

Terminal Evaluation Review form, GEF Evaluation Office, APR 2014

1. Project Data

Summary project data			
GEF project ID		538	
GEF Agency project ID		7928	
GEF Replenishment Phase		Pilot Phase	
Lead GEF Agency (include all for joint projects)		World Bank	
Project name		National Trust Fund for Protected Areas	
Country/Countries		Peru	
Region		LAC	
Focal area		Biodiversity	
Operational Program or Strategic Priorities/Objectives		3 – Forest Ecosystems	
Executing agencies involved		Agency for the National Fund for Protected Areas (PROFONANPE)	
NGOs/CBOs involvement		Through consultations	
Private sector involvement		Through consultations	
CEO Endorsement (FSP) /Approval date (MSP)		December 1991 (approval by agency: March 1995)	
Effectiveness date / project start		September 1995	
Expected date of project completion (at start)		June 1996	
Actual date of project completion		June 1996	
Project Financing			
		At Endorsement (US \$M)	At Completion (US \$M)
Project Preparation Grant	GEF funding	0.2	0
	Co-financing		
GEF Project Grant		5.0	5.2
Co-financing	IA own		
	Government		
	Other multi- /bi-laterals	1.5	1.5
	Private sector		
	NGOs/CSOs		
Total GEF funding		5.2	5.0
Total Co-financing		1.5	1.2
Total project funding (GEF grant(s) + co-financing)		6.7	6.7
Terminal evaluation/review information			
ICR completion date		June 2000	
ICR submission date			
Author of ICR		<i>(unknown)</i>	
TER completion date		October 2014	
TER prepared by		Daniel Nogueira-Budny	
TER peer review by (if GEF EO review)		Joshua Schneck	

2. Summary of Project Ratings

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

3. Project Objectives

3.1 Global Environmental Objectives of the project:

The project’s Global Environmental Objective (GEO), as stated in the Project Document (PD), was to assist Peru in protecting and preserving its rich biodiversity by funding the National Fund for State Protected Areas (FONANPE), a trust fund to allow for sustained funding for projects promoting conservation of the biological diversity of Peru’s forests in the long term. Peru’s unique biodiversity—the country has “extremely high” rates of endemism for vertebrate species: 50 fish, 90 bird, 35 mammal, 69 reptile, and 28 amphibian species—faces threats, the most important of them stemming from the deforestation resulting from several decades of spontaneous and government-promoted colonization of the mountain slopes in the eastern Andes and in tropical and temperate inter-Andean valleys (PD, p 1). While colonization incentives have been done away with, the country’s triumph over economic and political crises, coupled with the defeat of the Shining Path terrorist group, means that an influx of foreign investment to exploit Peru’s natural resources could create a new threat to the country’s biological wealth.

3.2 Development Objectives of the project:

As stated in the PD, this project has four main Development Objectives (DOs). They are:

1. establishment of the Trust Fund for the National Protected Areas of Peru (FONANPE) to provide long term funding for the management of priority protected areas;
2. improvement of the National Institute of Natural Resources’ (INRENA) capacity to protect and manage protected areas;
3. development of a reliable institutional mechanism to channel donations for biodiversity conservation, including debt-for-nature swaps; and
4. testing the viability of a trust fund mechanism for providing long term and sustainable funding for biodiversity conservation.

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

There were **no** changes in the GEO or DOs during implementation.

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 project was relevant to both the GEF and National priorities at the time of approval. Consistent with OP3 – the conservation of biodiversity in forest ecosystems, the project aimed to help protect Peru’s unique forest biodiversity. The project was relevant to the GEF because Peru ranks as one of the biologically most important countries in South America; indeed, it is among the handful of mega-diversity countries in the world. It contains a higher proportion of the species-rich forests of Western Amazonia and the tropical Andes than any other country (PD, p 2), making the conservation of its biodiversity of international importance. The project was relevant to National priorities because the country’s biodiversity and natural resources are at risk. Establishment of a trust fund would enable Peru to fund conservation projects in the long term, which is important because many conservation activities often require 10, 20, or more years of sustained funding to have a real impact.

