

Approach Paper

Extended Country Program Evaluation: Costa Rica 2015-2022



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Inter-American Development Bank, 2023

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**RE-581
May 2023**

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ABBREVIATIONS

CPE	Country Program Evaluation
DELTA	Development Effectiveness Learning, Tracking, and Assessment [tool/score/impact summary]
FDI	Foreign direct investment
ICPR	Independent Country Program Review
IMF	International Monetary Fund
NSG	Non-sovereign guaranteed
OECD	Organisation for Economic Co-operation and Development
OVE	Office of Evaluation and Oversight
PBL	Policy-based loan
PND	Plan Nacional de Desarrollo [National Development Plan]
PNDIP	Plan Nacional de Desarrollo y de Inversión Pública [National Development and Public Investment Plan]
SDL	Special development loan
SMEs	Small- and medium-sized enterprises
TFFP	Trade Finance Facilitation Program
UNESCO	United Nations Educational, Scientific, and Cultural Organization
XCPE	Extended Country Program Evaluation
XSR	Expanded Supervision Report

I. INTRODUCTION

- 1.1 **The Inter-American Development Bank's Office of Evaluation and Oversight (OVE) produces two types of complementary country products that are presented to the Board of Executive Directors prior to their consideration of new Bank country strategies.** Independent Country Program Reviews (ICPRs) and Extended Country Program Evaluations (XCPEs) are prepared based on the "Updated Proposal: OVE Country Product Protocol – Final version" (document [RE-348-8](#)) that has been in effect since 27 October 2022. ICPRs are reviews of the most recent Bank strategy with a given country and country program, and they focus on accountability. They provide aggregated information on the relevance and implementation of the country program, as well as on effectiveness, where available information allows. XCPEs, meanwhile, are independent evaluations covering the last two Bank strategies with a country and the corresponding country program, and they evaluate relevance, effectiveness, and sustainability. Their scope is broader than ICPRs, in that they focus not only on reporting results but also on identifying lessons learned during the period. Their purpose is to provide an evaluation of the IDB Group's performance in the country to the Boards and Management of the IDB and IDB Invest,¹ issuing recommendations that aim to improve the next Bank country strategy and country program.
- 1.2 **The XCPE for Costa Rica will analyze two successive Bank strategies and the IDB Group program with the country, covering the 2015-2022 period.** This will be the sixth OVE evaluation of the IDB Group's program with Costa Rica. Previous country program evaluations (CPEs) covered the periods 1990-2001 (document [RE-277](#)), 2002-2006 (document [RE-325](#)), 2006-2010 (document [RE-377](#)), 2011-2014 (document [RE-472-1](#)), and 2015-2018 (document [RE-535-4](#)). In this sixth evaluation, the first extended one, OVE will cover the 2015-2022 period (corresponding to the country strategies for 2015-2018 and 2019-2022), providing an independent evaluation of the relevance, effectiveness, and sustainability of the IDB Group program and strategies in Costa Rica. The analysis will encompass the financial and nonfinancial products made available to the country (details provided in Section II(C)). The objective is for the findings and recommendations of the evaluation to be used as inputs in preparing the new IDB Group strategy with Costa Rica for the 2023-2026 period.
- 1.3 **This approach paper describes the IDB Group's strategies with the country and the portfolio being evaluated, as well as the evaluation methodology and criteria, evaluation questions, and the team and indicative timeline for preparation of the XCPE.** The document is structured into five sections and six annexes that provide supplementary information. Following this introduction, Section II describes the country's context, its development challenges, and the government's priorities (the Costa Rica National Plan), while Section III describes the country strategies approved by the IDB Group over the 2015-2022 period, together with the country program or portfolio under evaluation. Section IV describes the evaluation methodology and criteria, and Section V provides details of the team and timeline.

¹ The IDB Group comprises the IDB and IDB Invest. The latter was previously known as the Inter-American Investment Corporation (IIC).

