

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

COSTA RICA

SUSTAINABLE DEVELOPMENT PROGRAM FOR THE SIXAOLA RIVER BINATIONAL WATERSHED

(CR-0150)

LOAN PROPOSAL

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BASIC SOCIOECONOMIC DATA

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

INFORMATION AVAILABLE IN THE RE2 TECHNICAL FILES

Preparation:

1. Project sample and analysis of component 1
2. Project sample and analysis of component 2
3. Project sample and analysis of component 3
4. Project sample and analysis of component 4
5. Baseline indicators for Panama and Costa Rica
6. Analysis of development scenarios

Execution:

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8. Land-use information system
9. Indicative plan for functional land-use management
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ABBREVIATIONS

AWPs	Annual work plans
CAP	Consejo Asesor del Programa [Program Advisory Council]
CCRS	Comité de la Cuenca del Río Sixaola [Sixaola River Watershed Committee]
CNE	Comisión Nacional de Emergencias [National Commission on Emergencies]
CRDs	Consejos Regionales de Desarrollo [regional development councils]
CRDHVA	Consejo Regional de Desarrollo de la Región Huétar Vertiente Atlántica [Regional Development Council of the Huétar Vertiente Atlántica region]
CSO	Civil society organization
EIRR	Economic internal rate of return
ERDS	Estrategia Regional de Desarrollo Sostenible [Regional Sustainable Development Strategy]
GEF	Global Environment Facility
GTZ	German Agency for Technical Cooperation
IBRD	International Bank for Reconstruction and Development
ICT	Instituto Costarricense de Turismo [Costa Rican Tourism Institute]
JAPDEVA	Junta de Administración Portuaria de Desarrollo de la Vertiente Atlántica [Port authority for the development of the Atlantic watershed]
KfW	Kreditanstalt für Wiederaufbau
MAG	Ministry of Agriculture
MH	Ministry of Finance
MIDEPLAN	Ministry of Planning and Economic Policy
MINAE	Ministry of the Environment and Energy
MINSa	Ministry of Health
MOPT	Ministry of Public Works and Transportation
OCCAPs	Organizaciones Cívicas Comunales Ambientales y Productivas [civil, communal, environmental and production-oriented organizations]
PCU	Program coordinating unit
PDF-B	Project Development and Preparation Facility Block B Funds (GEF)
PILA	Parque Internacional La Amistad [La Amistad international park]
PIOTF	Plan Indicativo de Ordenamiento Territorial Funcional [Indicative plan for functional land-use management]
PORs	Program Operating Regulations
REGAMA	Refugio Nacional de Vida Silvestre Gandoca-Manzanillo [Gandoca-Manzanillo National Wildlife Refuge]
SDI	Social development index

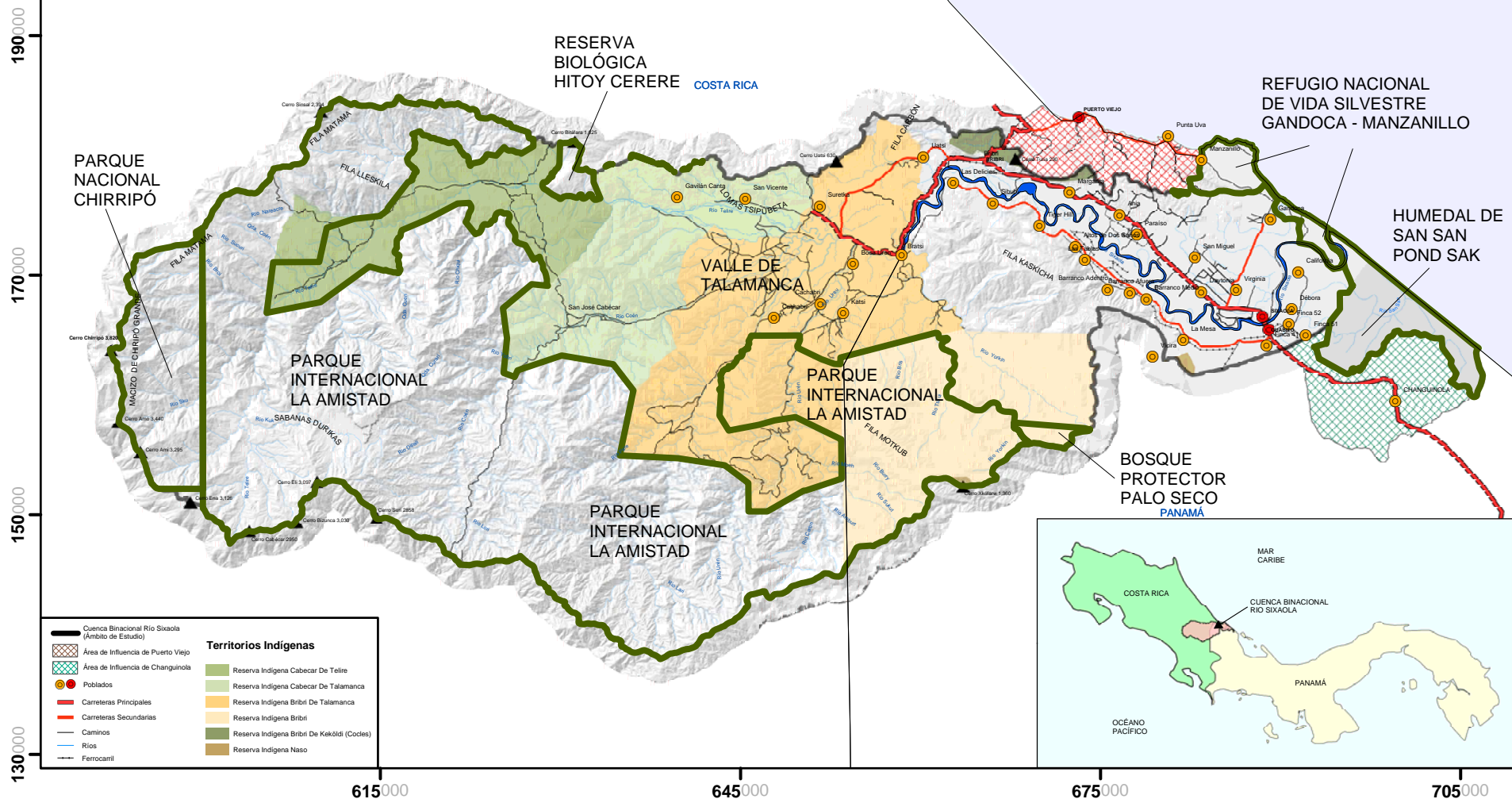
COSTA RICA. PROGRAMA DE DESARROLLO SOSTENIBLE DE LA CUENCA BINACIONAL DE RÍO SIXAOLA (CR-0150)

ÁMBITO TERRITORIAL
DE LA CUENCA BINACIONAL
DEL RÍO SIXAOLA

0 2.5 5 10 15 Km

Proyección: Lambert Cónica Conforme

Datum: Norte América 1927



Plano elaborado por EPYPSA-INCLAM como parte de la ATN/SI-8060-RS financiada por el Fondo Español



COSTA RICA

IDB LOANS

APPROVED AS OF APRIL 30, 2004

	US\$Thousand	Percent
TOTAL APPROVED	2,276,157	
DISBURSED	2,014,672	88.51 %
UNDISBURSED BALANCE	261,485	11.48 %
CANCELATIONS	219,812	9.65 %
PRINCIPAL COLLECTED	1,151,602	50.59 %
APPROVED BY FUND		
ORDINARY CAPITAL	1,783,379	78.35 %
FUND FOR SPECIAL OPERATIONS	351,200	15.42 %
OTHER FUNDS	141,578	6.22 %
OUTSTANDING DEBT BALANCE	863,070	
ORDINARY CAPITAL	762,424	88.33 %
FUND FOR SPECIAL OPERATIONS	100,504	11.64 %
OTHER FUNDS	142	0.01 %
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	297,294	13.06 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	116,787	5.13 %
ENERGY	1,037,265	45.57 %
TRANSPORTATION AND COMMUNICATIONS	108,125	4.75 %
EDUCATION	107,617	4.72 %
HEALTH AND SANITATION	172,232	7.56 %
ENVIRONMENT	0	0.00 %
URBAN DEVELOPMENT	28,644	1.25 %
SOCIAL INVESTMENT AND MICROENTERPRISE	4,712	0.20 %
REFORM AND PUBLIC SECTOR MODERNIZATION	294,929	12.95 %
EXPORT FINANCING	98,100	4.30 %
PREINVESTMENT AND OTHER	10,452	0.45 %

* Net of cancellations with monetary adjustments and export financing loan collections.



COSTA RICA

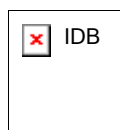
STATUS OF LOANS IN EXECUTION

AS OF APRIL 30, 2004

(Amount in US\$ thousands)

APPROVAL PERIOD	NUMBER OF LOANS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<u>REGULAR PROGRAM</u>				
Before 1998	7	453,603	346,559	76.40 %
2000 - 2001	4	130,971	1,433	1.09 %
2002 - 2003	2	20,755	0	0.00 %
TOTAL	13	\$605,329	\$347,992	57.49 %

* Net of cancellations. Excludes export financing loans.



Inter-American Development Bank
Regional Operations Support Office
Operational Information Unit

Costa Rica

Tentative Lending Program

2004

Project Number	Project Name	IDB US\$ Millions	Status
CR0150	Sustainable Devel. Program of the Binational Watershed Rio Sixaola	11.0	
CR0140	Support for Competitiveness Reforms and investments	325.0	
*CR0143	San Jose-Caldera Toll Road	40.5	
Total - A : 3 Projects		376.5	
CR0157	Sustainable Development Huetar Atlantic Basin Region	16.0	
*CR1002	Rio General Hydroelectric Power Project	33.0	
Total - B : 2 Projects		49.0	
TOTAL 2004 : 5 Projects		425.5	

2005

Project Number	Project Name	IDB US\$ Millions	Status
CR1001	Eco-Tourism in Protected Areas	20.0	
CR0158	Public Expenditure efficiency improvement	100.0	
CR0145	Urban Poverty Alleviation	50.0	
CR0149	Support PRI: Investment Prg Servicios Públicos de Heredia - ESPH	28.0	
CR0151	Municipal Strengthening and Descent	10.0	
CR0152	Procurement and Contractual Services Mo	5.0	
CR0154	National Congress Modernization	20.0	
Total - A : 7 Projects		233.0	
CR0159	Mutiphase Program for Potable Water and Sanitation Services in the Rural Area	30.0	
Total - B : 1 Projects		30.0	
TOTAL - 2005 : 8 Projects		263.0	
Total Private Sector 2004 - 2005		73.5	
Total Regular Program 2004 - 2005		615.0	

* Private Sector Project

SUSTAINABLE DEVELOPMENT PROGRAM FOR THE SIXAOLA RIVER BINATIONAL WATERSHED

(CR-0150)

EXECUTIVE SUMMARY

Borrower:	Republic of Costa Rica	
Executing agency:	Ministry of Planning and Economic Policy (MIDEPLAN) of Costa Rica	
Amount and source:	IDB (OC):	US\$11,000,000
	Local:	US\$ 1,220,000
	Total:	US\$12,220,000
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	4 years
	Disbursement period:	Up to 4 years
	Interest rate:	Based on LIBOR
	Inspection and supervision:	0%
	Credit fee:	0.25%
	Currency:	U.S. dollar, Single Currency Facility
<p>The interest rate, credit fee, and inspection and supervision fee mentioned in this document are established pursuant to document FN-568-3 Rev. and may be changed by the Board of Executive Directors, taking into account the available background information, as well as the respective Finance Department recommendation. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.</p> <p>With regard to the inspection and supervision fee, in no case will the charge exceed, in a given six-month period, the amount that would result from applying 1% to the loan amount, divided by the number of six-month periods included in the original disbursement period.</p>		
Objectives:	<p>The program's main objective is to improve the living conditions of the population of the Sixaola River watershed in Costa Rica (canton of Talamanca), through interventions in the economic, social, environmental, and local management areas that help implement a sustainable development model for the watershed.</p>	

To achieve the proposed objective, the program will focus on: (i) preserving the natural resource endowment and reducing vulnerability; (ii) introducing a change in the existing natural resource development and production models; (iii) steering public investment in infrastructure and basic services to raise coverage levels and improve access for the population; and (iv) enhancing management capacity locally and watershed-wide, with effective community participation.

Description:

The program is comprised of four main components:

Component 1. Environmental management, natural resource management, and vulnerability reduction (US\$1.44 million). The purpose is to implement effective measures in support of environmental protection, sustainable resource management, and vulnerability reduction in the watershed, with community participation, based on the regional sustainable development strategy (ERDS) and its indicative plan for functional land-use management (PIOTF). Two subcomponents make up the structure of this component.

Environmental and natural resource management. Demand-driven activities and projects will be financed in the following categories: (i) monitoring and control of water quality to protect the health of the inhabitants and preserve the watershed's fragile ecosystems, particularly those in the lower watershed and coastal area; (ii) activities to protect the communities and control anthropic impact on protected areas; and (iii) co-management of protected areas with community participation, including indigenous communities. In addition, financing will be provided for execution of a pilot project for community protection and anthropic impact control in a critical area of La Amistad International Park and for a specific project to build trails and promote tourism in the Gandoca-Manzanillo co-management reserve.

Vulnerability reduction. The goal is to mitigate and eliminate, to the extent possible, the effects of the recurring floods and landslides in the lower watershed of the Sixaola River, the emphasis of which will be the harmonious coexistence of the population and economic activities with the aforementioned natural phenomena. Demand-driven initiatives will be financed in the following eligible categories: (i) with community participation, regeneration and reforestation of the banks of water currents and co-management of recovered areas; (ii) nonstructural measures to prevent and mitigate risk; (iii) preinvestment studies for the design of specific projects; and (iv) early warning systems and community risk prevention.

