

1. Project Data:		Date Posted: 06/24/2015	
Country:	Costa Rica		
Project ID:	P085539	Appraisal	Actual
Project Name:	Port-city Of Limon Integrated Infrastructure Project	Project Costs (US\$M):	79.6 12.6
L/C Number:		Loan/Credit (US\$M):	72.5 7.4
Sector Board:	Transport	Cofinancing (US\$M):	
Cofinanciers:		Board Approval Date:	01/08/2008
		Closing Date:	06/30/2014 06/30/2014
Sector(s):	General water; sanitation and flood protection sector (46%); Other social services (36%); Sub-national government administration (9%); Ports; waterways and shipping (7%); General industry and trade sector (2%)		
Theme(s):	Participation and civic engagement (40%); Municipal governance and institution building (20%); Cultural Heritage (20%); Urban services and housing for the poor (10%); City-wide infrastructure and Service Delivery (10%)		
Prepared by:	Reviewed by:	ICR Review Coordinator:	Group:
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2. Project Objectives and Components:

a. Objectives:

The project development objectives were: "(a) to improve the protection and management of the City of Limón's cultural and natural heritage; (b) to increase access to the sewage system and reduce urban flooding in the area of Limoncito; (c) to foster a more efficient, accountable and credible local government; (d) to create new employment opportunities through the development of small and micro-enterprises; and (e) to support the Borrower's port modernization process and improve transport access to the Limón and Moin port terminals" (Loan Agreement dated February 27, 2008, Sch. 1, p. 6).

The statement of the project objective in the Project Appraisal Document (PAD, p.9) was "to revitalize the city of Limon in compliance with the Government's Regional Development Strategy, and to prepare the modernization of the port of Limón". It further specified the sub-objectives, which were used in the Loan Agreement.

Following IEG procedures, this ICR Review is based upon IEG's assessment of the achievement of the project objective as formulated in the legal document.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components:

Component 1: Urban and Cultural Revitalization (appraisal cost US\$55.9 million; actual cost US\$5.07 million) comprised two sub-components: (i) revitalization of Limón's cultural, natural, and architectural assets, and (ii) provision of sewerage and drainage services and paving of the earth streets of the Limoncito zone.

Component 2: Local Economic Development (appraisal cost US\$2 million; actual cost US\$1.85 million) included (i) provision of incentives to start up the implementation of business plans and technical assistance grants to access non-financial support services (such as on-the-job technical assistance and business support centers) for the promotion of new cultural businesses and small and micro-enterprises run by youth and women through a competitive, development market- place type fund; (ii) capacity building to the SME Direction of the Ministry of Economy, Industry and Commerce (MEIC) and its office in Limon to improve the coordination of training and technical assistance to Limon's small and micro-businesses; and (iii) specific training activities to help existing cultural businesses improve the quality of their products.

Component 3: Local Governance and Port-City Strategic Planning (appraisal cost US\$4.3 million; actual cost US\$0.45 million) was to provide technical assistance for the Municipality of Limon to improve its capacity to deliver and manage quality services and goods while empowering it to take an active role in the city's development. It included four sub-components: (i) strengthening municipal management; (ii) strategic plan of the Port-City of Limón; (iii) strengthening municipal finance; and (iv) expansion of municipal building.

Component 4: Support for Improving Port Environment (appraisal cost US\$6.6 million; actual cost US\$0.01 million) included (i) improvement of transport access to the Limón and Moin port terminals, through the repair of a bridge over the Chiripo river, rehabilitation of a warehouse in Leesville, and construction of a short section of track for direct access to the dock of Moin; and (ii) TA to the Transport Ministry to support the concessions process of the terminals and transport system for Moin and Limon, including complementary analysis such as fine-tuning the Port Master Plan, developing a business plan for the port, and carrying out more detailed institutional analyses.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project cost: The total project cost was originally estimated at US\$79.6 million. At closure, the actual project cost was US\$12.7 million (16% of the appraised cost), as only a few planned activities were implemented.