II. COUNTRY CONTEXT

- 2.1 **Costa Rica has been characterized by a combination of political, economic, and social stability that has made it one of the top five most competitive economies in Latin America and the Caribbean.** According to the democracy index, the country has the second-most consolidated democracy in Latin America and the Caribbean, and it also scores highly in the categories of pluralism and civil liberties. In 2021, it became an official member of the Organisation for Economic Co-operation and Development (OECD). The political and social stability that characterizes Costa Rica, combined with its human capital and foreign trade-friendly policies, has attracted foreign direct investment (FDI). FDI accounted for 5.6% of GDP in 2021, and the country was the main destination for FDI in Central America (Economic Commission for Latin America and the Caribbean, 2022).
- 2.2 **Costa Rica has a medium-high income level, above that of the Latin American and Caribbean region.** It has a population of 5.2 million and a workforce of 2.6 million. Over the 2015-2022 period, per capita income rose from US\$16,925 to US\$22,614 (measured at purchasing power parity in international U.S. dollars), growing at an average annual rate of 5.1%. GDP per capita at purchasing power parity is 32% higher than in Latin America and the Caribbean but 53% lower than in the OECD countries. The country has an externally-oriented growth strategy that focuses on export promotion and openness to foreign investment. In 2020, the effects of the COVID-19 pandemic led to a significant decline in GDP (-4.3%). Despite this substantial impact, the economy rebounded in 2021, with GDP growth of 7.8%.
- 2.3 **The country has also developed an environmental conservation and sustainability strategy that makes it a leader in the area of sustainable development.** Costa Rica is one of the few countries in the world to have expanded its forest cover in recent decades, integrating this expansion effectively with agricultural production and encouraging ecotourism (World Bank, 2021). Nonetheless, the country continues to face challenges such as improved sanitation, solid waste management, stewardship of water resources, land-use planning, sustainable urban mobility, and the use of agrochemicals (IDB, 2015 and 2019; World Bank, 2021). These challenges coexist with international commitments, such as aspiring to carbon neutrality by 2050, that will require considerable investments in urban mobility and promoting low-carbon agriculture with fewer agrochemicals. In 2019, the country established its long-term priorities in the National Decarbonization Plan 2050, the aim of which is to achieve zero net greenhouse gas emissions.
- 2.4 **Nonetheless, Costa Rica has faced obstacles to development associated with the state of the labor market, infrastructure, and fiscal sustainability.** The unemployment rate was 11.4% in 2019, rising to rates of over 20% in 2020 due to the pandemic. Since then, the unemployment rate has trended downward, standing at approximately 10.6% in the first quarter of 2023 (National Statistics and Census Institute, 2023), but levels of informality remain high (43%, National Statistics and Census Institute, 2022). The employment problem reflects varying levels of dynamism in different sectors of the economy, as well as a lack of workforce skills, preventing segments of the population from leveraging opportunities in high value-added sectors such as technology and financial services. In 2021, the International Monetary Fund (IMF) also highlighted the existence of infrastructure gaps that limited overall productivity and competitiveness in the economy, creating challenges

for maintaining and expanding transportation infrastructure (including highways, bridges, and the public mobility system).

- 2.5 **Fiscal sustainability challenges led to approval of the Public Finance Strengthening Act in 2018, as well as a reform program with the IMF following the emergence of COVID-19.** Central government debt rose over the 2015-2022 period, increasing from 39.8% of GDP to 67.6% (IMF, 2023). This trend, together with persistent fiscal deficits, triggered a consolidation in the public finances, with the approval in 2018 of a fiscal reform law that introduced a value-added tax, design and implementation of a fiscal rule, and greater progressivity in the income tax. However, the consolidation process was interrupted due to the pandemic in 2020, when there was a sharp decline in tax revenue (0.7 of a percentage point of GDP between 2019 and 2020). This led to a three-year Extended Arrangement with the IMF for US\$1.8 billion, aimed at supporting economic recovery and fiscal sustainability through a series of economic and structural reforms.
- 2.6 **On the social front, achievements have been made in access to education, yet there are still challenges in terms of the quality of that education, as well as poverty reduction and inequality.** Despite nearly universal access to primary and secondary education, results in mathematics, reading and writing, and the social sciences have not improved since the last assessment by the Latin American Laboratory for the Assessment of the Quality of Education (2015).² Results in mathematics have also deteriorated since the Third Regional Comparative and Explanatory Study³ (2013) (United Nations, 2022). Meanwhile, reductions in poverty and inequality have leveled off, according to the World Bank (2021). Poverty remained at similar levels from 2010 to 2019 (24.8% and 23.9%, respectively), while the Gini coefficient rose from 48.05 to 48.2 in the same period. The COVID-19 crisis led to a temporary rise in monetary poverty, but this returned to prepandemic levels in 2022 (23%). As of 2021, the Gini coefficient remained high (48.7, the fourth-highest level in Latin America and the Caribbean).
- 2.7 **To address these challenges, the country produced two development strategies during the analysis period (Annex VI).** In 2015, the Costa Rican government produced the National Development Plan (PND) 2015-2018, which subsequently gave rise to the National Development and Public Investment Plan (PNDIP) 2019-2022. These policy instruments set out the country's development challenges, together with a roadmap for addressing them in the medium term. The "Alberto Cañas Escalante" PND-2015-2018 was divided into three national objectives with six expected outcomes; these, in turn, were linked to 16 strategic sector proposals.⁴ The PND also proposed two crosscutting themes, namely, promoting greater citizen participation and achieving local and regional impacts. Subsequent to the national elections in 2018, the Alvarado Quesada Administration produced the PNDIP-2019-2022. This plan promotes sustainable development associated with five national targets, including production, employment, poverty, inequality, and the environment. The national targets in the PNDIP are addressed through seven strategic areas that for the first time include citizen participation (in the form of public consultations), as well as the issue of public investment.

