

Document of
The World Bank

Report No: ICR 00003495

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TF-97155)

ON A

GRANT

FROM THE GLOBAL ENVIRONMENT FACILITY TRUST FUND

IN THE AMOUNT OF US\$8.891 MILLION

TO THE

THE PERUVIAN TRUST FUND FOR NATIONAL PARKS
AND PROTECTED AREAS (PROFONANPE)

FOR A

STRENGTHENING BIODIVERSITY CONSERVATION THROUGH
THE NATIONAL PROTECTED AREAS PROGRAM

March 30, 2016

Environment & Natural Resources Global Practice
Bolivia, Chile, Ecuador, Peru and Venezuela Country Management Unit
Latin America and the Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective January 30, 2016)

Currency Unit = Nuevo Sol

PEN1.00 = US\$0.288

US\$ 1.00 = PEN3.47

FISCAL YEAR 2016

ABBREVIATIONS AND ACRONYMS

AF	Adaptation Fund
BD	Biodiversity
CPS	Country Partnership Strategy
CSI	Core Sector Indicator
EOP	End of Project
FAO	Food and Agriculture Organization
FM	Financial Management
GCF	Green Climate Fund
GEF	Global Environment Facility
GEO	Global Environment Objectives
GOP	Government of Peru
GPAN	Participatory Management of Protected Areas Project (Proyecto de Gestión Participativa de Áreas Naturales Protegidas)
ICR	Implementation Completion and Results Report
IEG	Independent Evaluation Group
INRENA	National Institute of Natural Resources (Instituto Nacional de Recursos Naturales)
IOI	Intermediate Outcome Indicator
IP	Indigenous People
IPPF	Indigenous Peoples Planning Framework
ISDS	Integrated Safeguard Data Sheet
ISR	Implementation Status and Report
KfW	German Development Bank
M&E	Monitoring and Evaluation
METT	Management Effectiveness Tracking Tool
MINAM	Ministry of Environment (Ministerio del Ambiente)
MTR	Mid-Term Review
OP/BP	Operational Policy/Bank Procedure
OPCS	Operational Procurement Review Committee
PA	Protected Areas
PAD	Project Appraisal Document
PAES	Program for Sustainable Economic Activities (Programa para Actividades Económicas Sustentables)
PEN	Peruvian New Soles (Nuevos Soles Peruanos)

PIMA	Indigenous Management of Protected Areas in the Peruvian Amazon Project (Proyecto Participación de las Comunidades Nativas en el Manejo de las Áreas Naturales Protegidas de la Amazonía Peruana)
PROFONANPE	Peruvian Trust Fund for National Parks and Protected Areas (Fondo de Promoción de las Áreas Naturales Protegidas del Perú)
PRONANP	Strengthening Biodiversity Conservation through the National Protected Areas Program (Fortalecimiento de la Conservación de la Biodiversidad a través del Programa Nacional de Áreas Naturales Protegidas)
QAG	Quality Assurance Group
QEA	Quality at Entry Assessment
QSA	Quality Supervision Assessment
RNSIIPG	Guano Islands, Islets, and Capes National Reserve System (Reserva Nacional Sistema de Islas, Islotes y Puntas de Guano)
SEPA	System for Execution of Procurement Plan
SERNANP	National Service of Natural Protected Areas (Servicio Nacional de Áreas Naturales Protegidas)
SIL	Specific Investment Loan
SINANPE	National System of Natural Areas Protected by the State (Servicio Nacional de Áreas Protegidas por el Estado)
SP	Strategic Priority
TF	Trust Fund
WB	The World Bank

Senior Global Practice Director:	Paula Caballero
Practice Manager:	Raul Alfaro-Pelico
Project Team Leader:	Christian Peter, Gabriela Encalada
ICR Team Leader:	Gabriela Encalada

REPUBLIC OF PERU
Strengthening Biodiversity Conservation through
the National Protected Areas Program

Contents

DATA SHEET	
A. Basic Information.....	i
B. Key Dates	i
C. Ratings Summary	i
D. Sector and Theme Codes.....	ii
E. Bank Staff.....	ii
F. Results Framework Analysis	iii
G. Ratings of Project Performance in ISRs	vi
H. Restructuring (if any)	vii
I. Disbursement Profile	viii
1. Project Context, Global Environment Objectives and Design.....	1
2. Key Factors Affecting Implementation and Outcomes.....	4
3. Assessment of Outcomes	9
4. Assessment of Risk to Development Outcome	13
5. Assessment of Bank and Borrower Performance.....	13
6. Lessons Learned.....	15
7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners.....	17
ANNEXES	
Annex 1. Project Costs and Financing	18
Annex 2. Outputs by Component.....	19
Annex 3. Economic and Financial Analysis	22
Annex 4. Bank Lending and Implementation Support/Supervision Processes.....	25
Annex 5. Summary of Borrower's ICR and/or Comments on Draft ICR	27
Annex 6. List of Supporting Documents	29
Annex 7. Financial reallocation during level 2 restructuring, March 25, 2014.	35
Annex 8. Performance of the Project Trust Fund	37
Annex 10. Map of Peru.....	64
ENDNOTES	65

A. Basic Information			
Country:	Peru	Project Name:	Strengthening Biodiversity Conservation through the National Protected Areas Program
Project ID:	P095424	L/C/TF Number(s):	TF-97155
ICR Date:	03/30/2016	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	GOVERNMENT OF PERU
Original Total Commitment:	USD 8.89M	Disbursed Amount:	USD 8.65M
Revised Amount:	USD 8.65M		
Environmental Category: B		Global Focal Area: B	
Implementing Agencies: SERNANP - National Service of Natural Protected Areas			
Cofinanciers and Other External Partners: KfW - German Development Bank.			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	02/14/2005	Effectiveness:		11/09/2010
Appraisal:	05/11/2009	Restructuring(s):		03/25/2014 03/19/2015
Approval:	05/20/2010	Mid-term Review:	05/13/2013	05/16/2013
		Closing:	05/31/2015	05/31/2015

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Moderately Unsatisfactory
Risk to Global Environment Outcome	High
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Unsatisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Moderately Unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory

Overall Bank Performance:	Moderately Unsatisfactory	Overall Borrower Performance:	Moderately Unsatisfactory
----------------------------------	---------------------------	--------------------------------------	---------------------------

C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
GEO rating before Closing/Inactive status	Moderately Unsatisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
General agriculture, fishing and forestry sector	4	4
Public administration- Agriculture, fishing and forestry	96	96
Theme Code (as % of total Bank financing)		
Biodiversity	30	30
Environmental policies and institutions	41	41
Land administration and management	29	29

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Jorge Familiar	Pamela Cox
Country Director:	Alberto Rodriguez	Carlos Felipe Jaramillo
Practice Manager/Manager:	Raul Alfaro-Pelico	Laura E. Tlaiye
Project Team Leader:	Christian Albert Peter, Gabriela Encalada Romero	Gabriela Arcos
ICR Team Leader:	Gabriela Encalada Romero	
ICR Primary Author:	Michael Bliemsrieder	

F. Results Framework Analysis

Global Environment Objectives (GEO) and Key Indicators(as approved)

The Project's Global Environmental Objective is to contribute to the long-term ecological sustainability of the Peru Protected Areas by expanding the ecological representativeness of the country's Protected Areas System and implementing conservation activities at various levels (national, regional, and private) within ecological corridors.

Revised Global Environment Objectives (as approved by original approving authority) and Key Indicators and reasons/justifications

(a) GEO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years ¹
Ensure leveraging ratio of local sources (subnational governments and private sector) for three ecological corridors to be at least the baseline of 2:1 to finance the implementation of administration	2:1	2:1		4:1
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target exceeded. The ratio of 5:1, reported at the closing date of the GEF Project, was corrected to the actual value achieved (4:1).			
Areas brought under enhanced biodiversity protection (hectares)	0		125,000	176,374
Date	09-Jun-2010		25-Mar-2014	31-Dec-2015
Comments	Target achieved. At the time of Project closure all areas were officially declared as a protected area and the development and/or implementation of management was underway.			
New areas outside protected areas managed as biodiversity-friendly (hectares)	0		250,000	337,569
Date	09-Jun-2010		25-Mar-2014	31-Dec-2015
Comments	Target achieved. Of the total reported areas (843,923 has), 40% were managed as biodiversity-friendly based on the reported success rate of the PAES.			

¹ Actual values reflect Project status after the Project's closing date given that parallel financing from KfW was available until December 2015, which allowed for the completion of a number of activities initiated with GEF financing.

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
8 regulations to allow the integrated management of national, regional, local and private PAs approved.	0	8		16
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target exceeded. 22 regulations have been developed and/or adjusted, of which 16 have been approved.			
3 Methodologies and guidelines prepared for the development of planning tools appropriate for each level of PAs	0	3		6
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target exceeded. Methodologies and guidelines were prepared and approved.			
Information system of SINANPE updated and operational.	Information system only comprising state administered protected areas	Information system of SINANPE updated and operational		Information system of SINANPE updated and operational
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target achieved.			
Public Awareness Strategy designed and implemented.	Public awareness strategy existing only for some protected areas of SINANPE	Public Awareness Strategy designed and implemented		A public awareness strategy at the Project level was developed.
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target achieved. Strategy development and implementation was funded by GEF until May 2015, the remaining activities were financed by KfW until the end of Project.			
Four ecological corridors are identified in a collaborative and integrated manner and have developed a corridor strategy. (Text, Custom)	0	4		5
Date	09-Jun-2010	31-May-2105		31-Dec-2015
Comments	Target exceeded.			

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
At least 3 regional environmental units operate and monitor efficiently the implementation of the corridor program.	0	3		7
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Partially achieved. 7 regional environmental units were established with Project support and were operational at the Project's closing date. The efficiency of some units' M&E was found to be weak.			
At least 1 million hectares of key ecosystems within three priority corridors improve management effectiveness by 40% compared to baseline as measured by SP1 METT (Ha)	0	1,000,000		1,000,000
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Partially achieved after Project completion. The Project has been working with 15 National Protected Areas and Regional Conservation Areas, and 15 Private Conservation Areas in improving management using participatory and territorial articulation approaches, which cover about 1 million hectares. The GEF Management Effectiveness Tracking Tool (METT) was carried out after KfW financing ended in December 2015. The METT was applied partially by the client.			
5-10 management plans prepared and approved.	0	5		15
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target exceeded. 15 master plans have been formulated and approved. In addition, the Project supported the formulation and adjustment of master plans of 20 protected areas of national and regional administrations and 14 master plans at the level of conservation concessions.			
Emergency Plan for the Guano Islands and Capes Reserve prepared	0	1		1
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Not applicable. The preparation of the emergency plan was not financed under this Project.			
At least five administration contracts and other conservation management models operating in selected PAs.	1	5		5
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target achieved. 5 administration contracts and management conservation agreements have been established and are operational.			
At least 40 natural resources management subprojects	0	40		75

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
implemented to improve people's lives and promote conservation (i.e., ecotourism, sustainable forestry, aquaculture, management of non-timber forest)				
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	Target exceeded. Of the 75 subprojects which were prepared and implemented, 30 were completed by the Project's closing date (May 2015), the remaining 45 were completed by December 2015.			
Asset Fund of at least \$9 million implemented to cover recurring costs of national, regional and local protected areas, within three of the four selected corridors. (Amount in million US\$)	3.0	9.0		11.9
Date	09-Jun-2010	31-May-2015		30-Nov-2015
Comments	Target achieved. The Fund was established with a complementary contribution from KfW of US\$9 million (for a total of US\$12 million).			
Regional, local and private funds allocated at a ratio of 1:1 to complement contributions from the Asset Fund for recurring costs.	0	1:1		not applicable
Date	09-Jun-2010	31-May-2015		31-Dec-2015
Comments	This Indicator was removed after the 2014 restructuring.			
New innovative sustainable financing mechanisms developed and implemented	0	5		8
Date	15-May-2013	31-May-2015		31-Dec-2015
Comments	Target exceeded. 8 pilot mechanisms have been developed and implemented. 13 public investment projects were formulated.			

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	GEO	IP	Actual Disbursements (USD millions)
1	06/20/2010	Satisfactory	Satisfactory	0.00
2	12/17/2010	Satisfactory	Satisfactory	0.00

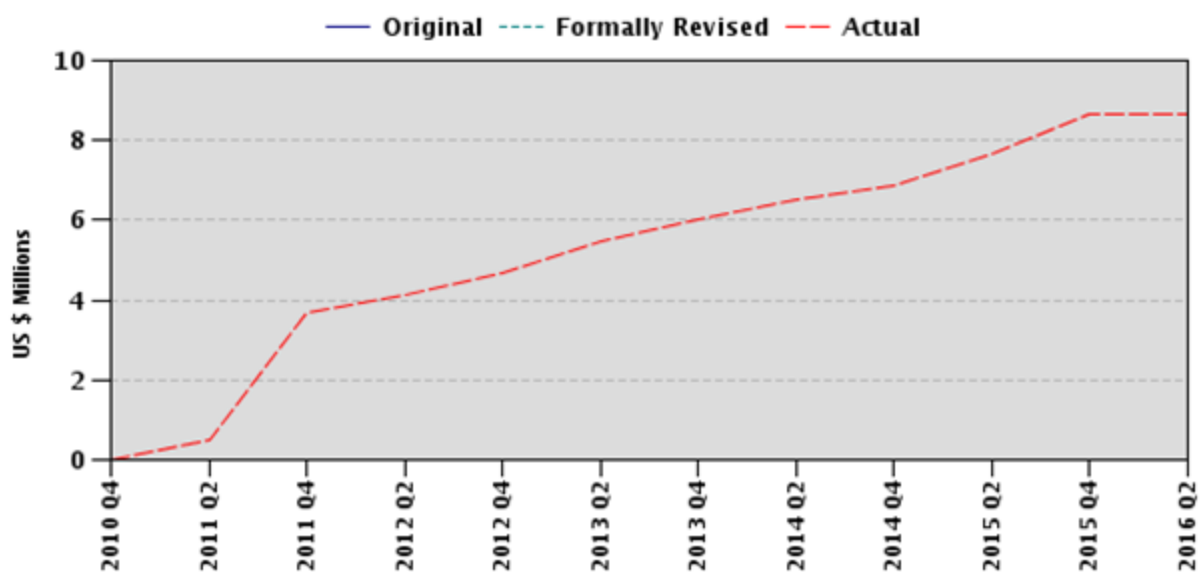
3	06/28/2011	Satisfactory	Satisfactory	3.65
4	12/18/2011	Satisfactory	Satisfactory	4.14
5	06/22/2012	Satisfactory	Satisfactory	4.69
6	12/10/2012	Satisfactory	Satisfactory	5.47
7	06/20/2013	Satisfactory	Moderately Satisfactory	6.01
8	01/04/2014	Satisfactory	Moderately Satisfactory	6.50
9	04/26/2014	Satisfactory	Moderately Satisfactory	6.62
10	11/07/2014	Satisfactory	Moderately Satisfactory	7.42
11	03/27/2015	Moderately Satisfactory	Moderately Satisfactory	8.09
12	05/27/2015	Moderately Unsatisfactory	Moderately Satisfactory	8.60

H. Restructuring (if any)

Restructuring Date(s)	Board Approved GEO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		GEO	IP		
03/25/2014		S	MS	6.62	The restructuring addressed some of the communication and M&E shortcomings of the Project through (i) a revision of the results framework, and (ii) a reallocation of grant proceeds among different disbursement categories. The reallocation of Project funds among existing categories was possible due to (i) an over-estimation of requirements for financing at appraisal under the "Management Services" category and (ii) the availability of parallel financing from KfW. The reallocation of GEF grant proceeds did not necessitate changes to the Project design or the implementation arrangements.
03/19/2015		MS	MS	7.98	The restructuring undertook:(i) a reallocation of grant proceeds among different disbursement categories to reflect the actual costs at the component level; and (ii) replacing one of the Project outcome indicators in the Results Framework with a Core Sector Indicator, as well as adjusting the target value for the same indicator downwards. The latter

Restructuring Date(s)	Board Approved GEO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		GEO	IP		
					was based on findings of the 2013 MTR, but had not been adjusted in the previous restructuring in 2014

I. Disbursement Profile



1. Project Context, Global Environment Objectives and Design

1.1 Context at Appraisal

1. The *Project for Strengthening Biodiversity Conservation through the National Protected Areas Program* (PRONANP) was a conservation initiative funded in parallel by the Global Environment Facility (GEF) – with the World Bank (WB) as implementation partner - and the German Financial Cooperation (KfW). The Government of Peru (GOP) selected the Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE) to receive and implement the grant funds in support of the National Service of Natural Protected Areas (SERNANP), a new agency established in 2008.

