the GEF's mandate.**

18. The analysis shows that there are many success stories related to:

- Impacts at the global environmental level, particularly in biodiversity conservation through protected area management programs and payment for environmental services and the abatement of CO<sup>2</sup> emissions through wind energy projects.
- Replication and catalytic effect in terms of wind energy, payment for environmental services, persistent organic pollutants national plan.
- Improvement in institutional sustainability for the Institute for Biodiversity (INBIO), the national fund for forestry financing (FONAFIFO through Full Size Projects and other local organizations through the Small Grants Programme and capacity building on areas such as protected area management, taxonomy, payment for environmental services and wind energy.

***The portfolio's efficiency***

19. Efficiency questions focus on determining the time, energy and financial resources needed to develop and implement GEF projects; the roles, coordination, lessons and synergies among the various players and GEF projects; and the various challenges that are critical to the entire GEF operation (communications, information on projects, GEF focal point and level of preparation for the RAF).

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<sup>1</sup> As put forward during the workshop on the draft evaluation report in San José, Costa Rica, April 20, 2006.

**Conclusion 4. The duration of project preparation and approval varied greatly from very short to very long. No common problem areas emerged constituting bottlenecks for all projects.**

20. As with other evaluations performed by the Office, the main problem when attempting to conduct an analysis of this kind is the lack of systematized information on the progress of projects during the project cycle.

21. Analysis of existing information compiled for the evaluation shows considerable variability in the duration of the phases for the same funding modality. It was noted that, on average, preparation (from entry into the pipeline until start of execution) for Full Size Projects took much longer than for Medium Size Projects (33 months and 10 months respectively), while this time was only about 4 months for Enabling Activities. There is no readily available information on time spent on preparing projects before they enter the pipeline.

22. Variability in the duration of the various phases of the project cycle seems to be explained by factors particular to each project, such as prolonged negotiations between executors and IAs/EAs, technical discussions among the various players involved, conflicts with public finance regulatory entities in Costa Rica, staff rotation in IAs/EAs and changes in GEF priorities.

**Conclusion 5. The mechanisms available for tracking project preparation and negotiation processes are generally very limited and the parties involved in these processes at the national level do not have direct access to them. This limitation is particularly severe in the pre-pipeline and post-GEF Council approval stages.**

23. During interviews and visits, it was noted that there is no access to mechanisms for tracking the progress of project proposals by parties acting at the national level (in both implementing agencies and national organizations), which leads to apprehension and frustration. Several cases were found where many months went by without project proponents at the national level receiving any information on progress in reviewing their proposals. It was also noted that there are mechanisms for doing this at the level of the central headquarters of the implementing agencies, but the public does not have access to them.

**Conclusion 6. GEF operational information (project procedures and requirements, decisions of Council, etc.) is not easily available and is presented in such a way that sometimes it leads to confusion.**

24. One area in which there is confusion and unawareness at the level of all national parties (including some of the IAs/EAs local representatives) is the lack of knowledge and information on the GEF in general, its operation, and the differing operating procedures of the Implementing and Executing Agencies and the GEF for submitting projects and navigating them successfully throughout the project cycle. Performance in these areas was deemed to be poor, deficient or non-existent by most of the national executors interviewed and is confirmed by the experience of the evaluation team. The GEF webpage is not visited regularly since it is perceived as being confusing and not user-friendly. In general, it is hard to access operational information that is relevant to national players. Council decisions are not indexed by subject on the webpage. This was pointed out as a serious deficiency. Also, various people interviewed mentioned the lack of direct communications between the GEF Secretariat and interested national parties.

**Conclusion 7. Costa Rica is beginning the preparation process for dealing with the challenges of the GEF's new Resource Allocation Framework (RAF), though with some delay, particularly in relatively weak areas such as institutional coordination and project prioritization.**

25. There are no GEF-related participatory mechanisms in operation at the national level for analyzing the country's priorities based on requirements arising from the implementation of the RAF, which is scheduled to begin operation in July 2006. Progress in this area can be shown within the national capabilities self-assessment project funded by the GEF, which is beginning to look into operational and strategic RAF issues and expects to address this subject. Pertinent lessons can also be drawn from the process set up by the Small Grants Programme to give priority to participatory mechanisms to efficiently allocate the GEF resources.

26. At the same time, there is still no country program that sets specific priorities for processes supported by the GEF. Existing instruments (Biodiversity Strategy, National Environmental Agenda and others) are still very generic and require adaptation to become operational for this particular source of funding.

### ***Country portfolio evaluations***

27. A parallel goal for the GEF portfolio evaluation in Costa Rica was to evaluate the feasibility of this new kind of evaluation at the GEF.

**Conclusion 8. GEF portfolio evaluations at the country level are valid and feasible despite the fact that there is no national GEF program or strategy.**

28. The pilot evaluation conducted in Costa Rica made it possible to satisfactorily answer key questions regarding the relevance and efficiency of the portfolio. In addition, it was possible to identify results and achievements of projects terminated several years ago, although it should be pointed out that the results of the projects cannot be aggregated at the national level, but only at the focal area level. The choice of Costa Rica as a pilot case was satisfactory, particularly as an experiment in evaluating countries with small and medium GEF portfolios.

29. A significant added value of this kind of evaluation is the ability to assess project results several years after they are completed, creating a perspective that it is not possible to achieve with the end-of-project evaluations that are normally done when particular projects are completed.

30. A fuller picture would emerge if the contributions of regional and global projects would be included. However, unless the coordination offices of such projects are based in the country in question, inclusion of these projects would substantially raise the costs of this kind of evaluation. Furthermore, inclusion would increase the complexity of the evaluation by introducing contexts different from the national ones, for example regional environmental problems and agreements.

## **Recommendations**

### **(a) Recommendations to the GEF Council**

#### **(1) Continue with GEF portfolio evaluations in other countries.**

31. Continuing with these evaluations will allow a greater body of evidence on GEF support at the country level to be built up. Moreover, such evaluations will add evidence and possibly confirm the findings and conclusions of other evaluations with different focuses such as program evaluations or global results evaluations, as well as provide inputs and questions to explore in future exercises.

#### **(2) Evaluate Regional Projects for Central America.**

32. This country evaluation demonstrated that this methodology is not an efficient way of analyzing regional projects. In the case of Central America, regional projects on the whole have constituted a large part of the GEF support to the region. Any comprehensive evaluation of these projects should consider their performance, costs and relevance at the national and regional levels, given the various regional environmental agreements and treaties in place in Central America.

#### **(3) Reinforce the effort to improve transparency in the GEF on project proposals in the approval process.**

33. The GEF Council should reiterate its decision on the 2004 Annual Performance Report that “the transparency of the GEF project approval process should be increased”. The Costa Rica portfolio evaluation highlights the difficulties at the national level to follow the project approval process and reinforces the need for action on this issue, which was also emphasized in OPS3.

#### **(4) The information mechanisms in the GEF, most notably the GEF website, need to be improved to make essential operational information available to the national level.**

34. On the national level it is difficult to ascertain whether the information provided on the GEF’s operations is up-to-date and in line with the decisions of the GEF Council. This could be addressed by improving the accessibility of the website.

### **(b) Recommendations to the Government of Costa Rica**

#### **(1) Explicitly define the potential national contribution to global environmental benefits and use this definition in prioritizing its proposals to the GEF in the future.**

35. Costa Rica has an opportunity and the ability to increase its national contribution to achieve global benefits. To do that, it must develop a strategic focus based on its environmental potential and its national environmental and development strategies. The strategic spirit that powered the preparation of the Programmatic Framework for Biodiversity (2000) could be improved and extended to the entire range of actions supported by the GEF.

**(2) Speed up processes for meeting the challenges inherent in the introduction of the RAF.**

36. Implementation of the RAF will provide specific funding to countries for the biodiversity and climate change focal areas. This will require developing new institutional processes for prioritizing the use of those limited resources, mainly as regards climate change, where Costa Rica will be sharing in group funding. Although Costa Rica has already begun this process, with the implementation of the RAF in July 2006, it is recommended that this process be sped up to avoid missing opportunities in areas such as climate change that will be open to competition.

**Observation**

37. The GEF Evaluation Office is conducting an evaluation in conjunction with the Evaluation Units of Implementing and Executing Agencies on GEF activities and modalities and their respective cycles. The subject of efficiency, which is dealt with in Chapter 7, is an input for this evaluation, especially as regards certain suggestions proposed to mitigate the negative effects of long project preparation times.

## CHAPTER 2. DESCRIPTION OF THE EVALUATION

### Background

38. The GEF Council asked the GEF Evaluation Office to conduct an evaluation of the GEF portfolio at the country level. Such evaluations will provide the Council with additional information on how the GEF functions at the country level and on the results of the activities it supports, allowing it to better understand how these activities respond both to the country's sustainable development, national strategies and priorities and the GEF mandate. Interestingly, no evaluations of this kind using a country as the evaluation unit have ever been conducted within the GEF system. Since the recently approved "*Resource Allocation Framework*" (RAF) will be implemented in the next phase of the GEF (GEF 4, 2006-2010), it is expected that evaluations of GEF support at the national level will provide useful feedback on work at that level.

39. The Council approved this new evaluation modality, as a pilot plan, for evaluating its viability and developing a methodology for future country evaluations based on this experiment as part of the EO's 2006 work program. The evaluation of the Costa Rica pilot case was conducted in accordance with the Terms of Reference prepared by the Office and discussed with Implementing Agencies, the GEF Secretariat and the Government of Costa Rica (see the Terms of Reference attached as Annex 1).

40. The Office selected Costa Rica for this first pilot evaluation for a number of reasons including that the GEF portfolio in Costa Rica entails a wide variety of national, regional and global projects, enabling activities and small grants implemented by all the implementing and executing agencies. Also important is the fact that Costa Rica has a very good knowledge base on the country's development and the environmental sector.

### Objectives of the Evaluation

41. The GEF support to Costa Rica pilot evaluation has three objectives:

- 1) Independently evaluate the relevance and efficiency of GEF support in the country from various points of view: sustainable national development and the environmental work framework; the GEF's mandate; achievement of global environmental benefits; and the GEF's policies and procedures;
- 2) Explore methodologies that might be used to measure the results and effectiveness of the GEF's portfolio at the aggregated and country levels; and
- 3) Provide feedback and knowledge to be shared with (1) the GEF Council in its decision-making process on distributing resources and developing policies and strategies (2) Costa Rica regarding its participation in the GEF.

## **Key Questions for the Evaluation**

42. The key questions explored during the evaluation of GEF support to Costa Rica were:
- 1) Is GEF support relevant to: (a) the national sustainable development agenda and environmental priorities? (b) national development needs and challenges (e.g. direction and appropriation by the country of the various kinds of GEF activities?; (c) action plans for the GEF's national focal areas (e.g. enabling activities)?; and (d) the GEF's mandate and focal area programs and strategies, and particularly what is the relationship between the results of GEF support and impacts (proposed and actual) and the global environmental indicators of each focal area?
  - 2) Is GEF support efficient? (a) how much time, effort and money is involved in developing and implementing GEF projects (e.g. based on the various kinds of GEF support); (b) are the roles and responsibilities of the various players involved with the GEF during the project design and implementation phases clear? (c) are execution agreements, partnerships and synergies created within the GEF and between it and other project donors and the national projects funded? and (d) how efficient are the various kinds of GEF activities (e.g. comparison of full and medium-size projects)?
  - 3) What methodologies are available for measuring GEF results (products, results and impacts) and the effectiveness of its support: (a) at the project, focal area and work framework levels and to explore various indicators for measuring these factors (e.g. aggregation to measure progress in achieving global environmental benefits); and (b) how can we determine what achievements are attributable to the GEF?

## **Focus and Limitations of the Pilot Phase**

43. The evaluation included all the activities supported by the GEF at the national level (full and medium-size projects, enabling activities and Small Grants Programme) at various stages of implementation (completed, on-going and in the pipeline) and implemented by all implementing and executing agencies in all the local areas. This set of projects is defined as the GEF portfolio in the country.

44. In this evaluation exercise, environmental sector activities supported by other funding sources, whether national, binational or multinational, were not included since the base information for performing an analysis of this kind has not been compiled or systematized. At the evaluation results presentation and validation meeting (April 20, 2006), the participants pointed out the importance of those supplementary funding sources. As far as possible, mention is made of them in the results analysis sections of this document and it is recommended that this subject be considered in future evaluations of this kind.

45. The way in which the GEF has operated at the country level causes various difficulties for evaluations of this kind. For example, the GEF does not have national strategic programs. Thus, there is no GEF national framework against which to evaluate results or effectiveness. On the other hand, the GEF rarely supports work in isolation, but does in association with different institutions. This makes it hard to attribute results. On the positive side, an evaluation with the objectives described above might lead to important findings and increased understanding that

will allow the GEF to be more effective at the country level and within the RAF's operational context.

46. The evaluation of the GEF portfolio in this pilot project is not intended to be an evaluation of the performance of the GEF, the implementing agencies or the country, taking into account their effectiveness and the results achieved. The focus of this evaluation was on the effectiveness and relevance of the overall GEF support.

47. Also, given financial and time constraints and those described above, these evaluations cannot be considered exhaustive, but limited, based mainly on existing literature (for example, independent evaluations of projects and countries and reports from various studies and evaluations carried out by the Office) and consultations with the major stakeholders involved.

48. This evaluation of GEF support to Costa Rica was carried out by staff at the GEF's EO and by local and international consultants who made up the evaluation team.

## **Methodology**

49. The methodology used included a combination of quantitative and qualitative methods:

- An in-depth review and analysis of over 10 documents containing information of the development of Costa Rica's environmental, political and legal sectors, over 20 on the GEF and the implementation of the assistance programs of GEF implementing and executing agencies in Costa Rica and almost 100 documents with information on progress in implementation and evaluative information on the results of projects supported by the GEF (see the list in Annex 2).
- Two consultation workshops with key members in the implementation of the GEF in Costa Rica, including the government, NGOs and other civil society stakeholders (Annex 3 lists participants at various workshops). The first workshop discussed the evaluation's the terms of reference, including the methodology. The second one presented the first draft of the report and received feedback from all major stakeholders.
- Extensive coverage of interviews with over 30 individuals and 20 global, national and local institutions associated with the GEF and analysis of their contents (Annex 4 lists the people interviewed).
- Field visits to 5 projects.

### CHAPTER 3. CONTEXT OF THE EVALUATION

50. In the preceding chapter, it was explained that one of the fundamental objectives of this evaluation is to analyze the relevance of GEF support, both for Costa Rica and for the GEF itself. Thus, it will be useful to present a brief summary of the context of the evaluation related to the environmental sector in Costa Rica and the mandate and operations of the GEF, while pointing out that there are a number of detailed documents that treat this subject in depth. Those documents are listed in Annex 2.

#### General Description

51. Costa Rica is a small country (land area: 51,100 km<sup>2</sup>; marine area: 589,000 km<sup>2</sup>) located in the Central American tropics to the north of the Equator. It is a country of medium population density (80 inhab/km<sup>2</sup>) with a total population of 4,200,000 inhabitants (2002), of whom approximately half live in urban areas (48% en 2000).

52. Costa Rica is a High Human Development country, in position 45 on the pertinent list (UNDP, 2004), because of its high rating for various key indicators such as:

- Child mortality (9.5 per 1000, 2005)
- Life expectancy at birth (2000-2005): 79.7 years (women) and 75.0 years (men)
- Literacy (general adult population) 95.8% (UNESCO)
- Per capita GDP: (US\$) 4,271 and per capita Purchasing Power Parity: (US\$) 8,840
- Equality. Gini Index for income distribution by quintiles. 46.4. This index is high, being the fourth highest among high human development countries, surpassed only by Mexico, Chile and Argentina.
- Gender. The Gender-related Development Index lists Costa Rica in position 44, which is consistent with its general position in the HDI (45), while on the Gender Empowerment Measure (GEM), it is in position 19 on the list.