² UNESCO (2015). [Latin American Laboratory for the Evaluation of the Quality of Education \(LLECE\)](#).

³ UNESCO (2013). [Third Regional Comparative and Explanatory Study \(TERCE\)](#).

⁴ These related to community development, competitiveness, energy, transportation, technological innovation, agriculture and forestry, tourism, and environmental sustainability.

III. COUNTRY PROGRAM AND STRATEGIES

A. IDB Group country strategy with Costa Rica

- 3.1 **The first IDB Group country strategy with the country covered the 2015-2018 period, setting objectives in the areas of fiscal policy, infrastructure, competitiveness, and human capital.** This first strategy set four strategic objectives⁵ and eight expected outcomes, and it also included the crosscutting themes of institutional strengthening, gender equality and diversity, climate change, and environmental sustainability (Table 3.1).

Table 3.1. Strategic objectives, country strategy 2015-2018

Country strategy with Costa Rica, 2015-2018	
Strategic objectives	Expected outcomes
1. Support fiscal sustainability and spending efficiency	1.1 Tax revenues increase 1.2 Efficiency of poverty-reduction programs improves
2. Improve the quality, efficiency, and sustainability of productive infrastructure	2.1 Road quality improves 2.2 Efficiency at border crossings improves 2.3 More energy is generated from conventional and nonconventional renewable sources
3. Boost the competitiveness of small and medium-sized enterprises (SMEs)	3.1 Credit to SMEs rises steadily
4. Strengthen the human capital accumulation strategy	4.1 Gross secondary-school graduation rate increases 4.2 Coverage and efficiency of poverty-reduction programs increases

Source: IDB Country Strategy with Costa Rica 2015-2018 (document [GN-2829-1](#)).

- 3.2 **The second country strategy covered the period 2019-2022, and in terms of IDB Group priorities in the country it represented relative continuity with the previous strategy (2015-2018), although the emphasis was different.** The strategic orientation was divided into four priority areas: 1. strengthening the public finances (one of the explicit objectives of the last strategy was to improve institutions for public expenditure control); 2. development of quality and resilient infrastructure (the previous strategy also addressed this, but with a greater focus on the production sector); 3. productivity gains and narrowing of production gaps (both strategies addressed financing mechanisms, but the last strategy included objectives relating to the business climate, market disparities, and environmental issues); and 4. human capital accumulation for inclusion and competitiveness (in addition to education, the last strategy also included labor and security issues). It also envisaged the crosscutting themes of climate change adaptation, innovation (focused on the digital agenda), and gender and diversity (Table 3.2).

⁵ The structure of country strategies was altered after 2016 due to the creation of new guidelines. Bank country strategies prior to this were structured around strategic pillars, sectors, objectives, and expected outcomes. The country strategy for 2015-2018 did not include pillars and was based on broad strategic objectives. With the rollout of the new guidelines in 2016, the new country strategies began to focus on priority areas and, within these, strategic objectives and expected outcomes.

Table 3.2. Priority areas and strategic objectives, country strategy 2019-2022

Country strategy with Costa Rica, 2019-2022	
Strategic objectives	Expected outcomes
Priority Area 1. Strengthening the public finances	
1. Improve the institutions for public expenditure control 2. Improve the country's revenue collection levels	1.1 Current expenditure control 2.1 Tax revenue collection increases
Priority Area 2. Development of quality and resilient infrastructure	
1. Strengthen the institutional architecture of public- private partnerships (PPPs) 2. Improvement in the coverage, quality, and resilience of transportation services and infrastructure for regional integration 3. Strengthen the financial structure and competitiveness of the electricity sector 4. Address the main "brown agenda" challenges in the water and sanitation sector	1.1 The structuring of new PPPs in the country materializes 2.1 The length and quality of the road network in good condition increases 2.2 Greater development of logistics infrastructure 2.3 The emissions generated by the transportation system are reduced along with travel times 3.1 Comprehensive redesign of the electricity rate structure 4.1 Sanitary sewerage coverage expands
Priority Area 3. Productivity gains and narrowing of production gaps	
1. Improve the business climate based on the country's digital agenda 2. Improve the supply of, and access to, relevant financial products for the production sector, with an emphasis on SMEs, women-led SMEs, and SMEs in the export sector 3. Reduce the disparity in productivity between SMEs and large companies 4. Reduce net emissions in agriculture, forestry, and other land use	1.1 Procedures affecting business activity and competitiveness are simplified and digitized 1.2 The percentage of the population with access to more advanced, better-quality networks increases 2.1 The number of exporting SMEs increases 2.2 Credit penetration in SMEs increases 3.1 SME productivity increases 4.1 Emissions in agriculture, forestry, and other land use are reduced 4.2 Emission absorption in agriculture, forestry, and other land use increases
Priority Area 4. Human capital accumulation for inclusion and competitiveness	
1. Increase the coverage of preschool education, with an emphasis on vulnerable and at-risk areas 2. Reduce the secondary school dropout rate 3. Improve the quality and relevance of training for twenty-first-century jobs 4. Reduce homicides in the country's 40 most affected districts	1.1 The percentage of children aged 4 and 5 from households in the lowest income quintile who attend preschool increases 2.1 The secondary school dropout rate decreases 3.1 National Learning Institute (INA) curricula are developed with the participation of a more competitive production sector 4.1 The homicide rate decreases

Source: IDB Group Country Strategy with Costa Rica 2019-2022 (document [GN-2977](#)).

