

Terminal Evaluation Review form, GEF Evaluation Office, APR 2015

1. Project Data

Summary project data			
GEF project ID	2884		
GEF Agency project ID	P098838		
GEF Replenishment Phase	GEF-3		
Lead GEF Agency (include all for joint projects)	World Bank		
Project name	Mainstreaming Market-Based Instruments for Environmental Management		
Country/Countries	Costa Rica		
Region	Latin America and the Caribbean		
Focal area	Biodiversity (02/09/2006, project executive summary, p.1)		
Operational Program or Strategic Priorities/Objectives	GEF operational program: Forest Ecosystem –OP3; and Mountain Ecosystem – OP4; GEF strategic priority: Mainstreaming Biodiversity in Production Landscapes and Sectors (SP-2), Generation and Dissemination of Best Practices for Addressing Current and Emerging Biodiversity Issues (SP-4) (02/09/2006, project executive summary, p.1)		
Executing agencies involved	Ministry of Environment and Energy (MINAE), National Forestry Financing Fund (FONAFIFO)		
NGOs/CBOs involvement	secondary executing agency; (According to PD, they will provide technical assistance to the project implementation)		
Private sector involvement	N/A		
CEO Endorsement (FSP) /Approval date (MSP)	06/08/2006 (TE, preface, part B)		
Effectiveness date / project start	7/31/2008 (TE, preface, part B)		
Expected date of project completion (at start)	07/31/2012 (TE, preface, part B)		
Actual date of project completion	03/31/2014 (TE, preface, part B)		
Project Financing			
	At Endorsement (US \$M) (02/09/2006, project executive summary, p.1)	At Completion (US \$M) (Based on ICR review p.3 and p.1)	
Project Preparation Grant	GEF funding		
	Co-financing		
GEF Project Grant	10.00	10.00	
Co-financing	IA own	30.00	30.00
	Government	47.56	85.40
	Other multi- /bi-laterals	2.74	2.74
	Private sector		
	NGOs/CSOs		
Total GEF funding	10.00	10.00	
Total Co-financing	80.30	118.14	
Total project funding (GEF grant(s) + co-financing)	90.30	128.14	
Terminal evaluation/review information			
TE completion date	09/23/2014		
Author of TE	Michael Bliemsrieder/Juliana Gomez		
TER completion date	12/15/2015		

TER prepared by	Chenhao Liu
TER peer review by (if GEF EO review)	Molly Watts

2. Summary of Project Ratings

Criteria	Final PIR	IA Terminal Evaluation	IA Evaluation Office Review	GEF EO Review
Project Outcomes	S(PDO),MS(GEO)	S(PDO), MU(GEO)	MS	MS (4)
Sustainability of Outcomes	NR	NR (but it rated "low to negligible" risk to project outcome")	NR (but it rated significant risk to project outcome")	L
M&E Design	NR	MU	NR	MU
M&E Implementation	NR	MU	NR	MU
Quality of Implementation	MS	MU	MU	MU
Quality of Execution	NR	MS	MS	MS
Quality of the Terminal Evaluation Report	-	-	S	S

3. Project Objectives

3.1 Global Environmental Objectives of the project:

"The Project Global Environmental Objective is to enhance the conservation of globally significant biodiversity and ensure its long-term sustainability by supporting the development and implementation of market-based instruments to promote forest conservation in buffer zones of protected areas and biological corridors connecting them." (TE, preface, Part F)

3.2 Development Objectives of the project:

"The Project Development Objective is to enhance the provision of environmental services of a national and global significance and assist in securing their long-term sustainability. "(TE, preface, Part F)

3.3 Were there any **changes** in the Global Environmental Objectives, Development Objectives, or other activities during implementation?

"Neither the PDO (Project Development Objective) nor the GEO (Global Environment Objective) were revised. Nevertheless, following a Mid-Term review (MTR) in April 2012, a Level Two restructuring was approved on June 29, 2012, which revised and raised the targets expected at project closing for PDO outcome indicators 1 and 4; revised and downgraded the target PDO indicator 2; and dropped PDO indicator 3 and GEO indicator 6. Table 2 includes the PDO and GEO and revised indicators. A second restructuring took place in July 2013, additionally modifying some intermediate outcome indicators." (TE, p.2)

Apart from program restructuring, the TE further indicated the following changes/revision during the project implementation:

"Extension of Closing Date

Following the MTR and the subsequent 2012 restructuring, an extension of the closing date of the project from July 31, 2012 to March 31, 2014 was approved. The extension sought to accommodate the project's two-year delay in effectiveness, to allow for the capitalization and financing of the administrative costs of

the Costa Rica’s Sustainable Biodiversity Fund (FBS), as well as to secure the completion of studies critical for the achievement of the PDO and GEO, 9 namely (i) a socioeconomic impact study; (ii) the biodiversity monitoring study by INBio; and (iii) a carbon sequestration study to define Costa Rica’s emissions baseline to support the country’s carbon market.”(TE, p.6)

Reallocation of Loan Proceeds

As a result of the need to capitalize and finance unexpected administrative costs of the FBS and complete key critical studies, a reallocation of funds from component 1a (Instituting water tariff to finance PES programs for projecting watersheds) to 1b (Implementing and capitalizing the Trust Fund for Sustainable Biodiversity Conservation (FBS)), and from component 3 (Removing barriers for small landholders’ participation in the PES Program) to component 2 (Scaling-up the Environmental Services Program (PES) program) of the GEF grant was approved during the restructuring of June 29,2012.(TE, p.6)

4. GEF EO assessment of Outcomes and Sustainability

Please refer to the GEF Terminal Evaluation Review Guidelines for detail on the criteria for ratings.

Relevance can receive either a Satisfactory or Unsatisfactory rating. For Effectiveness and Cost efficiency, a six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess. Sustainability ratings are assessed on a four-point scale: Likely=no or negligible risk; Moderately Likely=low risk; Moderately Unlikely=substantial risks; Unlikely=high risk. In assessing a Sustainability rating please note if, and to what degree, sustainability of project outcomes is threatened by financial, sociopolitical, institutional/governance, or environmental factors.

Please justify ratings in the space below each box.

4.1 Relevance	Rating: Satisfactory
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The TE rated two dimensions related to the project’s outcome relevance: the relevance of the project’s development objective (High); and the relevance of the project’s Global Environmental Objective (High). In a binary scale, this TER will rate the project’s outcome relevance as “Satisfactory”. The project’s objectives/outcomes are consistent with relevant development strategies and priorities, but accounting more for the specific country context would have been preferable.

According to the TER, “The relevance of the project’s GEO has been assessed against GEF’s programmatic directions, which became effective on July 1, 2014. The GEO is fully compatible with and contributes towards GEF’s Biodiversity Objective 4 (Mainstream biodiversity conservation and sustainable use into production landscapes and seascapes and sectors), Programs 9 (Managing the Human-Biodiversity Interface) and 10 (Integration of Biodiversity and Ecosystem Services into Development & Finance Planning).”(TE, p.10) “The project’s design was consistent with the country’s long-term development goals; its strategies and components had the same purpose, although with different modes of action, but always aimed at improving forest conservation” (TE, p.8)

But at the same time, “It is evident that this project was a complex operation that did not sufficiently take all country challenges into account. Difficulties resulting from the inclusion of PDO and GEO that required different implementation and M&E arrangements indicate that future operations need to consider more carefully the requirements for development (PDO) or environmental (GEO) objectives and be more sophisticated in developing indicators that are better aligned.” (TE,p.10)

4.2 Effectiveness	Rating: Moderately Satisfactory
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The TE assessed two areas related to the project’s outcome effectiveness: achievement of project development objectives (Satisfactory); and achievement of GEO (Moderately Unsatisfactory). Combining the evidence of achievement of the PDO, GEO, and Intermediate Outcomes, this TER will rate the project’s overall effectiveness as “Moderately Satisfactory”. The project has been effective in reaching the preset outcomes for POD and immediate outcomes, but its achievement of GEO was not fully satisfactory. Specifically: one of the three PDO indicators has fully reached the target level (another indicator reached 95% of the target); GEO indicator has reached 77% of the target level; seven of the total nine immediate outcome indicators have reached the target level. The following analysis will look into the achievement of each preset outcome separately: (Note: As the PDO/GEO/intermediate outcomes have undergone a few revisions, the target values are the latest updates; all of the relevant information comes from TE, preface, part F)

PDO

Indicators 1: By the end of the project (EOP), at least 288,000 hectares of land are maintained annually under Payment for Environmental Services contracts providing environmental services of both local and/or global importance. The target of this indicator was formally revised upward to 310,000 ha on 6/28/2012, which **was achieved 95%** by the end of project (EOP value: 296,904 ha).

