



PROJECT EXECUTIVE SUMMARY
GEF COUNCIL WORK PROGRAM SUBMISSION

Agency's Project ID: RS-X1017
GEFSEC Project ID: 2517
Countries: Costa Rica and Panama
Project Title: Integrated Ecosystem Management in the Binational Sixaola River Basin
GEF Agency: Inter-American Development Bank (IDB)
Other Executing Agencies: N/A
Duration: 4 years
GEF Focal Area: Biodiversity, International Waters and Lands Degradation
GEF Operational Program: OP12 Multifocal Area (Integrated Ecosystem Management)
GEF Strategic Priority: BD-1, BD-2, EM-1, IW-1, SLM-2
Estimated Starting Date: November 2006
Estimated WP Entry Date: March 2006
Pipeline Entry Date: November 2004
IA Fee: US\$360,000 (9% of GEF funding, including PDF-B)

FINANCING PLAN (US\$)	
GEF CONTRIBUTION	
Project	3,500,000
PDF A	-0-
PDF B	500,000
PDF C	-0-
GEF Subtotal	4,000,000
Co-financing	
IDB Programs 1556/OC-CR	10,689,000
IDB Programs 1439/OC-PN	4,216,000
Government of Costa Rica	485,000
Government of Panama	485,000
Subtotal Co-financing :	15,875,000
Total Project Financing :	19,875,000
FINANCING FOR ASSOCIATED ACTIVITIES:	
The Nature Conservancy	420,000
Conservation International	360,000
European Commission	200,000

Contribution to Key Indicators of Business Plan: The Project will contribute to the following targets and performance indicators established for: (i) Biodiversity (BD-1 and BD-2): (a) the protected areas systems in two countries will be strengthened by incorporating functional mechanisms for transboundary protected area management, including co-management involving indigenous communities; (b) three transboundary protected areas will be supported (141,000 hectares); (c) approximately 16% of the Project funding will be directed towards capacity building involving local stakeholders, including indigenous communities; (d) mainstreaming biodiversity conservation in agriculture, tourism and forestry; (e) approximately 2,480 hectares of unsustainable banana production shifted towards more sustainable production and at least an increment of 240 hectares of agro-forestry systems involving indigenous communities; (ii) International Waters (IW-1) by catalyzing financing for implementation of agreed actions and reforms in response to the RSDS; (iii) Integrated Ecosystem Management (EM-1) through capacity building, policy and regulatory reforms, institutional strengthening, development of innovative financial mechanisms and the implementation of innovative and/or indigenous approaches to integrated ecosystem management; and (iv) Sustainable Land Management (SLM-1) by promoting innovative and indigenous sustainable land management practices in both countries.

Governments Endorsement Registry: (Operative Focal Points)

Ricardo Ulate, Ministry of Environment and Energy (MINAE), Costa Rica, March 20, 2006
Ligia Castro de Does, National Environment Authority (ANAM), Panama, March 6, 2006

This proposal has been prepared in accordance with GEF policies and procedures and meets the standards of the GEF Project Review Criteria for approval.

IA/ExA Coordinator

Janine Ferretti
 Date: March 24, 2006

Henrik Franklin
 Project Contact Person
 Tel: 202 623-2010
 E-Mail: henrikf@iadb.org

1. PROJECT SUMMARY

a) Project Rationale

The Binational Sixaola River Basin covers an area of 289,000 hectares that stretches from the Caribbean coastland to mountainous regions of Talamanca in Costa Rica and Central in Panama, reaching a maximum altitude of 3,820 meters above sea level. It hosts spectacular biodiversity and ecosystems of global importance. The Talamanca-Central mountain range contains at least 10% of the main habitat types of the planet and the mountainous region has been classified as one of the 200 global priority ecoregions. In the upper sub-basin, La Amistad International Park (PILA) alone harbors an estimated 4% of the planet's terrestrial species, including some 10,000 species of superior plants and more than 40,000 inferior and non-vascular plants. At least 80% of the mosses and the majority of the 900 species of lichen known in Costa Rica can be found here, as well as 1,000 ferns and 1,000 orchid species. 30-40% of plant species (depending on group) are endemic to this area. As to fauna, the Talamanca mountain range harbors more than 400 bird species, 263 species of amphibians and reptiles, as well as 215 mammal species. The coastal ecosystems, including wetlands, mangroves, coral reefs and seagrass beds, are home to a variety of threatened and endangered species.

The forests in the Basin capture an estimated 2,685 mm of precipitation on an annual basis, resulting in an average multiannual flow of 172 m³/s, representing a volume of 5,456,000 m³/year. While the water quality in the upper sub-basin is generally good, the waters in the middle and lower sub-basins suffer from non-point pollution mainly from agriculture (both small scale and large scale, such as banana plantations) and human settlements. In the Yorkín and Brai watersheds (in the middle sub-basin), the Biotic Integrity Index¹, which reflects the health of the aquatic ecosystem, has a regular level (3 on a scale of 1-5), indicating that both water pollution and sedimentation are affecting the aquatic environment.

The forest cover protects the fragile soils in the mountainous areas. The soils in this part of the Basin are not appropriate for agriculture due to their limited depth and they are highly vulnerable to soil erosion if the forest cover is removed due to the steep slopes and the continuous rainfall throughout the year. The lands appropriate for agriculture are mainly located in the Talamanca valley (middle sub-basin) inhabited by Bri Bri and Cabécar indigenous population, which cultivates organic bananas (2,450 hectares), a combination of organic cacao and banana in an agro-forestry system (3,607 hectares), and in the lower part of the Basin where extensive commercial banana plantations (12,000 hectares) take advantage of the fertile flood plain.

The forest cover in the Basin also mitigates the effects of natural disasters such as tropical storms and earthquakes, acting as a regulating sponge during torrential rains, reducing vulnerability to flash floods, mudslides and landslides. It has the same effect in terms of holding and stabilizing steep slopes and hill land areas during earthquakes. In addition, the forests in the Basin, in combination with the indigenous agroforestry systems, capture an estimated volume of 647,444 tons of carbon (representing 2,374,000 tons of CO₂) per year, contributing to climate change mitigation. Finally, the scenic beauty provided by the variety of ecosystems, in combination with the cultural values² represented in the Basin, offers unique conditions for tourism.

Fifty percent of the Basin has protected area status, of which several are of transboundary nature (PILA, San San-Pond Sak and Gandoca Manzanillo). There are also six indigenous territories, four in Costa Rica (the indigenous reserves Bri Bri of Keköldi, Talamanca, Cabécar of Talamanca and Telire) and two in Panama (Bri Bri and Naso). The human population in the Basin is 33,500, of which 58% are indigenous,

¹ The Biotic Integrity Index is a bioindicator measured by the local non-governmental organization ANAI, analyzing the presence of certain indicator species that indirectly reflects the quality of the aquatic environment in terms of pollutants and sedimentation. The gradient goes from very poor, poor, regular, good and excellent.

