

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## **COSTA RICA**

### **PROTECTED AREAS TOURISM PROGRAM**

**(CR-L1001)**

### **LOAN PROPOSAL**

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Electronic Links and References	
Basic socioeconomic data	<a href="http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata">http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata</a>
Portfolio in execution	<a href="http://ops/approvals/pdfs/CRen.pdf">http://ops/approvals/pdfs/CRen.pdf</a>
Information available in the RE2/EN2 technical files	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=731253">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=731253</a>
Procurement plan	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=850903">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=850903</a>
Program organization chart	<a href="http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=850905">http://idbdocs.iadb.org/WSDocs/getDocument.aspx?DOCNUM=850905</a>
Other (map, etc.)	<a href="http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=731255">http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=731255</a>

## ABBREVIATIONS

ACTUAR	Asociación Costarricense de Turismo Rural Comunitario [Costa Rican Rural Community Tourism Association]
AWP	Annual Work Plan
CANATUR	Cámara Nacional de Turismo [National Tourism Chamber]
CESI	Committee on Environment and Social Impact
CONAC	Consejo Nacional de Áreas de Conservación [National Conservation Areas Board]
EIA	Environmental Impact Assessment
FPN	Fundación de Parques Nacionales [National Parks Foundation]
GEF	Global Environment Facility
ICT	Instituto Costarricense de Turismo [Costa Rican Institute of Tourism]
INEC	Instituto Nacional de Estadística y Censos [National Institute of Statistics and Census]
MINAE	Ministry of Environment and Energy
MSME	Micro, small, and medium-sized enterprises
NGO	Nongovernmental organization
NINA	Norwegian Institute for Nature Research
SETENA	Secretaría Técnica Nacional Ambiental [National Technical Secretariat for the Environment]
SINAC	Sistema Nacional de Áreas de Conservación [National Conservation Areas System]
SME	Small and medium-sized enterprises
TNC	The Nature Conservancy
UNDP	United Nations Development Programme
UNWTO	World Tourism Organization
WWTC	World Travel and Tourism Council

## PROJECT SUMMARY

### COSTA RICA PROTECTED AREAS TOURISM PROGRAM (CR-L1001)

Financial Terms and Conditions <sup>1</sup>				
Borrower: Republic of Costa Rica Executing agency: Ministry of Environment and Energy (MINAE) through the Sistema Nacional de Áreas de Conservación [National Conservation Areas System] (SINAC)			Amortization period:	20 years
			Grace period:	5 years
			Disbursement period:	5 years
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	Interest rate:	Adjustable
IDB (Ordinary Capital)	20,000	80	Inspection and supervision fee:	0%
Local	5,000	20	Credit fee:	0.25%
Other/Cofinancing	0	0	Currency:	US dollars from the Single Currency Facility
Total	25,000	100		
Project at a glance				
<p><b>Project objective:</b></p> <p>The general objective of the proposed program is to consolidate tourism in State protected areas in Costa Rica, as a means of strengthening their sustainable management and contributing directly to local socioeconomic development and natural resource conservation. The three components of the program aim to meet the following specific objectives: (i) to increase the revenues and financial sustainability of SINAC, and especially of the protected areas, by investing in sustainable tourism development in the protected areas and their surrounding areas; (ii) to augment socioeconomic and environmental benefits in neighboring municipios and communities; and (iii) the institutional strengthening of SINAC. The Instituto Costarricense de Turismo [Costa Rican Institute of Tourism] (ICT) and participating municipalities will provide support.</p> <p><b>Conditions precedent to the first disbursement:</b> (i) the executing agency and the ICT will have signed an interagency cooperation agreement setting out the responsibilities of the parties in program execution (paragraph 3.1); (ii) the executing agency will have contracted the Fundación de Parques Nacionales [National Parks Foundation] (FPN) to administer program resources, and support the program's procurement and contracting processes (paragraph 3.1); and (iii) the program's Operating Manual will have been approved by the Managing Director of SINAC and entered into force in the terms agreed previously by the Bank (paragraph 3.13).</p> <p><b>Exceptions to Bank policies:</b> None</p>				
<p><b>Project consistent with country strategy:</b>    Yes [ <input checked="" type="checkbox"/> ]    No [ <input type="checkbox"/> ]</p> <p><b>Project qualifies as:</b>    SEQ [ <input checked="" type="checkbox"/> ]    PTI [ <input checked="" type="checkbox"/> ]    Sector [ <input type="checkbox"/> ]    Geographic [ <input checked="" type="checkbox"/> ]    Headcount [ <input type="checkbox"/> ]</p> <p><b>Procurement:</b> See cross-reference paragraphs 3.18 – 3.20. The procurement of works, goods and related services, and consulting services will be done in accordance with the Bank's relevant policies (documents GN-2349-7 and 2350-7). The FPN will be hired directly to administer program resources, in accordance with the policy set out in document GN-2350-7.</p> <p><b>Verified by CESI on:</b> 2 December 2005</p>				

<sup>1</sup> 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 recommendations. In no case will the credit fee exceed 0.75%, or the inspection and supervision fee exceed 1% of the loan amount.\*

\* 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.

## **I. FRAME OF REFERENCE**

### **A. Socioeconomic framework**

- 1.1 Costa Rica has a track record of political stability, economic development, and a social structure comprising a large middle class that distinguishes it from the other countries of the Central American region. Its unemployment rate is among the lowest in Latin America, and its poverty rate is much lower than the regional average. During the 2001-2004 period, the gross domestic product (GDP) grew at an annual average of 4.45%;<sup>1</sup> during the 2001-2005 period, unemployment averaged 6.4% and poverty 20.4%.<sup>2</sup>
- 1.2 Despite the country's good overall performance, more recent years have been marked by a progressive deceleration of economic progress, stagnation in the poverty level, and deepening income inequality. Between 1990 and 2000, Costa Rica's position in the Human Development Index of the United Nations Development Programme (UNDP) fell from 28 to 48. In 2005, the level of poverty was 21.2%,<sup>3</sup> which is similar to where it stood a decade ago. In rural areas, where the country's protected areas are located, the poverty level was 24.9%. Growth has not been enough to sustain the country's transition to greater productivity in a more open economy with a foothold in international markets.
- 1.3 Traditionally, the agricultural sector has been the foundation of the economy, principally with bananas, coffee, and other products. Today, the sectors with the greatest competitive potential in Costa Rica are, in addition to agriculture, high-tech electronics, international services (call centers, etc.), biotechnology, and tourism.

### **B. The tourism sector**

- 1.4 Today, tourism generates more foreign exchange than do agricultural exports, and surpassed only by the industrial sector and the duty-free zones. In 2005, tourism earnings totaled US\$1.6 billion, or 7.4% of GDP,<sup>4</sup> with some 1.65 million foreign tourists visiting the country. The General Sustainable Tourism Development Plan (2006 update) predicts an annual 6.6% growth in tourism over the next six years. The sector provides direct employment to 5.7% of the economically active population,<sup>5</sup> indirectly stimulates other sectors of the domestic economy, and has a multiplier effect that benefits both rural and urban areas. According to the World Tourism Organization (UNWTO), each job created in the tourism sector generates

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<sup>1</sup> [Banco Central de Costa Rica \[Central Bank of Costa Rica\]](#)

<sup>2</sup> [Instituto Nacional de Estadística y Censos](#) [National Institute of Statistics and Census]

<sup>3</sup> Ibid.

<sup>4</sup> ICT 2006. 2006-2012 General Sustainable Tourism Development Plan.

<sup>5</sup> United Nations/UNWTO/World Bank/WWTC

at least three jobs in other sectors, which includes jobs in depressed rural areas where there are very few employment opportunities.

- 1.5 The largest share of foreign tourists in Costa Rica come from North America (47.6% in 2004), and this is also the group showing most rapid growth. The principal reason given for travel to Costa Rica is vacations (65.2%), followed by business or professional activities (20.8%). One of Costa Rica's characteristics as a tourist destination is the broad range of recreational activities it offers, most of them nature related. The "sun and beach" segment continues to be the most popular choice (79.9%), followed by activities associated with ecotourism and similar forms of tourism, which account for more than 40%, including "observation of flora and fauna" (58.3%); but parallel growth in all these areas is expected. Length-of-stay indicators for the country show the average to be between 11 and 13 nights, despite the worldwide trend toward shorter but more frequent trips. Foreign tourists in Costa Rica tend to be families or older people, often with high educational and good income levels.<sup>6</sup> An average US\$936 is spent per tourist in the country.
- 1.6 The rapid growth in tourism, especially in recent years, also partially explains the problems and challenges facing the sector. Increasingly, for extensive periods of the year, there is a shortage of hotel rooms and other tourism services in both urban and rural areas. In many parts of the country, tourism products do not really live up to the quality projected in the publicity of the Instituto Costarricense de Turismo [Costa Rican Institute of Tourism] (ICT), that of the international tourism sector, or visitors' expectations. Therefore, in order to be able to charge higher prices and create more income-generating and employment opportunities in the country's less developed regions, tourism infrastructure and the quality of customer care and services must first be improved.
- 1.7 Nearly 60% of all the international tourists who visit Costa Rica state that they have visited a protected area; those engaging in longer international trips are more likely to do so. Although there has been a growth in the number of visits to public protected areas (157 in all), this growth has not kept pace with the overall growth of tourism in the country. In general, this is due to the difficulties of accessing these areas, combined with substandard infrastructure and services, among other things. According to the Sistema Nacional de Áreas de Conservación [National Conservation Areas System] (SINAC), public protected areas received approximately 800,000 visitors in 2004, 53% of whom were foreigners. Some 66% of Costa Ricans say they have visited at least one protected area.
- 1.8 Despite the considerable progress it has made to develop tourism and strengthen conservation, Costa Rica must address a number of challenges if it is to consolidate

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<sup>6</sup> In 2003, North American tourists who visited Costa Rica were on average 49.7 years old; 63.3% were married, 67% were university graduates, and their average annual income US\$95,518.

sustainable tourism in protected areas with efforts to protect biodiversity. First, of the 39 protected areas considered to have tourism potential, only six (Poás, Manuel Antonio, Irazú, Cahuita, Santa Rosa, Tortuguero) receive the great bulk of visits (86%),<sup>7</sup> even though many areas have natural attractions “still undiscovered” by tourists. A better balanced distribution of visits among the protected areas must therefore be fostered by improving access infrastructure and providing new facilities, infrastructure, and services in the areas, without neglecting improvements in the quality of same in areas that are already popular among tourists. Second, tourism development in protected areas has contributed positively to improving the quality of life in local communities when the local population is involved in the planning process and in delivering tourism services. Therefore, local communities, including the indigenous population, must be more actively included in these efforts. Third, the capacity to manage tourism in protected areas is weak, as is coordination among the principal stakeholders (ICT, SINAC, private sector, communities, and municipalities). As a result, the integration of tourism management and of efforts to mitigate negative impacts inside and outside the protected areas has been poor, resulting in the loss of many opportunities that tourism represents for conservation and development purposes. Lastly, the country faces the major challenge of improving the sustainability of funding for protected areas, the primary source of which is currently the State budget. To meet this challenge, access to protected areas must be improved, as must the services offered, the pricing structure and administration of these services, and the involvement of public and private stakeholders in tourism development.

