Mid Term Evaluation of the Project

Transformative Low Carbon and Climate Resilient Pathways of Costa Rica

IKI project 21_III_114_CRI_G_Transforma

Executive Summary | IMAP GmbH

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Project description

The project "Transformative Low Carbon and Climate Resilient Pathways of Costa Rica", also known as Transforma Innova, is a multi-donor initiative funded by the German Federal Ministry for the Environment (BMUV former BMU) with €12.3 million and supplemented by a €4.1 million contribution from the EU. Managed by different agreements and timeframes, the EU funds are administered by the German Corporation for International Cooperation (GIZ) over a 48-month period, with an anticipated completion in October 2025. BMUV's contribution is implemented with a consortium led by GIZ, including as partners Conservation International (CI), Tropical Agricultural Research and Higher Education Center (CATIE), United Nations Development Programme (UNDP), Environmental Bank Foundation (FUNBAM), and Costa Rica - United States of America Foundation for Cooperation (CRUSA). It is projected to conclude in September 2026.

Transforma is strategically designed to facilitate the attainment of Costa Rica's national climate change objectives, supporting the transition to low-emission agricultural value chains and marine production systems, as delineated in the Nationally Determined Contributions (NDCs), Sustainable Development Goals (SDGs), and the Costa Rica Decarbonization Plan.

The project's logical framework is designed with five outputs. Outputs II and III serve as the core of the Tranforma project, promoting resilient agricultural production practices (coffee, livestock, *Musaceae* (among others cultivated bananas), strengthening livelihoods of coastal communities, and coastal ecosystems, and concentrating on the project's substantive contribution to the national decarbonization objectives. These outputs are pivotal in defining the project's scope and its direct contribution to climate change mitigation and adaptation goals. Supporting these central activities, the project incorporates additional integrated outputs I, IV, and V, that enhance policy coherence, ensure the availability of climate finance, and build capacity essential for scaling up the transformation process.

Evaluation objectives, intended use of findings and methodology

The purpose of this Mid-Term Evaluation (MTE) is to facilitate an independent assessment of the project's current implementation status and likelihood to achieve its objectives, to increase accountability and transparency, and to support evidence-based decision making to steer the project. The MTE was conducted between October 2023 and May 2024, by three evaluators, led by a team leader. The evaluation includes a set of standard questions coming from the standard International Climate Initiative (IKI) evaluation criteria (relevance; planning, steering and coherence; effectiveness; transformational impact and sustainability; social and environmental safeguards; standard indicators) and additional more project-specific learning questions. Findings are based on desk review, in-depth interviews, focus group discussions, a survey, and direct observation in the field. A variety of sources have been triangulated to provide evidence-based findings. Main evaluation users are the IKI-Office at ZUG (Zukunft Umwelt Gesellschaft GmbH), German Federal Ministry for Economic Affairs and Climate Action (BMWK), BMUV, GIZ, consortium and political partners and other implementing organizations.

Main findings per evaluation criterion

Relevance

The Climate Action Tracker (CAT) positions Costa Rica in compliance with the Paris Agreement and NDC goals. The Transforma project aligns with Costa Rica's Decarbonization Plan and SDG, and associated climate polices (National Policy on Climate Change Adaptation 2018-2030 and its Adaptation Plan 2022-2026; National Biodiversity Strategy 2016-2025, Agro-environmental Agenda; National Landscape Restoration Strategy 2021-2050; National Bioeconomy Strategy 2020-2030).

It supports three agricultural Nationally Appropriate Mitigation Actions (NAMAs), the strengthening of coastal marine value chains, as well as the protection of wetlands and coastal marine protected areas. Divergent viewpoints exist between the project and the political partners regarding the implementation arrangements for coastal marine spatial planning objectives. The project contributes to articulating strategies between the Environment and the Agricultural Sector.

The relevance of the project strategies and approaches to implementing partners is mixed. Partners recommend prioritizing adaptation strategies and a landscape approach. Sectoral agricultural partners suggest placing less emphasis on Measuring, Reporting and Verification (MRV) of mitigation practices, and more on enhancing farm resilience and sustainability. Additionally, the project has not been very responsive in aligning with the capacities and processes of partner institutions, which will provide the first line of technical assistance to farms, and communities (Ministry of Agriculture and Livestock (MAG), Costa Rican coffee institution (ICAFE), Cooperatives, producer associations).

