

<b>1. Project Data:</b>		<b>Date Posted:</b> 09/21/2015	
<b>Country:</b>	Brazil		
<b>Project ID:</b>	P070867	<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b>	Caatinga Conservation And Management - Mata Branca - (gef)	<b>Project Costs (US\$M):</b>	10.0 9.82
<b>L/C Number:</b>		<b>Loan/Credit (US\$M):</b>	10.0 9.82
<b>Sector Board:</b>	Environment	<b>Cofinancing (US\$M):</b>	0 0
<b>Cofinanciers:</b>	None	<b>Board Approval Date:</b>	06/26/2007
		<b>Closing Date:</b>	10/31/2012 10/31/2013
<b>Sector(s):</b>	Sub-national government administration (57%); General water sanitation and flood protection sector (16%); General agriculture fishing and forestry sector (15%); Agricultural extension and research (7%); Other social services (5%)		
<b>Theme(s):</b>	Environmental policies and institutions (25% - P); Biodiversity (25% - P); Land administration and management (24% - P); Other rural development (13% - S); Participation and civic engagement (13% - S)		
<b>Prepared by:</b>	<b>Reviewed by:</b>	<b>ICR Review Coordinator:</b>	<b>Group:</b>
David M. Colbert	George T. K. Pitman	Christopher David Nelson	IEGPS1

## 2. Project Objectives and Components:

### a. Objectives:

The project's global environmental objectives (GEO) and its development objectives described in the GEF Trust Fund Grant Agreement (p. 6) and the Project Appraisal Document (PAD, p. 14) are the same:

**“to contribute to the preservation , conservation and sustainable management of the biodiversity of the Caatinga Biome in the Project States [Bahia and Ceará], while improving the quality of life of its inhabitants , through the introduction of sustainable development practices”**

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

No

### c. Components:

The project had three components:

**1: Institutional and Policy Support for Integrated Ecosystem Management** (appraisal estimate of total cost was US\$ 5.94 million, of which GEF was 3.24 million and government was US\$ 2.70 million; actual costs are not stated). This component was intended to strengthen the institutional and policy frameworks conducive to the preservation of the Caatinga Biome and to act as a catalyst to strengthen local institutions committed to integrated ecosystem management and conservation of the Caatinga Biome in Bahia and Ceará. The component was divided into three sub-components: a) Participatory Institutional and Policy Framework for Integrated Ecosystem Management (IEM), b) Integrated Management of Protected Areas, and c) Development of Institutional Capacity and Knowledge for Integrated Ecosystem Management. It was intended that these activities would facilitate mainstreaming IEM and biodiversity considerations in sectoral policies or plans by participating states.

**2: Promotion of Integrated Ecosystem Management Practices** (appraisal estimate of total cost was US\$ 12.56 million, of which GEF was US\$ 5.1 million and government was US\$ 7.46 million; actual costs are not stated) This component supported implementation of cost-effective and replicable Integrated Ecosystem Management (IEM) practices at the local level to ensure sustainability of conservation efforts and prevention of land degradation in the Caatinga Biome. This included: a) landscape planning and land use changes, b) on the ground conservation and sustainable land use practices, and c) engagement of the local population and government to change behaviors. The key indicators were (1) Six existing protected areas (150,184 hectares) are consolidated, with improved management effectiveness compared to baseline; (2) Two new priority areas (60,000 hectares) created by the state of Bahia under specific IUCN criteria; (3) Two new Private Natural Heritage Reserve established by the state of Ceará; (4) 20% of degraded lands as measured by vegetation cover, in the project areas have been rehabilitated when compared with baseline; and (5) Communities implementing production-related sub-projects show 15% improvement in their income compared to similar rural productive activities.

**3: Monitoring and Evaluation, and Project Management** (appraisal estimate of total cost US\$ 4.56 million, of which GEF was US\$ 1.66 million and government was US\$ 2.90 million; actual costs are not stated). This component responded to three key sector issues: a) lack of effective monitoring of policy impacts, b) insufficient knowledge sharing and dissemination of improved technologies, and c) the need to build managerial capacity for IEM. It sought to build implementation capacity for *Mata Branca* by establishing a monitoring and evaluation (M&E) system that would track progress toward achieving the project's global environmental objectives.

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

**Project Cost:** The estimated project cost was US\$ 28.44 million and actual cost was US\$ 27.88 million.

**Financing:** The project was financed with a GEF grant of US\$ 8.57 million, of which US\$ 8.11 million was disbursed and US\$ 0.46 million was cancelled.

**Borrower Contribution:** At appraisal, the borrower (the Brazilian States and project communities of Ceará and Bahia) agreed to pay US\$ 19.87 million in counterpart funds; US\$ 19.77 million was actually paid and disbursed.

**Dates:** The project was approved on June 26, 2007, and became effective on September 25, 2007. The mid-term review took place on November 30, 2010, and the project was restructured (level-2) on June 1, 2012, to reallocate disbursement categories and extend the duration of the project by one year in order to allow further consolidation of project results on Integrated Ecosystem Management (IEM), extension of ongoing monitoring and evaluation activities and dissemination of lessons learned with respect to IEM. Thus, the original closing date of October 31, 2012, was extended one year to October 31, 2013.

**3. Relevance of Objectives & Design:**

**a. Relevance of Objectives:**

**Modest**

Project objectives were relevant to the long-term protection of Brazil's globally important ecosystems and the uniqueness of the Caatinga Biome. Project objectives were also relevant to Brazil's National Action Program to Combat Desertification (2004) and the Caatinga Cerrado Eco-Productive Communities Initiative (2008).