- 1.9 In order to respond to all these challenges, the government requested the Bank’s support in developing a Protected Areas Tourism Program. This program will strengthen the National Conservation Areas System through better management of tourist attractions<sup>8</sup> in protected areas by involving municipalities, communities, and the private sector in tourism planning, and in making needed investments in infrastructure both inside these areas and outside them.

## **C. Institutional framework**

- 1.10 Costa Rica has made considerable headway in developing its legal and institutional framework for environmental matters. Some of its most important laws on conservation and the environment are: (i) Law on Biodiversity (1998); (ii) Basic Law on the Environment (1995); (iii) Law on Wildlife Conservation (1992); and (iv) Forestry Law (1996). Enforcement of those laws is headed by the Ministry of Environment and Energy (MINAE) and its divisions, including the following

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<sup>7</sup> Based on data for the 1997-2001 period provided by the National Conservation Areas System/Ministry of the Environment and Energy of Costa Rica (MINAE-SINAC).

<sup>8</sup> Places of interest to tourists that have the equipment and services needed to receive visitors and that, in some cases, may be sufficiently attractive to generate demand on their own.



semiautonomous agencies: National Commission for Biodiversity Management (CONAGEBIO), National Technical Secretariat for the Environment (SETENA), National Forestry Financing Fund (FONAFIFO), and SINAC. Inasmuch as its responsibilities include the administration and management of protected areas in the public domain, MINAE/SINAC will play an important role as the executing agency of this program. The ICT, as the agency that promotes sustainable tourism, and the Fundación de Parques Nacionales [National Parks Foundation] (FPN), which will administer program resources, will participate in its implementation.

- 1.11 SINAC was established in accordance with Article 22 of the Law on Biodiversity (Law 7788 of 30 April 1998). Pursuant to Costa Rican legislation, it is a semiautonomous body of MINAE with its own legal standing. In 1998 a claim of unconstitutionality was filed with the Constitutional Chamber of the Supreme Court of Justice against several articles of that law, including Article 22. Until the question is resolved, SINAC's capacity to exhaust certain administrative channels has been suspended, including its authority to directly make procurements. It is still empowered, however, to directly make technical decisions and decisions related to implementing policy.
- 1.12 Among other things, SINAC is responsible for managing, administering, and conserving protected areas in the public domain. It is governed by the National Conservation Areas Board (CONAC), chaired by the Minister of Environment and Energy, and made up of an Executive Steering Committee and 11 Conservation Areas that administer a total of 157 protected areas. The Executive Steering Committee comprises a director, an assistant director, and three offices (planning, natural resources management, protected areas), in addition to functional units including human resources and financial management.
- 1.13 With this structure, SINAC promotes several special programs, each led by a coordinator. They are: forest fire control, control of illegal felling, connectivity among protected areas, and sustainable tourism. The present operation will be included in the sustainable tourism program.
- 1.14 SINAC has 907 employees, 117 of whom are currently assigned to MINAE tasks unrelated to SINAC activities. Ten percent of the rest work at headquarters in San José and 90% work in the Conservation Areas, showing the high degree to which its personnel are decentralized. Even so, its current structure is ill suited for streamlined operations. In addition, its special legal situation makes the contracting and procurement processes very slow because all documentation must be processed through MINAE's central offices. In order to facilitate SINAC's operations, MINAE signed a framework agreement with the FPN in 1990, contracting it to administer project resources and special accounts.
- 1.15 Among all of SINAC's staff, only two have pursued graduate studies in the area of tourism, nine hold tourism-related university degrees, and some have received

subject-specific training in the area. At present, the institution does not offer courses on tourism or tourism services as part of its programming.

- 1.16 SINAC's budget for 2004 totaled US\$21 million. Of this, US\$14 million (approximately two thirds of the total) came from the central government's budget and US\$6.6 million from the National Parks Fund (generated by admission fees and payments for other services, mainly stamps and fees). Of the revenues generated by the protected areas, 58% come from the Central Pacific area (which includes Manuel Antonio National Park) and the Central Volcanic Mountain Range (which includes Poás and Irazú National Parks). Although SINAC's current budget covers its recurrent expenditures, it is insufficient for the investments needed to meet tourists' expectations, which would involve upgrading the quality of services in areas that already receive visitors and developing other protected areas so as to increase the supply of tourist attractions.
- 1.17 Although SINAC has fulfilled the technical responsibilities assigned to it by law, it has some weaknesses that need to be addressed. First, the institution needs to streamline and modernize its administrative and financial systems, including the collection of funds, and to improve the collection of statistical and financial data by the Conservation Areas. This will enable SINAC to better monitor its operations and make the pertinent decisions regarding future investments and strategies. Second, SINAC needs to provide training to its staff not only on the subject of conservation, but also of tourism.
- 1.18 The FPN is a nonprofit private organization established in 1979 by the Office of the Attorney General of the Republic to promote the establishment, protection, and overall development of national parks. Since then, the FPN has collaborated with SINAC in several areas, including the procurement of goods and services, the purchase of lands, the hiring of personnel, and the management of funds. The FPN has a Board of Directors made up of three representatives from the Attorney General's Office, one from the Office of the Mayor of San José, and one representing the Executive Branch. Subordinate to the Board is the Executive Delegate, who is responsible for the operations of the FPN and its 14 staff members, most of whom have operational responsibilities, including disbursement, procurement control, and project control. However, given the size of the institution, almost all must multitask, which substantially increases their efficiency.
- 1.19 The ICT is the agency responsible for the development and regulation of the tourism sector. It promotes the Sustainable Tourism Certification Program, with MINAE, as a tool to promote sustainable tourism activity. In its "2002-2012 National Sustainable Tourism Development Plan," the ICT presents a frame of reference for strategic and physical tourism planning in the country, with the aim of fostering sustainable tourism development nationwide. The plan considers the tourism potential of each area and the actions to be taken by public and private agencies.

- 1.20 The private sector brings its influence to bear on the tourism sector through the work of various organizations, the most important of which are the Cámara Nacional de Turismo [National Tourism Chamber] (CANATUR), the Cámara Nacional de Ecoturismo [National Ecotourism Chamber] (CANAECO), and the Consorcio Cooperativo Red Ecoturístico Nacional [Consortium of Cooperatives National Ecotourism Network] (COOPRENA), which was established at the initiative of farmers and rural entrepreneurs. The sector also includes a network of more than 100 private reserves that promote conservation and tourism activities.

**D. The country's sector strategy**

- 1.21 The country's strategy for the tourism sector is set out in the 2006-2012 National Sustainable Tourism Development Plan, which establishes the following vision: The tourism industry will be one of the principal motors of the national economy, generating direct and indirect benefits for human development. It will be an activity that meets high quality standards, offers a wide range of competitive products, and has a major impact on local well-being. Planning will make it possible to distribute tourism activity geographically in order to ensure an efficient use of the natural and cultural resources in the different planning units. The strategy prioritizes geographical regions for tourism development, and places emphasis on developing enterprises of different sizes and for different types of tourism, based on quality, organization, and sustainability.
- 1.22 The National Strategy for Biodiversity Conservation and Sustainable Use, drawn up in 2000 in fulfillment of the commitments Costa Rica acquired under the Convention on Biological Diversity,<sup>9</sup> establishes under the strategic line of action "Consolidation of conservation efforts," the need to strengthen technical capabilities to ensure the appropriate management of biodiversity. This includes involving organized local groups in activities to develop protected areas, and awarding concessions for nonessential services in support of ecological tourism. It also proposes that opportunities be developed for financing the management of protected areas, and suggests building capacity in conservation areas to generate revenues through services, including tourism in protected areas.
- 1.23 Under the strategic line of action "Harmony with Nature," Costa Rica's 2002-2006 National Development Plan proposes the implementation of a program of sustainable ecological tourism, considering the participation of communities in the management of nonessential services of protected areas, and public and private agencies, the upgrading of infrastructure services, and the ongoing monitoring and evaluation of the impact of national and foreign visitors.

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<sup>9</sup> Article 6 of the Convention provides that signatory countries must draw up national strategies, plans, and programs aligned with the purposes of the Convention.

- 1.24 The 2005 National Environmental Strategy developed by MINAE with Bank support included formulation of a National Environmental Policy that states that: (i) the Executive Branch, using appropriate technical, administrative, and financial mechanisms, will provide the resources and means needed to enable SINAC to fulfill its mandate efficiently and effectively; (ii) tourism development should take place in harmony with nature, for which the Executive Branch will require guarantees of compliance; (iii) the Executive Branch will establish a program to quantify the contribution of protected areas and biodiversity to the gross domestic product calculated by the Central Bank, as well as the contribution of the tourism sector to the conservation and maintenance of protected areas; and (iv) since natural resource conservation is a task shared by the Executive Branch, the municipalities, and society, all segments must participate actively and responsibly in this effort.