4.2 Effectiveness	Rating: Satisfactory
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The project’s effectiveness is rated satisfactory, as all four DOs were adequately achieved. The project’s Implementation Completion Report (ICR) details the progress made on achievement of said objectives (individual ratings are the ICR’s):

DO1: “Highly Satisfactory” – Trust Fund established; returns on original investment of endowment fund have generated sufficient annual income to cover PROFONANPE’s administrative costs, channel resources to protected area management programs, and be reinvested into the seed capital to maintain the real value of the principal; USD20 million more is currently being negotiated from the GEF, the Netherlands, and the MacArthur Foundation; as GEF’s seed money helped leverage grants from other multilateral and bilateral sources. While the goal of raising USD40 million in permanent endowment funds over the five years of the project was not met, USD33.1 million was raised from a number of sources, including the Embassies of Holland and Canada, the MacArthur Foundation, Finland, and Germany, as well as numerous debt-for-nature swaps (cf. ICR, pp 4-5). Furthermore, the project nonetheless exceeded the projected disbursements to protected areas: PROFONANPE disbursed USD6.2 million from combined endowment and non-endowment resources.

DO2: “Satisfactory” – INRENA’s park personnel has grown from 60 to 278; six new protected areas are currently administered; new and improved management policies have been developed and implemented;

DO3: “Highly Satisfactory” – the existence of PROFONANPE was of critical importance in obtaining agreements with bilateral donors on debt swaps and other donations, leading to six debt swaps equal to USD21.2 million;

DO4: “Satisfactory” – discovery that the combination of endowment and sinking funds has proven to be an effective tool for channeling resources to protected areas.

4.3 Efficiency	Rating: Satisfactory
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The project’s efficiency rating is satisfactory, as all project costs were in line with original expectations. Furthermore, there were no delays experienced during project implementation or completion. Operational costs were kept lean: the PD had proposed a lean organizational structure, with an average annual budget of USD150,000 (less than 10 percent of base costs). Furthermore, according to the ICR, “the percentage of overhead expenses compares very favorably with other small biodiversity trust funds” (p 7).

4.4 Sustainability	Rating: Moderately Likely
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The project’s sustainability was rated as moderately likely. Sustainability is assessed along the following four dimensions:

- a) *Environmental sustainability (U/A)* – ICR does not provide enough information on potential threats to environmental sustainability to rate this factor.
- b) *Financial sustainability (ML)* – PROFONANPE has proven to be an attractive vehicle for raising additional funds internationally. However, at the time of ICR preparation, there remains the potential risk of market volatility. The proceeds of the GEF grant could not be invested outside of Peru into more developed (and thus stable) financial markets due to the potential risk of attachment of these funds by creditors of the Government of Peru, prior to the debt renegotiation and issuance of Peru’s Brady Bonds. Indeed, most GEF Environmental Funds are not invested in emerging market economies. The potential risks—both the volatility of Peru’s financial market, as well as that of attachment of funds placed in off-shore markets—partially calls the project’s financial sustainability partially into question. For instance, one of the Trust Fund’s bonds, which makes up 19 percent of the fixed income portfolio, is below investment grade and has an unclear market value (cf. ICR, pp 9, 13). Nevertheless, overall, the project’s financial sustainability seems healthy.
- c) *Institutional sustainability (L)* – PROFONANPE (the institution) and FONANPE (the Trust Fund) are both institutionally stable, so long as the Trust Fund remains solvent, according to the ICR. PROFONANPE has qualified staff in place, and has developed administrative procedures that allow it to function in an efficient manner (ICR p 12).

- d) *Socio-Political sustainability (L)* – Project is socio-politically sustainable as it enjoys strong support from the Peruvian government. In particular, PROFONANPE has a strong working relationship with the Ministry of Finance.

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?

Reported co-financing was essential to the achievement of GEF objectives. Actual co-financing was higher than expected, as foreign governments began to sign onto PROFONANPE and donate moneys to the Trust Fund. In particular, funding from the governments of Germany and Canada helped cover the administrative costs of PROFONANPE, such that the real value of the principal did not decrease as resources were channeled to protected area management programs, according to the ICR.

