

Document of  
The World Bank

FOR OFFICIAL USE ONLY

Report No: 20625

IMPLEMENTATION COMPLETION REPORT  
(28612; 28656)

ON A

GRANT

IN THE AMOUNT OF US\$ 5.2 MILLION

TO THE

GOVERNMENT OF PERU

FOR NATIONAL TRUST FUND FOR PROTECTED AREAS-GEF

JUNE 23, 2000

**ENVIRONMENTALLY AND SOCIALLY SUSTAINABLE DEVELOPMENT  
SECTOR MANAGEMENT UNIT  
LATIN AMERICA AND CARIBBEAN REGION**

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective )

Currency Unit = New Sole  
3.5 New Soles = US\$ 1.00  
US\$ =

FISCAL YEAR  
January 1-December 31

## ABBREVIATIONS AND ACRONYMS

|            |  |
|------------|--|
| CIDA       | Canadian International Development Agency  |
| GEF        | Global Environment Facility  |
| GIS        | Geographic Information System  |
| GOP        | Government of Peru   |
| GTZ        | Deutsche Gesellschaft fur Technische Zusammenarbeit GmbH   |
| ICR        | Implementation Completion Report   |
| INRENA     | National Institute of Natural Resources<br>(Instituto Nacional de Recursos Naturales)  |
| NGO        | Non-Governmental Organization  |
| PROFONANPE | Not-for profit entity of public interest created to administer assets (Pro Fondo Nacional para Areas Naturales Protegidas por el Estado) |
| SDR        | Special Drawing Rights   |
| SINANPE    | National System of Natural Areas Protected by the State<br>(Sistema Nacional de Areas Protegidas por el Estado)                          |
| TC         | Technical Committee  |

|                                |                   |
|--------------------------------|-------------------|
| Vice President:                | David de Ferranti |
| Country Manager/Director:      | Isabel Guerrero   |
| Sector Manager/Director:       | Christine Kimes   |
| Task Team Leader/Task Manager: | Claudia Alderman  |

## **FOR OFFICIAL USE ONLY**

### **CONTENTS**

|  | <b>Page No.</b> |
|--|-----------------|
| 1. Project Data  | 1               |
| 2. Principal Performance Ratings   | 1               |
| 3. Assessment of Development Objective and Design, and of Quality at Entry | 1               |
| 4. Achievement of Objective and Outputs                                    | 2               |
| 5. Major Factors Affecting Implementation and Outcome                      | 9               |
| 6. Sustainability  | 12              |
| 7. Bank and Borrower Performance   | 13              |
| 8. Lessons Learned   | 15              |
| 9. Partner Comments  | 16              |
| 10. Additional Information   | 16              |
| Annex 1. Key Performance Indicators/Log Frame Matrix                       | 17              |
| Annex 2. Project Costs and Financing                                       | 20              |
| Annex 3. Economic Costs and Benefits                                       | 21              |
| Annex 4. Bank Inputs   | 22              |
| Annex 5. Ratings for Achievement of Objectives/Outputs of Components       | 24              |
| Annex 6. Ratings of Bank and Borrower Performance                          | 25              |
| Annex 7. List of Supporting Documents                                      | 26              |
| Annex 8. PROFONANPE ICR  | 27              |

**This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not be otherwise disclosed without World Bank authorization.**



|   |                                       |
|---|---------------------------------------|
| <i>Project ID:</i> P007928              | <i>Project Name:</i> NATL PARKS - GEF |
| <i>Team Leader:</i> Claudia L. Alderman | <i>TL Unit:</i> LCSEN                 |
| <i>ICR Type:</i> Core ICR               | <i>Report Date:</i> June 22, 2000     |

## 1. Project Data

*Name:* NATL PARKS - GEF                             *L/C/TF Number:* 28612; 28656  
*Country/Department:* PERU                             *Region:* Latin America and Caribbean Region  
*Sector/subsector:* AY - Other Agriculture

### KEY DATES

|                            | <i>Original</i> | <i>Revised/Actual</i> |
|----------------------------|-----------------|-----------------------|
| <i>PCD:</i> 07/31/94       | 04/01/95        | 06/01/95              |
| <i>Appraisal:</i> 07/31/94 | 12/01/98        | 12/01/98              |
| <i>Approval:</i> 03/20/95  | 01/01/2000      | 01/01/2000            |
|                            | <i>Closing:</i> |                       |

*Borrower/Implementing Agency:* GOVERNMENT OF PERU/MIN. OF AGRICULTURE

*Other Partners:*

| <b>STAFF</b>               | <b>Current</b>      | <b>At Appraisal</b> |
|----------------------------|---------------------|---------------------|
| <i>Vice President:</i>     | David De Ferranti   | Shahid Burki        |
| <i>Country Manager:</i>    | Isabel M. Guerrero  | Yoshiaki Abe        |
| <i>Sector Manager:</i>     | Christine E. Kimes  | Nicolas Krafft      |
| <i>Team Leader at ICR:</i> | Claudia L. Alderman | Claudia Alderman    |
| <i>ICR Primary Author:</i> | M. Gary Costello    |                     |

## 2. Principal Performance Ratings

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

*Outcome:* S

*Sustainability:* L

*Institutional Development Impact:* H

*Bank Performance:* S

*Borrower Performance:* S

QAG (if available)

ICR

*Quality at Entry:*

*Project at Risk at Any Time:*

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

### 3.1 Original Objective:

The project has four major objectives:

- (i) provide a long-term and predictable source of funding for the protection of Peru's biodiversity through the establishment of a trust fund, the income of which would be used for financing the management of priority protected areas;

- (ii) improve INRENA's capacity to protect and manage Peru's protected areas;
- (iii) provide the country with a reliable institutional mechanism to channel debt donations for sustainable development and conservation through bilateral and commercial debt-for-nature swap agreements; and
- (iv) test the viability of trust funds as mechanisms for providing long-term and sustainable funding for biodiversity conservation.

*3.2 Revised Objective:*

N/A

*3.3 Original Components:*

| <b>Rating</b> | <b>Component</b>        | <b>Sector</b> | <b>Cost</b> |
|---------------|-------------------------|---------------|-------------|
| HS            | INSTITUTIONAL CAPACITY  | XX            | 5.00        |
| S             | FINANCIAL EFFECTIVENESS | XX            | .711        |
| S             | LEGAL FRAMEWORK         | XX            | .650        |

*3.4 Revised Components:*

N/A

*3.5 Quality at Entry:*

N/A

## **4. Achievement of Objective and Outputs**

*4.1 Outcome/achievement of objective:*

### **Overview**

This project was designed to assist Peru in its efforts to protect and preserve the nation's rich biodiversity. The Bank preparation team and the government counterparts recognized the importance of establishing a strong non-governmental institutional base to provide long-term financing for protected area management.

The most important factors affecting the achievement of project objectives were: (i) the financial investment management and annual return on the US\$5.2 million GEF grant, *The Trust Fund for the National Protected Areas of Peru*; (ii) the establishment and strengthening of the legal and institutional framework for protected area management; and (iii) the leveraging of GEF seed capital to attract donations from other donors.

The project was initiated prior to the establishment of the log frame evaluation methodology. Nevertheless, during project preparation performance indicators were identified and they have been evaluated on a continual basis during implementation. A discussion of those indicators can be found in Annex 1. Considering the project objectives prevailing at the time of grant approval, the project has met and even exceeded objectives. The annual project audits reflected satisfactory financial management.

Specific objectives achieved were:

**(i) Provide long term and predictable funding for the protection of Peru's biodiversity.**

PROFONANPE began operations in 1993 with support from the Governments of Germany (GTZ) and Canada (CIDA). In December 1995, the GEF made a contribution of US\$5.2 million to establish a permanent endowment fund. Since that time, PROFONANPE has consistently channeled substantial funding for protected area management in Peru. The returns on the original investment of the endowment fund provided by the GEF has generated sufficient annual income to: (i) cover the administrative costs of PROFONANPE; (ii) channel resources to protected area management programs; and (iii) be reinvested into the seed capital to maintain the real value of the principal. More importantly, however, the initial GEF seed contribution has catalyzed additional long-term funding for protected areas amounting to over US\$ 27 million. Between 1996 and 1999, PROFONANPE disbursed a total of US\$ 6,481,926 for management and conservation activities in 14 protected areas. This is more than twice the amount projected at appraisal, which estimated a cumulative disbursement of US\$2.96 million for four years. At the time of the ICR preparation, PROFONANPE was negotiating new funding in the amount of US\$ 20 million from the GEF, the Netherlands, and the MacArthur Foundation. The outcome of this objective is rated " **highly satisfactory.**"

**(ii) Improve INRENA's Capacity to Protect and Manage Peru's Protected Areas.** The resources channeled by PROFONANPE are providing INRENA with funds to meet the basic *recurrent costs* of 10 protected areas for a period of ten years. PROFONANPE's resources have enabled INRENA to use its own budgetary resources to extend its administrative coverage to 6 protected areas that previously were unmanaged and had no park personnel. The number of park personnel has grown from 60 in 1991 to 278 in 1999. At the same time, with more budgetary stability, INRENA has been able to develop and implement improved management policies including: (i) a reduction in the field staff turn-over (ii) increased training opportunities; (iii) more efficient budgetary transfers to the field offices; and (iv) implementation of entrance fees programs which now make up more than half of its operating budget. The participatory process built into the preparation of PROFONANPE's annual work plans has opened a small but important door for the participation of non-governmental actors in the decision-making-process in protected areas. Finally, the improved management capacity of INRENA has enabled it to assume an important leadership role within the National System of Protected Areas (SINANPE). The outcome of this objective is rated " **satisfactory.**"

**(iii) Development of Institutional Mechanisms for Debt-for-Nature Swap Agreements.** The existence of PROFONANPE was of critical importance in obtaining agreements with bilateral donors on debt swaps and other donations. PROFONANPE has negotiated 6 debt swaps amounting to US\$ 21.2 million. The outcome of this objective is rated " **highly satisfactory.**"

**(iv) Test the Viability of Trust Fund Mechanisms for Long Term Funding of Biodiversity Conservation.** The project has had substantial fund-raising success, demonstrating donor confidence in the trust fund mechanism. Although PROFONANPE was not able to increase its permanent endowment fund to the level originally envisioned, the institution has been able to attract considerable funding into *sinking funds* with life spans of five to ten years. This change of fund-raising approach was made when it became clear that the policies of bilateral donors did not permit them to place their contributions into permanent endowment funds. Nonetheless, the combination of the two types of funds (endowment and sinking funds) has proven to be an effective tool for channeling resources to protected areas. The endowment fund has ensured sustainability for the institution and has provided PROFONANPE with the basic funding and credibility to successfully negotiate long term non-endowment funding. Moreover, PROFONANPE developed an innovative mechanism allowing them to generate permanent endowment funds while respecting the donor's restrictions on putting funds directly into this type of financial

mechanism. PROFONANPE successfully negotiated agreements whereby the interest earned by the sinking funds are placed in a permanent endowment. Specifically, PROFONANPE was able to create a permanent endowment for Macchu Picchu from the interest generated by the funds provided by Finland for a five year project. To date, this fund stands at US\$ 1.6 million. PROFONANPE expects to capitalize an additional US\$2.5 million by using the same strategy with two recently-approved debt for nature swaps with the Government of Germany.