3.3 In addition to these objectives, the country strategies projected sovereign-guaranteed financing frameworks and risks. The 2015-2018 country strategy assumed two scenarios for sovereign-guaranteed approvals of between US\$736 million and US\$1.031 billion, while the 2019-2022 strategy projected US\$1.8 billion in approvals.⁶ In terms of the risks that might affect implementation, both country strategies highlighted the same three issues: 1. macroeconomic risks

⁶ Since IDB Invest does not conduct similar programming exercises, it does not provide any scenarios for non-sovereign guaranteed approvals in the country strategy.

relating to fiscal sustainability; 2. institutional capacity; and 3. natural disasters and unforeseen climate events.

B. Country program

3.4 **The country program is defined according to the criteria set out in the OVE Country Product Protocol (document [RE-348-8](#)).** The Costa Rica country program comprises operations for the country or for counterparts in the country that were approved by the IDB and IDB Invest during the period under review, together with legacy operations. The operations included are those approved between the date of approval of the first of the two country strategies (4 November 2015) and the expiration date of the second country strategy (31 December 2022). The legacy portfolio, meanwhile, consists of operations that were approved before this period, but had undisbursed balances at the beginning of the period. In the case of IDB Invest, it also includes operations that have achieved early operating maturity, those for which Management has formally submitted (or should have submitted) an expanded supervision report (XSR) to OVE during the period. The country program also includes regional operations (within a regional or multicountry framework) that can be clearly identified as being specifically for Costa Rica.

3.5 **Sovereign-guaranteed approvals totaled US\$2,510,800,000 in reimbursable and nonreimbursable funds.** During the analysis period, approvals with reimbursable funding included six investment loans, four policy-based loans (PBLs), and two special development loans (SDLs), while reimbursable funding was approved for 72 technical cooperation agreements and three grants. Approvals were below the levels projected in the first country strategy but above those in the second one (including SDLs). PBLs and SDLs accounted for 65% of the approved amounts. In addition, 99% of approvals were concentrated in the following sectors: (i) State reform and modernization, 44%; (ii) environment and natural disasters, 22%; (iii) social investment, 15%; (iv) transportation, 11%; and (v) energy, 8% (Table 3.3).

Table 3.3. Sovereign-guaranteed approvals, 2015-2022

Sector	Reimbursable funds				Nonreimbursable funds		Total	
	Investment		PBLs + SDLs		Technical cooperation agreements			
	Number	US\$ millions	Number	US\$ millions	Number	US\$ millions	Number	US\$ millions
State reform and modernization	-	-	4	1.1	6	0.7	10	1.100,7
Environment and natural disasters	1	20	2	530	7	5	10	555
Social investment	2	345	-	-	13**	23.3	15	368.3
Transportation	2	269	-	-	7	2.5	9	271.5
Energy	1	200	-	-	4	1.5	5	201.5
Other*	-	0.0	-	-	38**	13.7	38	13.7
Total	6	834	6	1.630,0	75	46.7	87	2.510,8

Source: OVE, based on 2023 IDB data.

Notes: *The "Other" category includes agriculture and rural development, water and sanitation, science and technology, foreign trade, urban development and housing, education, private enterprise and SME development, regional integration, health, multiple sectors, and other undefined.

** The number of operations includes one investment grant and one investment loan grant.

*** The number of operations includes one investment grant.

- 3.6 **The legacy portfolio of sovereign-guaranteed operations comprised 42 operations approved before 4 November 2015, but which had undisbursed balances as of that date.** The 42 operations were approved for a total of US\$1,874,900,000 and had undisbursed balances of US\$1,248,400,000 at the beginning of the XCPE analysis period. The sectors of transportation, energy, education, regional integration, water and sanitation, and social investment accounted for 96% of the balances (Table 3.4).

Table 3.4. Legacy sovereign-guaranteed operations

Sectors	Reimbursable funds		Nonreimbursable funds		Total		
	Investment		Technical cooperation agreements		Number	US\$ millions	% Undisbursed
	Number	US\$ millions	Number	US\$ millions			
Transportation	3	544	3	2.2	6	546.2	67%
Energy	2	213.1	3	1	5	214.1	43%
Education	1	152.4	2	1.8	3	154.2	91%
Regional integration	1	100	-	-	1	100	100%
Water and sanitation	1	73	3**	20.2	4	93.2	100%
Social investment	1	90.5	1	0.4	2	90.9	68%
Other*	2	44.8	19**	5.0	21	49.9	87%
Total	11	1.217,8	31	30.6	42	1.248,4	67%

Source: OVE, based on 2023 IDB data.

