



Project Implementation Report (PIR)

FY 2022

GEF - IDB

PIR # 3



IMPORTANT: The reporting period is GEF Fiscal Year (July 1st, 2021, to June 30th, 2022)

PROJECT GENERAL INFORMATION

Project Name	Sustainable Management of Ecosystem Services				
Project's GEF ID	4852	Project's IDB ID:	CR-T1148	Overall Stage:	Disbursing (from eligibility until all operations are closed)
Country/ies	Costa Rica				
GEF Focal Area	Biodiversity				
Executing Agency	FUNDACIÓN BANCO AMBIENTAL(FUNBAM)				
Project Finance	GEF Trust Fund	\$3,485,330			
	Co-finance at CEO Endors./Approv.	\$12,900,000			
	TOTAL Project Cost (GEF Grant + co-finance)	\$16,385,330			
Disbursements	GEF Grant disbursed as of end of previous fiscal year	\$455,720			
	GEF Grant disbursed as of end of this fiscal year	\$805,720			
Project Dates	Agency Approval Date	01/10/2019			
	Effectiveness (Start) Date	2/24/2019			
	First Disbursement Date	12/16/2019			
	Expected Completion Date (in Convergence: OED)	2/24/2024			
	Current Closing Date (in Convergence: CED)	2/24/2024			
	Expected Financial Closure Date (in Convergence: EOC)	5/24/2024			
	Actual Date of Closure (in Convergence: CO)				

Project Evaluation	Mid-term Date (Planned)	4/24/2022
	Mid-term Date (Actual)	7/01/2022
	Terminal evaluation Date (Planned)	8/24/2023
	Terminal evaluation Date (Actual)	

Development Objective

The project's objective is to improve the conservation and sustainable use of biodiversity through the management of terrestrial ecosystem services. Its specific objectives are to: (i) establish a planning framework that incorporates an ecosystem-based approach; (ii) design a compensation mechanism to promote ecosystem services management in productive landscapes, including the structuring of at least one source of financing; and (iii) support the implementation of the compensation mechanism.

Development Objective Rating (DO) & Assessment	PREVIOUS RATING	NEW RATING
As reported last year, the likelihood of the project to achieve its development objective is still rated as Moderately Unsatisfactory (MU). This outcome will depend on the impact of payment for ecosystem services instrument, which has been designed but still not implemented in the 5 Administrative Associations of Communal Aqueducts and Sewerage (ASADAS). Implementation is expected during the second half 2022.	MU	MU

Project Status Update

The project has accumulated significant delays due to the following reasons:

- COVID-19 forced the shut-down of the whole country and had a subsequent delay in the implementation of the projected activities. The impact was stronger in 2020, but most of the activities had to be conducted virtually during 2021.
- Change of authorities: The agreement reached among new Ministry of Environment and Energy (MINAE) authorities in 2021 regarding the funding mechanism for a new category of payment of ecosystem services took 6 months of discussions. The delays were also extended due to a new change of Minister at the beginning of 2022. Additionally, the government changed in May 2022, bringing new uncertainty to the peace of implementation of the project. The new responsible authorities have just taken place. A positive outcome of the change is the appointment of the director for the National System of Conservation Areas (SINAC) as Vice minister of Environment, which we expect will bring more synergies and harmony between the different institutional actors involved in the project.

Some progress has been achieved during the past year:

- Closer dialogue and greater understanding between the different relevant institutions developing water protection mechanisms, mainly SINAC, the Public Services Regulatory Authority (ARESEP) and Aqueducts and Sewerage (AyA). The year 2022 started with a joint workshop between these three institutions that gathered relevant stakeholders working towards the same goals. A second workshop was conducted in June 2022. The workshop aimed to harmonize the work carried out by various organizations promoting the water resource protection fee (water tax).

- The Terms of Reference for the implementation of the water resources protection fee in 5 rural water providers in areas where the water source comes from national parks and protected areas were finalized. The firm was identified, and the contract signed. Work is expected to begin in August 2022.
- 4 capacity building workshops on ecosystemic framework were conducted between September 2021 – July 2022.