One important issue regarding the viability of trust funds addressed throughout project design and implementation was the management of investment risk. The GEF grant and subsequent donations by bilateral donors were invested in the Peruvian financial markets because at the time the project was designed, there was a concern that these funds could be viewed as government funds, and thus be vulnerable to attachment by creditors of the government. While this risk appeared to have decreased with the 1996 agreement/ issuance of the Brady Bonds, the issue resurfaced when a few creditors recently purchased Peruvian debt at deep discount and successfully sued the government in a New York court to pay its full value. While it is likely that PROFONANPE would not be at any risk as the institution is legally not a government entity, given the vagaries of lawsuits, the current risk will need to be re-evaluated. A more real and pressing risk however, requiring on-going management, has to do with the steadily declining performance and stability of emerging capital markets around the world. At this time, PROFONANPE is fully cognizant of the resulting increased risks to its portfolio, and is currently taking steps to address this issue. Specifically, the institution is in the process of recruiting an internationally experienced financial advisor to help them define their investment options, including the diversification of assets into more stable financial markets. In any case, this process will take some time, because, as is the case of any long-term investment, many assets cannot be sold quickly without incurring unacceptable financial losses.

Overall, the experience gained with this Trust Fund project demonstrated the importance of specified annual spending limits and reinvestment requirements along with defining a process for choosing and overseeing portfolio managers. The project also demonstrated the importance of having clear portfolio management guidelines and risk/return parameters, as well as having a financial advisor on a permanent or retainer basis. In addition, the project demonstrated the advantages of investing in stable capital markets where investment are more likely to earn consistent returns, and be subjected to lower overall risk. Finally, the accomplishments of the project indicate that the existence of the Trust Fund played a key role in facilitating conservation financing, and served as an important mechanism to channel international funding. The outcome of this objective is rated "satisfactory."

**Overall project outcome is rated "satisfactory".**

#### *4.2 Outputs by components:*

##### **Endowment of PROFONANPE.**

Despite the increased risk of investing in an emerging market, the returns of the GEF Trust Fund have been able to support PROFONANPE's annual operating costs and have provided modest but steady financing for conservation activities in several protected areas without depleting the endowment capital. More importantly, the endowment fund provided by the GEF has ensured sustainability for the institution and has allowed it to successfully attract substantial non-endowment funding.

While PROFONANPE did not reach the goal set at appraisal of raising US\$ 40 million in permanent endowment funds over the 5 years of the project, it has exceeded the projected disbursements to protected

areas. In fact, had the fund reached its endowment target, it would have disbursed approximately US\$ 2.93 million over four years. In actuality, PROFONANPE disbursed US\$ 6.2 million resulting from combined endowment and non-endowment resources. A table summarizing the donations negotiated by PROFONANPE is found below.

**PROFONANPE: Summary of Fund Raising Achievements  
1995-2000  
(US\$)**

| <b>Source</b> | <b>Type of Fund and Duration</b> | <b>Date</b> | <b>Objective</b> | <b>Amount</b> |
|---------------|----------------------------------|-------------|------------------|---------------|
|---------------|----------------------------------|-------------|------------------|---------------|

**Portfolios of Investment**

|                              |  |          |   |           |
|------------------------------|--|----------|---|-----------|
| GEF                          | Permanent Endowment<br>In perpetuity                   | May - 95 | Seed capital for PROFONANPE, and support for key protected areas.                   | 5,223,986 |
| Debt for Nature Swap Canada  | Permanent Endowment<br>In perpetuity                   | May - 95 | Natural resource management by local communities, training                          | 354,920   |
| Debt for Nature Swap Germany | Sinking Fund<br>Ten Years                              | Jan - 96 | Support for recurrent costs of nine protected areas for ten years                   | 6,089,309 |
| Debt for Nature Swap Finland | Sinking Fund<br>Five Years                             | Mar - 96 | Support for the management of Machu Picchu  | 6,054,516 |
| Debt for Nature Swap Finland | Permanent Endowment<br>In perpetuity                   | May - 96 | Seed capital for permanent endowment for Machu Picchu                               | 100,000   |
| Debt for Nature Swap Germany | Mixed Permanent<br>Endowment<br>10 Years/In perpetuity | Oct - 99 | Support for the management of the Bosque de Protección Alto Mayo                    | 1,987,281 |
| Debt for Nature Swap Germany | Mixed Permanent<br>Endowment<br>10 Years/In perpetuity | Oct - 99 | Support for the institutional development of the National System of Protected Areas | 1,987,281 |

**Technical and Financial Assistance**

|                   |  |           |  |           |
|-------------------|--|-----------|--|-----------|
| Grant Finland     | Technical Assistance<br>Two Years                | Feb - 98  | Technical Assistance related to the implementation of the Machu Picchu project | 1,000,000 |
| Grant FANPE - GTZ | Technical Assistance<br>Not Closing Date decided | May - 98  | Technical Assistance   | 54,000    |
| Grant KfW Germany | Financial Assistance<br>Five Years               | Sept - 98 | Technical Assistance   | 4,970,179 |

**Earmarked Funds and Other Donations**

|                           |  |           |  |         |
|---------------------------|--|-----------|--|---------|
| Grant Embassy of Canada   | Vehicles and Equipment                       | Jan - 95  | Start-up costs of PROFONANPE   | 113,321 |
| Grant FANPE - GTZ         | Earmarked Fund<br>Two Years                  | Jan - 95  | Financial support for the implementation of three pilot projects.          | 300,000 |
| Grant McArthur Foundation | Earmarked Fund<br>Three Years                | Sept - 95 | Project Reclassification of the Tumbes National Forest as a Reserved Zone. | 80,000  |
| Grant McArthur Foundation | Earmarked Fund<br>One Year                   | Jan - 96  | Support for the first fund raising campaign of PROFONANPE                  | 50,000  |
| Grant Embassy of Holland  | Contingency Fund<br>Not Closing Date decided | Mar - 96  | Support for the Emergency Fund for Park Guards.                            | 6,505   |
| Grant Embassy of Canada   | Earmarked Fund<br>One Year                   | Mar - 99  | Financial assistance for the institutional communications strategy.        | 4,312   |
| Grant Embassy of Holland  | Earmarked Fund<br>Three Months               | Mar - 99  | Co-financing of External Independent Evaluation of PROFONANPE.             | 25,000  |
| Grant FANPE - GTZ         | Earmarked Fund<br>Three Months               | Mar - 99  | Support for the institutional development of PROFONANPE.                   | 22,000  |

**Funds Under Negotiation (advance)**

|                              |                           |          |  |           |
|------------------------------|---------------------------|----------|--|-----------|
| Debt for Nature Swap Germany | Sinking Fund<br>Ten Years | Oct - 99 | Support for the establishment as a protected area and the conservation of the biodiversity of the watershed of the rivers Morona and Postaza | 4,639,510 |
|------------------------------|---------------------------|----------|--|-----------|

|                |
|----------------|
| <b>Total :</b> |
| 33,062,121     |

As of December 1999, the total GEF-financed fund had a value of US\$ 5.43 million which includes the original US\$ 5.0 million provided by the GEF, plus a net additional of US\$ 430,000 in earnings reinvested under the project's "spending rule". Given the fluctuations in the value of the SDR between the time of grant approval and disbursement, the actual grant amount disbursed was US\$5.22 million. US\$5.0 million was placed into the permanent endowment and the balance of US\$220,000 was used to cover the operating costs of PROFONANPE for the first year of the project. The "spending rule" limited the trust's expenditures to 5% of the value of the Trust Funds assets for the first three years and a rate not to exceed 5% of the three-year moving average value of the accounts assets subsequently.

In addition, PROFONANPE has raised permanent capital through agreements with two donors whereby the interest earned by the sinking funds are placed in a permanent endowment. Specifically, PROFONANPE created a permanent endowment for Macchu Picchu from the interest generated by the funds provided by Finland. This fund stands at US\$ 1.6 million. PROFONANPE expects to capitalize an additional US\$ 2.5 million by using the same strategy with two funds recently approved.

The original estimated annual gross return of 10% proved to be unrealistic. During the first four years of operation, the trust funds investment portfolio produced an average annual return of 6%, partly due to turmoil in emerging markets all over the world, and in Peru in particular. Nonetheless, the Trust Fund's accumulated earnings are comparable to other GEF Environmental Trusts. As discussed elsewhere, the Trust Fund does have a higher investment risk by being invested in Peru's emerging markets. The resolution of this issue has important implications for the stability and sustainability of the fund.

#### **Management of Selected Protected Areas.**

PROFONANPE's endowment income along with the support from the Government of Peru, bilateral donors and the private/NGO sector helped finance protected area management programs in 14 areas. The number of staff working in the parks has more than doubled, while field staff turnover levels have dropped. Support to IRENA has permitted it to expand revenue-generating programs including user and entrance fees and to improve the management of its conservation programs within the protected area system.

As it was stated in the project document, the project did not attempt to measure its *direct impact* on biodiversity protection, as it would not have been feasible within the time frame and with the resources available under the project. The reason is that the evaluation of changes in natural systems requires the extensive compilation of baseline data (such as the inventory of population sizes and distribution of key species, or extensive GIS data). The collection and monitoring of such data is technically difficult, time consuming and expensive. Moreover, what can be measured is often hard to interpret both due to inherent natural fluctuation in ecological processes, as well as the difficulty of determining the counterfactual case, that is, what might have occurred in the absence of the project. Given the emphasis of the project on institutional development, this activity would have been beyond the technical scope and financial resources of the project. Nonetheless, PROFONANPE is broadly regarded as having made a substantial contribution to the ability of the country to manage its Park System, without which biodiversity conservation would be adversely affected.

Beyond the life of the project, however, as PROFONANPE develops and matures, the institution will be in a better position to promote and seek financing for the required biodiversity monitoring. To this end, PROFONANPE is coordinating with other entities to develop a system-wide approach to measure biodiversity impact. This work will certainly be a priority for PROFONANPE in the coming years, but in

the meantime, PROFONANPE and INRENA indicated that they will continue to focus their efforts on building and sustaining the basic management infrastructure required for protected area management.

**Project Coordinating Unit.** The Project Document proposed a lean organizational structure for project implementation with an average annual budget of US\$ 150,000 which was 10% of base costs. Total costs for project administration over the life of the GEF project amounted to US\$ 641,600. PROFONANPE also received institutional support from other donors totaling US\$ 136,130 over the four year implementation period. From 1996-1999, PROFONANPE implemented activities totaling about US\$6.2 million. Total overhead for PROFONANPE amounted to about 12.5% of the total operating budget. This percentage of overhead expenses compares very favorably with other small biodiversity trust funds. The results of this project point to the effectiveness of the size and structure of the PROFONANPE operation.

PROFONANPE operates on the basis of Board approved annual work programs which are prepared based on expected budgets from: (i) income from the GEF seed funds; and (ii) support from other donors. PROFONANPE disbursed 34% of its budget programmed for 1996, 69% for 1997, 99% for 1998 and 78% for 1999. Over the four year period of project implementation, PROFONANPE has disbursed 100% of the budgeted amount deriving from the income generated by the GEF seed funds.

*4.3 Net Present Value/Economic rate of return:*

N/A

*4.4 Financial rate of return:*

N/A

*4.5 Institutional development impact:*

**Overall Achievement.** The project created a mechanism to channel debt donations for sustainable conservation financing via the creation of PROFONANPE (the institution) and FONANPE (the Trust Fund). PROFONANPE has successfully utilized the Trust Fund to attract international donors and debt swaps, and the existence of these mechanisms encouraged bilateral donor financial support that probably would not have occurred otherwise.

The project also helped develop the capacity of PROFONANPE to better manage its financial assets, and helped establish the process to select investment portfolio managers, and monitor their performance.

PROFONANPE is a non-governmental entity comprised of a Board of Directors, staff, and a Technical Committee. Currently, the Board is comprised of three representatives from the government (one representative from the Ministry of Agriculture, one from the Ministry of Economy and Finance, and one from the Office of the President of the Ministerial Council), three NGO representatives elected by the Peruvian Environmental Network, and one representative of the donor agencies (at present from the GTZ).