2. The Project sought to address several conservation challenges that had been identified and were prioritized at the time of appraisal. These included (i) a lack of technical skills to address environmental and development challenges at various institutional management levels; (ii) the absence of appropriate mechanisms for interagency coordination in public and private sectors; (iii) inadequate funding to support conservation activities inside and outside formally protected areas; (iv) insufficient representation of critical biodiversity and ecosystems in formally protected areas; as well as (v) a lack of economic incentives for local communities that generated an impact on protected areas (PAs).

3. In response, Project intervention focused on (i) improving administrative and management of national, regional and local institutional actors through training and increasing technical support capabilities; (ii) strengthening the legal protection of important terrestrial and coastal-marine ecosystems through the creation of new protected areas and the design and implementation of management plans and conservation activities at various levels; and (iii) establishing a sustainable funding mechanism through the creation of an endowment fund, to be administered by PROFONANPE.

4. At the time of appraisal, existing conflicts between local communities living in or adjacent to protected areas and the agency managing these areas (SERNANP) called for creative solutions to mostly socioeconomic problems. To address this, the Project included a specific component targeting these problems (the Program for Sustainable Economic Activities, PAES).

1.2 Original Global Environment Objectives (GEO) and Key Indicators

5. As per the Project's Grant Agreement, the GEO was "to contribute to the long-term ecological sustainability of the member country's Protected Areas by expanding the ecological representativeness of the member country's Protected Areas System and implementing conservation activities at various levels (national, regional, and private) within ecological corridors."¹

6. The Project's original Key Indicators were the following:

- 250,000 hectares of newly created PAs and/or expanded PAs established, of which 125,000 ha are marine-coastal ecosystems.

- Conservation and sustainable management initiatives and programs in three corridors encompassing between 2 to 3 million ha have improved by 40% compared to baseline as measured with the GEF SP2 Mainstream biodiversity METT.
- Ensure leveraging ratio of local sources (subnational governments and private sector) for three ecological corridors to be at least the baseline of 2:1 to finance the implementation of administration.

1.3 Revised GEO (as approved by original approving authority) and Key Indicators, and reasons/justification

7. The Project's GEO was not revised. However, following the Project's April 2013 Mid-Term Review (MTR), under a Level 2 restructuring approved on March 25, 2014 two of the Project's three Key Indicators were replaced using the Bank's Core Sector Indicator (CSI) Biodiversity guidelines. Also, one Intermediate Outcome Indicator (IOI) was revised to reduce its scope. The Restructuring Paper (Bank Report No. RES11225)² states that (i) two Key Indicators were revised rather than replaced, and (ii) the IOI is considered new as opposed to revised. In addition, the new CSI were not included in the restructuring paper's indicator list. This was remedied in the Project's Implementation Status and Results (ISR) report No. 10, archived on November 7, 2014. The final, revised results framework that was applied was the following:

Table 1. Original and Revised Key Indicators and Rationale

Original Key Indicator	Revised Key Indicator	Rationale
250,000 hectares of newly created PAs and/or expanded PAs established, of which 125,000 ha are marine-coastal ecosystems.	Areas brought under enhanced biodiversity protection (ha). New target value: 125,000 ha.	The change responded to a Bank requirement to use CSIs, including in Projects already under implementation. The original reference to the expansion of protected areas with respect to marine-coastal ecosystems was removed and the target value for this indicator reduced, as the targeted marine site was going to be addressed through the then recently approved, full-sized GEF project (Strengthening Sustainable Management of the Guano Islands). ³
Conservation and sustainable management initiatives and programs in three corridors encompassing between 2 to 3 million ha have improved by 40% compared to baseline as measured with the GEF SP2 Mainstream biodiversity METT.	New areas outside protected areas managed as biodiversity-friendly (ha). New target value: 250,000 ha	The indicator was changed due to: (i) the requirement to use CSIs, and (ii) the difficulty in applying and measuring it. During the MTR, it was proposed to remove it altogether. Nevertheless, the indicator was changed to maintain the SP2 METT objective to measure conservation advances in landscapes or biological corridors, even though the mention of "corridors" was dropped, given that the understanding was that "areas outside protected areas" would encompass landscapes and corridors. An additional change included a reduction in the target value, from between 2-3 million hectares to no more than 250,000.

Original Intermediate Outcome Indicator	Revised Intermediate Outcome Indicator	Rationale
Financial and institutional mechanisms developed to allow a sustained contribution from subnational governments and the private sector to national and regional PAs, securing the financing of at least 50% of the management costs of the national PAs and regional PAs located within the selected corridors.	New innovative sustainable financing mechanisms developed and implemented.	This indicator was revised following the MTR, considering the country's social and economic context at the time, making the target of "... 50% of management costs secured..." unattainable in the project's lifetime. While the spirit of the indicator was maintained (focusing on the development of new, innovative mechanisms), the target of 50% was dropped. The expected (at least) five new "innovative sustainable financing mechanisms" ultimately focused on activities by the regional governments and the private sector to manage protected areas and other related initiatives for conservation. Given that by the time of this change, the development of these mechanisms was already underway in a number of pilot sites, the selection of the indicator reflects the effort of the Project team to balance ambition with realism in measuring overall Project progress.

1.4 Main Beneficiaries

8. The Project benefited a number of national, regional and local stakeholders, both from the public and private sectors. SERNANP was the main government beneficiary at the national level, followed by protected area managers, who all gained from strengthened management effectiveness and decision-making processes. Regional and local governments received capacity building and improved their technical skills in landscape management and conservation.

9. Local productive communities and grassroots organizations benefitted also from the Project through the implementation of PAES, which provided incentives to improve local livelihoods and promote a conservation-based approach to socioeconomic development.

1.5 Original Components (as approved)

Table 2. Project Components and Subcomponents

Component 1: Institutional and Policy Program at the National Level (Total \$1.849 million; of which GEF: \$1.093 million, KfW: \$0.3 million; SERNANP: \$0.456 million).
Subcomponent 1.1. Development of policy guidelines, regulations and procedures for the integrated management of Peru's national protected areas system.
Subcomponent 1.2. Design and implementation of a training and environmental awareness program.
Component 2: Ecological Corridors Program (Total \$7.481 million, of which, GEF: \$3.729 million, KfW: \$3.735 million; SERNANP: \$0.017 million).
Subcomponent 2.1. Establishment and operation of selected ecological corridors,
Subcomponent 2.2. Development and implementation of alternative management models for Project Protected Areas in three selected corridors,
Subcomponent 2.3. Carrying out of natural resources management subprojects in three selected corridors to mitigate acute pressure or threats to Project Protected Areas

Component 3: Financial Sustainability of Protected Areas within Selected Ecological Corridors. (Total \$9.18 million, of which, GEF: \$3.18 million, KfW: \$3.0 million; PlusPetrol: \$3.0 million).
Subcomponent 3.1: Capitalization of PROFONANPE's protected areas trust fund in order to generate sufficient income to finance recurrent costs of the Project Protected Areas, located within three corridors, to be selected under the Project and to assist in financing activities under Components 2.2 and 2.3 of the Project
Subcomponent 3.2: Monitoring and evaluation of the Asset Manager's financial strategy and portfolio management
Component 4: Project Management. (Total \$2.205 million, of which, GEF: \$0.88 million, KfW: \$1.19 million; SERNANP: \$0.126 million.).

1.6 Revised Components

10. Project components were not revised.

1.7 Other significant changes

11. A number of grant proceed reallocations were approved in the March 2014 Level 2 restructuring. These reallocations were the result of the MTR and responded to increased parallel funding by KfW, Project co-financer, and to operational requirements identified during the MTR. The full scope of the financial reallocation is detailed in Annex 10.

12. During implementation, it was also decided to increase the number of PAES carried out, from the original target value of 40 to 75 to make full use of the additional KfW resources.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

Project Preparation

13. The ICR found that all available information had been adequately considered within the country context at the time. The Project built on lessons learned from two prior Bank/GEF projects: (a) the Indigenous Management of Protected Areas in the Peruvian Amazon Project (PIMA);⁴ and (b) the Participatory Management of Protected Areas Project (GPAN).⁵ These projects had allowed the country's protected area management agency (at that time INRENA, Instituto Nacional de Recursos Naturales, now SERNANP) and other stakeholders to acquire the necessary skills to implement community-based conservation projects at the landscape level. Nevertheless, given the M&E problems experienced in previous GEF financed projects, the inability to learn from past failures in designing a robust and effective M&E system was one of the major shortcomings of Project preparation, contributing to a great extent to the Project's underperformance as described below.

14. Project preparation took into account the Bank Country Partnership Strategy (CPS 2007-2011), GEF priorities, and lessons from similar projects elsewhere in the region (e.g., promoting participatory approaches towards biodiversity conservation, combining sustainable use of natural resources with the enhancement of community livelihoods, actively integrating the private sector to leverage additional financing and ensure sustainability) as well as all official and relevant country priorities and policies. In fact, Project preparation correctly incorporated the institutional changes that created the

Peruvian Ministry of Environment and SERNANP in 2008. The aforementioned changes are also to a great extent responsible for the lengthy Project preparation, in addition to PROFONANPE's lack of capacity to prepare a new operation, while at the same time implement the preceding project (GPAN, P068250).

15. The risk assessment was adequate for the Project's context and most possible contingencies were considered under the PAD's critical risks. The Project preparation team correctly identified potential issues, such as (i) lack of local commitment and implementation capacity, (ii) possibility that the proposed PAES activities would not generate sufficient local benefits, (iii) limited client capabilities to manage a project of this scope and size, and (iv) the possibility of the trust fund returns to be lower than expected. Appropriate mitigation measures were provided in the risk section of the PAD. The overall risk rating of Moderate was consistent with the likelihood of risks and the individual residual risk ratings.

Design and Quality at Entry

16. Project design overestimated the implementing agency's capacity to implement a large and complex operation. The Project included a significant number of intricate and diverse activities spread across the country, which was managed by a centralized Project team of five staff based in Lima. Implementation was delegated to a large number of national, regional and local stakeholders, which fostered ownership at different implementation levels. While innovative, it required initial learning and affected implementation start up at sub-national levels. In addition, the team also had to supervise the drafting and implementation of a number of planning and policy documents, which involved intensive coordination and negotiation processes with national and subnational public agencies. By the Project's closing date, 190 external consultancy contracts had been signed to support implementation, which added to the management burden of the Project team.

17. As mentioned, the M&E system as developed was not adequate to capture and systematize results that would help achieve the GEO. In addition, no formal data collection and interpretation protocols were developed, which made it difficult for the Project to show evidence of meeting Project objectives.

2.2 Implementation

18. Project implementation was influenced by the following factors:

a. *Implementation efficiency* was affected by the complexity of the Project and the operational arrangements involved. The relatively large number of PAES and the attempt to promote innovative conservation approaches across a significant number of local and regional government agencies and civil society organizations required (i) a competent implementing agency; and (ii) close coordination with the Project teams of the WB and KfW. The ICR found that these conditions were only partially in place, thus once the number of PAES was increased from 40 to 75, additional demands further negatively affected an already constrained implementation capacity.

b. *Implementing agency performance* could have benefited from a more focused approach to technical and financial supervision. While issues with M&E and borrower

performance are described in more detail in sections 2.3 and 5.2 respectively, it is important to highlight that shortcomings were encountered in PROFONANPE's management effectiveness at different levels, including staffing adequacy, effective use of technical assistance and adequacy of M&E.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

M&E Design

19. The Project applied the GEF Management Effectiveness Tracking Tool (METT) as the methodology to measure progress towards key Project outcomes. METT is the standard GEF monitoring tool to determine the status of protected areas and financial sustainability by measuring the existence and application of formal protection instruments (such as, official protected area declarations), management efficiency (e.g., number of staff, formally accepted and published limits, adequate equipment and protocols, etc.) and the availability and sources of long-term funding for a given protected area.

20. During the March 2014 Level 2 restructuring, the Project's original Key Indicators 1 and 2 were replaced with two biodiversity CSIs ("*Areas brought under enhanced biodiversity protection (ha)*") and ("*New areas outside protected areas managed as biodiversity-friendly (ha)*"). Bank CSI guidelines provide specific criteria regarding definitions and measurement of 'enhanced biodiversity protection' and 'biodiversity-friendly management'. In addition, and as agreed between the Bank and the Project team, given the similarities between the CSIs and original GEO Indicators, no changes to the indicator monitoring arrangements were introduced. The ICR found that the tool had been applied, although there have been gaps in reporting on the financial sustainability, making it difficult to provide information on this aspect for all Project interventions.

21. The ICR found that the M&E system (i) in its original form, did not provide for a formal mechanism to measure progress for the original Key Indicator 1, a design omission that was not addressed when the Indicator was replaced; and (ii) lacked adequate tools to measure financial sustainability. As a result, the M&E system in place at the end of the Project was inadequate to provide full evidence to show how all aspects of the GEO had been achieved.

M&E Implementation and Utilization

22. The implementation of the M&E system was reviewed in order to assess its effectiveness within the limitations described in the previous sections. The ICR used the most recent (November 2015) results report provided by the Project team as a starting point, and included interviews with Bank and Project team members as well as with stakeholders during various field visits for its evaluation.

23. During the final evaluation, it became apparent that there had been an over-reporting of a number of indicators, several of which did not fully match with what had been observed during the field visits. Some of these discrepancies appeared to be (i) issues related to indicator interpretation (e.g., a different understanding of the metric applied, which led to double counting of areas), and (ii) cases where advances were reported, that could not be attributed to Project activities.

24. The ICR found that in a number of cases reported progress was based on anecdotal rather than empirical evidence. While some of the numerical targets were easily available and verifiable (e.g., protected areas established, number of PAES applied, documents produced and published), it was found that M&E implementation had not been adequately performed in such a way as to guarantee proper data collection and robust interpretation of results. M&E utilization could have benefited from more robustness to contribute to the achievements of the Project. Some of these instances can be attributed to the inadequate design of the M&E system, which forced the Project team to rely on relatively subjective observation rather than concrete measurements. Following the MTR, these issues became more prominent and corrective actions were identified and agreed upon. Nonetheless, as these actions were not seen as a priority by the Project implementation team, their implementation was delayed and came too late to have a positive impact on the M&E system.

2.4 Safeguard and Fiduciary Compliance

Social Safeguard Compliance: The following social safeguards were triggered: (i) OP/BP 4.10 due to the expected presence of Indigenous Peoples (IP) in the Project areas, and (ii) OP/BP 4.12 due the potential for restrictions to access to natural resources in the creation of regional and local protected areas. The recipient prepared an Indigenous Peoples Planning Framework (IPPF) to comply with OP/BP 4.10 and to ensure IP active participation and benefit sharing; as well as a Process Framework to comply with OP/BP 4.12 and ensure proper compensation in case of limits in the use of natural resources. Furthermore, a “*Guideline for the Application of the Social Safeguards*” was prepared as a practical tool to be used by the staff of the regional conservation systems. Staff members were trained in multi-stakeholder workshops in the Project sites. The Project produced annual reports on the status of both social safeguards as well as a final report before closing.

