

Terminal Evaluation Review form, GEF Evaluation Office, APR 2013

1. Project Data

Summary project data			
GEF project ID		1571	
GEF Agency project ID		502875	
GEF Replenishment Phase		GEF-2	
Lead GEF Agency (include all for joint projects)		World Bank (IFC)	
Project name		Eco Enterprises Fund	
Country/Countries		Bolivia, Costa Rica, Mexico, Peru, Belize, Ecuador, El Salvador, Panama, Paraguay	
Region		LAC	
Focal area		Biodiversity	
Operational Program or Strategic Priorities/Objectives		1: Arid and Semi Arid Zone Ecosystems 13- Conservation and Sustainable Use of Biological Diversity Important to Agriculture 3- Forest Ecosystems 4- Mountain Ecosystems	
Executing agencies involved		The Nature Conservancy (TNC)	
NGOs/CBOs involvement		one of the beneficiaries, through consultations	
Private sector involvement		through consultations	
CEO Endorsement (FSP) /Approval date (MSP)		4/19/2002	
Effectiveness date / project start		1/14/2003	
Expected date of project completion (at start)		UA	
Actual date of project completion		1/14/2010	
Project Financing			
		At Endorsement (US \$M)	At Completion (US \$M)
Project Preparation Grant	GEF funding		
	Co-financing		
GEF Project Grant		1.0	1.0
Co-financing	IA/EA own		
	Government		
	Other*	9.0	
Total GEF funding		1.0	1.15
Total Co-financing		9.0	3.41
Total project funding (GEF grant(s) + co-financing)		10.0	4.56
Terminal evaluation/review information			
TE completion date		04/15/2010	
TE submission date		06/01/2010	
Author of TE		Juan Jose Dada	
TER completion date		11/25/2013	
TER prepared by		Nelly Bourlion	
TER peer review by (if GEF EO review)		Joshua Schneck	

*Includes contributions mobilized for the project from other multilateral agencies, bilateral development, cooperation agencies, NGOs, the private sector, and beneficiaries.

2. Summary of Project Ratings

Criteria	Final PIR	IA Terminal Evaluation	IA Evaluation Office Review	GEF EO Review
Project Outcomes	S	MS		MS
Sustainability of Outcomes	N/A	N/A		ML
M&E Design	N/A	N/A		S
M&E Implementation	N/A	N/A		UA
Quality of Implementation	N/A	S		S
Quality of Execution	N/A	S		S
Quality of the Terminal Evaluation Report				MS

3. Project Objectives

3.1 Global Environmental Objectives of the project:

According to the project document (Mar 06, 2007), the Global Environmental Objective is “to abate threats to biodiversity conservation in Latin America and the Caribbean by creating economic incentives to protect critical natural resources”.

Most economic activities currently being pursued in rural communities in the region place extensive burden on fragile ecosystems. Conventional agricultural methods strip nutrients and exhaust soils; traditional logging practices result in widespread clear-cutting; and the rampant growth of tourism without consideration to carrying capacity quickly degrades natural areas. Land use pressures affect the health of ecosystems and natural resources across the region.

Therefore, The EcoEnterprises Fund offers a pioneering tool that can help them meet the objectives of their national biodiversity plans towards the UN Convention on Biological Diversity. The achievements would be a reduction in forest being clear cut for agriculture or timber around project sites; a reduction in degraded lands and polluted waters at portfolio tourism sites; a dissemination of and an increase in use of best agricultural practices in the region where EcoEnterprises Fund companies work.

3.2 Development Objectives of the project:

According to the project logframe, the project will contribute to the development of the environmentally sustainable industry sector overall. By offering technical assistance to the small-to-medium-sized businesses and their nonprofit partners, the Fund will build a lasting network of entrepreneurs with a solid skill base to replicate the model through their work with others.

This goal is subdivided into two main objectives:

- (1) To foster the efforts of local nonprofit community or conservation organizations in commercial enterprise development as a means of diversifying funding base;
- (2) To strengthen and promote success of environmentally-sustainable, socially- responsible, small-to medium- sized businesses in the region.

