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Report No: 30189

IMPLEMENTATION COMPLETION REPORT
(TF-28310)

ON A

GRANT FROM THE GLOBAL ENVIRONMENT FACILITY

IN THE AMOUNT OF US$ 20 MILLION

TO THE

FUNDO BRASILEIRO PARA A BIODIVERSIDADE

FOR A

BRAZILIAN BIODIVERSITY FUND PROJECT - FUNBIO

October 13, 2004

CURRENCY EQUIVALENTS

(Exchange Rate Effective March 30, 1995)

Currency Unit	=	Real (R$)
R$ 1.00	=	US$ 1.10
US$ 1.00	=	R$ 0.91

Rate at Completion US$ 1.00 = R$ 2.96

FISCAL YEAR

January 1 December 31

ABBREVIATIONS AND ACRONYMS

CNPq	Conselho Nacional de Desenvolvimento Cientifico e Tecnológico (National Council for Scientific and Technological Development)
FGV	Fundacao Getulio Vargas (Getulio Vargas Foundation)
FINEP	Financiadora de Estudos e Projetos (Agency for Financing of Studies and Projects)
FNMA	Fundo Nacional do Meio Ambiente (National Environment Fund)
FUNBIO	Fundo Brasileiro para a Biodiversidade (Brazilian Biodiversity Fund)
GEF	Global Environment Facility
GOB	Government of Brazil
IBAMA	Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis (Brazilian Institute for the Environment and Renewable Natural Resources)
MMA	Ministerio do Meio Ambiente, dos Recursos Hidricos e da Amaz6nia Legal (Ministry of the Environment, Water Resources and the Legal Amazon)
MPO	Ministerio do Planejamento e Orcamento (Ministry of Planning and Budget)
NEP	National Environmental Project (PNMA) (Loan No. 3173-BR)
NGO	Non-Governmental Organization
PNMA	Programa Nacional do Meio Ambiente (National Environmental Project – NEP)
POA	Plano Operativo Anual (Annual Operating Plan)
PROBIO	Projeto de Conservacao e Utilizacao Sustentavel da Diversidade Biológica Brasileira (National Biodiversity Project)
PRONABIO	Programa Nacional da Diversidade Biológica (National Program for Biological Diversity)

Vice President:	David De Ferranti
Country Director	Vinod Thomas
Sector Director	John Redwood
Task Team Leader/Task Manager:	Musa Asad

BRAZIL
Brazilian Biodiversity Fund - FUNBIO (GEF)

CONTENTS

Project ID: P044597	*Project Name:* Brazilian Biodiversity Fund - FUNBIO (GEF)
Team Leader: Musa S. C. Asad	*TL Unit:* LCSEN
ICR Type: Core ICR	*Report Date: October 13, 2004*

1. Project Data

Name: Brazilian Biodiversity Fund - FUNBIO (GEF)
L/C/TF Number: TF-28310
Country/Department: BRAZIL
Region: Latin America and the Caribbean Region

Sector/subsector: General agriculture, fishing and forestry sector (80%); Central government administration (20%)
Theme: Biodiversity (P); Participation and civic engagement (P); Environmental policies and institutions (S)

KEY DATES			*Original*	*Revised/Actual*
PCD:	02/15/1991	*Effective:*	09/05/1996	09/05/1996
Appraisal:	03/20/1995	*MTR:*	09/23/1999	09/23/1999
Approval:	04/16/1996	*Closing:*	12/31/2000	02/28/2004

Borrower/Implementing Agency: FUNDO BRASILEIRO PARA A BIODIVERSIDADE/FUNBIO
Other Partners:

STAFF	Current	At Appraisal
Vice President:	David de Ferranti	Shavid Javed Burki
Country Director:	Vinod Thomas	Gobind Nankani
Sector Director:	John Redwood	Constance Bernard
Team Leader at ICR:	Musa Asad	Claudia Sobrevila
ICR Primary Author:	Musa Asad; Ruth Norris; Paula Freitas	

2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome:	S
Sustainability:	L
Institutional Development Impact:	H
Bank Performance:	S
Borrower Performance:	S

	QAG (if available)	ICR
Quality at Entry:		S
Project at Risk at Any Time:	No	

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

The Brazilian Biodiversity Fund Project's global objective was to provide long-term and sustainable support for conservation and sustainable use of biological diversity in Brazil, supporting and promoting partnership among government, nonprofit organizations, academic institutions, and the private business sector.

This goal was pursued by supporting the establishment and development of a Brazilian Biodiversity Fund (FUNBIO) to administer a long-term grants program to promote conservation and sustainable use of biodiversity in Brazil. Because of the difficulties involved in transfer of funds from the government to the private sector in Brazil, the project was designed to support the development of this fund in a private institution. Originally, the host was the Getulio Vargas Foundation; after three years of incubation there, FUNBIO became an independent institution and formally assumed the resources and obligations of the project.

This goal is complementary to the goals of the National Biodiversity Project (NEP) prepared concurrently with this project, which supported the Government of Brazil's National Biodiversity Program (PRONABIO) and its operating unit, PROBIO. The two projects were designed with strong linkages. FUNBIO was expected to use the priorities defined and adopted by PRONABIO for its planning process, and PRONABIO was expected to use the FUNBIO mechanism for at least some of its grantmaking. The Ministry of Environment would be represented on both FUNBIO's Board of Directors and PRONABIO's Coordinating Commission.

Specific objectives of the FUNBIO project included (i) creation of adequate *institutional capacity* for the Fund; (ii) assuring the *financial effectiveness* of the mechanism; (iii) establishing an adequate *legal framework* for the operation of the Fund; and (iv) demonstrating the trust fund as a mechanism for biodiversity conservation in Brazil through the achievement of six identified benchmarks.

Institutional capacity is defined as the establishment of key governing and operational units, including the Board of Directors, Executive Secretariat, and Technical committees; application and periodic updating of an Operational Manual; timely and adequate preparation of annual operating plans; effective project selection in accordance with the Operational Manual; efficient disbursement processes; development of a fundraising strategy; maintenance of administrative costs within defined limits; compliance with procurement guidelines; and satisfactory annual audits. *Financial effectiveness* is defined as adherence to investment guidelines and spending rules limiting capital draw-down to $3 million per year. An *adequate legal framework* means that the fund is protected from attachment and taxation, and faces no legal barriers to effective operation. Benchmarks for measuring the Fund's *success as a mechanism for biodiversity conservation* were established in each of the following areas.

a. Fund-raising success
b. Financial effectiveness
c. Public-private sector partnerships
d. Government commitment
e. Biodiversity impact
f. Social impact

3.2 Revised Objective:

No revisions were made to the project objectives.

3.3 Original Components:

The project had two major components:

Strengthening and Operational Support of FUNBIO (22% of total project costs). This component included operational costs, including establishment of a board and technical committees, staffing, development of a cost-recovery and fund-raising program, and special studies that would analyze trends and innovations with potential to contribute to FUNBIO's development of successful strategies.