Implementation Progress

Implementation Progress Rating (IP) & Assessment	PREVIOUS RATING	NEW RATING
<p>During fiscal year 2022, the project was rated marginally satisfactory due to the implementation progress of some of its components:</p> <p>Component 1 has progressed significantly in the generation of knowledge products, providing useful inputs to SINAC on the mainstreaming of the ecosystemic framework approach.</p> <p>Component 2, on the other hand, has also shown progress as the definition of the Terms of Reference for the implementation of the water fee in 5 ASADAS which water source comes from national parks were finalized, and the firm has been identified. Contract signature and implementation is still pending. The finalization of component 2 (5 studies) is required to unlock implementation of Component 3, which holds a significant portion of the project financial resources.</p>	MU	MS

Project Risks

Risk Rating (RISK) & Assessment	Previous Rating	New Rating
<p>In general, the project’s risk rating remained as Substantial (S) for fiscal year 2022.</p> <p>The main risk relies in the time that the 5 studies in the 5 ASADAS can take for their development, which can result in delays on the implementation of Component 3. This risk will be mitigated by conducting a close monitoring of the activities, including weekly meetings with the European Union (EU), ARESEP, AyA, and the firm.</p> <p>Another risk associated with the execution of component 2 is related to the potential updating of "water tax guidelines" developed by ARESEP while the studies are being conducted. To mitigate this risk, the Terms of Reference specifically mention the need of using the last guidelines developed. Meetings with ARESEP</p>	S	S

<p>to reduce the risk of implementing outdated guidelines will be conducted.</p> <p>Finally, there is risk associated to the institutional reform proposed for MINAE, presented by the President to Congress in June 2022. This reform includes a structural reorganization within SINAC, which brings uncertainty around SINAC’s current responsibilities and could potentially impact the scope of the program. For instance, organizational structure of the FONAFIFO would not suffer changes under the reform, which brings questions on how feasible it will be to operationalize article 37, 52 and 100 of the biodiversity law under SINAC’s management. To mitigate this risk, it will be key to maintain close communication with high level authorities to understand the changes and the implications for SINAC’s responsibilities, and the subsequent adaptation options for the scope of this project.</p>		
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Stakeholder Engagement

Closer dialogue and greater understanding between the different relevant institutions developing water protection mechanisms, mainly the National System of Conservation Areas (SINAC), the Public Services Regulatory Authority of (ARESEP) and the Aqueducts and Sewerage (AyA). Main events:

- The year 2022 started with a joint workshop between these three institutions that gathered relevant stakeholders working towards the same goals. A second workshop was conducted in June 2022. The workshop aimed to harmonize the work carried out by various organizations promoting the water resource protection fee (water tax).
- 4 capacity building workshops on ecosystemic framework were conducted between September 2021 – July 2022.

Recommendations:

- Continuation of training workshops for capacity building should continue.
- Additionally, more joint workshops should be planned. These workshops have proved to harmonize the institutional views on water resource management, enhance collaboration and reduce conflict.

Gender

There has been no significant advancement in this area.

Recommendation:

To implement all gender responsive related activities when the project moves forward. Re-connect with the DGI department of the IDB to improve and effectively incorporate gender aspects into the execution. Once signed the contract with the firm that will conduct the 5 studies in the ASADAS, recommend the incorporation of gender aspects into design and execution.

Knowledge

A knowledge management plan that facilitates coordination and joint action with different actors to promote the use of the knowledge products was generated by the project, and therefore a series of workshops on Payment for Ecosystem Services were delivered. Additionally, a workshop within the National System of Conservation Areas (SINAC) was organized to discuss SINAC's vision of ecosystem services, where the Public Services Authority of (ARESEP) participated to discuss how SINAC could reach its goals within the existing water tax for ecosystem services mechanism. Because of this workshop, SINAC decided to pursue the support of water taxes for water providers that collect water from protected areas and national parks.

The year 2022 started with a joint workshop between these three institutions that gathered relevant stakeholders working towards the same goals. A second workshop was conducted in June 2022. The workshop aimed to harmonize the work carried out by various organizations promoting the water resource protection fee (water tax).

Additionally, a new online interactive course on the ecosystem services approach for SINAC and other institutions is under development.

Recommendation:

Continuation of joint workshops should be planned. These workshops have proved to harmonize the institutional views on water resource management, enhance collaboration and reduce conflict.