Note: * The "Other" category includes the following sectors: science and technology, urban development and housing, private enterprise and SME development, environment and natural disasters, financial markets, State reform and modernization, health, and other undefined.

** The number of operations includes one investment grant.

- 3.7 **The non-sovereign guaranteed (NSG) portfolio includes approvals of US\$551.2 million between 4 November 2015 and 31 December 2022.** Seventeen senior loans (US\$312 million) accounted for the majority of NSG financing, followed by seven lines under the Trade Finance Facilitation Program (TFFP) (US\$224.2 million). In addition, one guarantee was approved for US\$15 million. The financial markets sector covers 72% of the amount of new approvals.
- 3.8 **The NSG portfolio also includes legacy operations that were either approved before 4 November 2015 and had undisbursed balances, or for which XSRs were submitted (or should have been submitted) to OVE during the period under evaluation.**⁷ Based on these criteria, the legacy portfolio includes nine NSG loans approved before 4 November 2015 with an undisbursed balance of US\$109 million, concentrated in the energy and urban development and housing sectors. In addition, there are 14 operations with XSRs that were prepared (or should have been prepared) during the 2015-2022 period as they met the maturity criteria

⁷ For the NSG program, the criterion for inclusion as a legacy operation relates not only to disbursements at the beginning of the period (as in the case of sovereign-guaranteed operations) but also NSG operations for which Management submitted or was required to submit an XSR during the analysis period.

established for OVE validations. Most of these operations are concentrated in the financial markets sector (Table 3.5).

Table 3.5. NSG operations approved in 2015-2022 and legacy operations

	Approvals		Legacy operations		
	Number	Amount approved (US\$ millions)	Number	Amount approved (US\$ millions)	Undisbursed amount as of 3 Nov. 2015 (US\$ millions)
Senior loans	15	278.9	7	77.8	65.4
Senior loans (Trade and Supply Chain Finance)	1	33	0	0	0
Senior loans (FINPYME)	1	0.1	1	0.1	0.1
Senior loans and guarantees	0	0	1	200	43.5
Guarantees	1	15	0	0	0
Subtotal, NSG loans	18	327	9	277.9	109
Subtotal, other	7	224.2			
Total, NSG operations	25	551.2	9	277.9	109
Memorandum					
Operations with XSRs during the review period					
Subordinated loans	3	107.5			
Senior loans	10	192.5			
Other operations					
Advisory services	12	0.6			

Source: OVE, based on IDB Invest data (2023a and 2023c). The period runs from 4 November 2015 to 31 December 2022.

- 3.9 **Lastly, the country program also includes a limited number of regional operations.** These include four technical cooperation agreements administered and executed by Costa Rica,⁸ 12 regional NSG loans for US\$688 million, six regional NSG capital investments for US\$64.2 million, and one subordinated NSG loan for US\$40 million, all approved during the analysis period. These operations were concentrated primarily in the sectors of financial markets, agriculture and rural development, science and technology, energy, and industry.
- 3.10 **In addition to the country program, the XCPE will examine other forms of IDB Group support to Costa Rica.** The IDB Group can potentially contribute to its borrowing member countries through additional forms of support that are not necessarily included in the operational program. As part of its functions in the country, the IDB Country Office can provide a series of products (e.g., advisory support, training, presentations, and events) or play a coordinating role (e.g., support missions or policy dialogues at the national or regional levels), even though these do not necessarily form part of the activities under specific country program operations mentioned above. These activities represent part of the support provided by the IDB Group to the country and can complement the operations in the country

⁸ The definition of the country program includes only those regional operations approved during the period that are directly administered and executed by Costa Rica. During the period, approved operations that Costa Rica participated in but did not administer or execute totaled 541 technical cooperation agreements, one investment grant, seven Grant Financing Facility operations, and one Private Sector Facility operation.

program. Accordingly, even though these activities are not part of the portfolio, the XCPE will record them so that they can be included in the analysis.

IV. METHODOLOGY AND EVALUATION CRITERIA

A. Evaluation methodology

- 4.1 **The evaluation will follow the methodological guidelines stipulated in the OVE Country Product Protocol (document [RE-348-8](#)).** The protocol establishes evaluation criteria for XCPEs relating to the relevance, effectiveness, and sustainability of the program and also provides for an analysis of implementation. This is consistent with practices derived from the evaluation criteria established by the Development Assistance Committee of the OECD (OECD/DAC). The evaluation dimensions and questions that will guide the analysis will provide a comprehensive picture of the program and country strategy for the 2015-2022 period, together with the contributions made and the means used to achieve them. They will also facilitate the identification of lessons learned that will be useful for future programs. The evaluation design matrix (Annex III) links the evaluation questions to sources of information, scopes, and methods for answering them. The evaluation will analyze the entire program and prepare in-depth studies to answer questions regarding implementation, effectiveness, and the IDB Group's contribution, all with the aim of establishing actionable conclusions and relevant recommendations.