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?

There were no delays in project implementation or completion, according to the ICR.

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:

According to the ICR, the Peruvian Government—and, in particular, the Ministry of Finance—was extremely supporting of the project and its objectives (p 14).

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’s M&E design at entry is rated satisfactory. The PD establishes that the Bank and PROFONANPE agree that, among other things, the latter will submit to the Bank annual progress reports, which include progress on monitoring indicators. Additionally, PROFONANPE was to join the Bank on a mid-term project review at the end of 1997 to evaluate its implementation arrangements, its on-the-ground effectiveness in the protected areas themselves, and the performance of the asset

manager (p 7). Annex 6 of the PD details the benchmarks used to evaluate the effectiveness of project implementation, categorized into: Institutional Capacity, Financial Effectiveness, and Legal Framework Adequacy. Indicators are SMART and are adequate to evaluate the effectiveness of project implementation.

6.2 M&E Implementation	Rating: Satisfactory
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ICR does not explicitly discuss or rate M&E implementation. However, Annex I of the ICR does report the performance of key project indicators (cf. p 17). Additionally, Annex I details evaluation of the project’s novel idea—creating a trust fund for the purposes of channeling money for conservation in the mid- to long-term—and its potential applicability as a potential tool for future projects in the region (cf. pp 18-19).

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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The quality of project implementation is rated satisfactory. Up front, the World Bank correctly identified the fundamental need to establish a viable and strong institutional framework. Its supervision of the project was “highly satisfactory”, according to the ICR, given missions’ good skill mix of specialists, including an institutional development expert and an investment professional, whose knowledge and recommendations were “extremely valuable in obtaining adjustments to project design during project implementation” (ICR, p 14). The only issue flagged by the ICR was not fully the Bank’s fault. During negotiations, the Government of Peru agreed to accord tax exemption status to PROFONANPE. However, at the time of the ICR, the approval by the Government has still not been obtained. According to the ICR, all parties appear to share some responsibility for the delay (cf. ICR, p 10). Nevertheless, to date, PROFONANPE’s tax implications have been negligible (since the only taxes for which the institution has been liable for are national sales taxes, and most of the income for the GEF grant has been used to finance salaries and operating costs). For this reason, the Bank’s implementation rating was not downgraded.

7.2 Quality of Project Execution	Rating: Satisfactory
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The quality of project execution is rated satisfactory by the ICR. PROFONANPE’s cooperation with Bank missions was exemplary, and its management of its financial and human resources during the life of the

project was “highly satisfactory” (ICR, p 15). According to the ICR, the main issue in PROFONANPE’s performance was its asset quality due to FONANPE’s investment in an emerging market. Furthermore, the investments provided by other donors have experienced a variety of issues with investment quality, risk diversification, portfolio management performance, and acceptable investment contracts. Nevertheless, ICR stresses that PROFONANPE has worked continuously to resolve these problems in a competent manner. The institution had to change asset managers due to poor performance in one instance; however, it has always followed a competitive selection process to select such managers, and performance improved following the change of managers in question. Three small issues were flagged in the ICR. First, “PRONANPE has been hampered at times by insufficient internal institutionalized financial expertise, such as could be provided by having private, financial sector representation on its Board of Directors” (ICR, p 11). Second, it has been at time difficult for PROFONANPE’s Board of Directors to reach a quorum at meetings, due to lack of attendance, mainly by government representatives. However, the ICR claims that this “has had some impact on operations, but is not considered to be a significant factor in overall project performance.” Third, according to the ICR, “decision-making related to activity approval has at times been difficult due to the fact that some Board members have institutional interests.” causing a “potential and eventual conflict of interest” (p 11). However, despite these issues, PROFONANPE’s “hiring and staff management practices are considered satisfactory,” and its staff is “high qualified and dedicated, and has done an excellent job in meeting the institution’s obligations” (p 12).

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.