The 1992 Legislative Decree establishing PROFONANPE stipulated that all three representatives to the Board be officials from the Ministry of Agriculture. This was contrary to the agreements reached with the Bank's project preparation team, which recognized the importance of having a more diverse Board in order to broaden the base of support, to enhance the technical expertise and to reflect the international nature and importance of PROFONANPE's goals. At the time of project negotiations, the Government committed itself to making the desired change in Board membership. However, this proved to be very difficult to do, as this change would require a cumbersome and time consuming Parliamentary approval process. In

recognition of the importance of strengthening the Board by including representatives from other ministries, in 1998 the Minister of Agriculture invited the Ministry of Economy and Finance and the Office of the President of the Ministerial Council to sit on the Board on its behalf. This was an elegant solution to the legal problem of changing the original Decree. While the current Board membership is more adequate to PROFONANPE's needs, the ICR team, as well as the Independent External Evaluation Team ( A. Putney, L. Rosenzweig and V. Pulido, Evaluacion Externa Independiente de PROFONANPE, April 2000) , concluded that for PROFONANPE to continue to grow and operate effectively, it will require a larger Board, with broader representation.

The Technical Committee (TC) is composed of specialists in biodiversity and, to a limited degree, finance. The function of the TC, as envisioned during project preparation was to provide technical advice and provide evaluation support, as well as help to define the institution's annual plan, identify potential projects and select executors. In practice, the TC has not been fully effective in providing input into the Park System planning cycle and lacks sufficient expertise in reviewing and deciding on investment issues.

On balance, the project had a positive impact of the development of Peru's institutional framework for protected area management. The internal design of PROFONANPE has been effective in achieving the goals identified during project preparation. The institution has proven to be an effective manager of both its human and financial resources. Its staff has demonstrated strong leadership and made a positive contribution to the protection of Peru's biodiversity. Currently, PROFONANPE employs 8 professionals who work at the organizations headquarters in Lima.

**INRENA.** The project has had an undeniable impact on INRENA's capacity to deliver programs to the protected areas. The number of park personnel has grown from 60 in 1991 to 278 in 1999 working in 37 areas. Currently, about 40% of these were employed with budget support from PROFONANPE. Financial support from PROFONANPE has bolstered INRENA during difficult periods. According to the Director of the Peruvian Park Service, without PROFONANPE's financial support at critical moments, the Park Service would have had serious difficulties in sustaining their programs.

The project's contribution to INRENA goes beyond the merely financial. Thanks in part to PROFONANPE's feedback, INRENA took steps to improve its financial management and tracking systems. For example, for the first two years that PROFONANPE provided support for the salaries of park personnel, PROFONANPE made payments directly to the staff, and maintained a direct contractual relationship with the employees. This arrangement was put in place because INRENA did not have the capacity to administer this process. Under PROFONANPE's responsibility, park staff received their salary promptly and every month, for the first time in many years. This had a highly positive impact on staff morale. With support from the GTZ and PROFONANPE, INRENA improved their computerized systems and by 1999, INRENA was able to re-assume these functions. Currently PROFONANPE transfers the funds to INRENA under a Memoranda of Understanding clearly outlining the respective responsibilities and performance standards for the timely transfer of funds to the field. In addition, PROFONANPE has provided technical assistance to insure high quality annual work plans. Through the efforts of PROFONANPE staff, an important forum has been created to encourage the discussion of priorities for protected area planning and management.

As a result of negotiations with PROFONANPE, INRENA also instituted policies to reduce the frequency of turnover of field staff, thereby providing more continuity to park management programs. Prior to PROFONANPE's financing, INRENA had a policy of hiring park personnel only under three-month contracts. With PROFONANPE's financial support, staff are now given one year contracts, renewable on

the basis of satisfactory job performance. In turn, the greater stability of staff allowed GTZ to provide training to park personnel, which it was not willing to provide to staff on short-term contracts.

All of the above support has translated into improved capacity of INRENA to play a more active role in managing the protected areas.

## **5. Major Factors Affecting Implementation and Outcome**

### *5.1 Factors outside the control of government or implementing agency:*

#### **Liens on Peruvian Debt**

At the time the project was prepared, the proceeds of the GEF grant could not be invested outside of Peru in more developed financial markets due to the potential risk of attachment of these funds by creditors of the Government of Peru, prior to the debt renegotiation and issuance of Peru's Brady Bonds. This circumstance made the Trust Fund one of the few GEF Environmental Funds invested in an emerging market economy. At the time of ICR preparation, the potential risk of attachment of funds placed in off-shore markets continues to be a factor outside the control of government and PROFONANPE which will undoubtedly affect the investment options for the foreseeable future. Even if the risk of attachment was not a factor, it is possible that the Government would be reluctant to agree to move the funds overseas, based on the experience of the Private Pension Funds which are fully invested in Peru's financial market as the government is reluctant to invest abroad while the country is in the midst of an economic recession.

#### **Market Volatility and Liquidity**

Because the Trust Fund portfolio had to be invested in Peru's emerging securities markets, the portfolio's annual return varied considerably. Annual returns have varied from a high of 17.7 % in 1996 to a low of -5.4% in 1998. The return in 1999 is estimated at about 3%. In addition, Peru's financial markets are limited by relatively low trading volume and market illiquidity. That makes it more difficult to buy or sell investment assets and thus maximize the value of the investment portfolio.

Currently, PROFONANPE's portfolio includes a significant investment (19%) in the bonds of a company that is experiencing financial difficulties. The company is being restructured which may improve the performance of the portfolio, as the bonds have been steadily regaining value over the past few months.

PROFONANPE is fully aware of the increased risks of investing its portfolio in an emerging market. The declining performance and lack of stability of emerging capital markets worldwide, however, requires a serious assessment of the advisability of moving funds offshore. PROFONANPE is currently taking steps to evaluate its options, and is in the process of recruiting an advisor to help them make the transfer in a financially sound manner. In any case, the transfer of the funds abroad will take some time, because, as is the case of any long-term investment, many assets cannot be sold quickly without incurring unacceptable financial losses.

#### **Scarcity of High Quality Asset Managers and Underdeveloped Investment Management Practices**

The problem of Peru's riskier capital markets is compounded by the scarcity of professional asset management firms with extensive track records, and a relatively weak regulatory framework. Although common investment practices adhered to by US firms are in general followed by Peruvian firms, some

specific cases show lack of high quality practices. Moreover, at least initially, portfolio management investment contracts and reports lacked performance clauses and critical financial data. In an instance of questionable practices, corporate bonds were issued and sold to PROFONANPE by the same bank that wrote the corporate restructuring agreement. That bank is representing both bank lenders and bondholders in the repayment negotiations. The portfolio manager retained these bonds in PROFONANPE's conservatively managed portfolio despite a request by PROFONANPE that they be sold. In response to this inadequate performance, PROFONANPE took the decision in 1999 to remove the portfolio from the poorly performing bank and signed a contract with a new asset manager. Since then, new and more stringent investment guidelines were put in place and the performance of the portfolio has improved significantly.

### *5.2 Factors generally subject to government control:*

#### **Debt for Nature Swaps**

The Peruvian government has supported and facilitated six debt swaps to support the protected areas of Peru. Peru has done an exceptional job in obtaining and negotiating bilateral donations and leveraging additional funds for biodiversity. About US\$ 27 million in addition to the GEF Trust is now available for conservation activities.

#### **Annual Budget Allocation to Protected Area Management**

The Peruvian government's own financial contributions to the protected areas are rising, from around 1.9 million soles in 1996 to about 3.5 million in 1999 or from about US\$ 750,000 to US\$ 1,000,000. The National Treasury has been more reliable in its disbursements to the Park Service, and the government has given the Park Service direct access to the revenues earned in the areas. In total, the Park Service has a far larger budget than ever before.

#### **Tax Exemption Status**

At negotiations, the GOP agreed to accord tax exempt status to PROFONANPE. At the time of the ICR, the approval by the GOP had still not been obtained. All parties appear to share some responsibility for the delay. The completion of the legal procedures have been complicated by PROFONANPE's special legal status. Originally, Bank supervision missions pressed for a tax exemption covering the whole organization which it was felt would help attract other donations. Apparently, the tax exemptions can be negotiated only on a case by case or donation by donation basis. While it will be important to secure the tax exempt status, it has not hampered PROFONANPE's operations to date, as no taxes have been imposed on the interest earnings of the fund, given Peru's current tax holiday on income-interest earnings. The only taxes for which the institution has been liable for are national sales taxes, and given that PROFONANPE has used the income for the GEF donation to finance mainly salaries and operating costs, the tax implications have been negligible.

#### **INRENA Personnel Management**

From 1995 to 1998, INRENA had a policy which included the frequent rotation and change of field staff, some of whom were kept perpetually on short-term contracts. The personnel paid with PROFONANPE funds are required to have annual contracts and the frequency of site rotation has dropped substantially. These changes of policy are considered to be positive and should over the medium to long-term improve

program delivery and overall Parks management.

### *5.3 Factors generally subject to implementing agency control:*

#### **Financial Management of Trust Fund**

The financial management of the Trust Fund Portfolio has greatly improved over the project period, although there continues to be issues with the portfolio management and asset quality due to the investment in an emerging market. PROFONANPE has had to create, negotiate and monitor the Trusts investment contracts, portfolio management mechanisms and reporting formats, which would normally already be developed by a professional asset manager. PROFONANPE has followed a competitive selection process to select its asset managers, but in one instance it had to change managers due to poor performance. While until this year the GEF portfolio was one of the best managed accounts, its performance has suffered over the past year from deterioration in both the quality of the service provided by the portfolio manager and the poor investment market. The investments provided by other donors have experienced a variety of issues with investment quality, risk diversification, portfolio management performance and acceptable investment contracts, but over the life of the project PROFONANPE has worked continuously to resolve these problems.

PROFONANPE has been hampered at times by insufficient internal institutionalized financial expertise, such as could be provided by having private, financial sector representation on its Board of Directors. Throughout the life of the project, Bank supervision missions have included a financial specialist that has reviewed the investment portfolio, not only for the GEF funds, but for all of PROFONANPE's assets. The missions recommended repeatedly that PROFONANPE enhance its ability to supervise and monitor the financial performance of its investment managers. In the early years, PROFONANPE relied on advisors who provided services on a *pro bono* basis for specific issues. This, however, was not deemed sufficient, and for the past two years, PROFONANPE has hired a part time advisor to assist them with this task. Moreover, with the addition to the Board of Directors of a representative from the Ministry of Finance, the institution's capacity in this areas was substantially strengthened. In the future, particularly with the cessation of Bank's supervision and technical support, it will be essential that PROFONANPE continues to receive sound investment advice on a regular basis.

#### **Board Meeting Attendance**

At times, due to lack of attendance, mainly by government representatives, it has been difficult to reach a quorum at PROFONANPE's Board of Directors meetings. This has had some impact on operations, but is not considered to be a significant factor in overall project performance. However, over the long-term this lack of participation could affect the institutions credibility and hamper its growth and development. This problem however, could be alleviated by increasing the number of members, and broadening the composition of the Board as discussed earlier. In addition, similar Boards are effectively using technology such as teleconferencing to facilitate meeting participation.

#### **The Decision Making Process**

Decision-making related to activity approval has at times been difficult due to the fact that some Board members have institutional interests. This potential and eventual conflict of interest was analyzed by the Independent External Evaluation Team. That Team made a series of recommendations to help address this issue. These include increasing the size of the Board of Directors, to both add depth of expertise and

broaden representation to other sectors. The Independent External Evaluation team also recommended that formal procedures be in place to allow the Board to reclude a representative for any discussion or decision where a conflict of interest may occur.

Contrary to expectations at the time of project design, the Technical Committee rarely provides input into the decision process. The Independent External Evaluation team has proposed a series of measures to improve the decision making process including the establishment of technical subcommittees in finance, planning to be presided over by a Board member. The Bank's supervision team also had recommended that electronic mail be used more actively to keep the TC members informed of PROFONANPE's activities and to solicit input and guidance.