25. Environmental Safeguards Compliance: The following environmental safeguards were triggered: (i) OP/BP 4.01 on Environmental Management due to small infrastructure (e.g., tourism facilities) and civil works; (ii) OP/BP 4.36 on Forests due to the fact that some PAES and small infrastructure might adversely impact forest ecosystems; and (iii) OP/BP 4.04 on Natural Habitats as some PAES and small infrastructure might have been located within protected areas that conform the corridors.

26. The Project’s Integrated Safeguard Data Sheet (ISDS) extensively listed preventive, corrective and compensatory measures that were to be adopted to manage any adverse environmental impact and adapted to the specific conditions of each Project site. These measures were specific for the construction of buildings and infrastructure, as well as road and trail maintenance, although in practice the Project did not finance these activities. Since PAES were the main focus of field interventions of this Project, environmental screening and management of environmental impacts should have been a priority during Project implementation.

27. Although in the past PROFONANPE has shown good capacities to apply environmental safeguards, during supervision, the Bank visited Project sites and found that the Project team could have paid more attention to the application of these, as well as other environmental issues associated to PAES. In order to address these deficiencies, the Bank proposed mitigation measures and provided closer supervision support. As common environmental and health impacts from PAES were low and localized (including indoor air pollution, and risk of injury due to lack of information to the community on safety and health risks associated to functioning and operation of cattle feed cutting machines), mitigation measures were simple and easily implementable (e.g., information, construction of a chimney, etc.).

The Project produced annual reports on the application status of environmental safeguards, as well as a final report prior to closing. Most reports were broadly written with the exception of the final one, which identified specific environmental risks and impacts in a number of PAES, as well as mitigation measures.

28. *Procurement Compliance:* Four ex-post procurement reviews were conducted by the Bank during Project implementation (April 2012, March 2013, April 2014, and April 2015). The ex-post reports included recommendations that helped improve the management of procurement processes, including: (i) operationalization of the SEPA (System for Execution of Procurement Plan); (ii) updating and management of Procurement Plan; (iii) insertion of Fraud and Corruption Clauses in every contract; and, (iv) improving contracts monitoring and administration. Based on these recommendations, an action plan was included in the ex-post reports, which was followed during Project execution.

29. *Financial Management Compliance:* PROFONANPE was responsible for the management of the Project funds, including the Project's sub-grants, which was implemented in decentralized localities and protected areas. PROFONANPE put adequate financial management arrangements in place, including (i) qualified personnel, (ii) adequate accounting policies and internal control procedures, as well as (iii) the use of a financial information system that supported the preparation of Project financial reports, which were submitted in a timely manner. Nevertheless, since PROFONANPE had to rely on SERNANP and local authorities to obtain justifications of expenditures under the sub-grant category, delays occurred regularly for transaction processing and activity controlling. Throughout Project implementation auditors issued unqualified (clean) opinions on the Project's financial statements during Project implementation.

30. It is noteworthy that PROFONANPE's internal control systems found that the Regional Government of Tumbes (one of the beneficiaries of the Project) had been misusing Project funds, which were subsequently declared ineligible. Since the Regional Government of Tumbes never reimbursed these ineligible expenditures PROFONANPE had to refund the funds to the Bank from its own resources. Given that PROFONANPE is continuing to implement GEF financed projects, it is recommended that: (i) prior to disbursing any funds a detailed preliminary assessment should be carried out for any recipient institution to evaluate risk and determine its capacity to receive and manage

project funds, while (ii) at the same time, establish clear mitigation measures that allow for the recovery of any funds that are not being used for the intended purpose.

2.5 Post-completion Operation/Next Phase

31. As indicated earlier, shortly after the Project's approval, the GEF approved the concept note for a stand-alone Project to strengthen the management of the Guano Islands, Islets, and Capes National Reserve System (RNSIIPG). The Project was approved in December 2013 and is currently under implementation. As this new Project is focusing its interventions on the conservation and management of a marine and coastal reserve, PRONANP was able to direct its intervention towards terrestrial protected areas, while at the same time increasing its coverage. At present there is no successor project with a similar focus underway or planned, which would ensure a more robust long-term sustainability for the work facilitated by PRONANP at national, regional and local levels. In particular, the income generated by the Endowment Fund at this point cannot solely finance the support required to fully preserve and develop Project achievements.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Relevance of Objectives

32. Under Pillar 1 "Economic Growth" of the Bank's Peru Country Partnership Strategy (CPS) for the period 2007 to 2011, the Project had been incorporated as part of the Bank's objective of "making growth environmentally sustainable," hereby contributing to the conservation and management of critical biodiversity assets. In addition, results area 3.3 of the 2012-2016 CPS "Strengthening environmental management" highlights the Project's contribution to strengthening of environmental management capacity in regional governments as well as a more effective inclusion of biodiversity conservation into national and regional development plans.

33. GEF 6's Biodiversity Focal Area Strategy 1 (BD1; effective until June of 2018)⁶ states that "GEF support under this objective will strengthen these fundamental aspects of protected area system sustainability: finance, representation, and capacity building leading to effective management. GEF will continue to promote the participation and capacity building of indigenous peoples and local communities, especially women, in the design, implementation, and management of protected area projects through established frameworks such as indigenous and community conserved areas." The ICR considers that the Project's GEO and Key Indicators do contribute towards the current GEF BD1. The ICR also considers that the Project's GEO/Key Indicators remain in line with Peru's protected areas strategy, which defines connectivity, ecological representativeness and conservation of biodiversity as fundamental approaches protected area management. Relevance of Objectives is rated **High**.

Relevance of Design

34. The Project's GEO outcomes ("expanding the ecological representativeness of the member country's Protected Areas System" and "implementing conservation activities at

various levels [...] within ecological corridors”) were designed to contribute to “the long-term ecological sustainability of” Peru’s protected areas, Project components were focused on the establishment of the enabling environment supporting the creation and improved management of protected areas, including establishment of working groups, the development of planning instruments, institutional strengthening at various levels, as well as the attempt to secure funding for the country’s protected areas. While all these were important interventions from a conservation perspective that, with proper supervision and a well-established causal chain, could have even better contributed to the Project outcomes, they were affected by the absence of a direct relationship between corresponding outputs and GEO outcomes and a suboptimal M&E system.

35. The Project was designed to (i) strengthen capacity, (ii) provide planning and policy instruments, and (iii) deliver rather modest infrastructure improvements to a relatively low number of protected areas, with the aim to achieve the GEO. However, given the limited recourses, size of the Project area and proposed activities, the design was overambitious. Relevance of Design is rated **Modest**.

3.2 Achievement of Global Environmental Objectives

36. The ICR assessed the achievements of the GEO and its key associated outcome targets, by reviewing results/outputs reported by the implementing agency, and evaluating these against their actual contribution towards the Project’s objective and outcomes. For ICR purposes, the outcome assessed was the contribution to the long-term ecological sustainability of Peru’s PAs, and the (i) expanded ecological representativeness of Peru’s PA system and (ii) conservation activities at various levels (national, regional, and private) implemented within ecological corridors. Assessment was done using additional information beyond the existing indicators, considering the previously mentioned issues in Project and M&E system design.

37. *Long term ecological sustainability of the protected areas.* The Project supported the implementation of an innovative conservation approach. The latter was accompanied by activities to leverage additional financial resources through: (i) PAES local counterpart funding, (ii) public investment projects by regional and local entities that were supported by the Project, (iii) private and public funding commitments, and (iv) budgetary allocations from regional governments, all of which supported mainstreaming and maintaining conservation efforts in the long term. The capacity provided at regional and local level is expected to enable stakeholders to access and manage available alternative financial resources for the purpose of financing biodiversity conservation at different levels.

38. *Expanding ecological representativeness.* At the end of the Project, the required causality between Project activities and the declaration of new protected areas, in support of an increase in the ecological representativeness was demonstrated through (i) the identification and prioritization of key biodiversity assets at national and regional, (ii) the financing of baseline studies and (iii) carrying out of community outreach activities. In addition, the Project supported the development and/or establishment of a management regime for these newly declared areas. However, capacity and resources to implement

these management plans, thus achieving the long-term biodiversity protection goals in all new protected areas was not possible in all instances given a five year Project implementation period.

39. *Conservation activities at various levels implemented within ecological corridors.* The Project was successful in mainstreaming biodiversity conservation into integrated land management approaches. This approach, implemented through Project support, has been promoted by SERNANP as part of its long-term strategy at national and regional level. It has been implemented on the ground through the promotion of the PAES, conservation agreements and concessions inside the corridors, which would satisfy the criteria of '*biodiversity-friendly management*'. By the end of December 2015, 75 PAES (on 843,923 has) have been implemented in selected corridors, and a sample of PAES, which were reviewed as part of the ICR preparation determined that 40 percent (or 337,569 hectares) had achieved their conservation objectives.

40. In summary, the ICR rates Project Efficacy as **Substantial**.

3.3 Efficiency

Rating: **Modest**

41. The efficiency of the Project is rated as Modest as the ex-post economic analysis reveals some positive results in terms of net present values and modest economic rates of returns based on four scenarios simulated. The economic analysis relied on the composite economic value associated with Protected Areas as published in the Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium (WB, 2011).

42. The analysis assumed two annual growth rates for the economic values associated with Protected Areas to extrapolate economic values per hectare for years 2011 through 2030. First, an average annual growth rate of 5.5% computed using 2008 and 2010. Another set of simulations was run assuming just 80% of the calculated growth rate. Similarly, the analysis proceeded with 2 values of the percentage of deforestation avoided as the result of this Project. FAO estimates that Peru experienced a deforestation rate of 0.15% between 1990 and 2010. Another simulation was performed assuming 80% of deforestation was prevented in the areas brought under conservation by the Project. These simulations were done with four different discount rates 2%, 6%, 8% and 10%.

43. The results show that both scenarios with only 80% of deforestation prevented yield negative Net Present Values for higher discount rates. All Economic Rates of Return turn out relatively low compared to rates achieved in similar Bank projects in the region (Costa Rica and Colombia). Consequently, Benefits to Cost Ratios remain below 3, **Modest** as well.

3.4 Justification of Overall Outcome Rating

Rating: **Moderately Unsatisfactory**

51. The Overall Outcome Rating of the Project, measured by combining relevance of objectives and design, achievement of GEO, and efficiency, is Moderately Unsatisfactory. The rationale for this rating is based on:

- The combination of a high relevance rating for the Project's Objectives, which are in line with the country's protected areas strategy, and Modest rating for an overambitious design, given limited recourses, size of planned intervention areas and proposed activities (as well as a suboptimal M&E design), resulted in an overall Modest relevance rating.
- The achievement of main aspects of the GEO and key associated outcome targets, expected to have provided the enabling environment for mainstreaming conservation approaches into landscape planning processes at different levels, considered to be Substantial.
- A Modest efficiency rating, as a result of the ex-post economic analysis, showing Economic Rates of Return lower compared to rates achieved in comparable Bank led projects in the region.

52. As per current IEG ICR guidelines⁷, a combination of two Modest ratings with one Substantial rating results in an Overall Outcome Rating of **Moderately Unsatisfactory**.

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

53. Although it was not an objective of the Project, the ICR identified moderate to significant improvements to the livelihood of some of the rural communities that were targeted through the 75 PAES. During field visits, community leaders, local farmers, students and women appreciated the support provided by the Project. One additional effect was the increased empowerment of local communities through capacity building and training; examples included technical assistance for increased knowledge of the communities' legal rights, better community organization, the development of community-based small-scale enterprises, and an overall improvement of conservation-inclusive income generated by activities in targeted areas. The PAES that were successful showed that conservation-based economies are indeed a valid alternative to extractive industries. This was especially the case in areas where agroforestry was applied (see Annex 12 for details and examples of visited PAES).

(b) Institutional Change/Strengthening

54. The Project did provide support to the strengthening of environmental management capacity at national and regional government level, through the assistance provided to SERNANP as well as seven regional governments. This resulted in a more effective inclusion of biodiversity conservation into national and regional development plans.

(c) Other Unintended Outcomes and Impacts (*positive or negative, if any*)

55. Not applicable.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

56. No EOP beneficiary survey was carried out for the Project. Nevertheless, field visits during ICR preparation provided anecdotal evidence that stakeholders and beneficiaries appreciated the support and technical assistance provided by the Project. While capacity

strengthening at government level helped to mainstream the consideration of conservation concerns into regional and local development planning, producer groups and grassroots organizations were able to increase local livelihood benefits and conservation-based income-generating activities. These findings were confirmed during a final workshop held in December 2015, which included representatives from a wide range of Project beneficiaries.

4. Assessment of Risk to Development Outcome

Rating: **High**

57. The risk to development outcomes has been affected by at times inadequate supervision (see section 5.1.b of this ICR) and inefficient implementing agency performance (see section 5.2.b of this ICR) to properly address the challenges of an overly ambitious Project design and introduce necessary changes.

58. One of the main premises behind the Project was the willingness by local, regional and national stakeholders to proactively support the implementation of alternative, conservation-based financial mechanisms as a tool for enhanced environmental management. Political will and financial resources to provide counterpart funding were a key pillar, without which no further activities could have had a significant impact. Project funding alone was never assumed to be enough and would have defeated the point of creating financial self-sustainability. As has been mentioned, while local commitment does exist, this depends on the continued availability of ex-post financial resources and political will to provide national, regional and local funding to ongoing Project initiatives.

59. There are concerns related to the overall economic environment as Peru's economic outlook is presently uncertain.⁸ With raw material exports stalling due to an increasingly struggling Chinese economy (Peru's main buyer of mining resources), a pessimistic business perception, a weak currency and upcoming Presidential elections in April of 2016 (which have created uncertainty in the public sector), there are few signs that would point to a continuation of funding to support local and regional conservation initiatives that are not providing clear and significant benefits to the local communities. In addition, if the trust fund continues to underperform or even if for some reason returns were to pick up within the next year or two (2016-2017), it would still be insufficient to maintain the current level of Project investments and benefits.

60. The ICR concludes that the Risk to Development Outcomes is **High**.

5. Assessment of Bank and Borrower Performance

5.1 Bank

(a) Bank Performance in Ensuring Quality at Entry

Rating: **Moderately Unsatisfactory**

61. Without being able to interview members of the original Bank team, the ICR found that Bank Performance in Ensuring Quality at Entry was, in retrospect, not adequate

given the level of complexity and ambition that the Project entailed. A somewhat more conservative approach would have been preferred in order to provide flexibility to face problems during implementation, but given PROFONANPE's reputation, a solid risk assessment and the relative straight forwardness of the Project leads to the assumption that the team did not foresee major problems as long as there was proper supervision.

62. In addition, the issues that have been described regarding the inadequacy of the M&E system and the disconnect between a number of outputs and outcomes appears to have been a common occurrence within GEF-financed Protected Area projects in Peru, thus should have been. The Bank has only recently begun to strengthen its environmental and biodiversity monitoring expertise, and the ICR considers that by the time of Project design and appraisal the Bank team would not have been in a position to fully identify the problems, especially since CSIs were only introduced to Bank operations by the time the project had already been approved.