Indicator 2: By the EOP, at least half of the newly-contracted area is financed annually by funding from service users. This goal was **partly achieved**; the target value was 35,000 ha, and the value at the end of the project was 16,904 ha. The target of 35,000 ha was achieved in 2010, but this figure declined later due to “the annual nature of most of FONAFIFO's budget and the 5-year length of most of its conservation contracts.”(TE, preface, F (a))

Indicator 3: The project hoped to achieve a 50% increase (from current 1,900 to 2,850) of the number of small- and medium-sized landholders (less than 100-hectare farms) participating in the PSA (PES) Program by the end of the project. The goal was **fully achieved and exceeded**, as the target value of 3,500, was surpassed, and 4,226 small and medium-sized landholders were participating in the PSA (PES) Program by the end of the project.

GEO

Indicator 1: By the EOP, at least 190,000 ha (2,000 contracts) of land located in productive landscapes in the buffer zones of protected areas and biological corridors connecting them in the MBC are maintained

annually under PSA(PES) contracts for at least 20 years. This target was **not achieved**; the target value was 190,000 ha, while the value at the end of the project was 146,074ha.

Intermediate Outcome Indicator(s)

Indicator 1: By the EOP, 85 % of annual net returns from the FBS (Trust Fund for Sustainable Biodiversity Conservation) will be invested in PES at productive landscape projects located in buffer zones of protected areas and biological corridors. This target was **Not Achieved** and its EOP value was 0. The result was due to “delays in setting up the FBS and strict investment rules imposed by KfW (German Development Bank) prevented FONAFIFO from allocating any FBS resources towards PES contracts.” (TE, preface, F (a))

Indicator 2: By the EOP, 3.5 % from fuel-tax revenues and 25 percent of water tariff will finance PSA (PES) for water-resource protection. This target was **Fully Achieved by the EOP** and at the end of project it was set up that 3.5 % from fuel-tax revenues and 25 percent of water tariff will finance PSA (PES) for water-resource protection.

Indicator 3: By the EOP, capital participation for the FBS (Trust Fund for Sustainable Biodiversity Conservation) will reach at least US \$15 million, of which US\$7.5 million is contributed by GEF. This target was **Fully Achieved by the EOP**, and at the end of the project the total level of capitalization for the FBS was US\$18.5 million, of which US\$9.1 million comes from GEF.

Indicator 4: By the EOP, at least 75% of PSA (PES) Program resources are placed in PSA (PES) contracts. This target was **Fully Achieved by the EOP**. However, it should be noted that the original target was 90%, which was revised downwards to 75% during the project’s first restructuring. The EOP value was 77%, which is slightly above the adjusted target.

Indicator 5: By the EOP, PSA (PES) activities are integrated through participatory planning on land use in at least 3 (micro-watershed) communities. This target was **Fully Achieved by the EOP**. By the EOP, PSA (PES) activities were integrated through participatory planning in 2 micro-watershed communities. Although the project did not intervene in the third planned watershed, through an agreement between another micro-watershed community and the Institute of Technology of Costa Rica the participatory planning and land use activities were carried out at that site. As such, the target value was achieved at 100%.

Indicator 6: By the EOP, 2.7 million tons of CO2 from forestry activities will be certified and sold at the global carbon markets and will generate at least USD 10 million in revenue. This target was **Not Achieved**. By the EOP, only 22,950 tons of CO2 from forestry activities was certified and were sold for USD 95,000 at the global carbon markets.

Indicator 7: By the EOP, female landholders in the program will be maintained at least to the current level (current level 800). This target was **Fully Achieved by the EOP**. The number of women participating in the PES program by EOP was 877, exceeding the revised target value of 800.

Indicator 8: By the EOP, Indigenous community owned lands in the PSE program will be maintained at least to the current level (current level 25,125 ha). This target was **Fully Achieved by the EOP**. The target has been revised upwards to 43,000 ha during the project’s first restructuring, and it was still met and the EOP value 47,571 has even exceeded the revised target.

Indicator 9: By the EOP, a contract system for PSA (PES) with differentiated payments applied is operational and working well. This target was **Fully Achieved by the EOP**. The system was designed and fully operational by the EOP.

Overall, it is clear from the above analysis that the project has been successful in reaching its objective, but with some marked underachievement. Thus a rating of “Moderately Satisfactory” for its overall outcome effectiveness is well justified.

4.3 Efficiency	Rating: Moderately Satisfactory
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The TE rated the project’s overall efficiency as “Substantial”, which indicates a high-level of satisfaction. This TER will rate the project’s outcome efficiency as “Moderately Satisfactory”, due to the project’s clearly documented achievements in cost-effectiveness, plus a significant delay during its implementation.

According to the TE, “The ex-post economic analysis reveals positive results in terms of net present values and very high economic rates of returns based on the various scenarios simulated.