Grants Program (78% of total project costs). FUNBIO funds projects consistent with regional and national conservation priorities and international commitments, such as the Convention on Biological Diversity and Agenda 21, selected on a competitive basis according to established criteria. The design established that projects would address: (i) biodiversity conservation; (ii) sustainable use of biodiversity; (iii) policy analysis; and (iv) applied research and technology development. Eligible entities include NGOs, state and municipal businesses and public agencies; private businesses (with certain restrictions); non-profit or research institutions; and consortia of the above. The detailed procedures to call, select, contract, and monitor the sub-projects are spelled out in FUNBIO's Operational Manual.

Financing of project activities came from the GEF Trust Fund Grant (US$20 million) and funds raised by FUNBIO (projected at US$5 million), organized as a sinking fund with a 15-year horizon and managed by an internationally qualified asset manager. The GEF Trust Fund deposited an initial US$10 million into the sinking fund account. Additional GEF Trust Fund deposits into the fund were triggered by donations to the fund raised by FUNBIO at a ratio of two (GEF Trust Fund) to one (non-GEF Trust Fund). The funds could be raised in tranches, US$250,000 at a time, each tranche triggering a new release of funds from GEF Trust Fund until all GEF funding was committed. The sinking fund was expected to generate an approximate net investment of US$9.5 million. Funding recipients were also required to contribute financially to the costs of projects (at least 25 %).

Project implementation is the responsibility of FUNBIO, established as an operating unit of the Getulio Vargas Foundation, and the implementing entities selected to carry out sub-projects. Day-to-day administration of FUNBIO was entrusted to an Executive Director and a small operating unit. FUNBIO contracted an internationally qualified asset manager to administer funds in an offshore investment account, for a fee in accordance with standard practice (e.g., 1-1.5%) paid out of the fund's investment proceeds.

FUNBIO identified projects through open calls for proposals. Technical review committees were established to evaluate applications according to selection criteria. The design envisioned close coordination between FUNBIO and the implementation unit of the parallel national environmental project, PROBIO, using FUNBIO as a mechanism to call for and select sub-project proposals for funding by both entities. Agreements reached included a plan for biannual supervision missions and commitment to periodic reporting and evaluation. The Executive Director of FUNBIO would prepare Annual Operating Plans (POA) including a statement of specific objectives, a description of the activities, expected outputs, monitorable indicators, detailed estimated budgets and procurement plans. The Executive Director would submit quarterly progress reports. FUNBIO and its program would be subject to two evaluations to assess implementation progress, after three years and after five years.

3.4 Revised Components:

No revisions were made to the project components.

3.5 Quality at Entry:

Occupying nearly half the South American Continent, Brazil has a wide range of ecologically differentiated biogeographical zones (biomes). These include the world's largest standing tropical rain forest (Amazonian and Atlantic forests), the world's largest inland wetland (Pantanal), expanses of semi-arid thorn forests *(caatinga),* vast tree and scrub woodlands *(cerrado),* and more than 7,000 linear kilometers of coastal and marine ecosystems. Intervention in previously stable habitats has increased, leading to significant loss of biodiversity. The Brazilian Government has addressed the loss of biodiversity through an emergency program removing fiscal incentives for ranching in primary forest areas of the Amazon, intensified federal efforts to control forest burning; a National Environmental Project (NEP) strengthening the federal environmental protection agency (IBAMA), supporting protected areas and state and local environmental management; establishment of a long-term financing mechanism for conservation, and the G-7 Pilot Program to Conserve the Brazilian Rain Forest.

Outside the public sector, important institutions devoted to biodiversity conservation have evolved as well. Hundreds of NGOs are active at the national and local level. To catalyze NGO efforts, the Government created the National Environment Fund (FNMA) in 1988 to support communities and local governments carrying out conservation or sustainable development projects. Brazilian corporations have begun to take greater responsibility in the environmental area, mitigating negative impacts on biodiversity and requesting that government and private groups develop standard methodologies that could assist them in the certification of their products as environmentally sound. A few private firms are marketing sustainably produced products. In the mid-1990s, the Government launched additional efforts to work closely with NGOs by supporting projects through the NEP and the Pilot Program to Conserve the Brazilian Rain Forest.

Nevertheless, in the mid-1990s, conservation efforts among and within Brazil's main biomes remained uneven. Access to biodiversity information and participation by local communities and NGOs in government projects was limited, and there were few public-private partnerships to sustain biodiversity. To address these needs, the government established the National Program for Biological Diversity (PRONABIO) in 1994 to promote partnerships between the public and private sectors to support the conservation and sustainable use of biodiversity. The GEF-supported National Biodiversity Project, designed and implemented in parallel and in coordination with the Brazilian Biodiversity Fund Project, was developed to strengthen the activities of PRONABIO.

Individuals and institutions involved in the design of the National Biodiversity Project and the Brazilian Biodiversity Fund Project recognized that additional steps were needed to maximize biodiversity conservation efforts. These included addressing financial difficulties, including the following: (i) an emphasis on short-term funding that created a lack of continuity and frequently caused termination of projects before their intended results could be realized; (ii) project funding rarely geared to the absorptive capacity of implementing agencies and organizations, and hampered by the Government's administrative constraints; (iii) the Government’s limited ability to channel funds to private organizations; and (iv) limited leveraging of additional funds for biodiversity from domestic private sources. In light of these constraints, it was evident that a trust fund could be an effective mechanism for guaranteeing a long-term financial commitment, overcoming government and donor agency budget fluctuations, matching financial flows to absorptive capacity, and leveraging new funds from a broad array of sources.