(b) Quality of Supervision

Rating **Moderately Unsatisfactory**:

63. Bank performance could have been more conducive to improve implementation. Given that since inception, Project implementation suffered from delays, due to a complex design and multitude of stakeholders involved. The ICR found that, these issues could have been addressed more effectively, if the Bank team could have been (i) more proactive in setting up a better communication system among all partners (Project team, PROFONANPE, SERNANP, KfW and the Bank); (ii) firmer in taking corrective measures to tackle Project management difficulties; and (iii) more rigorous in analyzing the possible impact when introducing changes, especially with respect to M&E and operations.

64. While a less-than-optimal Bank supervision is not solely responsible for the earlier described underperformance of the Project in achieving its GEO, a more hands-on and rigorous involvement could have promoted adjustments to the Project that could have eventually contributed to better results. That said, the ICR determined that the Bank team *did* indeed try to find solutions to the increasing number of Project issues, especially towards EOP when it became apparent that the Implementing Agency would not be able to achieve the GEO despite a number of changes agreed to the Project by the Bank. Unfortunately, the combination of an overly ambitious and flawed Project design, a complex implementation and subpar client performance did not contribute to the effectiveness of Bank team interventions

(c) Justification of Rating for Overall Bank Performance

Rating: **Moderately Unsatisfactory**

65. Bank Performance in Ensuring Quality at Entry and Bank Quality of Supervision have both been rated Moderately Unsatisfactory. Overall Bank Performance is thus rated **Moderately Unsatisfactory**

5.2 Borrower

(a) Government Performance

Rating: **Moderately Satisfactory**

65. Government (either through the Ministry of Environment (MINAM), SERNANP or any of the other national and subnational entities), while committed to the Project, was found to have lacked appropriate human and financial resources to fully and continuously engage during Project implementation. On the other hand, interaction between government officials and the Bank team were fluid and productive and helped to resolve some of the problems identified. Nevertheless, there were shortcomings in terms of delays and bureaucratic hurdles that could have been avoided through a more active participation of SERNANP and MINAM. As a result, Government Performance is rated **Moderately Satisfactory**.

(b) Implementing Agency or Agencies Performance

Rating: **Moderately Unsatisfactory**

66. Following the pre-final and ex-post evaluations, the ICR concluded that PROFONANPE, as the main implementer of the Project, performed below its capacity. Key findings included (i) a Project team that was (a) chronically understaffed and overwhelmed by the volume of Project activities, (b) stretched thin given the distribution of PAES across the country; (ii) the lack of an effective and robust M&E system, which would also have provided for the consolidation and systematization of Project data and information; (iii) delayed delivery of critical reports; and (iv) unwillingness to acknowledge opportunities to learn from other experiences and to introduce adjustments to improve implementation.

67. PROFONANPE missed opportunities to provide closer oversight of the Project team, to ensure that agreed corrective actions to improve project performance would have been implemented. PROFONANPE appears to have been overburdened on its own, as the number of projects and funds managed was increasing rapidly without the agency's structure adapting accordingly. Especially during the fourth and fifth years of the Project, PROFONANPE was focused on becoming the implementing agency for the GEF Adaptation Fund (AF) and the Green Climate Fund (GCF). Although this reflects a positive dynamic for the organization, it is possible that these new responsibilities and endeavors, reduced PROFONANPE's capacity to properly oversee the Project. Implementing Agency Performance is hence rated **Moderately Unsatisfactory**.

(c) Justification of Rating for Overall Borrower Performance

Rating: **Moderately Unsatisfactory**

68. Government Performance has been rated **Moderately Satisfactory** and Implementing Agency Performance **Moderately Unsatisfactory**. As per current ICR guidelines⁹, Overall Borrower Performance is rated **Moderately Unsatisfactory**.

6. Lessons Learned

69. When Project design and objectives are ambitious, it is important that available resources are not spread too thinly. In projects with relatively modest financing, the focus of project implementation should be on fewer project intervention areas, where anticipated results are achievable and can be sustained (physically and financially) in the medium to long term. Only after interventions have shown to achieve anticipated results should an upscaling or implementation in other areas be considered. Such phased approach should be facilitated by a capable and decentralized project team with knowledge of the local circumstances. Where the implementation is done from the headquarter of the implementation agency, reliance on local (short-term) service providers puts additional management burden on the (centralized) project team and increases administrative and operational costs.

70. Bank supervision should ensure that design flaws are identified early and mitigation measures implemented, even prior to Mid-term Reviews (MTRs). When MTRs include independent evaluations of project performance, an analysis of the project design should always be included and recommendations for improving the implementation effectiveness through proactive and practical adjustments.

71. In cases where parallel financing is available, it is critical to ensure that components/activities can be fully implemented without requiring prior agreements among different financiers. While additional funding can help to improve flexibility and increase coverage for project intervention, without clarity on resource allocation and fund availability, project implementation will be affected negatively. In addition, co- and/or parallel financing usually poses a challenge in attributing results to a particular funding source. It is therefore important that the design takes this into account and makes the necessary arrangements so that (i) activities and/or components are funded by a single financier; and (ii) results can be attributed to a particular financing source.

72. To ensure that a project's M&E Framework serves its purpose as a management tool, relevant project stakeholders need to adequately understand its concepts and have the capacity to ensure appropriate implementation. This is of particular importance when changes to the framework (such as changing or revising indicators during project implementation) are being introduced. Where this is not the case, these deficiencies need to be identified and addressed as a matter of priority. This could be done by providing additional technical assistance to the implementation agency or, in circumstances where better suited capacity is available outside, bringing this expertise into the project at the design or early implementation stage (usually when the project's baseline survey is carried out). To ensure that project achievements are being properly captured and readily available at project closure, consolidation and systematization of results should be integrated in the M&E system.

73. While ecological baselines are not always readily at hand, science offers a number of alternatives for properly measuring conservation achievements when data is difficult to

obtain or not available. Only biodiversity operations and/or components that incorporate simple, but proven data collection and measurement tools will ultimately be able to deliver on the outcomes expected from such programs in the long term.

74. Considering that the Bank has ample experience in promoting the setup and implementation of Conservation Endowment Funds, in cases where investment strategies in a given project are not yielding expected returns, a more pro-active and closer supervision is required. This could be done in more hands-on capacity building, the promotion of South-South exchange with other Endowment Funds or actively support fundraising efforts.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

75. Written comments on the draft ICR were received from PROFONANPE and are summarized in Annex 5. Main concerns raised were related to (i) the draft ICR's perceived underrepresentation of the impact the Project had in mainstreaming biodiversity conservation into national and regional decision making processes, while building Protected Area systems at these levels; (ii) disagreements with respect to the adequacy of the M&E system; and (iii) effectiveness of the implementation arrangements.

76. A number of these comments have been addressed in the final elaboration of the ICR, following a review of the issues related to Project performance and effectiveness of established implementation arrangements, while not fundamentally changing the ratings of Project outcomes and efficiency.

(b) Cofinanciers

77. While no written comments were received, KfW indicated that its own final evaluation confirm the findings of the present ICR.

(c) Other partners and stakeholders

N/A

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Component 1: Institutional and Policy Program at the National Level	1.849	1.698	86
Component 2: Ecological Corridors Program	7.481	9.676	129
Component 3: Financial Sustainability of Protected Areas within Selected Ecological Corridors	9.18	12.821	140
Component 4: Project Management	2.205	1.943	88
Total Project Costs	20.715	23.738	126

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower	Parallel	0.60	0.60	100
Global Environment Facility (GEF)		8.89	8.89	100
GERMANY: KREDITANSTALT FUR WIEDERAUFBAU (KFW)	Parallel	8.23	14.85	181
Local Sources of Borrowing Country	Parallel	3.00	1.80	60

Annex 2. Outputs by Component

Original Component	Subcomponents	Outputs
<p><i>Component 1. Institutional and Policy Program at the National Level (Total \$1.849 million; of which GEF: \$1.093 million, KfW: \$0.3 million; SERNANP: \$0.456 million).</i></p> <p>Component 1 focused on setting up a solid regulatory, information and communication framework to support field activities carried out under the other components.</p>	<ul style="list-style-type: none"> • <i>Subcomponent 1.1. Development of policy guidelines, regulations and procedures for the integrated management of the Peru's national protected areas system.</i> This subcomponent would update and develop the regulatory framework needed to implement conservation at various levels (national, regional, local, public and private) within protected areas inside ecological corridors. The framework included management plans, guidelines, procedures and similar instruments for management, coordination, zoning and monitoring. It also included improving an existing management information system and the completion of a national ecological map. • <i>Subcomponent 1.2. Design and implementation of a training and environmental awareness program.</i> This subcomponent would set up a dedicated outreach program at various levels and media, including activities for the formal education system, multimedia pieces, personalized training, and interpretation activities inside protected areas and training for trainers. Media coverage at the national level around the concept of ecological corridors was also included. 	<p>1.1 The regulatory framework and all its expected instruments were satisfactorily developed and implemented as described by the PAD. One exception was the monitoring system, which was not developed adequately and consequently not put in place.</p> <p>1.2 The client did carry out local outreach activities, however, the implementation fell short of adequately promoting the concept of ecological corridors with a significant educational impact at regional and national levels. Overall, since the client appears to have put a lot of emphasis on the local and regional (i.e. within the influence area of the corridors) dimension of Project execution, the concept behind the Project GEO has been lost. This was very apparent in this particular subcomponent, where the sustainability of the outreach program after the Project ended is unsure.</p>
<p><i>Component 2. Ecological Corridors Program (Total \$7.481 million, of which, GEF: \$3.729 million, KfW: \$3.735 million; SERNANP: \$0.017 million).</i></p> <p>This component focused on the actual management of protected areas, both</p>	<ul style="list-style-type: none"> • <i>Subcomponent 2.1. Establishment and operation of selected ecological corridors.</i> This subcomponent aimed at establishing the management frameworks at the specific ecological corridor level, including management plans for the corridors and the protected areas within; basic infrastructure and management committees; and other management structures. 	<p>2.1 The corridors were selected and established, and management plans and other legal instruments were put in place. Management committees were operating. Basic infrastructure was not provided.</p> <p>2.2 Alternative management mechanisms were designed and put in place successfully. Local communities and grassroots organization mostly demonstrated great levels of motivation and willingness to assume</p>

<i>Original Component</i>	<i>Subcomponents</i>	<i>Outputs</i>
at the corridor and at the formally protected area (e.g. national parks, wildlife refuges, protected forests, etc.) level.	<ul style="list-style-type: none"> • <i>Subcomponent 2.2. Development and implementation of alternative management models for Project Protected Areas in three selected corridors.</i> This subcomponent designed and implemented alternative management mechanisms, i.e. the delegation of protected area management and conservation to the organized private sector (associations, etc.) under different models. • <i>Subcomponent 2.3. Carrying out of natural resources management subprojects in three selected corridors to mitigate acute pressure or threats to Project Protected Areas.</i> This subcomponent focused on designing and providing sustainable economic alternatives to local communities with high impact potential on Project sites. 	<p>the responsibilities of protected area management. Regional governments develop a good rapport with these organizations, which lead to, in most cases, efficient working relationships.</p> <p>2.3 The subprojects (PAES in Spanish), were based on a previous WB/GEF experience with the same client. While in most cases the PAES had an underlying focus on improving local livelihoods, in most cases no conservation impact could be proven. The final ICR mission, carried out in December of 2015, found that only 40% of PAES had actually achieved their objectives.</p>
<i>Component 3: Financial Sustainability of Protected Areas within Selected Ecological Corridors. (Total \$9.18 million, of which, GEF: \$3.18 million, KfW: \$3.0 million; PlusPetrol: \$3.0 million).</i>	<ul style="list-style-type: none"> • <i>Subcomponent 3.1: Capitalization of PROFONANPE's protected areas trust fund in order to generate sufficient income to finance recurrent costs of the Project Protected Areas, located within three corridors, to be selected under the Project and to assist in financing activities under Components 2.2 and 2.3 of the Project.</i> This subcomponent was exclusively aimed at setting up a Trust Fund dedicated to (i) providing sustainable funding for recurrent costs of the protected areas within Project scope, and (ii) financially supporting some of the field activities to be implemented under subcomponents 2.2 and 2.3. 	<p>3.1 The Trust Fund was ultimately capitalized with US\$ 12.6 million, which included US\$ 3 million from GEF and US\$ 9.6 million from KfW. PlusPetrol funding did not materialize. PROFONANPE's investment strategy was unable to sustain the original capital investment and to generate returns on investment.</p>

<i>Original Component</i>	<i>Subcomponents</i>	<i>Outputs</i>
<p><i>Component 4: Project Management. (Total \$2.205 million, of which, GEF: \$0.88 million, KfW: \$1.19 million; SERNANP: \$0.126 million.).</i></p>	<p>[Subcomponents did not exist for Component 4. They have been added by the ICR for ease of analysis]</p> <ul style="list-style-type: none"> <p><i>Subcomponent 4.1: General administration and fiduciary management.</i> This subcomponent included the financing of goods, consulting services, staff, equipment, travel, operating expenses and incremental costs needed for Project management, including the hiring of the Technical Team (including the Project coordinator, the procurement specialist and the administrative assistant), the carrying out of external audits, as well as the financing of the costs of meetings by the Administration Council and Consultative Committee.</p> <p><i>Subcomponent 4.2: Monitoring and evaluation, technical assistance, and training.</i> This subcomponent included the design and implementation of a monitoring and evaluation system in order to have available a technical guide on Project progress, including the provision of technical assistance, goods and carrying out of training.</p> 	<p>4.1. Fiduciary management by the client was adequate, although some problems were identified during implementation, including capacity constraints affecting Project implementation as well as effective communication with stakeholders at different levels.</p> <p>4.2 In line with the above, the Project team failed to develop a solid M&E system that would have allowed it to identify and correct problems during implementation. An insufficient and incorrect application of METT and changes to the Results Framework a little over a year before Project closing contributed to a less-than-optimal monitoring and a lacking use of M&E data.</p>

Annex 3. Economic and Financial Analysis

(including assumptions in the analysis)

The PAD states that the natural wealth residing in Peru's ecosystems has direct linkages to economic productivity: 99% of fisheries rely on wild hydro-biological resources, 95% of livestock grazes on wild native grasslands, 99% of forestry activities rely on native forests and 65% of agricultural production revolves around native genetic resources. Therefore the government has taken bold action to preserve the country's vast natural wealth. The Ministry of Environment and the National Natural Protected Areas Services were established in May 2008. Furthermore, the National Natural Protected Areas System was created in 1990, which covers 18.04 million hectares or 14.04% of the national territory in 63 protected areas at the national level.

In addition, the Government of Peru established funding facilities such as the Trust Fund for National parks and Protected Areas which has built a portfolio of \$108 million. A number of external partners have provided financial support to complement the Government efforts. These include GEF, World Bank, and KfW among others.

The Project's Global Environment Objective (GEO) is to contribute to the long-term ecological sustainability of the Peru's Protected Areas by expanding the ecological representativeness of the Country's Protected Areas System and implementing conservation activities at various levels (national, regional, and private) within ecological corridors.

The Project received a GEF grant of \$8.891 million along with a co-financing from KfW (\$8.225 million), the Government (\$599,000), and Plus Petrol, a private oil company (\$3 million). Total Project cost therefore was \$20.715 million. GEF funds represent about 42% of total Project cost.

In the PAD, two Outcome indicators are: (a) 250,000 hectares of newly created PAs and/or expanded PAs established, of which 125,000 ha are marine coastal ecosystems; and (b) Conservation and sustainable management initiatives and programs in three corridors encompassing between 2 to 3 million ha have improved by 40 % compared to baseline as measured with the GEF SP2 Mainstream biodiversity METT. As discussed in the ICR, these indicators were replaced during implementation by 2 Core Sector Indicators: (a) Areas brought under enhanced biodiversity protection (ha), which at Project closing was estimated at 175,996 ha (target was 125,000 ha); (b) New areas outside protected areas managed as biodiversity-friendly (ha). This second indicator report an actual of 853,099 ha at Project end while its original target was 250,000 ha. The ICR discusses that in actuality, only 40% could be considered as realized. For the purpose of the economic analysis, both indicators were distributed evenly over the implementation period (2011 through 2015) with zero hectare imputed to 2010.