### **Day to Day Operations**

PROFONANPE's hiring and staff management practices are considered satisfactory. Personnel policies and benefits are in place, staff morale is good, and performance standards are clear. The current staff of PROFONANPE is highly qualified and dedicated, and has done an excellent job in meeting the institution's obligations.

#### *5.4 Costs and financing:*

The project costs were in line with original expectations. The GEF's contribution of US\$5.2 million was disbursed in full in a single tranche after project effectiveness. The Trust Fund generated an average of 6% in investment returns per year which was below the 10% estimated at appraisal. Out of the GEF-financed fund, a total amount of US\$ 1,007, 128 was disbursed for conservation related activities during the life of the project. Approximately US\$ 200,000 was plowed back into investment capital.

Over the life of the project, investment income totaling US\$ 641,605 was used to cover administrative costs of PROFONANPE. This amounted to about 10 % of base costs which was in line with estimates at appraisal. With the no-objection of the Bank, the total amount of investment income spent on administration in 1998 and 1999 was higher than estimated at appraisal. This increase was fully justified given the increase of responsibilities and workload of PROFONANPE resulting from the much larger amount of funds being administered by the institution.

## **6. Sustainability**

#### *6.1 Rationale for sustainability rating:*

PROFONANPE as an institution appears to be on sound footing. It has qualified staff in place, and has developed administrative procedures that allow it to function in an efficient manner. Its track record has given it credibility with bilateral donors as demonstrated by their continued financial support.

PROFONANPE has also achieved strong credibility with the Government, as evidenced by their strong working relationship with the Ministry of Finance, which has facilitated and endorsed PROFONANPE's efforts in their international negotiations. INRENA's ability to carry out its functions is directly, although not exclusively, linked with availability of financial resources. In the past, Peru's precarious fiscal situation meant that the Government was unable to allocate its scarce resources to protected areas. The steady and predictable stream of funding for protected areas channeled by PROFONANPE has allowed INRENA to carry out long-term planning and has had a positive impact on staff morale, job performance, and tenure. As a result, as long as funding continues to be available, it is likely that the gains in terms of

institutional capacity will be sustained.

The mechanisms are in place to ensure project financial sustainability as well. Interest income from the investment fund (assuming returns whose average rate is comparable to the previous period) are adequate to cover the administrative costs of PROFONANPE, provide a small contribution to programs directed at protected area management and reinvest a minimum level of earnings in Trust Fund capital. Proceeds from debt-for nature swaps, sinking funds and other project related support are being channeled directly to cover costs of park management programs. To date, the agreements signed between the GOP and the donors will provide funding on an annual basis sufficient to ensure basic management of approximately 14 protected areas for the next eight years.

The primary financial risks to the long-term sustainability of the project stem from the volatility of investing in an emerging market. In particular, the Trust Fund contains a bond that makes up 19% of the fixed income portfolio. This bond is below investment grade and has an unclear market value. An estimation of a potential loss from this asset would potentially reduce the current total Fund balance by 6%, but will not reduce the initial Trust capital amount. In the unlikely event that this loss has to be realized it would mean a relatively small 1.9% reduction in the operating revenue for the next year. This issue should be closely monitored until PROFONANPE is able to move some of its assets to a more stable investment environment.

#### *6.2 Transition arrangement to regular operations:*

Continued vigilance will be needed on the part of PROFONANPE to insure the long term financial sustainability of the trust fund. As PROFONANPE continues to attract investment accounts and endowment funds, monitoring of portfolio performance is extremely important. PROFONANPE needs to evaluate whether the risk of attachment of funds offshore continues to be an issue. PROFONANPE needs to carry out a thorough evaluation of the advantages of moving all or part of its financial assets offshore, as the financial risk would likely diminish by moving its assets to more secure investment markets. The Trust Fund would also benefit from the more consistent use of sound financial expertise.

### **7. Bank and Borrower Performance**

#### **Bank**

##### *7.1 Lending:*

Bank performance during project identification and preparation was rated "satisfactory". During preparation the Bank correctly identified the fundamental need to establish a viable and strong institutional framework. The Bank correctly appraised the lack of capacity in the General Direction of Parks and chose to create a separate fund to capture international donations and debt-swaps. The decision to provide the US\$ 5.0 million as an endowment provided PROFONANPE with the necessary resources to contract staff and establish its institutional credibility. The overly optimistic target of reaching an endowment of US\$ 40 million was set at the request of PROFONANPE, on the grounds that this target would provide more leverage to the institution in securing the support of the Government in the relevant negotiations with bilateral donors on debt-for-nature agreements. At the time, it had not been determined that donors would be constrained in their ability to contribute to endowment funds. During project preparation, the Bank assisted the Government in developing investment guidelines tailored to the riskier investment climate of the Peruvian emerging market. During supervision, these guidelines were refined in response to the changes in the financial market, and the investment conditions worldwide.

##### *7.2 Supervision:*

Bank performance during supervision was rated "highly satisfactory". Supervision missions benefited from a good skill mix of specialists including an institutional development expert and an investment professional. Their knowledge and recommendations were extremely valuable in obtaining adjustments to project design during project implementation. For example, the investment professional assisted PROFONANPE in developing criteria for *evaluating* the performance of the portfolio managers and in assessing the level of risk of the various portfolio options.

The task team maintained excellent relations with bilateral donors and the NGO community. These efforts played an important role in obtaining additional support through debt swaps and "sinking funds" mentioned earlier. Moreover, the Bank's and GEF involvement lent credibility to the effort.

Bank supervision also played a role in obtaining GOP approval to change the composition of the PROFONANPE Board to include a broader governmental representation and expertise, which was believed to be a key element for the long-term success of the institution.

#### *7.3 Overall Bank performance:*

Overall Bank performance was rated "satisfactory".

#### Borrower

#### *7.4 Preparation:*

Grantee performance during preparation was rated "satisfactory". The Government dedicated all needed effort to prepare the project. Moreover, the Government was highly receptive to the constructive input and participation of half a dozen Peruvian NGO's at all stages of project design.

#### *7.5 Government implementation performance:*

Overall, the Peruvian Government was extremely supportive of the project and its objectives. In particular, the Ministry of Finance played an essential role in assisting PROFONAPE in its fundraising efforts. The Ministry of Agriculture, responsible for INRENA and the Protected Areas Department, was also highly supportive of the project. One shortfall was their inconsistent participation at PROFONANPE's Board meetings referred to earlier. This is partially attributable to having nominated a representative whose extensive and somewhat unrelated responsibilities prevented him from devoting the needed time. Upon voluntarily nominating two other Ministries to the Board, PROFONANPE was substantially strengthened. INRENA and the Parks Department were both actively involved in the project. The Director of INRENA serves as President of the Board, and as such has played a key role throughout project implementation. While at times the relationship between INRENA and PROFONANPE was strained, at all times, both institutions worked together to resolve difficulties. To the credit of both INRENA and PROFONANPE, both institutions successfully resolved many difficult issues throughout project implementation. As a result, the Protected Areas System has been strengthened significantly by having a strong well working institution supporting the long term financing of biodiversity conservation.

A pending issue is the approval of the request to grant to PROFONANPE tax exempt status, which was envisioned at the time the project was approved. While the approval process is complex and time consuming, it can be said that the Government has not been fully effective in facilitating the process. Nonetheless, by all indications, once the legal and administrative formalities have been resolved, the approval will be forthcoming.

#### *7.6 Implementing Agency:*

PROFONANPE's performance with procurement, disbursement, auditing and progress reporting was rated "satisfactory". Only during the first year of the project did PROFONANPE have difficulty preparing their annual work plan. With added experience with the process, the annual work programs were substantially improved each subsequent year and were produced in a timely manner.

PROFONANPE's cooperation with Bank missions was exemplary. Meetings in Lima and site visits were well coordinated and PROFONANPE staff assisted the Bank with its work. PROFONANPE management of its financial and human resources during the life of the project was "highly satisfactory". Their success in fund raising noted earlier was clearly one of the most positive elements of the project and will contribute to the long-term sustainability of their conservation programs.

At this time, PROFONANPE is in the process of preparing a proposal to the GEF and other donors, to establish a fund specifically aimed at increasing participation in protected area management and conservation by civil society. This fund would strongly complement and enhance the achievements to date.

#### *7.7 Overall Borrower performance:*

The overall performance of the Grantee was rated "satisfactory".

### **8. Lessons Learned**

The mixed public/private Board of the trust fund can be an important platform for discussion and planning among the various actors, especially in cases where there are few forums where such discussions can take place. Moreover, the Board should be large enough to allow for a variety of expertise, perspectives, constituents, and to cushion the impact of any one member not being available to participate at a given time.

PROFONANPE's experience tends to indicate that Trust Fund Board representation should be reflective of personal capacity rather than as representatives of specific institutions, in so far as that's possible. Moreover, issues of conflict of interest must be analyzed in great detail, and procedures should be in place to manage potential problems.

It has been very difficult to attract permanent endowment funds. Non-permanent funding such as debt-for-nature swaps and "sinking funds" have been easier to obtain.

If the option is available, GEF Trust Funds that are meant to provide long-term permanent financing should be invested in larger, more developed markets, in order to minimize investment risk.

The capacity of the implementing agency to choose and monitor the investment managers and the risk in their portfolios is critical to the long-term sustainability and performance of the Trust Fund. Specifically, the Board of Directors should include individuals with private sector financial management/investment expertise. Moreover, arrangements should be in place to guarantee strong and consistent supervision of the performance of the investment managers. This may include formalized financial management expertise through paid advisors, as well as through ensuring that one or more Board members have the needed financial skills to give guidance to the organization.

Portfolio manager investment contracts need to include clear guidelines for investment risk, asset quality and portfolio diversity. In addition, the investment contracts must include performance clauses so that the owner of the assets can move the funds if necessary in the event of portfolio mismanagement.

## **9. Partner Comments**

### *(a) Borrower/implementing agency:*

PROFONANPE agrees with the contents of the ICR prepared by the World Bank. As a complement to the information included in this document, PROFONANPE would like to comment on the following topics.

Concerning item 4.1 (ii) "*Improve INRENA's capacity to Protect and Manage Peru's Protected Areas*", it should be mentioned that although it is true that in 1991 the Government assigned 60 employees to perform field duties in the protected areas, it is also important to mention that during that time civil society institutions were already supporting the basic aspects of management in various protected areas, including an indeterminate number of parkguards. At present, other than INRENA and PROFONANPE funds, the protected areas get substantial support from various sources both from government and from international cooperation through the regional governments and non governmental organizations, respectively.

Concerning item 5.3 "*The Decision Making Process*", and more specifically as concerns the operations of the Technical Committee, it should be mentioned that in February 2000, PROFONANPE's Directive Council adopted a series of decisions to restructure the operations of said Committee and thus adopt the recommendations issued by both the World Bank and the Independent External Evaluation. For now, and on an experimental basis, it has been decided to establish three specialized subcommittees (for the financial, institutional planning, and protected areas management fields) chaired each by a member of the Directive Council. At present, the Financial Sub-Committee is fully operational.

Lastly, concerning Annex 1, "*Key Performance Indicators/Log Frame Matrix*", and specifically regarding the caption reading "*The disbursement of funds for the various activities and projects is made in a timely basis for 3 years in a row*", it is appropriate to mention that the 1999 level of disbursement (78%) results from difficulties arising within the Machu Picchu Program and which cannot be attributed to either PROFONANPE or INRENA. Consequently, in that same year, the level of fund execution for all other operations, including those receiving financing from the GEF Trust Fund, effectively reached 96%.

### *(b) Cofinanciers:*

N/A

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

N/A

## **10. Additional Information**

N/A

## Annex 1. Key Performance Indicators/Log Frame Matrix

This project was designed prior to the adoption by the Bank of the Log Frame Evaluation methodology. The project design did specify a project monitoring strategy consisting of two types of evaluation: (i) the monitoring and evaluation of the implementation of the GEF project; and (ii) the evaluation of how trust funds contribute to biodiversity. For both of these evaluations, benchmarks were established. These benchmarks were monitored during project supervision missions.