For target groups, the project still lacks a focalization plan, however, it includes relevant approaches, such as coastal management plans that will grant communities permits for sustainable resource use, and farm plans with incentives to implement Best Management Practices (BMP). It will also provide opportunities for innovative financing and the possibility to participate in capacity development processes.

Planning, Steering and Coherence

The project's overarching design ambitiously targets both marine-coastal and terrestrial ecosystems objectives. It integrates the EU's contribution centered on innovation and finance, forming a complex Theory of Change (ToC) that merges multiple objectives integrating official climate policy targets. This ambitious integration results in a ToC that lacks clear causal pathways for achieving its intended outcomes and a results framework that is not operational.

The project's planning framework does not conform to IKI and OECD-DAC (Development Assistance Committee of the Organisation for Economic Co-operation and Development) standards for defining outcomes, results, outputs, and activities, leading to a misalignment in project monitoring and evaluation. It includes five outputs, 17 work packages, and 21 indicators, but fails to clarify the logical relationships necessary for assessing the effectiveness of each component. Consequently, meeting project indicators may not necessarily translate into tangible outcomes. Additionally, it lacks Specific, Measurable, Achievable, Relevant, Time-bound (SMART) indicators and faces significant delays, with crucial agreements and partnerships still pending as it approaches the funding deadline set by the EU. It has taken six to eight months to prepare a contract, and for some subgrantees, up to a year.

Financially, the project suffers from a lack of an activity and budget plan, with no budgets specifically allocated to outputs or work packages. This undermines effective results-based management and complicates resource distribution, as evidenced by emerging funding disagreements during the MTE. The DAC markers were not addressed in the project proposal, but some DAC markers are relevant and should be addressed by the project.

The project has successfully implemented all its governance mechanisms according to the project proposal. Although the Steering Committee has primarily served as a platform for communication and information sharing among donors rather than as a management body, this establishes a solid mechanism for enhancing strategic dialogue and monitoring. Steering and governance with government partners, engagement of implementing partners and project ownership are the main challenges. Similarly, the Project Management Committee can be strengthened to enable more strategic reflection on the project's hypotheses and to facilitate adaptive management.

Effectiveness

As of March 2024, the project's financial execution reached 31 percent of the allocated funds, with personnel and acquisitions recording the highest expenditure rates at 45 percent and 53 percent respectively. External personnel (consultancies) and financing (subcontracting including consortiums) have witnessed lower execution rates, at 8 percent and 28 percent respectively. Despite this, the project's performance against output indicators remains significantly delayed, achieving only partial completion of one milestone (contest of ideas) and delivering no tangible outputs or stakeholder engagement.

With only 19 months remaining of the EU's 48-month timeline, the project's strategy, though still relevant, requires recalibration. This entails downscaling ambitions to meet achievable targets within the stipulated period by prioritizing essential work packages and formulating a focused action plan. Strategic, operational, and resource-related challenges necessitate a thorough reassessment of project timelines, objectives, and scaling strategies to ensure feasibility and impact. Recommendations include decentralizing control, simplifying goals, and enhancing stakeholder involvement.

Furthermore, the project must realign its mitigation and adaptation objectives to better match partner priorities and available resources, implementing a manageable MRV system with simplified metrics accepted by political partners. Although the scaling up of Mitigation Actions for Agriculture (MAMAs) is conceptually sound for livestock, adjustments are necessary for coffee to align with partner capabilities. Initiating a pilot *Musaceae* NAMA for small producers appears feasible and advisable, necessitating concentrated efforts. Financial reallocation is advised to enhance capacity development, knowledge development and communities of practices, under the leadership of MAG and CATIE.

Transformational impact and sustainability

This MTE confirms the potential of the project to achieve environmental mitigation and adaptation goals and generate significant co-benefits. Through the conservation, management, and restoration of mangrove ecosystems and the transition of agricultural practices to diversified, low-emission, and resilient systems, the project aims to manage and restore mangrove ecosystems across 2,000 kilometers and transition 12,000 hectares of agricultural land to diversified, low-emission, and resilient systems, and benefit 6,000 rural families. Although the desired impacts will not be achievable within the established timeframe and with the current project efforts, if properly aligned, the implemented actions will contribute to these government led transformation processes.