During Appraisal, the team could not perform a formal economic analysis. However, the PAD, relying on proxies for biodiversity conservation such as deforestation rate; soil, water, and air conservation; and changes in indicator species to indicate that the Project

would bring significant benefits to the country. The PAD cites a study (León M., Fernando. 2007. *El Aporte de las Áreas Naturales Protegidas a la Economía Nacional*. INRENA. Lima, Perú) that shows some of the numerous benefits of protected areas in the country including provision of water for 2.7 million of inhabitants, an estimated \$320 million in hydropower, an annual value of irrigated agricultural production and entrance fees from eco-tourism.

The approach for the economic analysis at the Implementation Completion and Results stage uses the annual economic value associated with protected areas (per hectare) as published in *The Changing Wealth of Nations: Measuring Sustainable Development in the New Millennium* (2011)².

In the report, the value of Protected Areas as defined by the International Union for Conservation of Nature categories I–VI is estimated as the quasi–opportunity cost for land. For Peru, the economic value of protected areas is estimated at US\$ 2,370/ha in 2008, and US\$ 2,635/ha in 2010. Using these two annual values, an annual growth rate of 5.5% was computed and used to extrapolate economic values for year 2015 through 2030. These annual economic values were then applied to the estimated areas (ha) prevented from deforestation due to the fact that they have been brought under enhanced biodiversity protection or managed as biodiversity-friendly.

Given that GEF funds represent about 42% of total Project cost, the analysis applied a weight of .42 to all estimated benefits in order to determine the proportion of benefits attributable to this Project.

The simulations of the economic analysis used 4 discount rates: 2%, 6%, 8%, and 10%. Six percent as discount rate was recently recommended in a Technical Note published by the Chief Economist for Sustainable Development Practice Group. Also, the analysis assumed 2 values for the deforestation avoided in protected areas: 0.15% reported by FAO³ as the deforestation rate in the country between 1990 and 2010) and 0.12% (assuming that about 80% of the 0.15% deforestation were actually prevented). Finally, the analysis allowed the growth rate of economic rate of protected areas to be 20% percent less than 5.5% computed based on 2008 and 2010 values.

Below are the results of the analysis. Only scenarios 1 and 3 yield positive net present values for all 4 discount rates. Subsequently, the Economic Rate of Return is 12% and 11% respectively. Scenario 2 shows that at a discount rate of 10%, present value of costs surpass the present value of benefits. Similarly, Scenario 4 shows negative net present values at 8% and 10% of discount rates. Therefore, efficiency is rated as **Modest**.

² <http://siteresources.worldbank.org/ENVIRONMENT/Resources/ChangingWealthNations.pdf>

³ <http://rainforests.mongabay.com/deforestation/2000/Peru.htm>

Discount Rate	Growth Rate of Benefits = 5.5%				Growth Rate of Benefits = 4.4%			
	Scenario 1		Scenario 2		Scenario 3		Scenario 4	
	0.15% Deforestation		0.12% Deforestation		0.15% Deforestation		0.12% Deforestation	
	NPV	BCR	NPV	BCR	NPV	BCR	NPV	BCR
2%	10.2	2.7	6.5	1.82	8.1	2.01	4.9	1.61
6%	4.3	1.61	2.0	1.29	3.1	1.44	1.1	1.15
8%	2.5	1.38	0.7	1.11	1.6	1.24	-0.1	0.99
10%	1.2	1.19	-0.3	0.95	0.5	1.08	-0.9	0.86
	ERR: 12%		ERR: 9%		ERR: 11%		ERR: 7%	

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Gabriela Arcos	Environmental Specialist	LCSEN	Task Team Leader
Renan Poveda	Sr. Environmental Specialist	GEN04	
Claudia Sobrevila	Sr. Environmental Specialist	GEN01	
Alonso Zarzar	Sr. Social Scientist	GSU04	Social Safeguards
Andrea Seeman	Consultant		
Dinesh Aryal	Sr. NRM Specialist	GEN01	
Xiomara Morel	Lead Financial Management Spec.	GGO22	
Nelly Ikeda	Financial Management Specialist	GGO22	
Francisco Rodriguez	Sr. Procurement Specialist	GGO04	
Gunars Platais	Sr. Environmental Specialist	GEN04	
Patricia Hoyes	Sr. Financial Management Specialist	GGO22	
Brenna Vredevel	Junior Professional Associate	LCSEN	
Supervision/ICR			
Gabriela Arcos	Environmental Specialist	LCSEN	Task Team Leader
Mariana Montiel	Senior Counsel	LEGLE	
Nelly Ikeda	Financial Management Specialist	GGO22	
Francisco Rodriguez	Sr. Procurement Specialist	GGO22	
Selene del Rocio la Vera	Procurement Specialist	GGO04	
Monica Tambucho	Sr. Finance Officer	WFALN	
Lelia Sampaio Werner	Sr. Finance Assistant	WFALN	
Alonso Zarzar	Sr. Social Scientist	GSU04	Social Safeguards
Raul Tolmos	Environmental Specialist	GEN04	Env. Safeguards
Christian Peter	Program Leader	LCC2C	Task Team Leader
Rachel Pasternack	Junior Professional Associate	LCSEN	
Gabriela Encalada	Environmental Specialist	GEN04	Co-TTL
Juan Paulo Rivero	FM Consultant	GGO22	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY06	3	8.94
FY07	7	29.86
FY08	11.5	58.10
FY09	31	128.84
FY10	6	24.46
Total:	68	250.20
Supervision/ICR		
FY10	9.5	39.78
FY11	16	35.24
FY12	12	31.06
FY13	16	75.99
FY14	13	67.24
FY15	11	79.39
FY16	7	20.44
Total:	84.5	349.14

Annex 5. Summary of Borrower's ICR and/or Comments on Draft ICR

PROFONANPE disagreed with substance and form of the first draft ICR report, requesting revisions in a number of areas. The final ICR has considered several of the comments, which are summarized below.

1. The draft does not refer to one of the critical contributions of the Project, namely mainstreaming biodiversity conservation into integrated land management approaches. This has become an official policy of the national protected areas authority of Peru, SERNANP in its Spanish acronym, and is being implemented as part of SERNANP's long-term strategy. This approach, implemented thorough the Project support, has been recognized in national and international context. As an example, SERNANP presented the approach in Hyderabad (India), during the 11th Conference of the Parties of the Convention on Biological Diversity (CBD), as well as during the 2014 World Parks Congress in Sydney, Australia. In both cases, the international audience considered SERNANP as being a leader in implementing an integrated management model for conservation. It is important to mention that SERNANP has achieved international recognition during the last five years, in part thanks to the contribution of the Project and is currently chairing the REDPARQUES, which is a platform that brings together authorities of protected areas of Latin America. SERNANP is also currently organizing the 4th World Congress of Biosphere Reserves, to be held in Lima, which will have participants from 120 countries. It is expected that the expansion of the Biosphere Reserve of the Peruvian Northwest will be approved during the meeting, for a total area of 1.64 million hectares.

2. The draft ICR does not mention that through the support of the Project, eight participating regional governments officially installed regional conservation systems. This important achievement has expanded the role and responsibility of these regional governments, and has resulted in establishing a platform to promote joint efforts and collaboration between SERNANP, Ministries in charge of Environment, Agriculture as well as the National Center for Strategic Planning.

3. These two very important Project achievements leave a legacy with respect to institutionalizing environmental issues in the country and the development and implementation of a new public policy for the public sector, ensuring not only the sustainability of contributions made, but also its impact in the long term. As a result of this, PROFONANPE has received several requests for technical assistance from regional governments, which were not participants in the Project, for the design and implementation of similar regional conservation systems.

4. PROFONANPE is aware that before completion of the Project of the GEF portion of the Project, the Project did not have all the information systematized and available to complete the ICR. Nonetheless, before closing, the Project was able to put together a vast amount of information that could benefit and revitalize the statements made in the ICR. Therefore, PROFONANPE recommends to review the information available and complement it with more interviews to SERNANP and PROFONANPE's personnel.

5. From the methodological point of view PROFONANPE is concerned, that the ICR based its assessment on issues that go beyond the agreed indicators. Evaluations should focus on indicators formally agreed and technically approved and not on other aspects, which while interesting, are not part from the contractual point of view. Secondly, PROFONANPE believes that there is no clarity on whether the ICR evaluated project performance indicators or impact indicators, rather than an evaluation of performance indicators. Impact indicators, on aspects such as long-term sustainability, should be evaluated within a reasonable period of time after Project completion.

6. With regard to the management of the investment portfolio, PROFONANPE also raised issues with some of the findings of the ICR. PROFONANPE is of the opinion believe that it would have been of great benefit to the preparation of this document if had been interviewed on the part of PROFONANPE the specialist responsible for the daily monitoring of investment portfolios, at least one representative of the External Financial Committee, the responsible for monthly monitoring investment portfolio and someone from active administrator team.

Annex 6. List of Supporting Documents

Arúa, Ricardo Moisés. 2014. Informe de las dos iniciativas productivas desarrolladas en áreas protegidas y/o zonas de amortiguamiento priorizadas en el concurso PROCOMPITE 2014. Informe de las dos iniciativas productivas desarrolladas en áreas protegidas y/o zonas de amortiguamiento que acceden a recursos financieros para su implementación. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 1: Asistencia técnica para el fortalecimiento de la gestión participativa y la articulación territorial de áreas protegidas de administración nacional y regional en la región Lambayeque”. Plan de trabajo promotor Moyan Palacio programación. Plan de trabajo promotor Moyan Palacio programación física. Radar y mapa actores ACR Moyan Palacio. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 10: Reporte de final de actividades con avances al 100% con resultados alineados a los ítems previstos en los lineamientos generales para el fortalecimiento de la gestión participativa y la articulación territorial de áreas protegidas de administración nacional y regional en la región de Lambayeque. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 2: Informe sobre las actividades locales en torno al objetivo: POA 2015 – implementación participativa orientado a poner en conocimiento de los actores locales las actividades previstas en el año. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 3: Informe de las actividades locales en torno al objetivo: apoyo funcionamiento del Comité de Gestión orientado a consolidar este como instancia social con interlocución eficiente para la gestión del ACR. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 4: Informe de las actividades locales en torno al objetivo: involucramiento de la jefatura del ACR-MP en la dinámica social y económica de los actores locales, orientado a generar condiciones favorables para la gestión participativa en el área protegida. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 5: Informe de las actividades locales en torno al objetivo: Fortalecimiento institucional de la jefatura del Área de Conservación Regional Moyan Palacio mediante el proceso de elaboración del Plan Maestro. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 6: Informe de las actividades locales en torno al objetivo fortalecimiento institucional de la jefatura del ACR-MP mediante el proceso de implementación de planes de manejo específicos para recursos naturales renovables, orientado a dotar al ACR-MP de instrumentos de gestión específicos para sus objetos focales de conservación. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 7: Informe de las actividades locales en torno al objetivo fortalecimiento institucional de la jefatura del ACR-MP mediante el diseño e

implementación de otras herramientas de gestión, orientado a dotar al ACR-MP de nuevos instrumentos de trabajo que garantice la gestión participativa de la misma. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 8: Informe de las actividades locales en torno al objetivo estrategias de cogestión en el ACR-MP, orientado a involucrar a la sociedad civil y las empresas privadas en la gestión del área protegida. PROFONANPE Consultancy Report.

Cárdenas, Gerson David. 2015. Producto 9: Informe de las actividades locales en torno al objetivo: construcción del liderazgo de la jefatura del Área de Conservación Regional Moyan Palacio en la gestión sostenible del territorio, orientado a producir cambios estratégicos en la gestión del área protegida inserto en un ámbito territorial mayor. PROFONANPE Consultancy Report.

Carhuaz, Elvira Luz. 2014. Alianza Interinstitucional para la ejecución del proyecto FONDEMPLEO y/o FONDAM. Proyecto FONDEMPLEO. PROFONANPE Consultancy Report.

Carranza, Benjamín. 2012. Mapa de prioridades de conservación en base a áreas de importancia para la conservación de la diversidad biológica. PROFONANPE Consultancy Report.

Carranza, Benjamín. 2012. Producto 2: Elaboración de la primera propuesta de sitios prioritarios para la conservación por su importancia en la provisión de servicios ambientales y riesgos de degradación ambiental. PROFONANPE Consultancy Report.

Carranza, Benjamín. 2012. Producto 3: Mapa de prioridades de conservación en base a áreas de importancia para la conservación de la diversidad biológica. PROFONANPE Consultancy Report.

Carranza, Benjamín. 2012. Propuesta de Indicadores de conservación para los sitios prioritarios para la conservación en función a su contribución a la conservación de la diversidad biológica. PROFONANPE Consultancy Report.

Epiquien, Mirbel Alberto. 2013. Expediente Técnico que sustenta el reconocimiento Área de Conservación Privada ‘Ñaupe-Racalí-El Pueblito’. PROFONANPE Consultancy Report.

Epiquien, Mirbel Alberto. 2013. Expediente Técnico que sustenta el reconocimiento Área de Conservación Regional ‘Pan de Azúcar – Macuaco - Espinal’. PROFONANPE Consultancy Report.

Epiquien, Mirbel Alberto. 2013. Informe del proceso participativo llevado a cabo, incluyendo documentación sustentatoria. PROFONANPE Consultancy Report.

Epiquien, Mirbel Alberto. 2013. Propuesta Técnica para el reconocimiento del Área de Conservación ‘Pan de Azúcar – Macuaco’, Lambayeque. PROFONANPE Consultancy Report.

Epiquien, Mirbel Alberto. 2013. Propuesta Técnica para el reconocimiento del Área de Conservación ‘Ñaupe – Racali’, Lambayeque. PROFONANPE Consultancy Report.

Focus Economics. 2015. Peru Economic Outlook. In: <http://www.focus-economics.com/countries/peru>. November 3, 2015.

GEF. 2014. GEF 6 Programming Directions. Extract from GEF Assembly Document GEF/A.5/07/Rev.01, May 22, 2014. In: https://www.thegef.org/gef/sites/thegef.org/files/webpage_attached/GEF6_programming_directions_final_0.pdf

GEF. 2014. GEF 6 Programming Directions. Extract from GEF Assembly Document GEF/A.5/07/Rev.01, May 22, 2014. In: https://www.thegef.org/gef/sites/thegef.org/files/webpage_attached/GEF6_programming_directions_final_0.pdf

Guerra, Fernando. 2014. Informe de evaluación de perfiles y lista de PAES a implementar. Planes Operativos de 10 PAES y convenios de cooperación con los ganadores del PAES. Informe de monitoreo de los PAES implementados en el Corredor de Conservación Norte del Sistema Regional de Conservación de San Martín. Informe de monitoreo de los PAES implementados en el Corredor de Conservación Centro y Sur del Sistema Regional de Conservación de San Martín. PROFONANPE Consultancy Report.

KfW. 2011. FZ-Maßnahme BMZ-Nr. 200866285.

PROFONANPE. 2015. Desempeño histórico de los portafolios de PROFONANPE 2003-2015.

PROFONANPE. 2015. Documentos de soporte para PAES en Amazonas, Arequipa, Lambayeque, Moquegua, San Martín y Tacna.

PROFONANPE. 2015. Informe Final PAES, con Anexos y Estrategia Financiera. December of 2015.

PROFONANPE. 2015. Informe PRONANP, 2015.