Correspondingly, the level of confidence in the high economic returns generated by the project is bolstered by the fact that benefits associated with the reforestation component, the sale of carbon credits, the revenues realized by service contracts by public and private water suppliers, and the poverty reduction benefits have been left out of the analysis. For an economic value of US\$4,500 per ha of annual benefits associated with protected areas, the analysis finds that at a 4% discount rate, Net Present Values are as high as US\$48 million, which represents a benefit/cost ratio of 2.4. “Thus, the TE decided to rate the project’s efficiency as **Substantial**. (TE, p.12)

The project had an extension during its implementation which “sought to accommodate the project’s two-year delay in effectiveness, to allow for the capitalization and financing of the administrative costs of the Costa Rica’s Sustainable Biodiversity Fund (FBS), as well as to secure the completion of studies critical for the achievement of the PDO and GEO.” (TE, p.6)

Although the project was implemented in a cost-effective manner, the project still required a two year extension as a necessary effort to accommodate its implementation plan to order to secure the achievement of preset outcomes. Therefore, a rating of “Moderately Satisfactory” is justified.

4.4 Sustainability	Rating: Likely
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The TE didn’t directly rate the project’s sustainability. Instead, it rated the risk to both the PDO and the GEO has been rated “Negligible to Low”, which, in other words, indicates the high-level potential for the project’s sustainability. This TER will rate the project’s outcome sustainability as “Likely”, based on individual assessment of four sub-categories of sustainability as per below:

Financial Resource Sustainability-Moderately Likely

According to the TE, the project's sustainability faces a few challenges on the financial ground, although it has proposed remedies. "Considering that the more substantial part of the PES program is being financed through revenues from the fuel tax, current efforts to promote Costa Rica as a carbon neutral country will in the long run reduce tax revenues as the consumption of fossil fuels is likely to decrease." To address this risk, the Bank is currently engaging in a dialogue to provide advice on how to reform the PES, following an analysis of the program's impact and the sustainability of its financing in the context of the country's overall development agenda." (TE, p.13)

Socio-political Sustainability- Likely.

This TER rated the socio-political sustainability as "Likely". The Payment for Ecosystem Services project was established prior to the World Bank's engagement (TE, p.13), which is a fact demonstrates the government's strong interest in the project's focus area. Furthermore, "With GOCR's (Government of Costa Rica's interest to promote green and inclusive growth through mainstreaming sustainable management practices and systems in productive landscapes, there is an expectation that the PES program will continue."(TE, p.13)

Institutional Sustainability-Unable to Assess

The terminal evaluation and project documents focused on project's financial/socio-political sustainability and didn't identify any significant risks to institutional sustainability. This TER is unable to give an assessment without sufficient information.

Environmental Sustainability- Unable to Assess

The terminal evaluation and project documents focused on the project's financial/socio-political sustainability and didn't identify any significant risks to environmental sustainability. This TER is unable to give an assessment without sufficient information.

Overall, although the TE didn't explicitly rate the project's sustainability, based on the evidence it presented one can expect a continuation of the project's impact or related activities in the future.

5. Processes and factors affecting attainment of project outcomes

5.1 Co-financing. To what extent was the reported co-financing essential to the achievement of GEF objectives? If there was a difference in the level of expected co-financing and actual co-financing, then what were the reasons for it? Did the extent of materialization of co-financing affect project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

The TE didn't mention any information in this regard thus this TER is unable to assess the effect of co-financing.

5.2 Project extensions and/or delays. If there were delays in project implementation and completion, then what were the reasons for it? Did the delay affect the project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

"Following the MTR and the subsequent 2012 restructuring, an extension of the closing date of the project from July 31, 2012 to March 31, 2014 was approved. The extension sought to accommodate the project's two-year delay in effectiveness, to allow for the capitalization and financing of the administrative costs of

the Costa Rica’s Sustainable Biodiversity Fund (FBS), as well as to secure the completion of studies critical for the achievement of the PDO and GEO” (TE, p.6)

“Delays were common throughout the project’s life.” (TE, p.7) “Although both the client and the Bank team were successful in resolving most of the issues, by (end of project) EOP a number of targets had not been fully achieved, and activities that should have been carried out much earlier were only starting as the project was in its final stages. A number of delays can arguably be traced back to factors outside the implementing agency’s control, such as (i) the significant drop in carbon certificate prices by the time the project became effective, or (ii) long processing and approval times by central government and the National Assembly, which delayed the initial disbursement and the establishment of the FBS. Still, delays were also the result of incomplete baseline information, the nature of the project’s design and the client’s capacities in biodiversity management.” (TE, p.7)

5.3 Country ownership. Assess the extent to which country ownership has affected project outcomes and sustainability? Describe the ways in which it affected outcomes and sustainability, highlighting the causal links:

Relevant project documents (especially the TE) didn’t provide sufficient information in this regard, thus this TER is unable to assess the level of country ownership or its effect on project outcomes and sustainability.