**E. The Bank's sector strategy**

- 1.25 The Bank's strategy in the tourism sector is set out in the Bank's strategy with Costa Rica and places emphasis on fostering integrated rural development by including services in the tourism sector. The strategy recognizes the sector as a source of current and potential economic growth, and mentions that three factors underscore the importance of the rural economy to Costa Rica's development: (i) most of the population lives in rural parts of the country (50%); (ii) the incidence of poverty is greater in rural areas; and (iii) agriculture and tourism are placing a strain on the rural environment since some of their activities take place in conservation areas, national parks, and biological reserves.
- 1.26 The value-added of the Bank will consist of using the experience gained from other IDB tourism projects (see paragraphs 1.23-1.24) to help the country take a qualitative leap forward in developing the tourism sector, in line with the country's objectives and policies on sustainable development and natural resource conservation. Tourism in Costa Rica is represented by different segments. One segment seeks sun and sand, primarily in the transnational hotel chains in the Guanacaste region; others arrive on cruise ships, primarily along the Caribbean coast; the third segment is made up of tourists who want to visit protected areas and experience the country's natural wonders. One value-added of the Bank is to support development of this third segment. If the necessary investments in public protected areas are not made, there is a risk that this third market niche may be weakened or lost because of substandard infrastructure and unsatisfactory tourism services. Another value-added of the Bank is the emphasis on incorporating the municipal and private sectors in local tourism development, often in poor regions. This approach will be further strengthened through MIF operations targeting small and medium-sized enterprises (SMEs) in the tourism sector (see paragraph 1.36).

## **F. Program strategy**

- 1.27 The program will support the Government of Costa Rica in developing and implementing a series of technical, administrative, and investment instruments to promote tourism as a sustainable alternative in protected areas and their surrounding areas. These instruments will upgrade the capacities of key stakeholders in the tourism sector, particularly SINAC, to manage its permanent program of sustainable tourism in protected areas.
- 1.28 The program's strategy for strengthening sustainable tourism development in protected areas will focus on achieving:
- a. *Better products*, ensuring better infrastructure, information, and tourism services.
  - b. *Appropriate and differentiated prices*, encouraging a better distribution of tourists among a larger number of protected areas, and improving the financial sustainability of SINAC.
  - c. *Promotion and marketing*, focusing on different segments of tourists who may visit protected areas, with a view to increasing the total number of visitors to protected areas, improving their distribution among the different areas, and strengthening the financial sustainability of SINAC.
  - d. *Microregional development* through interaction with the municipalities, communities, and private sector around the protected areas.
  - e. *Interagency coordination*, clearly defining the roles of SINAC and the ICT, where SINAC's most important task will be to develop the product, and the ICT's main responsibility will be promotion and marketing.
- 1.29 The program will be executed under SINAC's existing structure, which will be strengthened by the actions described in this operation. SINAC's strategy is to adjust its structure in order facilitate and improve the efficiency of its operations. It began by creating programs that respond directly to field activities and needs. The program places special emphasis on improving its financial management by strengthening the procurement unit, and developing new cost systems to make it possible to identify each protected area as a cost center so that revenues, investments, and contributions to the institution can be compared and measured as a whole. The program will also incorporate SINAC's strategy and experience in its work interacting with municipalities and SMEs in the tourism sector in areas neighboring the protected areas. The private sector will be involved through local chambers of tourism, with financing provided for studies on opportunities for SMEs, certification of nonessential service concessionaires in the protected areas, as well as training and accreditation of private stakeholders (see subcomponent 2.3).

- 1.30 **Geographical coverage:** After prioritizing 39 protected areas with tourism potential, the 10 with the greatest potential were selected, based on factors including current tourist demand, existing infrastructure, natural attractions, and market potential. The selected areas are: Manuel Antonio, Poás Volcano, Cahuita, Arenal Volcano, Irazú Volcano, Tortuguero, Rincón de la Vieja, Corcovado, Caño Negro, and Braulio Carrillo.<sup>10</sup> Seven are in regions where the poverty and extreme poverty levels are higher than the national average (see paragraph 4.14). Given the geographical location of the 10 selected protected areas, the program covers 28 municipalities in the vicinity of these areas.
- 1.31 Three of the areas (Manuel Antonio, Corcovado, and Braulio Carrillo) were studied in detail, which included the identification of priority investments to be financed. These three areas were selected as pilot projects, and represent the diversity of the areas according to the number of visits by tourists (high, medium, and low).<sup>11</sup>

## **G. Lessons learned**

- 1.32 The lessons learned from several Bank-financed projects were taken into account in designing the present operation. The team reviewed experiences and lessons learned from nature tourism and especially from tourism in protected areas, both in Costa Rica and in other Latin American countries. The Bank has financed a total of 52 loan projects for tourism, including the Sustainable Tourism Development Program, Bolivia (1098/SF-BO), Ecotourism Development in the Mata Atlántica Region in the State of São Paulo, Brazil (1681/OC-BR), Community-based Tourism Development, Chile (1507/OC-CH), National Sustainable Tourism Program, Honduras (1623/SF-HO), Integrated Tourism Development, Peru (268/OC-PE), and the Program to Enhance Tourism Sector Competitiveness, Argentina (1648/OC-AR).
- 1.33 The principal lessons learned about local and sustainable tourism (ecotourism, ethno-tourism, rural community tourism, etc.) can be summarized as follows: (i) tourists are willing to pay a higher admission fee to protected areas with good infrastructure and services; moreover, tourists' willingness to pay admission fees increases in relation to the distance traveled and the cost they have already invested in reaching the destination; (ii) in order to obtain social benefits from tourism, it is important that the local population participate in the planning and execution of tourism plans; (iii) their involvement also reduces environmental harm resulting from the exploitation of flora and fauna by the local population; and (iv) awarding concessions for tourism services in protected areas can improve efficiency and yield

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<sup>10</sup> The list of areas may be modified during the midterm evaluation.

<sup>11</sup> Tourism plans will be developed through technical cooperation operation CR-T1021, which is scheduled to conclude before this program is launched, and will include detailed information on investments in the remaining seven areas.

greater socioeconomic benefits for the local population. The lessons learned on tourism in the protected areas of Costa Rica are also reflected in the technical reports of the studies conducted in preparing this operation.<sup>12</sup>

## **H. Coordination with other Bank projects and other donors**

- 1.34 This program supplements the operations of the Bank and other donors to conserve natural resources, strengthen protected areas, and develop local skills in the program's areas of influence. The eligible activities of the Sustainable Development Program for the Sixaola River Binational Watershed (1566/OC-CR) and the Program for Sustainable Development of the Atlantic Huetar Region (1615/OC-CR) include tourist projects that benefit local communities in the vicinity of protected areas. The Bank is designing another program with similar objectives, entitled Development Program for the Central-Brunca Pacific Region (CR-L1003). The coordinator of the present operation will hold joint planning meetings with the coordinators of the above programs to avoid duplication of efforts and ensure synergies in geographical areas where actions overlap. The Bank also provided support to Costa Rica in preparing its National Environmental Management Strategy through a technical cooperation operation with US\$470,000 in financing from the Japan Special Fund (ATN/JF-8282-CR). This operation included an assessment of MINAE, a proposal for institution strengthening, and a National Environmental Policy and Action Plan.
- 1.35 The Participatory Rural Roads Rehabilitation Project, which is part of the Bank-financed Competitiveness Investment Program (1636/OC-CR), considers tourism to be one of two priority sectors. Close coordination has been agreed upon between the aforementioned road project, to be implemented by the Ministry of Public Works and Transportation (MOPT), and the present program for securing, as necessary, supplementary funding for road infrastructure works under municipal jurisdiction, which are related to access to protected areas.
- 1.36 The Multilateral Investment Fund (MIF) is financing three operations with actions targeting tourism in Costa Rica: (i) Youth Training in Tourism (ATN/MH-6700-CR), for the amount of US\$685,000; (ii) International Accreditation System and Consolidation of National Systems for Sustainable Tourism Certification to boost the competitiveness of small- and medium-sized enterprises and their access to markets (ATN/ME-8382-RG), for US\$3 million; and (iii) Learning from Business Alliances (ATN/ME-8291-RG), for US\$5 million, which finances two tourism projects in Costa Rica, one with the Asociación Costarricense de Turismo Rural Comunitario [Costa Rican Rural Community

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<sup>12</sup> Preparation and feasibility study by NINA-INBio, financed by the Norwegian Fund for Consulting Services (ATN/NC-8705-CR); Financial analysis of SINAC and analysis of rates in pilot protected areas, by The Nature Conservancy (TNC); and institutional studies by the consultant Linda Baez (see information available in the RE2/EN2 files).

Tourism Association] (ACTUAR), and the other with the Costa Rican Association of Small Hotels. A new MIF project being prepared on rural community tourism in Costa Rica and its extension to Central America (CR-M1006), for US\$1.5 million, will be executed in coordination with this program. Half of its priority areas overlap geographically with those of CR-L1001, including the three pilot areas, and it will supplement the financing made available to the private sector in the communities around the protected areas. The Operating Regulations of the two programs will ensure thematic and geographical synergy and complementarity, which will be implemented through frequent meetings between the two project coordinators throughout the execution period.

- 1.37 Two projects currently being prepared for financing by the Global Environment Facility (GEF) will complement the present program. They are entitled Marine and Coastal Ecosystem Management and Conservation in Puntarenas (CR-X1004), for which the IDB will be the executing agency, and Removing Barriers to the Sustainability of the Protected Areas System (UNDP agency). The latter dovetails particularly well with the present program, and the two operations will therefore be closely coordinated through SINAC (see paragraph 2.20). Other related initiatives include the Osa Campaign, promoted by SINAC, The Nature Conservancy (TNC), Conservation International (CI), and the Costa Rica-USA Foundation, which aims to consolidate the Corcovado National Park and its area of influence, and a European Union project to decentralize and strengthen municipalities. The program will be sharing information with these initiatives to ensure complementarity and to prevent a duplication of efforts.



## II. THE PROGRAM

### A. Objectives and description

- 2.1 The general objective of the proposed program is to consolidate tourism in Costa Rica in State protected areas, as a means of fostering their sustainable management and contributing directly to local socioeconomic development and natural resource conservation.
- 2.2 The three components of the program will pursue the following specific objectives:
  - a. To increase the revenues and financial sustainability of SINAC, and especially of the protected areas, by investing in sustainable tourism development in the protected areas and their surrounding areas.
  - b. To augment socioeconomic and environmental benefits in municipios and neighboring communities.
  - c. The institutional strengthening of SINAC.