This proposed approach was consistent with the Government's and the Bank's desire to search for new approaches to conserving and sustainably using Brazil's rich biological heritage, that did not rely exclusively on public sector conservation units and that could be partially insulated from the restrictive public sector budgetary cycle and procedures. The Brazilian/Bank project teams considered several options. The option of using an existing Government fund such as the FNMA was discarded due to the perception that the funds belong to the government and are therefore fungible with other government revenue, possibly making some donors (especially the private sector) hesitant to contribute. The lack of specific legislation in Brazil for creating a trust fund, a mechanism used successfully in several other GEF projects, and the need for a flexible administrative structure that would operate independently, transparently, and sustainably justified the use of a private non-profit foundation under the Brazilian civil code. It was decided that the most effective solution was to use an existing private foundation. The Getulio Vargas Foundation (FGV) was chosen to house an independent fund, the Brazilian Biodiversity Fund (FUNBIO). Because of legal restrictions on the transfer of funds by the Brazilian Treasury to private entities (even non-profit foundations), the comprehensive project originally envisioned to support both FUNBIO and the PRONABIO program was divided into two complementary projects with separate grant agreements. The National Biodiversity Project provided US$10 million to the Government of Brazil in support of PRONABIO, and the Brazilian Biodiversity Fund Project provided US$20 million to FGV/FUNBIO.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The project achieved approximately 90% of the objectives established at design, and all of the objectives and benchmarks were achieved at least for the most part. An effective institution was created, finances were effectively managed, an adequate legal framework is in place, and there is evidence of substantial progress in leveraging additional funds, creating public-private partnerships, engaging NGOs and local communities, and demonstrating effective mechanisms, through the sub-projects, of developing local community commitment and skills for long-term sustainable management of biodiversity resources. FUNBIO is today recognized as a national leader in promoting and supporting conservation of biodiversity, as evidenced by a recent survey of opinion leaders (NGOs, donors, media). These individuals ranked FUNBIO equally or more important than key national government agencies, national and international NGOs in terms of its leadership role in biodiversity conservation, innovation, seriousness and competence, transparency, and potential for growth. At an international level, FUNBIO is recognized as one of the most successful of the GEF-financed trust funds, especially in terms of the quality and contributions of its board of directors, the professionalism of its staff, the efficiency of its procedures, and its thoughtful and innovative approach to developing program themes and creative financing methods.

A specific target for the extent of biodiversity to be conserved by the project was not set during the design phase, and even today, Brazil’s national environmental agencies continue to struggle to develop clear conservation objectives and monitorable benchmarks toward their achievement. Thus, while it is possible to conclude that FUNBIO’s supported projects have had, or promise to have, conservation outcomes consistent with the level of investment, it is impossible to quantify the contribution of this project to conserving Brazil’s biodiversity. It may well be that the knowledge generated, technologies and methods developed, and engagement of leaders from various sectors of Brazilian society contribute more in the long run to conservation of biodiversity than the specific project activities taken one by one and in the aggregate.

The level of synergy and coordinated impacts from this project and the companion National Environment Project was less than what was foreseen by the project designers. There were many reasons for this, including the length of time required at the national government level to develop national biodiversity priorities (finalized in 2003), the physical distance between FUNBIO, located in Rio de Janeiro and MMA in Brasilia, and the many demands on the time of small administrative units working at and beyond capacity simply to manage operational responsibilities. Although there has recently been significant progress in national efforts to systematize national conservation priorities and define roles and niches for specific actors, FUNBIO operated for most of the project period without this strategic framework to orient its actions. Interestingly, FUNBIO met this challenge by developing priorities along thematic rather than geographic lines, choosing specific types of conservation challenges in which it sought to advance the state of the art. Although this was not a specific objective articulated in the project design, it is an important outcome supporting the classification of the project as a success.

4.2 Outputs by components:

Establishment of an effective and credible institution. FUNBIO is governed by a diverse and highly qualified Board of Directors, representing the nonprofit, business, governmental, and academic sectors, who participate actively in the governance of the organization and in establishing policies that assure FUNBIO's resources will be used strategically to achieve the organization's mission, and that its operations will be transparent, fair, and grounded in the best practices of grantmaking and organizational management. Seven Technical Commissions contribute specialized analysis and expertise. FUNBIO is staffed by a qualified team of 23 professionals with leadership from an executive who has been internationally recognized among the most effective executives of conservation trust funds, and who has also played a leadership role in the regional organization of trust funds, RedLAC. Operational manuals and procedures, as well as manuals for grantees, reflect FUNBIO's learning and its continuous efforts to sharpen its strategic focus. Disbursements to project implementers, and compliance with monitoring and reporting requirements, have been timely and efficient. FUNBIO has consistently met its targets for administrative cost ceilings and has been audited annually with no adverse findings. Procurement has followed Bank guidelines.

FUNBIO has exceeded the established benchmark for raising counterpart funds, having secured $6.2 million in commitments from funding partners in the governmental, business, nonprofit, and philanthropic sectors. These funds, like the GEF capital, are sinking funds.

The decision to establish FUNBIO within an existing institution had both positive and negative outcomes. Early supervision missions indicated a need for closer supervision of the investment portfolio and more active commitment to additional fundraising than FGV was able to provide. After three years, FUNBIO and FGV agreed that FUNBIO should become an independent organization. The Foundation requested the Bank to authorize its relinquishing of its role. FUNBIO was incorporated as an independent organization, and has operated independently since 2000. The Bank entered into a new Grant Agreement with FUNBIO. FGV transferred the capital to the new organization, which adopted the same name, functions and obligations that it had assumed as a unit of FGV.

Financial management. Investment guidelines have been developed and implemented, and capital has been managed in such a way as to be consistent with the absorptive capacity of project implementers and to assure continuity of funding over time. Lessons learned in the early years have been incorporated in several ways: by developing additional in-house expertise for oversight of investment management; by selecting an asset manager more suited to FUNBIO's size and needs than the London-based firm originally selected;

and by using national as well as international investment portfolios to maximize returns and balance risk. (Of the GEF funds, only funds to be disbursed in the current year are invested nationally, but other donor accounts are held in the Brazilian portfolio.) Capital draw-down has been kept within the established limits.

Legal framework. The fund is protected from attachment and taxation, and faces no legal barriers to effective operation. FUNBIO has qualified for tax-exempt status.

Creation of an effective mechanism for biodiversity conservation. Achievement of the six identified benchmarks was as follows.

a. Fund-raising success: As noted above, FUNBIO reached its capitalization targets. Among the key sources of funds are the Partnership Funds Program which has provided over $ 3.5 million in funding or 65% of total project costs. Some of the most notable national partner institutions include: the Terra Institute, the CSN Foundation, Klabin Parana Forest Products, the Minas Gerais Power Company, the Institute of Ecological Research and the Caatinga Association. (Costello, 2003) Since 1999, the Ford Foundation has also participated in this program. Counterpart funding from project implementers has met the target of 25%. FUNBIO's board contributed to the development of the funding strategy by helping to develop concepts and strategies for "selling" the matching fund program to prospective partners, which in several cases were their own agencies or associated organizations.

b. Financial effectiveness: FUNBIO's assets have been affected by the economic downturn that began in 2000, and the internationally invested GEF funding portfolio has not met the benchmark for return on investment. After achieving returns averaging 12.2% through the end of 1999, the internationally invested portfolio had three years of losses averaging 7.6% per year before beginning to earn positive returns again in 2003. The national investment portfolios, although considered riskier, recovered sooner and have yielded substantially higher returns in recent years. Indeed, returns from national investments were almost sufficient to cover operating costs in 2003. FUNBIO did not have adequate investment management expertise and advice in its early years, and perhaps could have taken better advantage of the strong investment markets of the mid-to-late 1990s if it had, but over time has developed a more solid knowledge base and circle of advisers.

c. Public-private sector partnerships: The active participation of non-governmental and governmental sectors on the Governing Council and technical committees is one of FUNBIO's great strengths. As noted in an independent assessment of FUNBIO carried out in 2003, beyond what these experts bring in terms of technical leadership in environment and sustainable development, the Council is well positioned to help promote new business relationships. Any new relationship which implies new technical areas of work or an expanded presence in a geographic area can be approved by the Council, which may take the necessary steps to insure that these technical areas receive the required human and financial resources.