6. Assessment of project’s Monitoring and Evaluation system

Ratings are assessed on a six point scale: Highly Satisfactory=no shortcomings in this M&E component; Satisfactory=minor shortcomings in this M&E component; Moderately Satisfactory=moderate shortcomings in this M&E component; Moderately Unsatisfactory=significant shortcomings in this M&E component; Unsatisfactory=major shortcomings in this M&E component; Highly Unsatisfactory=there were no project M&E systems.

Please justify ratings in the space below each box.

6.1 M&E Design at entry	Rating: Moderately Unsatisfactory
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The TE rated the M&E design and implementation together as “Moderately Satisfactory”. This TER will rate the project’s M&E design as “Moderately Unsatisfactory”. The project initial M& E design, although specific and well-rounded in format, failed to fully take into account the potential difficulty in implementation.

The project’s M&E design was desirable in format, in the form of a project logic framework which sets out specific, measurable, realistic and timely indicators. However, as the project implementation proceeded, the weakness of project design was quickly identified, which was corrected following the Mid-Term Review with an adjustment to the project’s logic framework. (TE, p.2) Specifically, “Modifications during implementation resulted from either overambitious or underestimated targets, or from incomplete due diligence during indicator design (in cases where indicators turned out to be too difficult or complicated

to measure). For the GEO (Global Environment Objectives), the M&E framework only included two indicators and no biodiversity baseline. One indicator (vegetation cover) was dropped given the difficulties of measurement, while the other indicator (buffer zones and ecological corridors) achieved about 58% of its EOP target value. As a result, during and after the MTR the project actually adjusted its results framework to align it with FONAFIFO’s capacities, rather than building capacity to compensate for institutional weaknesses.” These facts, however, pointed towards the weakness of design of M&E framework at the baseline, which failed to take sufficient account into both the capacity of executing agencies and PDO/GEO. A rating of “Moderately Unsatisfactory” is therefore well justified.

6.2 M&E Implementation	Rating: Moderately Unsatisfactory
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The TE rated the M&E design and implementation together as “Moderately Satisfactory”. This TER will rate the project’s M&E implementation as “Moderately Unsatisfactory”, based on the following evidence documented by the TE: (TE, p.9)

“The M&E framework design and implementation is one of the most significant weaknesses of this project. A number of indicators and target values were changed following the 2012 Mid Term Review (MTR) and again during a second restructuring one year later. While it would have been expected that revisions to indicators during project implementation were accompanied by corrections in the measurement protocols or adaptation of the M&E framework, such changes would only be effective if introduced early enough to enable adjustments during implementation. Given that the project design was not reviewed and adapted to changed realities soon after becoming effective, this constitutes an important limitation. The fact that the MTR was only carried out 21 months before the closing date (of an implementation period of 68 months) meant that the project’s trajectory did not fundamentally change.” (TE, p.9)

“Available information was not assessed in a proper and timely fashion, resulting in delays in improving project implementation. Combined with the fact that beyond standard PES program data collection and statistical progress reviews, the project did not make full use of the M&E framework as intended, M&E Design, Implementation and Utilization is rated Moderately Unsatisfactory.” (TE,p.9)

7. Assessment of project implementation and execution

Quality of Implementation includes the quality of project design, as well as the quality of supervision and assistance provided by implementing agency(s) to execution agencies throughout project implementation. Quality of Execution covers the effectiveness of the executing agency(s) in performing its roles and responsibilities. In both instances, the focus is upon factors that are largely within the control of the respective implementing and executing agency(s). A six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess.

Please justify ratings in the space below each box.

7.1 Quality of Project Implementation	Rating: Moderately Unsatisfactory
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The project’s implementing agency is the World Bank. The TE rated the World Bank’s overall performance as “Moderately Unsatisfactory”. Also, the TE rated separately two areas of the Bank’s performance: (a) Bank Performance in Ensuring Quality at Entry (Moderately Unsatisfactory) (b) (b) Quality of Supervision (Moderately Unsatisfactory). Based on the TE’s evaluation on the World Bank’s role and activities as the project implementing agency, this TER will rate the quality of project implementation as “Moderately Unsatisfactory”.