Component 2. Production diversification (US\$4.83 million). The goal is to tap the economic development potential of the watershed, by identifying alternatives for production diversification and opportunities to create permanent jobs. Demand-driven initiatives will be financed in the following eligible categories: (i) alternative crops to banana and plantain production; (ii) organic and agroforestry production systems; (iii) increased productivity through less environmentally aggressive techniques; (iv) transformation of agricultural production and production linkages; (v) market research and marketing support; and (vi) training. An indicative sample of four projects is available: a package of value-added projects promoted by organized groups of women; construction of wells to improve post-harvest treatment of banana exports; an agroindustrial process formula for the transformation of agricultural production; and processing and marketing of fallen timber from indigenous lands.

Component 3. Public services and basic infrastructure (US\$3.1 million). The focus is on steering public investment in infrastructure and basic services to increase the coverage and the population's access, promoting community and private-sector management. Projects will be financed based on beneficiary demand, according to the criteria set out in the program's Operating Regulations (PORs) in the following eligible categories: (i) small water supply and sewerage systems; (ii) basic sanitation; (iii) solid waste management and disposal; (iv) rural electrification; (v) rural road reconditioning and other road works for drainage and crossings (culverts, small bridges); (vi) small civil works for protection and reduction of vulnerability to natural risks; and (vii) other basic infrastructure to support production, such as markets, bulking centers, and communal centers. In addition, preinvestment studies will be financed for projects in the aforementioned categories.

Component 4. Strengthening of management capacity (US\$890,000). The management capacity of the various actors with responsibilities in the watershed will be developed, in order to establish a management structure that contributes to implementation of the strategy formulated. Three levels of strengthening actions are envisaged:

Local level. Includes strengthening of the municipio of Talamanca to deliver public services in the areas of administration, finances, planning, regulatory frameworks, and regulations. The capacity of the women's associations, indigenous communities, and community and producer associations will also be strengthened. During the program execution period, financing will also be provided to organize the three district committees, draft enabling regulations for them, and get them up and running.

Watershed wide. Includes technical assistance for the establishment and operation of the Sixaola River Watershed Committee (CCRS), including the drafting of by-laws for the committee, training, and the installation and operation of a geo-referenced information system that has already been created. A one-stop window will be set up to support the communities' administrative transactions and to provide technical assistance and training to strengthen the regional offices of the institutions belonging to the CCRS.

At the binational level. Includes technical assistance for the Executive Secretariat of the Binational Commission of MIDEPLAN, for execution of the binational program and implementation of the agenda set out in the Costa Rica-Panama Border Agreement currently in force as well as issues related to customs control, transit through the border area, jobs and safety, environmental control, animal and plant health, etc.

**The Bank's
country and
sector strategy:**

The Bank's strategy with Costa Rica seeks to promote economic growth as a means of improving the living conditions of the population and reducing poverty. The proposed operation is consistent with the Costa Rica country paper (GN-2263-1), which indicates that sustainable rural development through the transformation of existing models, in particular in border areas, is one of the ways to support increased productivity in the country. The operation dovetails nicely with the Government of Costa Rica's 2002-2006 National Development Plan, since it contributes to the better use of natural resources, expands social policy benefits to at-risk and/or disadvantaged groups, and promotes sustainable development in a border area.

Because the operation is targeted on a border area, it puts into practice the strategic lines established in the Puebla-Panama Plan (PPP). It is consistent with the strategy laid out in the Mesoamerican Initiative for Sustainable Development and complements the highway initiatives in the Costa Rican and Panamanian Atlantic corridor.

**Environmental
and social
review:**

This operation is designed to achieve significant results both in the area of conservation and the use of natural resources and in the improvement of the quality of life of the watershed's residents. It is therefore expected to have a clearly positive social and environmental impact overall. The program's consensus-building process reflects the application of a methodology involving outreach and direct interviews in the field with the social actors, to avoid exclusion or discrimination against any ethnic, social, or community group, and gives special consideration to active participation by women as decision-makers, beneficiaries, and significant actors in the projects and activities

proposed. In this regard, criteria to promote projects with a gender-based approach have been established.

In response to the goal of improving quality of life and income levels, the operation will favor actions that encourage the productive potential and market access of small producers through environmentally sustainable actions. The investments proposed—most of which involve small basic services works with little impact on the environment—will be subject to environmental procedures to be incorporated into the PORs.

Benefits:

The short- and medium-term benefits include: (i) improved instruments for managing natural resources and protecting biodiversity; (ii) a drop in water source pollution and enhanced ecosystem conservation; (iii) better organized communities more capable of managing natural resources and reducing their vulnerability; (iv) increase in revenues of producers and local governments; (v) diversified production through changes in land-use patterns and an orientation towards organic production; (vi) access to markets and improved competitive position; (vii) judicious forest management; (viii) greater access to water, sewerage, and sanitation services; (ix) lower transaction costs for project management; (x) effective management tools at the local level; (xi) strengthened and enhanced local and community management capacity; and (xii) more qualified institutions responsible for binational issues.

Risks:

The main risk facing the program is that its requirements may **exceed the absorption, response, and management capacity** of the proposed institutional and participatory framework. This risk will be mitigated by paying due attention to and emphasizing institutional strengthening, at the regional level, of the CCRS, the district committees, and particularly the community and productive organizations. In addition, the possibly slow implementation of a **new participatory and decentralized institutional framework** for execution is seen as a risk, given the current level of centralization and the binational nature of the watershed. This risk will be minimized through the deconcentrated approach recently adopted by the government with the creation of regional development councils (CRDs) and through a broad consultation and participation process involving public and private actors and beneficiaries. The latter will be supported by the district committees, the CCRS, and the agreement secretariats, to ensure early involvement of the community and coordination of the two countries' actions.

Another risk, especially for small producers and local governments, would be for the small projects not to achieve **financial sustainability**. To minimize this risk, the program design includes

mechanisms to ensure financial sustainability through the involvement of actors and beneficiaries in the decisions, with knowledge and acceptance of the financial duties and responsibilities to be undertaken in each case.

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation qualifies as a poverty-targeted investment (PTI). The borrower will be using the 10 percentage points in additional financing (see paragraphs 4.16 and 4.17).

Coordination with other official development institutions:

The proposed actions in the watershed supplement, within a limited geographical area, activities supported under the operations of other institutions and donors under way, such as: biological corridor (GEF/World Bank), strengthening of local governments (GTZ), rural roads (KfW), Spanish and Dutch cooperation initiatives, and the Central American regional environmental project (PROARCA/Costas) financed by the United States Agency for International Development (USAID).

Special contractual clauses:

1. **Conditions precedent to the first disbursement of the loan:**
 - a. That, by means of the respective executive decree, the executing agency has created the program execution structure, which is to include the establishment of: (i) the program coordinating unit (PCU); (ii) the program's three district committees; and (iii) the CCRS.
 - b. That the PORs have entered into force pursuant to the terms and conditions previously agreed upon by the Bank.
2. **Special conditions for execution:**
 - a. The executing agency will sign agreements with institutions and organizations **that benefit from the program's interventions, including the Ministry of Environment and Energy (MINAE), the Ministry of Agriculture (MAG), the Ministry of Public Works and Transportation (MOPT), and the National Commission on Emergencies (CNE).**
3. **Special disbursement to begin activities:**

In order to initiate the priority activities, and once the condition precedent related to the establishment of the PCU and the conditions of Article 4.01 of the General Conditions of the loan contract have

been fulfilled, a special disbursement of up to US\$300,000 is recommended, to support the startup of program activities (paragraph 2.19).

**Exceptions to
Bank policy:**

None.

Procurement:

The construction of works, procurement of goods and related services, and contracting of consulting services will be conducted in accordance with the Bank's pertinent procedures and policies. International competitive bidding will be required for works when their estimated cost is equal to or above US\$1 million equivalent and for goods and services when their estimated cost is equal to or above US\$350,000 equivalent. International open calls for proposals will be required when the estimated cost of consulting services exceeds the equivalent of US\$200,000. The tentative procurement plan for the various program components is presented in Annex II.

I. FRAME OF REFERENCE

A. Sixaola River Binational Watershed

- 1.1 The drainage area of the Sixaola River watershed is 2,848.3 km², of which 531.5 km² are in the Republic of Panama and 2,316.8 km² are in the Republic of Costa Rica (19% and 81% of the watershed, respectively). It covers areas with elevations ranging from 3,800 meters above sea level in the Talamanca Mountains in Costa Rica to the flat flood plains of the Atlantic coast. Based on its geomorphologic characteristics and for purposes of the program, the watershed has been divided into three zones—lower, middle, and upper. Its population represents various cultures, including the Bri Bri and Cabécares indigenous communities, located in the middle zone, on the Costa Rican side of the Sixaola River; a minority group of Bri Bri indigenous people on the banks of the Yorkin River, on the Panamanian side; and the Teribe group, in the upper watershed of the Yorkin River, in Panama. Afro-Caribbean groups and white settlers, many of whom come from Nicaragua and El Salvador, live in the lower watershed. The surface area and population distribution are indicated below.

Watershed Zone	Population (indigenous population)			Surface (km ²)	Density per km ²
	Costa Rica	Panama	Overall Total		
Upper	848 (100%)	-	848 (100%)	2,038.0	0.42
Middle	7,256 (94%)	1,119 (97%)	8,375 (95%)	512.4	16.36
Lower	11,550 (27%)	12,808 (60%)	24,358 (44%)	336.8	72.49
Total	19,654 (55%)	13,927 (63%)	33,581 (58%)	2,887.2	11.63

- 1.2 The biodiversity and natural resources in the binational watershed are safeguarded through six protected natural areas (155,848 ha), two national biological corridors that are part of the Mesoamerican Biological Corridor, and six indigenous lands (112,789 ha) with legal status given by the Costa Rican and Panamanian governments. These lands offer human, ethnographic, historic, and environmental management assets that constitute significant guarantees for the conservation of natural resources and represent great tourism potential. The natural system of protected areas has some weaknesses, however, such as the fact that some of the management plans are not operational, the lack of binational coordination in the drafting of the plans, and the lack of study and consideration of the area pollution resulting from intensive agricultural activities and lack of coordination between the environmental administrations of the two countries.

B. Diagnostic assessment of the Binational Watershed

- 1.3 The watershed area's social indicators reflect significant lags with respect to adjacent areas and the national averages of both countries. This is particularly true for the upper and middle zones of the watershed, where over 95% of the population

is indigenous and primarily engaged in agriculture. There is significant banana-based agribusiness activity in the lower watershed, both on the Costa Rican side and in the Panamanian region of Bocas del Toro, which borders Costa Rica. But the watershed is classified as among the poorest regions of both countries, has very low quality of life indexes (Talamanca is the Costa Rican canton with the lowest social development index (SDI);¹ the human development index in Panama's Changuinola district is 0.608, compared with a national average of 0.707), and has had high annual population growth in the last 10 years (11.4% in the lower watershed).

- 1.4 Previous studies and the diagnostic assessment performed to support the formulation of the regional sustainable development strategy for the Sixaola River Binational Watershed (ATN/SI-8060-RS), which reflects the views of the authorities and the communities, identify the main social and environmental problems of the watershed and its coastal area. For Costa Rica, the baseline indicators selected refer to the situation in the province of Limón (Huétar Vertiente Atlántica region) and the situation in the canton of Talamanca, which are indicated below. These indicators allowed for discussions on development scenarios and supported the selection of the impact indicators (see paragraphs 1.13, 1.14, and 4.16 and Annex I).

Baseline Indicators				
Demography			Production	% of total
Infant mortality (per 1,000 live births): 18.5			Population engaged in agriculture	81
COVERAGE OF BASIC SERVICES			ENVIRONMENT	
Average	Population w/o water (%)	Population w/o electricity (%)	Forest coverage	75
			MUNICIPAL FINANCES 2003	Millions of colones
				96.1 (36% of budget)
			VULNERABILITY	
Upper watershed	83.0	97.0	Dwellings in vulnerable areas	600 dwellings
Middle watershed	47.0	59.0		
Lower watershed	13.0	10.0		

- 1.5 The problems identified in the Costa Rican portion of the watershed can be summarized as follows:
- 1.6 **Low capacity to manage natural resources and high vulnerability to natural risks.** The resources of the protected areas and indigenous lands are threatened by a lack of management capacity and the extreme fragility of the ecosystems. The protected area management plans have not been implemented and the fauna is affected by anthropic impacts. The Sixaola River periodically floods its middle watershed in the Talamanca valley in Costa Rica. In the lower watershed, it floods the land on both riverbanks, where populated centers and banana and plantain plantations—the main source of employment for the local population—are located. Some 600 dwellings and 3,000 people in the Sixaola communities are affected.

¹ The SDI is an index created by MIDEPLAN that is based on six social indicators.

Hydrometeorological data on the watershed is limited and there is no adequate early warning system. Nor are the communities prepared to minimize the risks they face annually. Added to this is the presence of unstable “mass removal” units on the upper Telire River, that lack vegetation coverage and contribute a significant amount of sediment. Erosion problems in the watershed are increasing as a result of inappropriate cultural practices and extensive deforestation in the middle watershed, which affect the lower and middle flood plains of the Sixaola River most intensely. In addition, climate change has made the hydrological regime vulnerable and caused changes in natural ecosystems and coastal resources.