   Public and private sector actors who have been engaged as partners and suporters of conservation projects include the National Steel Company, the Terra Institute, Klabin Parana forest products, Minas Gerais Power Company, and the Brazilian Tourism Institute among others Organizations implementing funded projects also represent a diverse cross-section of Brazilian society. 57% of recipients are NGOs, 25% community associations and cooperatives, 14% businesses, and 4% governmental organizations. FUNBIO has been especially effective in promoting public-private partnerships through its matching grant (partnership) program. Representatives of NGO, academic, business, and government sectors have participated in technical committees and governing bodies, as well as project

implementing organizations and consortia.

d. Government commitment: The target set at project design was active participation by government in FUNBIO's board, support of its fund-raising efforts with bilateral and multilateral donors and debt-for-nature transactions, and good working relationships between FUNBIO and PROBIO. Although the Ministry of Environment representatives participate actively in the board, and working relationships are good, the collaborative relationship envisioned at design has not fully developed, for several reasons. FUNBIO needed some distance from the governmental projects in order to be credible with its private sector constituents. FUNBIO's project cycles at times proved incompatible with governmental cycles and schedules. Physical distance also constrained the two organizations' ability to work closely together (FUNBIO was established at FGV in Rio de Janeiro, while PROBIO is in Brasilia), as did the limits on staff in relation to workload in both organizations. At a strategic level, the close working relationship envisioned in the design depended on swift establishment of clear national priorities for biodiversity conservation. These were not actually decreed until 2003, seven years after the project was initiated. FUNBIO's portfolio remains a small element in the national panorama of conservation priorities and financing.

e. Biodiversity impact. Funded projects were expected to result in decreases in biodiversity loss, deforestation, poaching, and protected area encroachment. FUNBIO has supported some 68 projects, focusing mainly on the themes of non-timber forest management (21%), agrobiodiversity (44%), management of fishery resources (14%) and conservation and environmental education (16%). FUNBIO's grantmaking partnership with the Ford Foundation, as well as individual projects supported in partnership with other donors and implementing agencies, focuses on small and medium scale initiatives in non-timber products, community forest management and agrobiodiversity An ecotourism program launched in 2000 focuses on identification and promotion of practices in tourism development and management that support rather than destroy the survival of ecosystems and habitats. FUNBIO's Strategic Studies Program has provided analytical input into both these areas while guiding the operations of the Executive Secretariat and informing the Governing Council with the analytical bases for decision making.

FUNBIO requires all of its projects to identify objectives and outcomes with specific reference to conservation as well as social and economic results. Monitoring by the implemented agencies and by FUNBIO has documented the adoption of improved agricultural practices, management plans for local forest units, creation of forest corridors, and development of sustainable management plans for coastal resources. Increased involvement by communities in agro-extractive activities and increased income from sustainable production of natural resources as an alternative to predatory practices has also been verified, through an independent assessment of FUNBIO carried out in 2003 as well as through FUNBIO's own monitoring. Because each project has its own units of engagement and specific objectives, and all are responsible for reporting results not just to FUNBIO but also to the other funding partners, there are not yet indicators or consistent units of measure that can be used to aggregate project outcomes into simple measures such as counting hectares of pristine ecosystems conserved or degraded ecosystems improved. The results of FUNBIO-supported projects have contributed to improved methodologies being developed and applied on a scale broader than FUNBIO's own portfolio.

One example is the business plan methodology used in FUNBIO's Sustainable Production Support Program (PAPS). This has shown that by analyzing the project executor's environmental sustainability, economic feasibility, and management capability and the market characteristics associated with these projects, improve alternative livelihood projects' prospects for success are

improved. The methodology developed by FUNBIO and published as part of its Strategic Studies program responds to a larger need in the field of sustainable use of biodiversity – that is, to focus not solely on extraction and production, but to focus as well on the elements of commercialization and marketing that will spell success or failure to the enterprise, and on establishing strong links between the conservation and productive aspects of sustainable use projects.

f. Social impact: The benchmark, evidence of active involvement by local organizations in decisions about the allocation of resources to grants and sub-projects, was met. In addition, FUNBIO's monitoring data indicates that several thousand families have participated in the development of resource management strategies involving both conservation and enhanced income from sustainable production.

4.3 Net Present Value/Economic rate of return:

No Net Present Value or Economic Rate of Return was calculated at appraisal. Annex 3 provides some indicative information about project's economic costs and benefits at appraisal and closing.

4.4 Financial rate of return:

At the time of appraisal, there was no requirement to include calculations of economic and financial rates of returns. Thus, no benchmark or baseline figures were established, and these rates cannot be calculated precisely as of the date of the ICR. Although return on individual project investments has not been calculated, a consortium of three sustainable agriculture projects is developing a methodology for calculating economic values of conversions from massive, mechanized production to organic and sustainable production, at the level of household economies.

4.5 Institutional development impact:

The strategic objective to develop an institution that could provide stable, long-term financing to biodiversity and sustainable use activities was achieved. FUNBIO as an institution has developed many talents and strategic abilities, including extensive skills in investment portfolio management, participatory methods for identifying and supporting projects, administrative systems, and advances in program monitoring in accordance with objectives. Many organizations now look to FUNBIO as among the most qualified, innovative, and serious Brazilian intermediary organization. Having access to this flexible funding, and FUNBIO's excellent technical support capacity, has increased the institutional success of its grantees and partners as well. FUNBIO's value to the international donor community was underscored by its selection to manage financial aspects of the Amazon Protected Areas Project (ARPA). These findings are consistent with the conclusions of an independent assessment conducted in 2003, which concluded that FUNBIO overall had built a solid track record, noting also that monitoring and evaluation capability, including dissemination of lessons, could be improved, and that potential new ventures into carbon sequestration projects, for example, would require the development of additional technical skills. The report (Costello, 2003) also noted that there are several additional Bank and GEF-supported projects that could benefit from drawing on FUNBIO's expertise.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

Fluctuations in investment markets strongly affected FUNBIO's ability to meet income benchmarks and assure that the flow of funds to project could be maintained at a level of $2.5-$3 million per year. To some

extent these conditions could be mitigated by developing more aggressive investment strategies (and developing the knowledge needed to manage risk in a more aggressive strategy) and creating balance in the portfolio through diversified national and overseas investment.