According to the TE, although at the project’s entry the Bank has focused sufficiently on the project’s PDO, it underestimated the capacity of the implementing agency to properly address the shortcomings of the biodiversity M&E system. (TE, p.14) “Problems with Costa Rica’s slow and lengthy project approval process as well as FONAFIFO’s capacity constraints in terms of biodiversity conservation were known by the time of project appraisal, which should have prompted the Bank to pay more attention to these issues.” (TE, p.13-14) This negligence has entailed later two restructuring of the project results and M&E framework. (TE, p.13)

Considering the World Bank’s supervisory role in project implementation, due to the inadequate project design, the project started implementation “under a different set of conditions from the ones under which it was designed, the Bank missed an opportunity to apply corrective measures immediately after effectiveness, in particular as regards its overambitious nature and the ill-suited M&E system.” (TE, p.14)

“The fact that the project was supervised by five different Task Team Leaders had an impact on project execution. Also, although agreed upon in principle during the MTR, the June 2012 restructuring did not include a revision of three critical intermediate results indicators under Component 1 (indicators 4 and 5) and Component 2 (indicator 2). To address this shortcoming, the September 2012 supervision mission discussed and agreed on incorporating the revised indicators through an additional restructuring in 2013.”(TE, p.14)

“The Bank did flag potential issues and took corrective action, albeit with much delay. For example, during the difficulties with the establishment and capitalization of the endowment fund, the Bank supervision and financial teams provided intensive support in finding solutions and supporting FONAFIFO.” (TE, p.14)

“Ultimately, however, the Bank could have been significantly more proactive in its supervision” (TE, p.14) Thus, a rating of “Moderately Unsatisfactory” for the project’s implementation is justified.

7.2 Quality of Project Execution	Rating: Moderately Satisfactory
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The project’s main execution agency is FONAFIFO (National Forest Financing Fund (Fondo de Financiamiento Forestal). Considering the roles and related activities of FONAFIFO, The TE rated the borrower’s performance as “Moderately Satisfactory”. Based on similar considerations, this TER will rate the quality of project execution as “Moderately Satisfactory” based on detailed evidence documented by the TE as per follows: (TE, p.8-9)

“Ultimately, the implementation of on-the-ground activities related to the PDO was moderately successful. While some of the target values were not fully achieved, a number of indicators were exceeded

even after being revised during both Level Two restructuring events. FONAFIFO succeeded in carrying out the tasks for which it had the capacity, which was (and still is) managing forestry contracts under a PES (Payment for Environment Service) scheme and establishing channels of communication and outreach with the target population, including priority groups like indigenous communities and their territories.” (TE, p.8)

“With regard to the GEO, project implementation was less effective. FONAFIFO’s lack of experience and expertise in carrying out biodiversity conservation initiatives and measuring their impact resulted in implementation delays of critical activities related to achieving the GEO. As mentioned previously, project design assumed that successful implementation of the PES program would automatically result in impacts on biodiversity conservation. Considering the focus on the FBS (Trust Fund for Sustainable Biodiversity Conservation) and the described lack of expertise and capacity of the implementing agency in measuring and monitoring this impact, little evidence is available to indicate whether this relationship held. In addition, the optimistic goal of being able to “enhance the conservation of globally significant biodiversity” with less than US\$2 million (the non-FBS portion of the GEF grant) was impossible to measure as the project did not include a definition of what ‘globally significant’ meant in this context, nor did it include indicator species/ecosystems (since, as has been previously mentioned, no biodiversity baseline was available).” (TE,P.8)

Establishment of the FBS, which was a critical part of project outcome, was only completed during the late stages of project implementation. “A number of political delays and unexpected legal financial requirements hampered the establishment of the Fund. Only in mid-2013, after the Fund started operating under new management and some restrictive investment policies were lifted, did the Fund start to show its real potential. Although by EOP (end of project) the FBS had not yet proven to be an effective new sustainable financing mechanism, implementation was well underway; concurrently the GOCR (Government of Costa Rica) was able to raise significant additional financing (reaching US\$27 million in 2013) for the PES program through the fuel tax and water tariff, which removed the urgency of tapping into the FBS capital base, therefore enabling FBS management to focus on the protection and investment of the Fund’s capital.”(TE,p.8)

Based on the rationale outlined above, project execution is rated as **Moderately Satisfactory**.

8. Assessment of Project Impacts

Note - In instances where information on any impact related topic is not provided in the terminal evaluations, the reviewer should indicate in the relevant sections below that this is indeed the case and identify the information gaps. When providing information on topics related to impact, please cite the page number of the terminal evaluation from where the information is sourced.