The primary condition that must be met is that the NAMA farms will receive formal and regular technical assistance, and financial incentives, enabling them to implement the Best Management Practices promoted by the project. Official NAMAs in coffee and livestock shows beneficiaries experiencing increases in productivity, and diversification of their income. A significant direct economic benefit identified by producers from the adoption of agronomic practices includes savings on the purchase of prepared animal feed. This is coupled with improvements in pasture quality and more efficient grazing, which also positively affects weed management. This leads to a reduction in the use of imported inputs such as fertilizers, concentrates, and herbicides, further enhancing the economic viability of these practices.

For the Marine Coastal component, the restructuring of the Ministry of Environment and Energy (MINAE) and INCOPESCA has adversely affected the objective of marine coastal spatial planning. The absence of robust support from a dedicated Marine Commission has created challenges for continuing these activities. On the other hand, the project has the potential to create substantial positive impacts by strengthening the social capital of communities, enhancing coordination with other government institutions and social programs. Coastal Management plans can bring significant social and economic benefits, formalizing livelihood, and economic activities with regulatory institutions.

Safeguards

Safeguards have been developed in accordance with International Finance Corporation (IFC) guidelines, and the overall risk categorization is deemed appropriate. However, there is a misalignment in Performance Standards 5 (PS5) and 7 (PS7) that suggests a need for a lower risk category, from B to C. Free, Prior, and Informed Consent (FPIC) is not required according to the specific activities of the project and local regulations.

The project still lacks a management system that integrates the social and environmental monitoring of its actions. It also lacks an approach or method for mainstreaming gender. A consultancy is in development to devise the approach on how to do it.

Standard indicators

The project has not reported on the IKI indicators yet. As a remark, it is advisable that the project develops reliable data of achieved results. This will enable IKI to conduct reliable ex-post evaluations in the future using dependable project databases.

Recommendations

Based on the evaluation's findings and conclusions, the evaluation team derived the following recommendations:

(1) **Project Governance** (IKI/EU/PSC and PMC): Improve the effectiveness of the Project Steering Committee (PSC) by including bimonthly meetings between MINAE, MAG, and the Project Management Committee (PMC). Biannually, this meeting should be held with the donors, following the current procedure with GIZ acting as the executive secretary.

(2) **Project Reporting** (PSC, Program Management Unit/PMC): Generate a comprehensive semi-annual narrative report in Spanish that includes a full account of the activities undertaken. This should encompass not only those carried out by the project team but also by all subcontracted entities, the results achieved, and the challenges faced during the period. Such a report would greatly enhance the effectiveness of the steering committee meetings by providing detailed information about the project execution rates, challenges encountered, and the strategies implemented to address them. It is essential that these reports are prepared prior to the semi-annual meetings with the donors.

(3) **Effectiveness of the Project Management Committee** (PSC, PMC): Enhance the effectiveness of the Project Management Committee, which currently consists of all consortium members, by reconfiguring it to include key subcontractors such as ICAFE and Fundecooperación and limiting membership to partners with implementation roles (GIZ, CATIE, CI, and UNDP).

(4) **Safeguards** (PMC): Actively integrate monitoring and reporting on all the safeguards into the Project Management Committee and enhance project reporting. Eliminate WP III.IV and mainstream its objectives into the project activities under the leadership of the PMC. Modify the scope of the ongoing consultancy with Cultures and Development in Central America (CUDECA) to ensure that it plays a facilitative role for the PMC in analyzing the challenges that beneficiary groups may encounter in reaping the benefits of the project.

(5) **Result Framework** (IKI, ZUG, EU): It is recommended that the donors promote a downsizing of the project's ambitions to ensure that its results framework is realistic and achievable within the remaining project timeline and resources. The evaluation team suggests allowing for revisions of definitions, scope, and outcomes of each work package according to IKI and OECD guidelines. This would allow all outcomes and outputs to be calibrated to the project's resources and actions and their usefulness from the perspective of the users rather than the provider.

(6) **Result Framework** (PSC, PMC): The PMC should conduct a detailed review of the results framework, work packages, and budgets (BMUV and EU) to ensure that the project has a realistic operational plan for the remainder of the project, with SMART indicators and a clear causal chain that supports a credible cause-effect relationship for project deliverables. The following considerations can assist in this revision; the list is not exhaustive:

- Downsize WP IV.II and follow the recommendations from MINAE and MAG to reallocate the financial resources of this grant agreement according to the priorities identified during this MTE.
- Downsize WP I.I and WP I.II and ensure that future involvement in defining priorities for legal or normative work is led by Government Institutions.
- Concentrate WP II.III on the design and pilot of the NAMA for small and medium-sized producers, developing and piloting a NAMA for small and medium-sized banana producers. As this represents a new generation NAMA, it should focus on mitigation and adaptation measures, following MAG guidelines.
- Consider eliminating WP III.I and redirecting MarViva Foundation expertise and local knowledge to WP III.II and III.III. This arrangement, along with Center for Research in Marine Sciences and Limnology's (CIMAR) involvement in monitoring, strengthens output III.