The project design over-estimated the ability of a private Brazilian foundation, especially one with no endowment capital of its own to start, to raise significant matching capital. The project design considered this to be mostly a question of level of effort, and thus subject to control, but the number of potential sources of long-term capital is in fact quite limited, as most of the trust funds established with GEF funding during the mid-to-late 1990s have discovered. Debt-for-nature swaps did not prove to be an appropriate mechanism. The largest international foundations, mostly based in the US, face tax and legal constraints in making endowment contributions to foreign entities, and with only a few exceptions, refrain as a matter of policy from making this kind of contribution. This is even more true since the economic downturn, when many of the largest foundations, including the only three known to date to have made endowment contributions to environmental funds, have lost up to 50% of the value of their assets. Brazil does not have a well developed national philanthropy, except in the areas of religious charity. Even for those Brazilian individuals and corporations potentially inclined to give to FUNBIO's activities, it was necessary to build a record of success first, in order to convince corporate boards that their funds would be well invested. FUNBIO addressed this difficulty with a creative approach – developing a partnership program through which it co-financed projects involving a minimum 50 percent contribution by the financing partners – primarily private and corporate foundations, and businesses. This resulted in significant leveraging of funds, and met the criteria for release of the remaining GEF capital, but did little to contribute to long-term financial sustainability, since the partners' contributions, like FUNBIO's, end at the completion of the project.

5.2 Factors generally subject to government control:

Since the beginning of project's implementation, the Government agreed to delegate responsibility entirely to FUNBIO and they maintained a seat at FUNBIO's Board of Directors.

5.3 Factors generally subject to implementing agency control:

Strong leadership and commitment to the project objectives by FUNBIO's staff and board, as well as by the implementing partners, was a major contributor to the project's success. The selection of the Getulio Vargas Foundation as the original host of the project contributed to the early acceptance and organization of the Fund, but as time went on, it became apparent that the needs and expectations of the Fund and the host were not compatible. This was addressed by establishing FUNBIO as an independent organization in 2000. In hindsight, the original decision was probably correct, given the alternatives available, but a plan for eventual independence might have been put into place from the start.

Delays in the development of national biodiversity conservation priorities and benchmarks inhibited FUNBIO's ability to develop a strategic focus, define the niche within which it would contribute to the achievement of overall biodiversity conservation goals, and select indicators of progress.

Under-estimation of the levels of time, knowledge, and skill required to manage an investment portfolio, or to supervise the performance of an asset manager, may have limited FUNBIO's ability to maximize investment returns in the early years when markets were strong, and to minimize losses during the downturn.

5.4 Costs and financing:

The Brazil Biodiversity Fund Project was designed to provide a mechanism for stable, long-term financing of conservation and sustainable use of biodiversity. It was one of the grants awarded as part of the GEF's Pilot Phase, and designed during the period 1991-1995. Appraisal was conducted in 1995, and effectiveness was September 5, 1996. Financing from the World Bank/GEF totaled $20 million. Since effectiveness, FUNBIO has supported more than 65 conservation and sustainable development projects, and expects to continue to support projects with matching funding from the Project through 2011.

Cofinancing totaled $6.2 million, in the form of matching funds contributed by partners including the Ford Foundation, Brazilian government agencies, and NGO and business organizations and consortia. In addition, the project has generated $1.5 million in net investment returns. Inflows of cofinancing and investment returns are expected to continue through the rest of the project's lifespan (6-8 years). The GEF investment portfolio's value at the time the ICR was prepared was $9.6 million, not including an additional disbursement of $1.9 million deposited in February 2004. See Annex 3 for additional information on project's costs.

6. Sustainability

6.1 Rationale for sustainability rating:

The project's outcomes are likely to be sustainable.

At the level of supported subprojects, there is substantial evidence that social and conservation outcomes will be sustainable. This can be attributed to the continuing involvement of partners implementing the projects beyond the FUNBIO funding period; and, in the sustainable production projects, the focus on simple, appropriate technologies that benefiting communities can easily maintain and from which they can clearly realize benefits. There is also evidence that intellectual and knowledge resources generated by the project will continue to contribute to sustainable use of biological resources on an ongoing basis. Many other donors are adopting business planning as a standard feature of sustainable production projects. The code of conduct for bioprospecting was influential in the development of a provisional national policy regulating access to and exploitation of genetic resources, as required by the Convention on Biological Diversity. Individual projects are developing methods for assessing and valuing sustainable uses, which should be more broadly applicable after their initial period of field testing.

At the institutional level, sustainability is assured for another decade or so, as FUNBIO continues to attract matching funds for projects supported by the GEF donation, takes on financial management responsibilities in the GEF-Financed Amazon Protected Areas Project (ARPA), and launches a new program of integrated project funding in which support from various partners can be pooled in creative matches that permit significant program support with relatively low percentages of input by FUNBIO. In the long term, however, FUNBIO's sustainability as an institution, and its ability to maintain a staff of highly qualified personnel capable of advancing the state of the art of conservation finance and sustainable use projects in addition to administering funds, depends on having the kind of institutional permanence and flexibility that only a reserve of working capital can afford. FUNBIO's power as a convener, coordinator, and organizer of significant funding efforts depends on having the operational capability to invest in research and development of its own, and to bring its own resources to the table. Having made this investment to develop such a highly capable and well regarded institution, and recognizing the realities of potential alternative sources of capital, the GEF would do well to consider a second infusion of capital structured to provide incentives to other donors to contribute matching capital to assure FUNBIO's continued leadership role.

The GEF has identified *catalyzing sustainability* as one of five strategic directions for 2003-2006 (See "Emerging Directions in Biodiversity Under GEF-3: Information Document for the May 2003 GEF Council.") In light of the lessons learned over a decade of experience with trust funds, it is now possible to conclude that the primary tool for catalyzing permanence and sustainable capitalization of trust funds is permanent capital, structured in such a way as to challenge and provide incentives for matching permanent capital from other private and public sources. FUNBIO provides an opportunity to demonstrate the effectiveness of catalytic infusions of capital by creating challenges and opportunities, for example, agreed-upon releases of new, permanent capital in tranches of $500,000 to $1 million upon deposit of permanent capital from other sources (Ford Foundation, Moore Foundation, business sector donors). It is likely that the potential for a match would be a key to securing these additional sources.

6.2 Transition arrangement to regular operations:

FUNBIO has adequate operational policies and procedures, governance structures, staff, and funds to continue operations as established during the supervision period for the remainder of the project lifespan. No structural or procedural changes are envisioned.

