

1. Project Data

Summary project data			
GEF project ID		4260	
GEF Agency project ID		RG-X1142	
GEF Replenishment Phase		GEF-4	
Lead GEF Agency (include all for joint projects)		Inter-American Development Bank (IDB)	
Project name		The GEF Earth Fund: Public-Private Funding Mechanisms for Watershed Protection	
Country/Countries		Brazil, Colombia, Dominican Republic, Mexico, and Peru	
Region		Latin America	
Focal area		Biodiversity	
Operational Program or Strategic Priorities/Objectives		SO1 - To Catalyze Sustainability of Protected Area (PA) Systems; SO2 - To Mainstream Biodiversity in Productive Landscape/Seascapes and Sectors; SP1 - Sustainable Financing of PA Systems at the National Level; SP3 - Strengthening Terrestrial Protected Area Networks; SP5 - Fostering Markets for Biodiversity Goods and Services.	
Executing agencies involved		The Nature Conservancy	
NGOs/CBOs involvement		The Nature Conservancy - Lead executing agency	
Private sector involvement		Private sector involved in execution	
CEO Endorsement (FSP) /Approval date (MSP)		May 2010	
Effectiveness date / project start		March 2011	
Expected date of project completion (at start)		March 2016	
Actual date of project completion		June 15, 2017	
Project Financing			
		At Endorsement (US \$M)	At Completion (US \$M)
Project Preparation Grant	GEF funding	0	0
	Co-financing	0	0
GEF Project Grant		5.0	5.0
Co-financing	IA own	0	UA

	Government	5.0	UA
	Other multi- /bi-laterals	1.0	UA
	Private sector	8.0	UA
	NGOs/CSOs	1.0	1UA
Total GEF funding		5.0	5.0
Total Co-financing		15.0	UA
Total project funding (GEF grant(s) + co-financing)		20.0	5.0
Terminal evaluation/review information			
TE completion date		May 24, 2017	
Author of TE		Camilo E. Garzon-Lopez	
TER completion date		April 4, 2018	
TER prepared by		Spandana Battula	
TER peer review by (if GEF IEO review)		Molly Watts Sohn	

2. Summary of Project Ratings

Criteria	Final PIR	IA Terminal Evaluation	IA Evaluation Office Review	GEF IEO Review
Project Outcomes	HS	S	-	S
Sustainability of Outcomes		ML	-	ML
M&E Design		S	-	S
M&E Implementation		S	-	S
Quality of Implementation		-	-	S
Quality of Execution		-	-	MU
Quality of the Terminal Evaluation Report		-	-	MS

3. Project Objectives

3.1 Global Environmental Objectives of the project:

The Global Environmental Objective of the project is “to support the establishment of a series of water funds in at least five countries across the Latin American and Caribbean region that would serve as financing mechanisms for the protection of key watersheds and the provision of long-term payments for environmental services” (PIF pg 1, TE pg 22).

3.2 Development Objectives of the project:

The Development Objective of the project is “to deploy public-private funding mechanisms, the Water Funds, and their related institutional structures that will subsequently be operated as sustainable long-term instruments to promote private sector participation in the conservation of freshwater ecosystems and biodiversity of global importance” (PIF pg 1). Originally, the project intended to achieve its objective through two outcomes, and they were:

Outcome 1: Increased protection of terrestrial and freshwater ecosystems and species of global importance; and

Outcome 2: Improved water ecosystem services, in particular increased water security and quality for large water users.

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

During project implementation the project modified its indicators which also affected the outcomes, and so subsequently, the outcomes were replaced with new ones, and they are:

Outcome 1: Financing for the protection and management of key watershed leveraged

Outcome 2: Improved technical capacity for Water Funds.

4. GEF IEO 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 project is relevant to GEF's Biodiversity focal area, its Strategic Objective 1 on catalyzing sustainability of protected area, and Strategic Objective 2 to mainstream Biodiversity in Productive Landscape/Seascapes and Sectors. It is also consistent with GEF's Strategic Program 1 on Sustainable Financing of PA Systems at the National Level, Strategic Program No. 3 on Strengthening Terrestrial Protected Area Networks, and Strategic Program No. 5 on Fostering Markets for Biodiversity Goods and Services. (PIF pgs 26-27). The project's aim to set up water funds is also relevant to Latin America as the region had suffered environmental stress on watersheds (TE pg 30).