53. In 2005, the Environmental Sustainability Index presented at the World Economic Forum placed Costa Rica in position 18 among 146 nations. That index analyzes the performance and the ability of countries to protect the environment in coming decades, considering investment in natural resources, past and present pollution levels, environment management efforts and society's ability to improve its management in that area (Programa Estado de la Nacion, 2005)

#### Brief Description of Environmental Resources in Key GEF Support Areas

##### *a) Biodiversity and its conservation*

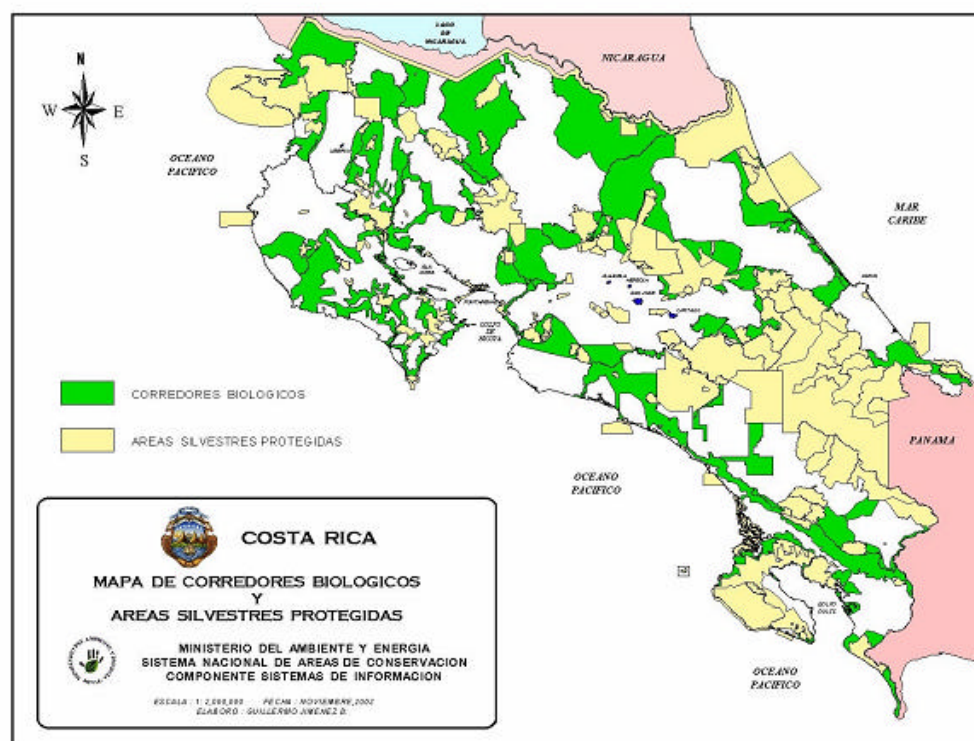
54. Based on the Costa Rican Institute of Biodiversity (INBIO) documentation and website Costa Rica is among the 20 most biologically diverse countries in the world, having over 500,000 living species, of which 300,000 are insects (4% of the planet's land species). Furthermore, approximately 11% of plant species are endemic, as are 14% of freshwater fish, 16% of reptiles and 20% of amphibians. To protect some of this extensive endowment, Costa Rica has developed a world-class model of Protected Areas System. The development of this

system began in the mid-20<sup>th</sup> century and currently covers over 25% of the country. The table below summarizes the System's status in 2001.

**Table 1: Protected land area management categories in Costa Rica (SINAC 2001)**

| Management categories | Number     | Area (ha)        | % of the country's Area |
|-----------------------|------------|------------------|-------------------------|
| National parks        | 26         | 621,267          | 12.23                   |
| Biological reserves   | 8          | 21,663           | 0.42                    |
| Buffer zones          | 32         | 166,604          | 3.06                    |
| Forest reserves       | 11         | 227,545          | 4.47                    |
| Wildlife refuges      | 65         | 182,473          | 3.53                    |
| Wetlands              | 15         | 62,195           | 1.53                    |
| Other categories      | 12         | 23,264           | 0.34                    |
| <b>Total</b>          | <b>169</b> | <b>1,305,011</b> | <b>25.58</b>            |

**Figure 1. Map of biological corridors and protected areas in Costa Rica (SINAC-MINAE, 2002)**



55. In addition to the numbers mentioned above, there are over 55,000 hectares in 10 Private Reserves (2001) and over 320,000 hectares in 21 Indigenous Territories. The latter are not protected areas but, in general, they contain critical biodiversity and are important part in the conservation system.

56. This Protected Areas System is supplemented by a network of biological corridors being developed that is intended to ensure the System's effectiveness and viability, playing an important role in the migration and dispersion of plant and animal species, thus reducing the vulnerability of protected areas to global and local threats. This biological corridor strategy has become more relevant nationally and regionally because of the Mesoamerican Biological Corridor project funded by the GEF through the World Bank and the impetus given by the CCAD (Central American Commission for Environment and Development) to the concept as such (Programa Estado de la Nacion, 2005). Moreover, both the Ecomarkets project (funded by the World Bank and the GEF) and the GEF Small Grants Programme have designated biological corridors as high-priority intervention areas.

57. In recent years, this concept has been extended to the marine sector through a new initiative aimed at establishing the Eastern Tropical Pacific Marine Conservation Corridor through Costa Rica, Ecuador and Panama. In 2004, the MINAE set up the "Interdisciplinary Exclusive Economic Zone Marine Coastal Committee" to determine the feasibility of dedicating up to 25% of the exclusive economic zone to the conservation, restoration, management and sustainable use of existing species and ecosystems (Decree 31832-MINAE, Program Estado de la Nacion, 2005). This decree puts Costa Rica on the road to protecting an area in the ocean equal to that on land.

*b) Contribution to climate change and vulnerability*

58. According to the World Resources Institute (2000), Costa Rica has quantifiable emissions in just three sectors: liquid fuels, cement production and land use change. In all three sectors, its global and regional contribution is marginal. However, its emissions are increasing, with domestic transportation being the sector with the greatest impact (66% of emissions).

**Table 2: CO<sub>2</sub> emissions in 2000 (World Resources Institute, 2000)**

| <b>CO<sub>2</sub> EMISSIONS, YEAR 2000 (thousands of metric tons)</b>         |                     |                          |                        |
|-------------------------------------------------------------------------------|---------------------|--------------------------|------------------------|
|                                                                               | <b>LIQUID FUELS</b> | <b>CEMENT PRODUCTION</b> | <b>LAND USE CHANGE</b> |
| World                                                                         | 10,636,592          | 824,400                  | 7,618,621              |
| Mesoamerica and the Caribbean                                                 | 445,575             | 23,137                   | 303,227                |
| Costa Rica (country)                                                          | 4,851               | 573                      | 9,876                  |
| Costa Rica (% of Mesoamerica and the Caribbean)                               | 1.1                 | 2.5                      | 3.3                    |
| Costa Rica (% of world)                                                       | 0.0                 | 0.1                      | 0.1                    |
|                                                                               |                     |                          |                        |
| Costa Rica 1990                                                               | 2,609               | 309                      | 14,076                 |
| Costa Rica 2000                                                               | 4,851               | 573                      | 9,876                  |
| Change (%)                                                                    | 85.9                | 85.4                     | -29.8                  |
| SOURCE: Carbon Dioxide Information Analysis Center; World Resources Institute |                     |                          |                        |

| SECTORIAL EMISSIONS (%) - (2001)               |      |  |  |
|------------------------------------------------|------|--|--|
|                                                |      |  |  |
| Electricity                                    | 2.1  |  |  |
| Industry                                       | 1.0  |  |  |
| Construction                                   | 15.9 |  |  |
| Domestic transportation                        | 66.0 |  |  |
| Residential                                    | 2.9  |  |  |
| Other commercial, public and agricultural uses | 11.3 |  |  |
|                                                | 99.2 |  |  |
| SOURCE: International Energy Agency            |      |  |  |

59. As regards to energy, Costa Rica's consumption is derived from three main sources: petroleum derivatives, electricity and biomass (MINAE, First National Communication to the Framework Convention on Climate Change, 2000). Energy demand has increased over the past decade. This increase has been covered mainly by importing hydrocarbons and, to a lesser extent, by producing energy domestically (Program Estado de la Nacion, 2005). In 2004, 70% of commercial energy consumption came from imported hydrocarbons, 20% from electricity and the remaining 10% from biomass resources. Energy consumption by the residential sector (including family and personal vehicles) is dominated by electricity (42%). (2004 CENCE report, ICE 2005).

60. In 2004, 97% of the country was electrified. The population without access to the electricity network is located in very remote areas where it is not feasible to extend the network. In those cases, the government has been undertaking a rural electrification program with isolated sources of renewable energy, in cooperation with international agencies and financial support from the GEF.

61. This energy overview gives a clear picture of Costa Rica's carbon emissions profile, which is concentrated in liquid fuels and land use change, and shows the domestic transportation sector as the main emitter (Table 2).

62. On the other hand, Costa Rica is vulnerable to climate change impacts in various ways. In its first communication to the UN Framework Convention on Climate Change, Costa Rica presented a study on the vulnerability of various sectors to possible climate change impacts: (1) according to simulations, runoff patterns in most basins could be altered; (2) changes in sea levels would negatively impact the present coastline and extend areas subject to flooding; (3) temperature changes could affect planting dates and cultivation areas; and (4) climate changes might also reduce tropical and mountain zone areas and increase foothill floor life areas.

### *c) International waters*

63. The country has 589,000 km<sup>2</sup> of oceans, 210 km of coastline on the Caribbean and 1,106 km on the Pacific. The broad continental shelf along the Pacific coast is one of the main factors contributing to its fishing wealth. The Gulf of Nicoya is the most degraded marine area, both because of overexploitation of its resources and because of pollution, particularly that resulting

from waste carried by the Río Grande de Tárcoles. Various migratory marine species have routes that pass through the country's oceans (5 species of turtles, whales, lobster and others).

64. The development of Marine Protected Areas is beneficial but limited compared to the country's coastal and marine extension, as is indicated in the table below:

**Table 3: Marine wildlife protected areas in Costa Rica (INBIO, 1997)**

| Management class         | Area (ha) |
|--------------------------|-----------|
| National park            | 368,120   |
| Biological reserve       | 2,700     |
| National wildlife refuge | 12,436    |
| Total                    | 383,256   |

65. The Cocos Island marine ecosystems are noteworthy for their coral reefs and their abundant highly endemic fish communities (approx. 17% of the 300 species), as well as for their importance as a distribution center for many species of the Indo-Pacific region.

66. In addition to marine environments, the country shares two transborder basins with neighbouring countries: to the north with Nicaragua (San Juan River) and to the south with Panamá (Sixaola-Yorquin Rivers). The San Juan River begins in Lake Nicaragua and flows into the Caribbean Sea. At its head, the river runs through Nicaraguan territory and then forms the international border. The river basin (i.e. excluding the Lake Nicaragua basin) covers 38,500 km<sup>2</sup>, of which 64% belongs to Nicaragua and 36% to Costa Rica. The river has various large sub-basins in both countries and borders very important protected areas such as the Indio-Maíz Reserve in Nicaragua and the Barra del Colorado Wildlife Reserve in Costa Rica. The Sixaola River begins in the Talamanca mountain range, which divides the waters between the Pacific Ocean and the Caribbean Sea, and empties into the Caribbean. In its lower course, it forms Panamá's northern border with [Costa Rica](#). It is 146 km long and its basin covers 5,094 km<sup>2</sup>. Biodiversity and natural resources are safeguarded by six protected areas (155,848 has.), two national biological corridors and six indigenous territories (112,789 has.) legally established by the governments of Costa Rica and Panama.

#### *d) Persistent organic pollutants*

67. Costa Rica has signed the main international conventions on chemical pollutants: Basel, Rotterdam and Stockholm. Consistent with them, Costa Rica has prohibited, through decrees, the production, importation, transportation, registration, trade in and use of raw materials and manufactured products that contain polychlorinated or polybrominated biphenyls, heptachlor, pentachlorophenol, aldrin, clordane, DDT, dieldrin, endrin, mirex or toxaphene. As will be seen in later chapters, the country is currently in the process of inventorying toxic substances, developing an action plan for them and creating the organizations needed to work effectively in that area.

*e) Land degradation*

68. Costa Rica has also signed and ratified the UN Convention to Combat Desertification and set up an official advisory committee on the matter in 1998: the Land Degradation Advisory Commission (CADETI). Work in this area has progressed as far as approval of the Soils General Law and the creation of the National Action Program to Combat Land Degradation, while the various requirements of the pertinent Convention have been fulfilled. The land degradation situation in the country is summarized in Table 4.

**Table 4: Current use of land in Costa Rica (National Land Degradation in Costa Rica Action Programme, 2004)**

| Use class (Land)                                                                          | Area (hectares)  | Area (percent) |
|-------------------------------------------------------------------------------------------|------------------|----------------|
| Well used (W)                                                                             | 2,714,977        | 54.9           |
| Used in accordance with its use capacity, but requires special conservation measures (Wt) | 521,598          | 10.5           |
| Underutilized (U)                                                                         | 732,217          | 14.8           |
| Over-utilized (O)                                                                         | 475,204          | 9.6            |
| Severely over-utilized (Ot)                                                               | 504,584          | 10.2           |
| <b>TOTAL</b>                                                                              | <b>4,948,580</b> | <b>100.0</b>   |

**The Environmental Legal Framework in Costa Rica**

69. Environmental legislation, including biodiversity and natural resources, is well developed and up-to-date in Costa Rica. The national legal system consists of approximately 20,000 in-force instruments, of which approximately 10% (2,000) deal with environmental matters in general. Although the number of instruments mentioned above may seem high, the Attorney General's Office, as the official attorney of the State, operates and periodically updates the National System of In-Force Legislation, resolving any contradictions or overlapping in the legislation being produced.

70. The country's laws are based on the Roman/Germanic tradition and the hierarchy of legal rules in Costa Rica is in line with that tradition. That hierarchy is set out in the Political Constitution and the General Public Administration Law, as follows:

| LEGAL FRAMEWORK                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• GOVERNING FRAMEWORK <ul style="list-style-type: none"> <li>o Political Constitution of the Republic</li> <li>o International Treaties, Conventions and Protocols</li> <li>o Laws <ul style="list-style-type: none"> <li>▪ Organic</li> <li>▪ Specific</li> </ul> </li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• OPERATIONAL FRAMEWORK <ul style="list-style-type: none"> <li>o Executive Branch decrees</li> <li>o Regulations</li> <li>o Directives</li> <li>o Standards</li> </ul> </li> </ul> |

*a) Constitution of the Republic of Costa Rica and the environment*

71. In 1994, an amendment to Article 50 of Costa Rica's Political Constitution to read as follows was approved<sup>2</sup>:

*"The State shall attempt to ensure the greatest welfare of all inhabitants of the country, organizing and stimulating the most appropriate production and distribution of wealth. All persons have a right to a healthy and ecologically balanced environment and thus may denounce any acts that infringe upon that right and demand that any damage caused be repaired. The State shall guarantee, defend and preserve that right. The law shall determine the pertinent responsibilities and sanctions."*

72. This amendment is very pertinent since by incorporating the right of "ecological balanced environment" in the Constitution, no administrative rule or act may oppose it and it is protected against all infraction.

*b) Relevant International Treaties, Conventions and Protocols*

73. Costa Rica has signed and ratified most international treaties and conventions, including the seven major international instruments monitored by the UNDP, as well as those related to biodiversity and natural resources. The main ones are:

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<sup>2</sup> This is not an official translation of the original Constitution article; it was translated just to illustrate the importance of the environmental sector in the country.

**Table 5: Main international environment-related treaties, conventions and protocols in Costa Rica over the last 30 years**

| Year | Milestone                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1975 | <ul style="list-style-type: none"> <li>• Ratification of CITES, the Convention on International Trade in Endangered Species of Wild Fauna and Flora (Law 5605).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                   |
| 1991 | <ul style="list-style-type: none"> <li>• Ratification of the Montreal Protocol (Law 7223).</li> <li>• Ratification of the Vienna Convention (Law 7228).</li> <li>• Ratification of the RAMSAR Convention on Wetlands of International Importance (Law 7224).</li> </ul>                                                                                                                                                                                                                                                                                      |
| 1994 | <ul style="list-style-type: none"> <li>• Ratification of its joining the CBD (Law 7416).</li> <li>• Ratification of its joining the UNFCCC (Law 7414).</li> <li>• Ratification of the Convention for the Conservation of Biodiversity and the Protection of Priority Protected Wildlife Areas in Central America (Law 7433).</li> <li>• Ratification of its acceptance of the Basel Concordat on the Control of Transborder Movements of Dangerous Waste (Law 7438) and then ratification of the pertinent Regional Agreement in 1995 (Law 7520).</li> </ul> |
| 1995 | <ul style="list-style-type: none"> <li>• Ratification of the Regional Convention (Central American) on Climate Change (Law 7513).</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                 |
| 1997 | <ul style="list-style-type: none"> <li>• Ratification of the UNCCD.</li> <li>• Ratification of the Kyoto protocol.</li> <li>• Signature of the Stockholm Convention on Persistent Organic Pollutants (not yet ratified).</li> <li>• Signature of the Cartagena Biosecurity Protocol (not yet ratified).</li> </ul>                                                                                                                                                                                                                                           |

*c) Relevant Laws*

74. In 1995, the Environmental Organic Law (Law 7554) was passed. Under its various sections, this law establishes guidelines in numerous sectors and resources (protected areas; marine, coastal, wetland, biodiversity, forest, air, water, soil, and energy resources) and on numerous matters (administration and public participation; environmental education and research; environmental impacts; protection and improvement of environment in human settlements; land use planning; funding; sanctions, Environmental Controller, pollution, and environmentally-friendly production)

75. In the following years, various laws dealt with many of those issues in greater detail. Some that might be mentioned are:

- 1996. Forest Law (7575). Established the Forest Fund and the FONAFIFO
- 1998. Soil Use, Management and Conservation Law (7779)
- 1998. Biodiversity Law (7788). Created the CONAGEBIO and the SINAC

76. As regards deficiencies and weaknesses, the Water Law should be mentioned which it is still being actively discussed in the Assembly, but has not yet been approved. Likewise, the legal planning of coastal and marine areas still has weaknesses.