PROFONANPE. 2015. Selección de Consultorías Técnicas.

PROFONANPE. 2015. Valor del portafolio de PRONANP, noviembre de 2015.

Roe, D., Booker, F., Day, M., Zhou, W., Allebone-Webb, S., Hill, N. A. O., Kumpel, N., Petrokofsky, G., Redford, K., Russell, D., Shepherd, G., Wright, J. y Sunderland, T. C. H. 2015. Are alternative livelihood projects effective at reducing local threats to specified elements of biodiversity and/or improving or maintaining the conservation status of those

elements? Environmental Evidence The official journal of the Collaboration for Environmental Evidence. 2015:22. DOI: 10.1186/s13750-015-0048-1. In: <http://environmentalevidencejournal.biomedcentral.com/articles/10.1186/s13750-015-0048-1>

Samii, C., Lisiecki, M., Kulkarni, P., Paler, L. & Chavis, L. 2014. Effects of Payment for Environmental Services (PES) on Deforestation and Poverty in Low and Middle Income Countries: a systematic review. CEE 13-015b. Collaboration for Environmental Evidence. In: http://www.environmentalevidence.org/wp-content/uploads/2015/01/Samii_PES_Review-formatted-for-CEE.pdf

Universidad ESAN. 2015. 37 planes de negocios para varias comunidades y organizaciones de la sociedad civil elaborados bajo los parámetros y criterios de AGROIDEAS. PROFONANPE Consultancy Report.

Universidad ESAN. 2015. Convenio específico de colaboración interinstitucional para la implementación del Diplomado en Econegocios en el ámbito territorial sur (Arequipa, Moquegua y Tacna) entre el Programa de Compensaciones para la Competitividad - AGROIDEAS, PROFONANPE, SERNANP y la Universidad ESAN. PROFONANPE Consultancy Report.

Vargas, Mirian Jessenia. 2015. Informe de avances en el desarrollo de las actividades de los CG en base a la organización por grupos de interés y los proyectos específicos generados para cada uno de ellos. Identificación y diseño inicial de perfiles de Proyectos para la priorización en los presupuestos participativos distritales y provinciales. Identificación de mecanismos de articulación de los actores identificados con las dinámicas organizacionales de manejo de bosques y recursos hídricos en la región. Informe de Avance al 50% en el proceso de elaboración de los PDLC. PROFONANPE Consultancy Report.

Vargas, Mirian Jessenia. 2015. Informe Final de la Consultoría que da cuenta de los resultados obtenidos en el marco de los lineamientos generales para el fortalecimiento de la gestión participativa y la articulación territorial de Áreas Protegidas de administración nacional y regional en la región Lambayeque. PROFONANPE Consultancy Report.

Vargas, Mirian Jessenia. 2015. Informe Oficial de los Gobiernos Locales del espacio de intervención que dé cuenta que: i) sus instrumentos de gestión están actualizados y ajustados en una óptica de gestión sostenible del territorio; ii) Incorporan las tareas de conservación de la biodiversidad y la gestión de las distintas modalidades de conservación existentes en los Planes de Inversión Multianual Distrital y Provincial; iii) Incorporan a los distintos Comités de Gestión de las áreas protegidas como equipos técnicos especializados en los respectivos Consejos de Coordinación Local. PROFONANPE Consultancy Report.

Vargas, Mirian Jessenia. 2015. Informes sobre los Planes de Desarrollo Local Concertado (PDLC) para Inkawasi, Jayanca, Motupe, Pitipo y Salas. Primer Informe de Implementación de las actividades relacionadas con el ajuste/actualización de los PDLC.

Diseño e inicio de la implementación de estrategia para el fortalecimiento de las capacidades locales para la gestión participativa de las áreas protegidas. Reporte de implementación de los proyectos del programa de actividades económicas sostenibles y las propuestas para su crecimiento en escala con diversos mecanismos públicos y privados en las áreas protegidas intervenidas. Articulación de iniciativas y proyectos identificados con procesos de captación de recursos públicos de fuentes ya identificadas: AGROIDEAS y PROCOMPITE. PROFONANPE Consultancy Report.

Vargas, Mirian Jessenia. 2015. Inicio de proceso de capacitación orientada a fortalecer las capacidades de funcionarios locales a nivel distrital: profesionales y funcionarios del gobierno local, profesionales de las distintas modalidades de conservación existentes, líderes locales (tecnológicos, políticos, mujeres, jóvenes) en la gestión integrada de la biodiversidad en el ámbito territorial. PROFONANPE Consultancy Report.

Vargas, Mirian Jessenia. 2015. Planes de Desarrollo Local Concertado para Incahuasi, Jayanca, Motupe, Pítipa, Salas y Túcume. PROFONANPE Consultancy Report.

Vargas, Mirian Jessenia. 2015. Propuesta de articulación del proceso de revisión, actualización de los PDLC, los instrumentos de gestión ambiental local y del presupuesto participativo distrital con las orientaciones de trabajo establecido en los Planes Maestros y otros instrumentos de gestión de las áreas protegidas. PROFONANPE Consultancy Report.

World Bank. 2001. World Bank Project P065200. Indigenous Management of Protected Areas in the Peruvian Amazon. *In:* <http://www.worldbank.org/projects/P065200/indigenous-management-protected-areas-peruvian-amazon-gef-project?lang=en>

World Bank. 2003. World Bank Project P068250. Participatory Management of Protected Areas. *In:* <http://www.worldbank.org/projects/P068250/participatory-management-protected-areas?lang=en>

World Bank. 2010. Grant Agreement (Strengthening Biodiversity Conservation through the National Protected Areas Program) between International Bank for Reconstruction and Development, acting as an Implementing Agency of the Global Environment Facility, and Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE). GEF Grant Number TF097155. Dated August 16, 2010.

World Bank. 2011. Implementation Completion and Results Report Guidelines. OPCS, August 2006. Last updated on May 5, 2011.

World Bank. 2012. Report No. 66187-PE. International Bank for Reconstruction and Development, International Finance Corporation and Multilateral Investment Guarantee Agency. Country Partnership Strategy for the Republic of Peru for the Period FY12-FY16. February 1, 2012.

World Bank. 2013. World Bank Project P129647. Strengthening Sustainable Management of the Guano Islands, Isles, and Capes National Reserve System. *In*: <http://www.worldbank.org/projects/P129647?lang=en>

World Bank. 2014. Guidelines for Reviewing World Bank Implementation Completion and Results Reports. A Manual for Evaluators. Last updated: August 1, 2014.

World Bank. 2014. Restructuring Paper on a Proposed Project Restructuring of Strengthening Biodiversity Conservation Through the National Protected Areas to the Republic of Peru, Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), March 13, 2014. Bank Report No. RES11225

Annex 7. Financial reallocation during level 2 restructuring, March 25, 2014.

Excerpt from the World Bank's official Restructuring Paper (Bank Report No. RES11225, see Endnote 2).

Reallocations
<p>Explanation:</p> <p>As a result of the MTR identified the following reallocation among different disbursement categories:</p> <p>(1) Financing under the Goods category will be decreased, as KfW has increased its contribution to this this category, hence less of a need for these funds from the GEF. The increase in funds from KfW will support implementation in new protected areas and other modalities of conservation.</p> <p>(2) Funding for the consultant service including audits category will be increased. Due to the complex and yet innovative nature of this Project, there is a need to increase the funding to allow for additional technical assistance to adequately complete the Project implementation plan, which will work to complete the conservation corridors, building capacity in these protected areas, and also in SERNANP. The increase (US\$1.18 million) will be re-allocated from the Management Service Category (under Part B.2 of the Project), which was meant to design and co-finance innovative management mechanisms of protected areas. The proposed decrease will not affect the outcome of this activity, as the establishment of at least five other management contracts and conservation management models in selected protected areas, will be funded though those institutions/organizations executing the contracts (i.e. Regional Governments and the private sector). A similar model has been successfully used by a previous projects implemented by PROFONANPE.</p> <p>(3) The management service category under part 8.2 is to be decreased. It was originally anticipated that it would be difficult to create capacity in the regional governments to implement management contracts. However, capacity was built, and the regional governments were able to create and carry out these contracts. The regional governments are now able to carry out these contracts themselves, which will allow for long term sustainability of the Project. The remaining funds in this category, (US\$0.28 million) will be used for activities to design and pilot other conservation and management mechanisms, and work with local communities and the national government to identify these mechanisms.</p> <p>(4) An increase under the Training Category is proposed as local implementers and consultants will need more training than originally foreseen due to the complicated and innovative nature of this Project. The funding for the increase will be reallocated from the Goods and Subgrants categories, which finances the implementation of Sustainable Economic Activities Program (PAES). The PAES will still be carried out as designed, as KfW has agreed to allocated more funding to the PAES, ensuring that the Project outcomes are met. The remainder of the increase comes from savings from the Consultant Services, including Audits category, where US\$46,780 was saved in five different activities during implementation.</p> <p>(5) There is a decrease in the funds allocated for subgrants, given that KfW has increased funding under this category. KfW will provide the necessary financing to ensure that 40 subprojects are designed and implemented ensuring conservation and sustainable use of natural resources in the selected corridors.</p>

Ln/Cr/TF	Currency	Current Category of Expenditure	Allocation (US\$)		Disbursement (Type Total)		%
			Current	Proposed	Current	Proposed	
TF-97155	USD	CIVIL WORKS	100,000.00	100,000.00	100.00	100.00	
		GOODS	325,000.00	25,500.00	100.00	100.00	
		CS, INCLUDING AUDITS	2,607,000.00	3,791,000.00	100.00	100.00	
		MANAGEMENT SERV. PART B.2(a)	1,500,000.00	282,000.00	100.00	100.00	
		TRAINING	370,000.00	921,500.00	100.00	100.00	
		SUBGRANTS	550,000.00	332,000.00	100.00	100.00	
		INCREMENTAL OPERATING COSTS	439,000.00	439,000.00	100.00	100.00	
		CAPITAL ENDOWMENT	3,000,000.00	3,000,000.00	100.00	100.00	
		Designated Account	0.00	0.00	0.00	0.00	
		Total:	8,891,000.00	8,891,000.00			

Annex 8. Performance of the Project Trust Fund

The ICR evaluated the available information about the Trust Fund (the Fund) from its initial capitalization until November 30, 2015, date of the latest report available. It also assessed the performance of other funds managed by PROFONANPE to compare the overall performance of the organization with the PRONANP Fund.

The Fund was established in June of 2011 with an initial capital of US\$ 3 million provided by Component 3 of the Project. In March 2012, KfW provided another US\$ 3 million, and in August 2013 KfW once again increased the Fund's capital with an additional US\$ 6.6 million (which were not foreseen in the original Project PAD). In August 2013, the Fund had a value of US\$ 12,487,000, including a withdrawal of US\$ 260,000 that had been done in October of 2012. The US\$ 3 million to be provided by PlusPetrol (according to the budget of Component 3) did ultimately not materialize.

By November 30, 2015 the Fund stood at US\$ 11.891 million, a decrease of US\$ 955,000 (-7.43%) compared to one year earlier (November 2014). Compared to the date of the second capitalization of KfW, the Fund showed a reduction of US \$ 597,000 (-4.78%). Data showed that since its initial capitalization and except for a period roughly between April and August 2014, the Fund showed a continuous downward trend, culminating at EOP with a loss (unrealized, according to the Fund report issued by PROFONANPE).

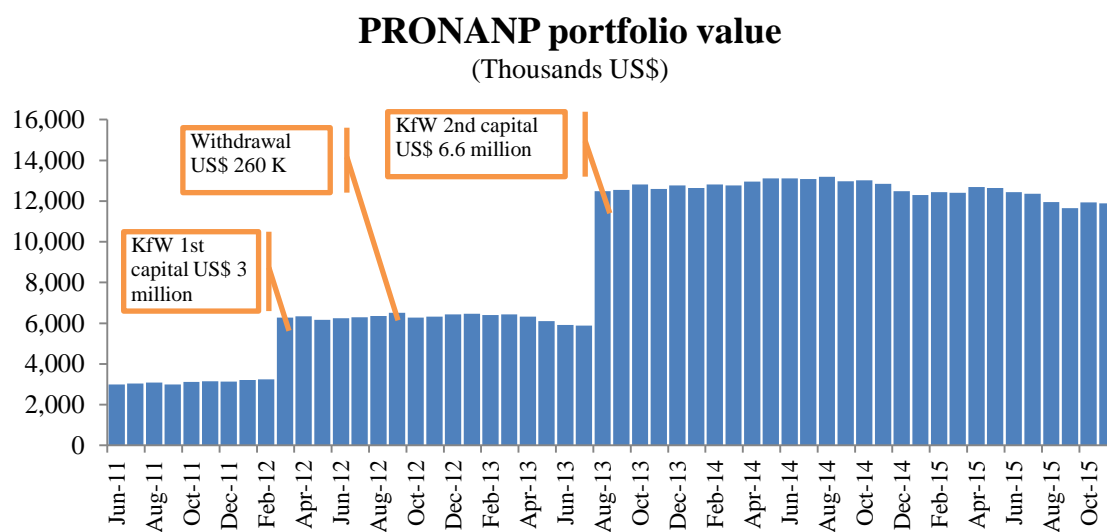
Between the first and second KfW capitalizations, the Fund had accumulated gains of US\$ 226,000. These gains, plus US\$ 34,000 of capital, were withdrawn in October of 2012. From that moment until the date of this ICR there were no new returns generated. Table 1 shows the absolute values of the Fund between June 2011 (establishment date) to November 2015 (last report available), and Figure 1 shows the corresponding performance graph.