- 1.7 **Weak productive structure focused on a single crop, with significant environmental impact.** There are important constraints for using the comparative advantages and potential of the region and for developing a diversified and competitive agriculture with high value added: problems related to land tenure and access to financing, technical assistance, and marketing mechanisms and infrastructure. The main crops in the watershed, banana and plantain, are damaged by pests, diseases, and floods and are subject to major price fluctuations and an unstable market; all these factors increase the population’s job vulnerability. The use of agrochemicals for farm production has negative impacts on the middle and lower watershed areas, affecting the health of the population and terrestrial, freshwater, and coastal wetland ecosystems. There is enormous pressure on forest resources stemming from the advance of the agricultural frontier and the absence of management plans (13.49% deforestation rate in 1997-2000 in Bri Bri and Cabécares lands).
- 1.8 **Insufficient services and basic infrastructure.** Potable water supply is lacking in the watershed and there are no suitable wastewater collection and treatment systems or solid waste collection and disposal systems. A high percentage of the dwellings do not meet basic habitability standards (61.6% of the dwellings in the canton of Talamanca are in average or poor condition). The rural road network is insufficient and in average or poor condition, with low accessibility in the watershed, where many communities are isolated during the rainy season. There is no comprehensive binational plan for building flood protection infrastructure and unilateral investments contribute little or are the cause of the problem on the opposite bank.
- 1.9 **Weaknesses in regional and local management capacity.** National institutions represented in the watershed lack medium- and long-term strategic plans and are limited to routinely applying national policies, without program or operational autonomy and little interagency coordination within each country and between the two countries. The interagency coordination mechanisms either do not work well or are not operational, in part because of the high level of centralization in decision-making and the lack of long-term plans locally that could serve as a reference for the allocation of resources. The function of the institutions’ regional directors is outreach and institutional presence, with little autonomy or resources to make a difference.

- 1.10 Although, under the Constitution, the municipalities have political, administrative, and financial autonomy, they do not fulfill these functions. The reasons include a lack of management capacity in the generation of own resources (no collection of taxes, subsidized or outdated fees for services, lack of an up-to-date cadastre) and in their administration. The four districts that comprise the canton of Talamanca (Telire, upper watershed; Bratsi, middle watershed; and Sixaola and Cahuita, lower watershed) are technically, administratively, and financially weak and, although they have sources of own revenues, collection levels are low (close to 60% of the revenues come from central government transfers, including resources from the tax on bananas). The local governments, including indigenous governments, are not capable of delivering basic services to the population and lack the respective regulatory and policy instruments.
- 1.11 Because the local governments are weak, the residents have organized themselves into civil, communal, environmental, and production-oriented organizations (OCCAPs), which act locally, for the most part independently and without a regional strategy. This model has maintained currency, especially in the rural areas, where the OCCAPs take on roles and make decisions that directly affect local and regional development. There are currently 25 OCCAPs in Talamanca, including 12 indigenous organizations, which need to be strengthened and empowered by establishing ties with local governments and central government institutions.

C. Strategy of the countries for the region and development scenarios

- 1.12 The Sixaola River watershed is located in the provinces of Limón, in Costa Rica, and Bocas del Toro, in Panama, regions to which both countries have paid special attention in view of their marginality and poverty. Each country came up with different views of development for the watershed to promote a binational strategic vision, and signed an agreement on Costa Rica-Panama border cooperation, which was ratified in 1994 and 1995 by the legislative assemblies of the two countries. Under this agreement, the **Binational Standing Commission for the agreement** was created, with an **Executive Secretariat** in each country, attached to MIDEPLAN in Costa Rica and the Ministry of Economic Affairs and Finance in Panama. The secretariats are in charge of coordinating with the other national entities that are active in the watershed in their respective country. In the formulation of this program, including the GEF/IDB binational project, a Binational Technical Commission was established, on which the national entities with sector responsibilities in the watershed are represented, in the form of one representative per country.
- 1.13 In the technical discussions between the countries, limitations and conditions were identified for **four possible watershed development scenarios**, as well as strengths that could lead to opportunities the potential of which will need to be tapped. Each scenario took into account the likelihood that they would occur and the potential impact on the watershed (see scenarios table). To measure the impact of the possible actions in each of the scenarios selected, the following six impact

indicators were agreed upon at the binational level: *quality of life, poverty, social lag index, employment, forest coverage, and vulnerability (see paragraph 4.16), which will be used as a reference to support future evaluations of the various interventions in the watershed.*

Scenarios selected	Major effects
1. Trend	Progressive worsening of existing problems
2. Banana sector crisis	Short-term social and economic crisis
3. Limón – Almirante transportation corridor	Invigorating effect in the lower watershed Insufficient development in the middle and upper watersheds
4. Tourism development on the coast	Benefits of growth concentrated in the tourism areas of the coast

- 1.14 At ministry-level meetings in Costa Rica and Panama, agreements were reached on the scenarios, the way to articulate the strategic thrusts in the various scenarios, and their effect on impact indicators. The trend scenario was selected, which incorporated the transportation and coastal tourism development scenarios (scenarios 3 and 4, respectively), for the first three years. After that, the region will need to be prepared to address the challenge that a banana sector crisis (scenario 2) could represent. The strategic guidelines for the scenario adopted use the indicative plan for functional land-use management (PIOTF) as a reference, which was prepared (ATN/SI-8060-RS) and agreed upon by both countries and takes into account aspects of natural resource management, environmental management, vulnerability, product diversification, and public investment.
- 1.15 In the case of scenario 3—Limón-Almirante-Sixaola bridge road corridor—given the implications and impacts that such a project could have because of the watershed's great vulnerability, it was agreed to move forward in a coordinated and consensus-based manner at the binational level to sequence possible actions that may be needed with regard to possible changes in the alignment of the road, the location of population centers (Sixaola and Guabito), and the construction of new infrastructure works. To this end, the organizing parameters that will be adopted for future road investments will be the agreements established in the development scenario agreed upon by the two countries.
- 1.16 Based on the agreements reached, a regional sustainable development strategy (ERDS) was developed for the entire binational watershed. The ERDS is seen as a comprehensive effort on the part of both countries that considers short-, medium-, and long-range views and interventions in different areas: strengthening of the local/territorial management capacity, production diversification, natural resource management, vulnerability, and basic infrastructure. Costa Rica requested the operation described herein to implement the ERDS. Panama already has a loan, sustainable development of Bocas del Toro (PN-0149), with an area of influence that includes the watershed. In this context and based on binational agreements, both countries requested a binational GEF/IDB project for the entire watershed, an

operation that would represent value added to what each country can do at the national level.

D. Recent experience and lessons absorbed

- 1.17 The Bank has financed projects in the areas of natural resource management, rural development, sustainable development, and rural poverty reduction in Central America, including the Darién sustainable development program in Panama (loan 1160/OC-PN), environmental management of the El Cajón reservoir watershed in Honduras (loans 918/SF-HO and 787/OC-HO), the national environment program in El Salvador (loan 886/OC-ES), and the project for the management and conservation of renewable natural resources in the upper watershed of the Chixoy River in Guatemala (loan 871/SF-GU). The proposed program will capitalize on the experiences and lessons learned—both positive and negative—during execution of these projects, including: (i) the need to design and implement activities that address a demand expressed by the communities; (ii) the importance of incorporating conflict resolution activities at the very core of project design; (iii) the promotion of activities for the sustainable management of natural resources at the subzone level; (iv) the need to emphasize the strengthening of local governments at the start of project implementation; (v) the relationship between the activities undertaken upstream and downstream present technical challenges and require sophisticated instruments to promote changes in behavior in the communities living in the upper portion of the watershed; (vi) the importance of promoting interagency coordination among coexecuting agencies and donors during the design and execution of projects and programs; (vii) the value of agreeing on the management tools at all levels, in particular management plans, urban plans, and the PIOTF; and (viii) the need to develop monitoring and evaluation systems for the initiatives recommended.

E. The Bank's strategy

- 1.18 The Bank's strategy with Costa Rica seeks to promote economic growth as a means of improving the living conditions of the population and reducing poverty. The proposed operation is consistent with the Costa Rica country paper (GN-2263-1), which indicates that sustainable rural development through the transformation of existing models, in particular in border areas, is one of the ways to support increased productivity in the country. The operation dovetails nicely with the Government of Costa Rica's 2002-2006 National Development Plan, since it contributes to the better use of natural resources, expands social policy benefits to vulnerable groups, and promotes sustainable development in a border area.
- 1.19 Because the operation is targeted on a border area, it puts into practice the strategic lines established in the Puebla-Panama Plan (PPP). It is consistent with the strategy laid out in the Mesoamerican Initiative for Sustainable Development and complements the highway initiatives in the Costa Rican and Panamanian Atlantic corridor. The proposed activities in the watershed do not duplicate each other.

Instead, they complement activities supported by lending operations already under way in a limited geographic area: program to develop sustainable agricultural production (loan 1436/OC-CR); cadastre and property registry regularization program (1284/OC-CR); and comprehensive system for organic production by small producers in Talamanca (ATN/EM-8446-CR). In turn, this operation will be complemented by other operations being prepared: support for reforms and investments to boost competitiveness (CR-0140), in the area of rural roads and support for small producers; comprehensive management of ecosystems in indigenous communities (GEF/IDB-IBRD); sustainable development of the Huétar region (CR-0157), which involves the same province; and ecotourism in protected areas (CR-L1001). The proposed operation also complements a series of activities and initiatives under way with support from other institutions and donors: biological corridor (GEF/IBRD); strengthening of local governments (GTZ); rural roads (KfW); Spanish and Dutch cooperation initiatives; the Central American regional environmental project (PROARCA/Costas) financed by the United States Agency for International Development (USAID), and the Gandoca-Manzanillo Wildlife Refuge management plan with support from GEF/IBRD.

II. THE PROGRAM

A. Conceptual overview

- 2.1 The proposed operation will support implementation of the Regional Sustainable Development Strategy (ERDS) agreed upon by the two governments, in the part of the watershed located in Costa Rica (canton of Talamanca). A binational GEF/IDB project is being considered to complement the operation and boost the efforts under way on the Panamanian and Costa Rican sides of the watershed.
- 2.2 The project design is based on three main elements, agreed upon by the two countries: (i) the ERDS for the Sixaola River Binational Watershed; (ii) the indicative plan for functional land-use management (PIOTF); and (iii) the development scenario chosen by the two countries. To define the activities and respond to the scenario chosen by the countries, the possible main effects—both positive and negative—on the social, environmental, economic, and financial domains were considered. These effects were linked to possible changes in the selected impact indicators (see paragraph 1.8), to identify possible actions aimed at achieving positive changes in those indicators, grouped under the following strategic thrusts: environmental management, diversification of the economic base, and public investment in basic services and transportation infrastructure.

B. Program objectives

- 2.3 The program's main objective is to improve the living conditions of the population in the Costa Rican part of the Sixaola River Binational Watershed (canton of Talamanca), through interventions in the economic, social, environmental, and local management areas that will help to implement a sustainable development model for the watershed.
- 2.4 To achieve the proposed objective, the program will focus on: (i) preserving the natural resource endowment and reducing vulnerability; (ii) introducing a change in the existing natural resource development and production models, to ensure sustainability while preserving biological diversity and productivity; (iii) steering public investment in infrastructure and basic services to raise coverage levels and improve access for the population; and (iv) enhancing the capacity and coordination of national institutions responsible for resource administration and strengthening local governments financially and administratively with effective community participation.

C. Program description

- 2.5 To achieve the above objectives, the program has been broken down into four components (Annex I—logical framework).

1. Environmental management, natural resource management, and vulnerability reduction (US\$1.44 million)

- 2.6 The purpose is to implement effective measures in support of environmental protection, sustainable resource management, and vulnerability reduction in the watershed, with community participation, based on the ERDS and its PIOTF. The two subcomponents that make up the structure of this component are described below.
- 2.7 **Environmental and natural resource management.** The watershed's protected areas are managed by the Ministry of Environment and Energy (MINAE) and encourage participation by other public and private organizations in the comanagement of these areas, for which purpose it is necessary to draft regulations for implementation of financing and marketing mechanisms for co-management and co-governance. Demand-driven initiatives will be financed in the following eligible categories: (i) monitoring and control of the quality of specific and nonspecific water sources to protect the health of the inhabitants and preserve the watershed's fragile ecosystems, particularly those in the lower watershed and coastal area; (ii) activities to protect the communities and control anthropic impact on protected areas; and (iii) co-management of protected areas with community participation, including indigenous communities, particularly the natural resource monitoring committees, to participate in the management thereof. In addition, financing will be provided for execution of a pilot project for community protection and anthropic impact control in a critical area of La Amistad International Park (PILA) and for a specific project to build trails and promote sustainable tourism in the Gandoca-Manzanillo co-management reserve, with community participation. The binational activities that complement this component will be financed through the GEF project.
- 2.8 **Vulnerability reduction.** This subcomponent will make it possible to provide guidelines for a series of activities that will be fully coordinated by the two countries and will help mitigate and eliminate, to the extent possible, the effects of the recurring floods and landslides in the lower watershed of the Sixaola River, the emphasis of which will be the harmonious coexistence of the population and economic activities with the aforementioned natural phenomena. Demand-driven initiatives will be financed, pursuant to the selection criteria in the program's Operating Regulations (PORs), in the following categories: (i) with community participation, regeneration and reforestation of the banks of water currents and co-management of recovered areas; (ii) nonstructural measures to prevent and mitigate risk; (iii) preinvestment studies for the design of specific projects; and (iv) early warning systems and community risk prevention. All these actions will be part of a binational master plan for the watershed that will be financed with support from the GEF project.