B. Evaluation questions

1. Relevance

- 4.2 **The relevance analysis will be carried out in stages, examining strategic objectives and the program implemented by the IDB Group.** To that end, the team will analyze the degree of consistency with the results framework proposed in the country strategy (vertical logic), as well as the consistency of the expected results and their indicators. Thereafter, the team will examine whether the strategic objectives and expected results are consistent with diagnostic assessments of the country's development needs and priorities, as well as corporate objectives and the IDB Group's comparative advantages. The XCPE does not prepare an independent analysis of the country context; rather, the analysis is based on an existing set of methodologically robust assessments produced by the IDB Group, other organizations, and specialized research centers. The XCPE provides an analysis of key changes in the country's needs and priorities during the period, with the aim of determining how these affected the relevance of the country strategy and how the IDB Group adapted to these changes. Lastly, it examines the degree to which the program implemented by the IDB Group during the analysis period provided feasible support to the objectives proposed in the country strategies.

a. Country strategy relevance

- **Country strategy design:** Were the results frameworks based on sound vertical logic? To what extent did the results frameworks have adequate indicators for measuring progress at the end of the period?
- **Consistency with country challenges:** Are the strategic objectives and expected results set out in the country strategies consistent with the development challenges faced by Costa Rica and the objectives of the government's plan?

- **Consistency with IDB Group objectives:** To what extent did the strategic objectives take into account the IDB Group's institutional priorities?
 - b. Country program relevance*
- **Program alignment:** To what extent did the program in Costa Rica implement operations that were aligned with the expected results and strategic objectives of the country strategy? Was it feasible that the approved program would support the objectives?
- **Synergies:** To what extent did the IDB Group seek to deepen coordination with other development partners in Costa Rica and leverage external resources to enhance the program's potential contribution? To what extent was progress made in coordinating the program between the IDB and IDB Invest?
- **Crosscutting themes:** To what extent did the program incorporate the crosscutting themes (institutional strengthening, gender and diversity approach, climate change adaptation and environmental sustainability, and innovation)?
- **Mix of instruments:** Was the combination of instruments used by the program (financial and nonfinancial) adequate for promoting the objectives?
- **Risks/adaptation:** Did the program adequately manage the risks identified in the country strategies (macroeconomic, execution and institutional capacity, and natural disasters)? How did the program adapt to changes during the period?

2. Implementation

4.3 **This analysis addresses operational considerations regarding the way resources provided through the country program were applied, as well as the factors that affected program implementation during the period.** The first focuses on the resources applied to the program and its operations. To this end, country program execution timelines and costs will be analyzed and compared to performance in earlier periods and relevant regional comparators (e.g., countries that require parliamentary ratification). The second seeks to understand the factors that hindered or assisted implementation of the country program (including support not included in the operations).

- **Implementation time frames and costs:** What were the timelines and costs of the program, bearing in mind the projects' different stages in the life cycle?
- **Benchmarks:** How do implementation timelines and costs compare with relevant measures, such as the averages for previous periods or for the IDB Group, Central America, and other subregions?
- **Proxies for efficiency:** Based on available analyses of the efficiency of the operations (e.g., cost-benefit or impact studies), what conclusions can be drawn from the subset of the program for which some type of efficiency analysis is available?
- **Factors during implementation:** What factors affected costs and timelines during implementation? What lessons can be learned from execution arrangements, portfolio management, and the level of use of country systems and IDB Group technical support?

3. Effectiveness

4.4 **The effectiveness analysis will examine two related dimensions: whether the strategic objectives identified have been met, and to what extent the IDB Group's country program has contributed to these achievements.** The first will seek to determine the degree of progress toward the expected outcomes and whether the strategic objectives have been achieved. The second dimension of effectiveness seeks to establish to what extent the IDB Group program may be linked with these achievements (beyond outputs), so as to understand what has worked and what not, thus helping to identify lessons for the future. The greatest challenge in this respect is that the program is usually implemented against a backdrop of interventions by numerous actors, making it very difficult to establish a direct causal relationship between the program and the results observed. In contrast, it is possible to determine the contribution of the program (including nonoperational support) to the objectives of the country strategy in light of the framework of the theory of change proposed therein.

- **Strategic achievements:** Based on the analysis performed, to what extent was progress made toward the strategic objectives that had been set?
- **IDB Group contribution:** To what extent did the IDB Group's program (including nonoperational support) produce the outcomes expected by the Group, and to what extent did it contribute to the strategic objectives in light of the theory of change proposed by the country strategy?
- **Unexpected effects:** Did any unexpected effects (positive or negative) emerge in relation to the program and IDB Group activities during the period? What was the IDB Group's response to the COVID-19 health crisis?