*d) Operational framework*

77. The operational part that supplements and applies the legal framework is broad and covers all existing legislation. Even more, certain important areas such as that related to agrochemicals are almost totally regulated by various decrees.

78. Finally, but very importantly, the existence and recognition in Costa Rica of administrative careers should be pointed out. That means that technical level and middle management personnel in state institutions remain in their positions when administrations change and are not replaced automatically when a government is formed by a different political party. Only officials of a “political” nature (senior managers and high officials) are replaced when administrations change. That means that good institutional memory is maintained in most state institutions because employees’ jobs are secure.

**Environmental Political Framework in Costa Rica**

79. The legal framework described in the preceding chapter is the legal structure that governs national life despite political dynamics and the regular changes in government that have occurred in the country since 1948. However, the various administrations (or governments) by different political parties have left their mark on the national process through instruments such as plans and strategies.

80. Some of the instruments mentioned were created in response to obligations contracted under international conventions such as the National Biodiversity Strategy. Notable among those relevant to this evaluation include:

- ECODES – National Conservation and Development Strategy (1989)
- National Conservation and Sustainable Use of Biodiversity Strategy (1999)
- 2001-2020 National Forest Development Plan (NFDP)
- NFDP action plan (2001)
- National Environmental Strategy 2005-2020

81. The meshing of the political agendas of the various administrations with the current legal framework is achieved through the National Development Plan (NDP), developed by the different government institutions and coordinated by MIDEPLAN. This is a medium-term plan, the duration of which coincides with the 4-year term of each administration, prepared at the beginning of each democratically elected administration’s mandate. Recently, the NDP has been harmonized with state budget allocation mechanisms and with follow-up and account rendering processes through the National Evaluation System (SINE). Public participation and national discussions on environmental issues are a fundamental aspect of the formation of the environmental political framework in Costa Rica, contributing to a high level of awareness and involvement by civil society in decision-making. This social capital is particularly notable in the environmental sector.

82. Work with international organizations such as multilateral banks, the GEF and others has also been subject to some extent to political dynamics, since it is with high-ranking officials from the various administrations that they negotiate regarding a variety of issues. As was already stated, all this activity takes place within the prevailing legal framework, but with political and ideological nuances introduced by the rotation of different political parties in the government.

### **Global Environmental Facility**

83. The GEF is an international cooperation financial mechanism whose goal is to provide new and additional funding, in the form of grants and concessionary funding, to cover the additional agreed cost of measures necessary to achieve the agreed global environmental benefits in the areas of:

- Biological diversity, in coordination with the Convention on Biological Diversity
- Climate change, in coordination with the UN Framework Convention on Climate Change
- International waters
- Depletion of the ozone layer, in coordination with the Montreal Protocol
- Persistent Organic Pollutants, in coordination with the Persistent Organic Pollutants Convention
- Land degradation, in coordination with the UN Convention to Combat Desertification
- Multifocal Area for initiatives that combine two or more of the above thematic areas.

84. The GEF is governed by an Assembly of almost 150 member countries that meet every four years and a 32-member Council (representing all the member countries), which meets semi-annually. A Secretariat located in Washington (USA) is responsible for the institution's operational matters.<sup>3</sup>

85. GEF activities are implemented through three implementing agencies: the World Bank, the UNDP and the UNEP. Since 2004, seven executing agencies have been approved (regional banks: Inter-American, African, European and Asiatic), the FAO, the IFAD and the UNIDO) to execute GEF activities, although the great majority of projects are still being implemented through the three implementing agencies.

GEF support modalities can be summarized as follows:

- Full-size projects (funding over \$ 1 million)
- Medium-sized projects (total funding under \$ 1 million)
- Small grants, with funding under \$ 50,000, directed to NGOs and local organizations. Small GEF grants are structured into a global program (Small Grants Programme) administered by the UNDP and support initiatives included in any of the GEF's four focal areas
- Enabling activities, intended to help countries meet their obligations under the various conventions which the GEF services

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<sup>3</sup> More information may be found on the GEF's web page at <http://www.thegef.org>.

- Project development funds (PDFs), which are organized into three classes based on the amount of support (PDF A up to \$ 50,000, PDF B up to \$ 500,000 and PDF C up to \$1 million).

86. Activities funded by the GEF are governed by Operational Programs and Priority Strategies in each of the focal areas. Global conventions provide the GEF with guidelines on projects that should be funded, the GEF Council approves those guidelines and the Secretariat makes them operational.

87. At the national level, the GEF operates through a Focal Point mechanism, which is structured differently in each national context. The GEF recommends that two Focal Points be established (one political and the other operational) and the establishment of transparent mechanisms with strong participation. As for the structure of the Focal Point function, there are several different models ranging from single-person models (as is the case in Costa Rica, which has one person designated by the government as both the political and operation Focal Point) to schemes based on multi-institutional committees (Colombia), multi-sector committees (Bolivia), specific offices within the formal state structure (China) and others. The GEF provides guidelines defining the functions and responsibilities of the Focal Point mechanism. There are also basic support programmes for those functions.

88. The GEF trust fund is made up of contributions from donor countries plus interest on them generated over time. This fund is administered by the World Bank. Once the trust fund is replenished (every 4 years), funding is allocated through grants as countries develop projects and the Council approves them.

89. Officially, the GEF began with a 2-year pilot phase from 1992 to 1994. This was followed by 3 regular 4-year phases: GEF I (1994-1998), GEF II (1998-2002) and GEF III (2002-2006). In mid-2006, GEF IV will be initiated and will continue until 2010. During those phases, grants were allocated by means of a funding windows process where a global amount was allocated to each of the seven thematic areas listed above (and not by country). GEF member countries submitted their requests to the various windows through the different Implementing Agencies, which take appropriate action before the GEF.

90. GEF III donors recommended the establishment of a system for allocating resources by country, specifically for biodiversity and climate change, to be implemented in GEFIV. The GEF Council approved this new framework in August 2005 and it will be implemented beginning in July 2006 for the duration of GEF IV (until June 2010) under the name RAF (Resource Allocation Framework).<sup>4</sup> Unlike the mechanism used previously, the RAF sets funding allocations for each country in each of the two areas mentioned. Depending on the importance of the country in each of area, these allocations might be made individually (country allocation) or for countries within a group of countries (group allocation). For example, in the case of Costa Rica, the country will receive an individual allocation for Biodiversity but a group allocation for Climate Change, reflecting its great importance in the first case and its limited relevance to emissions abatement.

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<sup>4</sup> More information about the RAF is provided in the GEF website: [www.thegef.org](http://www.thegef.org)

91. Since this evaluation focuses on projects approved before July 2006, the subject of the RAF is considered to be outside its terms of reference despite the fact that it is considered as the framework of relevance for any recommendations and suggestions that might be made.

## CHAPTER 4. ACTIVITIES FUNDED BY THE GEF IN COSTA RICA

### Introduction

92. The GEF has supported a wide and diverse range of activities and projects in Costa Rica in collaboration with national and multinational partners<sup>5</sup>. The GEF portfolio of projects is formed by a series of individual initiatives that were approved and implemented in relative isolation since neither the GEF nor Costa Rica have developed a strategic plan or program to guide GEF support. It is thus not possible to speak of a country program or other instruments that involve a pre-existing higher-level design.

93. It should be pointed out that in 2000 a group of national experts prepared a strategic document to guide biodiversity-related activities to be funded by the GEF, following recommendations on the matter contained in GEF Council Resolution C14-11 of December 1999. That document (Programmatic Framework for Biodiversity – GEF, 2000) was developed to the level of project profiles, but was never used in practice.<sup>6</sup>

94. In short, GEF support to Costa Rica can only be described as a portfolio or group of projects that have been approved over the years in different areas. In this and following chapters, it will be discussed whether this was a weakness in GEF support or if, in reality, projects in Costa Rica in some way succeeded in filling gaps in the national environmental strategy.

95. For analysis purposes, the portfolio may be broken down into six basic groups:

- a) All Projects (full and medium-size) completed or being implemented within the country.
- b) Project Development Facilities (PDF A, PDF B and others) that constitute the country's "pipeline".
- c) Enabling Activities.
- d) The Small Grants Programme.
- e) Regional Projects (shared by Costa Rica and other Latin American and Caribbean countries).
- f) Global Projects (shared by Costa Rica and countries on other continents).

96. A complete list of the activities funded by the GEF in Costa Rica may be found in Annex 5.

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<sup>5</sup> As was indicated above, there are other sources of support and funding for the environmental sector in Costa Rica. However, the analysis presented in this chapter is limited to the GEF portfolio supported by the GEF and the co-funding.

<sup>6</sup> In the late 1990s and early 2000s, a number of countries, including Costa Rica, developed guide strategies and programs for GEF intervention at the national level. None of those initiatives were formalized or approved by the GEF Council or the GEF Secretariat.

## Activities Considered in the Evaluation

97. In this pilot evaluation, not all activities supported by the GEF were included because of time and financial limitations– only those that met the following criteria:

- a. Activities carried out exclusively in Costa Rica – i.e. all regional and global activities were excluded
- b. Activities completed and under implementation, excluding current project development facilities – i.e. PDF A and PDF B and pipeline activities.

98. Those criteria were used to define a group of homogeneous and feasible activities to be analyzed with available resources (money and time). A very brief description of activities that were not considered is given in Annex 6. Based on those criteria, the group of activities considered in this evaluation are presented in the following table:

**Table 6: List of activities supported by the GEF in Costa Rica included in the evaluation**

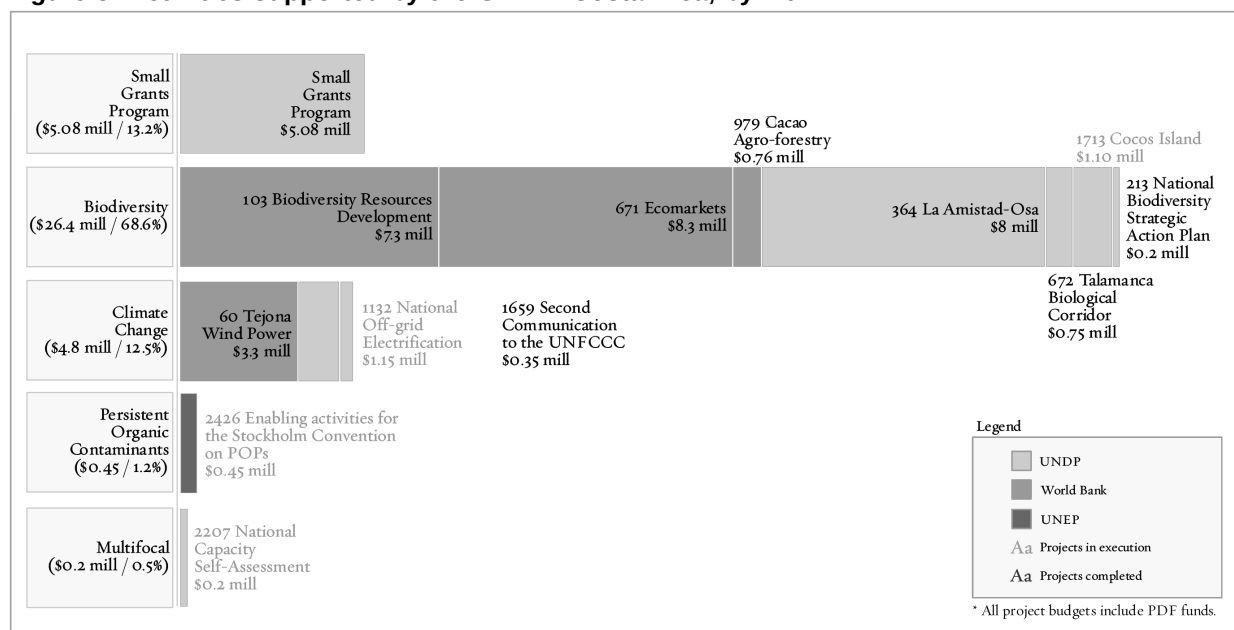
| GEF ID/Focal Area                       | Name/Implementing Agency                                                                                     | Type |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------|------|
| <b>Completed Projects</b>               |                                                                                                              |      |
| 60/CC                                   | Tejona Wind Power (World Bank/IADB)                                                                          | FSP  |
| 103/BIO                                 | Biodiversity Resources Development (World Bank)                                                              | FSP  |
| 364/BIO                                 | Conservation of Biodiversity and Sustainable Development in the Osa and La Amistad Conservation Areas (UNDP) | FSP  |
| 671/BIO                                 | Ecomarkets (World Bank) <sup>7</sup>                                                                         | FSP  |
| 672/BIO                                 | Conservation of Biodiversity in the Talamanca-Caribbean Biological Corridor (UNDP)                           | MSP  |
| 979/BIO                                 | Conservation of Biodiversity in Agroforestry with Cacao (World Bank)                                         | MSP  |
| <b>Projects Under Implementation</b>    |                                                                                                              |      |
| 1132/CC                                 | National Off-grid Electrification Based on Renewable Sources of Energy Programme – Phase 1 (UNDP)            | FSP  |
| 1713/BIO                                | Improvement in Management and Conservation Practices for the Cocos Island Conservation Area (UNDP)           | MSP  |
| <b>Completed Enabling Activities</b>    |                                                                                                              |      |
| 213/BIO                                 | National Biodiversity Strategy and Action Plan (Report to the CBD) (UNDP)                                    | EA   |
| 1659/CC                                 | Inventory of Greenhouse Gases (Second National Communication to the UNFCCC – Climate Change-) (UNDP)         | EA   |
| <b>Enabling Activities in Execution</b> |                                                                                                              |      |
| 2207/MFA                                | National Global Environmental Management Capacity Self-Assessment (UNDP)                                     | EA   |
| 2426/POPs                               | National Convention on Persistent Organic Pollutants Implementation Plan (UNEP)                              | EA   |
| <b>Small Grants Program</b>             |                                                                                                              |      |
|                                         | Small Grants Programme (UNDP)                                                                                | SGP  |

99. As presented in the previous table, most of the focal areas and all GEF's implementing agencies are present in the selected projects.<sup>8</sup> On the next page, Figure 3 showing types of

<sup>7</sup> This project will be completed as June 30, 2006

activities, implementing agencies and the GEF focal area to which projects belong is presented to illustrate how the group of activities selected in relation to those variables is visualized. In this figure, each block of color (shades of gray) represents one of the activities implemented or under implementation with GEF funds in Costa Rica. The height of each block is proportional to the budget assigned to it. The color of each block indicates the GEF focal area to which each activity belongs. In addition, each block has the unique GEF identification number, the name of the project and its budget. The dark text indicates completed projects and in the light text represents projects in execution.

**Figure 3: Activities supported by the GEF in Costa Rica, by IA/EA**



100. As can be seen in the above graphic, the main implementing agencies are the World Bank (which has executed 53.2% of GEF funds) and the UNDP (which has executed 45.5% of GEF funds). The World Bank has participated in fewer activities than the UNDP, but with larger budgets in all of them. The above graphic shows that the WB:

- has participated in 4 activities
  - 3 Full-size Projects (2 in Biodiversity and 1 in Climate Change)
  - 1 Medium-sized Project in Biodiversity
- has executed a total budget of \$19.67 million
- the average budget is \$4.92 million per activity
- currently has no activities in execution

101. In the case of the UNDP, its participation has been more varied, including all the funding modalities available through the GEF. The above graphic shows that UNDP:

<sup>8</sup> The IADB was recently added to the list of executing agencies but its national projects are still in the development phase.

- has participated in 7 activities
  - 2 Full-size Projects (1 in Biodiversity and 1 in Climate Change)
  - 2 Medium-size Projects, both in Biodiversity
  - 3 Enabling Activities (1 in Biodiversity, 1 in Climate Change and 1 Multifocal)
- has executed the Small Grants Programme for 13 years
- has executed a total budget of \$11.75 million (not including the SGP)
- the average budget is \$1.68 million per activity
- the SGP has distributed approximately US\$ 5.08 million in 354 projects (an average of \$14,350)
- currently has 3 activities in execution, plus the SGP.