(i) **Evaluation of Project Implementation.** Three broad categories of benchmarks were identified during project preparation. These included: (i) Institutional Capacity; (ii) Financial Effectiveness; and (iii) Adequacy of Legal Framework.

### Benchmarks

| Indicator  | Performance  |
|--|--|
| <b>INSTITUTIONAL CAPACITY</b>  |  |
| The Board of Directors will meet twice each year and has carried out its responsibilities as established in PROFONANPE by-laws for three years in a row.   | Attained   |
| The project coordinating unit is functioning and staffed with qualified professionals.   | Attained   |
| The Technical Committee is functioning and has provided relevant technical input to the Board of Directors, including conducting an annual evaluation of the asset manager of the fund for 3 years in a row.   | Partially attained. The Technical Committee participated in the preparation of the 1999 work plan and in the Round Table for the Identification of Medium Term Strategies.                 |
| The selection of activities and projects is made in accordance with the Board's project eligibility and selection criteria, and following the agreed-upon participative and consultative process for three years in a row.   | Attained. However, only a few activities have implemented by non-governmental entities.  |
| Satisfactory annual work programs are submitted to the Bank for review in a timely manner for three years in a row. A satisfactory work program would contain a clear statement of objectives and the proposed activities would be consistent with these objectives. | Attained for 3 consecutive years.  |
| The disbursement of funds for the various activities and projects is made in a timely and efficient manner for three years in a row.   | Attained. According to PROFONANPE, they disbursed 34% in 1996, 69% in 1997, 99% in 1998 and 78% in 1999..  |
| Satisfactory annual progress reports are submitted by the Board to the Bank in a timely basis for 3 years in a row.  | Attained.  |
| The fund has a clear written strategy for raising additional funds and is actively pursuing further donations.   | Attained.  |
| Administrative costs are kept within agreed-upon limits, not exceeding a 5% increase per year.   | Administrative costs in some years exceeded original estimates but these overruns were justified and received a "no objection" from the Bank.  |
| Annual audits show satisfactory performance in funding approved work programs and competent record-keeping for three years in a row.   | Attained.  |
| Procurement is made in accordance to Bank-approved procedures for three years in a row.  | Attained.  |
| <b>FINANCIAL EFFECTIVENESS</b>   |  |
| Adherence to investment guidelines for three years in a row.   | Attained.  |
| Adherence to disbursement guidelines, based on the "spending rule" for three years in a row.   | The "spending rule" was exceeded with "no objection" from the Bank.  |
| <b>ADEQUACY OF LEGAL FRAMEWORK</b>   |  |
| All necessary legislation and other arrangements are in place to assure effective functioning of the fund, including protection from attachment and taxation.  | Partially attained. While legal arrangements for the establishment of the fund are in place, to date the legal statutes have not been modified and the tax exemption has not been granted. |

**(ii) Evaluation of the Trust Fund as a Mechanism for Financing Biodiversity Conservation.**

The impact of the trust fund will ultimately be measured by what is "bought" in terms of biodiversity protection. Such an evaluation, however, would not be feasible within the time frame of the GEF project; the evaluation of changes in natural systems takes decades and requires the extensive inventory of key species to obtain data on population sizes and distribution. The collection of such data is technically difficult, time consuming, and expensive. Moreover, what can be measured is often hard to interpret both due to inherent natural fluctuation in ecological processes as well as the difficulty of determining the counterfactual case, that is, what might have occurred in the absence of the project. For these reasons, project design and implementation are used as proxies for impact.

The success of the trust fund will depend on a series of factors, some of which are under the control of the project implementors and some of which are not. For example, the trust fund will require favorable market conditions to generate adequate investment returns, as well as successful fund raising yet both will depend largely on outside forces. Similarly, the effectiveness of conservation measures adopted will depend on the quality of their design as well as on national policies and socio-economic circumstances.

Taking these factors into consideration, the achievement of the benchmarks below will indicate the success of the trust fund as a mechanism for financing biodiversity conservation.

**Fund Raising Success**

- The fund has reached a minimum capital level of \$40 million dollars (the goal is to reach this capitalization level within five years from the date of the grant).

**Financial Effectiveness**

- The investments are providing reliable and adequate returns. This entails a minimum of 10% annual return of the investment so as to cover program needs (5%); provide annual reinvestment to maintain real value of seed capital; and afford a capital reserve to offset low-yield years.

**Government Commitment**

- The government is committed to providing long-term financing for protected areas, as evidenced by their active participation in the activities of the Board of Directors of PROFONANPE and by supporting its fund raising efforts by facilitating debt-for-nature transactions and other contributions. Commitment is also reflected by the government's continued funding for the protected areas at the current level of budget allocation (in real terms), thus ensuring that the GEF funding is truly additional.

**Biodiversity Impact**

- The stable financing provided by the trust fund ensures that the protected areas receive adequate management, which in the long run results in decreased park encroachment, deforestation, poaching and biodiversity loss. The impact of the project on the protected areas will be evaluated against the baseline information collected during project preparation and summarized in the background paper on each of the selected areas titled: "Informe sobre las Areas Protegidas Seleccionadas para Apoyo por el GEF." Moreover, the impact of the project will also be evaluated as a function of how it has contributed towards the goals established in the management plan or operating plan of each protected area.

### **Social Impact**

- The trust fund's decision-making processes have fostered local and NGO participation in the management of the protected areas, as evidenced by their active involvement in decisions about the allocation of resources in each protected area and their understanding and commitment to the goals of park management.

## Annex 2. Project Costs and Financing

Project Cost by Component (in US\$ million equivalent)

| Project Cost By Component              | Appraisal Estimate<br>US\$ million | Actual/Intent Estimate<br>US\$ million | Percentage of Appraisal |
|--|------------------------------------|--|-------------------------|
| Endowment of PROFONANPE                | 5.00                               | 5.20                                   | 104                     |
| Management of Selected Protected Areas | 0.71                               | 0.71                                   | 100                     |
| Project Coordinating Unit              | 0.65                               | 0.64                                   | 100                     |
| <b>Total Baseline Cost</b>             | <b>6.36</b>                        | <b>6.55</b>                            |                         |
| <b>Total Project Costs</b>             | <b>6.36</b>                        | <b>6.55</b>                            |                         |
| <b>Total Financing Required</b>        | <b>6.36</b>                        | <b>6.55</b>                            |                         |

US\$200,000 additional were provided due to the fluctuation on SDR exchange rate. These funds were used for financing the operations of PROFONANPE during the first year of project implementation.

Project Financing by Component (in US\$ million equivalent)

|  | Appraisal Estimate |       |      | Actual/Intent Estimate |       |      | Percentage of Appraisal |       |      |
|--|--------------------|-------|------|------------------------|-------|------|-------------------------|-------|------|
|  | Bank               | Govt. | Cor. | Bank                   | Govt. | Cor. | Bank                    | Govt. | Cor. |
| Endowment of PROFONANPE                | 5.00               | 0.00  | 0.00 | 5.20                   | 0.00  | 0.00 | 104.0                   | 0.0   | 0.0  |
| Management of Selected Protected Areas | 0.71               | 0.00  | 0.00 | 0.71                   | 0.00  | 0.00 | 100.0                   | 0.0   | 0.0  |
| Project Coordinating Unit              | 0.65               | 0.00  | 0.00 | 0.64                   | 0.00  | 0.00 | 98.5                    | 0.0   | 0.0  |

### **Annex 3: Economic Costs and Benefits**

Not Applicable

## Annex 4. Bank Inputs

### (a) Missions:

| Stage of Project Cycle            | No. of Persons and Specialty<br>(e.g. 2 Economists, 1 FMS, etc.) |       | Performance Rating   |                         |                       |
|-----------------------------------|--|-------|--|-------------------------|-----------------------|
|                                   | Month/Year   | Count | Specialty  | Implementation Progress | Development Objective |
| <b>Identification/Preparation</b> |  |       |  |                         |                       |
| 6/92                              |  | 4     | Task Manager, Lawyer, consultants (2)  | S                       | S                     |
| 10/93                             |  | 3     | Task Manager, consultants (2)  | S                       | S                     |
| <b>Appraisal/Negotiation</b>      |  |       |  |                         |                       |
| 5/94                              |  | 4     | Task Manager, Lawyers (2), Financial Management Spec.                              | S                       | S                     |
| 1/95                              |  | 4     | Task Manager, Lawyers (2), Disbursement Officers (2)                               | S                       | S                     |
| <b>Supervision</b>                |  |       |  |                         |                       |
| 6/96                              |  | 4     | Task Manager, Trust Funds Advisor, Finance Specialist, Institutional Specialist    | S                       | S                     |
| 12/96                             |  | 3     | Task Manager, Finance Specialist, Institutional Specialist                         | S                       | S                     |
| 8/97                              |  | 2     | Task Manager, Organizational Development Specialist                                | S                       | S                     |
| 11/97                             |  | 1     | Finance Specialist   | S                       | S                     |
| 4/98                              |  | 2     | Task Manager, Organizational Development Specialist                                | S                       | S                     |
| 12/98                             |  | 4     | Task Manager, Organizational Development Specialist, Finance Specialist, Ecologist | S                       | S                     |
| 5/99                              |  | 2     | Task Manager, Organizational Development Specialist                                | S                       | S                     |
| <b>ICR</b>                        |  |       |  |                         |                       |
| 12/99                             |  | 4     | Team Leader, ICR Specialist, Institutional Specialist, Fund Investment Specialist  | S                       | S                     |

*(b) Staff:*

| Stage of Project Cycle     | Actual/Latest Estimate |             |
|----------------------------|------------------------|-------------|
|                            | No. Staff weeks        | US\$ ('000) |
| Identification/Preparation | 70.0                   | 155.8       |
| Appraisal/Negotiation      | 20.5                   | 61.4        |
| Supervision                | 69.8                   | 254.8       |
| ICR                        | 9.4                    | 40.0        |
| Total                      | 169.7                  | 512.00      |

We are unable to complete this table due to problems with the FACT data base.