#### **1. Component 1: Investments for sustainable tourism development (US\$17 million)**

- 2.3 This component will finance investments directly related to the consolidation and development of tourism products to meet program objectives, inside and in the vicinity of the 10 priority protected areas, as well as the preinvestment studies, design, and environmental and social impact assessments (EIAs) that may be needed for these investments.
- 2.4 **Subcomponent 1.1: Investments inside the protected areas (US\$12.8 million).** This subcomponent will finance the investments needed to develop or rehabilitate infrastructure inside the protected areas, and will take into account market studies, management plans, and the tourism development plans for the areas that are open to the public in each protected area. The areas will be equipped to receive international and national tourists, and support the environmental conservation objectives set by SINAC.
- 2.5 Under this subcomponent the program will finance: (i) works: pathways, entry booths, visitor centers, lodging for park guards, lodging for tourists (only in the Corcovado area), bathrooms and sewerage systems, look-out points, bridges and piers, and rehabilitation of feeder roads, among others; (ii) means of transportation: one four-wheel drive vehicle and one all-terrain motorcycle for each of the 10 areas; one motorboat for Manuel Antonio, Cahuita, Tortuguero, Caño Negro, and Corcovado; and (iii) prefeasibility and feasibility studies (including

environmental impact assessments) for the proposed investments, as needed. The investments required in the three pilot areas (Manuel Antonio, Corcovado, and Braulio Carrillo) have been identified, and the investments for the other protected areas will be identified through a technical cooperation operation that is currently being prepared. The program is expected to finance some 80 to 90 investments in the protected areas, with the cost of each work ranging between US\$10,000 and US\$300,000.

- 2.6 **Subcomponent 1.2: Investments in the vicinity of the protected areas (US\$4.2 million).** This subcomponent will cofinance preinvestment studies and investments in areas under the jurisdiction of municipalities in the vicinity of the protected areas covered by the program. The investments will aim to improve access to the protected areas and mitigate environmental impacts that have a negative effect on them. The program will cofinance: (i) road infrastructure: rehabilitation and signposting of feeder roads; (ii) road protection works: retaining walls, curbs, and consolidation of road slopes; (iii) piers and small bridges; (iv) small sewerage and sanitation works; and (v) preinvestment studies for works that may be financed.
- 2.7 The program's work with the municipalities will be based on the positive experience gained from the model used by ICT and SINAC to jointly plan and cofinance road works around protected areas with the municipalities of Barva de Heredia and Turrialba. The model was adjusted to the program's needs and included in its Operating Regulations. It comprises the following steps: (i) identification of tourism attractions; (ii) identification of investments to be made in the vicinity of the protected areas; (iii) establishment of a local tripartite working group (SINAC, ICT, municipalities) to set investment priorities and agree on projects to be financed under Component 1.2 of the program; (iv) definition of counterpart contributions and the form of partnership for specific projects; (v) dissemination, validation, and community consultation of the projects with local organized groups; and (vi) establishment of the cooperation and partnership agreement for the cofinancing required for each project, including maintenance by the municipalities.
- 2.8 Some 28 municipalities will be eligible to benefit from a total of approximately 40 investment projects. The municipalities have already received sample project profiles, broken down by type of financing. The minimum amount of program funding allowable per project is US\$30,000 and the maximum is US\$300,000. Should two or more municipios join together in a joint venture, the ceiling of their share may be raised to cofinance larger projects by combining the financing to which they would be entitled individually (see Operating Regulations). Depending on the type and scope of the works, the municipios may decide to participate individually or in partnership with each other. They may also work with NGOs, donors, or private financial or tourism agencies in making the investments. To this end, partnership agreements must be signed to formalize the arrangements and

responsibilities of the parties, including the combined contributions of the parties to cofinance investments. The program will be coordinated with the road rehabilitation project (see paragraph 1.24) in order to supplement the road investments.

## **2. Component 2: Strengthening the planning and sustainable management of tourism (US\$1.8 million)**

- 2.9 **Subcomponent 2.1: Sustainable management of tourism in protected areas (US\$740,000).** This subcomponent will equip SINAC to plan investments and to exercise technical management in protected areas and their areas of influence, so that it can effectively regulate and efficiently arrange services for visitors in those areas, and monitor their impact. The program will finance: (i) the development of three management plans and the updating of one such plan; (ii) the production of educational and promotional materials: field guides, interpretive guides, pamphlets, and maps of the tourist attractions in the protected areas; (iii) training and technical assistance for field SINAC staff on: customer services; negotiation, partnerships, and conflict management; concession management; first aid; impact monitoring; language skills; and (iv) design and implementation of the program outcome and impact monitoring system: design of the system, software, training and technical assistance, visitors' surveys, monitoring workshops; and (v) design and implementation of concession contracts for nonessential services in the protected areas of the program: technical support for drafting local regulations, assessment of the eligibility of potential concessionnaires, and design and negotiation of concession contracts for visitor services.
- 2.10 **Subcomponent 2.2: Sustainable tourism management at the municipal level (US\$592,000).** This subcomponent will finance a technical assistance package that supports the municipalities, individually or jointly, in fostering the sustainable management of tourism in *critical areas or microregions* that are linked, because of their proximity or impact, to protected areas of the program and its area of influence. The subcomponent will cofinance improvements in local environmental management efforts, using the following tools: (i) land-use and urban development plans and their instruments; (ii) solid waste and wastewater management plans and environmental pollution control; (iii) promotion and establishment of financial mechanisms and instruments to boost municipal revenues from tourism activities associated with the protected areas; and (iv) training for municipalities for their participation in the program.
- 2.11 **Subcomponent 2.3: Sustainable tourism management by the private sector (US\$438,000).** This subcomponent will target local chambers of tourism, development committees, microenterprises, communications media, community leaders, including indigenous leaders, and NGOs directly involved in relevant aspects of microregional tourism development. This includes cofinancing for: (i) studies on tourism opportunities for local entrepreneurs; (ii) certification of concessionnaires for nonessential services in protected areas; (iii) training and

accreditation of tour guides who will work in the protected areas; and (iv) technical assistance and training for local private stakeholders, focusing on environmental and tourism legislation, the regulations governing protected areas, environmental management, and sustainable tourism management.

- 2.12 Training and accreditation of tour guides will include technical assistance to enable SINAC to effectively regulate and supervise the guides that serve protected areas. Its aim is to ensure quality services for clients, as well as compliance with user guidelines for visitors and guides. The program will finance the improvement and implementation of a tour guide certification subprogram, with training that specifically addresses the new services and products developed in the participating protected areas.

### **3. Component 3: Institutional strengthening of SINAC: administrative and financial management systems (US\$1.8 million)**

- 2.13 This component will strengthen SINAC capacities so that sustainable tourism management in protected areas will have been consolidated in the agency once Bank financing comes to an end, in order to help achieve institutional autonomy, in particular the system's financial sustainability, for development of an effective and efficient model compatible with conservation.
- 2.14 The main impacts of this component will be to: (i) establish an organizational model for sustainable tourism management in SINAC, that would make it possible to consolidate the program in the 10 protected areas targeted by the program and that could be replicated in the other 29 areas with tourism potential; (ii) develop institutional capacity for administration and management of a tourism program in protected areas, primarily as a result of a training program aimed at tourism management and the development of technical and regulatory tools that guide external actors in this regard; (iii) implement administrative and financial management systems to help increase SINAC's funds allocated to tourism in protected areas, as a result of improvements in the accounting and financial administration of tourism revenues and costs and the establishment of a fee system that contributes to raising entry fees to the areas and to setting other fees for services that are currently free or others developed through the program, such as those related to concessions for nonessential services; and (iv) improve the image of SINAC and of the protected areas under its administration and their positioning as tourist destinations within the green tourism market, by enhancing the perception of tourists who visit the protected areas and the link between tourism and conservation. The component is comprised of three subcomponents:
- 2.15 **Subcomponent 3.1: Consolidation of an organizational arrangement for sustainable tourism, as well as personnel and skills management (US\$1.2 million).** The goal of this subcomponent is to consolidate an organizational arrangement in SINAC with a team of employees trained in

sustainable tourism management. The coordinator of the sustainable tourism program and the marketing and tourism specialists (see paragraph 3.2) will coordinate efforts with the ICT, leading institutional efforts to strengthen sustainable tourism management in protected areas. This subcomponent will finance: (i) six local tourism coordinators in the conservation and protected areas that are part of the program; (ii) six tour operators in the protected areas that are part of the program, including the necessary equipment and tourism capabilities; (iii) development and implementation of a new code of conduct; (iv) development of general regulations for nonessential service concessions in protected areas; and (v) training for relevant SINAC personnel on matters related to sustainable and efficient tourism management (planning and administration, client services, management of partnerships and negotiation, services awarded in concession, concession management, etc.).

- 2.16 **Subcomponent 3.2: Strengthening of administrative and financial management systems (US\$375,000).** This subcomponent will promote the adoption by SINAC of effective financial and administrative management systems, including cost center management, so that revenues and costs can be identified by protected area. This will facilitate better and more efficient administration of the protected areas and of SINAC as a whole. The protected areas' pricing system will be studied in order to adopt a new policy that contributes to increasing SINAC's revenues. The activities of this subcomponent will be closely coordinated with those of the GEF project "Removing Barriers to the Sustainability of the Protected Areas System," which will supplement efforts in the areas of administrative and financial management and institutional training of SINAC at the national level. This subcomponent will finance: (i) the development of management information systems; (ii) a cost center accounting system; (iii) adoption and consolidation of institution-wide strategic planning processes; (iv) drafting of manuals and regulations to govern internal operations and their use; (v) studies and advisory services to improve the administrative and financial management of sustainable tourism in protected areas; and (vi) studies on the development of a fee system to support possible increases in the revenues of protected areas.
- 2.17 **Subcomponent 3.3: Development and strengthening of a marketing strategy to promote protected areas as a tourist destination (US\$210,000).** In order to ensure effective program implementation, SINAC and the ICT will consolidate and promote an innovative marketing and communication strategy to foster sustainable tourism management; promote activities in protected areas that are compatible with conservation; encourage and involve the private sector, especially local suppliers, so they can tap opportunities to market tourism products in these areas; and maintain relevant and updated information at all levels.
- 2.18 This subcomponent will finance: (i) the design and implementation of a broad marketing strategy to position SINAC in the nature tourism market, including information on tourists' experiences in protected areas, all with the direct

participation of field administrative units; (ii) promotional brochures and marketing activities to supplement the ICT's regular efforts to promote sustainable tourism at the local, national, and international levels; and (iii) development of an interactive website with information on the protected areas and the program, for marketing tourism in these areas.