8.1 Environmental Change. Describe the changes in environmental stress and environmental status that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

By end of project (EOP), 22,950 tons of CO₂ from forestry activities was certified and sold at the global carbon markets and will generate at least USD 95,000 in revenue; (TE, preface, part F)

8.2 Socioeconomic change. Describe any changes in human well-being (income, education, health, community relationships, etc.) that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

“According to a recent consultancy report commissioned by the Bank to evaluate the socioeconomic impact of the program, between 2008 and 2013 an average of 12,000 ha of forests were protected in indigenous territory; payments for these services are generally being used not individually but through a community consensus for the acquisition of agricultural machinery, medical equipment and educational material, among others.” (TE, p.4)

“In order to explore the potential impacts of the PES program on the socioeconomic dimension, FONAFIFO conducted a study to determine these aspects. In particular, the potential effects on the direct beneficiaries of the payments were evaluated as were the indirect effects on poverty and the job market in the PES coverage area. The study did not consider indigenous territories. The main results were:

- The main use of the money received from PES goes to investments on the farm or the part of the farm under PES. Secondly, payment is useful to them for meeting household expenditures and consumption, followed by investments on the farm or part of the farm without PES.
- PES can have an impact on income to the extent that the net payment for environmental services is higher than the income from an alternative activity.
- The PES program is aimed at landowners. This situation can exclude groups in extreme poverty.
- By introducing agricultural and other land use restrictions, PES tend to have an impact that decreases the job supply.
- Effectively, farms under PES use less fixed labor than ones that do not have a contract.” (TE, Annex, p.14)

In addition, by the end of the project, Indigenous community owned 22,446 more hectares of lands in the PSE program; (TE, preface, part F)

8.3 Capacity and governance changes. Describe notable changes in capacities and governance that can lead to large-scale action (both mass and legislative) bringing about positive environmental change.

“Capacities” include awareness, knowledge, skills, infrastructure, and environmental monitoring systems, among others. “Governance” refers to decision-making processes, structures and systems, including access to and use of information, and thus would include laws, administrative bodies, trust-building and conflict resolution processes, information-sharing systems, etc. Indicate how project activities contributed to/ hindered these changes, as well as how contextual factors have influenced these changes.

a) Capacities

By the end of the project, some 2326 more (from 1900 to 4226) small- and medium-sized landholders (less than 100-hectare farms) were participating in the PES Program; and some 403 more (from 474 to 877) Female landholders participated in the PES program. PES activities are integrated through participatory planning on land use in 3 (micro-watershed) communities; (TE, preface, part F)

b) Governance

By the EOP (end of Project), some 46,904 more hectares of land are maintained annually under PES contracts providing environmental services of both local and/or global importance; 9504 more hectares of land of the newly contracted area is financed annually by funding from service users; 46,074 more hectare of land located in productive landscapes in the buffer zones of protected areas and biological corridors connecting them in the MBC are maintained annually under PES contracts for at least 20 years. It is established that 25% of water tariff to finance PES for water-resource protection. The Trust Fund for Sustainable Biodiversity Conservation (FBS) was established and capitalized with US\$18.5 million, of which US\$9.1 million comes from GEF; 77% of PES Program resources are placed in PES contracts. A contract system for PEs with differentiated payments applied was established. (TE, preface, part F)

8.4 Unintended impacts. Describe any impacts not targeted by the project, whether positive or negative, affecting either ecological or social aspects. Indicate the factors that contributed to these unintended impacts occurring.

The TE didn't identify any unintended impacts.

8.5 Adoption of GEF initiatives at scale. Identify any initiatives (e.g. technologies, approaches, financing instruments, implementing bodies, legal frameworks, information systems) that have been mainstreamed, replicated and/or scaled up by government and other stakeholders by project end. Include the extent to which this broader adoption has taken place, e.g. if plans and resources have been established but no actual adoption has taken place, or if market change and large-scale environmental benefits have begun to occur. Indicate how project activities and other contextual factors contributed to these taking place. If broader adoption has not taken place as expected, indicate which factors (both project-related and contextual) have hindered this from happening.

The TE provided the following relevant information regarding the further scale-up/replication in the section "Post-completion Operation/Next Phase": (TE, p.10)

After the EOP (end of project), "two actions by the GOCR (Government of Costa Rica) have direct causal links with or result from project investments: (i) the implementation of the project's biodiversity monitoring once the INBio (National Biodiversity Institute of Costa Rica) report was delivered in March 2014; and (ii) the increasingly effective performance of the FBS (Trust Fund for Sustainable Biodiversity Conservation), which had reached a 5.3% return on investments by December 2013 and was predicting a possible 6% return by end of 2014."