Component 1. Environmental management, natural resources management, and vulnerability reduction (US\$1.44 million)				
COMPONENT/ TYPE OF ACTIVITY	TECHNICAL ASSISTANCE		INVESTMENTS	
	ADVISORY SUPPORT	STUDIES	PILOT OR SPECIFIC PROJECTS	CATEGORIES OF ELIGIBLE PROJECTS (BASED ON DEMAND)
Environmental management			<ul style="list-style-type: none"> Pilot project: community protection of a critical area and control of anthropic impacts in protected areas (PILA) (US\$70,000) Specific project: construction of trails and sustainable tourism development of REGAMA, with community participation (US\$275,000) 	<ul style="list-style-type: none"> Monitoring and control of water quality Community protection and control of anthropic impacts in protected areas Co-management of protected areas with community participation
Vulnerability reduction	<ul style="list-style-type: none"> Warning and community prevention of risk 	<ul style="list-style-type: none"> Preinvestment studies for the design of the respective projects 	<ul style="list-style-type: none"> Specific project: Binational early warning system with community participation (US\$100,000) 	<ul style="list-style-type: none"> Regeneration and reforestation of banks and co-management of recovered areas Nonstructural measures to prevent and mitigate risk Warning and community prevention of risk

2. Production diversification (US\$4.83 million)

- 2.9 To tap the economic development potential of the region, alternatives for production diversification and opportunities to create permanent jobs were identified, through a plan for eligible investments that can be financed based on demand. Initiatives in the following eligible categories will be financed: (i) alternative crops to replace banana and plantain production; (ii) organic and agroforestry production systems; (iii) increased productivity through less environmentally aggressive techniques; (iv) transformation of agricultural production and production linkages; (v) market research and marketing support; and (vi) training. To this end, an indicative sample of four projects was designed: a package of value-added projects promoted by organized groups of women; construction of wells to improve post-harvest treatment of banana exports; an agroindustrial process formula for the transformation of agricultural production; and processing and marketing of fallen timber from indigenous lands. Financing is included for three pilot projects to promote: (i) production diversification in areas used for banana and plantain crops; (ii) a reduction in the use of agrochemicals; and (iii) production of organic cocoa and agroforestry systems. In addition, to promote

tourism development along the coastal strip, create production chains, and expand benefits to the middle and upper areas of the watershed, a specific project will be financed to strengthen a community-based rural ecotourism network that includes the development of new tourism products.

COMPONENT 2—PRODUCTION DIVERSIFICATION (US\$4.83 millions)			
COMPONENT/TYPE OF ACTIVITY	STUDIES	INVESTMENTS	
		PILOT OR SPECIFIC PROJECTS	CATEGORIES OF ELIGIBLE PROJECTS (BASED ON DEMAND)
Production diversification	<ul style="list-style-type: none"> Market research 	<p>Lower watershed</p> <ul style="list-style-type: none"> Pilot project: Production diversification in areas intended for banana and plantain crops (US\$400,000) Pilot project: Reduction in the use of agrochemicals (US\$250,000) <p>Middle watershed</p> <ul style="list-style-type: none"> Pilot project: Production of organic cocoa and agroforestry systems (US\$300,000) Specific project: Community-based rural ecotourism network and development of new tourism products (US\$110,000) 	<ul style="list-style-type: none"> Alternative crops to replace banana and plantain production Organic production and agroforestry systems Productivity through less environmentally aggressive techniques Training Transformation of agricultural production and production linkages Support for marketing Agroindustrial and small-scale projects and promotion of ecotourism
<p>Indicative sample of eligible projects (consistent with eligibility criteria)</p> <ul style="list-style-type: none"> Value added projects promoted by organized groups of women. Construction of wells for supply of potable water for mini produce-packing companies (better post-harvest treatment of export bananas). Agroindustrial processes for the transformation of agricultural production. Processing and marketing of fallen timber from indigenous lands. 			

3. Public services and basic infrastructure (US\$3.1 million)

- 2.10 This component focuses on steering public investment in infrastructure and basic services to increase coverage and the population's access by promoting community and private sector management. Specific projects will be financed based on demand, according to the criteria set out in the PORs, in the following eligible categories: (i) small water supply and sewerage systems; (ii) basic sanitation; (iii) solid waste management and disposal; (iv) rural electrification; (v) rural road reconditioning and other road works for drainage and crossings (culverts, small bridges); (vi) small civil works for protection and reduction of vulnerability to natural risks; and (vii) other basic infrastructure to support production, such as markets, bulking centers, and communal centers. In addition, preinvestment studies

will be financed for projects in the aforementioned categories. An indicative sample of projects has been designed: four potable water and waste disposal projects, covering the lower, middle, and upper watersheds; latrine construction in rural areas in the middle and upper watersheds; solid waste disposal; four rural energy projects, and two rural road resurfacing projects. Specific projects were designed for expansion of the water supply system and construction of the sanitary sewerage in Chase, reconditioning of the Chiroles-Gavilán-Canta section—the only access road to the Cabécar indigenous territory—to make it easier to get agricultural products out of the area, and a hammock bridge to connect the indigenous communities of Katsi, Dururpe, Boca Uren, and Amubri.

COMPONENT 3—PUBLIC SERVICES AND BASIC INFRASTRUCTURE (US\$3.1 million)				
COMPONENT/ TYPE OF ACTIVITY	TECHNICAL ASSISTANCE		INVESTMENTS	
	ADVISORY SUPPORT	STUDIES	PILOT OR SPECIFIC PROJECTS	CATEGORIES OF ELIGIBLE PROJECTS (BASED ON DEMAND)
Potable water and sewerage Sanitation Power Transportation Other infrastructure works	<ul style="list-style-type: none"> Comprehensive plan for solid waste management in canton of Talamanca (US\$60,000) 	 <ul style="list-style-type: none"> Preinvestment studies (eligible based on demand) 	<ul style="list-style-type: none"> Specific project: Water supply system expansion and construction of sanitary sewerage in Chase (US\$60,000) Specific project: Chiroles-Gavilán-Canta section to get agricultural products out to market and only access to Cabécar territory (US\$230,000) Specific project: hammock bridge between Katsi, Dururpe, Boca Uren, and Amubri communities (US\$30,000) 	Water and sewerage <ul style="list-style-type: none"> Improvement and expansion of existing water supply and sewerage systems Small projects for communities without services Latrine construction and potable water in small rural communities Sanitation <ul style="list-style-type: none"> Waste management and treatment Rural electricity <ul style="list-style-type: none"> Basic power for groups of isolated dwellings Basic power for small centralized production systems Rural transportation infrastructure <ul style="list-style-type: none"> Reconditioning of roads for transport of production Rehabilitation of drainage structures and small bridges Infrastructures to support river transport Other infrastructure <ul style="list-style-type: none"> Markets, bulking centers, communal centers Vulnerability reduction <ul style="list-style-type: none"> Small civil works for protection
Indicative sample of eligible projects (consistent with the eligibility criteria)				
Water and sewerage <ul style="list-style-type: none"> Lower watershed: Gandoca (new project); Sand Box (expansion of existing water supply system and construction of sanitary sewerage) Middle watershed: La Pera (rehabilitation of water supply system and sanitation); Bambú (new project); latrine construction and rural potable water 				
Sanitation <ul style="list-style-type: none"> Equipping of sanitary landfill in lower watershed 				
Rural electricity (middle and upper watershed) <ul style="list-style-type: none"> Basic lighting for 15 isolated dwellings using photovoltaic systems Basic lighting for 15 isolated dwellings using nano-hydro systems Lighting for productive uses in 15 isolated dwellings, using solar panels Lighting through a mini-hydro centralized system for 25 dwellings in Katsi 				
Rural transportation infrastructure <ul style="list-style-type: none"> Section: Bri Bri-Suretka, national highway that provides access to middle watershed from Bri Bri Section: Telire River-Sepeque-Mojoncito (access to production areas of Mojoncito, Sepeque, and Oro Chico, and access road to upper watershed) 				

4. Strengthening of management capacity (US\$890,000)

- 2.11 The management capacity of the various actors with responsibilities in the watershed will be developed, in order to establish a management structure that contributes to implementation of the strategy formulated. Studies and technical assistance (equipment, workshops, training) will be financed. Three levels of strengthening actions are envisaged.
- 2.12 **Local level.** The capacity of the municipio of Talamanca to deliver public services will be strengthened in the areas of administration, finances, planning, regulatory frameworks, and regulations. In addition, the capacity of the following associations will be strengthened, among others: women's associations, indigenous communities, and community and producer associations such as the natural resource monitoring committees, the rural water system administrators, the communal enterprises for basic service administration, enterprises providing various types of products and services, and associations involved in managing protection and recreation areas. The goal is to ensure their participation in the development of the watershed in general and the program in particular, based on demand. Specifically, payment systems for basic services will be consolidated by improving rates, in order to ensure the financial sustainability of the investments in such services. In addition, specific technical assistance activities (equipment, workshops, and training) and studies will be financed to establish mechanisms to promote the participation of the community and the private sector within and outside the region, in the regulation and management of public services. During the program execution period, financing will also be provided to organize the three district committees, draft enabling regulations for them, and get them running.
- 2.13 **Watershed-wide.** Technical assistance will be provided for the establishment and operation of the Sixaola River Watershed Committee (CCRS), including the drafting of its by-laws, training, and the installation and operation of a geo-referenced information system during the program execution period, based on the system designed during the preparation of the program. The strengthening activities will also cover the establishment of a one-stop window to assist the residents in completing the administrative transactions related to obtaining legal status, advisory services for getting loans, automated teller machines, tele-banking, payment for services, etc. Technical assistance and training will also be provided to strengthen the regional offices of the national institutions belonging to the CCRS (MAG, MINAE, CNE, MINSA, JAPDEVA, and MIDEPLAN).
- 2.14 **At the binational level.** Technical assistance will be provided to the Executive Secretariat of the Binational Commission of MIDEPLAN, for execution of the binational program and implementation of the ERDS and the agenda set out in the Costa Rica-Panama Border Agreement currently in force as well as issues related to customs control, transit through the border area, jobs and safety, environmental control, animal and plant health, etc.

COMPONENT 4—STRENGTHENING MANAGEMENT CAPACITY (US\$890,000)		
COMPONENT/ TYPE OF ACTIVITY	TECHNICAL ASSISTANCE	
	ADVISORY SUPPORT	CATEGORIES OF ELIGIBLE PROJECTS (BASED ON DEMAND)
Local level	<ul style="list-style-type: none"> Strengthening of the municipio of Talamanca's capacity to manage and deliver municipal services (US\$200,000) Establishment of the three district committees, drafting of their regulations, and initial operation (US\$70,000) 	<ul style="list-style-type: none"> Strengthening of civil society organizations (associations of women, indigenous governments, associations of producers, community associations, water boards, NGOs, etc.) to prepare and present initiatives and manage revolving funds
Watershed-wide	<ul style="list-style-type: none"> Support for the creation of the CCRS, including georeferenced information systems and the one-stop window for the program service area (US\$80,000) Strengthening of the regional offices of national institutions belonging to the Sixaola Watershed Committee (MAG, MINAE, CNE, MINSA, JAPDEVA, and MIDEPLAN) (US\$120,000) 	
Binational level	<ul style="list-style-type: none"> Strengthening of the executive secretariat of the Binational Commission (MIDEPLAN) (US\$60,000) 	

D. GEF/IDB binational project (Costa Rica-Panama)

- 2.15 Given the binational nature of the watershed and the need to protect and preserve its important ecosystems, natural resource endowment, and biodiversity, and the importance of reducing vulnerability on both banks of the river, the GEF operation represents added value to what each country can do from the national standpoint. The GEF/IDB nonreimbursable financing would be binational. The GEF was asked for PDF-B resources in the amount of US\$300,000 to prepare the binational project, identifying the binational actions that would be financed and the activities that each country could carry out on its own account comprehensively and in an integrated way with loans 1468/OC-PN, Bocas del Toro program for Panama, and the Sixaola River watershed program for Costa Rica (CR-0150).
- 2.16 The GEF/IDB nonreimbursable financing is estimated at US\$3 million and would cover the incremental environmental cost of managing the vulnerability and the La Amistad-Caribe conservation area with other protected areas, such as the indigenous reserves of both countries, the Hitoy Cerere and Barbilla biological reserves, the Gandoca Manzanillo Wildlife Refuge, the San-San Pond Sak wetlands (Panama), and the Talamanca/Caribe biological corridors in Costa Rica and the Panamanian Atlantic biological corridor. This GEF project would come under operational program OP-12 (Integrated Ecosystem Management). The activities to be financed would include: economic valuation of the function and services of the watershed's main ecosystems; execution of binational pilot projects to monitor and control water quality and comprehensive recovery of the river banks, the binational part of an early warning system with community participation, and actions to help the watershed's inhabitants adapt to climate change.

E. Scope of the program

- 2.17 The resource deficits related to the activities identified with the ERDS are quite significant and the program does not have the operational capacity to cover them. Accordingly, criteria need to be adopted to guide the allocation of resources. For example, the communities will need to identify the projects and assign priority to them and the projects will need to be sustainable and consistent with the intervention strategy established by the sector agencies involved, viable from the technical, economic, and environmental standpoints, consistent with the criteria and guidelines contained in the respective PORs, and respectful of the cultural practices of the communities in which they will be carried out. The investment amount is conservative with respect to the needs to be covered under components 1 through 4. This sizing takes into account the investments being made in Phase I of the Bocas del Toro program and those envisaged for the future multiphase program for the sustainable development of the Huétar Vertiente Atlántica region (CR-0157), which is currently being prepared. It also takes into account: (i) the amount of time involved in previous capacity strengthening processes; (ii) the anticipated annual absorption capacities; and (iii) experiences in similar projects in Central America.