#### 4. Administration, supervision, and auditing (US\$1.3 million)

- 2.19 This component will cover the costs of a small core group of SINAC personnel and the expenditures needed to strengthen several areas of the institution, especially administration and finance, to ensure effective program execution. The team will include two specialists hired to handle procurements, two administrative-financial specialists, one training specialist, one marketing specialist, one specialist in sustainable tourism, and one civil engineer. They will coordinate their efforts with the ICT and will serve as the liaisons with field tourism personnel (see Component 3); they will also support the finance staff in keeping the program's records. All will hold temporary positions, with the exception of the marketing and tourism specialists, who will be permanent. This budget item includes the cost of the program's midterm and final evaluations, and the costs of the external audit.

#### B. Cost and financing

- 2.20 The cost of the program is US\$25 million. Of this, US\$20 million will be in the form of a Bank loan charged to the Single Currency Facility of the Ordinary Capital, and US\$5 million will be contributed as national counterpart funding.

Table II-1 Program Costs (thousands of US\$)				
Category	IDB	Local	Total	%
I. Administration, supervision, and auditing	482	824	1,306	5.2
II. Direct costs*				
<b>Components*</b>				
2.1. Investments for sustainable tourism development	16,029	1,045	17,074	68.3
2.2. Strengthening planning and sustainable tourism management	1,770	0	1,770	7.1
2.3. Institution-strengthening of SINAC	1,219	581	1,800	7.2
<b>Subtotal</b>	<b>19,500</b>	<b>2,450</b>	<b>21,950</b>	<b>87.8</b>
III. Contingencies	500		500	2.0
IV. Financial expenses		2,550	2,550	10.2
4.1 Interest		2,500	2,500	
4.2 Credit fee		50	50	
4.3 Inspection and supervision 0%	0		0	
<b>Total</b>	<b>20,000</b>	<b>5,000</b>	<b>25,000</b>	<b>100</b>
Percentage	80%	20%	100%	
* The amounts for the components include a 5.5% commission for the FPN.				

### **III. PROGRAM EXECUTION**

#### **A. The borrower and the executing agency**

- 3.1 The borrower will be the Republic of Costa Rica and the executing agency, the Ministry of Environment and Energy (MINAЕ), through the National Conservation Areas System (SINAC), which will have full responsibility for execution. Also participating in program execution will be the National Parks Foundation (FPN), which will support SINAC in administering resources (including the bidding, procurement, contracting, monitoring, advisory, and disbursement processes), and the Costa Rican Institute of Tourism (ICT), which will formulate tourism strategies and work plans, and promote and market the tourism activities. A condition precedent to the first disbursement will be that MINAE/SINAC and the ICT have signed an interagency cooperation agreement setting out the responsibilities of the parties in program execution. Another condition precedent to the first disbursement is that MINAE/SINAC will have contracted the National Parks Foundation to administer the program's resources and support the program's procurement and contracting processes.

#### **B. Program execution and administration**

##### **1. Program structure and administration**

- 3.2 The MINAE, through SINAC represented by its Managing Director, will be responsible to the Bank for the program and its performance. The coordinator of SINAC's permanent sustainable tourism program will be in charge of operational execution, and for maintaining ties with the three participating institutions and the personnel directly responsible for each component; preparing the necessary reports; monitoring program achievements and goals against the logical framework; and convening special meetings on behalf of the Managing Director, as necessary.
- 3.3 SINAC's Executive Steering Committee is the National Conservation Areas Board (CONAC). For purposes of this program, it will be responsible for: (i) approving annual work plans and annual reports (ii) setting the priorities for sustainable tourism related to the loan; (iii) approving program strategy, policies, and action guidelines; (iv) knowing the Operating Regulations and possible future amendments; and (v) serving as the ranking body for resolving conflicts that may arise at the regional or local levels regarding the selection and execution of actions.
- 3.4 In addition, an Advisory Committee will be created for the Sustainable Tourism Program, made up of MINAE/SINAC, the ICT, the National Tourism Chamber (CANATUR), and the National Union of Local Governments (UNGL). The program coordinator will serve as technical secretary of the Committee. Its functions and operating procedures are set out in the program's Operating

- Regulations, and include: (i) ensuring collaboration and synergies among the parties in support of program objectives; (ii) recommending program priorities to be decided on by CONAC; and (iii) reviewing the program's semiannual and annual work plans and reports, ensuring that the four agencies provide appropriate and timely inputs.
- 3.5 In addition, the Managing Director of SINAC will meet with the technical personnel responsible for implementing the components in order to make any necessary adjustments and solve operational problems that may arise. The ICT and the FPN may participate in these meetings.
- 3.6 Program activities will be executed through SINAC's current institutional framework. A marketing and a tourism specialist will be hired to strengthen SINAC's Sustainable Tourism Program. They will be selected jointly with the ICT and serve as liaison with that institution for matters related to tourism and the planning of program investments. They will be hired as permanent staff and will continue with SINAC after the program comes to an end.
- 3.7 A training specialist will be hired to work in the Training Unit. This person will be responsible for designing the training programs to be conducted by specialized agencies, and for monitoring the training programs. Two procurement specialists and two administrative-financial specialists will be hired to work in the administrative-finance unit. They will maintain ongoing contact with the FPN regarding procurements, contracting, accounting, the preparation of the program's financial statements, and the support staff. An engineer will be hired and will help the procurement staff draft the technical terms of reference and monitor the works carried out. All the aforementioned personnel will be supervised by the coordinator, who will serve as the official liaison with the FPN.
- 3.8 The aforementioned additional positions will be requested from the Ministry of Finance, Office of the Budget Director, in the form of special, temporary assignments for the duration of the operation. The only positions created for the program that will continue on after the program has concluded are the positions of the tourism and marketing specialists, and the field staff referred to in Component 3, the costs of which have been included in the recurrent cost projections (see Financial viability, paragraph 4.15).

## **2. Program execution**

- 3.9 Program execution will be divided into two major lines of work: (i) planning, formulation, decision making, verification, and supervision; and (ii) issuing calls for bids, hiring, contract awarding, procurement, advisory services, and disbursement. The first will be under the responsibility of the aforementioned structure, the second under the FPN, with SINAC supervision, pursuant to a



contract that defines the responsibilities and specific tasks of the parties as well as the fee to be received by the FPN.

- 3.10 The obligations of the FPN will be to conduct bidding processes for works, goods, and related services, contract consulting services in accordance with the provisions of the loan contract and Operating Regulations, conduct field inspections with the SINAC engineer; make disbursements with SINAC approval once said works, goods, and services have been received to satisfaction; and render accounts on this work. The FPN will undertake all the bidding and procurement processes based on the terms of reference and technical specifications, as appropriate, defined by SINAC. The FPN will apply the funds in accordance with the annual plans drawn up with SINAC.
- 3.11 To facilitate procurement, the different processes were classified by general type (investment in protected areas, consulting services, goods and services, etc.), and possible group procurement packages were created in order to reduce the total volume of contracts. This can be found in the program's procurement plan.
- 3.12 The SINAC will be responsible for presenting to the FPN the terms of reference, with all the relevant technical specifications, for the works, goods, and services to be procured, as well as the packages of individual projects for Component 1, along with the bidding specifications. Once the works have been completed, or the goods and services procured, the FPN will pay the supplier only after it has received approval from the SINAC staff person responsible for receiving the good or service. In the case of Subcomponents 1.2 and 2.2, to be eligible, municipalities wishing to participate in the program must sign a partnership agreement with SINAC and the FPN that governs the relations and responsibilities of the parties in executing and cofinancing projects and activities. The Operating Regulations detail these matters, and will contain models for the framework agreement and the partnership agreements in the annexes.
- 3.13 The program's Operating Regulations will contain all the eligibility and financing parameters for the projects and activities. A condition precedent to the first disbursement will be the approval of the program's Operating Regulations by SINAC's Managing Director, in the terms agreed to with the Bank. With regard to investments in protected areas, the heads of the protected areas will submit their investment proposals, through the respective Conservation Area director, to the program coordinator, who will review them and then forward them to the Director of SINAC for review and approval. Once they have been approved, they will be forwarded to the FPN, which will organize them into uniform packages (see Institutional viability, paragraph 4.1) for the competitive bidding processes on the works. The bidding processes for projects in the protected areas will be carried out and awarded in accordance with Bank procedures on the matter (see paragraph 3.17). Information on these processes will be disseminated in the geographical region of the protected area, with a view to promoting the

participation of and benefit to local enterprises. For investments outside these areas, the corresponding municipality will present its request to the director of the respective Conservation Area, who will review it and forward it to the program coordinator. The request should include confirmation of the amount of counterpart funding provided by the municipality, which should be no less than 30% of the cost of the given project; half of this amount may be provided in the form of labor or the use of its own machinery. The cash counterpart is to be disbursed before any program funds may be disbursed. The FPN will conduct field visits together with the Conservation Area director and the civil engineer to be hired by SINAC, to monitor project execution.

- 3.14 In the case of studies and consulting services, each section or unit that stands to benefit from the work will prepare or review, as the case may be, the corresponding terms of reference, and process them directly with the FPN. In the case of the administrative and financial studies of Subcomponent 3.2, the chief of SINAC's financial/administrative unit will monitor the work of the consultants, while in the case of Subcomponent 3.3 (Strategy and Marketing), the sustainable tourism and marketing specialists will monitor, with ICT support, the relevant consulting services. The FPN will handle procurements in accordance with the procurement packages previously agreed to in the program's procurement plan.
- 3.15 The municipal technical assistance packages mentioned in Component 2 will be defined and promoted through close collaboration between the municipalities and the sustainable tourism operators of the protected areas. Once defined, they will be formally delivered to the area representative along with the minutes certified by the respective Municipal Councils that indicate whether they will be participating individually or in partnership. In the latter case, requests are to be accompanied by the drafts of agreements setting out the responsibilities of each party. The required cofinancing will be no less than 30% of the total cost, up to one third of which may be in kind. Program financing for the aforementioned technical assistance may not exceed US\$30,000 for individual municipalities and US\$60,000 for municipalities working in partnership. If technical assistance for the investment studies will be partially funded by other public sector agencies, this cofinancing must be confirmed in advance by means of a letter from the agency before SINAC can approve the financing. The framework agreement signed by the municipalities and SINAC for the investment component will include the terms of the technical assistance activities.
- 3.16 Training activities and seminars will be the responsibility of SINAC, and will be offered in two formats. Specialized courses will be given as a package and will be provided by an agency specialized in the specific subject matter; more general training and seminars will be contracted with different companies or NGOs. In both cases the procedures described in paragraph 3.178 will apply. The training specialist will be responsible for preparing the programs and schedules of these

activities, and will serve as the liaison with the program coordinator for identifying and selecting the participants in each training event.