102. The UNEP has participated only marginally in the execution of GEF funds at the national level – only \$450,000, equal to 1.2% of all GEF funds executed in Costa Rica. As is usual in most countries, the UNEP’s portfolio includes regional and global projects but, as was mentioned earlier, activities of that type were not included in this analysis.

103. The GEF Executing Agencies do not appear in the graphic since they do not currently have any activities in execution or completed.<sup>9</sup>

104. On the next page, another graphic similar to the preceding one is presented, but using other criteria that make it possible to look at GEF activities in Costa Rica by focal area and extract useful information. As in the preceding figure, in this one each color block (gray shadings) represents one of the activities executed or in execution in Costa Rica with GEF funds. The height of each block is proportional to the budget assigned to each activity. In this graphic, the color of each block indicates the Implementing Agency associated with each activity. Each block also has a brief text giving the GEF identification number, the name of the activity and its budget. For completed projects, the text appears in dark black. For projects in execution, it appears in light black.

105. This graphic clearly shows the particular emphasis placed in the Biodiversity focal area (68.6% of funds) on activities supported by the GEF in Costa Rica. In second place is the SGP, which has executed approximately 13.2% of GEF funds. In third place are activities related to the Climate Change focal area (12.5% of funds). Finally comes the Persistent Organic Pollutants focal area (1.2% of funds) and the Multifocal area (0.5%).

106. The preceding graphic shows that for the Biodiversity focal area:

- 7 activities have been executed
  - 3 by the World Bank and 4 by the UNDP
  - 3 Full-size Projects, 3 Medium-size Projects and 1 Enabling Activity
  - 6 activities have been completed and 1 is still in execution
- A total of \$ 26.4 million has been executed for an average of \$3.8 million per activity

107. In the case of the Climate Change focal area, we observe that:

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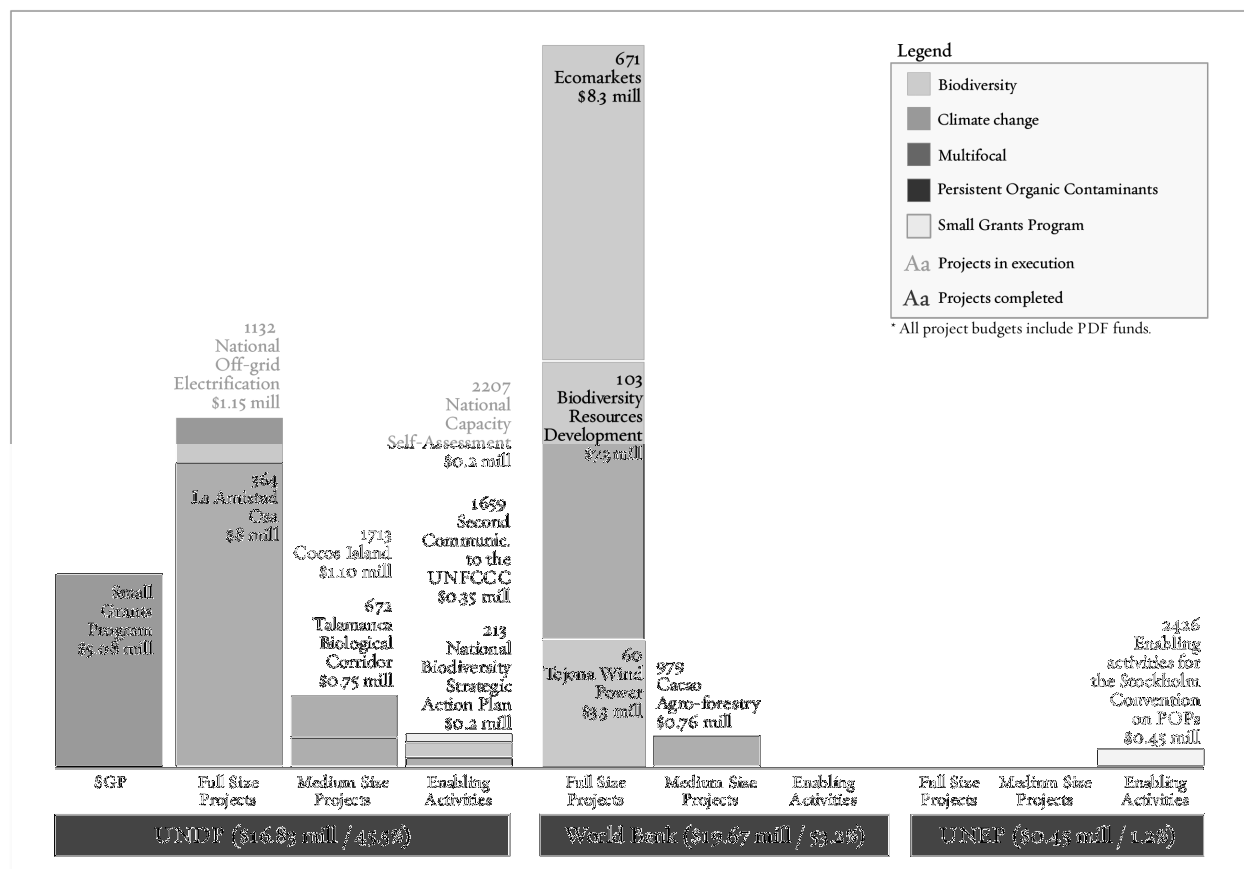
<sup>9</sup> The IADB executed the Tejona Project but through the World Bank since at that time the IADB was not one of the seven Executed Agencies under Expanded Opportunities.

- 3 activities have been implemented
  - 1 by the World Bank and 2 by the UNDP
  - 2 Full-size Projects and 1 Enabling Activity
  - 2 activities have been completed and 1 is still in execution
- A total of US\$ 4.8 million has been executed for an average of \$1.6 million per activity
- The total budget for this focal area is 5.5 times less than the total budget for the biodiversity focal area

108. For the remaining focal areas (POPs and Multifocal), it should be mentioned that they each have one activity in execution – Enabling Activities in both cases – one implemented by UNDP (Multifocal area) and the other one by UNEP (POPs).

109. The remaining GEF focal areas (International Waters and Land Degradation) do not appear in the graphic since there are currently no activities in execution or completed in them at the national level.

**Figure 4: Activities supported by the GEF in Costa Rica, by GEF focal area**



## Areas Addressed in Projects and Enabling Activities

110. The areas addressed in the projects and enabling activities supported by the GEF in Costa Rica are summarized in Table 7. A more detailed description of each of the projects objectives and their results are found in Annex 7. Tables 8 and 9 also provide basic information about regional and global projects for information purposes only, these projects were not considered in this pilot evaluation.

**Table 7: Main themes addressed by activities supported by the GEF in Costa Rica through national projects**

| Focal area                           | Full-size Projects                                                                                                                                                                           | Medium-size Projects                                                                                                                                                        | Enabling Activities                                                                                                                         | SGP                                                   |
|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| <b>Biodiversity</b>                  | <ul style="list-style-type: none"> <li>• Strengthening of Osa and La Amistad Conservation Areas</li> <li>• Biodiversity inventories</li> <li>• Payment for environmental services</li> </ul> | <ul style="list-style-type: none"> <li>• Strengthening of the Cocos Island Conservation Area</li> <li>• Biological corridors</li> <li>• Agrobiodiversity (Cacao)</li> </ul> | <ul style="list-style-type: none"> <li>• National Biodiversity Strategy and Action Plan</li> </ul>                                          | Projects in various themes related to all focal areas |
| <b>Climate Change</b>                | <ul style="list-style-type: none"> <li>• Solar power production</li> <li>• Electrification with alternative energy sources</li> </ul>                                                        |                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• Inventory of greenhouse gases</li> </ul>                                                           |                                                       |
| <b>Persistent Organic Pollutants</b> |                                                                                                                                                                                              |                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• National Plan for the implementation of the Convention on Persistent Organic Pollutants</li> </ul> |                                                       |
| <b>Multifocal</b>                    |                                                                                                                                                                                              |                                                                                                                                                                             | <ul style="list-style-type: none"> <li>• Self-assessment of national capacity for the management of the global environment</li> </ul>       |                                                       |

**Table 8: Main themes addressed by regional projects in which Costa Rica participates**

| Area focal          | Full-sized Projects                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Medium-sized Projects                                                 |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <b>Biodiversity</b> | <ul style="list-style-type: none"> <li>• Establishment of a Program for Consolidating the Mesoamerican Biological Corridor</li> <li>• Integrated management of ecosystems in indigenous communities (*)</li> <li>• Conservation of biodiversity and socioeconomic values of mangrove ecosystems in tropical America</li> <li>• Conservation of biodiversity in private lands in Latin America</li> <li>• Conservation and sustainable use of native neotropical crops and the wild relatives of cultivated species</li> </ul> | <ul style="list-style-type: none"> <li>• Eco-business fund</li> </ul> |

| Area focal                  | Full-sized Projects                                                                                                                                                                                                                                                                                                                                                                                                                                            | Medium-sized Projects                                                                                                                                                    |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | <ul style="list-style-type: none"> <li>Central American markets for biodiversity</li> <li>Biosafety in biodiversity centers: building of technical capacity for the safe development of transgenic crops</li> </ul>                                                                                                                                                                                                                                            |                                                                                                                                                                          |
| <b>Climate Change</b>       | <ol style="list-style-type: none"> <li>Acceleration of renewable energy investments through the CABEL in Central America</li> <li>Energy efficiency in El Salvador, Nicaragua, Costa Rica and Panama (*)</li> </ol>                                                                                                                                                                                                                                            | 3. Creation and enhancement of capacity for the sustainable development of renewable energy in Central America                                                           |
| <b>International waters</b> | <ol style="list-style-type: none"> <li>Formulation of a strategic action programme for the integrated management of water resources and the sustainable development of the basin of the San Juan River and its coastal areas (*)</li> <li>Reduction of pesticide runoff into the Caribbean</li> <li>Regional action programme and demonstration of sustainable alternatives to DDT for controlling the malaria vector in Mexico and Central America</li> </ol> |                                                                                                                                                                          |
| <b>Multifocal</b>           | <ul style="list-style-type: none"> <li>Global Environmental Citizenship (GEC)</li> <li>Integrated forest/pasture focus in ecosystem management (*)</li> <li>Sustainable environmental management for the basin of the Sixaola River</li> </ul>                                                                                                                                                                                                                 | <ul style="list-style-type: none"> <li>Participatory focus in environmental management: a contribution to the Inter-American Strategy for Participation (ISP)</li> </ul> |

(\*) Regional projects whose Coordination Offices are located in Costa Rica

**Table 9: Main themes addressed by global projects in which Costa Rica participates**

| Focal area                  | Full-size projects                                                                                                                          | Medium-size projects                                                                 | Enabling activities                                              |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------|
| <b>Biodiversity</b>         | Implementation of the Global Strategy for the Conservation of Plant Species:                                                                |                                                                                      | Training in biodiversity data management and information network |
| Climate change              |                                                                                                                                             | Development of a market strategy transformation for on-grid solar power technologies | National Case Studies on greenhouse gas sources and sinks        |
| <b>International waters</b> | Reduction of the environmental impact of fishing lobster with dragnets by introducing catch technologies and changing management practices. |                                                                                      |                                                                  |
| <b>Multifocal</b>           |                                                                                                                                             | participatory approaches for managing the environment                                |                                                                  |

### *Small Grants Programme (SGP)*

111. Costa Rica was part of the first group of countries that participated in the SGP, starting in 1993. The Program in Costa Rica has steadily increased its budgets and number of projects funded over the years. Currently, approximately 40 projects per year are being executed in all the GEFs's focal areas. UNDP implements this GEF corporate program.

112. UNDP, in its own assessment, has concluded that the SGP program in Costa Rica has been very successful and has provided additional funds in the last two years to execute projects (\$ 900,000 in 2004 and \$ 850,000 in 2005, compared to a planned per-country maximum of \$ 750,000 per year). Since the SGP began, it has invested the equivalent of a full-size project (\$ 5.08 million) and has funded 354 projects.

**Table 10: Grants given out by the SGP by GEF focal area**

| <b>GEF focal area</b>         | <b>Number of grants</b> | <b>Estimated value of grants</b> | <b>Percent</b> |
|-------------------------------|-------------------------|----------------------------------|----------------|
| Biodiversity                  | 269                     | \$ 3.860                         | 76.0%          |
| Multifocal                    | 57                      | \$ 0.818                         | 16.1%          |
| Climate change                | 13                      | \$ 0.187                         | 3.7%           |
| Land degradation              | 11                      | \$ 0.158                         | 3.1%           |
| Persistent organic pollutants | 3                       | \$ 0.043                         | 0.8%           |
| International waters          | 1                       | \$ 0.014                         | 0.3%           |
| <b>Total</b>                  | <b>354</b>              | <b>\$ 5.08</b>                   | <b>100.0%</b>  |

113. The distribution of funds through the SGP show tendencies similar to that in the general support the GEF provides to Costa Rica: strong emphasis on the biodiversity focal area, followed in a distant second place by the multifocal area and, with smaller allocations, the climate change and land degradation areas. The remaining two focal areas (POPs and International Waters) have received limited allocations (less than 1%).

114. At the national level, the SGP is managed by a Committee which includes representatives from UNDP, MINAE and NGOs, indigenous and farmers groups.. Among its functions, this Committee selects projects to be funded and sets strategic priorities for each phase of the program. For example, the SGP has established that projects have a maximum total ceiling of \$50,000 but, in the specific case of Costa Rica, the Committee set an annual ceiling of \$25,000. In this way, it has been possible to support a larger number of projects over more years and, according to the Committee, this approach provided more opportunities for capacity building and the financial sustainability of the beneficiary organizations.

115. In recent years, the SGP in Costa Rica has gone through a process of reflection and adjustment that has led to focusing its work exclusively on five priority area:

1. Biological Corridors (in conjunction with the Mesoamerican Biological Corridor Regional Project and other national corridors)
2. Rural Community Tourism
3. Support to volunteer environmental work (volunteers, brigades and COVIRENAS)
4. Sustainable production, basically organic agriculture
5. Indigenous territories.

116. In addition to the priority areas mentioned, to be eligible, proposed projects must meet the following conditions:

- Be located in the Buffer Zone of a Protected Area, in a Biological Corridor or in a indigenous Territory
- Be clearly within one of the five priority issues
- Be clearly related to one of the GEF's focal areas.

117. The financial future of the SGP in Costa Rica during the next phase of the GEF (GEF IV) has caused some concern since, at the global level, the SGP continues to add countries in the Programme, but its funding is not increasing proportionally. One of the alternatives proposed for the next phase of the GEF is that the country use part of the funds assigned from the Biodiversity and/or Climate Change RAF to maintain the level of operations of the SGP. At the time of the evaluation, government authorities seemed to be sympathetic to this alternative, although no formal decisions have been taken in the matter.

118. Two things that became apparent during the interviews explain the reasons for the favourable opinion of SGP:

- a. the Program has the most synergies with other projects funded by the GEF in Costa Rica (e.g. with the Mesoamerican Biological Corridor –Regional Project-, Ecomarkets, etc.)
- b. The great majority of those interviewed during the evaluation assigned high value and impact to the actions of the SGP in Costa Rica.

### **Activities Over Time**

119. Figure 5 gives an overview of the GEF portfolio in Costa Rica and the changes experienced over the past 13 years. It includes milestones in changes in the national legal framework, which appear under the graphic ordered by year. On the vertical axis, the budget assigned to each activity is graphed. The various funding modalities are represented with colors: Full-size Projects (dark red), Medium-size Projects (blue), Enabling Activities (green) and the Small Grants Programme (yellow). The activities supported by the GEF appear as horizontal lines whose start point is the effective date or beginning of implementation and whose end point is the actual closing date (for completed projects) or the projected closing date (for projects in execution). The legend accompanying each project appears in black for completed projects and in red for projects in execution. On the horizontal axis, the timeline is graphed. It is subdivided into GEF stages (gray and white lines on the background of the graph), which coincide almost exactly with the terms of the country's various political administrations.