9. Lessons and recommendations

9.1 Briefly describe the key lessons, good practices, or approaches mentioned in the terminal evaluation report that could have application for other GEF projects.

The TE rolls out the lessons learned through this project by its end: (TE, p.15-16)

“Lessons Learned

- Project design and implementation need to acknowledge country-specific complexities and pay particular attention to project readiness prior to appraisal. Delays in effectiveness can lead to a situation where the project design is not aligned anymore to the situation on the ground. Where project effectiveness is delayed, the validity of assumptions made at appraisal needs to be reviewed, and corrective action taken as early as possible upon effectiveness.
- To ensure that a project’s M&E Framework serves its purpose as a project management tool, relevant project stakeholders need to adequately understand its concepts and display the capacity to ensure appropriate implementation. Where this is not the case, these deficiencies need to be identified and addressed as a matter of priority. This could be done by either providing additional technical assistance to the implementation agency or, in circumstances where better suited capacity is available outside, bringing this expertise into the project at the design stage.
- While ecological baselines are not always readily at hand, science offers a number of alternatives for properly measuring conservation achievements when data is difficult to obtain or not available. Only biodiversity operations and/or components that incorporate simple, but proven data collection and measurement tools will ultimately be able to deliver on the outcomes expected from such programs in the long term.
- PES programs have proven effective in promoting afforestation/ reforestation as well as forest conservation, while providing a number of environmental services to downstream users. However, there are instances of PES programs creating the perverse incentives that this project precisely tried to avoid. Given high opportunity costs for cash crops (such as pineapple), areas formerly participating in Costa Rica’s PES program are being converted into agricultural lands. Recent analyses of Ecuador’s SocioBosque program (similar to Costa Rica’s PES) show that the program has mainly produced healthy forests. Nevertheless, with an inadequate regulatory framework and prices for timber higher than compensation payments for the ecosystem services, these forests are being cut down. If programs are mainly financed through government subsidies (and/or co-financed by external resources), the incentive for the symbiotic relationship between providers and users of the environmental service is removed. With this in mind, it is important to ensure that a value is attached to Biodiversity as part of the PES system, so that the financial incentive for not converting is higher.
- Given the conditional cash transfer nature of PES, engaging with vulnerable and disadvantaged communities can not only help to increase PES performance, but also significantly improve the livelihoods of these stakeholders. The availability of cash income provides communities in participating indigenous territories with bargaining powers to cofinance GOCR social programs leading to (i) improved access to basic public services such as education and health; (ii) improvements of infrastructure like roads and electricity; and (iii) the implementation of social development programs, such as construction of houses. At the organizational level Indigenous Peoples

Organizations can benefit from assistance give to improve management skills and self-government capacity.”

9.2 Briefly describe the recommendations given in the terminal evaluation.

The TE didn't include a section of recommendations.

10. Quality of the Terminal Evaluation Report

A six point rating scale is used for each sub-criteria and overall rating of the terminal evaluation report (Highly Satisfactory to Highly Unsatisfactory)

Criteria	GEF EO comments	Rating
To what extent does the report contain an assessment of relevant outcomes and impacts of the project and the achievement of the objectives?	The TE specified in detail the achievement of preset outcomes/objectives, but some more and clear-cut discussion on the project's impact will be preferable	Satisfactory
To what extent is the report internally consistent, the evidence presented complete and convincing, and ratings well substantiated?	The report is internally consistent, the evidence presented complete and convincing, and ratings are well substantiated with detailed evidence	Highly Satisfactory
To what extent does the report properly assess project sustainability and/or project exit strategy?	The project singled out a chapter discussing the project's sustainability but more details will be more preferable. Besides, it didn't mention the project's exit strategy	Moderately Satisfactory
To what extent are the lessons learned supported by the evidence presented and are they comprehensive?	The "Lessons Learned" section is adequate	Satisfactory
Does the report include the actual project costs (total and per activity) and actual co-financing used?	The TE reported actual project cost (total and per activity), but not in a specific and easily comprehensible way. Besides, it didn't report any co-financing related issues.	Moderately Unsatisfactory
Assess the quality of the report's evaluation of project M&E systems:	The TE's evaluation of the project's M&E is adequate	Satisfactory
		Satisfactory

11. Note any additional sources of information used in the preparation of the terminal evaluation report (excluding PIRs, TEs, and PADs).

In the preparation of this TER, no additional documents were referred to as the source of information apart from PIRs, TE, and PD.