### 3. Management of funds

- 3.17 The loan proceeds will be processed through the State's *caja única* [centralized cash account] system, and the counterpart funds will be included in the budgets of SINAC and the participating municipalities. At the beginning of each year, work plans will be drawn up, with their corresponding budgets, which will be reflected in the budgets of the executing agency and the FPN for approval by the Ministry of Finance; in the case of the FPN, the National Comptroller's Office will also give its approval. The Treasury will transfer the resources through the *caja única* system to the FPN, in accordance with the plans for the necessary outlays.

### C. Procurement of goods and services

- 3.18 Goods and services will be procured, and consulting services selected and contracted, in accordance with Bank procedures and policy on the subject (documents GN-2349-7 and GN-2350-7 of July 2006) (see Table III-2). For consulting services valued at less than the equivalent of US\$200,000 per contract, the short list may be comprised entirely of national consultants so long as there is sufficient technical capacity and number of interested nationals.

Table III-1. Ceilings for program procurements (US\$)			
	International competitive bidding	National competitive bidding	Price comparison
Works and services	≥ 3,000,000	< 3,000,000 and ≥ 250,000	< 250,000
Goods	≥ 250,000	< 250,000 and ≥ 50,000	< 50,000
	Selection with international publicity	Selection with national publicity	
Consulting services	≥ 200,000	<200,000	

- 3.19 At the request of the executing agency, the FPN will be hired directly as the program administrator and will be responsible for tendering, contract awarding, contracting, procurement, advisory services, and disbursement processes. The FPN was established in 1979 by the Office of the Attorney General of the Republic to support the country's protected areas, and is authorized by that Office to manage public funds. The FPN's board of directors is made up entirely of representatives of the public sector, with the Office of Attorney General having a full majority. A framework agreement signed by the FPN and MINAE in 1990 empowers the former to purchase lands within the boundaries of SINAC's protected areas, hire personnel, procure goods and services, and administer projects and donations; this includes the administration of public funds. Because of the existing institutional ties

between SINAC and the FPN, and the specialized nature of the tasks to be implemented under this program, the FPN is the best choice to act as program administrator (see also IV A: Institutional viability, paragraph 4.1). Annex II contains the tentative procurement plan for the different program components.

- 3.20 Initially, procurements will be subjected to prior review; subsequently the Bank's Country Office in Costa Rica will have the flexibility to conduct post reviews.

#### **D. Execution period and disbursement schedule**

- 3.21 The execution period will be five years; the annual disbursement schedule is as follows:

<b>Table III-2. Disbursement schedule (thousands of U.S. dollars)</b>						
<b>Fund</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
IDB (OC)	2,800	4,000	5,900	5,600	1,700	20,000
Local	300	800	1,050	1,200	1,650	5,000
Total	3,100	4,800	6,950	6,800	3,350	25,000

#### **E. Monitoring and evaluation**

- 3.22 A monitoring and evaluation system will be set up for the program, under the responsibility of SINAC. It will contain two subsystems: a program monitoring subsystem, and a program evaluation subsystem. As part of the program monitoring subsystem, SINAC will monitor and evaluate the progress made in achieving outcomes and impact, pursuant to the indicators set out in the logical framework, compared with the baseline. The baseline data and data not yet established will be complemented and updated during the period in which the program is in the National Assembly for ratification, through a technical cooperation operation to be financed by the Japan Special Fund.
- 3.23 SINAC will prepare two types of reports as part of the program monitoring subsystem: (i) the initial report, when the program begins, that will contain an Annual Work Plan (AWP) that sets out the schedule and budget allocations during the program execution period, both for SINAC's planning and formulation activities, and for the FPN's work to administer the tendering, contracting, awarding, procurement, and disbursement processes; and (ii) semiannual progress reports, with information on the progress made to implement the activities detailed in the AWP, a report on construction activities, maintenance of completed works, a financial management summary, a report on the outcome of the aforementioned monitoring and evaluation system, and a list of the principal problems encountered and lessons learned. The semiannual report prepared at the end of each year will also include an updated schedule and updated budget allocations for the remaining

activities. As part of ongoing monitoring efforts, SINAC will coordinate program administration missions with the Bank, to take place no later than 30 June of each year of execution, beginning in year one, for analyzing progress, checking impact indicators, and agreeing on the actions of the following year. SINAC will create a website for the program to provide information, reporting on the outcomes and progress of the program.

- 3.24 SINAC will be responsible for the program evaluation system, and will prepare and deliver to the Bank a midterm evaluation report 90 days after 45% of the loan proceeds have been disbursed, or when half the execution period has transpired, whichever occurs first. It will deliver the final evaluation report 90 days after 90% of the loan proceeds have been disbursed. The midterm evaluation will analyze the impact of tourism activities and fulfillment of the conservation objectives in the program area. Specifically, both evaluations will examine: (i) the nature of the impact on the local economy in the vicinity of each protected area receiving program support; (ii) program impact on the management of each of these areas; (iii) impact on SINAC management as a whole; and (iv) impact on the quality of the environment inside and around the protected areas.
- 3.25 These reports will also consider: (i) the effectiveness and efficiency of the tendering, contracting, awarding, procurement, and disbursement processes under the responsibility of the FPN, and the planning and formulation activities of SINAC; (ii) the quantity and quality of projects that support the municipalities and the private sector; (iii) the outcome of the institutional strengthening of SINAC; (iv) the degree of compliance with the tasks of operating and maintaining the completed works; (v) the degree of compliance with contractual commitments, including the program's Operating Regulations; (vi) the results of financial management; (vii) the achievement of the goals set out in the logical framework; and (viii) a summary of the program's socio-environmental impact, based on the socio-environmental impact monitoring program described in section D of chapter IV (Environmental and social impact, paragraph 4.20). In addition, at the time of the midterm evaluation, adjustments may be made in the list of protected areas to receive financing under the program, if so justified. The evaluations will be conducted by firms contracted by SINAC, financed with loan proceeds.

## **F. Audit**

- 3.26 SINAC will deliver to the Bank, within 120 days after the close of the fiscal year and, at program end, within 120 days of the last disbursement, the audited financial statements of the program, duly certified by independent auditors acceptable to the Bank. Audits will be performed in accordance with terms of reference previously approved by the Bank, and pursuant to the Bank's policy on and requirements for external audits. The program will cover the cost of the audits. The auditors will be selected and hired in accordance with standard procedures for external auditing firms.

## **IV. VIABILITY AND RISKS**

### **A. Institutional viability**

- 4.1 Due to SINAC's legal and institutional situation, the government proposed to the Bank that the administration of tendering procedures, contracting, and disbursements be placed under the responsibility of the FPN. Studies conducted during the program preparation stage showed that the FPN's structure and execution mechanism offer the best alternative for implementation. This conclusion was drawn after considering the following options: (i) direct execution by MINAE/SINAC; (ii) execution by MINAE/SINAC with FPN participation; (iii) execution through competitive bidding; and (iv) joint execution by MINAE/SINAC and a bank that would administer the funds. After examining the alternatives with SINAC and consultants, the last two options were discarded because no other agencies have experience with tourism in protected areas, which FPN does have, and because bank participation would not reduce execution time but would increase costs.
- 4.2 A review was made of the FPN's operational activities during 2004 and 2005 to determine its operational efficiency. To this end, an examination was made of its financial statements, the number of its active projects, the volume of disbursements and amounts, its personnel, and the funds invested. By way of illustration, the total amount disbursed by the FPN in 2005 was between US\$2.8 and US\$3 million, involving 3,500 disbursements in the year, and a total turnover of one to one, meaning that all funds received by the institution were disbursed the same year. In short, the FPN's operations proved to be very efficient.
- 4.3 A detailed study was made of the first two options. With the assistance of an independent consulting service, the tendering, contracting, and awarding procedures and steps in place at each of the options were identified, and a determination made of how long it would take to execute the program under each, given the country's legislation and regulations. To facilitate the tendering process and reduce the volume of bidding procedures, all possible bids for consulting services, studies, and training were listed, and the number of possible investment projects in protected areas estimated, based on the investments presented for the three pilot areas. Uniform procurement packages were created to streamline the process (see technical files). The study found that direct execution by MINAE/SINAC would delay program completion by at least three years and increase its cost by at least US\$700,000 (net, including the 5.5% commission for the FPN). This includes the cost of the additional SINAC staff needed and the added cost of the unit continuing three years beyond the projections of the present operation.
- 4.4 These additional costs were calculated on the basis of optimal conditions, including package bidding procedures involving no objections or appeals. In fact, today at least 30% of State-handled tendering processes are appealed. In the case of the

FPN, practically none of its tendering processes have been subject to appeal because it is governed by private sector regulations, which provide that plaintiffs must cover the cost of proceedings (which is not the case with a State tendering process). Moreover, the value of this program's procurements is not high enough to warrant appeals or to justify legal expenses. When all these factors, which are real, are taken into consideration, execution by MINAE/SINAC alone would delay the program by approximately two more years and raise the cost by another US\$2 million.

- 4.5 A delay in program execution would increase the risk of not implementing the program successfully, and a potential delay of up to five years would bring the program face to face with different political and economic conditions, probably adverse, which could seriously undermine the likelihood of achieving its goals.
- 4.6 During program execution, the FPN will handle a very large amount of funds, the average per-contract amount of which will be greater than in its current operations. The controls established through the clauses in the contract (which exists in draft form), the Operating Regulations, and the annual audits will ensure suitable monitoring of program activities.

#### **B. Socioeconomic viability**

- 4.7 An analysis was conducted to estimate the program's net incremental socioeconomic benefits. It focused on three of the 10 protected areas (Braulio Carrillo, Corcovado, Manuel Antonio) because of the greater level of detail available for them regarding the investments and a sample of projects, within the protected areas as well as in the neighboring municipios. While the investments to be made in these three areas account for approximately 20% of total program resources, they are considered representative of the 10 areas because an examination of the information available on the other seven areas showed that the number of tourists visiting each and the distribution of visitors among them are similar to that in the three pilot areas.
- 4.8 As a basis for the analysis, the program investments were deemed likely to improve the quality of tourism services in protected and neighboring areas, making it possible to raise fees. This will increase spending by tourists in the short term, and may increase the total number of tourists to Costa Rica in the long term. Three types of economic benefits are envisioned: increased foreign exchange revenues; improved employment rates in the program's areas of influence; and greater satisfaction among tourists visiting the program-targeted areas.
- 4.9 Incremental *with-project* benefits were calculated on the basis of the revenues resulting from increases in the visit rate, higher fees, and the purchase of goods and services inside the protected areas. Incremental with-project costs were calculated taking into account the investments and the administration and maintenance costs of

the three pilot areas. A 12% discount rate and a 10-year horizon were used to calculate both costs and benefits, given that the expected economic life of some program-financed investments is 10 years.