7. Bank and Borrower Performance

Bank

7.1 Lending:

The Bank staff involved in the design of the project developed creative solutions to the difficulties of transferring funds from the government to the private sector when they separated the originally envisioned single project into two separate projects, one to be administered by the government and one by a private entity. At the time, a GEF grant to a nongovernmental organization was quite unusual. Likewise, the consideration of where to house the new fund was careful and deliberate. Competing proposals were thoughtfully considered, and in the end, the selection of the Getulio Vargas Foundation was a good one. Even though eventually there was a need for FUNBIO to be independent, FGV provided credibility and stability during an essential incubation period, and enabled the new Fund to concentrate on developing its grantmaking program. It is important to note that at the time the FUNBIO project was designed, there were few conservation trust funds with experience to draw from, and many of the practices that today are recognized as standards had not yet been developed or tested. The Bank's design team creatively addressed a number of challenges. The assessment of risks, however, failed to adequately address the possibility of highly adverse changes in global financial markets, and as noted elsewhere in this report, was overly optimistic about the potential for raising working capital.

7.2 Supervision:

During the formative years, as gaps between the Bank team's expectations and the real-life context in which the project operated became apparent, there were a few instances in which communications and support were not what they might have been. For example, the inclusion of bankers on FUNBIO's board did not adequately address the need for investment expertise in oversight of the asset manager, and the Bank's recommended external adviser was not especially helpful. The Bank also was constrained by fiduciary requirements that prohibit the provision of specific investment advice. But in general, the relationship that developed between FUNBIO and its task managers was highly supportive and based on mutual trust. Task team members continued working with the project over time and became familiar with FUNBIO's personnel and operations, and were able to provide flexibility when needed and allow FUNBIO to adapt to unforeseen circumstances. This in turn enabled the project to adapt to learning throughout its

lifetime. Supervision has generally been helpful, and overall there has been excellent compliance with agreements reached both at the beginning of the project and during supervision. With a Task Manager based in Brasilia for a good part of the life of the project, supervision was not restricted to the traditional structure of biannual missions. The Task Manager was able to maintain more dynamic contact through periodic visits, electronic communications, and videoconferences involving Washington-based personnel. This led to some variation in the scheduling of supervision missions but generally resulted in more complete and timely follow up on issues identified.

7.3 Overall Bank performance:

Based on the above, the overall Bank performance was satisfactory.

Borrower

7.4 Preparation:

At the time of project preparation, the Government of Brazil contributed substantially to design and to analysis of options for an innovative structure to address chronic difficulties with financing biodiversity conservation. It supported the creation of a private sector fund and participated actively in a rather lengthy series of preparation and appraisal missions needed to select an appropriate institution.

7.5 Government implementation performance:

See 5.2.

7.6 Implementing Agency:

FUNBIO has complied with agreements, achieved benchmarks, and consistently incorporated learning in its work. Under the initial umbrella of the FGV, FUNBIO recruited an exemplary board and staff, and quickly complied with the conditions for startup, developing an operational manual and procedures and a committee structure adequate for technical review of projects. Experience with the first call for proposals, which generated more than 1,000 requests (10 were ultimately supported) resulted in increasingly well defined and strategic lines of work as FUNBIO continued to conduct strategic studies and planning exercises to determine where its investments could make the most difference. Areas in which FUNBIO has not yet fully developed strategies and performance include a comprehensive and specific plan for fund development and financial sustainability. Its monitoring and evaluation program, as discussed above, is adequate to document outcomes of specific projects, but has not yet identified indicators that can be applied to the portfolio as a whole.

7.7 Overall Borrower performance:

Based on the above, the overall performance of the recipient is assessed as satisfactory.

8. Lessons Learned

Importance of participatory design. The project drew on and substantially confirmed a number of lessons previously derived from biodiversity conservation projects. These included lessons related to the value of participatory approaches to design and implementation of activities, involving civil society organizations and local communities in order to draw on their knowledge and gain their continued commitment to achieving objectives. Experience with biodiversity projects also indicates the importance of facilitating

biodiversity conservation activities by communities or groups of people who have a vital interest in conservation, either because their livelihoods depend directly on biological resources, or because their quality of life depends significantly on use and existence values of biodiversity.

The project design reflected lessons learned from the Brazilian project portfolio, particularly the National Environmental Project (NEP, Loan 3173-BR), which highlighted several constraints in implementation. Lack of success in conservation projects had been linked to complexity, lack of clear delineation of niches and goals, and poor disbursement performance. FUNBIO's agile grants program adjusted to the real capacity of conservation institutions to use the funds effectively. However, this project confirmed findings about the connection between clear definition of goals and targets and achievement of measurable outcomes.

Governance. FUNBIO's design reflected learning from the earliest generation of GEF supported trust funds for biodiversity conservation. In particular, the composition of FUNBIO's board reflected lessons learned in early trust funds, and its contributions to the success of the project confirmed the value of careful selection of representatives from diverse sectors, with the government having a role but not a majority. Recommendations derived from that early experience related to conservative investment strategies and offshore holdings proved less valid after the change in the world economic situation in 2000.

Finances and fundraising. A lesson identified in GEF's global portfolio of trust funds was that trust funds can promote decreases in government funding of protected areas by substituting trust fund financing for regular appropriations. This was not found to be the case in the FUNBIO project, which focused its investments on conservation projects outside the realm of traditional government responsibilities. The GEF trust fund evaluation also recommended that GEF support should be structured to provide incentives to encourage raising additional capital and developing innovative capitalization approaches. These lessons were taken into account in the design of this project, with only half the funding disbursed at effectiveness and the remainder released in tranches as FUNBIO met requirements for raising matching funds. The formation of alliances to provide matching funds has permitted additional capitalization of FUNBIO, which would otherwise have been difficult to raise. However, even this structure did not address the need for permanent working capital.

Monitoring and evaluation. At the time the project was designed, there was an expectation that the companion project would support definition of clear priorities and targets for biodiversity conservation outcomes, and that FUNBIO would incorporate the objectives, indicators, and measurement systems related to those outcomes into the monitoring and evaluation system for its own projects. But, FUNBIO could not delay its grantmaking program in expectation of those guidelines (which even today are not completed in terms of targets and indicators, although priorities have been established). So, the calls for proposals stated general objectives and conditions of eligibility, and applicants and implementers were encouraged to develop results frameworks and indicators specific to each project. This actually proved an advantage in the partnership programs, since the grantees had flexibility to select indicators most useful to their own project, and consistent with the requirements of the partner donors, rather than indicators imposed by FUNBIO. However, there was a disadvantage for FUNBIO in terms of analyzing cumulative impacts of its project portfolio, since the indicators were not consistent across projects and could not be readily combined or aggregated. Like many donors, FUNBIO is now working to define more general indicators that can be applied consistently across the portfolio, but this is a difficult task. This experience indicates the value of investing more serious study at the beginning of the project (or, of a major funding program within the project) establishing targets and units of measure. This would include investments in developing baseline data and understanding the capability of subproject implementers to monitor and analyze data, and budgeting for external assessments if necessary.

9. Partner Comments

(a) Borrower/implementing agency:

Comments from FUNBIO, endorsed by the Board 27 February 2004

The content of this ICR covers adequately all of the different work fronts developed at Funbio in its seven years of existence as it presents a fair evaluation of the institution's performance in those fronts. Funbio's Board and its Secretariat accept that content without contest, being thankful both for having its efforts recognized and also for the deserved and constructive criticisms received. Funbio shall concentrate and build upon the latter.