F. Cost and financing

- 2.18 **Total cost and program financing (US\$12.22 million).** The estimated total cost is US\$12.22 million. The Bank will finance 90% of the total (US\$11 million), from the Ordinary Capital (OC) resources, in United States dollars from the Single Currency Facility, and the government will contribute 10% of the cost (US\$1.22 million). Category I (administration and supervision) includes the costs of the PCU, operating costs, and specific consulting services (US\$910,000), auditing expenses (US\$60,000), evaluations (US\$80,000), and the monitoring and evaluation system (US\$80,000). A breakdown of costs by component and source of financing appears in Table II-1.
- 2.19 To begin the activities prioritized under the program, and once the PCU has been set up and the General Conditions of the loan contract have been met, a special disbursement of up to US\$300,000 is recommended. The priority activities include: (i) hiring of the minimum staff necessary and provision of materials and equipment for the PCU; (ii) regulations for and strengthening of the PCU, the CCRS, and the district committees for program startup; (iii) contracting and startup of consulting services and studies, in particular with regard to the strengthening of community and producer organizations; and (iv) drafting of action plans for MINAE, MAG, and the National Commission on Emergencies (CNE).

Table II-1. TENTATIVE COSTS AND FINANCING PLAN FOR THE PROGRAM IN COSTA RICA (IN US\$ MILLIONS)				
Investment categories	IDB	Local	Total	%
I. ADMINISTRATION AND SUPERVISION	1.03	0.10	1.13	9%
1.1 Program coordinating unit (PCU)	0.81	0.10	0.91	
1.2 Audits, midterm and final evaluations	0.14	--	0.14	
1.3 Program monitoring and evaluation	0.08	--	0.08	
II. DIRECT COSTS	9.22	1.05	10.27	84%
2.1 Environmental management, natural resource management, and vulnerability reduction	1.26	0.18	1.44	
2.2 Production diversification	4.43	0.40	4.83	
2.3 Public services and basic infrastructure	2.80	0.31	3.11	
2.4 Strengthening of management capacity	0.73	0.16	0.89	
III. FINANCIAL COSTS	0.75	0.07	0.82	7%
3.1 Interest	0.75	--	0.75	
3.2 Credit fee	--	0.07	0.07	
3.3 Inspection and supervision	--	--	--	
PROGRAM TOTALS	11.00	1.22	12.22	100.00

III. PROGRAM EXECUTION

A. Decentralized execution strategy

- 3.1 The program adopts a decentralized execution strategy by recognizing that local and rural beneficiaries are the main stakeholders in the sustainable development of the watershed and the management of natural resources. The implementation strategy calls for: (i) working with the Regional Development Council of the Huétar Vertiente Atlántica Region (CRDHVA) and strengthening the capacity of institutions in the watershed; (ii) enhancing the administrative, financial, and service delivery capacity of the local governments, including those of indigenous lands; (iii) enhancing the operations management capacity of the formal political-administrative participation structures; (iv) consolidating the principles and values of governance with active participation by civil society, ensuring that the various cultures and ethnicities are represented; (v) involving civil society in decision making, ensuring its active participation in the decision-making mechanisms; and (vi) improving the consultation and consensus-building system among the national, regional, and local levels in terms of setting priorities for and planning the investments.

B. Borrower and executing agency

- 3.2 The borrower will be the Republic of Costa Rica and the executing agency will be MIDEPLAN, through a program coordinating unit (PCU), a deconcentrated entity with legal status to act on behalf of MIDEPLAN, with support from the Sixaola River Watershed Committee (CCRS), the CRDHVA, and its regional secretariat. The PCU will be physically located in the watershed. Through the PCU, MIDEPLAN will assume administrative, financial, and coordination responsibility vis-à-vis the Bank and will perform management functions for coordination and supervision of program activities.

C. Program execution and administration

- 3.3 To ensure that the program's objectives and scope are achieved and that it is viable, various units will be established at the executive, operational, consultative, and support levels. To this end, the organizational structure set out in Figure 1 and described below will be adopted.
- 3.4 **Program Advisory Council (CAP).** A council will be established, chaired by the Minister of Planning and made up of high-level representatives from the following government institutions at the national level: Ministry of Finance, MINAE, MAG, Ministry of the Presidency, and the Ministry of Foreign Affairs and Worship. The CAP will advise on program execution, ensuring that the government's policy guidelines are being followed. Its functions will include: (i) coordinating the efforts of the government and other donors in the watershed; (ii) channeling and guiding

the participation of national authorities; and (iii) reviewing the program's progress reports, the annual work plan (AWP) for the watershed, and program budget execution. The CAP may be convened by the Minister of Planning or at the request of any of its members and will meet at least once a year. **The presentation to the Bank of the executive decree establishing the CAP will be a special condition for execution.**

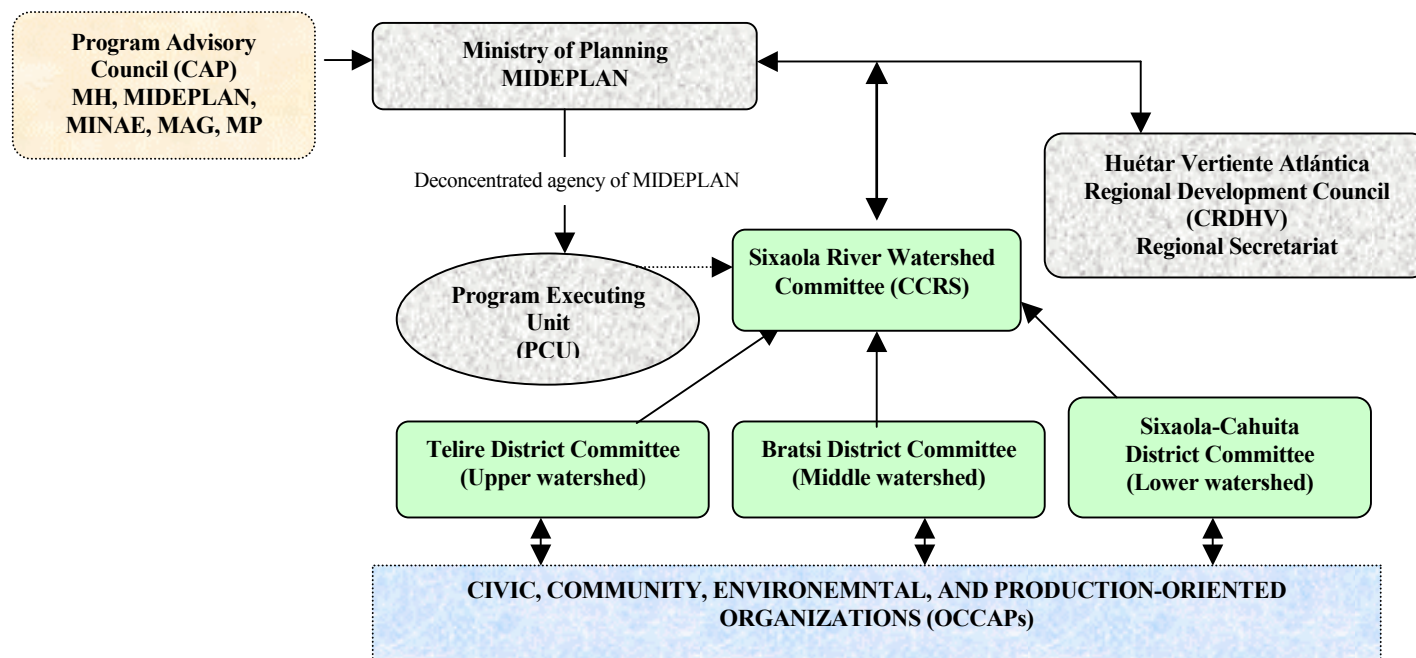
- 3.5 **Regional Development Council of the Huétar Vertiente Atlántica Region (CRDHVA).** By means of Executive Decree 31768 a subsystem was created for organizational management and regional development, as an integral part of the National Planning System. The subsystem is comprised of the Regional Development Councils (CRDs) and the regional offices of MIDEPLAN. The CRDs' functions include establishing and promoting interagency coordination mechanisms for the implementation of national development plans and designing projects of common interest for the region that promote regional development, seek to overcome poverty, generate production and jobs, and in general fulfill the objectives and goals of the government plans. The MIDEPLAN regional offices are executing agencies for the agreements of the respective regional councils. Their functions will include: promoting regional social and economic development in the context of the national development plans; identifying and incorporating public and private actors in the region whose participation will contribute to fulfilling the priorities established for regional development; creating a favorable atmosphere for the execution of activities, programs, or projects aimed at improving the social and economic conditions of the territories or population groups within their jurisdiction. The government, by means of a communication from MIDEPLAN, certified to the Bank that the CRDHVA, which will support program execution, has been established.
- 3.6 **Sixaola River Watershed Committee (CCRS).** A Watershed Committee for the Sixaola River will be set up and chaired by MIDEPLAN, through the regional secretariat of the CRDHVA, and will be comprised of 14 members as follows: the Regional Directors of MAG, MINAE, MOPT, MINSA, National Commission on Emergencies, and the Mayor of Talamanca; and two representatives from civil society organizations (CSOs), for each of the district committees of Telire and Sixaola-Cahuíta and three representatives from the district committee of Bratsi. The CCRS will have the following responsibilities: (i) review the technical aspects of the district AWP; (ii) consolidate, coordinate, and approve the AWP of the Sixaola River watershed, based on the district AWP, and inform MIDEPLAN through the PCU; (iii) ensure fulfillment of the ERDS and the watershed PIOTF agreed upon by the two countries; (iv) monitor execution based on approved AWP; (v) meet goals, objectives, and priorities in the context of the ERDS; (vi) provide the opportunity and forum for resolving disputes, by providing the support needed to encourage consensus among the various actors; and (vii) review the annual reports and financial statements prepared by the PCU and report to the CRDHVA on the presentation and execution of the AWP. The Committee will be convened by the Regional Secretary, at his or her own initiative or at the request of

two of its members, and will meet at least bimonthly. The PCU coordinator will act as the committee's secretary. **The legal establishment and configuration of the committee by MIDEPLAN will be a condition precedent to the first disbursement.**

- 3.7 **Program coordinating unit (PCU).** The PCU, a deconcentrated entity with instrumental legal status, will be attached to MIDEPLAN and located in the watershed. It will be comprised of a coordinator who will head it, will act as liaison between the stakeholders and the CCRS, and will be responsible for program execution. It will have a support team comprised of three technical experts to support each of the district committees, an administrative officer and two administrative assistants. It will also receive support from consultants for the process of hiring and preparing the technical components of the program.
- 3.8 The PCU will be the focal point vis-à-vis the Bank and in principle will have the following functions: (i) sign agreements with the various organizations (producer, civic, environmental, etc.), local governments, and central government institutions, with regard to technical assistance, the execution of studies, advisory support and projects, and supervision thereof; (ii) proceed with the respective contracting; (iii) prepare technical assistance projects, studies, specific projects, and production-oriented pilot projects, and commission their preparation through to feasibility; (iv) support organizations and local governments in preparing project profiles or feasibility studies and hire the necessary advisory support, ensuring that it meets the eligibility and feasibility criteria set out in the PORs; (v) support the district committees in the formulation of district AWP and coordinate the program execution process; (vi) administer and supervise the activities related to program execution; (vii) prepare disbursement requests and present them to the Bank on time and with proper justification; (viii) prepare reports required by the Bank for program execution, including the revolving fund report; (ix) open separate bank accounts for resources of the financing and of the local counterpart; (x) maintain specific and detailed accounting records on the use of the loan and local counterpart resources; (xi) provide technical and administrative support to the CCRS at its working meetings; and (xii) make payments for goods and services. **A condition precedent to the first disbursement will be presentation of the respective legal instrument from MIDEPLAN establishing the PCU and defining its functions.**
- 3.9 **District committees (Telire in the upper watershed, Bratsi in the middle watershed, and Sixaola-Cahuíta in the lower watershed).** To ensure a decentralized and participatory management and execution scheme, a participatory structure will be developed for purposes of setting investment priorities, from the bottom up (community-government). To this end, three committees will be created, one per district (Telire, Bratsi, and Sixaola-Cahuíta) to ensure speedy and orderly execution of the AWP and representation of the various communities and ethnic groups in the watershed. The district committees will receive support from the PCU and its specialists. Each one will be comprised of six representatives, three of whom will be members of the district councils and the other three selected from lists

- presented by the community of each district. Initially, members will be selected by the CRDHVA based on lists presented by the OCCAPs of the respective district and subsequently by the district committees themselves, based on their respective by-laws. Their functions will include: (i) receiving the projects presented by the OCCAPs and local governments; (ii) ranking the projects according to the strategies devised, the PORs, the PIOTF, and the availability of resources according to the indicative budget prepared by the PCU; (iii) presenting the district AWP for coordination with the CCRS; (iv) monitoring and following up on the program activities in their respective district and making pertinent recommendations to the PCU; and (v) keeping community organizations informed on their initiatives and consulting with them. The district committees will meet at least every two months and will be convened by the chairman of each committee at his or her own initiative or at the request of a majority of the members.
- 3.10 The aforementioned functions of the committees, as well as the execution mechanisms and modality, including the management of funds, will be reflected in the PORs. In addition, each committee will have its own by-laws to govern its operation. **The presentation of the Executive Decree from MIDEPLAN establishing the district committees and outlining their functions is a condition precedent to the first disbursement.**
- 3.11 **Civic, community, environmental, and productive organizations (OCCAPs).** There are different types of local organizations in the watershed—recognized institutionally by the government—that provide an effective forum for collective decision-making, bringing all the neighbors together autonomously to act for the collective good. The program will promote OCCAP participation as a basic tool for communication and representation of the communities.
- D. Program execution**
- 3.12 In general terms, the program will be executed through contracts with private service providers and by the beneficiaries themselves, with technical assistance contracted by the PCU. Basically, two types of activities will be executed with support from this program: (i) **technical assistance** (includes specific studies, training; specific short-term advisory support and longer-term advisory support, at the institutional, community, and producer levels); and (ii) **investments** (specific projects, pilot and production-oriented projects, and infrastructure in eligible categories, selected based on community demand).
- 3.13 At the start of each year, the PCU will prepare, based on MIDEPLAN guidelines, an indicative budget with overall program amounts, which will be disseminated to the CCRS, the CRDHVA, and the three district committees. Based on this indicative budget, the program's annual work plan (AWP) will be prepared, according to the procedures indicated below, depending on which category—**technical assistance** (procedure A) or **investments based on community demand** (procedure B)—is involved.