- 4.10 The analysis assumed that the program would not foster an increase above the baseline in the visit rate to the country. It did, however, assume increases in the number of tourists visiting the area of influence who, without the program, would not otherwise visit the protected area. Specifically, an average increase of 6.5% above the baseline was assumed in the visit rates to Manuel Antonio, Corcovado, and Braulio Carrillo National Parks. Increases of US\$1.20 and US\$2 in admission fees were assumed for foreign visitors to Manuel Antonio and Corcovado Parks, respectively, based on the study performed by the TNC in 2005. No fee increases were assumed for foreign visitors to Braulio Carrillo Park, or for national visitors to any of the three areas. A US\$0.50/day/visitor increase in spending in each protected area was also assumed, due to the new services.
- 4.11 The analysis shows that, although the program in the aggregate yields positive income, the protected area of Braulio Carrillo individually has a negative net income, because of the short analysis horizon. Nevertheless, it was decided that this area would be included because of its high growth potential and proximity to San José. Similarly, the program attaches priority to other areas because of their potential to generate revenues in the medium term, and because they will also help decongest heavily visited areas that are in danger of deterioration, which may undermine Costa Rica's reputation as an ecotourism destination in the long run. For these reasons, the analysis should consider the net benefit of the program as a whole and not that of areas on an individual basis.
- 4.12 The results for each year for the aforementioned protected areas are shown in Table IV-1 below; the net present worth of costs and benefits are set out in Table IV-2. The analysis shows that benefits exceed costs by US\$213,117 and that the internal rate of return is 13.48% using a 12% discount rate.

Table IV-1: Incremental Costs and Benefits Per Year (US\$)										
Year	0	1	2	3	4	5	6	7	8	9
Total incremental benefits	0	742,570	759,313	776,056	792,799	809,542	826,285	843,028	859,771	876,514
Total cost protected areas and their areas of influence	3,653,065	12,400	52,940	12,400	76,180	382,100	76,180	12,400	12,400	12,400
Net incremental benefits	-3,653,065	730,170	706,373	763,656	716,619	427,442	750,105	830,628	847,371	864,114



Table IV-2: Results of Cost-Benefit Analysis					
	Present Value (thousands of US\$)				IRR
	Benefits	Costs	Net	C/B	
Braulio Carrillo, Corcovado, and Manuel Antonio National Parks	4,247	4,034	213	1.05	13.48%

- 4.13 The net economic benefit resulting from the analysis of the program's socioeconomic benefits is conservative because some potential positive impacts were not taken into account, including:
- In some of the protected areas, the current level of investment is insufficient to provide proper services to tourists. High tourism growth rates will only exacerbate this problem in the future, and the country could lose credibility as an ecotourism destination. The program will redistribute tourists among different protected areas by financing investments that will ensure better services, improve visitors' experiences, and maintain and enhance Costa Rica's image as a tourism destination in the long run.
  - Although the model did not consider increasing admission fees for national tourists, this option may be considered in some of the areas if there is an improvement in quality.
- 4.14 **Rationale for PTI/SEQ 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) in accordance with the geographic criterion, since 70% of the program-targeted areas are in regions where the poverty index is higher than the national average, and because it will invest in rural areas where the poverty index is much higher than the national average.

Table IV-3. Poverty in the regions covered by the program				
Geographical region	Protected areas of the program	% poverty	% extreme poverty	% rural poverty*
Chorotega	Rincón de la Vieja	29.3	10.1	34.4
Central Pacific	Manuel Antonio	27.2	8.4	32.0
Northern Huetar	Caño Negro and Arenal	27.4	6.9	32.2
Brunca	Corcovado	32.0	10.8	37.6
Huetar Atlántica	Cahuita and Tortuguero	27.0	6.7	31.7
Central	Braulio Carrillo, Irazú, Poás	17.3	3.9	20.3
National	10 areas	21.2	5.6	24.9

Source: INEC 2005. Multipurpose household survey.

\* Estimate based on distribution of rural/urban poverty at the national level

### C. Financial viability

- 4.15 Financial viability has been calculated on the basis of the program's incremental revenues and costs, as compared with the current situation. It is assumed that the SINAC's budget allocations will continue in the same amounts, and that any inflationary increase in the institution's expenditures will be absorbed by the government. In this way, the results of the projections will reflect incremental costs caused by the program and its investments, compared with increases in the revenues of the protected areas.
- 4.16 The incremental revenues of the protected areas are based on the projections of the increase in visitors from a recent study by an independent consultant (TNC 2005). This study projected admissions per protected area, based on: (i) past flow of visitors to each protected area in relation to the country's total volume of tourists; and (ii) the tourism projections of the ICT, the characteristics of the tourists, and the impact this would have on protected areas. The study estimated that the number of visitors would increase by 3% annually at program outset, rising to 5% in year five, and hold steady at that rate for the next five years. Specifically with regard to the three pilot areas, Manuel Antonio will experience a 10% annual increase in visitors upon program completion, while the number of visitors to Braulio Carrillo and Corcovado Parks will grow by 5% annually. In addition to the effect of the increase in visitors on revenues, these areas will also raise their admission fees by an average of approximately 10%.
- 4.17 Incremental recurrent expenditures for the first year after program execution amount to US\$663,000. This covers the cost of the 12 field tourism support staff and the marketing and tourism specialists (for a total of US\$363,000), approximately US\$300,000 for operating expenses, and 3% for infrastructure maintenance inside the protected areas. A 5% annual increase was added to cover inflation, and results were compared with the income projections in accordance

with the aforementioned parameters. These calculations did not consider investments in the areas outside the protected areas.

- 4.18 Based on these assumptions and figures, initial projections show a loss in the first year after program execution, which is immediately recovered as of year two, reaching a total net benefit of US\$1.6 million by the end of year five.

- 4.19 **The financial viability of cofinancing works under municipal jurisdiction.** The project team analyzed the principal performance indicators of the municipal finances of the 28 municipios eligible to cofinance works. The analysis was based on audited data for 2004 from the Office of the Controller of the Republic. The indicators examined were: (i) efficiency in collecting own revenues; (ii) efficiency in using resources; (iii) percentage of administrative costs; and (iv) investment coefficient. The principal conclusions drawn were as follows:

- a. In general, the municipios need to improve efficiency with regard to total revenues collected and expenditures made. Nonetheless, the municipal budgets allow for investment spending to be programmed in accordance with the cofinancing parameters established for the program, and contain the resources required for the municipal counterpart. The income statements of 25 of the 28 eligible municipios showed a surplus in fiscal year 2004, and only three (Talamanca, Moravia, San Ramón) had deficits.
- b. Nineteen of these municipios efficiently collect their own revenues (more than 100%), while the collection rates of another seven are higher than 85%; only one falls below that level. In line with the Municipal Code currently in force, all the preselected municipios strictly meet the requirement of earmarking less than 40% of total expenditures for capital expenditures. For 27 of them, this percentage is less than 35%, which means that more investment funds are available for capital expenditures.
- c. Twelve of the municipios earmarked more than 30% in their budgets for capital expenditures. This means that the remaining 16 offer significant margins for investing in fixed assets. It can be concluded that, for the purposes of this program, funding is available in the municipalities for coinvesting in such infrastructure works as those considered under Subcomponent 1.2. Moreover, the financial performance of the municipalities does not compromise the viability of carrying out demand-driven projects in the terms established for cofinancing works of the program.

#### **D. Environmental and social impact**

- 4.20 Since the present operation will boost sustainable tourism in protected areas, a positive socioeconomic impact is expected in surrounding areas due to the increase in demand for goods and services stemming from the larger inflow of tourists.

- 4.21 The program will have a positive environmental impact due both to the efforts to strengthen SINAC's administration, and to the development and updating of participatory management plans for each of the eligible protected areas, which will improve their management. The program will also earmark funds to correct the adverse environmental impact on protected areas of activities in bordering areas. Specifically, it will cofinance solid waste and wastewater management plans, as well as small sewage, sanitation, and road protection works in the municipios surrounding the protected areas.
- 4.22 The investments in infrastructure inside the protected areas are smaller in scale and thus of low impact. They will be restricted to the areas that are accessible to the public, as provided for in the management plans, and it is estimated that these public areas will account for less than 3% of the total territory of each protected area.
- 4.23 In order to prevent adverse environmental and social impact both inside the protected areas and in critical areas or microregions close to them, the program will earmark funds for cofinancing land-use plans, as well as technical assistance and training activities on environmental management and sustainable tourism management around protected areas. Moreover, the program-financed tourism development plans will include instruments and methodologies for visitor management, as well as indicators for monitoring and controlling environmental impact on soil, water, and biodiversity.
- 4.24 The program's Operating Regulations will specify the works that are eligible for financing, as well as: (i) the requirements for complying with national regulations, including the conducting of EIAs; (ii) environmental criteria for project eligibility; (iii) consistency with management plans and tourism development plans; (iv) inclusion of measures for mitigating, eliminating, correcting, or offsetting adverse environmental and/or social impacts; and (v) general technical specifications to be included in the works rehabilitation contracts.
- 4.25 The National Technical Secretariat for the Environment (SETENA) is in charge of environmental assessments in Costa Rica, and the new general regulations governing environmental impact assessments were approved in June 2004. For purposes of licensing, these regulations establish project categories in accordance with their environmental significance, and projects carried out inside a protected area require more exhaustive treatment than those developed on the outside. Coordination between SINAC and SETENA, both part of MINAE, will be strengthened to ensure streamlined processing of environmental licensing for the program's projects, works, and activities.
- 4.26 Access of the communities, especially indigenous communities, to information on the program will be ensured. In order to take into account the views of the local population in program preparation, a broad process of consultation was held on the

preliminary proposals of the program among the communities near the three pilot areas; an additional workshop was offered for the indigenous population in the Corcovado area. All were carried out by field SINAC personnel and a specialized consultant hired for the purpose. The consultations took into account gender issues and the program's possible benefits for women.