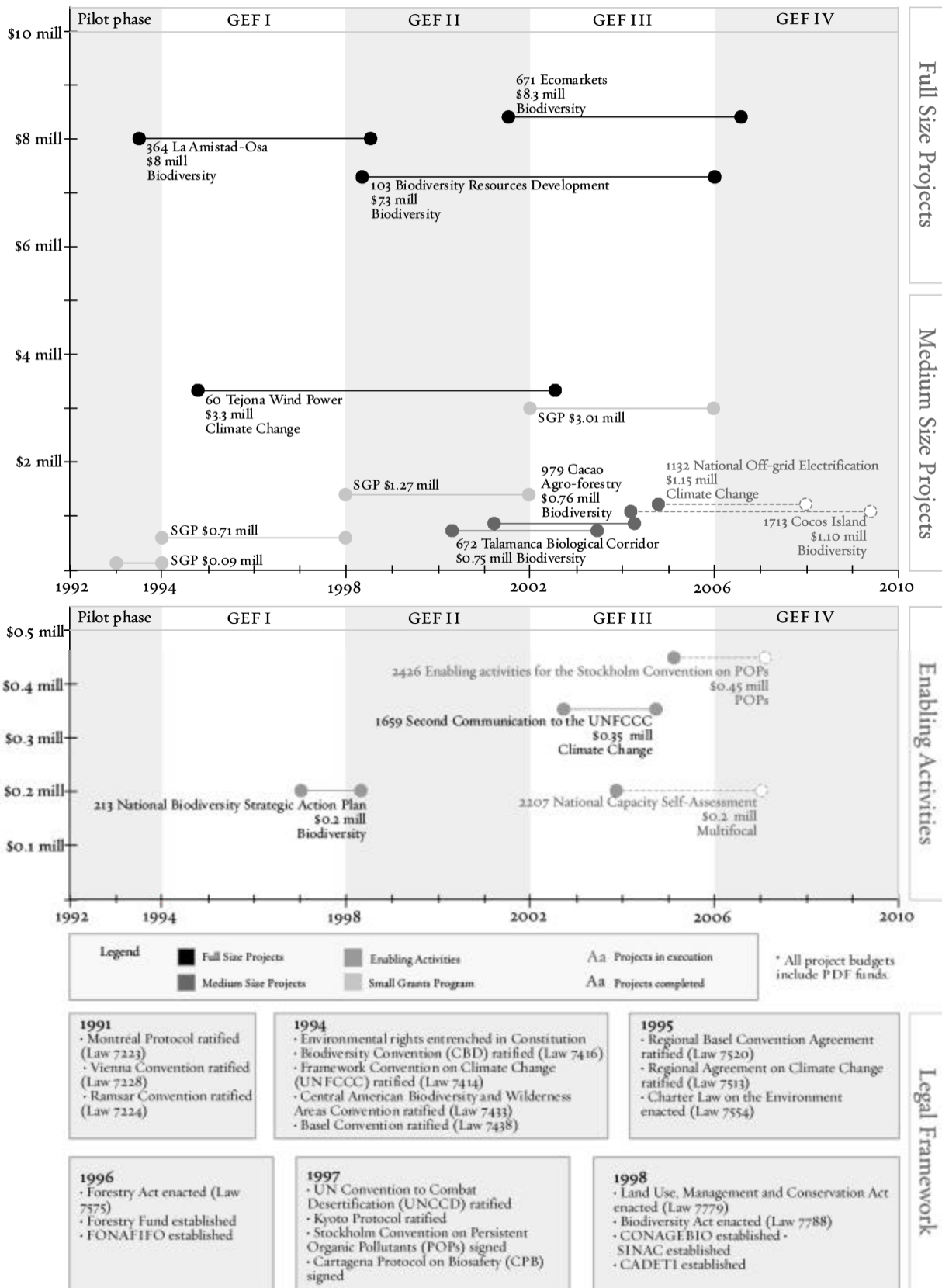


Figure 5: Timeline for activities supported by the GEF in Costa Rica

120. Some interesting observations based on an analysis of this timeline are:

- In each phase of the GEF, Costa Rica has executed at least one full-sized project with a budget exceeding \$ 7 million.
- In the early phases of the GEF, GEF supported primarily biodiversity conservation, but beginning in GEF III, the portfolio began to diversify (climate change, biodiversity use, payment for environmental services, etc.)
- Resources provided through the SGP show a marked and steady increase in each subsequent phase of the GEF.
- The greatest legal activity in environmental matters in Costa Rica took place between 1994 and 1998 (during the first phase of the GEF).

### Evolution of the GEF Funding to Costa Rica

121. The following table shows the evolution of GEF funding to Costa Rica for various modalities, during the GEF different phases.

**Table 11: Details of GEF funds provided to Costa Rica by phase, focal area and implementing agency as of December 2005**

|                 | \$ GEF | Pilot phase | GEF I   | GEF II  | GEF III                           | Pipeline                          | Total   |
|-----------------|--------|-------------|---------|---------|-----------------------------------|-----------------------------------|---------|
| <b>National</b> |        | \$11.30     | \$7.48  | \$9.83  | \$3.15<br>(\$13.15) <sup>10</sup> | \$23.54<br>(\$13.54) <sup>5</sup> | \$55.30 |
| <b>Regional</b> |        | ---         | \$14.87 | \$22.53 | \$29.48                           | \$29.14                           | \$96.02 |
| <b>Global</b>   |        | \$8.70      | ---     | \$5.53  | \$1.00                            | \$3.35                            | \$18.58 |

|                 |                                      |         |         |         |                                  |                                    |          |
|-----------------|--------------------------------------|---------|---------|---------|----------------------------------|------------------------------------|----------|
| <b>National</b> | <b>Biodiversity</b>                  | \$8.00  | \$7.48  | \$9.83  | ---                              | \$20.06<br>(\$10.06) <sup>5</sup>  | \$45.37  |
|                 | <b>Climate change</b>                | \$3.30  | ---     | ---     | \$1.50                           | \$2.50                             | \$7.30   |
|                 | <b>Land degradation</b>              | ---     | ---     | ---     | ---                              | \$0.98                             | \$0.98   |
|                 | <b>Multifocal</b>                    | ---     | ---     | ---     | \$0.20                           | ---                                | \$0.20   |
|                 | <b>Persistent Organic Pollutants</b> | ---     | ---     | ---     | \$0.45                           | ---                                | \$0.45   |
|                 | <b>Small Grants Programme</b>        | \$0.09  | \$0.71  | \$1.27  | \$3.01                           | ---                                | \$5.08   |
|                 | <b>World Bank</b>                    | \$3.30  | \$7.28  | \$9.08  | ---                              | \$10.00<br>(\$0) <sup>5</sup>      | \$29.66  |
|                 | <b>UNDP</b>                          | \$8.00  | \$0.20  | \$0.75  | \$2.70                           | \$13.51                            | \$25.16  |
|                 | <b>UNEP</b>                          | ---     | ---     | ---     | \$0.45                           | ---                                | \$0.45   |
|                 | <b>Cofunding</b>                     | \$28.00 | \$13.08 | \$54.71 | \$3.26<br>(\$73.26) <sup>5</sup> | \$124.95<br>(\$54.92) <sup>5</sup> | \$224.01 |

Note: The GEF Council approval date was used rather than the effectiveness date when placing a project within a GEF phase.

122. Considering this information, it can be seen that GEF support to Costa Rica has remained relatively constant since the GEF began. The importance of the Regional Programs in which Costa Rica participates can also be seen, although the proportion of those amounts used in the country has not been calculated.

<sup>10</sup> It must be pointed out that in the first quarter of 2006, the “Generalization of Payment for Environmental Services” project, a \$10 million project in the area of biodiversity, was endorsed by the GEF CEO and therefore included in GEFIII but after this evaluation completed its analysis.

### *Co-funding of GEF projects*

123. The co-funding data shown in Table 12 comes from project documents prepared for Council approval before projects actually start. It is possible that in many cases the real co-funding for those projects may have been higher or lower once project begins implementation. However, that information is not available and therefore could not be used for the analysis. Taking this limitation into account, the average co-funding/GEF contribution ratio for each of their phases could be estimated:

**Table 12: Cofunding/GEF contribution ratio for each phase**

| GEF phase      | Cofunding: GEF contribution |
|----------------|-----------------------------|
| Pilot phase    | 2.48                        |
| GEF I          | 1.75                        |
| GEF II         | 5.57                        |
| GEF III        | 5.31                        |
| <b>Average</b> | <b>3.78</b>                 |

124. The average cofunding/GEF contribution ratios for phases II and III are very similar and significantly higher than those for the first phase. The average figure for all phases (1:3.78) is quite close to the global average estimated in the GEF's Annual Performance Report (1:4).

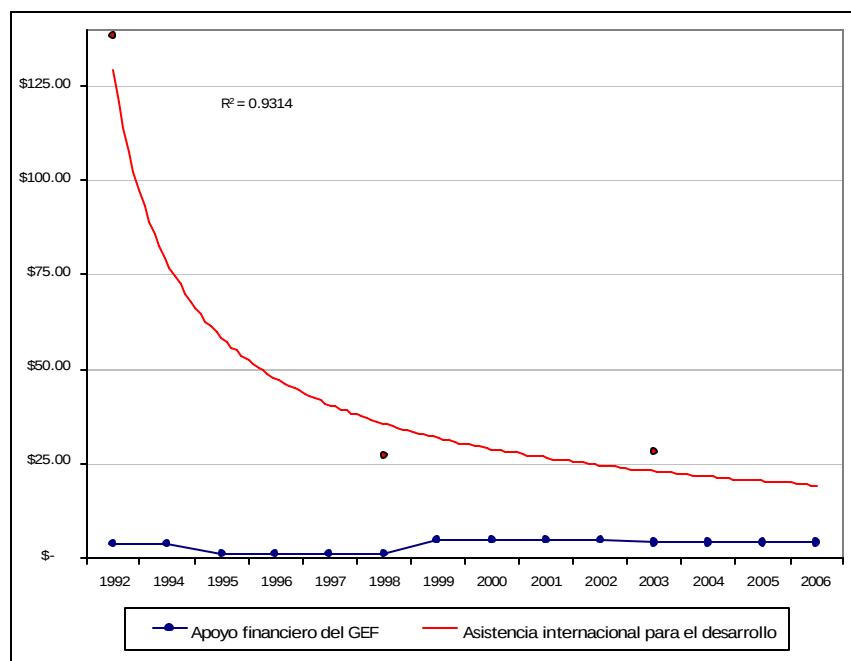
### *Changes in international cooperation assistance to Costa Rica*

125. Figure 6 shows changes in international cooperation assistance to Costa Rica (Human Development Report, UNDP, 2005) over the period of GEF operations, as well as changes in GEF financial support over that same period. Neither regional nor global projects are taken into account. The "Generalization of Payment for Environmental Services in Costa Rica" project is included in this set of GEF financial support data.

126. International assistance to Costa Rica has declined dramatically in recent years. A significant drop is noted in the decade between 1992 and 2002. However, GEF financial support was increased during that period, reaching a relatively stable level in recent years (from \$4.13 million to \$4.78 million annually between 1999 and 2006). It is important to point out that the data available for international assistance to Costa Rica presented here is aggregated data for all assistance received by the country in various areas, of which the environmental agenda is only one. However, GEF financial support is specifically related and limited to environmental issues.

127. Given the scenario described, it can be stated that the relevance of GEF financial support in Costa Rica is increasing and that the role this support plays in implementing the national environmental agenda is becoming more and more strategic.

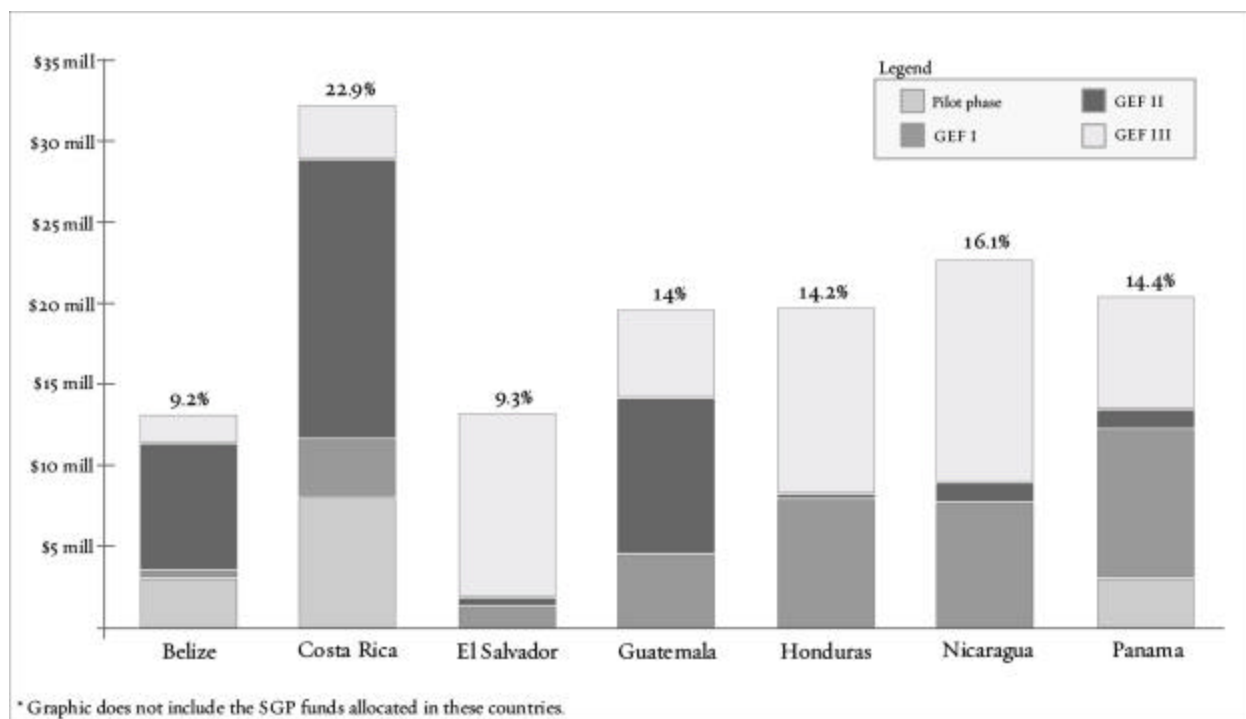
**Figure 6: Changes in international assistance to development in Costa Rica and in GEF support**



#### *Evolution of GEF support to Costa Rica compared to other Central American countries*

128. The following graph shows the evolution in GEF support to various Central American countries (including Costa Rica) over its different phases. This information does not include Small Grants Programme figures for any of the countries studied.

129. Costa Rica is the Central American country that has received the most support from the GEF (22.9% of funds provided to Central America) and that, as already stated, this support has been relatively constant throughout the last 13 years. Nicaragua (16.1% of funds) is in second place, followed with very similar amounts by Panama (14.4%), Honduras (14.2%) and Guatemala (14%), and finally El Salvador (9.3%) and Belize (9.2%). The support to the other Central American countries has been irregular or almost completely absent within some of the GEF phases (particularly GEF I and II).



**Figure 7: Changes in GEF support to Central America Countries**

## **CHAPTER 5. RESULTS OF GEF SUPPORT TO COSTA RICA**

130. The issues addressed by the various projects are discussed in the previous chapter. To determine relevance to the country, this chapter will briefly review results (outcomes and impacts). To assess whether the projects have helped advance the policy debate in the country, their origins will also be reviewed. Results were measured per the following parameters:

1. Global Environmental Impacts
2. Catalytic and Replication Effect
3. Institutional Sustainability and Capacity-Building

Information on results was compiled from interviews and documents subsequent to project completion. Final project evaluations focused mostly on attainment of outcomes and provided limited information in this regard, suggesting that they may not be an efficient tool for identifying and evaluating project results.

### **Global Environmental Impacts**

131. GEF support has achieved impacts on several biodiversity areas. In the critical ecoregion of Osa and La Amistad Protected Areas, one of the last stands of Pacific Coast rainforest is being conserved. INBIO has significantly expanded its body of knowledge concerning species in ecoregions throughout the country. The Ecomarkets Project has significantly increased the areas under Environmental Services Payments and helped reclaim the forest cover; presently the program covers 5 percent of the country's land surface, not including Protected Areas. The community-based Rural Tourism program supported by the Small Grants Programme has helped reforest in excess of 1,000 hectares along biological corridors and conserve over 15,000 hectares of privately-held forests.

132. In the area of climate change, the 20 MW Tejona Wind Energy Project has had an impact that cannot be measured solely in terms of carbon dioxide emissions avoided. New wind energy facilities owned by other utilities have tripled the installed capacity and are now supplying up to 6 percent of the country's energy needs. The SGP has helped more than 400 households switch to biogas.

### **Catalytic and Replication Effect**

133. GEF supported activities have been replicated by other donor and government programs. INBIO's taxonomy and bioprospecting work, for example, has been adapted for use abroad. The lessons learned on infrastructure development for Osa and Amistad Protected Areas have helped set standards for Costa Rica's entire system of protected areas. As noted, Tejona's original 20 MW capacity has been tripled as other utilities, including Compañía Nacional de Fuerza y Luz, COOPESANTOS, Empresa de Servicios Públicos de Heredia, and COOPEGUANACASTE, bring wind energy facilities of their own on stream.