4. Sustainability

4.5 **The sustainability analysis determines the likelihood that program outcomes will be sustained going forward.** To this end, the team will identify that part of the IDB Group's program that, due to its maturity, is already expected to have yielded results. It will then examine whether these results have been maintained over the period covered by the XCPE and whether they are likely to be maintained in future. Sustainability will also be analyzed across the entire life cycle of the operations, given that the sustainability of outcomes depends on factors that are present from the design stage through to the implementation and completion of operations.

- **Operational maturity:** To what extent does the portion of the operational portfolio that is sufficiently mature (according to OVE's project validation criteria) demonstrate sustainable outcomes?
- **Risk factors:** What risks (e.g., institutional, financial, environmental and social, or capacity-related) might affect the sustainability of outcomes?
- **Lessons learned:** In light of the lessons learned during program implementation, which of the actions that can be attributed to the IDB Group have helped or hindered the sustainability of operations?

C. Methodology and sources of information

- 4.6 **The XCPE will conduct a systematic mapping of the program’s theory of change.** As in the case of CPEs,⁹ the XCPE will evaluate the contribution of the IDB Group’s program to the strategic objectives proposed in the country strategy (Box 4.1). The connection between the IDB Group’s program and the attainment of these objectives is established through a theory of change, and the country strategy and the projects describe this theory. The preliminary overall results framework (Annex V) systematically reconstructs part of this theory, and this will be contrasted with the evidence regarding the results that have been achieved.

Box 4.1. Scope of the overall results framework 2015-2022

Organization of objectives and priority areas: The XCPE classifies the objectives of the two country strategies by thematic area, with reference to the most generic category of “priority areas,” which contain the priorities in country strategies 2015-2018 and 2019-2022. The strategic objectives for the full 2015-2022 period, grouped by thematic area, remain linked to expected results and monitoring indicators, as set out in the respective country strategies. Annex V contains a preliminary matrix that combines the strategic objectives and expected results across 11 thematic areas and areas of Bank intervention for both periods. This will be used for the analyses in the XCPE and for determining the sample of operations to be covered by the case studies.^a

Baselines: Where strategic objectives formulated at two different points in time are combined, the baselines for the associated indicators should refer to their respective points of origin (e.g., 2015 or 2019).

Imputing objectives to the operations: Similarly, in the analysis of portfolio effectiveness, consideration will be given to which objectives were formulated before or after each operation was approved.

Note:^a The two country strategies included a total of 8 strategic objectives and 22 expected outcomes. These were to be measured by means of a Results Framework with 28 indicators.

- 4.7 **The evaluation will use a diverse set of methods for document-based research and data collection in relation to the country program.** To analyze the country strategies and country program, OVE will carry out document-based research (including, for example, the identification and selection of sources of documentation, review and organization of materials, and identification of analytical categories). This research will also include the selection and analysis of data from internal and external databases. Data collection will be supported by structured and semi-structured interviews, surveys, focus groups, and observation guides. OVE will interview IDB Group specialists at both Headquarters and the Country Office, as well as other key stakeholders familiar with the country’s development challenges and the different sectors in which the IDB Group set objectives or worked. These include current and former government officials, project executors, international development partners, academics, and civil society representatives.
- 4.8 **The evaluation will also carry out a number of “deep-dive” assessments aimed at understanding how results were achieved and what the challenges were.** These deep dives will answer XCPE questions on implementation, effectiveness, and sustainability, and their scope is broader than in the case of Independent Country Program Reviews. The thematic areas selected for the deep dives will seek to include diverse types of objectives in areas that were of long-term relevance for the country and in which the program implemented by the IDB Group was significant (irrespective of its degree of success). Accordingly, these thematic areas will be selected based on three criteria: (a) there must be a deep-dive thematic area for

⁹ Country Program Evaluations were evaluations prepared by OVE before the country product protocol was updated (document [RE-348-8](#)) in 2022.

- each of the priority areas in the country strategies;¹⁰ (b) the strategic objectives and expected outcomes for the thematic area must be continuous across both country strategies; and (c) the country program must have operations that are aligned with this thematic area and have the potential, at least, to contribute to the strategic objectives. Four studies are planned for this XCPE, and the areas of tax collection, transportation, SME support, and education have been preliminarily identified.
- 4.9 **The evaluation will be supported by the use of technological tools for information gathering and analysis.** OVE will employ tools such as online questionnaires and software for qualitative text analysis. In addition, the team will make use of the information available on project execution and results in the different IDB Group systems. Lastly, OVE will systematize the analysis of operations using a standardized analysis datasheet. This will help to consolidate different sources of information and evaluation judgments concerning the operations, improving the efficiency, consistency, and transparency of the analysis.
- 4.10 **To maximize the evaluation's usefulness, the process will include fluid interaction with Management, and with the Country Office in particular.** The analysis will also examine qualitative dimensions, and to that end the team will organize working focus groups regarding the program and its crosscutting objectives. These will involve Management (e.g., the Country Office, Management of the Country Department Central America, Mexico, Panama, the Dominican Republic (CID), and key country counterparts. Lastly, the team will seek to examine issues relating to execution and the IDB Group's contribution by gathering information, for example, on portfolio reviews or activities carried out by the Country Office and CID Management.
- 4.11 **The XCPE will also seek to use other sources of information, as described in Box 4.2.** In addition to the sources mentioned above, the XCPE will seek to incorporate the information sources described in Box 4.2. The complete evaluation design matrix is presented in Annex III and indicates the sources and how these will be used.¹¹