#### **E. Benefits and beneficiaries**

- 4.27 The economic benefits stemming from the program will be generated by the increase in the number of visits by tourists, and the additional revenues collected through the program's actions in the protected areas, in neighboring communities, and in the country as a whole, inasmuch as tourism and its associated services are expected to spur an increase in foreign exchange earnings.
- 4.28 In addition, the environment will benefit from the program because of improvements in the management of natural resources and biodiversity in the selected protected areas. The pressure of tourism on certain areas not sufficiently equipped to serve visitors will be reduced, and actions will be taken to prevent and mitigate harm to natural resources that may be caused by visitors inside and outside the areas.
- 4.29 The principal beneficiaries of the program will be: (i) the country's tourism sector, as the efforts will help maintain its position in the green tourism market and foster an increase in revenues and foreign exchange from the increase in the number of visitors and the consequent increase in spending; (ii) the people living in the areas around the protected areas, because of the increase in sources of employment, higher incomes, and environmental improvements in the population centers; (iii) the State, which will receive more fiscal revenues through various taxes collected from visitors and the admission fees to protected areas; and (iv) SINAC, because it will be able to take good care of the protected areas, and administer them well in a financially sustainable manner.

#### **F. Risks**

- 4.30 A special consideration is SINAC's limited experience with tourism. This will be addressed by creating strong ties between it and the ICT during execution, and by recruiting specialized personnel for SINAC's Sustainable Tourism Program. This will be supplemented by technical assistance and training for SINAC personnel at headquarters and at the local level. SINAC's capacities in tourism are already being strengthened as a result of its close work with the ICT throughout the preparation process and the high priority it has accorded to tourism. Another special consideration is the difficulty of ensuring further contributions to the financial sustainability of the Conservation Areas once the Bank operation comes to an end. The analysis shows that in the short and medium terms tourism will not finance all of SINAC's activities in the Conservation Areas, which means that it must continue

to combine State financing for protected areas with the revenues from tourism in the parts of the protected areas set aside for public use.

- 4.31 One risk is the large number of institutional actors who will participate in execution. The program's Advisory Committee was established to mitigate this risk and ensure coordination between them. Representatives from the State, the private sector, and the municipalities will participate in the committee. The program also includes training and advisory services on tourism for the institutions involved. Another possible risk is some level of resistance to a foundation managing public funds. This will be mitigated through widespread dissemination of the execution mechanism, with emphasis on the fact that an existing mechanism is being used and that the board of the foundation consists of public institutions. Finally, there is a risk that the municipalities will not give sufficient priority to program works that are eligible for cofinancing; this will be mitigated through training and technical assistance in the municipalities.

## PROTECTED AREAS TOURISM PROGRAM (CR-L1001)

### LOGICAL FRAMEWORK

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>GOAL</b>	<b>Goal Indicators (Impact)</b>		
To help increase the socioeconomic and environmental benefits of tourism in the rural areas of Costa Rica.	<p>A 10% reduction in the incidence of rural poverty in the area covered by program investments, once program has concluded. Baseline: 29.3%</p> <p>A 10% reduction in unemployment and rural underemployment* levels in the area covered by program investments, once program has concluded.</p> <p>Improved environmental conditions* for water, soil, and biodiversity in the program areas, once the program has concluded.</p>	<p>INEC information (National Household Survey) for the cantons where the program has financed investments.</p> <p>Study of environmental baseline;* the program's final environmental monitoring and evaluation system.</p>	No events occur at the national or international levels that have a negative impact on the volume of tourism or on the environment in Costa Rica.
<b>PURPOSE</b>	<b>Purpose indicators (direct outcomes)</b>		
To consolidate tourism in the protected areas of Costa Rica, as a means to strengthen their sustainable management, contributing directly to local socioeconomic development and natural resource conservation.	<p>Revenues attributable to tourism in program areas* increase by at least 10% by the end of year 3, and by at least 20% by program end.</p> <p>By program end, at least 20 new MSMEs have entered the tourism sector in the program's area of influence.</p>	Baseline* and final program evaluation.	The government continues to give priority to the organization model that has been presented.

\* Partial baseline data is available for three areas. The baseline study to be conducted in 2007 will be financed through a technical cooperation operation from the Japan Special Fund (while the program is in the Assembly for ratification).

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>Components</b>	<b>Component indicators (Outputs)</b>		
<p><b>Component I: Investments for sustainable tourism development</b></p> <p>Improve the infrastructure needed for developing tourism inside and in the vicinity of the protected areas as a way to increase the number of visitors and the revenues of SINAC.</p>	<p><b>Subcomponent 1.1: Investments inside the protected areas:</b></p> <p>1.1.1 At least 30 tourism infrastructure works rehabilitated or developed in at least 6 areas by the end of year 3. Baseline: 0</p> <p>1.1.2 At least 80 tourism infrastructure works rehabilitated or developed in at least 6 areas during the program execution period. Baseline: 0</p> <p><b>Subcomponent 1.2: Investments in the vicinity of the protected areas:</b></p> <p>1.2.1 At least 15 small new works to improve access to the areas covered by the program and to mitigate adverse environmental impacts on the areas, by the end of year 3. Baseline: 0</p> <p>1.2.2 At least 40 small new works to improve access to the areas covered by the program and to mitigate adverse environmental impacts on the areas, during the program execution period. Baseline: 0</p>	<p>Information from the program's monitoring system.</p> <p>Semiannual reports on the investments financed and the disbursements made by the program.</p> <p>Midterm and final reports of the program.</p>	<p>The program remains a priority for the government.</p>
<p><b>Component II: Strengthening of the planning and sustainable management of tourism</b></p> <p>Agents involved in sustainable tourism in and around the protected areas have the skills and tools needed to arrange suitable tourism activities in harmony with conservation objectives.</p>	<p><b>Subcomponent 2.1: Sustainable management of tourism in protected areas:</b></p> <p>2.1.1 SINAC trained to plan investments and to exercise technical management in at least 6 areas, and in their areas of influence, during the first two years of program execution. Baseline: 0</p> <p>2.1.2 SINAC trained to effectively regulate and efficiently arrange visitor services in at least 6 areas, and to monitor the impact of visitors on the areas, during the first two years of program execution. Baseline: 0</p>	<p>Information from the program's monitoring system.</p> <p>The program's semiannual reports.</p> <p>Midterm and final reports of the program.</p>	<p>The program remains a priority for the government.</p>



NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>2.1.3 An outcome and impact monitoring system for the program designed and implemented in at least 6 areas, during the first two years of program execution. Baseline: 0</p> <p>2.1.4 At least 3 new management plans developed and at least one management plan updated for the protected areas, during the first two years of program execution. Baseline: 6 of 10 areas have a management plan.</p> <p>2.1.5 At least a 10% increase over the baseline in visits to beneficiary protected areas by the end of the program. Baseline: 700,000 visitors/year.</p> <p><b>Subcomponent 2.2: Sustainable management of tourism at the municipal level:</b></p> <p>2.2.1 Land-use planning and environmental management tools used in at least 10 municipios during program execution. Baseline: 1</p> <p>2.2.2 Financial mechanisms and instruments to increase municipal revenues stemming from tourism activities linked to the areas, developed in at least 10 municipalities during program execution. Baseline: 0</p> <p><b>Subcomponent 2.3: Sustainable tourism management by the private sector:</b></p> <p>2.3.1 At least 6 private tourism concessions for nonessential services accredited by SINAC operating in the protected areas during the program execution period. Baseline: 0</p> <p>2.3.2 At least 60 SINAC-accredited tour guides, including 10 indigenous tour guides, operating in the areas during program execution. Baseline: 10, none of whom are indigenous.</p>		

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>2.3.3 At least 200 people from the private sector, including 30 from the indigenous communities, receive training in environmental and tourism legislation, regulation of protected areas, environmental management, and sustainable tourism management, during program execution. Baseline: 0</p>		
<p><b>Component III: Institutional strengthening of SINAC</b></p> <p>Strengthen the administrative and financial management systems of SINAC.</p>	<p><b>Subcomponent 3.1: Consolidation of an organizational arrangement for sustainable tourism as well as personnel and skills management:</b></p> <p>3.1.1 A permanent tourism program consolidated in SINAC and training provided in the subject during year 1 of program execution. Baseline: 0</p> <p>3.1.2 At least 30 administrative-financial employees of SINAC trained in subjects to improve management efficiency (planning and administration, client services, management of partnerships and negotiation, services awarded in concession, management of concessions), by the end of the program. Baseline: 11</p> <p><b>Subcomponent 3.2: Strengthening administrative and financial management systems:</b></p> <p>3.2.1 SINAC's revenues from tourism activities in protected areas rise by at least 15% by the end of year 3 and by 27% by program end. Baseline: US\$6.6 million/year</p> <p>3.2.2 SINAC adopts appropriate financial and administrative management systems and a cost center management system during the first two years of program execution. Baseline: 0</p>	<p>Studies delivered by consultants to the project coordinating unit, to the satisfaction of the Government of Costa Rica and the Bank.</p> <p>Information from the program's monitoring system.</p> <p>The program's semiannual reports.</p> <p>Midterm and final reports of the program.</p>	<p>The program remains a priority for the government.</p>

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>3.2.3 During the first two years of program execution, SINAC adopts a new pricing policy for admission to protected areas, increasing the average fee by at least 10%. Baseline: US\$7</p> <p><b>Subcomponent 3.3: Development and strengthening of a marketing strategy to promote protected areas as a tourist destination.</b></p> <p>3.3.1 During the first two years of program execution, SINAC will approve and begin applying a new marketing and communications strategy for promoting sustainable tourism. Baseline: 0</p> <p>3.3.2 SINAC, with ICT, will produce at least 6 publications for promotional activities at the national and international levels, and create a website on tourism in protected areas during the program execution period. Baseline: 0</p>		

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/\_\_\_

Costa Rica. Loan \_\_\_\_/OC-CR to the Republic of Costa Rica  
Protected Areas Tourism Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Costa Rica , as Borrower, for the purpose of granting it a financing to cooperate in the execution of a protected areas tourism program. Such financing will be for the amount of up to US\$20,000,000, from the resources of the Single Currency Facility of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_ \_\_\_\_ 200\_)

LEG/OPR/RGII/IDBDOCS848331  
CR-L1001