² The Basin has the highest concentration of indigenous population in Costa Rica (9,348 people), concentrated in the upper and middle sub-basins in the legally established indigenous territories.

38% ladinos and 4% afrodescendants. The social indicators in the basin are significantly lower than in nearby areas and compared to the national averages. 29% of the population in the Basin (9,700 inhabitants) does not have access to potable water. In the upper and middle sub-basins, the situation is graver, as the access to potable water is only 83% and 47% respectively. The quality of the water is generally low (with fecal coliform contamination) because of deficient treatment and distribution systems.

The Basin presents a diversity of legal land tenure regimes. Of the 289,000 hectares, 50% is under protected areas, 30% under formalized indigenous territories and the remaining 20% is subject to a variety of legal regimes. In terms of the transboundary protected areas, Gandoca Manzanillo and San San Pond Sak are both categorized as multiple-use areas which allows private property within its limits. In PILA, on the other hand, all lands are public³. In the Panamanian sector of Yorkín (within PILA), however, illegal invasions have been reported. The indigenous territories are private collective properties, where the Indigenous Government appears as the legal owner. Within these territories, however, there are conflicts with non-indigenous people⁴. The size of the properties in the lower sub-basin show a clear concentration of large landowners: 17% of the properties are larger than 50 hectares (corresponding to 59% of the cultivated surface) and 15% are smaller than 5 hectares (corresponding to 1.3% of the cultivated surface).

The Basin's economic and productive basis is concentrated in the primary sector, representing mainly agriculture, and to a lesser extent cattle raising and fishing⁵. There is some commercial activity in the lower sub-basin (concentrated in Changuinola and Bri Bri), as well as in the border area, but industrial and/or transformation activities are practically non-existent. The *lower sub-basin* is the most important from a productive and employment point of view, with a high concentration of export-oriented musaceas (plantain and banana) plantations, characterized by modern production methods, high infrastructure investments, intense pesticide use⁶ and prominence of large multinational companies, as well as the highest supply of commercial items and services. On the Panamanian side from the border of the Sixaola River down to San San-Pond Sak there is significant livestock production.

In the *middle sub-basin* (Talamanca Valley), the indigenous communities focus their productive activities mainly on low-technology agriculture, including organic banana and cocoa production involving approximately 1,100 producers increasingly linked to international markets, and to a lesser extent forestry, low-scale cattle raising, fishing, as well as tourism on a complementary level. Subsistence farming is also prominent, but lands used for annual cultivations (mainly beans, rice, and corn) are increasingly being converted to musaceas cultivation. Low productivity, insufficient information and technical assistance, scarce credit opportunities, limited access and weak processing and commercialization mechanisms constitute important barriers for the development of these communities. Tourism is a dynamic sector that potentially could expand as a complementary source of revenues for certain communities. With the exception of the coastal settings of Puerto Viejo (Costa Rica) and Bocas del Toro (Panama), which are both experiencing tourism expansion, the sector is currently not very developed. The basin has a wealth of attractions to develop besides the attractive coastal environments, including eco-tourism adventures (such as trekking in the rain forest), river trips, ethno-tourism, agro-tourism, but these products are in incipient development. Weak marketing, limited local capacities in tourism management and access to financing is limiting tourism development, thus limiting benefits to be expanded from the coastal areas towards the middle and upper basin.

³ In both countries land regularization and conflict resolution in protected areas and indigenous territories are promoted. In Costa Rica by the IDB-funded Cadastre Program and in Panama by PRONAT.

⁴ According to estimates of the National Development Program of Indigenous People, around 15% of the Cabecar territory and 35% of the Bri Bri territory is in the hands of non-indigenous groups.

⁵ Approximately 33,000 hectares (11.4 % of the basin territory) are used for cultivation and cattle grazing, concentrated in the Sixaola (lower basin) and Talamanca (middle basin) valleys as follows: bananas (12,400 hectares), organic bananas (2,450 hectares), organic banana and cocoa (3,600 hectares), mixed cultivation (2,500 hectares), plantain (3,000 hectares) and agro-forestry plantain production (1,100 hectares), mixed cultivation, grazing and unused farms (8,000 hectares).

⁶ The production of banana in Changuinola reports a rate of pesticide application that ascends to 75kg/ ha /year (CICLAC, May 2000).

Finally, the productive activities carried out in the *upper sub-basin* are constrained, among others, by the legal status of the protected areas. Furthermore, the sustainable use of the resources is facilitated by the fact that the indigenous communities govern important segments of that area, which ensures the application of traditional knowledge in productive activities consistent with the carrying capacities of the territory. The main productive subsistence activities are low-technology cultivations (corn, beans, and potato), complemented by small-scale cattle grazing, hunting and fishing.

Although the overall environmental condition in the Basin is relatively good, a series of emerging and interrelated problems affecting the biodiversity, water and soil resources are threatening the medium and long-term functional integrity of its ecosystems. Some of these threats appear to be relatively localized to certain segments of the basin, but there is an eminent risk that these problems spread and worsen if priority and urgent actions are not taken. A summary of the main direct threats to the integrity of the Basin's biodiversity, land and water resources are as follows (see Appendix G):

Agricultural encroachment, inappropriate subsistence agricultural practices and large-scale commercial crops. Although productive areas in the middle sub-basin are still dominated by sustainable agro-forestry and silvo-pastoral practices, as local population levels and livelihood needs increase, agricultural encroachment is bound to spread throughout the middle sub-basin. Currently, encroachment is particularly heavy in the Yorkín river watershed, but can also be observed elsewhere. Increasingly, unsustainable practices can be observed, including reduced fallows, slash-and-burn agriculture and agriculture on steep slopes. Some of the more evident results are nutrient depletion and soil degradation, which are contributing towards declining farm productivity. This is also a primary contributor towards habitat fragmentation, affecting some of the biological corridors already established in the area. Additionally, monoculture of bananas in the lower sub-basin has affected the agro-biodiversity presented in that part of the Basin.

Water pollution due to human and animal wastes, and agrochemical run-off. Cattle ranching, as well as human wastes from new settlements without proper wastewater and solid waste management systems, are contributing to the contamination of the binational river system. Furthermore, runoff from extensive and agrochemically intensive commercial banana production, as well as more limited but pesticide intensive small-scale agriculture, reaches the waterways constantly throughout the year (because of year-round heavy rainfall). As pollutants are transported downstream to the coastal areas, it affects the health of coastal ecosystems, such as wetlands, mangroves and coral reefs, and also has an impact on human health.