4.2 Effectiveness	Rating: Satisfactory
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The TE does not provide a rating for effectiveness but gives a Satisfactory rating to overall performance of the project. As per the TER, the project effectively achieved its targets under the two outcomes on establishing Water Funds and improving their financial and technical capacity. In some of the outputs the project exceeded its targets. However, the TE notes that the project's outputs should have been more directly related to the preparation of comprehensive and detailed conservation plans, and the project should have more clearly defined the priority areas for intervention and the most critical activities to be promoted and

financed. Considering the project successfully met its targets per outcomes, the TER gives a Satisfactory rating. Below is a detailed analysis of the outcomes:

Outcome 1: Financing for the protection and management of key watershed leveraged

Under this outcome, the project had two outputs to establish seven Water Funds (WF) and financially strengthen five WFs. During implementation, the project successfully established seven WFs in Bogota, Medellin, Santo Domingo, Yaque del Norte, Lima, Espirito Santo, and Monterrey. Although four of the funds were established only in the fifth year of implementation “revealing that the process was slower and more laborious than anticipated” (TE pg 24). For its second output, the project exceeded the target of financially strengthening 6 WFs through capitalization of their endowments using project resources. To indicate a realistic capacity to start investing, the TE suggested that in future operations, the term “established funds” should be revised to include aspects such as “possessing a functioning Secretariat, a well-developed conservation strategy, the required amount of financial resources, and the clear capability to start investing in the watershed” (TE pgs 24 & 13).

Outcome 2: Improved technical capacity for Water Funds

The project aimed to improve Water Funds through technical capacity and had a target for nine WFs by completing various capacity building activities. The project successfully achieved this outcome by providing technical capacity to nine Water Fund 23 workshops, completing 27 communication materials and 6 technical studies, developing 8 climate change analysis, and developing 3 hydrological monitoring protocols. However, the TE critically notes that four of the WFs reached their targets “by receiving financial support from the project and not by having adopted hydrological and socioeconomic monitoring protocols, or having incorporated elements of their climate change studies into their conservation planning processes, which would have reflected a higher technical capacity and a more advanced stage of fund development” (TE pg 24).

4.3 Efficiency	Rating: Moderately Satisfactory
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The TE states that “at the end of the five-year execution period, the project had used 100% of the resources allocated to the various outputs” (TE pg 39). Although the financial resources by output adhered to initial allocation, during implementation, the amounts utilized for studies and for demonstrative conservation projects were comparatively lower than anticipated, while communication materials received slightly larger amounts than predicted (TE pg 46). In terms of time efficiency, although the project delayed in finishing one year after the expected date of

completion, the TE does not mention a reason for the delay. Given the few shortcomings in efficiency, the TER gives a Moderately Satisfactory rating.

4.4 Sustainability	Rating: Moderately Likely
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The TE gave a Moderately Likely rating to the sustainability factor as “water funds supported by the project have a moderate likelihood of becoming successful as financial and technical mechanisms for transferring resources to conservation and restoration activities in their respective watersheds” (TE pg 52). The TER agrees with the rating as the financial, sociopolitical and environmental aspects have shortcomings due to uncertainty in financial commitment, sociopolitical participation, and environment impact. Below is a detailed analysis of the sustainability components:

Financial resources: The TE notes some positive and negative developments on financial resources for sustainability. It mentions that the Water Fund in Espirito Santo has exhibited relatively strong financial security due to State legislation approved in 2008, which allocates 3% of oil and gas exploitation royalties to environmental protection and water resources. The Fund in Camboriu also possesses a steady stream of resources given the legal requirement to invest 1% of its revenues in watershed protection, which is supported by water utility regulator. There have also been private sector contributions pledged which makes Monterrey and Medellin display a more favorable situation. However, the Water Fund in Lima had problems with legal restrictions to have access to the funds that SEDAPAL had set aside for watershed protection under a regulatory requirement. Also, overall there was limited growth of the endowments, despite the capitalization of six of them with project resources (TE pg 50).

Sociopolitical: The project received strong support from all active stakeholders, and there was participation by private and public entities. There was also enough public awareness and understanding of the need for watershed protection. However, the TE states that there was an issue with private sector involvement in Palmas Water Fund, where Odebrecht Ambiental suspended the activities related to the Water Fund. Also “water funds that are predominantly public can be negatively or positively affected by short or medium-term political decisions unrelated to longer-term Water Fund objectives. The Espirito Santo case is an example of the juxtaposition and potential conflicts of interest between short-term political objectives, set by entering administrations, and long-term environmental policy goals” (TE pg 51). Hence, there seems to be only moderately likely sociopolitical sustainability.

Institutional framework and governance: The project performed well in setting up institutional structure for the Water Funds led by a Board of Directors to oversee principal activities and

priorities, and administered by Technical Secretariats in charge of day-to-day operations. There was also active participation by water utilities and environmental government bodies, and there was prominent participation in Medellin and Monterrey by private sector. Thus, the institutional framework is likely to sustain.