The GEF grant to the development of a financial mechanism for biodiversity conservation in Brazil, which led to the creation of Funbio, provided an opportunity for several experiments and innovations with institutional aspects of conservation finance in this country. Even though most of Funbio's institutional developments and lessons learned have been adequately registered and commented in this ICR, perhaps, two elements might not have been sufficiently stressed in their importance and/or uniqueness: the role of Funbio's Board of Directors as the exclusive responsible body for the allocation of the Grant's resources; and the need for long term financial sustainability.

As for the first point, the fact that a formal decision making process was established right at the beginning of the project and that it was consistently followed for the allocation of the projects' funds to sub-project support has created an aura of respectability and seriousness around Funbio that shielded it from external pressures and demands. At the same time, Board members, realizing they were truthfully and exclusively empowered to make allocation decisions, also reacted accordingly, employing their best efforts to have full participation in the collective definition of program priorities, project selection criteria, evaluation of proposals, and follow up of project negotiation, contracting, and execution. Many Board members, high profile professionals and individuals, have expressed themselves positively about the unique level of empowerment and responsibility experienced at Funbio.

While by itself this is an appreciable trait, there is also the significant degree of social representation and control expressed by the diverse composition of the Board, which is added to the legitimacy of the decisions taken. Funbio's Board brings together shoulder-to-shoulder representatives from small local environmental grass root organizations to leading large-scale entrepreneurs.

While this might be taken as an usual and expected best practice elsewhere, in Brazil this is a quite unique experience that should merit efforts be maintained and continued, particularly by those sources of funding that operate in Brazil and that need a panel of native leadership to filter, prioritize, channel and legitimate their activity in the country.

The other point that deserves additional comment has to do with need to address long-term sustainability. The fact that Funbio was designed as a trust fund/sinking fund, with an established timeframe of existence and several targets to reach within a given period, made all efforts to be mainly directed to reach those short or mid term goals, leaving aside the important question of institutional perpetuity. Even though Funbio's Board and staff were conscious of the importance of seeking long term financial sustainability, a long-term capital fund not only was not included among its priority goals. As such, it has never merited a specific strategy to pursue it. This lack of programmatic priority given to long-term institutional and financial stability has been perhaps the major fragility in the project's concept. That aspect is still open,

needing urgent addressing.

Both points here raised signal to the opportunity of a second phase of support for Funbio. Perhaps, this time, in the form of a capital fund, which would allow Funbio's Board to experiment its hand with a perpetuity proposal, in which pursuit it could demonstrate other abilities and new engagements. The importance of guaranteeing a future for Brazil's biodiversity certainly is a good word for stimulating the entertaining of that possibility.

(b) Cofinanciers:

(c) Other partners (NGOs/private sector):

10. Additional Information

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
A committed Board of Directors representative of the nonprofit, business, academic, and government sectors meets at least three times each year and carried out established responsibilities.	100%	100%
FUNBIO has promoted the partnership among public and private sector through the active participation of nongovernmental and governmental sectors at the Board level, Technical Committees and subprojects implementing entities.	100%	100%
The government is committed to FUNBIO as evidenced by their active participation in the activities of the Board of Directors and by supporting its fund raising efforts by facilitating other bilateral or multilateral donations to flow to the fund, debt-for-nature transactions and other contributions. Commitment is also reflected by the good working relations between FUNBIO and PROBIO.	75%	75%
Selection of activities and sub-projects in accordance with the Board's project eligibility and selection criteria and rules set out in the Operational Manual.	100%	100%
The fund has reached a minimum capital level of $25 million. FUNBIO's Board has raised funds to support sub-projects and other activities. Grant recipients have complied to their requirement of providing 25% in matching contributions.	100%	100%
The stable financing provided by the sinking fund ensures that key sub-projects will result in decreased biodiversity loss, deforestation, poaching and protected areas encroachment, as measured by - diversity in the portfolio of sub-projects, - their innovativeness in finding solutions to the various threats to biodiversity protection, and - their effectiveness on the ground.	75%	75%
The sinking fund's decision-making processes have fostered local and NGO participation in the management of biodiversity, as evidenced by their active involvement in decisions about the allocation of resources to key sub-projects in Brazil.	100%	100%

Output Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
The Executive Secretariat is functioning and staffed with qualified professionals.	100%	100%
Technical Committees work effectively and provide advice to the Board on the suitability of sub-projects from the perspective of biodiversity conservation and sustainable use.	100%	100%
Documents and processes are developed in a timely fashion, lessons are learned from	100%	100%

applying the processes. Operational Manual is kept up-dated.		
Complaints are registered and properly dealt with.	75%	Not estimated because there have been no complains.
Satisfactory Annual Operating Plans submitted to the Bank for review in a timely manner.	100%	100%
Timely and efficient disbursements to activities and sub-projects.	100%	100%
Satisfactory annual progress reports submitted to the Bank.	100%	100%
The fund has a clear written strategy for raising additional funds and is actively pursuing further donations.	75%	75%
Administrative costs are kept within agreed-upon limits, not exceeding an average of about 15-20%.	80%	80%
Annual audits show satisfactory performance on funding approved work programs and competent record-keeping.	100%	100%
Procurement is made in accordance to Bank-approved procedures.	100%	100%
Adherence to investment guidelines.	100%	100%
Adherence to disbursement guidelines, based on the "capital invasion rule". Capital invasion has been kept to the minimum agreed, not exceeding US$3 million per year of the GEF Trust Fund proceeds.	100%	100%
All necessary legislation and other arrangements are in place to assure effective functioning of the fund, including protection from attachment and taxation.	100%	100%
The investments are providing reliable and adequate returns. This entails a minimum of 10% annual return of the investment so as to cover program needs; afford a capital reserve to offset low-yield years and have an estimated US$2.5-3 million per year investments in biodiversity sub-projects.	50%	50%

[1] End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US$ million equivalent)

Component	Appraisal Estimate US$ million	Actual/Latest Estimate US$ million	Percentage of Appraisal
Sub grants	26.80	9.25	37
Administration	7.70	3.96	45
Total Baseline Cost	34.50	13.21	
Total Project Costs	34.50	13.21	
Total Financing Required	34.50	13.21	

Note: Appraisal estimate is for 15-year life of project. ICR prepared at closing, end of year 8, when $12 million capital remains and will continue to generate investments and income for the next 10-15 years.