Conversion of land to cattle ranching. Cattle ranching is not a typical activity for indigenous groups in the Basin, and the introduction of cattle is mostly driven by ladino ranchers. Given the fragile soils, cattle ranching is considered to be a highly inappropriate land use. In the Yorkín sub-basin stocking intensities on rangelands do not reflect their carrying capacities and overgrazing is a problem, resulting in soil compactation and permeability reduction effectively reducing the chances of future regeneration of the forest. Furthermore, as heavy rain falls on the impermeable grazing areas, soil is washed off and contributes heavily to rampant sedimentation levels in the rivers and streams. Cattle ranching is spreading rampantly in Panamanian areas adjacent to the Basin, and the potential of expansion into the Basin is considerable. In fact, of the approximately 17,000 hectares of the PILA Panama that forms part of the Basin, 4,000 hectares have been deforested and converted to pasture.

Logging. While deforestation rates in the Basin as a whole are not alarming, some zones show a serious increase in unsustainable extraction of timber. Encroachment has been reported on forested areas in the process of logging for commercial timber species, resulting in the opening of tracks in the forests to facilitate access and transport the illegally harvested timber through some Cabécar indigenous territories. These timber roads subsequently tend to facilitate hunters' access to forest interiors of Gandoca Manzanillo, and the Bri Bri de Keköldi indigenous territory (RSDS, 2003).

Over fishing and harmful fishing practice: Fish is an important complement to local population diet, and several species are very sought-after. Over fishing is a widespread problem in the indigenous areas, and harmful fishing practices applying poison and explosives has a negative impact on the aquatic ecosystem.

Hunting and extraction of flora and fauna. Local inhabitants in the upper and middle sub-basins have traditionally supplemented their income by hunting of wildlife, both for food and for the commercialization of animal fur and trophies. Species populations have been drastically reduced or altogether disappeared from certain zones. For example, in and around the indigenous territory of Naso Téribe, species like the howler monkey, ant eater, while-tailed deer, harpy eagle, great curassow, and several parrot species have disappeared. In the coastal areas indiscriminate hunting of wildlife, mostly mammals, as well as sea turtles for the commercialization of meat and eggs, has been registered. In addition to hunting, certain animal species such as parrots, song birds, and reptiles are appreciated for their value as pets and are caught for domestication. Ornamental plant species such as orchids and heliconias are extracted for their decorative and economic value.

The main root causes contributing to the loss of biodiversity, the degradation of land resources and the deterioration of the bi-national water body, include:

Limited sustainable alternative livelihoods. Poverty is widespread throughout the Basin, but particularly rampant in the upper and middle sub-basins, where the economic activities currently practiced by the human population are largely limited to an intensification of agricultural practices and the illegal extraction of flora and fauna in response to both protein needs and economic driving forces. The problem is compounded because the poor, often the indigenous communities, tend to have limited access to government services, including support for enhancing productivity and commercialization, as well as credit support. This constitutes a key problem in those areas, because it correlates to a propensity against technological innovation. While commercial production is increasing in the lower sub-basin, the remaining areas remain very isolated in terms of sustainable livelihood alternatives. The consumption needs of the increasing population must therefore be absorbed by a limited pool of natural resources, leading to overexploitation.

Unsustainable economic activities are poorly regulated, monitored and controlled. Unsustainable activities such as illegal logging, intensive agriculture (agro-chemical intensive), destructive fishing applying dynamite and poison and extensive cattle grazing are taking place in a context of a weak and unharmonized (between the two countries and between sectors) regulatory, standards and control frameworks, including limited opportunities for co-management and local involvement. Furthermore, there is an insufficient presence of adequately trained and equipped personell⁷ with responsibility for monitoring and controlling such activities. This situation is further aggravated by the fact that local inhabitants and producers seem to remain largely unaware of the advantages of conserving and sustainably managing native flora and fauna and agro-biodiversity, and of the existing laws and regulations for the protection and sustainable use of natural resources.

Institutional limitations to mainstream ecological management objectives within the development agenda. Despite recent efforts to develop a Regional Sustainable Development Strategy for the Basin, there is an apparent lack of functional binational institutional frameworks, as well as incipient technical and operational capacities of the involved local and regional authorities (including the indigenous ones), as well as civil society organizations, to effectively apply integrated management and planning practices in a coordinated and participatory manner.

The depicted state of the Basin is the result of a complex relationship between multiple factors. During the Project's preparation phase, it was evident that having two countries with parallel institutions with

⁷ This includes personnel from public institutions at the regional and local level, as well as indigenous communities and civil society organizations.

varying technical and operational capacities at the local level, three sub-basins (upper, middle and lower) with very different problems and realities, as well as interaction between multiple economic, social and ethnic sectors, inhibits an appropriate coordinated response by the two Governments. The Project seeks to ensure that the working relationship that already exists between the two countries will be strengthened over the course of the Project, since a well functioning institutional structure will be fundamental to the Project's success and sustainability. To that end, project implementation arrangements will seek to reinforce the binational decision-making process responding to a single vision for the integrated management of the Basin, with ample participation of all stakeholders.

In this context, *biodiversity loss* cannot be halted without addressing problems related to the need of increasing alternative livelihoods and sustainable economic activities. *Land degradation* processes cannot be reversed without ensuring proper land use, through the promotion of collaborative territorial management arrangements involving the local inhabitants and the institutions, which need to be technically and operationally strengthened, acting under the appropriate regulatory and incentive framework and guided by reliable information. The *integrity of the water system* of the Basin can only be achieved if the forested lands are preserved and pollution levels are reduced, which requires effective mainstreaming of ecological considerations in the development of the Basin.

In 1991, the Vice-presidents of the Central America countries signed Resolution No 4-91 agreeing to promote the development of transboundary areas in an effort to achieve regional integration. Further that year, the two governments signed an agreement on frontier protected areas, officially establishing the transboundary La Amistad International Park (PILA), as well as the Costa Rica-Panama Border Cooperation Development Agreement. The latter agreement established a Permanent Binational Commission (headed by MIDEPLAN in Costa Rica and MEF in Panama) with the mandate to promote an integrated Binational Sixaola River Basin Sustainable Management Program. This ambition progressed and in 2003-2004 a Regional Strategy for the Sustainable Development of the Binational Sixaola River Basin (RSDS) was formulated in a participatory manner with the support of an IDB grant. The Strategy will be implemented through two national programs, the Sustainable Development Program of Bocas del Toro (1439/OC-PN) in Panama, and the Sustainable Development Program for the Binational Sixaola Basin (1556/OC-CR) in Costa Rica, both financed by the Bank. The proposed GEF intervention will serve to cover the incremental costs related to the global benefits of integrated bi-national management of the basin, and each national program will finance the necessary investments required for sustainable development in benefit of the local populations. The proposed intervention has been developed through an integrated, as opposed to sector-specific approach, characterized by increased levels of coordination between the two countries, ample participation of institutions, social and ethnic groups represented in the basin, a process initiated during the formulation of the RSDS.

b) Objectives, Products and Activities

The **objective** is to contribute to the sustainable use and conservation of biodiversity, water, and soil resources, through the creation of an enabling environment for the integrated and cross-cutting management of the Binational Sixaola River Basin.

