

1. Project Data:		Date Posted : 03/27/2008	
PROJ ID : P040808		Appraisal	Actual
Project Name : Native Forests & Protected Areas Project	Project Costs (US\$M):	30.0	20.9
Country: Argentina	Loan/Credit (US\$M):	19.5	15.8
Sector Board : ENV	Cofinancing (US\$M):		
Sector(s): Central government administration (47%) Other social services (22%) Roads and highways (22%) General agriculture fishing and forestry sector (5%) Law and justice (4%)			
Theme(s): Law reform (25% - P) Export development and competitiveness (25% - P) Biodiversity (25% - P) Environmental policies and institutions (25% - P)			
L/C Number: L4085			
	Board Approval Date :		09/05/1996
Partners involved :	Closing Date :	06/30/2005	06/30/2007
Evaluator :	Panel Reviewer :	Group Manager :	Group :
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2. Project Objectives and Components:

a. Objectives:

The objectives of the project as stated in the SAR were : a) help the Secretariat of Natural Resources and Human Environment prioritize its actions dealing with native forests; b) facilitate the development of an incentive and regulatory framework to encourage decision makers; both public and private, to more fully internalize within their decision making processes the full range of social costs and benefits associated with their decisions and actions affecting native forests; c) develop a plan for transforming the National Parks Administration into a world - class park management organization; and d) increase the environmentally sustainable level of tourism in four national parks .

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Components (or Key Conditions in the case of DPLs, as appropriate):

a) Generation and dissemination of research and information consisting of policy, legal and regulatory reform, a

national inventory of native forests and establishment and operation of a related database; and applied research and studies to facilitate management and conservation of native forests and protected areas (US\$13.4m at appraisal; US\$9.8m actual).

b) Protected areas comprised of the development of a plan for the modernization of the National Parks Administration and specific infrastructure development and management strengthening in four Patagonian Region parks (US\$10.3m at appraisal; US\$9.5m actual).

c) Project implementation (US\$2.2m at appraisal; US\$1.5m actual).

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Project Cost, Financing and Borrower Contribution: Actual project costs were 69 percent of appraisal estimates. According to the ICR, the majority of expenditures were denominated in pesos, which depreciated against the U.S. dollar, explaining the lower project cost and financing required. In 2003, amendments were made to the loan agreement to reflect reallocations of funds to specified sub-components and cost-sharing between IBRD and the borrower.

Dates: The project had 3 extensions of 12, 9, and 3 months for a total of 24 months beyond the original closing date, mainly due to slow progress during the fiscal and political crises of 2001 - 2003. The first extension contained triggers for the second and were primarily directed at the subcomponent of infrastructure works in component B, though other subcomponents also benefited from the extensions. The third extension was for residual infrastructural works.

3. Relevance of Objectives & Design:

Objectives: The project internalized findings from a 1991 IEG (then OED) evaluation study and a Forestry Sector Review (1992) that identified the sector as a promising growth area as the country emerged from a period of hyperinflation and uncertainty, while pointing out gaps in information, economic analysis and institutional factors that were necessary to develop a sound policy framework for the sector. The 1995 CAS covered improvement of management and the regulatory framework for forestry under one of its three pillars. The 2004 and 2006 CASs support regulatory guidance and oversight over a growing forestry industry and promoting sustainable forestry management in general.

Design: The project design internalized findings from a comprehensive sector report (1995) that pointed out shortcomings in the sector policy framework, institutional structure and capacity, research capacity and extension services, plantation management and environmental sustainability. Major risks and uncertainties in terms of government commitment and insufficient capacity on the part of implementing agencies were mitigated by providing for appropriate training, capacity-building and external expertise.

4. Achievement of Objectives (Efficacy):

Objective 1: Help the Secretariat of Natural Resources and Human Environment prioritize its actions dealing with native forests. Achievement-*substantial*.