ICR does not report any changes in environmental stress or status that occurred by the end of the project.

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.

ICR does not report any change in socioeconomic well-being that occurred due to the project.

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* – INRENA was strengthened: it is better able to manage Peru’s protected areas, has improved financial management and tracking systems, and counts on computerized administrative systems. Furthermore, since PROFONANPE has guaranteed a steady and predictable stream of funding for protected areas (something the Government of Peru was never able to achieve), INRENA can now carry out long-term planning.

b) *Governance* – Establishment of FONANPE and PROFONANPE.

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.

ICR did not mention any unintended impacts resulting from the project.

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 trust fund’s managers have made concerted efforts to raise more funds elsewhere, such as from direct contributions and debt-for-nature-swaps, scaling up the effect of GEF’s USD5 million seed money for the Fund.

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.

1. The mixed public/private Board of the trust fund can be an important platform for discussion and planning among the various actors, especially in cases where there are few forums where such discussions can take place. Moreover, the Board should be large enough to allow for a

variety of expertise, perspectives, constituents, and to cushion the impact of any one member not being available to participate at a given time;

2. PROFONANPE's experience tends to indicate that Trust Fund Board representation should be reflective of personal capacity rather than as representatives of specific institutions, in so far as that's possible. Moreover, issues of conflict of interest must be analyzed in great detail, and procedures should be in place to manage potential problems;
3. It has been very difficult to attract permanent endowment funds. Non-permanent funds such as debt-for-nature swaps and "sinking funds" have been easier to obtain;
4. If the option is available, GEF Trust Funds that are meant to provide long-term permanent financing should be invested in larger, more developed markets, in order to minimize investment risk;
5. The capacity of the implementing agency to choose and monitor the investment managers and the risk in their portfolios is critical to the long-term sustainability and performance of the Trust Fund. Specifically, the Board of Directors should include individuals with private sector financial management/investment expertise. Moreover, arrangements should be in place to guarantee strong and consistent supervision of the performance of the investment managers. This may include formalized financial management expertise through paid advisors, as well as through ensuring that one or more Board members have the needed financial skills to give guidance to the organization;
6. Portfolio manager investment contracts need to include clear guidelines for investment risk, asset quality, and portfolio diversity. In addition, the investment contracts must include performance clauses so that the owner of the assets can move the funds if necessary in the event of portfolio mismanagement.

9.2 Briefly describe the recommendations given in the terminal evaluation.

- In order to continue to grow and operate effectively, PROFONANPE's Board needs to expand and have broader representation;
- PROFONANPE should hire a financial specialist to review all of its assets on a regular basis; as of now, only GEF funds have been reviewed, not non-GEF funds that are also in FONANPE;
- Formal procedures should be adopted to allow the Board to recuse a representative for any discussion or decision where a conflict of interest may occur (cf. ICR, pp 11-12);
- Email should be used more actively in order to keep the Technical Committee members (who rarely provide input into the decision process) informed of PROFONANPE's activities and to solicit input and guidance

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 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?	ICR contains a comprehensive assessment of relevant outcomes and impacts of the project, as well as achievement of objectives	S
To what extent is the report internally consistent, the evidence presented complete and convincing, and ratings well substantiated?	ICR is internally consistent. The evidence presented is complete and convincing and the ratings provided are all well substantiated.	S
To what extent does the report properly assess project sustainability and/or project exit strategy?	ICR thoroughly assess project sustainability.	S
To what extent are the lessons learned supported by the evidence presented and are they comprehensive?	Lessons learned provided in the ICR are comprehensive and are supported by the evidence presented.	S
Does the report include the actual project costs (total and per activity) and actual co-financing used?	ICR does include actual project costs, as well as actual co-financing used.	S
Assess the quality of the report's evaluation of project M&E systems:	ICR does not adequately discuss on the project's M&E systems. While the project's performance on key indicators is reported, a more robust discussion would have been helpful.	MU
Overall TE Rating		S

Overall TE rating: $0.3 * (5+5) + 0.1 * (5+5+5+3) = 4.8$

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