Lessons Learned / Best Practices

The Public Services Regulatory Authority (ARESEP) designed the water fee/tax and its instruments of implementation, which is intended to be implemented by those responsible for managing the water issue in the country and benefit the Administrative Associations of Communal Aqueducts and Sewerage (ASADAS) only. The National System of Conservation Areas (SINAC), through this project, has engaged in conversations with ARESEP and Aqueducts and Sewerage (AyA) to find alternatives that could allow SINAC to implement and benefit from this tool. An agreement has been achieved on the implementation side, but it has been defined that the ASADAS will have the option of choosing to benefit from the instrument or let SINAC benefit from it (using a trust fund). This situation puts SINAC in a clear disadvantage and little options of benefiting from this mechanism.

Recommendation:

ARESEP and AyA have great ownership of this mechanism, but they did express their total willingness to support SINAC in finding the best mechanism to comply with Article 37 of the Biodiversity Law. It is advisable to conduct an exhaustive evaluation and weigh the possibility of starting work as soon as possible to look for options working with hydropower sector. According to ARESEP, this sector still does not have any mechanisms in place and clearly it is the other sector indicated by the article in reference. ARESEP expressed being in the best disposition to support SINAC in this direction as well.

SINAC does not have direct representation in FONAFIFO's board of directors, thus FONAFIFO payment for ecosystem services implementation it is not necessarily well aligned with the institution legally responsible for ecosystem services in CR (SINAC). This situation causes internal tensions within MINAE, that affected the execution of this TC, requiring the review of its scope twice since its execution started. Protected Areas do not receive payment for ecosystem services from FONAFIFO,

only private land. FONAFIFO is also under stress since it is funded since 2021 through oil taxes, and revenue decreased 30%.

Recommendations:

It would be beneficial to modify FONAFIFO’s law to include a SINAC representative within its board.

Although significant efforts have been made in managing alliances, it is advisable to conduct further work on strengthening FONAFIFO-SINAC relations, generating actions that, at least for this project, allow for a clear vision and strengthening common actions for the Project's objectives.

Lessons from the Mid-term evaluation

Lessons Learned Category	Details on lessons learned
Project Management, including financial and human resources issues	Due to the fact that the administration and the agenda of those hired have suffered delays and uncertainty in the contracting of services, it is proposed to negotiate an agreement (protocol) for a consensual compliance so that the administrative processes for contracting have deadlines known to all and can be projected with more certain dates.
Communications and Outreach	Due to the potential of resources offered by the project, it was considered strategic to incorporate a co communication specialist and take the step to knowledge management. This action resulted in two great successes of the EU that have strengthened the scope of outputs, as well as EA and ES issues, and directly supported beneficiaries.
Stakeholder Engagement	It is widely expected any project with a 10-year span from design to implementation has entails many consequences. A situation that requires making adjustments, seeking answers and closely monitoring. This has been the situation that the executing agency has faced and forced to build more tools and invest more time than planned in negotiations that were not identified in the planning. Opening spaces in public institutions and seeking consensus requires a lot of negotiations.
Stakeholder Engagement	Because the project requires highly multi sectoral processes, as an identified product, SINAC will be able to build new relationships that will allow it, as the main beneficiary, to expand its network and responsibilities.
Other (open ended)	COVID-19. Due to the effect of the pandemic, the virtual work and related uncertainties, mainly required some time for the staff to adapt. Once virtuality was installed, some activities were able to recover their dynamic. However, in general, it required a greater investment of time and effort. For example, some consultancies