(7) **Bundle capacities for terrestrial value chains** (PSC, MAG, CATIE): As the project approaches its exit stage, ensuring sustainability becomes crucial. It is recommended that all project actions related to knowledge generation and capacity development at the farm level, currently scattered across WP V.II and other WP, be consolidated

into one comprehensive plan for the three terrestrial value chains under the leadership of MAG. While utilizing the Capacity Development Draft as input, the plan should aim to strengthen the National Extension System by training producers and extension workers in all the necessary dimensions for resilient and sustainable management of their farms. The centrality of ownership is essential, so that under the leadership of this key player, assistance from various partners (universities, small and medium-sized enterprises, private sector, etc.) can be coordinated. The goal is to establish a community of practitioners focused on regenerative and low-carbon agriculture, to continue functioning after the project has concluded. This plan should have a dedicated budget and be implemented using flexible administrative procedures, ideally managed by CATIE.

(8) **Management** (GIZ): The hiring processes for subcontractors must be expedited. GIZ needs to examine why the negotiation and contracting processes in the project have been so complex. It is not acceptable for it to take more than half a year, or even up to a year. This barrier must be overcome, so that the remaining subcontracts can be developed.

(9) **Alignment of distribution of remaining budget** (ZUG, EU, GIZ, PSC, PMC): Ensure that the distribution of the remaining budget (excluding allocations to Grant Agreements) aligns with the revised proposal for outputs and work packages. Develop a results-based management plan. It is recommended that funds from budget lines 1.3 (consultancies), 3, and 5 form the basis for analyzing available funds, to execute the developed Capacity Development Plan, and other emerging priorities.

(10) **Set a deadline for discussing the reallocation of unused resources** (ZUG, EU, GIZ, PSC): The project should set a deadline of December 2024 to have all the local subsidies rolling (fully in implementation in the four value chains (livestock, coffee, bananas, and the blue economy). If by September the project has not found partners interested in the Matching Fund, the resources should be used without this requirement.

(11) **Seek for collaboration for supporting SME** (GIZ): In the financial/market strategies, the project should explore options with institutions/programs that support the development of startups and Small and Medium Enterprises (SME), seeking to form alliances more aligned with the target groups, which are small producers. During this MTE, a constellation of programs operating in the project's intervention zones has been identified (see annex 7.8)

(12) **Monitoring and Evaluation** (IKI-ZUG): Consider the lessons learned during this MTE, with the recommendation that future MTE focus on fewer evaluation criteria, selected according to the implementation status and challenges of each project. Consider as a practice that the MTE reports be produced in the language of host countries. Consider incorporating indicators of economic efficiency into the IKI evaluation criteria. There is a recurring concern in evaluations about whether projects are operating efficiently.

(13) **Monitoring and Evaluation** (IKI-ZUG): Ensuring social and environmental risk assessments and management of safeguard measures is a critical step in project design and project assessments. However, a lesson learned in this MTE is that integrating safeguard measures into work packages can be very challenging. Identifying where the risk is most likely to occur beforehand, without knowledge of the context and without adequate baselines, can pose a problem. In projects where threats and impacts are not direct, there may be a bias in selecting what is included and what is not in a work package. IFC calls for a more holistic management of risks and mitigation measures, that is integral to the project management and steering.

(14) **Consider adjusting IKI standard indicators** (IKI-ZUG): Consider that IKI standards are metrics that are far removed from the reality of the projects. It is necessary to generate indicators that allow for project accountability, requiring verifiable data on achievements and benefits. This would enable IKI to maintain a reliable database that researchers can use later in Ex-Post impact studies, employing reliable methods.

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Evaluation Team / Authors

Desirée Elizondo |International Team Lead
Ana María Camacho | Local Evaluation Expert

Project Management and Backstopping

Uta Giebel
Barbara Flatters
Lena Noumi

IMAP GmbH
Cantadorstraße 3
40211 Düsseldorf
Germany
+49 (0)211-513 69 73-0
info@imap-institut.de

Supported by
Scanteam AS
Tordenskiolds gate 2
0160 Oslo
Norway

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