The **specific objectives** are to: (i) strengthen the binational institutional framework for integrated basin management and enhance the required technical and operational capacities of the involved institutions, indigenous organizations, and civil society organizations; (ii) promote the adoption of productive models that are compatible with the conservation and sustainable use of the water and soil resources; and (iii) promote the conservation and sustainable use of globally important biodiversity.

Incremental Result 1: Institutional frameworks and the technical and operational capacities for integrated management strengthened. The Project will have the following main results: (i) technical and operational capacities of key institutions and actors in the basin strengthened; (ii) effective mechanisms for coordination at the binational level consolidated, including a functioning Binational Commission for

the Basin; (iii) sustainable financing mechanism designed; (iv) awareness among local inhabitants enhanced with regard to the value of natural resources, ancestral and low-impact production techniques, and mechanisms for the management of natural resources; and (v) systematization and dissemination of best practices and lessons learned, including an annual report on the environmental condition of the Basin.

Incremental result 2: Productive practices that are compatible with the conservation and sustainable use of water and soil resources are promoted. The Project will have the following main results: (i) incentive mechanisms to promote sustainable production among small and agro-industrial producers; (ii) demonstration projects to facilitate the adoption and replication of sustainable production practices among small-scale producers; (iii) instruments for regulating and promoting sustainable land-use; (iv) integrated water and soil resources monitoring program to inform decision-making and policy development in the basin; (v) micro-watershed management plans with associated demonstration projects; and (vi) improved basic water and sanitation facilities

Incremental result 3: Conservation and sustainable use of globally important biodiversity is enhanced. The Project will have the following main results: (i) binational harmonized legal, political and regulatory framework for co-management involving indigenous communities and/or local organizations in transboundary protected areas; (ii) priority elements of transboundary protected area management plans will be harmonized; (iii) park managers and staff have obtained on-the-ground experience in binational collaboration in basic management tasks; (iv) binational biodiversity monitoring system established, delivering accurate information for decision-making and adaptive management; (v) binational action plan for the consolidation of biological corridors prepared and implemented; (vi) an increase in alternative livelihoods based on the sustainable use of biodiversity; (vii) enabling conditions improved for sustainable coastal tourism, with expanding benefits to the middle and upper sub-basins; and (viii) riverbanks, critical areas associated with micro-watersheds and biological corridors regenerated.

To achieve the indicated results, the Project includes the following components and activities:

Component 1: Strengthening of institutional frameworks and technical and operational capacities required for integrated management. This component will be achieved through the following activities: (i) strengthen the technical and operational capacities of key stakeholders; (ii) strengthen the binational coordination frameworks; (iii) enhance sustainable financing for the management of the Basin; and (iv) raise awareness and capitalize knowledge related to the sustainable use and conservation of biodiversity, water and soil resources.

Component 2: Promotion of productive practices compatible with conservation and sustainable use of water and soil resources. This component consists of the following activities: (i) develop incentive mechanisms to promote environmentally sustainable productive practices; (ii) promote the adoption and replication of sustainable productive practices; (iii) consolidate an integrated water and soil monitoring system; (iv) enhance functional land-use planning in the Basin; and (v) improve the management of micro-watersheds with community participation

Component 3: Conservation and Sustainable Use of Biodiversity. This component will be achieved through the following activities: (i) harmonize and implement critical elements of the management plans of the trans-boundary protected areas; (ii) establish an integrated monitoring system of terrestrial and aquatic biodiversity; (iii) promote ecosystem connectivity through biological corridors; and (iv) promote alternative livelihoods based on the sustainable use of biodiversity.

c) Key Indicators, Assumptions, and Risks

In accordance with the Logical Framework (see Appendix B), the outcome indicators to measure the level of Project success at the *Goal* and *Purpose* level are described below:

Goal: To contribute to the improvement of the health and integrity of the ecosystems, as well as the well-being of the population in the Binational Sixaola River Basin.

Outcome indicators three years after the end of the Project:

- the area of natural forest cover in the Basin is the same or has expanded compared to the level at the end of Year 1 (XX ha. baseline established during Year 1);
- the Social Development Index (Costa Rica) and Human Development Index (Panama) in the Basin are the same with respect to the baseline at the beginning of the Project (IDS: 0 and IDH: 0.608);
- annual public investment for the binational integrated ecosystem management in the Basin has increased compared to marginal contributions at the beginning of the Project;
- the water quality in the Binational Sixaola River Basin is stabilized as shown by a maintenance of the Biotic Integrity Index in the Yorkín watershed at regular level (3 on a scale of 1-5, where 1 is poor and 5 is excellent), which is the level at the beginning of the Project⁸;
- the populations of key species in the representative ecosystems in the Basin maintain stability compared to their levels at the end of Year 1 (Baseline: to be established during Year 1);

Purpose: contribute to the sustainable use and conservation of biodiversity, water, and soil resources, through the creation of an enabling environment for the integrated and cross-cutting management of the Binational Sixaola River Basin.

Outcome Indicators by the end of the project:

- the Binational Commission for the Sixaola River Basin is operating efficiently and is taking decisions in a participatory manner based on accurate technical information (Baseline: at the beginning of the Project the Commission will have been formally established, but with no practical experiences, and the Territorial Information System is marginally used).
- land-use conflicts, defined in terms of optimal vs actual land-use, has been reduced by a third compared to the level at the end of Year 1 (Baseline to be established during Year 1);
- alternative sustainable financing sources leveraged at the national or local level are covering at least 10% of the recurrent costs related to the integrated binational management of the Basin compared to marginal domestic allocations at the beginning of the Project;
- at least 10% of the land-surface dedicated to agro-chemically intensive banana production at the beginning of the Project is shifted to more sustainable production (Baseline: 12,400 hectares of pesticide intensive banana production at the beginning of the Project);
- critical elements of the management plans of the transboundary protected areas are harmonized between the two countries and management actions are carried out according to these harmonized plans (Baseline: at the beginning of the Costa Rican and Panamanian sectors of PILA, San San-Pond Sak and Gandoca-Manzanillo have separate plans);

Assumptions: The Project was designed under the assumptions that: i) the stakeholders in both countries maintain their priority towards promoting the sustainable development of the Basin; ii) the governments of Costa Rica and Panama fully cooperate in promulgating legal, policy and regulatory instruments that will enable integrated management in the Basin; iii) private property owners and farmers within the Basin perceive benefits derived from the development of sustainable management activities; and vi) proposed co-financing of other programs is materialized in a timely manner.