Figure 1. Program Execution Structure



- 3.14 **Technical assistance (procedure A):** The PCU agrees with the OCCAPs, the local governments, and the central government institutions represented in the CCRS on the technical assistance activities, studies, training activities, specific short-term advisory support, and longer-term advisory support to be carried out during the year, prepares the respective profiles, and sends them to the district committees. The latter combine them with the investment projects into district AWP and send them to the CCRS for review, verification of consistency with the ERDS of the Sixaola River Binational Watershed, and incorporation into the watershed AWP which, once approved, is sent by the CCRS to the PCU. The PCU then formalizes the agreements necessary to provide technical assistance to the OCCAPs, local governments, and central government institutions. Once the agreements are formalized, the PCU hires the providers of technical assistance services and other advisory support and studies, which are executed by the providers with participation by the beneficiaries.
- 3.15 This same procedure will be followed for technical assistance and investments in specific and pilot projects for the first year of the program, in order for activities to begin in as little time as possible, inasmuch as these projects were designed during program preparation in consultation with the communities, local governments, and central government institutions.
- 3.16 **Investments (procedure B):** With support from the technical assistance services contracted by the PCU, the OCCAPs and local governments will prioritize their needs and interests with regard to activities and production-oriented and infrastructure projects, preparing the respective profiles or full-fledged projects, as indicated in the PORs.
- 3.17 At the start of the program, technical assistance support will be contracted for the OCCAPs and local governments, which will include three important activities: (i) promotion and dissemination of the program at the local level; (ii) training for the communities and local governments and presentation of their initiatives and project profiles according to the PORs; and (iii) technical assistance in the form of direct support to the communities and local governments in preparing their proposals for inclusion in the AWP and for execution monitoring. With support from these technical experts, the communities and districts will prepare project profiles to verify their initial feasibility based on the criteria set out in the PORs. If the result is positive, the technical experts will help the communities and districts bring the project up to feasibility level. The feasible projects will be sent to the district committee for coordination and consolidation with the institutional activities planned for the district and the drafting of the respective district AWP. Projects that are not feasible will be returned to the community or municipality for changes.
- 3.18 The district AWP are presented to the CCRS for technical analysis, verification of consistency with the ERDS, and incorporation into and approval of the watershed AWP (if any project or activity requires revision, it is returned to the district committee for that purpose). The PCU is informed of this watershed AWP, once

discussed and approved by the CCRS, for execution of projects and activities. To this end, the PCU will formalize the respective agreements with the pertinent organizations and local governments and will issue calls for bids. Once the watershed AWP has been approved by the CCRS, it will be disseminated to all participants and will serve as the instrument used by the various organizations and local governments to monitor and follow up on project execution and performance. Civil works supervision will be done through contracts between the PCU and private organizations and/or firms.

- 3.19 The watershed AWP for the first year includes technical assistance, studies, and specific and pilot projects, is structured on the basis of projects in the sample prepared, and addresses priorities identified by the communities, local governments, and central government institutions. The specific projects and pilot projects will not be replicated until the success of their results and benefits has been verified by means of an ex post evaluation.

E. Execution of the components

- 3.20 **Execution of component 1.** As indicated below for components 2 and 3, execution of this component requires the participation and coordination of the national and local governmental levels and the communities, to which end technical assistance will be needed to support these processes. The technical assistance activities and investments under component 1 will be carried out in accordance with procedures A and B, respectively.
- 3.21 **Execution of components 2 and 3.** The technical assistance activities and investments under both components will be executed in accordance with procedures A and B, respectively. The execution of these components, like the vulnerability reduction activities under component 1, requires the participation and coordination of the national and local governmental levels and the communities. Technical assistance will be needed to support these processes, given the current weakness in this area.
- 3.22 **Execution of component 4.** This component is comprised solely of technical assistance for advisory support, equipment, workshops, and studies, and will therefore be executed pursuant to procedure A. The PCU will hire service providers to carry out these tasks, in coordination with and involving participation and support by the direct beneficiaries of the activities, OCCAPs, local governments, and regional offices of central government institutions. To this end, the PCU will be formalizing agreements with each beneficiary.

F. Program Operating Regulations (PORs)

- 3.23 The PORs establish the rules and procedures for execution of the program components, including eligibility criteria, project and feasibility selection, the procedures for preparing and evaluating the AWP, the procedures for goods and

services procurement and contracting, the methodology for evaluating and monitoring the AWP, and the amount threshold per project. The PORs may be amended by MIDEPLAN with the Bank's nonobjection. **As a condition precedent to the first disbursement of the loan, MIDEPLAN will present evidence that the PORs previously agreed upon with the Bank have been adopted and have entered into force.**

- 3.24 **Program beneficiaries.** The program's beneficiaries are small producers, their associations, OCCAPs, and other community associations, the municipio of Talamanca and its three districts, including indigenous associations. To be considered program beneficiaries, the producers must be associated with some production-oriented or community organization.
- 3.25 **Eligibility criteria.** To be considered eligible, projects and activities will need to meet the following criteria, among others: contribution to environmental conservation and sustainable natural resource management; income generation and improvement in the quality of life of the communities; community organization and participation, including gender and ethnic considerations; reduction of natural risks and other vulnerability factors; contribution to binational integration; and consistency with the agreed ERDS for the Sixaola River watershed. In addition to these general criteria, the PORs require projects to meet the following evaluation criteria in order to be considered eligible.
- 3.26 **Evaluation criteria.** The PORs indicate the categories of projects eligible for financing. They also contain specific eligibility criteria related to technical, economic, environmental, social, institutional, and financial sustainability aspects for the various types of projects in each category eligible for program financing. All projects must: anticipate having a positive net environmental impact and include mitigation measures for the negative impacts, with environmental evaluations or environmental impact assessments required where necessary; incorporate activities that promote social rural development and contribute to poverty reduction; require institutional management processes adjusted to local needs and conditions; require that productive investments in businesses or farms be economically and financially viable, with internal rates of return of at least 12%; when they involve social benefits, ensure that they meet the minimum cost criterion; be financially sustainable; and, at the municipal level, include mechanisms to promote the intake of community revenues to ensure their operation and maintenance.
- 3.27 **Financial sustainability and cost recovery.** The financial sustainability of the production-oriented projects is ensured first by the application of selected models and packages, making sure that marketing opportunities exist and that the products have a market, are financially viable, and earn profits for the producer. Second, for projects that need one or two years to become financially viable, bridge financing will be provided by the program on a shared basis with the beneficiary. The mechanisms for the sustainability of projects of public benefit under the responsibility of the communities or local governments, will be included at the

- participatory design stage of the project, ensuring the community's willingness to pay for maintenance through the required fees or charges, through strengthened existing collection systems or systems implemented with support from advisory services financed under the program, until the community or local government is ready to assume this responsibility.
- 3.28 Technical assistance and financing will be provided on a matching-fund basis depending on the type of activity and beneficiary. For production-oriented activities and projects, various positive and negative experiences with similar projects in the region were examined. The findings of the review of the indicative sample of production-oriented projects showed that future revenues can cover the costs of the business/farm plan after an initial period of two to three years, depending on the type of project, with initial support in the form of the technical assistance provided by the program.
- 3.29 In this case, the following criteria will apply: (i) the program will provide up to 50% (up to 60% for initiatives with gender or indigenous community content or that include environmental benefits) of the cost of the technical assistance and investment required during the initial period (up to two years), until the project achieves financial sustainability, according to the agreed business/farm plan; (ii) the rest will be provided by the producer through a valuation of his labor force, materials or agricultural inputs, or cash from savings or through a market-rate loan granted by a credit agency operating in the region; (iii) the producer who benefits from incentives undertakes to repay the value of the incentives received in kind, labor, or cash to his or her community, at the end of the agreed period and in accordance with the conditions established by the community in each case, for recycling within the community.
- 3.30 For the activities and projects of public benefit, including those involving environmental conservation and reduction of vulnerability to natural risks, the program will finance on a nonrecoverable basis up to 80% of the studies and projects that are viable, with the beneficiary providing the other 20% with his or her own funds (labor, materials, or cash) or through loans. The sustainability of the public services projects, including their operation and maintenance during the design period, will be ensured by strengthening the administrative, financial, and collection capacity for services delivered by community organizations and the local government that assume said responsibility. For projects that include the purchase of equipment, a mechanism will be agreed upon for the restitution of the respective costs. As in the case of incentives for production-oriented projects, no cost-recovery mechanism is anticipated in terms of the program itself, but mechanisms for repayment to the communities themselves will be explored.

G. Transfer of program funds

- 3.31 The funds will be transferred to MIDEPLAN, which will open a bank account in the name of the program, into which all advances will be deposited in the form of a

revolving fund, to be managed by MIDEPLAN/PCU. All contracts will be signed by MIDEPLAN/PCU and the disbursements for execution of the various activities will be made directly by the PCU, on behalf of MIDEPLAN, after having been cleared by the line institutions or beneficiary communities, as the case may be, with verification of the technical quality of the services performed or works executed.

H. Execution period and disbursement schedule

- 3.32 The execution period will be four years from the entry into force of the loan contract and the tentative disbursement calendar (including financial and unallocated costs) is indicated in Table III-1. The estimated period for final disbursement of the loan resources is four years from the date of entry into force of the loan contract.

Table III-1: Tentative Disbursement Schedule (in millions of US\$)						
Source of funds	Years of the program				Total US\$	%
	Year 1	Year 2	Year 3	Year 4		
IDB (OC)	2.0	3.0	3.5	2.5	11.0	90%
Local	0.22	0.32	0.48	0.2	1.22	10%
Totals	2.22	3.32	3.98	2.7	12.22	100%
% year	18%	27%	33%	22%		

I. Procurement of goods and services

- 3.33 The procurement of goods and related services, the construction of works, and contracting of consulting services will be done in accordance with the Bank's current procurement policies and procedures. International competitive bidding will be used for the procurement of goods involving amounts equal to or above US\$350,000 and for works involving amounts equal to or above US\$1 million. Open calls for proposals will be required for consulting services involving amounts above US\$200,000. The procurement of goods and related services and the contracting of consulting services for amounts below the aforementioned thresholds will be governed by national legislation, provided it does not contravene the principles and policies of the Bank in this area. For private assistance services (component 2), the beneficiary organizations that have received approval for a project may choose freely from among the technical assistance providers included in MIDEPLAN's registry of providers. **Annex II contains the tentative procurement plan for the program's various components.**

J. Reports and special evaluations

- 3.34 The PCU will be responsible for systematically evaluating the program and for preparing the respective reports that will be reviewed at monitoring meetings. The reports will be transmitted to the Bank pursuant to the work plan to be agreed upon. The Country Office will be responsible for program administration with support from the project team and will conduct periodic reviews. The PCU will send reports

and financial statements to the borrower, the CCRS, and MIDEPLAN and to the Bank's Country Office. The PCU will submit the reports described below.

- 3.35 **Initial report (program work plan), reports, and monitoring.** The executing agency will present the program work plan with the timetable for execution of each program component and activity. This plan will include indicators, means of verification, and assumptions for each case, in particular those agreed upon and set out in Annex I. The PCU will generate semiannual reports by component with a breakdown of the activities carried out by each OCCAP, business, or institution participating in the program and the program's financial statements.
- 3.36 **Midterm, final, and ex post evaluations.** The midterm evaluation will be conducted when 50% of the loan proceeds have been committed. This evaluation will pay special attention to a review of the agreed impact indicators and recommendations will be made regarding continuity of program activities. The various institutions represented in the CRDHVA and CCRS will also be invited to participate. The evaluation will be conducted by an independent consultant with proceeds from the Bank's loan, who will use all the mission and evaluation reports presented during program execution. MIDEPLAN will contract consulting services for the final evaluation of the program when 75% of the loan proceeds have been disbursed, for review of indicators and agreed targets. The government is interested in conducting an ex post evaluation but has not confirmed the possible source of funding. In principle, it has indicated that it will monitor the agreed impact indicators, which will support the findings of the final evaluation and, if additional evaluations are required, will make arrangements to finance the ex post evaluation from its own resources.

K. Program audit

- 3.37 The program's consolidated statements, to be presented during execution of the program, will be audited by a firm of independent public accountants acceptable to the Bank (the borrower will present them within 120 days of the end of the fiscal year). MIDEPLAN will present consolidated annual financial statements of the program to the Bank and, pursuant to Bank requirements, semiannual reports on the status of the revolving fund and bank accounts used for managing the loan proceeds and local counterpart. The costs of the external audit will be financed with loan proceeds. The Bank will review the process of selecting and hiring the independent auditing firm and approve it in advance, including the terms of reference for the proposed work. The purpose of these audits will be to determine to what degree the proposed targets and activities have been fulfilled and to provide the executing agency with the information needed to make adjustments during execution.