Financing: Only US\$7.38 million (or 10%) of the originally committed IBRD loan of US\$72.5 million was disbursed at project closure. There was no co-financing.

Borrower contribution: The Borrower contributed US\$5.3 million at project closure, 75% of its original commitment of US\$7.1 million.

Dates: The project closed as scheduled, on June 30, 2014. The extension of the closing date was considered but not feasible as any substantial changes to the Legal Agreement would have required the Congressional Approval in Costa Rica involving all 57 legislators to vote (the project was approved through the enactment of the law). Two minor amendments were made in December 2010 and June 2011: (i) financing of a new implementing agency, the National Institute of Biodiversity, responsible for some of the project activities; and (ii) splitting the activities related to the beach *Playa los Banos* from the activity related to rehabilitation works for the Railway Company, which at the time was not yet fully defined.

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

Substantial.

The country's Atlantic coast, including the Province of Limón, was characterized by higher levels of poverty, lower income growth for the poor and lower social development indicators compared to the national averages. In 2007, the poverty rate for the Atlantic region was 20.2%, and 26% in the Province of Limon, well above the national average of 16.7%. The port of Limon handled nearly 15% of all containerized cargo from Central American countries in 2006, making it the busiest port in the region after Panama. Given the importance of the Port of Limón for the competitiveness of the country's trade, the city's social indicators, and the multiple and unique challenges that the City of Limón faced, the Government of Costa Rica (GoCR) developed a regional development strategy for the Province of Limón. The strategy included three main pillars: (i) the Social Action Plan for the Province of Limón; (ii) the Port-City of Limón Project; and (iii) Modernization of the port of Limon.

The objectives were relevant to the World Bank Group's FY2004-2008 Country Partnership Strategy, which focused on strengthening trade and competitiveness, and specifically included support to the City-port of Limon. The objectives were also relevant to the World Bank Group's FY2012-2015 Country Partnership Strategy, which pursued competitiveness and improving access, through inter alia, support to the city of Limón.

b. Relevance of Design:

Negligible.

The statement of the project objective contained five sub-objectives; it was over-ambitious and unrealistic. The design was overly complex. This was a multi-sector operation that included 10 sub-components with about 24 activities in urban cultural development, sewerage services, development of small and micro-enterprises, local governance and municipal finance, port modernization, railways and roads rehabilitation. As noted by the ICR (p.4), the project design was not clearly articulated as part of a cohesive Limón development proposal but it was rather an aggregate of generally unconnected activities. Many activities supported under the project did not have clear linkages with outputs and outcomes. For example, the reduction in handling costs per ton in Moin dock was not clearly supported by any of the project activities.

4. Achievement of Objectives (Efficacy):

1. To improve the protection and management of the City of Limón's cultural and natural heritage . Modest.

Outputs:

- The Post Office Building and an area for the Living Cultures Museum were rehabilitated. The Government was planning to complete the design of the museum in 2015 with its own funds.
- The Cultural House (*Casa de la Cultura*) was restored. The procurement process for the equipment and installations was underway at project closure.
- 15 sports fields were rehabilitated, as planned.
- Feasibility studies and final designs were prepared for the restoration of INCOFER warehouses; the rehabilitation of Cariari Park; the tourist center and trails on Uvita Island; and the creation of three pedestrian cultural tourism routes.

Outcomes:

- The Decree for protection of the Cultural House (*Casa de la Cultura*) was issued. However, there was no Decree issued for protection of historical buildings.

2. To increase access to the sewage system and reduce urban flooding in the area of Limoncito . Negligible.

Outputs:

- A sewerage cleaning truck was acquired with its accessories.
- The preparation of feasibility studies and final designs for the civil works were under way at project closure.
- No civil works were carried out as planned.

Outcomes:

- The envisaged outcome of 100% access to sewage system in Limoncito from the baseline of 38% was not achieved.
- The envisaged outcome of reducing the frequency of floods (or households affected) in Limoncito was not achieved.