⁸ This indicator may be complemented by other cost-effective water quality indicators during the Project start-up phase.

Risks: The success of the Project in achieving its global objectives faces four main risks: (i) the Project execution arrangements, involving a multiplicity of actors in the two countries, are not put in place in a timely manner and do not function efficiently; (ii) the coordination with the co-financing programs does not materialize in a timely and systematic manner; (iii) the possibility that the stakeholders at different levels reduce their interest and commitment to stay involved in the management of the Basin due, among others, to a perception of limited benefits and opportunities for influencing decision-making processes, and changes in the priority given by the authorities towards the sustainable development of the Basin; and (iv) the harmonization of legal, policy and regulatory frameworks are not achieved because the required agreements are not reached among the pertinent parties and/or the decision making process is unexpectedly extensive. To mitigate these risks, the following actions will be taken: (i) the creation of the Binational Commission for the Basin and the Executing Unit, as well as approval of the Project Operating Regulations, will be conditions prior to Project approval, and the Bank will ensure close supervision during execution; (ii) effective coordination mechanisms with the co-financing programs will be put in place (including, among others, joint planning meetings, sharing of reports, promoting the harmonization of methods); (iii) adaptive management procedures will be put in place and applied throughout the lifetime of the Project, including, among others, effective feed-back mechanisms, continuous interaction with the beneficiaries, public disclosure of project performance and results, ensuring sufficient resources for stakeholder empowerment; and (iv) technical support will be provided for accompanying the referred harmonization processes.

2. Country Ownership

a) Country Eligibility

Costa Rica signed the Convention on Biological Diversity (CBD) on 13-Jun-1992 and ratified it on 26-Aug-1994. Panama signed CBD on 13-Jun-1992 and ratified it on 17-Jan-1995. The United Nations Framework Convention to Combat Desertification (UNCCD) was also signed and ratified by both countries. Costa Rica ratified it on 01-May-1998 and Panama on 04-April-1996.

b) Country Drivenness

This Project responds to a series of agreements signed by the governments of Costa Rica and Panama. In 1991, the Vice-presidents of the Central America countries signed Resolution No 4-91 agreeing to promote the development of transboundary areas in an effort to achieve regional integration. Further that year, the two governments signed an agreement on frontier protected areas, officially establishing the transboundary La Amistad International Park (PILA), as well as the Costa Rica-Panama Border Cooperation Development Agreement⁹. The latter agreement established a Permanent Binational Commission instructed to promote an integrated Binational Sixaola River Basin Sustainable Management Program. This ambition progressed and in 2003-2004 a Regional Strategy for the Sustainable Development of the Binational Sixaola River Basin (RSDS) was formulated in a participatory manner with the support of an IDB grant. The RSDS is conceived as a comprehensive effort on the part of both countries that considers short-, medium-, and long-range views and interventions in different areas: strengthening of the local/territorial management capacity, production diversification, natural resource management, vulnerability reduction, and basic infrastructure. The Bank has approved two related sustainable development programs to finance priority interventions in each country. Effective integrated management of the Basin and its ecosystems, however, requires additional support for which non-reimbursable GEF funding is requested¹⁰.

⁹ The Agreement was ratified by Panama on August 10, 1994 and by Costa Rica on July 24, 1995.

¹⁰ The Presidents of Costa Rica and Panama signed a Joint Declaration on April 1, 2005, in which they emphasize the importance of promoting joint natural resources management programs, vulnerability reduction measures and integrated management of the PILA.

3. Conformity with GEF Policy and Programs

a) Operational Program and Strategic Priority

The project has also been formulated in accordance with the **GEF Operational Program #12 (Multiple Focal Area)**, with the aim to (i) create the appropriate conditions in the Basin and in the two countries for developing and implementing proper policies, regulations, and incentive structures to support integrated ecosystem management; (ii) strengthen the capacities of institutions and the local population to work in a coordinated and participatory manner in Sixaola to implement integrated ecosystem management interventions; and (iii) make investments based in integrated ecosystem approaches and stakeholder partnerships, to simultaneously address local/national, and global environmental issues within the context of sustainable development.

The project is also in conformity with several **GEF strategies and priorities** established in the GEF Strategic Business Planning, as follows: BD-1: “Catalyzing the Sustainability of Protected Areas”; BD-2 “Mainstreaming Biodiversity in Production Landscapes and Sectors”; EM-1 “Integrated Approach to Ecosystem Management”; and SLM-2: “Implementation of Innovative and Indigenous Sustainable Land management Practices”. The project’s contribution to the GEF’s strategic targets for biodiversity will be documented through the GEF BD-1 and BD-2 Tracking Tools (see Appendix E of the GEF Executive Summary). Lessons learned through the recent “Review of the GEF Operational Program 12” have guided the project design, particularly with regard to securing multifocality and synergy, but also by seeking to replicate integrated approaches of top rated OP-12 projects.

b) Sustainability

The **institutional** sustainability of this operation is based on: (i) utilizing the existing technical capacity of both governments’ institutions and providing reinforcement where needed; (ii) promoting the active participation of a wide range of relevant actors under clear guidelines to ensure efficient execution of Project activities; and (iii) supporting both governments’ efforts to strengthen the institutional framework provided by the Costa Rica-Panama Border Development Cooperation Agreement. The Executing Unit will draw on the technical expertise of the specialists assigned by MINAE and ANAM, under the guidance of a Project Coordinator who will have project management experience related to the sustainable management of river basins. The Executing Unit will work closely with the Binational Commission for the Sixaola Binational River Basin, which, given its wide stakeholder representation, is expected to result in targeted interventions. In addition, the three sub-basin committees will feed directly into the Executing Unit’s actions, fostering appropriation of the Project. Finally, the commitment of both countries to implement this Project is strong, as evidenced by their active participation during the design of the intervention. In addition, throughout this process, multiple non-government actors have been also actively involved in developing a joint vision for integrated management of the Basin.

The fact that the two governments are willing, not only to agree on a common vision for the integrated development of a transboundary river basin (RSDS), but also to increasingly commit public resources in favor of its implementation is a strong sign in favor of **financial** sustainability. Nevertheless, the Project strategy recognizes that limited public resources need to be complemented by alternative sources. In this context, the Project will develop and put in place a strategy for the sustainable financing of the recurrent costs associated with management of the Basin. In particular, the Project will seek to accompany the relevant institutions in developing appropriate instruments to leverage resources, including, among others: entrance fees, concession rights, resource use fees, payments for environmental services, charges to activities with a high environmental impact, and voluntary payments from private donors. This effort will build upon existing experience from the two countries¹¹, capitalize on the initiatives being sought by the

¹¹ For example the GEF/WB funded Ecomarkets Project (2000–2006) and the fund-raising effort for the Osa Peninsula.

local stakeholders¹², collaborate with associated projects¹³ and will take advantage of ongoing studies¹⁴ currently being developed. Furthermore, the Project will analyze the feasibility for establishing a Binational Trust Fund, including the development of an associated funding strategy. To further promote the binational integration of the transboundary protected areas, the Project will support the initial implementation of priority joint actions (eg. monitoring, surveillance). However, in order to encourage sustainability, the Project approach will consistently limit its contribution to cover the recurrent operational costs, with the expectation that the participating stakeholders gradually internalize these costs.