L. Program monitoring and evaluation

- 3.38 The instruments prepared during the program's formulation will be used for program monitoring and evaluation: the established baseline, the agreed ERDS and

- PIOTF; and the agreed target and impact indicators, according to Annex I. The PCU will run the program monitoring and evaluation, which contains two subsystems: the project and activity monitoring subsystem and the program evaluation subsystem. The PCU will conduct field visits to monitor project execution based on the progress reports of the various contractors. The data collected during these inspections and the other data gathered from the reports received will be used by the monitoring system in general.
- 3.39 The PCU will produce a monitoring report semiannually and an evaluation report annually, in addition to the reports required by the Bank that are described in this chapter. Through MIDEPLAN, the PCU will set up a web page with information on the program, indicating progress and outputs. As part of the ongoing monitoring provided for, the PCU will meet with the Bank by 30 April of each year of execution, beginning in year 1 for the launching of the program, in order to assess progress, verify impact indicators, and reach agreement on actions to be initiated during the following year.
- 3.40 The indicators will make it possible to monitor fulfillment of the objectives and targets set out in the agreed work plan. The progress of each component will be compared with the component's previously determined quantifiable targets and objectives. These reports are to be prepared by the PCU and will include the following: (i) a brief description of what was accomplished during the previous year compared with the AWP; (ii) an analysis of compliance with the contract and PORs; (iii) lists of the activities by component and evaluations, procurement, and contracting of consultants for that period, also by component; and (iv) an evaluation of the performance and progress indicators established for each component. If, as a result of these meetings, it is determined that adjustments need to be made in the program, the PCU will take appropriate measures to correct any deficiencies identified. To this end, the PCU will present to the Bank the corrective measures to be implemented and the timetable for doing so.
- 3.41 **Evaluation of program impacts.** The baseline indicators having been defined, and based on the agreements established in the selection of the watershed development scenario, the agreed impact indicators for the program will be reviewed annually in the social, economic, environmental, and vulnerability areas. The following impact indicators will be used: (i) forest cover; (ii) quality of life index; (iii) poverty levels; (iv) social lag index; (v) employment; and (vi) vulnerability. The following questions will be answered on the basis of these indicators: (i) Did management capacity increase in the protected areas and indigenous lands? (ii) Did the quality of life of the beneficiaries improve? (iii) Did the communities' options for resolving their problems increase? (iv) Did the projects help generate higher incomes and are they sustainable? and (v) Is the appropriate information necessary to guide the communities with regard to vulnerability and possible emergencies in the watershed being generated, thereby making it possible to reduce risks?

IV. FEASIBILITY AND RISKS

A. Technical feasibility

- 4.1 During program formulation and in accordance with the agreed ERDS, a PIOTF was prepared based on a study of the characteristics of the various areas and their use potential. As a result, the region was divided into five types of zones: (i) two biological corridor zones; (ii) three sustainable development zones in the Sixaola River valley; (iii) one zone of ecological and landscape interest; (iv) seven special protection zones; and (v) seven indigenous land zones, including the valley of Talamanca. This division will make it possible to review the indicative land-use management plan proposed and adjust the current urban land-use plans in Sixaola and Bri Bri, so that the proposed investments do not cause greater impact and are implemented as final solutions.
- 4.2 The program will seek to apply the good experiences on practices for natural resource management and production diversification. The combination of using appropriate production practices and raising the awareness of farmers, ranchers, and producers on the importance of preserving and appropriately managing natural resources has resulted in improvements in the recovery of soil fertility, reforestation, and conservation of forest and coastal marine resources. The works to be financed are not large or complex and may be constructed by national, and primarily local, firms. The technical specifications for the works will be adjusted to comply with the rules established in the lead institutions. In the case of production-oriented road improvements in the watershed, the MOPT will provide the necessary technical support and to this end will use procedures consistent with Bank requirements. For smaller works, criteria and technical standards in place for similar projects in the country will be used and included in the PORs.

B. Institutional feasibility

- 4.3 The proposed execution structure is based on the strategic guidelines for decentralized execution delineated by the government. The structure is based on a recently created regional council, the district committees, and a deconcentrated PCU located in the watershed. The main purpose is to strengthen an institutional structure at the three levels (binational, watershed, including regional authorities, and local, including indigenous communities) to enhance the process of communication and consensus building for investment planning, to enhance the role and participation of civil society in this process.
- 4.4 Institutional feasibility is based on four elements: (i) lessons learned in other projects, particularly the Darién and Bocas del Toro program, which presents the same characteristics; (ii) the strengthening and participation of line institutions, the municipality, indigenous authorities, the district committees, and the CCRS; (iii) the direct participation of communities and beneficiaries and of private

providers of technical assistance; (iv) the use of short-term specialized consultants to prepare terms of reference, formulate technical specifications, and prepare bidding documents, in support of MIDEPLAN/PCU; (v) binational coordination mechanisms through the respective secretariats; and (vi) experiences with interagency coordination between the two countries, such as the coordination of action between the ministries of health in the watershed's border area. The lessons learned helped to establish the structure for execution agreed upon with the government. This structure shapes the participation mechanism so that activities are executed on the basis of consensus, helping the beneficiaries gain ownership of the program.

- 4.5 As indicated previously, project identification begins with the communities, to make them partners and responsible for finding solutions and presenting and requesting projects. The most important aspect is the process of consensus building and dialogue between the communities and the group of local authorities in the district committees and later in the CCRS. This consolidated process of involvement does not currently exist and it is this transparent process at the three levels that will strengthen governance and increase dialogue and consensus building between the local governments and the communities. The strengthening of local governments and line institutions improves program feasibility, since they will be in charge of technical supervision of works in their sector. To accomplish this purpose the institutions will be strengthened through training and tools that will allow them to provide more information and improve their systems. This will expedite the process of supervising the various actions in the field, engendering more responsiveness on the part of the community and greater technical support for the program. MIDEPLAN will stand behind the PCU, which will also receive support from the experience and skills of the short-term consulting services. This process is expected to generate a capacity in the watershed that could be consolidated in subsequent projects.

C. Socioeconomic feasibility

- 4.6 In view of the nature of the program, no cost-benefit method was applied for its overall evaluation. Instead, a sample of pilot, specific, and indicative projects was identified and analyzed for components 1, 2, and 3. These were projects that the communities had requested during the consultation workshops and to which they had attached priority. This group of projects was evaluated to assess the viability of the proposed systems at the individual and community level. The indicative sample was evaluated using a discount rate of 12% and market prices (cost-benefit analysis).
- 4.7 For component 1 (environmental management, natural resource management, and vulnerability reduction), a specific project for building trails and promoting sustainable tourism in the Gandoca-Manzanillo co-management reserve, with community participation, was analyzed—from the financial return standpoint—achieving an economic internal rate of return (EIRR) of 14%. Given the

characteristics of projects identified for natural resource management under this component, they were evaluated based on their cost-efficiency. These projects generate a series of benefits such as: (i) better-organized communities more capable of managing natural resources; (ii) effective tools for the management of protected areas and indigenous lands; and (iii) biodiversity protection.

- 4.8 For component 2 (production diversification), seven projects were analyzed. The findings in terms of returns (EIRRs) of the sample ranged from 17% to 30%, depending on the nature of the projects and the activities proposed, which generate a series of benefits, including: (i) expanded technical assistance and training services; (ii) increase in productive capacity; (iii) drop in the use of agrochemicals in the commercial production of bananas; (iv) adoption of environmentally appropriate management practices; (v) technology transfer; (vi) diversification to crops with higher value added; (vii) improvement in the business capacity of small producers; (viii) strengthening of organizations headed by women; (ix) reduction in water source pollution; and (x) change in land use patterns. The returns of the projects analyzed for this component are consistent with the results of similar studies for other countries in the region.
- 4.9 A total of 13 projects (water and sewerage, rural electricity, and rural transportation infrastructure) were analyzed for component 3 (public services and basic infrastructure), with EIRRs ranging between 15% and 30%. Execution of this component will generate direct and immediate benefits for the development of rural communities in the program's area of influence. These activities will result in: (i) less travel time for vehicular traffic; (ii) a drop in the cost of operating and maintaining the vehicles; (iii) lower transportation costs for goods; (iv) a drop in crop losses stemming from the lack of adequate means of transportation; (v) a drop in existing electric power generation costs; (vi) use of cleaner technologies; (vii) access to markets; (viii) a boost in competitive capacity; (ix) greater access to potable water, sewerage, and sanitation services; and (x) improved sanitary conditions.
- 4.10 Given the characteristics of component 4 (strengthening of management capacity), no feasibility analysis was conducted. But during the analysis mission, the usefulness and cost-effectiveness of these activities were confirmed, which will generate a series of nonquantifiable benefits at three levels (local, watershed, and binational): at the local level, the benefits include: (i) communities and CSOs organized and strengthened to manage resources and gain access to loans; (ii) communities capable of reducing their vulnerability; (iii) expanded technical assistance and training services; (iv) effective participation instruments through the district committees; (v) the municipio strengthened with greater administrative and financial capacity to address community demands; and (vi) lower transaction costs for project management. At the watershed level, the benefits include: (i) regional offices of the CCRS strengthened; and (ii) watershed committee strengthened technically to discuss, analyze, and approve the watershed-wide AWP. At the binational level, the Binational Executive Secretariat will gain the capacity to

monitor implementation of the ERDS and the PIOTF. The Secretariat will also be strengthened in areas of binational interest. The social and environmental benefits generated by these types of projects were not estimated, so the EIRRs may be higher.

D. Financial feasibility

- 4.11 The program encourages financial sustainability in its various production-oriented components. At the municipal and regional levels where the benefits are public, institutional strengthening and enhanced capacity for generating additional municipal revenues are promoted and mechanisms for repayment to the communities are being sought. This will pave the way for local governments and community associations to take on real commitments for the maintenance of works, by improving finances and enhancing their management capacity.
- 4.12 For the initiatives involving public services and power, water and waste works, the projects were designed with fee systems that will ensure proper maintenance, including a small surplus for future repairs and taking into account the population's ability to pay. At the producer and local community level, according to the PORs, the practices and activities have to be financially sustainable to receive support, since this is one of the purposes of the program. Once new production practices are introduced, based on pilot experiences to be carried out, the producers are expected to continue them or improve them since they are financially attractive. The government has endorsed the high priority attached to the region's development and has guaranteed its commitment in terms of the counterpart.

E. Environmental, social, and ethnic-cultural feasibility

- 4.13 This operation is designed to have significant accomplishments in terms of both the conservation and use of natural resources and in terms of improving the quality of life of watershed residents. The program's consensus-building process reflects the application of a methodology of direct contact and interviews in the field with the social actors, in order to avoid exclusion of or discrimination against any ethnic or social group or community. The "scan" performed by the consultants in charge of formulating the ERDS (ATN/SI-8060-RS) identified the main social actors, the most relevant production and service organizations, the most representative agencies, and the different agendas of the principal social targets, together with their needs and aspirations. The information collected made it possible to incorporate into the design of the program the activities considered priorities by the communities, taking into account ethnic and cultural diversity. Special consideration is also expected to be given to active participation by women as decision-makers, beneficiaries, and important actors in the projects and activities proposed. To this end, criteria were established to promote projects with a gender-based approach. The formal consultation workshops incorporated the work done during the process of formulating the Bocas del Toro program on the Panamanian

side, taking into account valuable experiences that were applied with greater emphasis to the consultation process undertaken on the Costa Rican side.

- 4.14 In response to the focus of improving the quality of life and income levels of the residents, the operation will be conducive to taking actions that promote production-oriented potential and access to markets for small producers through environmentally sustainable practices. The proposed investments—mostly small basic services works with few environmental repercussions—will be subject to environmental procedures that will be included in the PORs. For the larger works that may have negative impact, the PORs will include environmental impact assessments and environmental impact mitigation actions where required and pursuant to rules in force.
- 4.15 The physical, environmental, and socioeconomic assessment as well as the strengths and weaknesses in the watershed were discussed in four workshops with open participation. In addition, the ERDS, PIOTF, and the various possible scenarios for development of the watershed were discussed with the Binational Technical Commission and at the ministerial level in both countries, in individual workshops by country. The development scenario on the basis of which the program and impact indicators were designed was chosen and agreed upon in the course of this process.

F. Distributional impact and poverty considerations

- 4.16 The impact of the program on the development of the watershed will be measured on the basis of the following indicators, for which there is already a baseline (current situation, without program). The impact indicators are:

IMPACT INDICATORS	
Social development index (SDI)	0
Social lag index (SLI)	10
Poor households (% of total)	67.8%
Unemployment rate	4.3%
Forest cover	75%
Dwellings in vulnerable areas	600

- 4.17 This operation qualifies as a poverty-targeted investment (PTI) based on the geographic targeting criterion. In the canton of Talamanca, 67.8% of the households live in poverty and 39.7% in extreme poverty. In the Huétar Atlántica region, in which the canton is located, the percentages are 19.4% and 7%, respectively; and for Costa Rica as a whole, the poverty level is 18.5%, with extreme poverty at 5.1%. In addition, the lowest value of the two indicators created by the Government of Costa Rica to measure social gaps among the country's geographical areas—the SDI and the SLI—applies to the canton of Talamanca.

G. Program risks

- 4.18 The main risk facing the program is that its requirements may **exceed the absorption, response, and management capacity** of the proposed institutional and participatory framework. This risk will be mitigated by paying due attention to

and emphasizing institutional strengthening, at the regional level, of the CCRS, the district committees, and particularly the community and productive organizations. In addition, the possibly slow implementation of a **new participatory and decentralized institutional framework** for execution is seen as a risk, given the current level of centralization and the binational nature of the watershed. This risk will be minimized through the deconcentrated approach recently adopted by the government with the creation of regional development councils (CRDs) and through a broad consultation and participation process involving public and private actors and beneficiaries. The latter will be supported by the district committees, the CCRS, and the secretariats under the agreement, to ensure early involvement of the community and coordination of the two countries' actions.