3. To foster a more efficient, accountable and credible local government . Negligible.

Outputs:

- Only the terms of reference for the Strategic Plan for the Port-city of Limón and preliminary designs for municipal building were ready at project closure.
- A consultancy contract was signed in May 2014 to help strengthen municipal management.

Outcomes:

- No planned outputs were produced to achieve the outcome indicators in reduction of the current/capital expenditures ratio and increase in fiscal revenues (taxes).

4. To create new employment opportunities through the development of small and micro -enterprises. Modest.

Outputs:

- Six fairs were organized with the participation of medium and small entrepreneurs.
- Training and technical assistance were provided to SMEs to promote local economic development activity.

Outcomes:

- While about 100 new SME in the tourism and cultural heritage sectors were registered in Limón at project closure, as noted by the ICR, the correlation with the project activities is difficult to establish.

5. To support the Borrower's port modernization process and improve transport access to the Limón and Moin port terminals. Negligible.

Outputs:

- None.

Outcomes:

- No civil works were carried out to achieve the outcome of increase in the number of containers reaching the dock of Moín via railway and reduction in handling costs per ton in Moín dock.

5. Efficiency:

At appraisal, the Economic Internal Rates of Return (EIRRs) were estimated for the four project sub-components, i.e., (i) Limón's urban and cultural revitalization (an EIRR of 19% and a net present value of US\$6.2 million; (ii) sewerage activities (an EIRR of 19%); (iii) drainage activities (an EIRR of 20%); (iv) railway rehabilitation (an EIRR of 25%, with a net present value of US\$5.6 million) (PAD, Annex 9).

At project closure, no benefits were quantified as the project investments would not have a noticeable impact, as explained by the ICR (p.10). With regard to the unit costs of the activities that were carried out, the ICR informs that their actual costs were in line with the appraisal estimates, except for the sports fields (US\$0.2 million at appraisal vis-à-vis US\$1.2 million actual). According to the ICR, this cost overrun was due to the provision of additional equipment and lack of adequate feasibility analysis.

The project took five years to prepare (from 2003 to 2008), and five years to implement (2008 to 2014), delivering a few outputs with no tangible benefits.

Efficiency is assessed as **negligible**.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	19%	70%
ICR estimate	No		

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

While Relevance of Objectives is assessed as substantial, there were severe shortcomings in Relevance of Design and Efficiency, which were assessed as negligible. With regard to the achievement of objectives, two were rated modest and three were rated negligible.

a. Outcome Rating: Highly Unsatisfactory

7. Rationale for Risk to Development Outcome Rating:

No maintenance arrangements have been put in place. According to the ICR (p.9), the authorities are undertaking efforts to consolidate arrangements for operational maintenance of the assets created under the project. But considering Limón's history of dilapidated historical assets, weak managerial and financial capacity of the municipality responsible for maintenance, the sustainability of the assets is vulnerable. Risk to development outcome is therefore rated as **High**.

a. Risk to Development Outcome Rating : High

8. Assessment of Bank Performance:

a. Quality at entry:

Project preparation spanned almost five years, and endured significant changes in the project concept. At the time of the loan approval, the project was largely at a conceptual stage. Complete engineering studies and final designs were not ready at appraisal or by Loan approval. Only in the case of the sewerage sub-component, preliminary studies were ready for one of the project areas, forming the basis for the proposal to implement it using a design-build (turn-key contract) approach. The implementation arrangements were weak, as it involved 12 implementing agencies complicating the coordination and the project procurement processes. The capacity and commitment of the implementing agencies were also underestimated. As noted by the ICR (p.4), the lack of commitment was a consequence of the agencies' limited participation in the project preparation. The risks were

identified correctly at appraisal, and some materialized. The proposed mitigation measures, however, were not effective in addressing the risks. The M&E design was inadequate (see section 10a below).