Overall, **environmental** sustainability is associated with measurable results in terms of: (i) increased binational capacities for integrated and participatory water basin management, including water pollution and land degradation control and biodiversity conservation and sustainable use; (ii) mainstreaming ecological considerations in the development of the Basin; (iii) an increase in economic activities involving sustainable practices and technologies; and (iv) protection of globally significant terrestrial and aquatic ecosystems. The **social** sustainability will be ensured through enhanced participation of stakeholders not traditionally included in decision-making processes pertaining to the development of the Basin, in particular the indigenous groups¹⁵, women and civil society. Local residents will also benefit from improved environmental conditions and enhanced opportunities for sustainable livelihoods. The project will not result in significant or foreseeable adverse environmental or social impacts due to the nature, scale and location of the activities to be financed by the GEF grant and the co-financing. Nevertheless, its Project Operating Manual will include environmental and social sustainability selection criteria for the pilot projects¹⁶, as well as appropriate environmental and social monitoring and supervision measures¹⁷. Furthermore, all the technical studies financed by the Project will internalize environmental considerations.

c) Replicability of Experience Gained and Lessons Learned

The Project will provide lessons learned and experiences that could be replicated as follows: (i) integrated management of transboundary protected areas and river basins, of particular interest at the **global** and **regional** levels; (ii) market-based instruments to promote sustainable production, sustainable financing schemes and co-management of protected areas involving indigenous communities and civil society, of particular interest at the **national** level; and (iii) sustainable livelihoods, ecosystem restoration and water source protection and management, of particular interest at the **local** level. The Project's replication strategy¹⁸ will respond to the above intentions as follows: (i) establish working relationships with other transboundary protected area and river basin projects in the Region¹⁹; participate in international and regional working groups and fora²⁰; maintain an updated website; and produce working papers, publications and periodic project newsletters to be disseminated in the Region; (ii) organize field visits and study tours for public and private decision and policy makers to the Basin; promote exchanges between co-management initiatives within and outside the Basin; proactively engage in dialogue with

¹² For example, efforts being made by the indigenous groups to develop mechanisms for payment for environmental services.

¹³ For example proposed GEF/WB project on mainstreaming market-based instruments for environmental management.

¹⁴ For example, 1439/OC-PN is financing a study on payment for environmental services in the Basin.

¹⁵ The Bank's operational policy on indigenous communities (GN-2386-8) has been considered during the Project design.

¹⁶ Based on the manuals of the IDB-financed programs, ensuring the application of specific measures to limit beneficiaries of activities in indigenous territories to indigenous groups and guaranteeing that Project support for the breeding of flora and fauna be limited to native species.

¹⁷ The infrastructure investments to be funded by the IDB-financed programs (1439/OC-PN, 1556/OC-CR) will be governed by their respective Manuals, which include regulations regarding environmental impact assessment (EIA) and supervision.

¹⁸ The funding for the majority of the activities mentioned in this paragraph have been internalized in the components. However, the budget for the Executing Unit includes resources for the implementation of the replication strategy.

¹⁹ In particular Montecristo Trinational Protected Area, El Corazón Binational Protected Area, both GEF projects, as well as the transboundary Lempa (Guatemala, El Salvador, Honduras) and San Juan River (Nicaragua, Costa Rica) basins.

²⁰ In particular those promoted by GEF, CCAD, IUCN, CATHALAC, such as IW/LEARN, the IMDS/PPP, Global Transboundary Protected Areas Network of World Commission Protected Areas/IUCN, the Global Water Partnership and IWRN-OAS).

legislation and policy makers, public and private financial institutions and productive sector associations; and establish linkages with academic and research institutions²¹; and (iii) facilitate horizontal learning exchanges within the Basin; establish linkages with training institutions; socialization in local and indigenous community events and formal meetings and ensure effective communication with other projects in the Basin.

d) Participation of Stakeholders and Intended Beneficiaries

A wide array of stakeholders have been actively involved in the development of this proposal (see Appendix H). This process started during the formulation of the RSDS in 2003-2004 and the design of the two corresponding IDB-funded programs. A comprehensive consultation process was performed involving approximately 50 workshops and meetings at the community, basin and national levels, to identify the main social actors, the most relevant production and service organizations, the most representative agencies, and their respective agendas and development priorities. This process was continued in 2005-2006 during the PDF-B phase under the guidance of an Advisory Group composed of the main stakeholder representatives²², in order to agree on the specific activities to be included in the Project and the responsibilities and roles of the actors. As described in Section IV, the Project design includes measures at two levels to ensure strong stakeholder participation in Project execution. At the Basin level, the Binational Commission for the Sixaola River Basin will provide an opportunity for public, private and civil society actors to agree on matter regarding the development of the Project. The sub-basin committees will enable local stakeholder participation in the definition and prioritization of problems, in the planning of activities and in the social monitoring of its execution.

e) Monitoring and Evaluation

Throughout its lifetime, the impacts of the project intervention will be monitored using the indicators in the logical framework matrix (see Appendix B)²³. Within the first year of Project execution, the complete baseline of outcome indicators indicated in the log-frame matrix will be consolidated and a detailed monitoring system will be made operational (see Appendix F to the GEF Executive Summary). To the extent possible, efforts will be made to take advantage of the existing monitoring systems and capacities already installed for the Program in Bocas del Toro (1439/OC-PN). Building on existing initiatives promoted by other actors in localized segments of the Basin, a permanent and integrated monitoring system for the state of the basin's biodiversity, soil, and water resources will be established (see Components 2, 3) to facilitate decision making-processes and adaptive management by the stakeholders. These systems will be internalized in existing institutions, involving their staff and other local stakeholders, in order to ensure continuity after the life of the project. The project will actively use the GEF BD-1 and BD-2 Tracking Tools to measure the effectiveness of protected area management and the mainstreaming of biodiversity into production landscapes.