134. The Small Grants Programme has had an important effect on community-based rural tourism, a mainstay of Costa Rica's tourist industry, in turn the country's largest income earner. Several SGP projects have joined forces with rural stakeholders to set up a local tourism

infrastructure, build their capacity, and organize local groups into associations with a view to promoting rural tourism and finding solutions to common issues.

135. While designed to comply with the requirements of the Stockholm Convention, enabling activities in respect of persistent organic pollutants have also served as catalysts for application of the Basel and Rotterdam Conventions, thus helping merge key components of hazardous chemical management policy into a single process.

### **Institutional Sustainability and Capacity-Building**

136. Key outcomes of the INBIO program supported by GEF and the governments of the Netherlands and Norway include INBIO's new standing as an internationally-recognized biodiversity research organization as well as its financial stability. The share of INBIO needs financed from own sources rose from 20 percent in 1998 to 70 percent in 2006, effectively keeping the INBIO budget at project execution levels.

137. The Small Grants Programme has strengthened institutional sustainability and capacity-building in a significant number of local and national organizations concerned with organic farming, community-based rural tourism, and other environmentally-related issues.

138. GEF support has also contributed to the institutional development of community-based NGOs such as the Biomass Users Network-Central America (BUN-CA). BUN-CA first worked with GEF as an SGP recipient, then progressed to medium-size projects, and is now executing a full-size energy efficiency regional project in the focal area of climate change.

139. GEF and World Bank support have greatly enhanced national technical capacities, especially FONAFIFO's strengths in the area of Environmental Services Payments.

### **Details of Project Results**

140. A summary of completed full-size GEF projects and relevant SGP projects is shown below.

**Table 13: Summary of Origins and Outcomes of GEF Supported Activities in Costa Rica**

| <b>60 Tejona Wind Energy Project</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>ORIGINS</b></p> <p>Following a dramatic increase in world oil prices that hit Costa Rica hard, in the mid-'70s the Costa Rican Electricity Institute (ICE) set out to consider various renewable energy options. These included wind energy generation in Lago Arenal, an area of the northern Central Volcanic Mountain Range noted for strong, constant winds. ICE's first step was to set up wind gauging stations in several parts of the country. These soon confirmed the region's enormous wind power generation potential, estimated to surpass that of California's well-known wind farms.</p> <p>By 1989 ICE was ready to seek assistance for a pilot site in Tejona. Based on the encouraging results of a pre-feasibility study conducted in 1990 with USAID funding, the ICE secured World Bank and IADB support for a GEF project to complement the main IADB investment in a pilot wind energy plant at Tejona. Due to a number of reasons, IADB funding was later replaced by a Clean Development Mechanism Joint Implementation grant from the Netherlands.</p> |

**RESULTS**

The Tejona pilot project paved the way for wind energy generation in Costa Rica. It provided a valuable opportunity to conduct trials, train local technicians, and determine cost and revenue streams with some precision. It also addressed critical issues such as how to connect with a national power grid fed from a variety of hydroelectric, thermoelectric, geothermal and other sources.

The impact of the 20 MW Tejona Wind Energy Project cannot be measured solely in terms of carbon dioxide emissions avoided. Following on Tejona's footsteps, utilities such as the Compañía Nacional de Fuerza y Luz, COOPESANTOS, Empresa de Servicios Públicos de Heredia and COOPEGUANACASTE have commissioned wind energy facilities that have tripled the country's installed capacity. Nowadays 6 percent of Costa Rica's energy needs are supplied by wind power. The expected ceiling is 15 percent.

### 103 Biodiversity Resource Development

**ORIGINS**

Costa Rica began establishing Protected Areas in the second half of the last century. In 1986, Protected Areas were transferred to the jurisdiction of the new Ministry of Natural Resources, Energy and Mines (MIRENEM), thus giving new momentum to biodiversity issues in Costa Rica. The not-for-profit National Biodiversity Institute (INBIO) was created in 1989 with a mandate to assemble a national biodiversity inventory, manage collections of flora and fauna, and provide effective public access to biodiversity-related information.

INBIO proceeded to take an inventory of biodiversity in protected areas under sole or joint MIRENEM administration. This undertaking led to the GEF proposal, which dovetailed with Netherlands and Norway support and eventually resulted in the Joint Biodiversity Resource Programme.

**RESULTS**

In addition to the project objectives attained, key outcomes are both INBIO's current standing as an internationally-recognized biodiversity research institution and its new financial stability. The share of INBIO needs financed from own sources rose from 20 percent in 1998 to 70 percent in 2006, effectively keeping its budget at project execution levels.

The project was also instrumental in helping INBIO greatly increase its body of knowledge concerning the Seasonal, Pacific Coast, and Talamanca rainforests, the first two currently listed as being in critical or endangered condition.

### 364 Biodiversity Conservation and Sustainable Development in the Amistad and Osa Conservation Areas

**ORIGINS**

The project's origins are akin to those of the previous project, i.e., the protected areas established in the '70s and '80s and their subsequent transfer to MIRENEM jurisdiction. Funding was needed to protect these areas against deforestation, mining, hunting, and other threats arising from the prevailing unawareness of their true value. The debt-for-nature swap mechanism provided a successful start. MIRENEM then organized conservation areas into clusters, the forerunners of today's National System of Conservation Areas. MIRENEM and then MINAE set out to enlist support for these clusters. They succeeded in involving Canada in Arenal, USAID in the Central Volcanic Mountain Range, and the European Union in Tortuguero. They also requested and received GEF support for Osa and La Amistad Protected areas.

**RESULTS**

While project outcomes have been local in nature, the area involved is a key section of a critical ecoregion (see Chapter 5) and as such it is of high global importance. Project outcomes include a consolidated MINAE/SINAC presence in the region and effective conservation of area resources facing a severe threat from deforestation and gold mining. These outcomes have translated into renewed interest from conservation groups and a proliferation of conservation efforts in the area.

## 671 Ecomarkets

### ORIGINS

In the '70s and '80s, as protected areas were being established, vast tracts of Costa Rican forest were being cleared for cattle ranching and, to a lesser extent, farming purposes. In 1979 a Forestry Law sought to address these issues by providing incentives for reforestation. In 1996 a new Forestry Law (Law 7575) built upon this scheme. Formally recognizing that forests provided four types of environmental services—i.e., carbon sequestration, hydrological services, biodiversity conservation and scenic beauty—it established a mechanism to compensate forest owners for the provision of these services. In subsequent years, payments were funded by a 3.5 percent tax on gasoline, the sale of certified tradable offsets, and other methods. The initial success of this mechanism led to a request for a World Bank loan and a GEF project grant. The GEF-financed Ecomarkets Project was launched in 2001.

### RESULTS

Together, the GEF grant and World Bank loan helped to both significantly enlarge forest areas earning Environmental Services Payments as well as achieve sustained replenishment of the forest cover, as a result of both payments and a concurrent fall in cattle ranching and farming profits.

The vast land surface involved in the program (over 250,000 hectares or 5 percent of the country's entire land surface, not including protected areas), turned Costa Rica into a conservation world leader and attracted much interest from countries looking to implement similar mechanisms. As domestic demand remains higher than the system can accommodate, new options, including a water use tax and several innovative scenic beauty schemes, continue to be explored. Adoption of these initiatives and a GEF project associated with a new World Bank loan are expected to provide greater system stability and significantly increase awareness of environmental costs throughout Costa Rica.

## CHAPTER 6. RELEVANCE OF GEF SUPPORT TO COSTA RICA

141. This Chapter reviews the relevance of GEF support to:

1. The country's sustainable development agenda and environmental priorities
2. The country's development needs and challenges
3. National action plans within the GEF focal areas
4. Global environmental indicators, and
5. Relevance of the GEF portfolio to other global and national organizations

### **Relevance of GEF Support to the Country's Sustainable Development Agenda and Environmental Priorities**

- Is GEF support within the country's sustainable development agenda and environmental priorities?
- Does GEF support have country ownership and is it country driven?
- What is the level of GEF funding compared to other ODAs in the environment sector?

#### *Relevance to the Country Agenda and Priorities*

142. Relevance of GEF support to the country's development agenda was evaluated on the basis of the appropriateness of the project development process and project results relative to National Development Plans. This Chapter offers a summary of this evaluation; for complete details see Annex 8.

143. The results generally indicate that, as evidenced in Chapter 5, GEF support to Costa Rica has had a significant biodiversity focus (69% of all support). This is aligned with Costa Rica's development agenda (as stated in National Development Plans since 1994), where environmental issues have consistently ranked among the four or five topmost priorities. Biodiversity has always ranked in the first sublevel. In the 2002-2006 NDP, biodiversity stands next to climate, energy, institutional development, environmental education, environmental rights, and economic valuation issues.

A review of biodiversity activities shows that GEF support has closely tracked country progress in this area. The GEF has provided support for important components of the National System of Protected Areas, for improving knowledge of biodiversity, and for innovative conservation funding mechanisms such as Payments for Environmental Services.

144. GEF support in other areas has been less relevant. On climate change, the current NDP focuses on vulnerability and power generation from renewable resources. The GEF has supported the latter but not the former. While it could be argued that vulnerability only became an explicit part of the GEF agenda in 2004, it could also be argued that the GEF has supported this topic as part of projects in other areas of the world.

145. The reason the current NDP makes no specific mention of CO<sub>2</sub> emissions maybe because the NDP predates the completion of the greenhouse gases inventory (Second Communication to the UNFCCC, supported by GEF).

146. Available data for Costa Rica indicates that the leading source of CO<sub>2</sub> emissions is internal transportation. Should future GEF support focus on this issue and on vulnerability to climate change, it would require a substantial shift from the current focus on wind power generation and electrification, in a context where Costa Rica's power sources remain decidedly green (i.e., hydroelectric).

147. With respect to international waters, a Regional Project with Nicaragua involving the San Juan River is nearing completion while an additional Regional Project with Panama concerning the Sixaola River is under preparation. In other words, the GEF is supporting activities in both of the country's most important international river basins.

148. While not in the current NDP, marine areas were a priority in the first two NDPs (1994 to 2002). However, it would appear that marine areas have not been selected for GEF funding. MINAE has begun talks with Ecuador and Panama to establish marine corridors along the Pacific coast.

149. In other focal areas, the GEF is supporting enabling activities (POPs) or are a the planning stages (land degradation). The National Implementation Plan for POPs, supported by an enabling activity is having a significant impact on sector standing within government structures.

150. GEF support through the SGP has been highly relevant to consolidation of the national sustainable development agenda, especially as regards to local organizations and synergies with full- and medium-size GEF supported projects. Support for community-based rural tourism, for example, has helped this activity rise to fourth place within the country's tourist industry. The GEF has also supported the National Organic Farming Awareness Strategy, the drafting of related proposed legislation, and the creation of a network of organic farming stakeholders.

#### *Country Base and Ownership*

Chapter 5 reviewed the origins and results of full-size projects supported by the GEF in Costa Rica. This assessment clearly shows that these projects have originated within the country and are fully locally-owned, as they implement national priorities that align with GEF priorities.

151. In all cases, GEF projects have provided an opportunity to implement or build on preexisting initiatives originating in-country as national ideas and experiences evolve. While IAs have helped improve certain operational aspects and assisted in making adjustments whenever necessary, leadership has remained in local hands. Much of the credit goes to a modern, adequate legal framework, a stable civil service, and efficient coordination of political and legal issues.

### *GEF and Other ODA Support*

152. GEF support through the nineties was overshadowed by ODA from the Netherlands, Sweden, Norway, and the United States, among others. More recently, the end of armed conflict in the region and of the Cold War in general, as well as a renewed focus on poverty (e.g., the Millennium Development Goals approved at the 2002 Johannesburg Summit) have made GEF support more important (see Chapter 4).

153. GEF supported projects have also been instrumental in helping secure bilateral and multilateral funding, as demonstrated by World Bank and IADB loans linked to GEF projects in the same areas.

154. In Costa Rica, the shift in ODA flows has created new opportunities for involvement in environmental issues by INGOs such as TNC, CI, WWF, and IUCN. However, while their contribution (not estimated for this report) is growing, it has yet to fill the ODA decline.

### **Relevance of GEF Support to Country's Development Needs and Challenges**

- Does GEF support help development needs (i.e., technology transfer, income generation, capacity building) and reduce challenges (i.e., gaps in capacity building)?
- Are the different GEF modalities and project components and instruments (i.e., FP, MSP, EAs, small grants, etc.) in accordance with the country's needs and challenges?

### *Development Needs*

155. All GEF Projects have capacity-building and technology transfer (when necessary) components built in. The desk review and interview process did not detect implementation issues in this regard.

156. Some criticism was expressed about the role of outside consultants in local communities. It was felt that while using consultants can help expedite compliance with requirements, this method fails to build local capacities, as consultants essentially collect data, then provide a finished product.

### *Modalities of Support*

157. Consistency of GEF modalities of support with country needs is best evidenced by the extent of use. In Costa Rica, all existing GEF modalities except PDF C have been used, often more than once. This reflects well on the capacity of the country's institutions and organizations, on the stability of its civil service and on its commitment to exploring and using available options to build on and advance the country's environmental agenda.

158. The availability of project development funding (PDF A & B) is highly valued as it makes it possible to devote the time and resources necessary to achieving a thorough understanding of the issues and modalities of intervention.

159. The improvement in project quality over the various GEF stages is noteworthy. Newer projects are more precise, better defined, more realistic, and easier to evaluate. Obviously, better projects require a more significant investment of time and money, which further highlights the relevance of funding.

160. The role played by the Small Grants Programme should be noted. The SGP provides local NGOs and community groups with transparent access to GEF support, based on processes and requirements specifically targeted at them. Local activities can thus become part of larger, more comprehensive undertakings working to obtain global environmental benefits.

### **Relevance of GEF Support to National Action Plans Within GEF Focal Areas**

- Is GEF support linked to the National Biodiversity Strategic Action Plan; National Communications to UNFCCC; National POPs; National Capacity Self-Assessment?

#### *National Biodiversity Strategic Action Plan*

161. The National Biodiversity Strategic Action Plan was completed in 1998. All subsequent GEF-supported biodiversity projects (Biodiversity Resources, Ecomarkets, Talamanca-Caribe Biodiversity Conservation, Biodiversity Conservation in Cacao Agro-forestry and Cocos Island, as well as projects currently underway) are priorities in the Action Plan. The GEF Programmatic Framework for Biodiversity (2000) is also based on these priorities. However, not all priorities in this framework have received GEF support.

#### *Communications to the UNFCCC*

162. This process led to the development of the Costa Rica Greenhouse Gas Emission Inventory and to identification of the steps to Implement the Convention. It concluded in 2005.

#### *National Implementation Plan for the Stockholm Convention on POPs*

163. This process began in 2005 and has not concluded. As a result, no projects have yet been developed for GEF consideration. However, the Plan development process has been instrumental as a framework for interlinking actions under the Stockholm, Basel, and Rotterdam conventions. Plans to institutionalize this framework include setting up a MINAE Technical Office and convening an intersectoral, interagency commission to address this issue, which remains a clear concern to many in both the public and private sectors.

#### *National Capacity Self-Assessment for Global Environmental Management*

164. This very recent process remains underway and has not yet produced GEF proposals. A key expected product is a proposal to restructure the mechanism in which the GEF focal point is located in Costa Rica.

## Relevance of GEF Support to Global Environmental Indicators

- Are project outcomes and impacts related to the RAF Global Benefit Index (for biodiversity and climate change) and to other global indicators for POPs, land degradation, and international waters?

165. A constraint faced by this report is the lack of prioritization and indicators of environmental issues in the GEF, as noted in focal area studies conducted by the Office in 2001 and 2004.

166. To work around this limitation, the evaluation used the implicit RAF criteria for biodiversity and climate change as potential environmental priorities. As these criteria were adopted after completion of the projects under review, projects were not designed within these criteria.

167. In spite of these restrictions, it was decided to conduct this review as a means to exploring the relevance of the portfolio to the GEF. Since all projects are indeed relevant to a GEF area—a basic condition for approval—this review attempts to go beyond the merely obvious.