Table 1. Absolute monthly values for the PRONANP Trust Fund from June 2011 to November 2015

Jun-11	2,994,977	Jan-13	6,471,415	Aug-14	13,189,143
Jul-11	3,041,838	Feb-13	6,406,301	Sep-14	12,968,457
Aug-11	3,085,423	Mar-13	6,439,403	Oct-14	13,021,109
Sep-11	2,995,682	Apr-13	6,326,871	Nov-14	12,845,036
Oct-11	3,121,505	May-13	6,096,600	Dec-14	12,478,215
Nov-11	3,141,883	Jun-13	5,916,949	Jan-15	12,289,397
Dec-11	3,137,414	Jul-13	5,883,629	Feb-15	12,444,113
Jan-12	3,210,359	Aug-13	12,486,611	Mar-15	12,399,500
Feb-12	3,246,413	Sep-13	12,550,869	Apr-15	12,687,598
Mar-12	6,282,087	Oct-13	12,819,681	May-15	12,648,228
Apr-12	6,332,874	Nov-13	12,589,655	Jun-15	12,445,392
May-12	6,167,825	Dec-13	12,764,657	Jul-15	12,360,707
Jun-12	6,245,073	Jan-14	12,647,396		
Jul-12	6,287,426	Feb-14	12,813,047		

Aug-12	6,353,658	Mar-14	12,761,941
Sep-12	6,507,939	Apr-14	12,961,156
Oct-12	6,271,076	May-14	13,113,403
Nov-12	6,315,640	Jun-14	13,115,390
Dec-12	6,432,864	Jul-14	13,086,278

Figure 1. Performance graphic for the PRONANP Trust Fund from June 2011 to November 2015



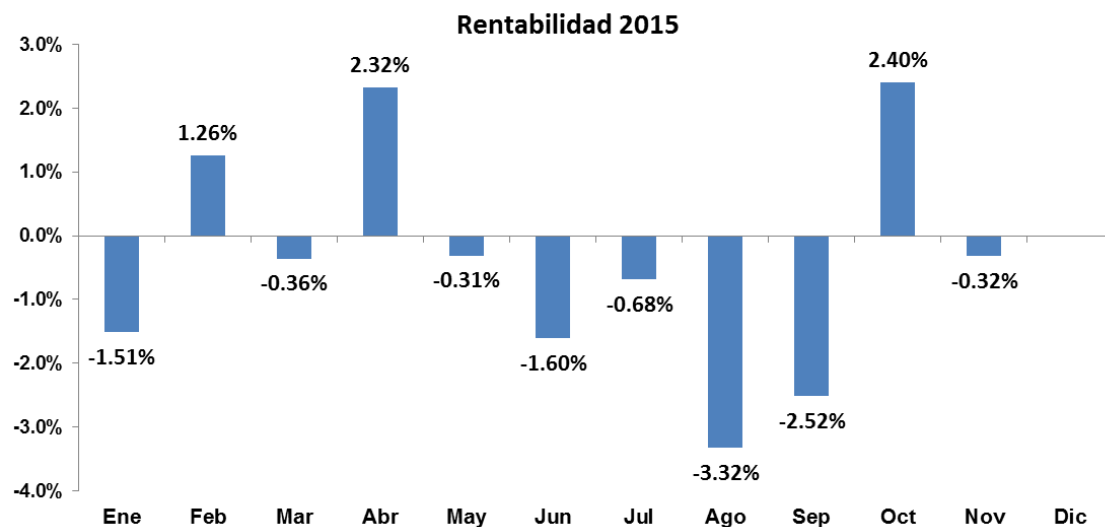
In its final report, PROFONANPE considers the decrease of the Fund's capital as an unrealized loss. The ICR assumed that this is because the Project did not include a formal definition of when the Fund would be considered mature, in such way that the client saw itself in a comfortable position of not having to respond to the Fund's underperformance since, supposedly, there was no time limit as to when to expect positive returns according to the program's objectives. However, the ICR believes that this point of view is inadequate for three reasons:

a) An unrealized loss could be justified if this had been a regular investment fund where there were no time limits nor objectives set for defining gains (which appears to be PROFONANPE's view). However, the Project *did* include a time limit (which would be, at most, the end of the KfW portion of the Project in December of 2015), and objectives for the returns (which was the description of the Fund's goal in Project Subcomponent 3.1). In consequence, by December 31, 2015 the Fund had incurred actual, realized losses of 4.78% since the date of its last capitalization, and had also not fulfilled its goal.

b) Changes in performance appear to have been rather volatile over the years since the Fund's establishment. Figure 2 shows the variations reported for 2015. PROFONANPE appears not to have paid enough attention to supervising its Fund administrator more carefully to enhance returns and reduce delays in setting better benchmarks. While a

conservative investment policy towards maintaining low risks could justify this approach, the result was a Fund that lost capital continuously since its establishment. PROFONANPE argued repeatedly that the reason for this was a generic "global financial crisis", but failed to define this concept from an operational point of view. While its final Fund report of November 2015 provides detailed explanations of comparative indices and mentions changes in commodity prices, other funds, bonds and other securities that appear to make up the PRONANP investment portfolio, it still does not explain the reasons why the organization insisted on maintaining a non-performing investment composition for the Fund.

Figure 2. Performance volatility for the PRONANP Trust Fund for January-November 2015, in percentages



c) The investment benchmarks used by PROFONANPE display a curious trend in which the funds managed by the organization are almost consistently above the performance of these benchmarks. An analysis of the performance of 12 funds managed by PROFONANPE since 2003 (a total of 88 instances of annual output values) show that in 82% of cases the organization's performance has been better than the performance of the corresponding benchmarks. Most cases occurred during the first 3 years (2003, 2004, 2005), after which the trend is almost exclusively towards better performance. The ICR has some doubts about this trend, and suggests the possibility that PROFONANPE is selecting benchmarks that allow it to maintain positive financial results against comparative financial indices. There is no evidence of this beyond initial statistical observation, but the team also suggests further evaluation of this aspect. Table 2 shows the yields in percentages for these funds and years.

Table 2. PROFONANPE Trust Funds performance against benchmarks 2003-2015

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Yearly
Finlandia II	4.03%	5.03%	3.50%	14.94%	19.82%	-12.94%	25.39%	19.53%	0.42%	14.92%	-5.35%	-1.59%	-5.80%	5.78%
Benchmark	4.03%	5.03%	3.50%	19.42%	19.57%	-14.31%	23.00%	16.48%	-0.19%	12.83%	-7.39%	-2.20%	-7.21%	5.02%
Canadá	-9.15%	-0.43%	3.63%	15.15%	19.83%	-13.11%	24.07%	19.06%	0.34%	15.80%	-5.47%	0.33%	-4.77%	4.42%
Benchmark	4.03%	5.03%	3.50%	19.42%	19.57%	-14.31%	23.00%	16.48%	-0.19%	12.83%	-7.39%	-0.23%	-5.43%	5.34%
Alto Mayo	6.79%	6.26%	3.72%	15.32%	19.96%	-14.15%	25.23%	19.56%	0.19%	16.22%	-5.56%	-1.49%	-5.49%	6.12%
Benchmark	4.03%	5.03%	3.50%	19.42%	19.57%	-14.31%	23.00%	16.48%	-0.19%	12.83%	-7.39%	-1.71%	-6.97%	5.09%
Alemania Sinanpe	3.31%	4.63%	3.32%	15.12%	19.90%	-14.26%	26.42%	20.50%	3.95%	17.16%	-6.78%	-1.69%	-6.31%	5.97%
Benchmark	3.31%	4.63%	3.32%	19.42%	19.57%	-14.31%	23.00%	16.48%	4.98%	15.23%	-8.33%	-1.83%	-7.36%	5.44%
Morona Pastaza	1.31%	2.52%	4.04%	15.15%	19.50%	-13.52%	26.10%	20.13%	4.20%	16.10%	-6.87%	-2.08%	-5.61%	5.90%
Benchmark	-0.10%	4.63%	3.32%	19.42%	19.57%	-14.31%	23.00%	16.48%	4.98%	15.23%	-8.33%	-2.13%	-7.15%	5.38%
Pronanp									4.79%	12.01%	-5.48%	-1.48%	-4.94%	0.96%
Benchmark									4.71%	11.55%	-7.15%	-1.73%	-6.35%	-0.05%
Sinanpe III										7.20%	-5.12%	0.11%	-5.19%	-0.94%
Benchmark										6.53%	-7.39%	-0.38%	-5.68%	-2.00%
Inkanaris											2.18%	-2.73%	-5.01%	-2.43%
Benchmark											1.95%	-2.20%	-6.24%	-2.84%
GPAN												-2.63%	-5.40%	-4.81%
Benchmark												-2.86%	-7.00%	-5.91%
GEF												-2.65%	-4.68%	-4.39%
Benchmark												-2.78%	-7.14%	-5.95%
Punta e Islas													-5.50%	-5.98%
Benchmark													-5.50%	-5.98%
Proyecto Paracas								1.82%	0.83%	8.27%	0.71%	3.39%	-0.91%	2.31%
Benchmark								4.92%	1.78%	8.48%	0.79%	3.95%	-2.18%	2.90%

After its assessment, the ICR concluded that the PRONANP Fund failed to meet its objectives and that, at the time of final ICR revision (February 2016) there was no expectation that this situation would improve, given the current country outlook for Peru. PROFONANPE does not seem to be able to properly manage the Fund in order to diversify the investment portfolio and to adopt a strategy of slightly higher risk, mainly due to the excessive burden of new organizational responsibilities that are not matched with an adequate organizational restructuring.

The ICR considers that existing Fund capital could be used more efficiently in direct field investments (e.g. financing PAES or supporting the needs of some protected areas) over the period of several years rather than keeping it in an endowment that is not generating any profit. Another possible option would be to change the fund manager, in this case PROFONANPE, diversifying the portfolio and managing the Fund more according to current Bank standards.

Annex 9. Review of PAES


Region	PAES	Local Implementing Partner
Arequipa	Conservación, restauración y aprovechamiento sostenible de bosques de queñual del Anexo de Mosopuquio – Characato. (Conservation, restoration and sustainable use of queñua forests in Mosopuquio – Characato.)	Asociación de Productores Agropecuarios Señor de los Desamparados de Mosopuquio
Results	<p>This PAES was aimed at providing an economic alternative to a number of farmers in order to reduce grazing in a sensitive slope area that had been eroded by years of deforestation and the subsequent lack of water, aggravated by an ongoing glacier retreat in the surrounding mountains and an overall reduction in regional rainfall. The actual activity was based on planting and then sustainably using trees of the genus <i>Polylepis</i>. During the evaluation mission, it became apparent that there had been very little interest of local communities to participate in this endeavor. The fact that trees first had to be planted but that the intervention contemplated <i>using</i> these trees made no practical sense, which was reflected in the level of local participation. Ultimately, the local municipality had to take on the task of trying to restore the queñua forests, which was not the point of the initiative. Trees were indeed planted and maintained, but the area intervened was relatively small, very few and ineffective provisions were made to prevent theft of materials and cattle from feeding on the saplings, and there was no indication that this activity would continue after Project funding ended. WB/GEF contribution was of US\$ 55.995,00. Since the PAES' objectives were not achieved and the longtime conservation value of slope recovery and reforestation with native species, while theoretically feasible and noteworthy, is not guaranteed by any measure, the ICR considers this intervention to be unsuccessful.</p>  <p>The photograph captures a wide, unpaved dirt road that stretches from the foreground into the distance. The road is flanked by dry, yellowish-brown grass and low-lying shrubs. In the background, a range of mountains is visible under a clear blue sky. The central mountain peak is prominent, with some snow or light-colored rock visible near its summit. The overall scene depicts a high-altitude, arid environment.</p> <p>Figure 1. Mosopuquio, general and usual condition of the area.</p>	



Figure 2. Semiartificial reservoir located at the top of the Project intervention site.



Figure 3. Project intervention site.



Figure 4. Small slope-side reservoirs supplied by the main hilltop reservoir for local irrigation.



Figure 5. Sapling at about 4 six months of age. Plant is approximately 30 cm tall and needs weekly irrigation. Hoses are fed by the small slope-side reservoirs.

Arequipa	Reducción del sobre pastoreo de animales domésticos en la zona de amortiguamiento de la Reserva Nacional de Salinas y Aguada Blanca, con la producción de hierbas aromáticas	Asociación de Productores Ecológicos Tuctumpaya
----------	--	---


	orgánicas en el Distrito de Pocsi. (Reduction of overgrazing by domestic animals in the buffer zone of the Salinas y Aguada Blanca National Reserve through the organic production of aromatic herbs in the Pocsi District.)	
Results	<p>This PAES was aimed at reducing overgrazing inside the buffer zone of the Salinas y Aguada Blanca National Reserve. This was a major problem given the large amount of small cattle (mostly goats and sheep) that a relatively reduced number of communities with no significant land of their own were herding inside the protected area. By Project start, individual families had herds of up to 150 heads which had to be moved across increasing distances due to the reduction of suitable grazing areas. Like most areas in Arequipa's dry high Andes, the Pocsi District is highly sensitive to erosion due to overgrazing and trampling. The PAES made use of the community's search for new economic activities due to their weariness of the increasing difficulties and costs of cattle herding. Pocsi has a relatively higher (and unusual) availability of irrigation water when compared to the rest of the region, which made proposing a small-scale agricultural solution a viable approach. The PAES selected thyme (<i>Thymus</i> sp.) as the crop of choice for the altitude, temperature, soil and water conditions of the area and the local community of Tuctumpaya as the pilot site. The initiative provided training, basic greenhouses, basic irrigation material, artisanal agricultural equipment and tools, plant processing material and permanent technical assistance through local agricultural specialists. Local communities interviewed expressed that the PAES had provided them with immediate benefits and capacity-building. By the time of evaluation, greenhouses were in a close-to-production stage and a number of successful plots had been established and were thriving. Local farmers were saying that the demand was outpacing what they could plant and that they were already evaluating options to buy more land and expand their operations. Individual cattle herds had been reduced from around 150 head to 7-10, used exclusively for domestic milk and meat production. While the ICR mission was unable to visit the buffer zone around Tuctumpaya, former grazing areas were observed undergoing natural vegetation recovery processes. WB/GEF contribution was of US\$ 56,000,00. Given that the PAES met its objectives and an actual positive long-term conservation impact was achieved, the ICR considers this initiative to have been successful.</p> <div data-bbox="451 1142 1377 1780">  </div>	
	<p>Figure 6. Equipment and greenhouses provided by PRONANP.</p>	



Figure 7. Typical family house in Tuctumpaya with remaining domestic cattle.



Figure 8. Landscape around Tuctumpaya. Notice that the area has more water presence and greener vegetation than its surroundings.



Figure 9. Thyme plantation funded by PRONANP and plants close to harvest.


Arequipa	Sostenibilidad productiva de la ganadería alpaquera en la comunidad campesina de Carmen de Chaclaya. (Productive sustainability of alpaca ranching in the farming community of Carmen de Chaclaya.)	Asociación alpaquera Mosoq Puñuna Quinsa Pugio Chalaya – AMPUQUICHA
Results	<p>The goal of this PAES was to improve the alpaca management capabilities of the local indigenous communities, including genetic enhancement of their herds which would lead to the establishment of a commercial production chain. The indirect conservation impact of the initiative was the empowerment of the community in order to help them protect the water sources located inside their community lands. PAES in this case provided the know-how and funds to acquire alpaca stock. The ICR mission interviewed the Association president of the community of Carmen de Chaclaya and asked her about the impact of the intervention. Results were mixed. While there was a high level of enthusiasm, it was apparent that alpaca management was already an ongoing activity by the time PRONANP intervened. There were a number of other funding initiatives and external support present in the area, and some key activities (like concluding an irrigation system from a highland lake to the grazing and resting areas as well as enhanced fencing) were not being finished due to lack of resources. The community had a vast herd of over 400 animals that was being adequately managed. While the community members were well aware of the need to protect and conserve local resources (since the area is close to the Salinas y Aguada Blanca National Reserve), the ICR could not identify a clear causal relationship between Project intervention and any significant improvement in livelihood or conservation that could not have been achieved without the Project. WB/GEF contribution was of US\$ 56.000,00. Given that there was no evidence that the PAES contributed in a significant way to initiatives already in process, this intervention is considered unsuccessful.</p>	



Figure 10. The high-altitude lake located at 4700 meters above sea level from where water will be channelled towards alpaca grazing and resting areas.



Figure 11. The community of Carmen de Chaclaya.

	 <p>Figure 12. Part of the community’s alpaca herd. The water shown is part of a natural system of canals that only irrigate the lower areas of the community. A proposed irrigation system with water from the lake will serve higher-lying areas, seen in the background.</p>
Arequipa	<div>Fortalecimiento de las capacidades de conservación y productivas mediante la crianza de animales menores – cuyes en la comunidad de Chiguata. (Strengthening of conservation and production capabilities through the breeding of small animals – guinea pigs in the community of Chiguata.)</div> <div>Asociación de Conservacionistas Agropecuarios de Chiguata</div>
Results	<p>This PAES was intended to provide economic alternatives to the community of Chiguata, located very close to the Mosopuquio – Characato hills where the queñua reforestation PAES was implemented. Chiguata has been hit hard by a severe and ongoing drought, with very little water sources available. Population counts have been decreasing, and the region has been undergoing a slow death by depopulation and economic stagnation. The PAES was supposed to complement the Mosopuquio – Characato initiative, thereby reducing the human pressure on the very few remaining patches of native vegetation. The ICR found that the local inhabitants of Chiguata had no interest nor were they aware of the parallel implementation being undertaken less than 10 minutes by car from their community. The PAES aimed at providing funds and resources to establish a guinea pig farming experience that would improve local livelihoods and demonstrate the values of not deforesting the surrounding slopes. Of all PAES visited, this one seems to have been the least effective. The local community spent most of the funding in enhancing a building to accommodate stables for the guinea pigs, and then used a large part of the infrastructure as a greenhouse for growing and selling eucalyptus, a highly dangerous invasive genus that is feared in conservation circles for its main characteristic of drying out soils. When consulted, the Association members said that using the funds that way was actually more cost-efficient than selling guinea pigs. The PRONANP team was also queried on this issue and appeared to have been caught by surprise by the fact that the PAES was being used for activities generally considered unsafe in terms of conservation principles (i.e. planting invasive eucalyptus in arid, degraded soils). The ICR mission determined that the community, while thankful for the building and the guinea pigs, was completely unaware of the reasoning and rationale behind the PAES. WB/GEF contribution was of US\$ 55.973,00. Given that the ICR could not identify any conservation value of this initiative, that improvement of local livelihoods was only marginal at best and that, in general, this PAES did not serve any</p>

discernible purpose, this initiative is considered **unsuccessful**.