A mid-term review²⁴ will be carried out when 50% of the GEF resources have been disbursed or after 24 months after the Project contract goes into effect, whichever comes first. This review will determine if the Project strategy is performing according to the established objectives, or if adjustments are necessary. When 90% of the GEF resources have been disbursed, a final evaluation will be performed to determine, among others, the extent to which Project objectives have been reached, the level of stakeholder participation in decision-making, positive changes in beneficiary behavior and practices due to the

²¹ Including inviting researchers, students to work on topics related to the Project, encourage participation of stakeholders as trainers in their activities, involve them in the implementation of Project monitoring and dissemination of results.

²² MEF, MIDEPLAN, ANAM, MINAE, other national- regional- and local authorities, Indigenous Governments and communities, productive sector associations, women's organizations, civil society, and representatives of other projects.

²³ As per GEF International Waters guidance, these include: (i) regional process indicators, (ii) stress reduction indicators and (iii) environmental indicators.

²⁴ The Mid-term and final evaluations will be performed by a team of consultants contracted by the IDB, using the fee resources provided by the GEF.

intervention²⁵, as well as its sustainability and cost-effectiveness. These evaluations will be guided by the following questions: (i) Is the project successfully contributing to mainstreaming biodiversity considerations in basin planning and development and catalyzing the sustainability of the transboundary protected areas?; (ii) Are producers internalizing sustainable production methods, thereby contributing to reduce land degradation processes and contamination of rivers and streams?; (iii) Is the basin wide governance structure enabling the involved stakeholders (institutions, social, ethnic, and other civil society groups) to function in a effective and coordinated manner to reach the goals outlined in the RSDS?; (iv) Is the Project contributing to enable basic integrated basin management functions to be financially sustainable in the long term?, and (v) is The Project contributing to enhance the environmental quality of the Basin?

4. Financial Modality and Cost-Effectiveness

The total cost of the Full Size Project is US\$19,375,000. Of this amount, US\$3,500,000 million will be financed by a GEF donation to be administered by the IDB. With the GEF donation, the Bank will make a grant in equal amounts (US\$1,750,000) to Costa Rica and Panama, which will commit to use the resources to finance jointly agreed activities under this binational Project. An additional estimated US\$10,689,000 and US\$4,216,000 will be provided as co-financing from the IDB-funded Sustainable Development Program in Sixaola, Costa Rica (1556/OC-CR) and Bocas del Toro, Panama (1439/OC-PN) respectively (see Annex I for commitment letters from MEF – Panama and MIDEPLAN-Costa Rica, which are the respective Government authorities responsible for public investment planning in the Basin). Finally, the governments of Costa Rica and Panama will each allocate an estimated US\$485,000 as co-financing (mainly in-kind contributions). In addition, approximately US\$420,000 and US\$360,000 from complementary projects funded by TNC and CI respectively are expected as associated funding for activities relating to the management of the transboundary protected areas (PILA, San San Pond Sak), consolidation of biological corridors and biodiversity monitoring. Furthermore, it is expected that European Commission in Costa Rica will contribute in associated funding with an estimated US\$200,000 to strengthen the technical capacities of the municipality of Talamanca.

Table 1: Sources of Co-financing				
Source of Co-financing	Classification	Type	Amount (US\$)	Status
IDB Program (1556/OC-CR)	Multilateral	In kind and cash	10,689,000	Confirmed
IDB Program (1439/OC-PN)	Multilateral	In kind and cash	4,216,000	Confirmed
Government of Costa Rica	National	In Kind	485,000	Confirmed
Government of Panama	National	In Kind	485,000	Confirmed

The Project intervention has emphasized **cost effectiveness** by: (i) capitalizing on the existing local and regional capacity and potential, thereby avoiding a considerably more expensive project intervention based predominantly on extensive central government control over the Basin’s territory; (ii) enhancing binational coordination and integration of management practices; and (iii) promoting long-term shifts in investments and expenditure by public and private stakeholders, in favor of measures that will counteract the emerging trends towards environmental degradation in the Basin and thus prevent further negative impacts that are likely to be more costly to mitigate once they appear.

²⁵ As compared to initial estimates established at the beginning of the Project through surveys and participatory methods.

5. Institutional Coordination and Support

a) Core Commitments and Linkages of the IDB and GEF

Inter-American Development Bank. The Proposed Project responds to the sectoral, regional and country level policies and strategies of the Bank. The Project will contribute to implementation of aspects of the Bank's Environmental Strategy in its objectives to strengthen regional environmental institutions and harmonizing regulatory frameworks, as well as promoting the sustainable management of regional public environmental goods and services. The Banks' country strategy for Panama focuses on boosting the economy's competitiveness and building human and productive capital, including the development of natural resources on a sustainable basis while consolidating the institutional, legal, and regulatory framework for their management and promoting decentralization. In Costa Rica, the Bank's country strategy is broadly oriented to the consolidation of the macroeconomy and accelerating economic growth, including the development of investments in productive sectors and the sustainable development of the rural economy.

The Bank is financing the following two programs which will serve as co-financing to the Project²⁶: (a) Sixaola Binational River Basin Sustainable Development Program in Costa Rica (approved in 2004, US\$12,000,000), which has the following four components: (i) environment and natural resources management and vulnerability reduction; (ii) productive diversification; (iii) public services and basic infrastructure; and (iv) strengthening of management capacities at the local level, as well as at the basin and binational levels, and (b) Multiphase Program for Sustainable Development of Bocas del Toro in Panama (approved in 2002, US\$16,000,000), which has the following three components: (i) strengthening management capacities of local and provincial institutions and civil society organizations; (ii) sustainable management of natural resources and productive development; and (iii) basic services and transport infrastructure. All above mentioned components will provide co-financing to the Project, with the exception of the components related to basic services and infrastructure. The Bank is also preparing a Program for Tourism in Protected Areas in Costa Rica (CR-L1001), which will include Cahuita National Park (adjacent to the Basin) as a pilot site.

f) Consultation and Coordination with Implementing and Executing Agencies

The IDB, together with the World Bank, is also serving as implementing agency for the Regional GEF project on Integrated Ecosystem Management in Indigenous Communities, which has the Talamanca - Bocas area as one of several priority sites in Central America²⁷. In Bri Bri y Cabécar indigenous lands located in Talamanca-Bocas del Toro, the project will finance strengthening of indigenous organizations; support for organic production, agro-industrialization, commercialization and the promotion of traditional products; support for the development of tourism and environmental services; and improve forest management and reduce illegal timber extraction. Coordination meetings have been held with the Director of the referred project, and agreements have been reached with regard to coordinating the preparation of annual work plans and ensuring that project intervention strategies and methodologies are harmonized and in line with the strategic priorities outlined in SLM-2.