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US$ million equivalent)

Expenditure Category	Procurement Method[1] ICB	NCB	Other[2]	N.B.F.	Total Cost
1. Works	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
2. Goods	0.00 (0.00)	0.00 (0.00)	0.08 (0.00)	0.00 (0.00)	0.08 (0.00)
3. Services	0.00 (0.00)	0.00 (0.00)	2.51 (0.00)	0.00 (0.00)	2.51 (0.00)
4. Miscellaneous	0.00 (0.00)	0.00 (0.00)	2.45 (0.00)	0.00 (0.00)	2.45 (0.00)
5. Miscellaneous	0.00 (0.00)	0.00 (0.00)	0.20 (0.00)	0.00 (0.00)	0.20 (0.00)
6. Miscellaneous	0.00 (0.00)	0.00 (0.00)	4.01 (0.00)	3.96 (0.00)	7.97 (0.00)
Total	0.00 (0.00)	0.00 (0.00)	9.25 (0.00)	3.96 (0.00)	13.21 (0.00)

Some of the operating costs are paid from interests on the GEF and partnership accounts, which technically counts as non-Bank financing. However, FUNBIO's records do not disaggregate operating costs by source. Therefore, all are included in the "other" category.

4. Miscellaneous: Personnel
5. Miscellaneous: Other operating costs
6. Miscellaneous: Disbursements to projects

[1/] Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

[2/] Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US$ million equivalent)

			Percentage of Appraisal

Component	Appraisal Estimate			Actual/Latest Estimate					
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
Sub grants	15.60	7.40	5.00	15.60	1.20	6.20	100.0	16.2	124.0
Administration	4.40	2.10	0.00	4.40	0.34	0.00	100.0	16.2	0.0

NOTE: Govt. financing at appraisal included estimate capital contribution plus expected investment income for the project 15-year cycle.

Annex 3. Economic Costs and Benefits

Project costs and benefits were assessed at appraisal as follows.

Costs

From the $20 million provided by the GEF, it was estimated that 78% would support subprojects in biodiversity conservation and sustainable use, through grants to organizations that would provide a minimum counterpart funding of 25%. The life of the project was estimated at 15 years, during which time FUNBIO was expected to raise $5 million in additional project funding, and the capital was expected to generate $9.5 million in interest, dividends, and capital gains. Thus, total cash flows for project-supported activities were expected to reach $33.5 million over the 15-year horizon. Another $7 to $10 million (approximately $520,000 per year, but varying as a percentage of the total budget) would support administrative and operational costs, bringing total project costs over the 15-year horizon to approximately $40 million.

Benefits

A net economic benefit of the project was not calculated at appraisal.

Outcomes projected at appraisal included creation of an effective institution to engage actors from diverse sectors in developing, selecting, implementing, and monitoring biodiversity conservation and sustainable use projects; and an effective financial mechanism to support those projects over the long term. Benchmarks for achieving those targets were:

a. Meeting targets of $5 million in cofinancing, and grant recipients providing 25% counterpart to FUNBIO resources.

b. 10% annual return on investment so as to cover program needs, afford a capital reserve, and make $2.5- $3 million available each year for project grants.

c. Developing public-private sector partnerships at the levels of the board, technical committees, and organizations implementing funded projects.

d. Government participation by government in FUNBIO's cultivation of bilateral and multilateral donors and debt-for-nature transactions; good working relationships between FUNBIO and PROBIO.

e. Biodiversity impact including decreases in biodiversity loss, deforestation, poaching, and protected area encroachment; to be measured through evaluation of individual grant results against baseline information provided with the funding proposals, and assessment of the diversity of the portfolio of projects, their degree of innovation in finding solutions to threats to biodiversity, and their effectiveness on the ground.

f. Social impact including evidence of active involvement by local organizations in decisions about the allocation of resources to grants and sub-projects.

Outcome at Closing

Only the first two projected outcomes can be measured in monetary terms. The targets for cofinancing and counterpart funding by grantees were met, yielding an additional $8.2 million in financial resources for projects. The investment yield target was met for the first three years but not afterward. To date, investment yields have been approximately $1.2 million.

Public-private partnerships have been created at many levels. Biodiversity impact and economic and social benefits to communities participating in sustainable use projects have been documented through project monitoring. Although it is not possible to quantify these or assign an economic value given the data available, reviews of available documentation indicate outcomes consistent with the level of investment, and a likelihood of substantial economic benefits and conservation of natural capital as the projects continue to develop.

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation				
???				
???				
Appraisal/Negotiation				
03/1995	*9*	1 Senior Anthropologist; 1 Operational Lawyer; 1 Environmental Lawyer; 1 Financial Specialist; 1 Biodiversity Specialist; 1 Conservation Specialist; 1 Institutional Development Specialist; 1 Project Cost and Procurement Specialist		
07/1995	*9*	1 Senior Anthropologist; 1 Operational Lawyer; 1 Environmental Lawyer; 1 Financial Specialist; 1 Biodiversity Specialist; 1 Conservation Specialist; 1 Institutional Development Specialist; 1 Project Cost and Procurement Specialist		
Supervision				
09/1997	*5*	???		
04/1999	*2*	1 Environment Specialist; 1 Financial Specialist	S	S
08/1999	*4*	1 Environment Specialist; 1 Biodiversity Specialis; 1 Financial Specialist; 1 Environment Lawyer	S	S
06/2000	*2*	1 Biodiversity Specialist; 1 Financial Specialist	S	S
12/2000	*1*	1 Biodiversity Specialist	S	S
05/2001	*1*	1 Biodiversity Specialist	S	S
08/2001	*1*	1 Biodiversity Specialist	S	S
10/2002	*1*	1 Financial Specialist	S	S
03/2003	*2*	1 Financial Specialist; 1 Operations Analyst	S	S
08/2003	*1*	1 Financial Specialist	S	S
ICR				
12/2003	*2*	1 ICR Consultant; 1 Operations Analyst	S	S

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US$ ('000)
Identification/Preparation	39	52
Appraisal/Negotiation	35	66
Supervision	48	140
ICR	10	24
Total	132	282

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	Rating
☒ *Macro policies*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☒ *Sector Policies*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☒ *Physical*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Financial*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☒ *Institutional Development*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Environmental*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
Social	
☒ *Poverty Reduction*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*
☒ *Gender*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*
☒ *Other (Please specify)*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
NGO/CBO support	
☒ *Private sector development*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☒ *Public sector management*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance	*Rating*			
☒ *Lending*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Supervision*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Overall*	○ *HS*	● *S*	○ *U*	○ *HU*

6.2 Borrower performance	*Rating*			
☒ *Preparation*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Government implementation performance*	○ *HS*	● *S*	○ *U*	○ *HU*
☒ *Implementation agency performance*	● *HS*	○ *S*	○ *U*	○ *HU*
☒ *Overall*	○ *HS*	● *S*	○ *U*	○ *HU*

Annex 7. List of Supporting Documents

Project Document, March 1996.

Global Environment Facility Trust Fund Grant Agreement, June 1996.

Aide memoires from supervision missions.

Other project's general supervision documents.

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