Those objectives will be realized through two main activities: providing risk capital financing for small and medium sized environmentally and socially responsible ventures in LAC, and providing business advisory services to earlier stage enterprises and local community and conservation partners, to build capacity and promote sustained success

The project document refers to five main outcomes that are as followed:

- (1) Increased economic benefits and livelihood security for local communities based upon conservation-oriented activities
- (2) Strengthened capacity for local nonprofit organizations
- (3) Development of replicable business models that can be applied to support conservation globally
- (4) Development of financial mechanism that can be used to support conservation efforts worldwide
- (5) Establishment of partnership networks as relationships are built between the nonprofit and private sectors in the region

3.3 Were there any **changes** in the Global Environmental Objectives, Development Objectives, or other activities during implementation?

No changes were reported in project objectives by the TE or any of the PIRs.

4. GEF EO assessment of Outcomes and Sustainability

Please refer to the GEF Terminal Evaluation Review Guidelines for detail on the criteria for ratings.

Relevance can receive either a Satisfactory or Unsatisfactory rating. For Effectiveness and Cost efficiency, a six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess. Sustainability ratings are assessed on a four-point scale: Likely=no or negligible risk; Moderately Likely=low risk; Moderately Unlikely=substantial risks; Unlikely=high risk. In assessing a Sustainability rating please note if, and to what degree, sustainability of project outcomes is threatened by financial, sociopolitical, institutional/governance, or environmental factors.

Please justify ratings in the space below each box.

4.1 Relevance	Rating: Satisfactory
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The relevance of the project is rated as satisfactory. This project was strategically relevant and fully aligned with the GEF Biodiversity focal area objectives. It was part of IFC's effort to develop and incubate new "biobusiness". The development of these new business models is highly relevant to the work in high biodiversity areas, like the Amazon, the Andes, and Central America.

4.2 Effectiveness	Rating: Moderately Satisfactory
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The effectiveness of the project is rated as moderately satisfactory. The objective of this project was to increase by 30 the number of SMEs in Latin America that are developing sustainable business models, by supporting a financial services provider with means to acquire, organize and deliver financial and technical assistance. This was challenging given that the EcoEnterprises Fund was pioneering a new type of environmentally-conscious investment fund. The Fund financed 23 SMEs in 10 countries for a total of \$6.3 million. These SMEs were able to receive co-investment from other financial services providers: follow-up financing was in excess of \$90 million. The SMEs in the portfolio partnered with 65 NGOs and created about 3,754 jobs. Due to their sustainable business practices and their location around High Conservation Value Areas, the companies contributed to biodiversity conservation by sustainably managing and protecting 535,454 Hectares of land. Though outcomes were somewhat lower than targeted (number of SMEs funded), the impact of the project is significant enough to justify a moderately satisfactory rating.

According to the terminal evaluation, the environmental and social impact of these investments was strong. As a direct result of the fund, 535,424 hectares of land are under sustainable management or direct protection, 3,754 jobs were created, and \$90 million of follow-on funds were mobilized.

4.3 Efficiency	Rating: Satisfactory
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The efficiency of the project is rated as Satisfactory. With a budget of \$1 million, the project supported 23 SMEs, created more than 3,700 jobs, influenced the sustainable management of more than 535,000 hectares, and facilitated financing in the scale of \$90 million. If the efficiency analysis is done for EcoEnterprises Fund itself, the same results with an investment capital of \$5.3 million and the \$1 million grant from IFC, the balance remains positive, and the efficiency of the project is still satisfactory.

4.4 Sustainability	Rating: Moderately Likely
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According to the project document, a number of factors provide a solid foundation for the long-term sustainability of the project. These factors remained in place at the time of project completion. The first sustainability factor is the history of The Nature Conservancy's long-term involvement in the region, coupled with the extensiveness of its network of NGOs and technical experts. This allows access to the best possible technical resources and ensures that approaches are based upon extensive on-the-ground experience. Sustainability is likely to be further enhanced through the collaborative approach that involved NGOs and businesses working together with local communities. This enhanced broad acceptance of the investments within stakeholder communities.

Lastly, by providing sustainable livelihoods based upon contributions to conservation, the long-term sustainability of the project as a whole is improved.

While the TE does not provide for a sustainability rating, it does report that the TNC has launched a second EcoEnterprises fund (TE pg 4) with the IADB, and that lessons from this project will inform the design and operation of that fund. For these reasons, sustainability is rated as Moderately Likely.