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

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

|  | <i>Rating</i>  |
|--|--|
| <input checked="" type="checkbox"/> <i>Macro policies</i>            | <input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Sector Policies</i>           | <input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Physical</i>                  | <input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Financial</i>                 | <input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Institutional Development</i> | <input checked="" type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Environmental</i>             | <input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA |

### *Social*

|   |  |
|---|--|
| <input checked="" type="checkbox"/> <i>Poverty Reduction</i>          | <input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Gender</i>                     | <input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA |
| <input type="checkbox"/> <i>Other (Please specify)</i>                |  |
| <input checked="" type="checkbox"/> <i>Private sector development</i> | <input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Public sector management</i>   | <input type="radio"/> H <input type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input checked="" type="radio"/> NA |
| <input checked="" type="checkbox"/> <i>Other (Please specify)</i>     | <input type="radio"/> H <input checked="" type="radio"/> SU <input type="radio"/> M <input type="radio"/> N <input type="radio"/> NA |

*Testing of viability of trust funds as mechanisms  
for providing long-term and sustainable funding  
for national parks management and biodiversity  
conservation*

## **Annex 6. Ratings of Bank and Borrower Performance**

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

### *6.1 Bank performance*

- Lending*
- Supervision*
- Overall*

### *Rating*

- HS    S    U    HU
- HS    S    U    HU
- HS    S    U    HU

### *6.2 Borrower performance*

- Preparation*
- Government implementation performance*
- Implementation agency performance*
- Overall*

### *Rating*

- HS    S    U    HU

## **Annex 7. List of Supporting Documents**

1. GEF Project Document
2. Aide Memoires
3. Grantees Final Project Evaluation Report
4. Independent External Evaluation
5. PROFONANPE's Annual Work Plans (1996-2000)
6. PROFONANPE's Status Reports

**Annex 8. PROFONANPE Project Completion Report**

**PERU**

**FONDO NACIONAL PARA AREAS NATURALES  
PROTEGIDAS POR EL ESTADO**

***IMPLEMENTATION COMPLETION REPORT***

**Preparado por PROFONANPE**

**Lima, Enero de 2000**

**FONDO NACIONAL PARA AREAS NATURALES  
PROTEGIDAS POR EL ESTADO**

***IMPLEMENTATION COMPLETION REPORT***

## **CONTENIDO**

- I. INTRODUCCION.**
- II. EVALUACION DEL DISEÑO, OBJETIVOS Y EXPERIENCIA OPERATIVA.**
- III. DESEMPEÑO DEL PROFONANPE DURANTE LA EJECUCION DEL PROYECTO.**
- IV. DESEMPEÑO DEL BANCO DURANTE LA EJECUCION DEL PROYECTO.**
- V. LECCIONES APRENDIDAS.**
- VI. RECOMENDACIONES PARA LA OPERACIÓN FUTURA.**

**Anexo 1: Total de Fondos Captados por Modalidad de Administración, 1994 – 1999**

**Anexo2: Actividades Apoyadas por PROFONANPE, 1995 – 1999**

## **PERU: FONDO NACIONAL PARA AREAS NATURALES PROTEGIDAS POR EL ESTADO**

### **IMPLEMENTATION COMPLETION REPORT**

#### **I. INTRODUCCION**

Este reporte ha sido preparado por el Fondo Nacional para Areas Naturales Protegidas por el Estado (PROFONANPE) de acuerdo a los Lineamientos para la Preparación de *Implementation Completion Report* (ICR) del Banco Mundial de fecha 30 de Junio de 1999. Su estructura sigue el formato sugerido, el cual incluye: (i) una evaluación del diseño al proyecto, sus objetivos, ejecución y experiencia operativa; (ii) una evaluación del desempeño de PROFONANPE; (iii) una evaluación del desempeño del Banco Mundial y (iv) un conjunto de recomendaciones para la operación futura del proyecto.

El reporte toma en consideración las recomendaciones hechas por las misiones regulares de supervisión llevadas a cabo por el Banco durante el periodo de ejecución del proyecto. Se ha dado un énfasis especial a las recomendaciones incluidas en el reporte de la Misión de Evaluación de Medio Término y la Ayuda Memoria de la Misión de Cierre. Esta última Misión visitó el Perú entre el 6 y el 17 de Diciembre de 1999. Las conclusiones y recomendaciones de las misiones regulares de supervisión y de la Misión de Evaluación de Medio Término fueron acordadas con el beneficiario y por ende reflejan las percepciones del mismo durante la ejecución del proyecto. Los indicadores de desempeño acordados durante el proceso de formulación del proyecto han sido utilizados para evaluar el resultado de la ejecución del mismo.

#### **II. EVALUACIÓN DEL DISEÑO, OBJETIVOS, EJECUCIÓN Y EXPERIENCIA OPERATIVA.**

Tomando en cuenta el panorama económico general del Perú durante el periodo de formulación del proyecto y la situación de debilidad institucional en el tema de la gestión de las áreas protegidas y la biodiversidad en general, la idea de establecer un fondo nacional para apoyar las acciones de los actores públicos y privados en este tema, resultó apropiada y útil. Los objetivos generales del proyecto, especialmente el referido a la creación de un fondo fiduciario, deben ser analizados en esta perspectiva.

Los elementos principales del diseño del proyecto, tales como los arreglos institucionales, el *spending rule* y el tipo de proyectos a financiar fueron evolucionando durante el período de ejecución del proyecto y requerirán algunos ajustes sugeridos más abajo.

Los cuatro objetivos del proyecto fueron:

**(i) Proveer una fuente estable y de largo plazo para el financiamiento de la conservación de la biodiversidad del Perú a través del establecimiento de un fondo de fideicomiso:** Entre 1993 y 1999 PROFONANPE proveyó apoyo financiero por un monto aproximado de US\$ 5.4 millones (US\$ 300,000 entre 1993 y 1995, US\$ 402,327 en 1996, US\$ 1.5 millones en 1997, US\$ 2.1 millones en 1998 y US\$ 1.1 millones hasta octubre de 1999), distribuidos entre un total de quince áreas protegidas, las cuales representan aproximadamente el 62% del total de la superficie del SINANPE. Un total de diez áreas protegidas recibieron financiamiento estable durante los últimos cuatro años, proporcionando las herramientas que han permitido mejorar la capacidad de gestión e incluso permitiendo la atracción de fondos adicionales provenientes de la cooperación internacional. La

infraestructura y equipamiento básico de las áreas apoyadas ha mejorado, permitiendo un mayor control sobre el estado de conservación de los recursos presentes en las mismas. A partir del año 2000 y por 5 años, se ha asegurado un amplio programa de inversiones en 6 áreas protegidas con apoyo de KfW.

Algunas de las actividades apoyadas por PROFONANPE durante el periodo referido fueron: (i) apoyo financiero para cubrir costos recurrentes en 10 áreas protegidas, (ii) saneamiento físico-legal e inscripción de áreas protegidas; (iii) construcción de la vivienda de guardaparques y puestos de control y conclusiones del Plan Maestro del Santuario Histórico de Machu Picchu; (iv) elaboración de estudios de línea de base para el desarrollo del Plan Maestro del Parque Nacional Río Abiseo y (v) realización de un estudio de evaluación socioeconómica y de la biodiversidad de la Zona Reservada de Tumbes. El Anexo 2 resume las actividades apoyadas por PROFONANPE entre 1995 y 1999 a través de los diferentes proyectos financiados.

**(ii) Apoyar el fortalecimiento de la capacidad del Instituto Nacional de Recursos Naturales (INRENA) para proteger y administrar las áreas protegidas del Perú:** El apoyo financiero provisto por PROFONANPE ha tenido un importante impacto en el desarrollo de la capacidad del INRENA para administrar el sistema peruano de áreas protegidas. A este respecto, un primer aspecto crítico ha sido el incremento de la presencia física del INRENA en el campo. De un total de 60 profesionales de campo disponibles en 1991, el SINANPE ha pasado a contar en 1999 con 278 profesionales distribuidos en un total de 39 áreas protegidas, 126 financiados por PROFONANPE. En algunos casos, los recursos financieros de PROFONANPE han permitido dar sostenibilidad a los logros obtenidos por proyectos ejecutados por ONGs, ayudando a cerrar “brechas de recursos” producidas por la finalización de algunos proyectos, tal como ha ocurrido en el caso de la Reserva Nacional Pacaya – Samiria.

El cambio de política institucional del INRENA y la disponibilidad de recursos financieros estables han permitido reducir sensiblemente la tasa de rotación del personal de campo, permitiendo la consolidación de equipos de trabajo con experiencia y alto nivel de motivación, aspectos indispensables para asegurar la sostenibilidad de la gestión. Esta situación también ha permitido que otras instituciones, como la GTZ, inviertan en capacitación.

Otro resultado importante que se puede identificar es el aumento en la calidad de los sistemas de administración interna del INRENA, lo cual a su vez ha permitido aumentar el nivel de eficiencia en lo referente a las transferencias de fondos hacia las áreas. Parte importante de este proceso de mejora ha sido producto del constante proceso de coordinación interinstitucional que el INRENA desarrolla tanto con PROFONANPE como con los demás actores del SINANPE.

Al mismo tiempo, la necesidad de PROFONANPE de contar con planes anuales de trabajo por área y la necesidad de desarrollar los mismos con una metodología participativa ha permitido generar nuevos espacios de discusión, tanto a nivel de la coordinación INRENA-PROFONANPE, como de la propia coordinación interna entre las áreas y la DGANPFS del INRENA. Durante 1998, PROFONANPE apoyó en la organización de eventos participativos de planificación de las actividades que financiaba en cada área, proceso cuyo liderazgo ha sido asumido por el INRENA, convocando y liderando talleres de planificación a nivel local. Como parte del proceso de mejora de sus capacidades de planificación, durante 1999 el INRENA llevó a cabo procesos de elaboración y/o actualización de los Planes Maestros de un total de nueve áreas protegidas y ha publicado el largamente esperado *Plan Director* del SINANPE.

A futuro, tal como lo indica la Misión de Evaluación de Medio Término, PROFONANPE, será un fondo orientado a financiar tanto los costos básicos de operación del sistema (salarios, etc.) como –a través de los proyectos que apoyará a partir del año 2000- el fortalecimiento de las capacidades institucionales para el manejo participativo del SINANPE, así como al desarrollo de actividades de manejo sostenible de recursos naturales por poblaciones locales en zonas de amortiguamiento.

**(iii) Proveer al país con un mecanismo institucional confiable para canalizar operaciones de canje de deuda bilateral y/o comercial orientadas a la conservación del ambiente:** El impacto del establecimiento de PROFONANPE como mecanismo para la negociación y administración de operaciones de canje de deuda por naturaleza ha resultado de capital importancia, en la medida en que antes de su creación no existían opciones alternativas de canalización de dichos recursos, los cuales de otra forma no hubiesen sido orientados a apoyar actividades de conservación de la biodiversidad. Un total de cinco operaciones de canje de deuda por naturaleza (1 con Canadá, 1 con Finlandia y 3 con Alemania) han sido realizadas desde la creación de PROFONANPE, por un monto de US\$ 14.9 millones. A pesar de las actuales restricciones para tener acceso a nuevos recursos financieros mediante este mecanismo, una operación adicional por aproximadamente US\$ 13 millones se encuentra en proceso de negociación con Alemania.

**(iv) Probar la viabilidad del concepto de fondo de fideicomiso como un mecanismo para proveer financiamiento sostenible y de largo plazo para la conservación de la biodiversidad:** A pesar de que algunas de las metas establecidas para evaluar este objetivo no fueron plenamente alcanzadas, la conclusión principal que surge del análisis de la experiencia es que el fondo de fideicomiso es un mecanismo muy eficiente para asegurar la sostenibilidad del financiamiento para la conservación de la biodiversidad a largo plazo. Los resultados del desempeño institucional, comparados con las metas establecidas fueron los siguientes:

**a) Captación de Fondos:** Desde su establecimiento PROFONANPE captó US\$ 27.7 millones de diferentes fuentes de cooperación internacional, combinando mecanismos tales como canjes deuda por naturaleza, convenios de asistencia financiera y técnica, donaciones directas, administración de fondos marcados y autogeneración de fondos intangibles. El anexo 1 muestra los fondos captados por PROFONANPE desde su establecimiento, ordenados de acuerdo a su modalidad de administración. La donación de US\$ 5.2 millones de FMAM permitió atraer recursos financieros adicionales por un monto US\$ 22.5 millones (US\$ 11.7 millones en proyectos en ejecución y US\$ 10.8 millones en proyectos iniciándose durante el año 2000). De acuerdo a la evaluación del FMAM de la experiencia de los fondos para conservación alrededor del mundo, PROFONANPE es un ejemplo notable en este aspecto, habiendo multiplicado su capital semilla por más de cinco veces entre 1995 y 1999. El Cuadro 1 muestra la evolución del desempeño de PROFONANPE en la captación de recursos financieros entre 1994 y 1998.

**Cuadro 1 : Evolución de la Captación de Fondos, 1994 – 1998  
(Dólares Americanos)**

| Año                           | 1994    | 1995      | 1996       | 1997       | 1998       |
|-------------------------------|---------|-----------|------------|------------|------------|
| Fondo Captados por PROFONANPE | 113,321 | 6,072,227 | 15,897,061 | 16,897,061 | 27,740,455 |

En el aspecto del desarrollo de un fondo fideicomiso, la meta original de tener un único fondo

con un nivel mínimo de capital de US\$ 40 millones después de cinco años, resultó ser muy optimista. El principal obstáculo para lograrlo fue la dificultad para encontrar otros donantes dispuestos a proveer recursos financieros al fondo de fideicomiso original o a permitir que los mismos sean administrados bajo la forma de recursos permanentes e intangibles, principalmente debido a limitaciones legales y administrativas.