There were overall major shortcomings in project design (see Section 3b). These, coupled with a lack of project readiness, led to delays in implementation and the project's negligible efficacy. Quality at entry rating is therefore rated as **Unsatisfactory**.

Quality-at-Entry Rating: Unsatisfactory

b. Quality of supervision:

Despite frequent supervision missions (about twice a year) up to the Mid-Term Review in 2012, the ICR (p. 11) notes that the attention was suboptimal to the challenges related to complex sub-components and weak implementation arrangements. There were no explicit diagnostics of the recurrent problems affecting project implementation. With a 22- month lag between loan approval and the enactment of the law approving the project, there were no provisions in place to advance project implementation. The project went through lengthy procurement processes; the first bids under the project were launched about four years after the loan approval and less than three years before the closing date. Implementation was further complicated by inadequate and untimely advice to the client. According to the ICR (p.8), in the case of packaging and procurement method for the sewerage activities, the Bank team provided poor initial advice to use turn-key contracts for design-build of the sewerage works. This method proved unfeasible because of the inadequate quality of the support studies which the team did not assess in a timely manner, causing delays and postponement of the sewerage works beyond project closure.

After a Mid-Term Review in 2012, the Bank's regional management was involved in high-level meetings with the GoCR to find solutions to improve performance and carry out activities given the legal constraints for a substantial project restructuring. Safeguards and fiduciary aspects were closely supervised by the Bank team, particularly during the last two years of project implementation (ICR, p.18). Efforts were made to improve implementation but were late and insufficient to address the key bottlenecks. Quality of supervision is therefore rated as **Unsatisfactory**.

Quality of Supervision Rating : Unsatisfactory

Overall Bank Performance Rating : Unsatisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

During project preparation, there was no single institution responsible for the project preparation, and the counterparts were changing, i.e., the Ministry of Public Works and Transport, the Ministry of Planning, the Ministry of Institutional Coordination, and the Ministry of Finance. The Government contributed 75% of the appraised commitment, however, as noted by the ICR p. 19, there were often significant shortages of funds affecting the project performance.

In the last two years of project implementation, from 2012, high- level Government officials, including the first Vice-president of the Republic intervened to try to improve and accelerate the project performance. This included the appointment of an Inter-Institutional Coordinator in the PCU, including a technical coordinator with project experience, two additional civil engineers working under his direction, and a member of the MOF's staff to help accelerate and improve project implementation (ICR, p.6). These actions had positive but limited results and were insufficient to resolve the problems accumulated during the previous four years of the project implementation.

Government performance is therefore rated as **Moderately Unsatisfactory** .

Government Performance Rating Moderately Unsatisfactory

b. Implementing Agency Performance:

The project coordination unit (PCU) and most of the project implementing agencies, once legally created, struggled to fulfill their functions under the project, given persistent shortages in human and material resources. According to the ICR (p. 13), the PCU was unable to effectively coordinate the various implementing agencies and often acted as a barrier, rather than facilitator, in trying to solve implementation bottlenecks. There were also

multiple changes within the PCU with three different Directors from the time of project effectiveness, and constant changes of technical staff. PCU management capacity was weak and unable to create a conducive environment for solving problems often motivated by political factors. The PCU was also expected to be responsible for coordinating M&E activities, but this was never operationalized. Implementing agency performance is therefore rated as **Unsatisfactory**.

Implementing Agency Performance Rating : Unsatisfactory

Overall Borrower Performance Rating : Unsatisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The monitoring and evaluation design was inadequate. The outcome indicators were not clearly defined and did not have baseline values or targets. According to the PAD (Annex 9), the baselines were to be determined during the first four months of project implementation. The overall responsibility for monitoring and evaluation was to be assigned to the Office for Urban Planning and Monitoring to be created under the project in the Limón Municipality. This office, which was never created, was to be responsible for gathering data from the implementing agencies, as well as for undertaking surveys (using a score-card system) when required.

b. M&E Implementation:

The ICR does not report on the M&E implementation.

c. M&E Utilization:

The ICR does not report on the M&E utilization.