- 4.19 Another risk would involve not achieving **financial sustainability** in the small projects, especially in terms of small producers and local governments. To minimize this risk, the program design includes mechanisms to ensure financial sustainability with the involvement of actors and beneficiaries in the decisions, with knowledge and acceptance of the financial duties and responsibilities to be undertaken in each case.

COSTA RICA
SUSTAINABLE DEVELOPMENT PROGRAM FOR THE SIXAOLA RIVER BINATIONAL WATERSHED (CR-0150)
LOGICAL FRAMEWORK MATRIX

GOAL: To improve the living conditions of the population of the Sixaola River watershed in Costa Rica, through interventions in the economic, social, and environmental areas that help implement a sustainable development model for the watershed. The following impact indicators will be used: (i) social development index increases from 0 to 15; (ii) percentage of poor households drops from 67.8% to 58%; (iii) social lag index drops from 10 to 8; (iv) unemployment rate remains at 4.3%; (v) forest coverage drops from 75% to 73%; (vi) dwellings in areas vulnerable to disasters cut from 600 to 480.

PURPOSE OF THE PROGRAM = GOAL OF THE COMPONENTS (PROJECTS): Support the implementation of the Sixaola River Regional Sustainable Development Strategy (ERDS) in Costa Rica and help reduce poverty and physical, economic, and environmental vulnerability. .

	Environmental management, natural resource management, and vulnerability reduction (US\$1.44 million)	Production diversification (US\$4.83 million)	Public services and basic infrastructure (US\$3.1 million)	Strengthening of management capacity (US\$890,000)
PURPOSE OF COMPONENT	Manage and conserve natural resources and reduce vulnerability to natural risks.	Diversify the existing structure for production and development of natural resources to ensure their sustainability and increase revenues and job opportunities.	Focus public investment in infrastructure and basic services on expanding coverage and access for the population, stimulating community and private sector participation.	Enhance the management capacity of entities responsible for resource administration, with effective community participation and a decentralized approach and civil society participation.
	<p>Environmental and natural resources management subcomponent: Capacity to monitor and control quality of water and other natural resources improves.</p> <p>Community participates in the management of protected areas.</p> <p>Gandoca Manzanillo Wildlife Refuge is managed on a sustainable basis and capacity is established to increase flows of tourists and revenues.</p> <p>Protected areas and indigenous lands have better management tools.</p> <p>Vulnerability reduction subcomponent Capacity of authorities and communities to face natural threats improves.</p> <p>Risk of floods is reduced in watershed areas.</p>	<p>Alternative crops to replace banana, plantain, and cocoa spread and expand.</p> <p>Organic production is increased and improved to tap the region's comparative advantages.</p> <p>Local production transformation activities increase.</p> <p>Tourism service providers are strengthened and their capacity to generate income is improved.</p>	<p>Preinvestment initiatives are identified and investments made in potable water, sanitation, education, health, electricity, transportation infrastructure, and community facilities, based on demand.</p>	<p>Local level The administrative and financial capacity of the municipal government and indigenous communities is strengthened.</p> <p>The capacity to structure AWP's at the district level is created.</p> <p>Civil society organizations increase their participation in the formulation of projects and in the delivery of services to the communities.</p> <p>Watershed-wide Offices/regional representatives of MINAE, MAG, ICT, CNE, etc. participate in the watershed committee for the benefit of the population.</p> <p>Binational level The Executive Secretariat of the MIDEPLAN Binational Commission is strengthened.</p>

COMPONENT 1: ENVIRONMENTAL MANAGEMENT, NATURAL RESOURCE MANAGEMENT, AND VULNERABILITY REDUCTION (US\$1.44 MILLION)			
Narrative Summary	Indicators	Means of Verification	Assumptions
<p>PURPOSE: Manage and preserve natural resources and reduce vulnerability to natural risks.</p>	<ul style="list-style-type: none"> 15% of communities participating in management plans 50% of communities participating in the research plans 	<ul style="list-style-type: none"> Baseline Program monitoring and evaluation reports MINAE information CNE information 	<ul style="list-style-type: none"> PIOTF guidelines are applied by MINAE, MIDEPLAN, MAG. The binational GEF project (complementary activities in the environmental area) is approved and begins to be implemented.
<p>a) Environmental and natural resource management subcomponent: Capacity to monitor and control water quality and other natural resources improves. Community participation in the management of protected areas is achieved. Gandoca Manzanillo Wildlife Refuge (REGAMA) is managed on a sustainable basis, with capacity established to increase the flow of tourists and revenues. Protected areas and indigenous lands have better management instruments.</p>	<ul style="list-style-type: none"> Pilot project for community protection in the critical area of the PILA executed. At least 10 community organizations trained in the management of protected areas. Trail building and improvement of tourism infrastructure in the REGAMA completed by the end of the program. 	<ul style="list-style-type: none"> MINAE information PCU report Project monitoring and evaluation system 	<ul style="list-style-type: none"> Incentives to deforestation (price of lumber, possibility of evading controls, lack of alternatives) do not increase. Civil society organizations are interested in participating actively in the program. The environment ministries of Costa Rica and Panama have the political and technical will to work in coordination.
<p>b) Vulnerability reduction subcomponent Capacity of authorities and communities to face natural threats improves. Risk of floods in watershed areas drops.</p>	<ul style="list-style-type: none"> Risk mitigation plan for critical areas implemented. Local risk committees up and running in 12 communities. 	<ul style="list-style-type: none"> PCU reports MINAE reports CNE reports 	<ul style="list-style-type: none"> Substantial improvements in the coordination mechanisms of the entities involved. The population accepts and participates in the information campaigns and training.

COMPONENT 2: PRODUCTION DIVERSIFICATION (US\$4.83 MILLION)			
Narrative Summary	Indicators	Means of Verification	Assumptions
<p>PURPOSE: Diversify existing structure for production and development of natural resources to ensure sustainability and increase income and employment opportunities.</p>	<ul style="list-style-type: none"> Percentage of population involved in agriculture remains at 81%. Banana yields increase from 588 to 700 boxes/ha/year. Income of participating producers increases by at least 15%. 	<ul style="list-style-type: none"> Agricultural statistics and statistics from the National Institute of Statistics and Censuses Program monitoring and evaluation reports PCU-conducted surveys of beneficiaries 	<ul style="list-style-type: none"> Interest in institutionalizing coordination among the various agencies in the watershed is maintained and synergy with other projects under way in the watershed is achieved. Complementarity and consistency with the Huetar Vertiente Atlántica regional development strategy.
<p>Crop alternatives to banana and plantain expand and spread.</p> <p>Organic production to tap the region's comparative advantages increases and improves.</p> <p>Activities to transform local production increase.</p> <p>Providers of tourism services are strengthened and their capacity to generate income improves.</p>	<ul style="list-style-type: none"> Three experimental farms have pilot projects in operation in year one. At least 500 has adopt agroforestry systems or plant nontraditional crops. 300 producers trained by the program in production diversification and cleaner production. At least 20 wells are built to supply potable water to mini produce-packing companies in year one. At least five initiatives for transformation processes are promoted by women. Ecotourism network is created on the initiative of firms involved, training is provided under the program, and web page is up and running. 	<ul style="list-style-type: none"> Surveys of program beneficiaries prepared by the PCU MAG reports on area under cultivation by crop 	<ul style="list-style-type: none"> The political and institutional will to promote production diversification is maintained. Associations of producers participate in the program. Markets for alternative products do not experience significant negative trends. Tourism on the Caribbean coast of Costa Rica remains dynamic. Panamanian and Costa Rican Tourism Boards coordinate efforts.

COMPONENT 3: PUBLIC SERVICES AND TRANSPORTATION INFRASTRUCTURE (US\$3.1 MILLION)			
Narrative Summary	Indicators	Means of Verification	Assumptions
<p>PURPOSE: Increase basic service coverage and access of population to transportation infrastructure, encouraging community and private sector participation.</p>	<ul style="list-style-type: none"> • Infant mortality drops from 18.5 to 14 per thousand. • The percentage of the population without access to potable water drops from: 83% to 45% in the upper watershed, 47% to 35% in the middle watershed, and 13% to 11% in the lower watershed. • Percentage of the population without access to electricity drops from 97% to 70% in the upper watershed and from 59% to 45% in the middle watershed. • Sanitary landfill is built and in operation, receiving 80 m³ per week. • Transportation time in rehabilitated sections is cut by 20%. 	<ul style="list-style-type: none"> • Baseline • Statistics from MIDEPLAN, AyA [Costa Rican Water Supply and Sewerage Systems Agency], ICE [Costa Rican Electricity Institute], MOPT, Ministry of Health • Program monitoring reports • PCU reports and field visits 	<ul style="list-style-type: none"> • The sector agencies are genuinely willing to cooperate with the program. • Interagency coordination is institutionalized.
<p>Preinvestment initiatives are identified and investments made in potable water, sanitation, education, health, electricity, transportation infrastructure, and community equipment, based on demand.</p> <p>Services are managed on a sustainable basis with community participation.</p>	<ul style="list-style-type: none"> • At least 200 families gain access to potable water, latrines, and electrification. • At least 30 km of roads are improved and in good condition. • At least one hammock bridge is built. • Two-hectare sanitary landfill is built. • 30 rural water supply systems are refurbished. 	<ul style="list-style-type: none"> • Reports and statistics on coverage and water quality (MINSA and AyA) • Reports-statistics from ICE's Rural Electrification Office, MOPT • PCU reports 	<ul style="list-style-type: none"> • Civil society and private sector organizations are interested in participating in the design and delivery of services to the communities. • Both countries remain interested in building the new bridge.

COMPONENT 4: STRENGTHENING OF MANAGEMENT CAPACITY (US\$890,000)			
Narrative Summary	Indicators	Means of Verification	Assumptions
<p>PURPOSE: Enhance the management capacity of entities responsible for administration of resources, with effective participation by the communities, on a decentralized basis and with participation by civil society.</p>	<ul style="list-style-type: none"> Municipality of Talamanca increases own revenues by a cumulative 30% by end of program. Municipality of Talamanca devotes at least 5% of its total spending on maintaining infrastructure works under its responsibility that were built with program funds. 	<ul style="list-style-type: none"> Monitoring and evaluation reports, AWP PCU reports and field visits 	<ul style="list-style-type: none"> Institutional and social actors in the watershed work with the program. The government's political will to strengthen the decentralization process is maintained.
<p>Local level Administrative and financial capacity of the municipal government and indigenous communities is strengthened. Capacity to structure AWP at district level is created. Participation of civil society organizations in the formulation of projects and in the delivery of services to the communities increases.</p> <p>Watershed wide Regional offices/representatives of MINAE, MAG, ICT, CNE, etc. participate in the Watershed Committee to the benefit of the population.</p> <p>Binational level Executive Secretariat of the MIDEPLAN Binational Committee is strengthened.</p>	<ul style="list-style-type: none"> Action plan of Municipality of Talamanca is being executed. The three district committees have been created and are in operation with their respective by-laws in place. The AWPs for the Sixaola Watershed are prepared by the institutions in coordination and based on a participatory approach. Institutional strengthening plan of the Executive Secretariat of the MIDEPLAN Binational Committee has been prepared and is being implemented. Three binational coordination meetings are held. 	<ul style="list-style-type: none"> Municipal budget and program monitoring reports PCU report Sixaola River Watershed Committee reports Minutes and reports of Binational Committee Agendas, minutes, and records of participants 	<ul style="list-style-type: none"> The Mayor's Office remains interested in promoting the modernization process and applying the action plan. Cadastre activities move forward as planned. Entities involved cooperate and facilitate operation of the coordination structure. Entities involved cooperate and facilitate operation of the coordination structure Government maintains support for decentralization process. Political will exists on the part of the governments to jointly promote the development of the border area and the binational agenda. The ERDS binational coordination structure has been established and is operating.

**SUSTAINABLE DEVELOPMENT PROGRAM FOR THE SIXAOLA RIVER BINATIONAL WATERSHED
(CR-0150)
PROCUREMENT OF GOODS AND SERVICES
(US\$000)**

Items	Total amounts ^{a/}	Method of procurement ^{b/}	Procurement notice Year/quarter
1. CONSULTING AND OTHER SERVICES			
Individual consultants (PCU)	200.0	LOCP	1/I; 3/I
Audit and midterm and final evaluations	140.0	LCB	1/I; 2/II; 4/IV
Monitoring and evaluation	80.0	LCB	1/I
Strengthening Municipio Talamanca	170.0	LCB	1/II
Strengthening of NGOs and producers and workshops with communities	180.0	LCB	1/II
Master plan—vulnerability	290.0	ICB	2/I
Harmonization of management plans	110.0	LCB	2/1
Subtotal	1,370.0		
2. GOODS			
Equipment (PCU, local governments)	60.0	LOCP	1/I
Vehicles, motorcycles	40.0	LOCP	1/I
Sub-total	100.0		
3. WORKS			
Community ecotourism network	110.0	LCB	1/I
Reduction of agrochemicals	250.0	LCB	2/I
Water supply system and sewerage—Chase	60.0	LCB	1/I
Reconditioning Chiroles Gavilán road	230.0	LCB	1/I
Katsi-Amubri hammock bridge	30.0	LCB	1/I
Subtotal	680.0		
Totals	2,150		
<p>a/ The procurement of goods and related services, the construction of works, and the contracting of consulting services will be conducted in accordance with the Bank's policies. International competitive bidding will be required for goods and services when their estimated cost is equal to or above US\$350,000 and for works when their estimated cost is equal to or above US\$1 million. International open calls for proposals will be required when the estimated cost of consulting services exceeds the equivalent of US\$200,000.</p> <p>b/ ICB = International competitive bidding LCB = Local competitive bidding LOCP = Local open call for proposals</p>			