5. Processes and factors affecting attainment of project outcomes

5.1 Co-financing. To what extent was the reported co-financing essential to the achievement of GEF objectives? If there was a difference in the level of expected co-financing and actual co-financing, then what were the reasons for it? Did the extent of materialization of co-financing affect project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

The co-financing and leverage of this project was very positive. IFC's contribution of \$1 million facilitated the investment of more than \$6 million and leveraged additional funding in a very satisfactory way. The Fund financed 23 SMEs in 10 countries for a total value of \$6.3 million and these SMEs were able to receive co-investment from other financial services providers motivated by the Fund's involvement by (leverage) \$36 million, and later (after the Fund exited) received follow-up financing in excess of \$90 million.

IFC covered the total costs of the technical assistance the Fund gave to their investees. This facilitated the Fund to raise investment capital and to operate in a difficult environment. According to the Terminal Evaluator, "one of the things the project got right was partnering with a committed institution and principal investors". The Nature Conservancy invested in EcoEnterprises its own capital and managed to attract the Inter American Development Bank as a cornerstone investor.

5.2 Project extensions and/or delays. If there were delays in project implementation and completion, then what were the reasons for it? Did the delay affect the project's outcomes and/or sustainability? If so, in what ways and through what causal linkages?

No delays or extensions were reported in the TE, or PIRs.

5.3 Country ownership. Assess the extent to which country ownership has affected project outcomes and sustainability? Describe the ways in which it affected outcomes and sustainability, highlighting the causal links:

Country ownership is not directly mentioned in the Terminal Evaluation, or the last PIR, however, the SMEs in the portfolio partnered with 65 NGOs and created about 3,754 jobs. Additionally, a proof of ownership and commitment is that the Nature Conservancy invested in EcoEnterprises its own capital and managed to attract the IADB as a cornerstone investor. The fact that The Nature Conservancy is considering investing in a second EcoEnterprises Fund to be launched in a few months is a sign of commitment.

6. Assessment of project's Monitoring and Evaluation system

Ratings are assessed on a six point scale: Highly Satisfactory=no shortcomings in this M&E component; Satisfactory=minor shortcomings in this M&E component; Moderately Satisfactory=moderate shortcomings in this M&E component; Moderately Unsatisfactory=significant shortcomings in this M&E component; Unsatisfactory=major shortcomings in this M&E component; Highly Unsatisfactory=there were no project M&E systems.

Please justify ratings in the space below each box.

6.1 M&E Design at entry	Rating: Satisfactory
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The project design document mentioned that throughout the investment process and as part of its portfolio management strategies, EcoEnterprises Fund planned to employ local conservation organizations, specialists from the Conservancy, and other experts as support in evaluating and monitoring the biodiversity elements of the investments. Biodiversity and social screens would be applied to projects throughout the life of the investment. Appropriate monitoring and evaluation methods would be designed for each project with standardized indicators for comparative purposes. These criteria are a continually evolving source of measurable guidelines for appraising the value of an investment beyond its immediate financial return. EcoEnterprises Fund's policy is to ensure to the best of its abilities that all investments and technical assistance activities are environmentally and socially sound, biodiversity worthy and sustainable in order to uphold the high standards and reputation of the Conservancy.

Moreover, the fund management team would regularly monitor projects and provide assistance in situations requiring attention, utilizing the Biodiversity Advisory Committee as needed in its ongoing oversight functions. The Investment Committee and the Board of Directors would periodically review project supervision reports that contain biodiversity impact information. Ongoing monitoring services and assessment of performance indicators and biodiversity linkages would be provided by local environmental organizations and be integrated into the project as an operational requirement present in financing agreements.

The Terminal Evaluation mentioned that "this project was designed and approved in 2002 following donor guidance and documentation. Baseline and targets were not set for all indicators at the time (not required then)".

6.2 M&E Implementation	Rating: Unable to Assess
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The Terminal Evaluation does not adequately assess the project's M&E system implementation and does not give a rating. It does however state that M&E did develop a "...robust monitoring system on environmental and social impact that can be transferred to other similar funds".

7. Assessment of project implementation and execution

Quality of Implementation includes the quality of project design, as well as the quality of supervision and assistance provided by implementing agency(s) to execution agencies throughout project implementation. Quality of Execution covers the effectiveness of the executing agency(s) in performing its roles and responsibilities. In both instances, the focus is upon factors that are largely within the control of the respective implementing and executing agency(s). A six point rating scale is used (Highly Satisfactory to Highly Unsatisfactory), or Unable to Assess.

Please justify ratings in the space below each box.

7.1 Quality of Project Implementation	Rating: Satisfactory
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Quality of Project Implementation is rated as Satisfactory. The project success is in part due to IFC's effort in providing string technical assistance, as well as advice and supervision on the Fund management.