M&E Quality Rating: Negligible

11. Other Issues

a. Safeguards:

This was a Category "B" project that triggered four Bank safeguard policies: Environmental Assessment (OP 4.01); Natural Habitats (OP 4.04); Involuntary Resettlement (OP 4.12); and Physical Cultural Resources (OP 4.11).

Environmental Assessment: The agreement was reached at appraisal on developing the Environmental and Social Management Framework and a Quick Urban Environmental Assessment. During implementation, the project was responsible for preparing the environmental studies required by the national legislation and getting the environmental approvals (*licencia ambiental*). Consultations were carried out during environmental impact assessment and environmental management plan preparation and the PCU developed a Facebook and web site that maintained communication with local communities. Some of these environmental studies however started very late during implementation and most were not completed. The final environmental management plans for the sewerage and drainage works were still under preparation. The PCU hired environmental and social experts to oversee and assist the implementing agencies. The roles of these staff were never clear for the other implementing agencies which are ruled by their own legislation and found it difficult to coordinate or submit information to the PCU. The project team carried out several workshops and meetings to increase capacity and support safeguards policy implementation.

Natural Habitats: The project carried out the following studies: Preliminary Environmental Assessment of the Cariari Park, Study of Capacity of Uvita Island, and the Update of the Environmental Management Plan for the Limoncito Wildlife Refuge.

Involuntary Resettlement: An abbreviated Involuntary Resettlement Plan in accordance with Bank Guidelines was developed during project preparation. As the ICR (p.11) reports, the plan was, to a large extent, adequately executed during the last phase of project implementation. For the planned sewerage and drainage component, there were a total of 19 resettlement cases, 11 for sewerage and 8 for drainage, 18 of which were concluded by project closure, and the remaining one in August 2014.

Physical Cultural Resources . The ICR does not report separately on this safeguard policy.

b. Fiduciary Compliance:

Financial management. The financial management assessment carried out as part of the project preparation concluded that the proposed financial arrangements were adequate and that the Borrower was sufficiently capable with suitable resources to implement the agreed action plan. The borrower complied, although with delays, with Quarterly Unaudited Interim Financial reports and with yearly audited financial statements, which concluded that the financial operations of the PCU were fairly represented (ICR, p.8).

Procurement. Given high risk rating, procurement processes were subject to intensive supervision, including the carrying out of several procurement workshops during project implementation. However, due to diluted procurement responsibilities and frequent procurement staff turnover, as the ICR (p.8) finds, building client capacity was challenging and resulted in often very lengthy procurement processes for the few activities that were undertaken. The first bids under the project were launched about four years after the loan approval and less than three years before the closing date.

c. Unintended Impacts (positive or negative):

d. Other:

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Highly Unsatisfactory	Highly Unsatisfactory	
Risk to Development Outcome:	High	High	
Bank Performance:	Unsatisfactory	Unsatisfactory	
Borrower Performance:	Unsatisfactory	Unsatisfactory	
Quality of ICR:		Satisfactory	

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

IEG selected the following lessons from the ICR, with some adaptation:

- Multi-sector projects require a strong and effective inter-agency coordination backed by top level Government endorsement and accountability.
- Projects should be consistent with the local implementation capacity. In the specific case of Costa Rica, where the legal framework (approval in Congress) does not provide the flexibility for project restructuring to address implementation bottlenecks, simple project design and readiness for implementation is essential.
- Complex and multi-sectoral projects require the right set of skills and incentives for task teams to support the clients in achieving the development outcomes.

14. Assessment Recommended? Yes No

15. Comments on Quality of ICR:

The ICR is concise and consistent in its analysis. It provides insightful explanations of the project preparation and implementation experience. Lessons are based on the project's experience. The ICR should have discussed the M&E implementation and utilization, and made an explicit statement of compliance with each of the Bank's safeguards policies triggered by the project.

a. Quality of ICR Rating: Satisfactory