Argentina now has an updated and comprehensive native forest inventory which has provided the foundation for an informed and substantive policy discussion on native forest issues that has led to a new legal framework for forest management and forest incentives, and sets the stage for forestry reform in the future. A computerized database has been made available on the internet, and a Forestry Atlas of Argentina has been published. The data inventory, whose quality has been vetted by independent parties including the US Forest Service, is also being utilized by NGOs and the general public.

Objective 2: Facilitate the development of an incentive and regulatory framework to encourage decision makers, both public and private, to more fully internalize within their decision making processes the full range of social costs and benefits associated with their decisions and actions affecting native forests. Achievement-*modest*.

By developing a reliable forest inventory, conducting several policy studies and examining existing laws and regulations, the project helped draft the "*Ley de Presupuestos Minimos para la Proteccion Ambiental de Bosques Nativos*" which was ratified by Argentina's Senate in November 2007. The law helped establish a fund to pay for forest environmental services drawn from a portion of agricultural export tax, a national budget provision, and donations from other sources. Nevertheless, the ICR does not provide information on whether decision-makers, especially those in the private sector, have actually internalized social costs and benefits in their decision-making.

Objective 3: Develop a plan for transforming the National Parks Administration into a world-class park management organization. Achievement-*modest*.

The project commissioned several studies and developed a reform agenda for modernizing the National Parks Administration (APN), but was not able to make sufficient progress due to intervening events that included the transfer of APN from the Secretariat of Natural Resources and Human Environment (SRNyHA) to the Ministry of Tourism, the economic crisis, and several changes in APN's leadership. In April 2007, APN approved a

Modernization Plan, which now serves as the basis for strengthening the agency .

Objective 4: Increase the environmentally sustainable level of tourism in four national parks . Achievement-*substantial*.

The project undertook infrastructure investments and management training in four high visibility parks in Patagonia -- Lanin, Los Alerces, Nahuel Huapi, and Glaciares -- that resulted in significant increases in visitation rates and revenues, though this was also partly due to the devalued peso which made tourism attractive to foreigners .

5. Efficiency (not applicable to DPLs):

The SAR did not attempt an economic cost-benefit analysis, but the ICR attempts it in a qualitative manner and predicts potential gains from sustainable forestry and integrated livestock production; and stimulation of small businesses from increased tourism . The ICR undertakes a limited financial analysis from revenues and expenses at the four major national parks in Patagonia yielding FIRR's between 13% and 57% for which a simple average is provided below. The overall efficiency of the project was negatively affected by the two year delay in implementation of the project.

a. If available, enter the Economic Rate of Return (ERR)/Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation :

	Rate Available?	Point Value	Coverage/Scope*
Appraisal	Yes	19%	45%
ICR estimate	Yes	25%	45%

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome:

The project scope and design was satisfactory and continues to be relevant in terms of country priorities and strategy. Despite the challenges posed by the intervening economic crisis, the project managed to make substantial progress on almost all objectives, resulting in new legislation, a national forest inventory, an action plan for modernization of APN; and several infrastructure works, policy studies and capacity building through training . However, there were gaps in achievements in some specific works in the parks, and training and research projects . Also, the outcomes from the recently approved legislation and implementation of the modernization plan for APN are yet to be seen. In the balance, the overall outcome of the project is considered Moderately Satisfactory .

a. Outcome Rating : Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating:

Even though project implementation was delayed on several fronts, the project finally helped to pass new legislation and finalize a modernization plan for APN . Also, the national inventory of forest data puts future policy-making and implementation on a sound footing . The new legislation also provides for a dedicated fund for forest management with identified sources of revenue . Given these developments and the fact that the project overcame major difficulties during the economic crisis which served to underline government commitment, the risk to development outcome is considered low .

a. Risk to Development Outcome Rating : Negligible to Low

8. Assessment of Bank Performance:

Quality at Entry: The Bank team included economists, forest specialists, protected areas specialists and other technical experts including staff from FAO-CP who worked with their national counterparts in project formulation . Project design was based on an appropriate diagnosis of the state of forest management and a focus on strengthening the institutional and human resources of the relevant sectors . However, the Bank underestimated the complexity of legislative reform and implementation arrangements in APN at appraisal, resulting in the slow startup some portions of the project .