	<p>report more work demand due to the need to carry out virtual activities such as workshops and consultations.</p> <p>Although the process seems to be reaching a more regular state, the pandemic persists.</p>
Stakeholder Engagement	Due to the nature of the project, a significant percentage of time has been invested in organizational and partnership building efforts. A condition that in some way should be contemplated/formally recognized in results. Contributions that to date are not visualized.
Knowledge, Collaboration and Learning	Due to the experiences in the first training to SINAC collaborators, the MTR recommended that there should be more participation and involvement of the employees so that they can feel ownership of the ES tools. The incorporation of ES is a long process and requires persistence and practice to achieve the transformation. It is urgent to have the responsible personnel and it is recommended to work on this issue to provide the necessary continuity.
Project Design, Appraisal and Planning	Working with the public sector requires considering the availability of personnel and the system's own bureaucracy. This situation often demands extending agendas and programming and affects the proposed times and plans. This is a reality that must be taken into account.
Risk Management	<p>The Risk tool available for the project was considered very basic, the EU designed and provided its own for this project. It is considered a very complete tool and contributed significantly to the risk management of the project. Applying it to each consulting contract allowed greater control and effectiveness.</p> <p>The tool is continually reviewed, and adjustments are reported in the semiannual reports. A recommendation is for this tool to be seen as an output within consulting due to its level of depth and functionality. Undoubtedly, it strengthens the Project.</p>
Successes	
<p>Closer dialogue and greater understanding between the different relevant institutions developing water protection mechanisms, mainly SINAC, ARESEP and AyA. The year 2022 started with a joint workshop between these three institutions that gathered relevant stakeholders working towards the same goals. A second workshop was conducted in June 2022. The workshop aimed to harmonize the work carried out by various organizations promoting the water resource protection fee (water tax).</p>	

Project Results Framework Modifications

Category	Fiscal Year	YES NO	APPROVED BY	DESCRIPTION OF CHANGE AND EXPLANATION
Outcome	2020	NO	IDB	NONE
	2021	NO	IDB	NONE
	2022	NO	IDB	NONE
Output/Activities	2020	NO	IDB	NONE
	2021	NO	IDB	NONE
	2022	NO	IDB	NONE

Project Extension or Other Modifications

No project extensions or minor modifications were processed during fiscal year 2022 for this operation.

ANNEX 1. DEFINITION OF RATINGS

Development Objective Ratings

1. Highly Satisfactory (HS): Project is expected to achieve or exceed all its major global environmental objectives, and yield substantial global environmental benefits, without major shortcomings. The project can be presented as “good practice”.
2. Satisfactory (S): Project is expected to achieve most of its major global environmental objectives, and yield satisfactory global environmental benefits, with only minor shortcomings.
3. Marginally Satisfactory (MS): Project is expected to achieve most of its major relevant objectives but with either significant shortcomings or modest overall relevance. Project is expected not to achieve some of its major global environmental objectives or yield some of the expected global environment benefits.
4. Marginally Unsatisfactory (MU): Project is expected to achieve some of its major global environmental objectives with major shortcomings or is expected to achieve only some of its major global environmental objectives.
5. Unsatisfactory (U): Project is expected not to achieve most of its major global environment objectives or to yield any satisfactory global environmental benefits.
6. Highly Unsatisfactory (HU): The project has failed to achieve, and is not expected to achieve, any of its major global environment objectives with no worthwhile benefits.

Implementation Progress Ratings

1. Highly Satisfactory (HS): Implementation of all components is in substantial compliance with the original/formally revised implementation plan for the project. The project can be presented as “good practice”.
2. Satisfactory (S): Implementation of most components is in substantial compliance with the original/formally revised plan except for only a few that are subject to remedial action.

3. Marginally Satisfactory (MS): Implementation of some components is in substantial compliance with the original/formally revised plan with some components requiring remedial action.
4. Marginally Unsatisfactory (MU): Implementation of some components is not in substantial compliance with the original/formally revised plan with most components requiring remedial action.
5. Unsatisfactory (U): Implementation of most components is not in substantial compliance with the original/formally revised plan.
6. Highly Unsatisfactory (HU): Implementation of none of the components is in substantial compliance with the original/formally revised plan.

Risk ratings

Risk ratings will assess the overall risk of factors internal or external to the project which may affect implementation or prospects for achieving project objectives. Risks of projects should be rated on the following scale:

1. High Risk (H): There is a probability of greater than 75% that assumptions may fail to hold or materialize, and/or the project may face high risks.
2. Substantial Risk (S): There is a probability of between 51% and 75% that assumptions may fail to hold and/or the project may face substantial risks.
3. Modest Risk (M): There is a probability of between 26% and 50% that assumptions may fail to hold or materialize, and/ or the project may face only modest risks.
4. Low Risk (L): There is a probability of up to 25% that assumptions may fail to hold or materialize, and/ or the project may face only modest risks.