Environment: The TE states that the “major environmental risks derive from underperforming WFs in relation to preset quantitative and qualitative targets. However, not all WF have predicted long term quantitative improvements in water quality and water flows that would be difficult to demonstrate, and to attribute to WF activities, given the natural variation in these parameters and potentially detrimental actions by others” (TE pg 51).

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 TE does not provide details of the materialized co-financing but mentions that The Nature Conservancy gave \$1,000,000 (TE pg 20). Due to lack of this assessment it is difficult to assess whether the expected co-financing of \$15,000,000 had materialized.

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?

The completion of the project occurred one year after the expected completion date, however the TE does not mention any reasons for the delay.

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:

The TE states that the project received strong ownership and participation from various stakeholders. The project had involvement by private sector in WFs, and participation by water utilities and environmental regulators.

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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As per the PIF, the project had a monitoring system with a provision for a baseline and indicators to track biodiversity and socioeconomic attributes. The project would set up control groups on the watersheds to compare benefits with project and without project. It also had provisions to monitor data regularly and submit annual reports, financial reports, mid-term evaluation, and terminal evaluation. The Technical Secretariat would develop the financial and technical reports on quarterly basis, and the financial reports would contain breakdown of funds, total amounts disbursed, and operating costs. On M&E design the TE states that “the operation’s execution arrangement, results matrix, and output and outcome indicators, constituted an adequate system to track implementation progress and oversee results” (TE pg 53). Thus, the TER gives a Satisfactory rating to M&E design at entry.

6.2 M&E Implementation	Rating: Satisfactory
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The TE gave a Satisfactory rating to the M&E system and the TER agrees. As per the TE, the executing agency collected the information from each water fund and consolidated the data in periodic reports for IDB supervision. “To facilitate M&E tasks, Annual Operating Plans (AOP) were developed, that were reviewed and updated each year. Periodic progress packages were prepared, which included project execution plans (PEP), annual budgets, and updated procurement plans” (TE pg 53). The executing agency maintained archives of the documents, and in general, the M&E activities were budgeted from the beginning. The project carried out a mid-term review and the terminal evaluation incorporated many of the findings.

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: Moderately Satisfactory
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The TE does not provide an assessment of quality of project implementation, but mentions that IDB did an adequate job of overall project administration and supervision. IDB helped in jointly developing the Operations Manual with the executing agency. It oversaw and provided a supervisory role in ensuring consistency with GEF policies and procedures, and reviewed the periodic reports on M&E. however, the TE suggests that it could have been beneficial if the project received more technical and environmental overview and support from IDB country staff (TE pg 36). The TER gives a Moderately Satisfactory rating to quality of project implementation.

7.2 Quality of Project Execution	Rating: Moderately Unsatisfactory
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The Nature Conservancy (TNC) was responsible for project execution. The TER gives a Moderately Unsatisfactory rating to execution as there were some shortcomings during project duration. For instance, TNC provided 15 people for technical assistance and administrative support which turned out to be inadequate staffing. As per the TE, “a much closer degree of interaction and specialized assistance is required between the “TNC WO Technical and Administrative Support unit in the organizational chart and the Water Fund Secretariats” (TE pg 36). However, TNC provided sporadic support to legal, finance and operation department, and also helped in collecting M&E information and submitted them in periodic reports.

8. Assessment of Project Impacts

Note - In instances where information on any impact related topic is not provided in the terminal evaluations, the reviewer should indicate in the relevant sections below that this is indeed the case and identify the information gaps. When providing information on topics related to impact, please cite the page number of the terminal evaluation from where the information is sourced.

8.1 Environmental Change. Describe the changes in environmental stress and environmental status that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities

contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The TE mentions environmental changes due to project intervention, some examples are, in Espirito Santo a surface area totaling 6,000 Ha for conservation is reported as having been directly impacted by the program. In Medellin, conservation intervention has impacted area of 4,170 Ha, and in Monterrey approximately 3,563 Ha have been directly impacted by conservation and restoration projects.

8.2 Socioeconomic change. Describe any changes in human well-being (income, education, health, community relationships, etc.) that occurred by the end of the project. Include both quantitative and qualitative changes documented, sources of information for these changes, and how project activities contributed to or hindered these changes. Also include how contextual factors have contributed to or hindered these changes.

The TE does not mention any socioeconomic changes.