Supervision: Supervision missions were carried by diverse teams of specialists two to three times an year, and brought to bear experience in addressing similar issues in other countries . The Bank team displayed flexibility in working with their counterparts during the economic crisis in order to keep up some momentum in the project .

a. Ensuring Quality -at-Entry: Moderately Satisfactory

b. Quality of Supervision :Satisfactory

c. Overall Bank Performance :Moderately Satisfactory

9. Assessment of Borrower Performance:

In general, the government gave priority to forestry development and conservation, and collaborated with the Bank. During the crisis years, the government provided counterpart funds to the extent possible, and helped the line agencies when called upon to do so. The implementing agencies (PIUs) were composed of qualified technical professionals and administrative staff and were generally efficient in their work. Within the constraints experienced during implementation, the line agencies are to be commended for their focus and commitment to bring the majority of work to closure.

a. Government Performance :Satisfactory

b. Implementing Agency Performance :Satisfactory

c. Overall Borrower Performance :Satisfactory

10. M&E Design, Implementation, & Utilization:

Design: The project does not provide any significant outcome indicators (the project was appraised several years prior to the recent emphasis placed on outcome indicators) but contains a long list of output indicators which are quite clear and measurable in most cases (e.g. policy studies; training programs; number of trainees; creation of databases etc.).The M&E effort was a first for both APN and the Secretariat of Environment and Sustainable Development (SAyDS).

Implementation: Data for most output indicators is provided in a satisfactory manner.

Utilization: The PSRs and ISRs were regularly updated with monitoring information, which was particularly useful in the crisis period to identify gaps in implementation and to establish priorities.

a. M&E Quality Rating : Modest

11. Other Issues (Safeguards, Fiduciary, Unintended Positive and Negative Impacts):

Safeguards: This project was classified as Category "B" and invoked OP 4.01 (Environmental Assessment); OP 4.04 (Natural Habitats); OP 4.36 (Forestry); and OP 11.03 (Cultural Property). Relevant environmental assessments were prepared, and were reviewed and cleared by the Bank's team that included biologists, foresters and environmental specialists. APN complied with the Bank's safeguards for Natural Habitats as well as Forestry even though provisions for the latter were formalized during the project's implementation. The project also improved protection and performed appropriate restoration of cultural properties in the project parks.

Fiduciary Issues: The overall financial management and procurement performance is considered satisfactory. Four independent fiduciary missions were conducted during the project. Some errors were noted in the application of exchange rates during the financial crisis in 2000-2002, but they were eventually resolved.

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Moderately Satisfactory	Moderately Satisfactory	
Risk to Development Outcome:	Negligible to Low	Negligible to Low	
Bank Performance :	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance :	Satisfactory	Satisfactory	

Quality of ICR :

Satisfactory

NOTES:

- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate .

13. Lessons:

- Flexibility on the part of both the Bank and the borrower, while keeping their focus on overall objectives, can pay off in the face of difficult country circumstances such as fiscal crises or institutional changes .
- Investing time and resources in developing a sound technical, social and legal knowledge base can help underpin a sound sectoral legislative and regulatory framework .
- Applied research projects that are attempted on a large scale in different regions and levels should take into account local capacity to ensure acceptable quality, and if necessary should be supplemented by outside expertise.

14. Assessment Recommended? Yes No

Why? The project attempted important policy and regulatory reform in Argentina's forestry sector with potentially far-reaching impacts. The project also managed to stay broadly on course during the country's financial crisis in the early 2000s. It will be instructive to review the outcomes of these experiences and relate them to project design, and the strategy employed during implementation in the face of uncertainties arising from the financial crisis .

15. Comments on Quality of ICR:

The ICR is informative, and is written in a clear and fairly balanced manner . It tends to be too descriptive and process-oriented in some places, especially in the section on achievement of PDOs, where the narrative could be more tightly organized around outcomes . The Borrower's contribution to the ICR should have been translated into English.

a. Quality of ICR Rating : Satisfactory