Box 4.2. Examples of complementary sources

Executing unit reports: The semiannual reports prepared by executing units can potentially provide additional evidence on project outputs. These reports will be compiled and analyzed for the XCPE in order to supplement the evidence base.

Administrative flows from operations: Operational management involves approvals, no objections, and waivers, which are recorded in monitoring systems. The XCPE will conduct a systematic analysis of this information, including, for example, operation reformulation and cancellation notes.

Work with other development partners: One of the factors examined in the analysis of IDB Group relevance is the division of labor with other development partners active in the country.

Fiduciary management: IDB Group is also engaged in crosscutting work to strengthen the operational management capabilities of executing agencies. The XCPE will include information on these activities and will seek to measure progress in relation to the targets established in the country strategies' fiduciary annexes.

Impact evaluations: The Bank's Development Effectiveness Framework and IDB Invest's DELTA system have encouraged the preparation of project impact evaluations. The XCPE will seek to gather the existing impact evaluations associated with the country program and compile their findings.

¹⁰ Based on the overall results framework for the 2015-2022 period, in Annex V.

¹¹ The methodology will focus efforts on compiling the evidence required to answer the evaluation questions, and the information will therefore be presented in annexes with the detailed report on the operations.

- 4.12 **Lastly, the recommendations of the previous CPE (Annex I) will be tracked.** The recommendations of the previous CPE have been incorporated into the IDB Group's Evaluation Recommendation Tracking System (ReTS) (see Annex I). This XCPE will review to what extent these recommendations have remained relevant and been implemented.

D. Profile of expected products

- 4.13 **The product will be the extended country program evaluation report.** Despite the longer time period analyzed, the main findings, lessons learned, and relevant recommendations of the XCPE should be summarized in a document no longer than 30 pages, accompanied by annexes with supporting information. The evaluation is also expected to be of interest to both internal and external audiences, and its publication will therefore be planned in accordance with OVE's Dissemination Plan and in coordination, where necessary, with the Board of Executive Directors and IDB Group team for the country, as well as relevant government and civil society counterparts.

V. TEAM AND TIMELINE

- 5.1 **The XCPE will be produced by an OVE multidisciplinary team, potentially with the support of a consulting firm.** The team will be supervised by the OVE Director, Ivory Yong-Prötzel, and will be comprised of Roni Szwedzki Lapchik (Team Leader), Odette Maciel Becerril, Dana Michael King, Priscila Vera Jibaja, Elizabeth Salazar, and Ingrid Garay. Other OVE sector specialists will contribute in their fields of expertise and, where necessary, will be complemented by local evaluation resources in Costa Rica.
- 5.2 **The team will carry out a mission to Costa Rica.** The main tasks of the mission will be to: (i) identify and validate the main features of the relationship between the IDB Group and the country; (ii) collect data and validate project analyses; (iii) visit specific projects to gather information from their executing agencies and beneficiaries; and (iv) conduct interviews with key public officials and counterparts, as well as other stakeholders familiar with the country's development challenges and the different sectors in which the Bank operates.
- 5.3 **The XCPE timeline has been designed to coincide effectively with decision-making processes for the new IDB Group strategy with the country.** This XCPE falls within the transition period following the approval of the country products protocol, and its delivery date is therefore not yet consistent with the provisions of that document. Nonetheless, OVE will seek to deliver the evaluation results of this XCPE in a timely manner, allowing them to be used as inputs into the preparation and approval processes for the next Bank country strategy. Management currently plans to submit the new country strategy to the Board of Executive Directors before the end of the transition period for the current strategy (December 2023). In the event that these dates change, the timeline for submission of the XCPE may also be adjusted. With this in mind, the indicative timeline for the XCPE is laid out in Table 5.1.

Table 5.1. Indicative timetable of activities

Deliverables	Date
Approach paper	End-May 2023
Mission to Costa Rica	June 2023
Draft sent to Management and the Government of Costa Rica for consideration and comments	31 August 2023
Final document submitted to the Office of the Secretary	28 September 2023
Presentation to the Programming Committee of the Board of Executive Directors	30 October 2023

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