Other GEF Projects. Costa Rica is currently preparing a UNDP/GEF project for the consolidation of protected areas, including legal reform and institutional strengthening of the National System for Conservation Areas (SINAC), enhancing participation of local actors in the management of protected areas and improving the management of terrestrial and marine protected areas. Coordination has been ensured through involvement of the Director of SINAC in the binational working group established for the PDF-B of the proposed Project and synergies will be sought particularly in the efforts to facilitate co-

²⁶ Only the portions of these Programs directly applicable to the intervention are considered as co-financing.

²⁷ The Project financing includes US\$5,000,000 from IDB/GEF and US\$4,000,000 from WB/GEF for activities in seven countries.

management arrangements in the transboundary protected areas in the Basin. Also in Costa Rica, the World Bank is supporting FONAFIFO in developing a GEF Project on mainstreaming market based instruments for environmental management, including the development of new mechanisms for payments for environmental services. Collaboration will be sought to ensure synergies with regards to activities carried out in the Talamanca mountain range. At the regional level, UNEP is serving as implementing agency for a GEF project focusing on reducing pesticide runoff to the Caribbean Sea off Colombia, Costa Rica and Nicaragua in support of the Cartagena Convention. Collaboration will be sought in the efforts related to developing incentive mechanisms to reduce pesticide use in the Basin in Component 2 of the proposed Project.

Other donors. The Nature Conservancy (TNC), through its Parks in Peril project, is supporting ANAM and MINAE in strengthening the work of Binational Commission for PILA, in particular related to the formulation of management plans, the design of a biodiversity monitoring system for the park and promoting co-management initiatives and strengthening of local guard and surveillance teams (COVIRENAS); as well as initiatives to promote the sustainable use of biodiversity (eg. tourism, hunting, fishing, medicinal plants, animal husbandry, non timber forest products). Conservation International (CI), on its part, is supporting a manatee monitoring program in San San Pond Sak, a tapir monitoring program in PILA and the indigenous territories, as well as promoting the connectivity of the Talamanca-Caribe Biological Corridor. During the preparation of the proposed Project, representatives from both TNC and CI have participated in preparatory workshops and meetings. Synergies will be sought for activities in all three components of the proposed Project and the resources from TNC and CI are considered as associated funding. In addition, the European Commission is financing a nationwide Program for strengthening municipal Government in Costa Rica, which is expected to provide associated funding to support the strengthening of the technical capacities of the Talamanca Municipality.

g) Arrangements for Supervising Execution of the Project

The Project beneficiaries are the Republics of Costa Rica and Panama. In the absence of a binational entity with legal capacity to administer and execute funds for the Basin²⁸ the operation will be co-executed by MINAE and ANAM. To ensure the highest degree of integration possible, the Bank will sign a tripartite agreement with both governments, specifying the commitment of each to: (i) execute their respective part of the grant in a joint manner and under a single workplan; (ii) create a Binational Commission for the Sixaola River Basin and a Binational Technical Executing Unit for the Project, both under the umbrella of the Costa Rica-Panama Border Development Cooperation Agreement; and (iii) entrust the financial administration of the GEF resources to a specialized financial management firm.

With ample stakeholder participation²⁹, the **Binational Commission for the Sixaola River Basin** will provide the strategic policy direction and will be responsible for the overall supervision of Project execution³⁰. It will approve the Project's annual work plans and will submit them to the co-executing agencies, MINAE and ANAM, for their formal endorsement. The rules of operation of the Commission will be detailed in the Project's Operating Manual and include specific terms for critical decisions such as

²⁸ The Cooperation Agreement between Costa Rica and Panama for Transfrontier Development and its Annex, which came into force in 1995 and is commonly referred to as the Binational Agreement for Transfrontier Development, established a Permanent Binational Commission to work on the area covered by the Project, but did not invest it with legal capacity to administer and execute funds.

²⁹ Its members would include: government agencies such as MINAE, ANAM, MIDA, MAG, CNE, SINAPROC, Health (regional level); Municipalities of Changuinola, Talamanca; representative from the Huétar Limón Regional Council in representation of MIDEPLAN, JAPDEVA, and the MEF's Provincial Office in Bocas del Toro; one representative from each country in the lower and middle sub-basin committees and one representative from the upper sub-basin (only Costa Rica); Executive Secretariats of the Costa Rica-Panama Border Development Cooperation Agreement in each country.

³⁰ The Governments have a shared long-term vision that the Commission gradually be enabled to formally manage the Basin.

the approval of the annual work plan³¹. There will be three **sub-basin committees**, one in each of the upper, middle and lower sub-basins³². They will include representatives from indigenous communities, development associations, small and medium farmers, environmental organizations and other productive sectors such as tourism. Their main responsibility will be to participate in the definition and prioritization of problems, in the planning of activities and in the social audit of their execution.

The **Binational Technical Executing Unit for the Project** will act as the executive arm of the Commission. It will have a technical coordinator financed by the Project, supported by two specialists on sustainable environmental management of river basins from each country, who will be on detail from MINAE and ANAM on a full-time basis, as well as a representative from the Indigenous Authorities in Costa Rica. The Project will also provide funds to hire short-term technical assistance and administrative support for the Executing Unit. The two governments will hire a **financial administration firm** that will be responsible for handling of the GEF funds.

The Binational Technical Executing Unit will be installed in the Basin (either in Costa Rica or Panama), taking advantage, to the extent possible, of the operational facilities of 1556/OC-CR and 1439/OC-PN. The Bank will assign responsibility for the **supervision** of Project execution to its Country Offices in Costa Rica and Panama³³ with the backstop of a specialist from RE2/EN2 at IDB Headquarters in Washington, the latter also serving as contact person with the GEF.

Appendixes:

- Appendix A: Incremental Costs Analysis
- Appendix B: Logical Framework Matrix
- Appendix C: STAP Review
- Appendix C1: Response of Executing Agency to STAP Review
- Appendix D: Copies of Endorsement Letters from GEF Focal Points
- Appendix E1: BD-1 GEF Tracking Tool
- Appendix E2: BD-2 GEF Tracking Tool
- Appendix F: Monitoring and Evaluation Plan
- Appendix G: Threat and Root Cause Analysis
- Appendix H: Stakeholder participation summary and plan
- Appendix I: Co-financing commitment letters

³¹ Only the Permanent Binational Commission, the highest level of authority under the Costa Rica-Panama Border Development Cooperation Agreement, has the power to approve work plans. For this operation, the Permanent Binational Commission will delegate this authority to the Binational Commission for the Sixaola Binational River Basin.

³² For the IDB Programs these have been established in each country (in the upper sub-basin only in Costa Rica). For the GEF intervention, the middle and lower sub-basin committees in each country will be merged in one for the middle and lower basin respectively.

³³ The final decision on where to install the Executing Unit will be taken by the two Governments before Project appraisal and at that moment the Bank will also determine which Country Office (Panama or Costa Rica) that will have the lead supervision responsibility (in coordination with the other Country Office)