### *Biodiversity*

168. The RAF Global Benefit Index for Biodiversity (GBIB) considers the following aspects:

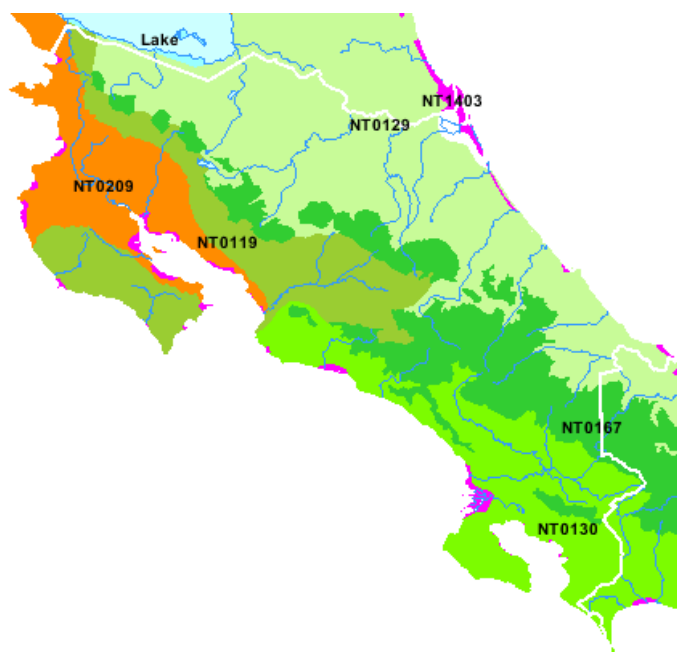
- Terrestrial ecoregions, based on the WWF map of 867 ecoregions across the globe.
- For each ecoregion, an index is compiled based on four key aspects:
  - Represented species
  - Threatened species
  - Represented ecoregions
  - Threatened ecoregions
- Marine ecoregions (unsubdivided), with an index based on represented species.

169. Given the limitations faced by the evaluation process, this review will be restricted to ecoregions.

170. Costa Rica has eight terrestrial ecoregions. Each has a corresponding threat level.

**Figure 8: Ecoregions of Costa Rica (WWF)**

|                                                                  |
|------------------------------------------------------------------|
| NT 0116 Cocos Island Rainforest.<br>Stable / Intact              |
| NT 0119 Costa Rica seasonal Rainforest.<br>Critical / Endangered |
| NT 0129 Atlantic Coast Rainforest.<br>Vulnerable                 |
| NT 0130 Pacific Coast Rainforest.<br>Critical / Endangered       |
| NT 0167 Talamanca Rainforest.<br>Stable / Intact                 |
| NT 0209 Central American Dry Forest.<br>Critical / Endangered    |
| NT 1403 Bahamian Mangroves.<br>Vulnerable                        |
| NT 1407 Bocas del Toro – San Blas Mangroves.<br>Vulnerable       |



171. An examination of represented ecoregions and of some threatened ecoregions relative to GEF-supported activities prior to establishment of the above criteria shows as follows:

**Table 14: GEF-Supported Activities and Key Ecoregions of Costa Rica**

| Ecoregion                                   | Threat Level          | GEF Action                                                                                |
|---------------------------------------------|-----------------------|-------------------------------------------------------------------------------------------|
| NT 0209 Central American Dry Forest         | Critical / Endangered | 103 Biodiversity Resources                                                                |
| NT 0119 Costa Rica Seasonal Rainforest      | Critical / Endangered |                                                                                           |
| NT 0130 Pacific Coast Rainforest            | Critical / Endangered | 364 Amistad-Osa Biodiversity Conservation                                                 |
| NT 0129 Atlantic Coast Rainforest           | Vulnerable            | 672 Talamanca-Caribe Biodiversity Conservation<br>979 Biodiversity in Cacao Agro-forestry |
| NT 1403 Bahamian Mangroves                  | Vulnerable            |                                                                                           |
| NT 1407 Bocas del Toro – San Blas Mangroves | Vulnerable            |                                                                                           |
| NT 0116 Cocos Island Rainforest             | Stable / Intact       | 1713 Cocos Island                                                                         |
| NT 0167 Talamanca Rainforest                | Stable / Intact       |                                                                                           |

172. Three additional projects were countrywide in scope:

213 National Biodiversity Strategic Action Plan  
671 Ecomarkets  
Small Grants Programme

173. Table 14 shows that GEF action on biodiversity has focused on (all) represented ecoregions with a reasonable emphasis on those facing threats, even if projects were developed and approved with no specific consideration given to this factor.

174. This cursory review shows that the GEF agenda in Costa Rica has focused on stable or intact ecoregions (i.e., the Cocos Island Rainforest) over critical or endangered ecoregions (i.e., the Seasonal Rainforest). Further consideration of these issues may help both Costa Rica and the GEF improve the GEF contribution to global environmental benefits.

### *Climate Change*

175. Aspects considered in the RAF Global Benefit Index for Climate Change (GBICC):

- Greenhouse gas emissions in 2000 from fossil fuels, cement production, and other sources. Emissions from changes in land use are not considered.
- Carbon intensity adjustment factor. Carbon intensity is the amount of carbon equivalent emitted per unit of economic activity (kg carbon/US\$1 GDP) while the adjustment factor is the ratio of carbon intensity in 1990 to carbon intensity in 2000. The adjustment factor is multiplied by the level of the above emissions. This seeks to reward countries that have reduced carbon intensity levels through energy efficiency or increased use of renewable energy sources.

176. The Costa Rica projects reviewed both focus on electricity generation using renewable sources (wind and solar) and thus help cut back on carbon emissions and carbon intensity. As such, both are clearly aligned with RAF climate change priorities.

### **Relevance of the GEF Portfolio to Other Global and National Organizations**

- |                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li>• Do GEF activities, country commitments and project counterparts support GEF mandate and focal areas programs and strategies?</li></ul> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

177. GEF supported projects in Costa Rica were not developed or executed in isolation. Most are part of larger undertakings. Some supplemented a larger effort, while others were complemented and given continuity by smaller projects. The information on Table 15 supports this assertion.

**Table 15: GEF Supported Projects Relative to Other National and International Support**

| GEF Code | Project Name                                                                                | Status                        | Other National and International Support                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------|---------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 60       | Tejona Wind Power Project                                                                   | Completed Full-Size Project   | Co-financed by a \$4.5-million (NLG 9,569,916,00) Joint Implementation Pilot Program grant from NV EDON Groep of the Netherlands.<br>New facilities brought on stream by Compañía Nacional de Fuerza y Luz, COOPESANTOS, Empresa de Servicios Públicos de Heredia and COOPEGUANACASTE have increased the installed capacity threefold.<br>Wind power currently supplies 6 percent of Costa Rica's energy needs. The expected ceiling is 15 percent. |
| 103      | Biodiversity Resources Development                                                          | Completed Full-Size Project   | Part of the Joint Biodiversity Resources Programme co-financed by the Netherlands and Norway (tripling GEF support).<br>INBIO, the executing agency, is now practically self-sustaining and has become an internationally-recognized leader in its field.                                                                                                                                                                                           |
| 364      | Biodiversity Conservation and Sustainable Development in the Osa-Amistad Conservation Areas | Completed Full-Size Project   | This project had no co-financing. Activities in the Conservation Areas have continued to this day by SINAC.<br>FONAFIFO has several Environmental Services Payments projects in this area (where GEF supported projects also operate).<br>Conservation agencies such as TNC have significant programs in the Osa area.                                                                                                                              |
| 671      | Ecomarkets                                                                                  | Completed Full-Size Project   | Co-financed by Costa Rica with a World Bank loan which helped increase investment in the project sixfold. Activities are currently financed by a 3.5 percent levy on gasoline, the sale of carbon bonds, and other revenues.                                                                                                                                                                                                                        |
| 672      | Biodiversity Conservation in the Talamanca-Caribe Biological Corridor                       | Completed Medium-Size Project | Project activities were given continuity by SINAC and by the Talamanca-Caribe Biological Corridor Association, which executes projects funded by various sources.<br>The <i>French GEF</i> and TNC are also active in the area.                                                                                                                                                                                                                     |
| 979      | Biodiversity Conservation in Cacao Agro-forestry                                            | Completed Medium-Size Project | Project activities continue under a CATIE program with JICA (Japan) support. An IADB/GEF Regional Project on natural resource management by indigenous communities (GEF 1092) is also being executed in the area.                                                                                                                                                                                                                                   |
| 1132     | National Off-grid Electrification Programme Based on Renewable Energy Sources – Phase 1     | Ongoing Full-Size Project     | Ongoing project with matching funds from ICE/MINAE. Given the nature of the project (power generation for isolated areas) and its key participants (ICE is a power generator and distributor) ICE itself is expected to provide continuity.                                                                                                                                                                                                         |
| 1713     | Improving Conservation Management in the Cocos Island Conservation Area                     | Ongoing Medium-Size Project   | Ongoing project with co-financing from several sources increasing GEF support threefold. Key contributors are SINAC (using public funds earmarked for the Cocos Island Conservation Area) and the French GEF.                                                                                                                                                                                                                                       |

178. With respect to catalytic and replication effects, special mention should be made of the global standing achieved by the Payments for Environmental Services scheme funded in part by GEF, which has effectively turned Costa Rica into a world leader in this field. Representatives of numerous public, private and civil society groups from around the globe continue to visit Costa Rica to learn more about the system. Many a lesson learned in this process is being adapted or replicated by similar initiatives currently under implementation abroad.

## CHAPTER 7. EFFICIENCY OF GEF SUPPORTED ACTIVITIES IN COSTA RICA

179. This Chapter reviews the efficiency of GEF supported activities in Costa Rica as per the following indicators:

- How much time, effort and money does it take to develop and implement a project, by type of GEF support modality?
- Roles and responsibilities among different stakeholders in project implementation
- The GEF Focal Point mechanism in Costa Rica
- Lessons learned between GEF projects
- Synergies between GEF stakeholders and projects

180. Consistent with the findings of other GEF Evaluation Office reviews, the *FOREMOST* issue facing this type of analysis was the absence of baseline project information, particularly project cycle details. This type of information has yet to be properly compiled and systematized.

181. In most cases, dating the different project cycle phases required a perusal of original project documents (ProDoc, Endorsement Letters, GEF Secretariat e-mails, GEF CEO correspondence, final evaluations, PIRs, etc.). This cannot be considered official GEF information. In addition, IA and Secretariat data are often inconsistent with each other, making for a significant information gap. Not surprisingly, most local executors interviewed regarded these as critical issues.

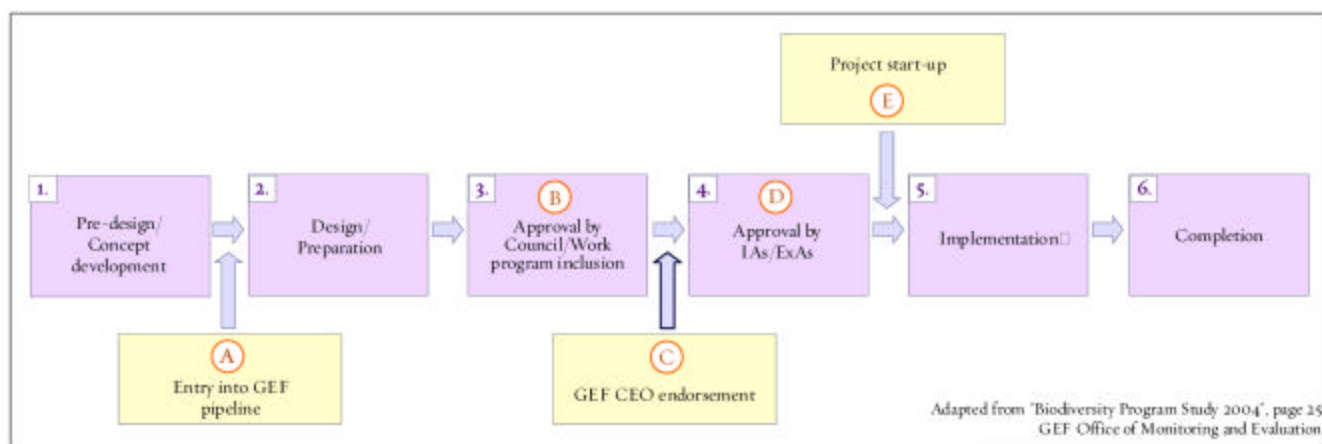
### **How much time, effort and money does it take to develop and implement a project, by type of GEF support modality?**

- Project processing timing (according to project cycle steps)
- GEF Project cycle steps in Costa Rica
- Actual project completion dates

### *The GEF Project Cycle*

182. To most local executors interviewed, the GEF project approval process and the project cycle in general remain confusing. While IA/EA staff have a better understanding of its workings, the process is not fully self-evident even to some of them. One of the criticisms most often heard is the long-drawn-out nature of the project cycle. This is perceived as a complex process where there is limited knowledge about the expected or actual timing of each phase or the factors that prolong their duration.

183. Figure 9 below shows all phases of the GEF project cycle, from preparation of proposals through to implementation and completion:



**Figure 9: GEF Project Cycle**

### *Stages of the GEF Project Cycle in Costa Rica*

184. Table 16 below was prepared on the basis of the flow shown in Figure 9 and the baseline information obtained from project documents. This table estimates the duration in days of some phases in the projects reviewed.

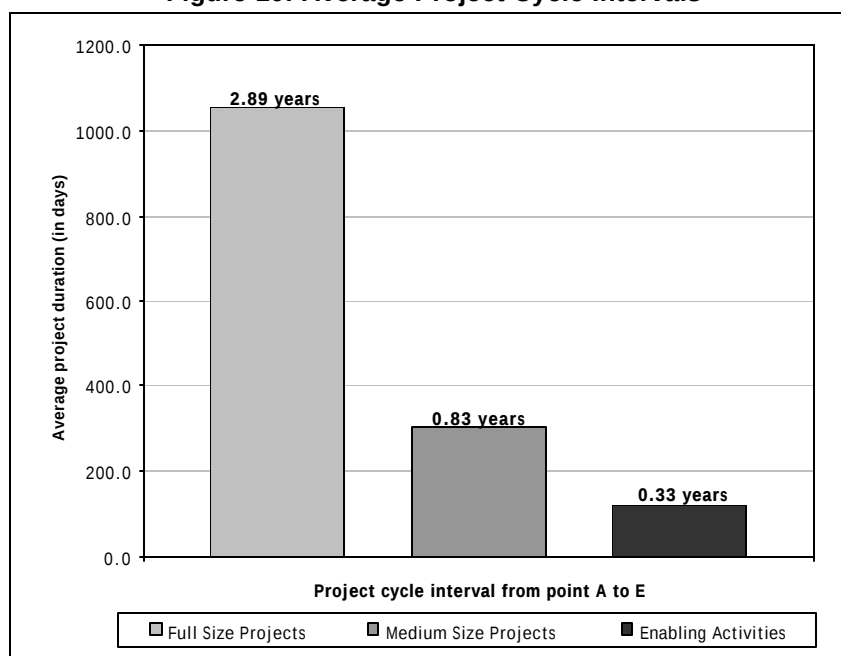
**Table 16: Duration of Project Cycle Phases in GEF Supported Activities in Costa Rica**

| Full-Size Projects   |                                                                       | A B        |            | B C       |            | C D        |             | D E |   | B E |   | A E |   |
|----------------------|-----------------------------------------------------------------------|------------|------------|-----------|------------|------------|-------------|-----|---|-----|---|-----|---|
| Project ID           | Project Name                                                          | A          | B          | B         | C          | C          | D           | D   | E | B   | E | A   | E |
| 1132                 | National Off-grid Electrification Programme                           | 328        | 721        | 7         | N/A        | 728        | 1056        |     |   |     |   |     |   |
| 364                  | Biodiversity Conservation in Osa and La Amistad                       | N/A        |            |           |            | N/A        | 548         | N/A |   |     |   |     |   |
| 103                  | Biodiversity Resources Development                                    | N/A        | 360        | 7         | 133        | 500        | N/A         |     |   |     |   |     |   |
| 671                  | Ecomarkets                                                            | N/A        | 169        | 19        | 315        | 503        | N/A         |     |   |     |   |     |   |
| 60                   | Tejona Wind Power Project                                             | N/A        |            |           | 436        | 1088       | N/A         |     |   |     |   |     |   |
| <b>Average</b>       |                                                                       | <b>328</b> | <b>417</b> | <b>11</b> | <b>295</b> | <b>673</b> | <b>1056</b> |     |   |     |   |     |   |
| Medium-Size Projects |                                                                       |            |            |           |            |            |             |     |   |     |   |     |   |
| 1713                 | Cocos Island Conservation                                             | N/A        | N/A        |           |            | N/A        | 345         |     |   |     |   |     |   |
| 672                  | Talamanca-Caribe Biological Corridor                                  | 266        | N/A        |           | N/A        | 175        | 441         |     |   |     |   |     |   |
| 979                  | Biodiversity in Cacao Agro-forestry                                   | 106        | N/A        | 13        | 6          | 20         | 126         |     |   |     |   |     |   |
| <b>Average</b>       |                                                                       | <b>186</b> | <b>N/A</b> | <b>13</b> | <b>6</b>   | <b>98</b>  | <b>304</b>  |     |   |     |   |     |   |
| Enabling Activities  |                                                                       |            |            |           |            |            |             |     |   |     |   |     |   |
| 213                  | National Biodiversity Strategic Action Plan (Report to the CBD COP)   | 36         | 1          | 132       |            | 133        | 169         |     |   |     |   |     |   |
| 1659                 | Second Communication to the UNFCCC                                    | 179        | 3          |           |            |            |             |     |   |     |   |     |   |
| 2207                 | National Capacity Self-Assessment for Global Environmental Management | 18         | 1          |           |            |            |             |     |   |     |   |     |   |
| 2426                 | National Implementation Plan, Stockholm POP Convention                | 10         | 1          | 58        |            | 59         | 69          |     |   |     |   |     |   |
| <b>Average</b>       |                                                                       | <b>61</b>  | <b>1.5</b> | <b>95</b> |            | <b>96</b>  | <b>119</b>  |     |   |     |   |     |   |

185. The lack of information (see gray cells) is evident. As project cycle and approval procedures have varied through the life of the GEF and are different for each IA, many phases do not apply to all projects (Not Applicable, N/A), especially the early ones. (For example, the pipeline or CEO endorsement mechanisms have not been in formal existence since the inception of the GEF; in the case of the UNDP, for example, Steps D & E are the same).