Como respuesta directa a esta situación, PROFONANPE ha desarrollado interesantes e innovadores mecanismos financieros, tales como la capitalización de los intereses de algunos de sus fondos amortizables en fondos intangibles marcados orientados a dar sostenibilidad a los logros alcanzados una vez que los proyectos finalicen. A través de este mecanismo, PROFONANPE ha logrado desarrollar un fondo patrimonial intangible para el Santuario Histórico de Machu Picchu, cuyo monto actual alcanza los US\$ 1.6 millones y espera contar con US\$ 2.5 millones adicionales luego del final de la ejecución de dos nuevos proyectos a ser financiados vía canjes de deuda con Alemania. El monto actual de recursos manejados en fondos intangibles asciende a US\$ 7.5 millones, distribuidos en tres diferentes fondos patrimoniales.

**b) Efectividad Financiera:** En general el fondo de fideicomiso donado por el FMAM ha permitido cubrir los costos operativos anuales y apoyar financieramente a algunas áreas sin haber reducido el valor del patrimonio. Sin embargo, el rendimiento financiero esperado no fue alcanzado debido a la inestabilidad en las tasas de rendimiento de los instrumentos financieros del mercado peruano, donde se encuentra invertido el mayor porcentaje de recursos de PROFONANPE debido al riesgo de embargo que sufrieron los fondos del gobierno peruano invertidos en el exterior durante el periodo de diseño del proyecto. La meta original de lograr un rendimiento anual estable de 10% parece haber sido poco realista.

La crisis de los mercados financieros emergentes, así como los problemas propios del mercado peruano de capitales hicieron imposible alcanzar la meta referida, a pesar de lo cual los rendimientos alcanzados se encuentran dentro de los márgenes obtenidos por otros fondos similares en otros países. El rendimiento anual promedio de los portafolios de inversión de PROFONANPE fue desde 13.3% en 1996 a 5.9% en Octubre de 1999. El Cuadro 2 muestra el desempeño financiero de los portafolios de inversión de PROFONANPE.

**Cuadro 2: Rendimiento de Portafolios de Inversión, 1996 – 1999**

| Portafolios   | 1996         | 1997        | 1998         | Oct. 1999   |
|---|--------------|-------------|--------------|-------------|
| Donación FMAM-Banco Mundial                                   | 17.6%        | 9.2%        | -5.4%        | 3.6%        |
| Canje de Deuda por Naturaleza Canadá                          | 12.2%        | 10.0%       | -0.7%        | 7.0%        |
| Canje de Deuda por Naturaleza Finlandia – (Fondo Intangible)  | 8.5%         | -0.2%       | 5.3%         | 5.8%        |
| Canje de Deuda por Naturaleza Finlandia – (Fondo amortizable) | 10.4%        | 9.1%        | -1.2%        | 7.2%        |
| Canje de Deuda por Naturaleza Alemania                        | 11.5%        | 11.8%       | -7.1%        | 9.5%        |
| <b>PROMEDIO GENERAL</b>                                       | <b>13.3%</b> | <b>9.6%</b> | <b>-3.3%</b> | <b>5.9%</b> |

**c) Compromiso del Gobierno:** La existencia de PROFONANPE como un mecanismo eficiente de canalización de fondos para el SINANPE ha permitido que el gobierno destine mayor cantidad de recursos hacia las áreas protegidas; tanto de forma directa, como a través de la negociación de operaciones de canje de deuda por naturaleza. La cobertura de costos básicos que PROFONANPE ha provisto a las áreas a las que ha apoyado le ha permitido a INRENA poder enfocar sus recursos, aún hoy limitados, de una forma estratégica pudiendo suplir las necesidades concretas de otras áreas protegidas y por ende ampliando su presencia efectiva a nivel del sistema.

Por otro lado, la aprobación reciente del Plan Director del SINANPE habla claramente de la vocación del gobierno de iniciar un proceso de gestión del sistema como un elemento importante de una estrategia nacional de desarrollo orientada a un manejo más eficiente de los recursos naturales. Otros procesos adicionales actualmente en curso, tales como la discusión de una Estrategia y un Plan Nacional de Biodiversidad y el Plan Maestro del Sector Turístico, permiten prever a corto plazo un proceso de discusión amplia, orientado a definir el papel estratégico del SINANPE en el país.

**d) Impacto en la Biodiversidad:** Una de las conclusiones principales de la evaluación del FMAM sobre la experiencia de los fondos ambientales es que resulta extremadamente difícil poder establecer una relación causa efecto entre las actividades de financiamiento de un fondo y un cambio en el estado de conservación de la biodiversidad.

Adicionalmente, la larga duración que debería tener un proceso de evaluación exhaustiva de los cambios en el estado de la biodiversidad hace que la posibilidad de identificar resultados concretos del apoyo financiero de PROFONANPE sea limitada, a pesar que la institución ya tenga casi cuatro años de financiar actividades en el campo. En todo caso, los indicadores indirectos como el aumento del personal profesional en el campo, el aumento en el número de áreas que cuentan con presupuesto operativo, el aumento de las coordinaciones institucionales, la disponibilidad de infraestructura y equipo de control, harían dable esperar una mejora en el estado de conservación de la biodiversidad contenida en el SINANPE.

e) **Impacto Social:** A nivel de las áreas protegidas, el proceso anual de planificación de actividades de PROFONANPE, el cual requiere estar basado en la participación de los diferentes actores del SINANPE, ha permitido abrir nuevos espacios de discusión, tanto a nivel local como nacional. A pesar de lo anterior, aun es necesario trabajar más en este aspecto, buscando socios que puedan ampliar la cobertura limitada de la institución.

### III. DESEMPEÑO DEL PROFONANPE DURANTE LA EJECUCIÓN DEL PROYECTO

El documento del proyecto establece una serie de metas, las cuales han sido utilizadas para evaluar la efectividad de la ejecución del proyecto. Estas metas estuvieron organizadas en tres categorías amplias: desarrollo de la capacidad institucional, efectividad financiera y adecuación del marco legal. La reciente Misión de Cierre concluyó que la mayoría de las metas fijadas fueron alcanzadas. Sólo cinco de las catorce metas fijadas fueron parcialmente alcanzadas.

#### (i) Desarrollo de la Capacidad Institucional

- El Consejo Directivo de la institución se reúne regularmente: Si bien entre los años 1993 y 1996 hubo algunos inconvenientes originados en una alta tasa de rotación de los representantes del sector público y en las modificaciones en la representación institucional del mismo ante el Consejo, actualmente se cuenta con participación activa de todos los miembros del mismo.
- El desempeño de la Unidad de Coordinación del proyecto es satisfactorio: En este aspecto, se han dado modificaciones con respecto a la estructura originalmente diseñada, las cuales han tenido como consecuencia un aumento en la efectividad de la institución en aspectos de planificación, administración interna y coordinación con otras instituciones. Actualmente se llevan a cabo evaluaciones del personal de forma regular, superando las limitaciones que el proyecto mostró en sus primeros años de ejecución. A pesar de lo anterior, el aumento en la cantidad y tipo de proyectos que la institución administra obligará a una ampliación del equipo de trabajo para suplir la carga adicional de responsabilidades resultante. Sin embargo esto está estrechamente ligado al desarrollo de la capacidad de gestión del SINANPE en su totalidad.
- Los planes de trabajo anuales y los informes de avance son preparados y enviados a tiempo para consideración del Banco: La evolución de la institución ha ido de acuerdo a lo esperado, produciendo cada vez mejores documentos, a medida que la complejidad por el número y tipo de proyectos administrados ha ido aumentando. A pesar de haberse logrado cumplir plenamente con este requerimiento, es necesario aún formalizar el proceso de preparación de los mismos, haciéndolos más participativos y contando con mayor participación de los miembros del Comité Técnico en su preparación. La idea a futuro es que los ejecutores directos de proyectos asuman mayores responsabilidades en el proceso de preparación de los mismos y que PROFONANPE adopte más una posición de coordinación.
- Los desembolsos, principalmente al INRENA, se realizan de forma fluida y a tiempo: Durante el período en el cual PROFONANPE realizó desembolsos directos a las áreas protegidas, el nivel de ejecución de los proyectos estuvo en el orden del 92% anual con respecto a lo presupuestado, nivel notable alcanzado debido a que la institución cuenta con procedimientos de desembolso altamente flexibles. Luego de un natural proceso de ajuste y desarrollo de capacidades, el INRENA ha asumido mayores responsabilidades en la canalización de fondos hacia las áreas protegidas, con niveles de ejecución mayores al 90%.

Los costos de administración de la institución estuvieron dentro del margen esperado: Los costos de administración de la institución estuvieron por debajo del límite máximo acordado originalmente con el Banco en el *spending rule*: US\$ 650,000 para un período de 5 años y de las ampliaciones autorizadas por el mismo Banco en los años 1998 y 1999. En cuanto a la carga porcentual de los costos operativos sobre el presupuesto total, ésta se ha reducido de 38% en 1996 a 15% en 1999. El cuadro 3 muestra la comparación de los costos de administración acordados en el *spending rule*, con respecto a los costos de administración reales de PROFONANPE entre 1995 y 1999.

**Cuadro 3: Comparación de los Costos Acordados en el *Spending Rule* y Costos Reales de Administración (Dólares Americanos)**

| Año   | 1995     | 1996          | 1997          | 1998             | 1999              | TOTAL             |
|---|----------|---------------|---------------|------------------|-------------------|-------------------|
| Costos Administrativos Esperados ( <i>Spending Rule</i> ) | 0        | 150,000       | 159,000       | 166,000          | 175,000           | 650,000           |
| Costos Administrativos Reales                             | 0        | 130,902       | 143,181       | 173,241          | 222,175           | 669,499           |
| <b>DIFERENCIA</b>   | <b>0</b> | <b>19,098</b> | <b>15,819</b> | <b>-7,241(1)</b> | <b>-47,175(2)</b> | <b>-19,499(3)</b> |

**Nota:** (1) En 1998 se autorizó una ampliación del *spending rule* por un monto de US\$ 10,000 anuales adicionales en apoyo a la ejecución del Programa Protección de Áreas Naturales, por lo que el “saldo real” ese año fue de US\$ 2,759 a favor de PROFONANPE.

(2) En el año 1999 se autorizó el desembolso de US\$ 44,000 adicionales con la finalidad de cubrir las remuneraciones del puesto de Jefe del Departamento Técnico, por lo que el “saldo real” ese año fue de US\$ 6,825 a favor de PROFONANPE.

(3) En razón de las ampliaciones autorizadas en 1998 y 1999, el “saldo real” para todo el periodo fue de US\$ 44,501 a favor de PROFONANPE.

Se han llevado a cabo auditorías externas de forma regular, obteniéndose resultados satisfactorios: Desde el inicio de sus operaciones PROFONANPE ha realizado auditorías contables externas, obteniendo resultados satisfactorios en cada una de ellas. A partir del año 1999 se realizan auditorías trimestrales, lo cual facilita el control sobre los recursos canalizados a los diferentes ejecutores de proyectos.

Las adquisiciones fueron hechas siguiendo los procedimientos establecidos del Banco: si bien las adquisiciones realizadas a través de recursos provenientes del fondo donado por el FMAM han sido limitadas en número, los procedimientos establecidos fueron cumplidos plenamente. En el caso de proyectos financiados por otros donantes, los procedimientos exigidos por cada uno fueron estrictamente respetados.

PROFONANPE concuerda con las conclusiones de las Misiones de Evaluación de Medio Término y de Cierre, acerca de las metas parcialmente cumplidas, al mismo tiempo que propone, en la Sección VI de este documento, formas concretas de operación a futuro que permitirían mejorar la efectividad institucional.