8.3 Capacity and governance changes. Describe notable changes in capacities and governance that can lead to large-scale action (both mass and legislative) bringing about positive environmental change. “Capacities” include awareness, knowledge, skills, infrastructure, and environmental monitoring systems, among others. “Governance” refers to decision-making processes, structures and systems, including access to and use of information, and thus would include laws, administrative bodies, trust-building and conflict resolution processes, information-sharing systems, etc. Indicate how project activities contributed to/ hindered these changes, as well as how contextual factors have influenced these changes.

a) Capacities: The TE helped in conducting workshops and awareness raising through studies to build capacity of Water Funds.

b) Governance: the TE does not mention any changes to governance.

8.4 Unintended impacts. Describe any impacts not targeted by the project, whether positive or negative, affecting either ecological or social aspects. Indicate the factors that contributed to these unintended impacts occurring.

No unintended impacts have occurred.

8.5 Adoption of GEF initiatives at scale. Identify any initiatives (e.g. technologies, approaches, financing instruments, implementing bodies, legal frameworks, information systems) that have been mainstreamed, replicated and/or scaled up by government and other stakeholders by project end. Include the extent to which this broader adoption has taken place, e.g. if plans and resources have been established but no actual adoption has taken place, or if market change

and large-scale environmental benefits have begun to occur. Indicate how project activities and other contextual factors contributed to these taking place. If broader adoption has not taken place as expected, indicate which factors (both project-related and contextual) have hindered this from happening.

The TE does not mention GEF initiatives adopted at scale.

9. Lessons and recommendations

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

Key lessons learnt are (TE pg 58):

- 1) Future operations should spend greater attention to allocation of financial support per water fund in order to clarify expectations, set reasonable limits, and promote greater local participation;
- 2) Comprehensive independent reviews of the funds should be conducted every two years by small interdisciplinary teams in order to assist the fund's directors with observations and recommendations that only an objective, comprehensive and in-depth analysis could provide. This approach could also benefit the LAWFP as a whole by compiling and documenting good practices, as well as less successful approaches to potentially common problems;
- 3) In future efforts to promote proper WF design, the following three critical aspects would help to improve the quality and usefulness of the studies: (i) a comprehensive watershed analysis, (ii) an explicit recognition of modeling limitations, and (iii) a delineation of practical and actionable recommendations;
- 4) Additional assistance should be made available to the Water Funds, beyond the five-year execution period, to assure the existence and enhancing of these plans in all cases; and
- 5) Analysis on improvements in water quantity and quality resulting from watershed conservation and restoration projects should take into full account annual and seasonal variations in water flow and water composition, which make projections and causality relationships difficult to establish. This same degree of care should also be taken when assessing potential economic benefits to downstream users, such as cost reductions in water treatment processes for water utilities.

9.2 Briefly describe the recommendations given in the terminal evaluation.

Recommendations given in the TE are (TE pg 59):

- 1) Integrate the various types of studies to be conducted under a smaller number of outputs in the Results Matrix. Prepared jointly, these studies are more likely provide actionable recommendations to the WFs' Technical Secretariats;
- 2) Definition of established water fund should include aspects such as a functioning Secretariat, a well-developed conservation strategy, a minimal amount of financial resources, to indicate a realistic capacity to successfully start investing and monitoring activities in the watershed;
- 3) Three critical aspects would help to improve the quality and usefulness of the studies: (i) a comprehensive watershed analysis, (ii) an explicit recognition of modeling limitations, and (iii) a delineation of practical and actionable recommendations;
- 4) Greater emphasis should be placed on transforming the recommendations formulated by the previous studies into comprehensive conservation and financial plans that clearly define priority areas and specify the most essential activities to be promoted and supported; and
- 5) Direct involvements of staff in all tasks related to selecting, contracting, and supervising initial demonstrative projects is recommended to accelerate the process towards water fund autonomy and independence.

10. 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 IEO 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?	The report contains an adequate assessment of the outcomes but does not provide ratings. Also, there has been no analysis of impacts.	MU
To what extent is the report internally consistent, the evidence presented complete and convincing, and ratings well substantiated?	The report explains the project well and provides evidence to support its analysis.	MS
To what extent does the report properly assess project sustainability and/or project exit strategy?	The report's assessment of sustainability covers all factors but it does not provide an assessment of the project's exit strategy.	MS
To what extent are the lessons learned supported by the evidence presented and are they comprehensive?	Lessons learned are supported by evidence and comprehensive.	S
Does the report include the actual project costs (total and per activity) and actual co-financing used?	The report does not provide details on materialized co-financing	MU
Assess the quality of the report's evaluation of project M&E systems:	The report does not assess M&E design, but gives a assessment of M&E implementation.	MS
Overall TE Rating		MS

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

No other sources were used in preparation of the TER.