



1. Project Data:		Date Posted : 10/04/2000	
PROJ ID: P007928		Appraisal	Actual
Project Name : National Trust Fund For Protected Areas	Project Costs (US\$M)	6.4	6.5
Country: Peru	Loan/Credit (US\$M)	0	0
Sector(s): Other Agriculture	Cofinancing (US\$M)	5.0	5.2
L/C Number:			
	Board Approval (FY)		95
Partners involved : GEF	Closing Date	01/01/2000	01/01/2000
Prepared by :	Reviewed by :	Group Manager :	Group:
2. Project Objectives and Components			
a. Objectives			
The objective of this project was to assist Peru to protect and preserve its rich biodiversity through :			
(i) establishment of the Trust Fund for the National Protected Areas of Peru (FONANPE) to provide long term funding for the management of priority protected areas;			
(ii) improvement of INRENA's (the National Institute of Natural Resources) capacity to protect and manage protected areas;			
(iii) development of a reliable institutional mechanism to channel donations for biodiversity conservation, including debt-for-nature swaps; and			
(iv) a test of the viability of a trust fund mechanisms for providing long term and sustainable funding for biodiversity conservation.			
b. Components			
(i) the provision of endowment funding for FONANPE from the \$ 5.2 million GEF grant;			
(ii) the establishment and strengthening of the legal and institutional framework for protected area management; and			
(iii) the leveraging of GEF's initial grant to attract donations from other donors .			
c. Comments on Project Cost, Financing and Dates			
This GEF-funded and Bank implemented project was closely coordinated with a complementary projects funded by GTZ and CIDA.			
3. Achievement of Relevant Objectives:			
The ICR provides no evidence on the outcomes and impacts of the project in terms of improved protection and preservation of Peru's biodiversity . However, one can infer that substantive progress was made based on the increased level of inputs devoted to protected areas, which the project supported :			
(i) FONANPE was established with GEF's endowment and, with additional donations, has generated sufficient income to have funded about \$6.5 million of management and conservation activities in 14 areas, about twice the amount projected at appraisal.			
(ii) INRENA's park personnel has grown from 60 in 1991 to 278 in 1999, of which 40% are funded from FONANPE. These incremental resources enabled INRENA to strengthen the management of 10 protected areas, and extend its coverage to six areas that were previously unmanaged;			
(iii) the establishment of FONANPE was of critical importance in obtaining agreements with bilateral donors on debt swaps and other donations . To date PROFONANPE (the entity that administers FONANPE) has negotiated six debt swaps amounting to US\$21.2 million.			
(iv) FONANPE has demonstrated its viability as a mechanism to attract external funds and provide long term and sustainable funding for biodiversity conservation .			
4. Significant Outcomes/Impacts:			
see section 3			
5. Significant Shortcomings (including non-compliance with safeguard policies):			
(i) the GEF grant and subsequent donations to FONANPE were invested in the Peruvian financial markets because at the time the project was designed, there was concern that these funds could be viewed as GOP funds and attached by creditors of the GOP . As a result the trust fund incurred a higher investment risk, and its income has			

been subject to greater fluctuations, than if it had invested in a more diversified portfolio in more stable international capital markets. The resolution of this issue, which is being addressed by PROFONANPE, will have important implications for the stability and sustainability of the fund .

(ii) FONANPE's portfolio includes a significant investment (19%) in the bonds of a company that is experiencing financial difficulties. This rather high risk concentration may be due to questionable practices by FONANPE's portfolio manager. In response to this inadequate performance, PROFONANPE has hired a new portfolio manager, with new and more stringent investment guidelines . Nevertheless, these non-investment grade bonds, with unclear market value, are still in FONANPE's portfolio, and the estimated potential loss amounts to about 6% of the total current fund balance.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	However, the evidence provided by the ICR consists largely of "input" indicators, rather than biodiversity related "outcome" indicators.
Institutional Dev .:	High	High	
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

This trust fund's experience with its excessive concentration of funds in a single risky emerging market, and inadequate investment guidelines which enabled the portfolio manager to engage in questionable practices, provides useful lessons for the design of such projects : (i) the Board of Directors needs to be selected to include individuals with private sector financial management and investment expertise to give guidance to the organization; (ii) portfolio manager contracts need to include clear guidelines for investment risk, asset quality and portfolio diversity, (iv) portfolio manager contracts need to include performance standards and indicators, with provisions for removal if performance is inadequate.

8. Assessment Recommended? Yes No

Why? To verify the long term sustainability of the trust fund, and establish the outcomes and impacts of the project in terms of improved management, protection and status of biodiversity in the protected areas, against the baseline information collected by the project .

9. Comments on Quality of ICR:

The ICR is satisfactory, but its quality and usefulness for the design of similar projects in the future could have been improved through:

- (i) a brief discussion of key indicators and other evidence on the outcomes and impacts of the project, in terms of how it has contributed to the goals established in the management and operating plans of the protected areas . While changes in the condition of biodiversity itself may take a long time to determine, it would have been useful for the ICR to have provided additional information on such intermediate indicators as trends in the level of protection, encroachment, poaching, deforestation, population and economic activity in biodiversity protection areas, to the extent that they are known from the baseline reports funded by the project, and subsequent monitoring reports .
- (ii) a brief discussion of the experience and results of the conservation activities funded by the project which, based on the Project Document, should have included the establishment and management of buffer zones, and integrated conservation and development projects to benefit the communities living in the protected areas;
- (iii) a brief discussion of the experience and results of the involvement of local communities and NGOs in the management of the protected areas and the trust fund;
- (iii) a brief discussion of the experience and results of the complementary projects funded by GTZ and CIDA, which are described in the Project Document, and an evaluation of the extent to which they contributed to the success of the subject project.