Figure 13. The community of Chiguata.



Figure 14. Guinea pig stables in a small portion of PRONANP-supported infrastructure.



Figure 15. *Eucalyptus* sp. being grown in the larger section of PRONANP-supported infrastructure.

Lambayeque	Implementación y mejoramiento de los servicios ecoturísticos en la zona de amortiguamiento de Laquipampa. (Implementation and improvement of ecotourism services in the Laquipampa buffer zone.)	Asociación Conservacionista de la biodiversidad en la Comunidad Laquipampa ABC Llacta
Results	<p>This PAES was intended to strengthen the capabilities of the local community of Llacta in the buffer zone of the Laquipampa Wildlife Refuge. The community was developing a tourism management plan as well as a small restaurant and conservation trails for future visitation, as an economic alternative to grazing, hunting and logging. During the ICR mission, the Bank team was presented with a number of results, including the new restaurant building (which was completed by 50%) and sanitary installations (completed by 80%), as well as the advances in the tourism management plan. Kitchen equipment and other furniture was also shown. When queried further, the local community members and Refuge staff informed the Bank team that except for the kitchen equipment and furniture, the other results had not been funded by PRONANP. Additional training activities and environmental education outreach, including a number of publications, appear to have been produced by the PAES. The ICR team was unable to identify any further contribution to the proposed conservation activities, nor was any evidence available to demonstrate a significant role of Project funding in the advancement of the Refuge's conservation purpose. Since the restaurant and sanitary installations were unfinished and there was no formal or systematic tourism operation in place, the ICR could not identify any improvement in local livelihood either. WB/GEF contribution was of US\$ 55.962,00. Since this PAES did not produce concrete results (at least that the ICR team could identify), this initiative is considered unsuccessful.</p>	



Figure 16. Landscape around the Laquipampa Wildlife Refuge.



Figure 17. Unfinished restaurant infrastructure, where PRONANP provided basic kitchen equipment, utensils and furniture.



Figure 18. Sanitary installations funded by PRONANP.

Lambayeque	Conservación del Refugio de Vida Silvestre Laquipampa mediante la disminución de la presión de pastoreo, con el manejo de ganado lechero estabulado. (Conservation of the Laquipampa Wildlife Refuge through the reduction of grazing pressure by managing cattle in stables.)	Asociación de Pequeños Ganaderos Conservacionistas de la Comunidad Campesina San Antonio de Laquipampa
Results	<p>This PAES was intended to complement the tourism initiatives in the Laquipampa Wildlife Refuge (see previous PAES above). Illegal cattle grazing inside the Refuge had been considered a major issue, and a solution proposed by the PAES was to provide stabling areas and herd management to a number of communities to reduce pressure inside the area. Complementary activities, like feed processing, genetic enhancement and local capacity building were also included in the Project design. The ICR mission interviewed a number of community members and park wardens, and also visited the site where the new stables had allegedly been set up. During the interviews, the Bank team determined that the size of the PAES intervention sample had been too small to allow for measurement of results. Of over 25 local associations, only three had been supported by PAES and not all of them had removed their cattle from the protected area. While the park wardens confirmed that some cattle had left the area and that there was improved communication with local ranchers, no evidence was available to support any actual impact on conservation of the Refuge. Regarding the genetic enhancement, the local ranchers confirmed that it was taking place, albeit with the support of local public agencies and not PRONANP. The enhancement of feed processing consisted in the purchase and installation of a small, artisanal plant mill that was not in operation due to problems with its installation and its suitability for local raw material. The visit to the new stable showed that the community had not built an actual stable but had adapted an existing small water dam with cattle feeding and drinking stations and had transferred a number of heads into the then empty dam reservoir. Curiously enough, the dam was actually an active structure that would fill in case of rains and would have to be emptied of cattle. No alternative</p>	

stables were provided for such cases. Overall, the local community was unaware of the rationale behind the implementation of the PAES and the connection between the intervention and improved conservation of the Wildlife Refuge. WB/GEF contribution was of US\$ 55.950,00. The ICR mission was unable to identify any significant contribution to the conservation of the Refuge, nor did it see any work towards the achievement of the objectives of the PAES. The team was at a loss to understand the logic behind the interventions visited, and was unable to receive adequate explanations from the accompanying PRONANP team. As a result, this initiative is considered **unsuccessful**.



Figure 19. Small-scale feed processing mill.



Figure 20. Active dam and water reservoir adapted as a stable during dry season. Drinking and feeding station is seen in the background, center of the picture.



Figure 21. The canal shown is the drinking and feeding station built inside the dam reservoir



	with PRONANP funding.	
Lambayeque	Disminución de la tala ilegal dentro del Área de Conservación Regional Moyán Palacios teniendo como alternativa de ingreso por el incremento de producción de la planta de mermelada de mamey de ASPROBOS. (Reduction of illegal logging inside the Moyán Palacios Regional Conservation Area by providing alternative income with the increase of productivity at the ASPROBOS sapote [<i>Pouteria sapote</i>] marmalade plant.)	Asociación de Protección de los Bosques Secos del Caserío El Choloque - Sector El Cardo -Tongorrape - Motupe ASPROBOS
Results	<p>This PAES was intended to reduce illegal logging pressure in the Moyán Palacios Regional Conservation Area by enhancing an existing sapote production plant. PRONANP supported a number of activities, including capacity building and training in food processing, provision of improved stoves to reduce usage of wood for cooking, and reforestation with native plants. During the visit, the accompanying PRONANP team made a point of demonstrating achievements in the production of sapote marmalade and improvements in the production chain, all of which were results that had precisely <i>not</i> been funded by PRONANP. Only through further questioning of the local Association members was the Bank team able to identify actual achievements made within the framework of the PAES and with actual PRONANP support. Unfortunately, it was apparent to the ICR that the PRONANP team was not fully aware of the activities that were being carried out under its own project. This said, the ICR confirmed that the expected results were met and that the local community had a keen understanding of the conservation implications and impacts their activities had. The community had clear goals for future expansion, and the Bank team left with plenty of confidence that achievements would be sustainable ex-post. WB/GEF contribution was of US\$ 55.993,00. The ICR concluded that, despite a less than optimal participation by the PRONANP team, the local community was able to successfully meet all PAES goals and generate a relevant impact on conservation. As a result, this initiative is considered successful.</p>	
<div></div> <div></div>		



Figure 22. Sapote marmalade plant and enhanced stoves for improved wood cooking efficiency.

San Martín	Recuperación de los suelos degradados mediante el establecimiento de 12 hectáreas de café bajo sistemas agroforestales para enfrentar el cambio climático en el distrito de Soritor. (Recovery of degraded soils through the establishment of 12 hectares of coffee under agroforestry systems to face climate change in Soritor district.)	Asociación de Reforestantes y Conservacionistas - Soritor en la Mira del Mundo
Results	This PAES intended to recover degraded agricultural soils through the implementation of agroforestry systems (with coffee being the underlying crop). The Soritor area had been emblematic of land abandonment after a few seasons of intensive agriculture, where local farmers would migrate further into the adjacent Alto Mayo Protected Forest and leave behind what would be considered unproductive lands. The PAES was designed to show that these lands could be put to use and contribute to conservation by reducing pressure on the protected area. During the field evaluation visit, the Bank team found this to be a very particular initiative. The original Project design incorporated a number of activities, ranging from training to the planting of grasslands for cattle grazing and including beekeeping, greenhouses and the actual planting of coffee and trees. The ICR determined that in this particular case the local workforce comprised an unusual group of highly skilled, motivated and creative forestry and agricultural professionals that managed to quickly identify the best and most efficient way to use Project resources. While the PAES ultimately did not carry out all planned activities, the combined coffee-forest plantations visited by the Bank team and the evident and demonstrated financial benefits obtained by the intervention did surpass the Project's expectations. While the idea of sustainable plantations predated PRONANP, the Project provided added value that decisively improved the available methods and increased the plantation areas. Trees cut in plantations that were already producing sustainable lumber were being replenished with fast-growing and commercially valuable native species that had been locally identified and were being grown in greenhouses. Coffee yields, on the other hand, were not being seen as commercially viable but efforts were underway to improve them. Greenhouses were also producing <i>Eucalyptus</i> sp., but unlike the case of the Chiguata PAES in Arequipa, in this case	

the trees were being grown for slope stabilization and fence posts making use of the abundant rainfall in the San Martin region. By end of Project, farmers who had abandoned their land were returning and being locally trained by their peers to establish their own plantations. Community members were extremely conscious of their contribution to the protected area and were designing and implementing educational outreach activities to local students. WB/GEF contribution was of US\$ 56.000,00. The ICR concluded that, despite very little support by the PRONANP team, the local community was remarkably able of achieving the Project's goals and generating a significant impact on conservation. As a result, this initiative is considered **successful**.



Figure 23. One-year old combined coffee-forest plantation.



Figure 24. 4-6 year old combined coffee-forest plantation.



	Figure 25. PRONANP-supported greenhouses with tree saplings.	
San Martín	Fortalecimiento de capacidades a los miembros de cada asociación en apicultura y artesanía como actividades económicas sustentables, en las microcuencas Rumiyaqu, Mishquiyacu y Almendra, Provincia de Moyobamba. (Strengthening of capabilities of the members of each beekeeping association and handicrafts as sustainable economic activities in the Rumiyaqu, Mishquiyacu and Almendra microbasins, Province of Moyobamba.)	Asociación de apicultores de los bosques de la zona de alto valor ambiental Rumiyaqu-Mishquiyacu-Almendra y Baños Sulfurosos Moyobamba
Results	This PAES attempted to use artisanal beekeeping as a demonstration of the benefits of preserving native forests, with the argument that bees would use the forest for pollination and that deforestation would reduce the economic benefits of the activity. While the design concept had merits, the ICR mission identified a number of flaws in the actual design and implementation. Only a very limited number of families were willing to participate in the initiative, and very few hives were set up. While one of the Project intentions was to provide demonstrative visits for the local community, no educational outreach operation was in place nor being planned beyond the purchase of equipment and materials. No concrete relationship was established between the Project hives and the nearby forests, no scientific mechanism was designed to identify and measure the actual origin of the pollen flown in by the bees, the overall operation was extremely simple and rudimentary, and no economic benefits were evident. The sale of handicrafts appears to have been included in the PAES design as an afterthought, as no relation between these and the beekeeping portion of the initiative was identified. The ICR mission was unable to find any meaningful and practical conservation rationale behind this PAES. When queried, the accompanying PRONANP staff did not provide any reasonable explanation either, and in fact displayed a remarkable lack of knowledge around this endeavor. WB/GEF contribution was of US\$ 65.698,40. Given that the ICR could not identify any conservation value of this initiative, that improvement of local livelihoods was inexistent and that, in general, this PAES did not appear to serve any discernible purpose, this initiative is considered unsuccessful . Pictures are not available as there was nothing to display beyond standard beekeeping hives, which at the moment of the visit were unreachable due to the unavailability of protective gear.	
San Martín	Implementación parcial del plan de uso turístico de la concesión para conservación Ojos de Agua - Distrito de Pucacaca, Picota, Región San Martín. (Partial implementation of the tourism use plan for the conservation concession Ojos de Agua – Pucacaca District, Picota, San Martin Region.)	El Bosque del Futuro Ojos de Agua


Results	<p>This PAES aimed at supporting the implementation of the tourism plan for the Ojos de Agua conservation concession, located inside a protected area in the middle of a relatively conflictive zone, under threat by agriculture, poaching and illegal logging. While PRONANP only supported a number of small-scale complementary actions, like signage, educational material, small amounts of construction material and general personnel costs (like per diems, field rations, etc.), the ICR mission found that these contributions were used very efficiently by the local concession holders and went a long way to support the implementation of the plan. Local community members were motivated by the support and were well aware of the relationship between conservation and sustainable economic activities. The Bank team did conclude that, without PAES funding, it would have been difficult for the concession to move ahead with its goals. This said, while the Bank team fully appreciated the value of this initiative as a standalone conservation action, it was not fully convinced about the usefulness of this particular PAES as a significant contributing factor to the GEO. As has been the case in every single other activity of PRONANP as a Project (not just the PAES), no mechanism was in place to measure actual onsite achievement of results. Still, despite the relatively small size of the intervention, supporting this concession did provide a hypothetical contribution to the conservation of biological corridors and representative biodiversity. With a WB/GEF contribution of US\$ 56.000,00, the ICR decided to consider this intervention as successful.</p>  <p>Figure 26. Access road to the Ojos de Agua Conservation Concession.</p>
---------	--



Figure 27. Entrance to the site's tourism infrastructure.



Figure 28. Main visitor center, still under construction. The site also includes a very basic restaurant, an observation tower (both under construction) and a future plan for dormitories.



Figure 29. The future restaurant.



Figure 30. The observation tower under construction (left) and the view from the top (right).

IBRD 40088



ENDNOTES

¹ GEF/World Bank. 2010. Grant Agreement (Strengthening Biodiversity Conservation through the National Protected Areas Program) between International Bank for Reconstruction and Development, acting as an Implementing Agency of the Global Environment Facility, and Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE). GEF Grant Number TF097155. Dated August 16, 2010.

² Restructuring Paper on a Proposed Project Restructuring of Strengthening Biodiversity Conservation through the National Protected Areas to the Republic of Peru, Peruvian Trust Fund for National Parks and Protected Areas (PROFONANPE), March 13, 2014. Bank Report No. RES11225

³ World Bank Project P129647. Strengthening Sustainable Management of the Guano Islands, Isles, and Capes National Reserve System. *In:* <http://www.worldbank.org/projects/P129647?lang=en>

⁴ World Bank Project P065200. Indigenous Management of Protected Areas in the Peruvian Amazon. *In:* <http://www.worldbank.org/projects/P065200/indigenous-management-protected-areas-peruvian-amazon-gef-project?lang=en>

⁵ World Bank Project P068250. Participatory Management of Protected Areas. *In:* <http://www.worldbank.org/projects/P068250/participatory-management-protected-areas?lang=en>

⁶ GEF. 2014. GEF 6 Programming Directions. Extract from GEF Assembly Document GEF/A.5/07/Rev.01, May 22, 2014. *In:* https://www.thegef.org/gef/sites/thegef.org/files/webpage_attached/GEF6_programming_directions_final_0.pdf

⁷ World Bank. 2014. Guidelines for Reviewing World Bank Implementation Completion and Results Reports. A Manual for Evaluators. Last updated: August 1, 2014.

⁸ Focus Economics. 2015. Peru Economic Outlook. *In:* <http://www.focus-economics.com/countries/peru>. November 3, 2015.

⁹ World Bank. 2011. Implementation Completion and Results Report Guidelines. OPCS, August 2006. Last updated on May 5, 2011.