186. As presented in the table above, phase duration is highly variable. For any given modality of GEF support —Medium-Size Projects, for example— the coefficient of variation on the interval from Point A to Point E is 55 percent. For Enabling Activities, the coefficient of variation on the interval from Point A to Point B is 131 percent. In some cases, this coefficient for the entire data set is as high as 164 percent. Given the limited number of projects reviewed and the unique nature of the planning, preparation and development processes, no clear trends about the duration of the various phases of the GEF project cycle can be said to have emerged from these data. Nevertheless, there are certain observations that could be made. Predictably, the table above shows that the preparation stage (i.e., from entry into pipeline to start-up) is clearly longer (by about three years) for Full-Size Projects than for Medium-Size Projects, which are in turn longer than Enabling Activities. This is clearly evident when charting the average interval (in years) from Points A to E of the GEF project cycle for each modality of GEF support:

**Figure 10: Average Project Cycle Intervals**



187. In conclusion, the length of the development and negotiation stage varies widely among the projects reviewed, and the data collected show no evidence of particularly protracted phases or process bottlenecks. A comprehensive Joint Evaluation currently being conducted by the Office may answer lingering questions and concerns in this respect.

188. It should be noted that the project cycle and intervals herein refer exclusively to the GEF process. The duration of the pre-pipeline phase was not reviewed because no adequate baseline information was available. In addition, many projects reviewed in this evaluation were prepared during the initial GEF phases, when PDF were not available and project cycles were not necessarily alike.

Rather than system-wide delays or bottlenecks, the variability of project cycle phases seems to stem from the peculiarities of each case, including protracted discussions between executors and IAs/EAs; technical debates among stakeholders; conflicts with fiscal public regulators in Costa Rica, etc.

189. To address the issue of prolonged GEF project cycles, several of the persons interviewed proposed various options:

- o **For NGOs:** Have reserve funds and be ready for a lengthy project preparation and negotiation process. Carefully weigh these factors before making a decision to turn to the GEF for funding.
- o **For Governmental organizations:** Take all reasonable steps to ensure that changes in the public service do not impact project negotiations.
- o **For GEF Secretariat:** Recognize that a lengthy project process leads to proposals designed for one phase (e.g., GEF II) being submitted under another (e.g., GEF III). As a result, proposals may be evaluated under GEF priorities that differ from those extant at project preparation. At present, such proposals are sent back to be reformulated and rewritten to conform to the new GEF priorities, adding several extra months, and even years, to the preparation process.
- o **For GEF Secretariat, IAs and EAs:** High staff turnover and the absence of standards and procedures lead to most project proposals being reviewed by two or sometimes three IA, EA and GEF Secretariat staff. This causes two types of problems:
  - Different staff use different criteria;
  - Staff positions go unfilled for long periods, sometimes months, while proposals go unattended.

#### *Access to Procedural Information*

190. Many interviewees expressed concern at the absence of information on two specific areas:

- o Requirements, norms, and mechanisms of the GEF project cycle.
- o Progress of proposal reviews along the GEF project cycle.

Information about the GEF project cycle in general, and its workings and proposal tracking procedures in particular, were rated poor, deficient or nonexistent by most local executors interviewed. Evaluator experience bears out this perception.

191. In addition, project executors do not use the GEF Web site regularly. They perceive it as a confusing and user-unfriendly site that makes access to pertinent operating data a difficult proposition.

192. As to efficiency, several respondents identified poor information as a more critical issue than process duration. Most agreed that not knowing what stage a proposal is in, which requirements or priorities are set by the GEF and which by IAs/EAs, etc., is a leading source of frustration.

From the standpoint of informants, the absence of a clear, publicly accessible proposal tracking mechanism is a critical shortcoming.

### *Actual Project Completion Dates*

193. Project executors have fewer issues with the implementation stage (block 5 in the GEF project in Figure 9) than with the planning and approval stages. In their view, once implementation norms and mechanisms are understood, following them is a straightforward matter. From the point of view of the public at large, however, information about project implementation remains confusing and hard to obtain.

194. Predictably, the projects and activities reviewed showed that the average length of the implementation stage varies for each modality of GEF support.

**Table 17: Average Length of Implementation Stage per Modality of GEF Support**

| <b>Modality of GEF Support</b> | <b>Average Length</b>         |
|--------------------------------|-------------------------------|
| Full-Size Projects             | 50 months (4 years, 2 months) |
| Medium-Size Projects           | 40 months (3 years, 4 months) |
| Enabling Activities            | 20 months (1 year, 8 months)  |

195. Table 18 presents an analysis of the variation of completion dates from original or proposed a project start up to actual. Enabling Activities were not assessed due to insufficient information.

**Table 18: Target and Actual Completion Dates for GEF Supported Activities in Costa Rica**

| Full-Size Projects |                                                 | Target Completion Date | Actual Completion Date | Difference                                                                                              |
|--------------------|-------------------------------------------------|------------------------|------------------------|---------------------------------------------------------------------------------------------------------|
| 1132               | National Off-grid Electrification Programme     | 12 Oct 2006            | Ongoing                | This 24-month project effectively began in March 2006. Expected difference: at least <b>15 months</b> . |
| 364                | Biodiversity Conservation in Osa and La Amistad | 1 Jun 1996             | 1 Jul 1998             | <b>25 months</b>                                                                                        |
| 103                | Biodiversity Resources Development              | 30 Jun 2005            | 31 Dec 2005            | <b>6 months</b>                                                                                         |
| 671                | Ecomarkets                                      | 30 Jun 2006            | Near completion        | Expected to complete on schedule.                                                                       |
| 60                 | Tejona Wind Power Project                       | 24 Nov 1999            | 1 Jul 2002             | <b>32 months</b>                                                                                        |

| Medium-Size Projects |                                      | Target Completion Date | Actual Completion Date | Difference                                                                      |
|----------------------|--------------------------------------|------------------------|------------------------|---------------------------------------------------------------------------------|
| 1713                 | Cocos Island Conservation            | 31 Mar 2008            | Ongoing                | Completion date moved to 31 March 2009. Difference: at least <b>12 months</b> . |
| 672                  | Talamanca-Caribe Biological Corridor | 6 Mar 2003             | 31 May 2003            | <b>2.8 months</b>                                                               |
| 979                  | Biodiversity in Cacao Agro-forestry  | 21 Feb 04              | 28 Feb 2004            | <b>7 days</b>                                                                   |

### Roles and Responsibilities Among Different Stakeholders in Project Implementation

- Who implements projects?
- Clarity in roles and responsibility of stakeholders
- Coordination among projects

*Who implements projects?*

196. Table 19 presents GEF supported activities executed by governmental organizations.

**Table 19: GEF Supported Activities in Costa Rica Executed by Governmental Organizations**

| Description |                                                                       | IA/EA | Executor       | Phase       | Budget          |
|-------------|-----------------------------------------------------------------------|-------|----------------|-------------|-----------------|
| 60          | Tejona Wind Power Project                                             | WB    | ICE            | GEF I       | \$3.30          |
| 671         | Ecomarkets                                                            | WB    | ONAFIFO        | GEF II      | \$8.30          |
| 1132        | National Off-grid Electrification Programme                           | UNDP  | ICE            | GEF III     | \$1.15          |
| 364         | Biodiversity Conservation in Osa and La Amistad                       | UNDP  | SINAC          | Pilot Phase | \$8.00          |
| 1713        | Cocos Island Conservation                                             | UNDP  | SINAC          | GEF III     | \$1.10          |
| 1659        | Second Communication to the UNFCCC                                    | UNDP  | IMN            | GEF III     | \$0.35          |
| 2207        | National Capacity Self-Assessment for Global Environmental Management | UNDP  | MINAE          | GEF III     | \$0.20          |
| 2426        | National Implementation Plan, Stockholm POP Convention                | UNEP  | stry of Health | GEF III     | \$0.45          |
| Total       |                                                                       |       |                |             | <b>\$ 22.85</b> |

197. Table 20 summarizes GEF supported activities executed by non-governmental organizations.

**Table 20: GEF Supported Activities in Costa Rica Executed by Non-Governmental Organizations**

| Description  |                                                                     | IA/EA | Executor | Phase   | Budget          |
|--------------|---------------------------------------------------------------------|-------|----------|---------|-----------------|
| <b>103</b>   | Biodiversity Resources Development                                  | WB    | INBIO    | GEF II  | \$7.30          |
| <b>672</b>   | Talamanca-Caribe Biological Corridor                                | UNDP  | ACBTC    | GEF II  | \$0.75          |
| <b>979</b>   | Biodiversity in Cacao Agro-forestry                                 | WB    | CATIE    | GEF II  | \$0.76          |
| <b>213</b>   | National Biodiversity Strategic Action Plan (Report to the CBD COP) | UNDP  | INBIO    | GEF I   | \$0.20          |
| <b>SGP</b>   | Small Grants Programme                                              | UNDP  | Various  | Ongoing | \$5.08          |
| <b>Total</b> |                                                                     |       |          |         | <b>\$ 14.09</b> |

198. The leading IAs active in Costa Rica (UNDP & World Bank) have implemented GEF supported activities in partnership with both governmental and non-governmental organizations. Both types of organizations have implemented at least one project per modality of GEF support.

199. As to resource allocation, 61.8 percent of GEF funds earmarked for Costa Rica have been allocated to eight governmental organizations. Activities implemented by NGOs (a total of four, plus the SGP) account for 38.2 percent. Worth noting is the distributive effect of the Small Grants Programme, whose \$5.08 million in funding (13.8 percent of the total) are specifically targeted at civil society groups, mostly NGOs.

200. All NGO activities started implementation during GEF Phase I or II (i.e., none during the Pilot Phase of Phase III). The Costa Rican government's growing interest in GEF funds is a cause for concern in the NGO community, which fears that access to the Enabling Activities, Medium-Size Project or Full-Size Project modalities of GEF support may become increasingly difficult as a result. In their view, the RAF will restrict NGO involvement to the Small Grants Programme. They feel that it will be practically impossible for national or regional NGOs to obtain access to national GEF support allocated through the RAF.

#### *Clarity of Roles and Responsibility of stakeholders*

201. As noted, national executors do not consider the implementation stage to be problematic or contentious. The protracted, detailed and often highly participatory process of project preparation helps stakeholders become well acquainted with each other and with project objectives and activities. As a result, implementation and coordination often proceed trouble-free.

#### *Coordination Among Projects*

202. IAs and EAs all have their own particular way of implementing GEF Projects in Costa Rica. Table 21 summarizes their respective strategies:

**Table 21: IA/EA Implementation Strategies for GEF Supported Activities**

| IA/EA             | Implementation Strategy                                                                                                                                  |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>UNDP</b>       | Implements directly in coordination with local partners, mostly government agencies such as SINAC or MINAE or sometimes NGOs, as the case may be.        |
| <b>World Bank</b> | Implements indirectly through arm's-length government agencies such as FONAFIFO or NGOs such as INBIO.                                                   |
| <b>UNEP</b>       | Implements indirectly through regional bodies such as the OAE or government agencies such as MINAE.                                                      |
| <b>IADB</b>       | Implements indirectly through a consortium formed by a private firm retained to this effect and a local counterpart (often an NGO or government agency). |

203. The data gathered and the interviews conducted do not support the conclusion that one implementation strategy is more effective or efficient than another. All have advantages and disadvantages, and project executors had no special difficulties with any in particular.

### **The GEF Focal Point Mechanism in Costa Rica**

204. In Costa Rica, the Focal Point function was initially performed by FUNDECOOPERACIÓN, a not-for-profit civic foundation administering project funds under a Bilateral Sustainable Development Agreement with the Netherlands. During that period, the GEF Focal Point was advised by a committee of governmental and non-governmental organizations.

205. In 1999 the Minister for the Environment transferred both the Political and Operational Focal Point functions to the MINAE Director for International Cooperation. As noted in Chapter 3, while the GEF sets some basic guidelines for the Focal Point function, it refrains from mandating specific structures or mechanisms and leaves the final decision to each country. As a result, and depending on the country, the Focal Point mechanism may be a small committee, a large commission, a specific office, or—as in Costa Rica—a single individual. While Costa Rica's current Focal Point structure is thus within GEF guidelines, many respondents regarded it as weak and not transparent for a country with a strong tradition of public participation. These remarks were not aimed at the individual in charge and referred only to the mechanism and method chosen by MINAE to discharge this function.

206. In the past the GEF Council approved a support program for focal points that included \$8,000 annual stipend toward the cost of coordination meetings, consultation workshops, translation, and other expenses. Costa Rica has not used these funds in recent years due to the high administrative and reporting costs involved in obtaining these funds through the UNDP.

207. In November 2005 the GEF Council approved a more substantial program of Focal Point support which will include, in addition to the above, the following assistance:

- Focal Point training activities
- Additional funds for travel to meetings with Council Members at least twice a year
- A new information support framework, including an Internet-based system of support
- Subregional consultation meetings with Focal Points from various countries

208. This Program is to be administered by UNEP/GEF. As this is a very recent initiative, people interviewed did not know about it.

209. Another type of GEF support to Focal Points includes informational e-mail and the *Talking Points* newsletter, published about three times a year since 2001, on average. While the quality of information provided through these channels has improved significantly in the last year, the Focal Point and the public in general remain without clear access to general GEF information or specific project details. The online GEF database is incomplete, information on many projects has critical gaps, and some documentation is filed in the wrong place.

While the Focal Point in Costa Rica has discharged its basic function as defined by the GEF, it has done so with distinct weaknesses in the areas of public consultation and information flow. There is significant concern across the board about future operations after the RAF effectively places. Most respondents would like a participatory, transparent mechanism to review issues and projects based on strategic priorities, thus removing the risk associated with the current first-come, first-served practices.

### **Lessons Learned Between GEF Projects**

210. In line with related findings in previous Evaluation Office reports (e.g., OPS3), Costa Rica also exhibits serious weaknesses with regard to the systematization and management of information on GEF supported activities.

211. While some new projects have been able to benefit from the lessons learned by past or current projects, this has owed more to project staff initiative than to mechanisms and processes explicitly set up to this effect.

212. It would also appear that projects make rather limited efforts to share results. This task is not a formal component of project documents and, with the exception of the 103 Biodiversity Resources Development project and the Small Grants Programme, it is allocated no specific budget. In most projects, culling and sharing lessons learned seems to be the isolated work of inspired individuals rather than the norm. Only the Small Grants Programme has a number of evaluations and publications in this regard.

### **Synergies Between GEF Stakeholders and Projects**

213. Most IAs/EAs have a basic understanding and acknowledgement of each other's ongoing and future projects. While communication among IA/EA officials exists, it is mostly informal in nature and owes more to chance meetings at certain events than to explicit, formal, established processes or mechanisms.

214. Technical support between GEF projects implemented by different agencies is practically non-existent. A remarkable exception is the Small Grants Programme, which systematically encourages coordination and collaboration between GEF supported projects at both the national and regional levels.

215. Government bodies involved in GEF projects often work alone. Their mostly informal meetings and exchanges owe little to synergies promoted or encouraged by GEF projects and much more to outside factors, such as institutional policy or government initiatives.

216. With respect to synergies, SINAC has made an effort to encourage meetings and exchanges among staff members coordinating projects supported by non-government funds. Results, however, remain unclear.

217. Strong synergies between GEF supported activities and activities supported by other donors do materialize when both sets of activities are coordinated or implemented by the same body (e.g., SINAC or MINAE). These links are more tenuous when the only common factor is geographical area or field of intervention.