## **(ii) Efectividad Financiera**

La experiencia concreta de PROFONANPE enseña que los arreglos iniciales, adecuados para el momento en que se formuló el proyecto, deberían ser sujetos de revisión de forma periódica. El ejemplo más claro de esto es el referido a la inversión de gran parte de los recursos en el mercado peruano, lo cual ha tenido consecuencias directas sobre las fuertes fluctuaciones, positivas y negativas, a las que se ha visto sometido el rendimiento de los portafolios de inversión de la institución.

En el aspecto de los costos operativos, la experiencia concreta muestra que si bien el *spending rule* permitió cubrir adecuadamente los costos de administración, sería recomendable a futuro trabajar con escenarios donde el mismo no se determine de forma estática (mediante cifras absolutas), sino que esté en relación al monto total ejecutado por el fondo cada año, respondiendo directamente a las mayores o menores necesidades de administración generadas por diferentes montos de ejecución anual. El inicio de nuevos proyectos, así como el aumento en las responsabilidades de seguimiento y evaluación a nivel de campo por parte del PROFONANPE, requerirán una discusión profunda acerca del rango de costos operativos necesarios para poder suplir las necesidades de gestión de estas nuevas actividades.

### **(iii) Adecuación del Marco Legal**

En este aspecto el punto crítico continúa siendo el tema tributario para la institución, y las actividades que financia, tema en proceso de resolución, lo que permitirá superar los obstáculos presentados hasta la fecha y cumplir con la meta acordada.

## **IV. DESEMPEÑO DEL BANCO DURANTE LA EJECUCION DEL PROYECTO**

La supervisión llevada a cabo por el Banco resultó útil en la sugerencia de medidas correctivas durante el proceso de ejecución y en el apoyo a las decisiones estratégicas que dieron dirección a dicho proceso de ejecución. Algunas de las recomendaciones de las misiones de supervisión del Banco resultaron un poco difíciles de llevar a cabo, principalmente debido a procedimientos de resolución complejos y lentos, que impidieron obtener resultados expeditos. El ejemplo más claro a este respecto ha sido el referido al problema tributario.

La supervisión del Banco fue llevada a cabo de forma regular y contribuyó en la identificación de problemas y sugerencias de soluciones a los mismos, especialmente durante momentos críticos como el del período de transición entre los dos Directores Ejecutivos que la institución ha tenido hasta la fecha. La supervisión en el aspecto financiero permitieron mejorar el control sobre el desempeño de los portafolios de inversión, identificando los riesgos y recomendando soluciones a los problemas.

## **V. LECCIONES APRENDIDAS**

La principal lección aprendida como resultado de la ejecución del proyecto es inherente a su diseño, el cual incluyó el establecimiento de un fondo privado e independiente, que sirviera de espacio de intercambio entre diferentes actores y que contara con un equipo de personal altamente calificado y motivado, ambos requisitos esenciales para lograr el éxito de una institución como PROFONANPE.

De acuerdo a la experiencia adquirida durante el proceso de ejecución del proyecto y a las evaluaciones externas de que ha sido objeto, las principales lecciones aprendidas por el

PROFONANPE han sido:

- La importancia del capital semilla como proveedor de la sostenibilidad financiera necesaria para asegurar la operación mínima de la institución y por ende potenciar su capacidad de captación y administración de fondos y de canalización de recursos para proyectos.
- La concentración temática en áreas protegidas ha facilitado la planificación de actividades, al contar con una misión clara y bien definida. Al mismo tiempo, ha permitido a otros donantes coordinar esfuerzos de financiamiento, buscando la complementariedad de sus aportes al SINANPE, reduciendo las posibilidades de traslapes de actividades, financieros, geográficos, etc.
- Las oportunidades de captación de fondos no siempre respondieron a lo previsto durante el período de diseño del proyecto; en términos de mecanismos de administración de los recursos, duración de los procesos de negociación, montos, etc. Como respuesta a esto, la institución desarrolló una enorme flexibilidad, lo cual le ha permitido combinar diferentes mecanismos de administración de recursos, acceder a fondos de diferente naturaleza, etc. Particular atención requieren las innovaciones en materia financiera tales como la capitalización de los intereses de los fondos amortizables en fondos fiduciarios intangibles, práctica que en este momento es recomendada por el FMAM como una fuente innovadora de obtener recursos financieros adicionales para los fondos patrimoniales.
- Si bien la conformación del Consejo Directivo no supuso ninguna limitación para el aprovechamiento de las oportunidades de obtener recursos financieros adicionales, la tendencia futura entre las entidades donantes es a preferir Directorios con mayoría clara del sector privado y la sociedad civil, por lo que podrían generarse algunas limitaciones para el acceso futuro a nuevos recursos.
- Un único Comité Técnico, conformado como grupo amplio de consulta no resulta funcional debido a la multiplicidad de aspectos que un fondo como PROFONANPE debe manejar, por lo que esto limita su potencial de aporte. La conformación de un Comité dividido por temas es indispensable, en la medida en que la asesoría en temas legales, financieros, de planificación y técnicos resultan indispensables para asegurar el éxito de la gestión institucional.
- El establecimiento de un sistema eficiente de seguimiento y evaluación de los proyectos supone un aumento en los costos directos de administración de la institución. Cualquiera sea el sistema que se elija utilizar y el alcance del mismo, éste deberá responder a un cuidadoso análisis de los costos y beneficios asociados a su establecimiento y puesta en funcionamiento. En este sentido, la coordinación de actividades con otros actores trabajando en el SINANPE resulta absolutamente fundamental.
- Si bien la cobertura de costos operativos básicos de las áreas es una actividad de capital importancia para asegurar la viabilidad del SINANPE, ésta resulta insuficiente en una perspectiva de largo plazo, en la medida en que las áreas protegidas enfrentan problemas complejos para cuya solución el PROFONANPE puede resultar una herramienta eficaz a través de la consecución de fondos específicos destinados a apoyar un mejor manejo de los recursos naturales y a generar beneficios económicos de este manejo a nivel de las comunidades locales

## VI. RECOMENDACIONES PARA LA OPERACION FUTURA

Las recomendaciones aquí incluidas recogen los aportes de las misiones de supervisión del Banco, así como de la evaluación independiente llevada a cabo en diciembre de 1999. La recomendación de procurar el desarrollo de una segunda fase del proyecto resulta coherente y por tanto cuenta con el pleno apoyo de esta institución. De acuerdo al análisis de los resultados alcanzados y la experiencia adquirida durante la primera fase, esta segunda fase debería buscar expandir el universo de ejecutores de proyectos financiados por o a través de PROFONANPE, buscando incluir a más actores de la sociedad civil, en la línea de participación ampliada que el propio *Plan Director* del SINANPE establece.

A corto y mediano plazo una serie de medidas necesitan ser tomadas para asegurar una mejor eficiencia de operación a futuro y dar sostenibilidad a los logros alcanzados. Estas medidas incluyen:

- (i) El desarrollo de un Plan Estratégico, incluyendo una estrategia específica de captación de nuevos recursos financieros: Este documento deberá basarse en los lineamientos del Plan Director del SINANPE y ser producto de un proceso participativo amplio. El plan debería abordar los siguientes temas: (i) aspectos legales y normativos y su efecto sobre la planificación a largo plazo de la institución, (ii) aspectos institucionales tales como las formas de coordinación con otras entidades tales como el INRENA y los demás actores del SINANPE, (iii) aspectos operativos y (iv) aspectos financieros tales como el desarrollo de mecanismos que fomenten la contribución y participación del sector privado en la conservación de la diversidad biológica.
- (ii) Es necesario proceder a la reestructuración del Comité Técnico, en Subcomités, de forma tal que se pueda hacer efectivo el aporte del mismo a la operación de PROFONANPE. Estos Subcomités podrían ser presididos por un miembro del Consejo Directivo y deberían incluir a expertos reconocidos en los temas que se determinen necesarios. De acuerdo a la experiencia acumulada, la conformación de por lo menos los tres Subcomités siguientes resulta de capital importancia y debería ser considerada a corto plazo: (i) Planificación, (ii) Aspectos Técnicos y (iii) Aspectos Financieros.
- (iii) Es necesario crear un Comité Ad hoc de Administración Financiera, compuesto por un miembro del Consejo Directivo con experiencia en manejo financiero, tres expertos y el asesor externo independiente y el Director Ejecutivo de PROFONANPE. Al mismo tiempo, se requiere desarrollar una estrategia de manejo financiero, así como contar con la asesoría de un experto internacional con el cual discutir los pros y contras de colocar parte de los recursos financieros de PROFONANPE en mercados internacionales y que al mismo tiempo diseñe un plan de acción detallado para llevar a cabo este proceso si es que se decide conveniente.
- (iv) Finalmente, es necesario iniciar el proceso de discusión tendiente a determinar si es recomendable una ampliación del Consejo Directivo, con la finalidad de ampliar el actual nivel de representación de la sociedad civil en el mismo. Este proceso deberá ser llevado a cabo teniendo en cuenta los retos que la institución tendrá que enfrentar a futuro.

**Anexo 1**

**Total de Fondos Captados por Modalidad de Administración 1994 - 1999  
(Dólares Americanos)**

| Fuente                              | Modalidad                                | Fecha                                     | Duración                | Monto     |
|-------------------------------------|--|---|-------------------------|-----------|
|                                     |  | <i>Portafolios de Inversión</i>           |                         |           |
| Canje Deuda Bilateral con Canadá    | Fondo fiduciario intangible              | Mayo 95                                   | A perpetuidad           | 354,920   |
| Donación FMAM-Banco Mundial         | Fondo fiduciario intangible              | Mayo 95                                   | A perpetuidad           | 5,223,986 |
| Canje Deuda Bilateral con Alemania  | Fondo fiduciario amortizable             | Enero 96                                  | 10 años                 | 6,089,309 |
| Canje Deuda Bilateral con Finlandia | Fondo fiduciario amortizable             | Marzo 96                                  | 3-5 años                | 3,579,020 |
| Canje Deuda Bilateral con Finlandia | Fondo fiduciario intangible/autogenerado | Marzo 96                                  | A perpetuidad           | 100,000   |
| Canje Deuda Bilateral con Alemania  | Fondo fiduciario amortizable/intangible  | Octubre 98                                | 10 años / a perpetuidad | 2,409,639 |
| Canje Deuda Bilateral con Alemania  | Fondo fiduciario amortizable/intangible  | Octubre 98                                | 10 años / a perpetuidad | 2,409,639 |
|                                     |  | <i>Asistencia Técnica y Financiera</i>    |                         |           |
| Donación Finlandia                  | Asistencia técnica                       | Febrero 98                                | 2 años                  | 1,000,000 |
| Donación KfW - Alemania             | Asistencia financiera                    | Setiembre 98                              | 5 años                  | 6,024,096 |
|                                     |  | <i>Fondos Marcados y Otras Donaciones</i> |                         |           |

|   |                        |               |                          |                   |
|---|------------------------|---------------|--------------------------|-------------------|
| Donación<br>Embajada de<br>Canadá                 | Equipos y<br>Vehículos | Enero 94      | —                        | 113,321           |
| Donación<br>Proyecto<br>FANPE-GTZ                 | Fondo marcado          | Enero 95      | 2 años                   | 300,000           |
| Donación de la<br>Fundación<br>MacArthur          | Fondo marcado          | Septiembre 95 | 3 años                   | 80,000            |
| Donación de la<br>Fundación<br>MacArthur          | Fondo marcado          | Enero 96      | 1 año                    | 50,000            |
| Donación de la<br>Embajada de<br>los Países Bajos | Fondo marcado          | Marzo 96      | Reserva<br>Contingencial | 6,505             |
|   |                        |               |                          |                   |
| <b>Total</b>                                      |                        |               |                          | <b>27,740,434</b> |

# **CARTE**