According to the Terminal Evaluation "sustainable investors concluded that this niche needs smart subsidies in addition to risk capital to help SMEs. While most early funds lacked the ability to cover such costs, thanks to IFC, EcoEnterprises Fund was one of the first to have an established technical assistance facility to provide this type of hand-holding support (to build a supply chain, train suppliers, and underwrite certification costs, for example)".

One of the biggest challenges for EcoEnterprises Fund was finding projects that meet the environmental, social, and financial bottom line. Each company has a unique combination, some stronger in particular areas than others and building a balanced portfolio requires a degree of trade-off among the three objectives. IFC's technical assistance funds allowed EcoEnterprises to support the investees in the area they needed the most and make sure the biodiversity and development results were being monitored and enhanced. None of the investors in the Fund had the capacity to contribute to the technical assistance funding, therefore IFC filled a gap in the financial structure and technical design of the Fund.

7.2 Quality of Project Execution	Rating: Satisfactory
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Quality of Project Execution is rated as Satisfactory. According to the Terminal Evaluation: "Even though the President and CEO of EcoEnterprises Fund is an experienced fund manager, the administrative support provided by the main investor and managing entity (The Nature Conservancy) showed little previous experience as a for-profit fund manager." This showed particularly in the cost of the operations and back-office support, reducing the profitability of the Fund. Nevertheless, the fact that the organization kept their conservation goals aligned with the Fund objective proved beneficial for the development of monitoring and evaluation tools, tracking of non-financial impact, biodiversity conservation, and other issues.

8. Lessons and recommendations

8.1 Briefly describe the key lessons, good practices, or approaches mentioned in the terminal evaluation report that could have application for other GEF projects.

As part of the final evaluation of this project, the Fund conducted a survey of all SMEs. Some relevant conclusions related to this output are:

- (1) The most used and requested additional service was technical assistance to improve the business and the environmental/social impact. SMEs took full advantage of the technical assistance and the available funds were unable to satisfy the demand. Nevertheless, financial survival remains the main focus of the SME managers; over and above environmental and social impact.
- (2) The SMEs were appreciative of the role EcoEnterprises Fund played in bringing in other financiers. The importance of an investment network cannot be underestimated in sharing deals, providing the right investment at the right time, and graduating investments to the next level.
- (3) SMEs continue to monitor social and/or environmental impacts and examine similar criteria as requested in EcoEnterprises Fund's Monitoring & Evaluation Tool.

8.2 Briefly describe the recommendations given in the terminal evaluation.

A financial review of the performance of the Fund commissioned by IFC delivered the following recommendations for future similar funds:

- (1) The use of senior debt to invest in high risk start-ups limits the potential returns from good investments, and provides only limited downside protection for bad investments.
- (2) The quality of the entrepreneurs is a key determinant of the investment's eventual failure or success.
- (3) Larger deals make more sense from the ease and cost effectiveness of closing the transaction and utilizing the Fund's resources.

9. Quality of the Terminal Evaluation Report

A six point rating scale is used for each sub-criteria and overall rating of the terminal evaluation report (Highly Satisfactory to Highly Unsatisfactory)

Criteria	GEF EO comments	Rating
To what extent does the report contain an assessment of relevant outcomes and impacts of the project and the achievement of the objectives?	Outcomes, impacts and the achievements of the objectives are described briefly, some details should be added.	S
To what extent is the report internally consistent, the evidence presented complete and convincing, and ratings well substantiated?	The report is consistent, and most of the categories are described, however, many ratings are missing. Each category (sustainability, impacts, achievements etc.) should have a rating.	MS
To what extent does the report properly assess project sustainability and/or project exit strategy?	Sustainability is too briefly assessed. More details and evidence are needed.	MS
To what extent are the lessons learned supported by the evidence presented and are they comprehensive?	Lessons learned are well documented and explicit.	S
Does the report include the actual project costs (total and per activity) and actual co-financing used?	The project costs and the cost per activity are included in the document. However, there is not enough detailed information on co-financing.	S
Assess the quality of the report's evaluation of project M&E systems:	M&E system is too briefly described, and the quality is not assessed with enough examples and evidences.	MU
Overall TE Rating		MS

TE quality rating = $(0.3*(5+4)) + (.1*(4+5+5+3)) = 4.4 = MS$

10. Note any additional sources of information used in the preparation of the terminal evaluation report (excluding PIRs, TEs, and PADs).