The project sites in the States of Bahia and Ceará were selected because they encompass about 50 percent of the biome and because the Governments of both States expressed interest in addressing biodiversity issues and ecosystem management. However, there is little evidence that the Caatinga was one of the top priorities for these States. There were no specific policies, strategies or budgets affirming high priority either at the time of appraisal or at project closing.

The Project was fully aligned with the environmental development objectives of the Bank's 2000-2002 Country Assistance Strategy for Brazil (in effect at appraisal), which emphasized the need for priority actions in environmental and natural resources management and the protection of fragile ecosystems. The project was also aligned with the Bank's current Country Partnership Strategy (2012-2015) for Brazil, with one of its four strategic objectives to "improve the sustainable management of natural resources and enhance resilience to climatic shocks while maximizing contributions to local economic development, and helping to meet rising global food demand." Finally, the Project is consistent with the GEF multi-focal Operational Program 12, Integrated Ecosystem Management, as well as with the specific Focal Areas for Biodiversity conservation and reduction of Land Degradation.

**b. Relevance of Design:**

**Substantial**

A detailed project results framework of activities that are logically linked to achievement of project objectives was

developed at appraisal. The project's funding and activities (i.e. strengthening capacities for Integrated Ecosystem Management and supporting investments in demonstration sub-projects) support the causal chain to achieving outcomes and could reasonably be expected to contribute to, if not fully achieve, the "preservation, conservation and sustainable management of the biodiversity of the Caatinga Biome in the Project States." However, the complexity of project design, with its implementation in two states, duplication of management structures and management of 150 sub-projects, presented challenges for project implementation. Furthermore, the shortcomings in the risk assessment, which lacked the analytical depth to provide appropriate risk ratings and realistic mitigation measures, represented a significant flaw in project design. This included the failure to fully assess (i) the weak institutional capacity of the two State actors, (ii) the challenges of institutional coordination and continuity, (iii) the problems caused by economic disruptions and (iv) the threats posed by climate variability.

#### **4. Achievement of Objectives (Efficacy):**

**"to contribute to the preservation, conservation and sustainable management of the biodiversity of the Caatinga Biome in the Project States [Bahia and Ceará], while improving the quality of life of its inhabitants, through the introduction of sustainable development practices"**

The three separate sub-objectives: "to contribute to (i) the preservation, (ii) conservation and (iii) sustainable management of the biodiversity of the Caatinga Biome" are discussed and rated separately below.

##### ***(i) Preservation of the Caatinga biodiversity - negligible***

This sub-objective was to be achieved through creation of protected areas (PAs) and implementation of sub-projects aimed at protecting and recovering endangered species.

##### **Outputs:**

- PAs with improved management: target - 6; actual - 11
- PAs created in Bahia: target - 2; actual - 0
- PAs created in Ceará: target - 2; actual - 5
- Sub-projects for endangered species: target - ?; actual - 2

##### **Outcomes:**

- There is conflicting and confusing evidence on the outputs with respect to creation of PAs and implementation of sub-projects for endangered species.
- There is no reliable information or evidence about the success of the sub-project initiatives in achieving preservation of biodiversity..

##### ***(ii) Conservation of the Caatinga biodiversity - negligible***

The "conservation" outcome is based on project activities for protection or restoration of biodiversity under sustainable-use criteria as well as "improving the quality of life" of the Caatinga's inhabitants.

##### **Outputs:**

- Percentage of degraded lands rehabilitated: target - 20%; actual - 8%
- Degraded lands rehabilitated in ha: target - 1,166 ha; actual - 438 ha
- Sub-projects for land restoration: target - ?; actual - ?

##### **Outcomes:**

- The low percentage of degraded lands rehabilitated and lack of clear results from the land restoration sub-projects severely undermine assessment of the achievements under this sub-objective. There is no evidence of conservation of biodiversity.

##### ***(iii) Sustainable management of the Caatinga biodiversity - modest***

- The "sustainable management" outcome is based on the effectiveness of capacity-building, institutional strengthening, policy development and adoption, outreach and technological enhancement outputs to produce sustainable development.

##### **Outputs:**

- State policies/plans adopted with IEM: target - 6; actual - 13
- New institutional/policy framework for IEM: target - 1; actual - 1

- 20 % decrease in fires in project area: target - 20%; actual - 20%
- Training sessions on IEM implemented: target - 18; actual - 36
- Decision makers trained in IEM: target - 600; actual - 1760
- Sub-projects using IEM implemented: target - 150; actual - 131
- New initiatives to protect threatened species: target - 12; actual - 1
- Communities involved in IEM: target - 40; actual - 40
- Best practices disseminated in municipalities: target - 80%; actual - 80%

**Outcomes:**

- While the success in integrating IEM into State policies and plans, training key decision makers and disseminating best practices in municipalities indicates progress made toward achieving this sub-objective, there is little evidence of actual sustainable management of Caatinga biodiversity, particularly given the negligible achievement of sub-objectives (i) and (ii),

**5. Efficiency:**

**Modest**

**Economic and Financial Efficiency :**

Attempts to calculate an economic or financial rate of return for the project were not made at either appraisal or at closing. Instead, cost-effectiveness considerations were incorporated into project design. They also follow GEF guidance in using the GEF Incremental Cost Analysis performed during project preparation to reflect efficiency. This analysis calculated that the baseline scenario, without GEF funding, would involve very limited support (an estimated US\$ 7 million) for the conservation of the Caatinga's unique biodiversity.

At appraisal, the rate of biodiversity loss in the Caatinga Biome was considered alarming and the losses were expected to continue at a similar or higher rate into the future, with land degradation, uncontrolled fires and accelerated desertification identified as the primary threats. It was believed that the cost of not addressing environmental degradation would be considerably higher than the costs of investments in sustainable land, water and biodiversity management, and that the GEF alternative would achieve globally significant improvements in conserving the Caatinga's biodiversity and decreasing land degradation for an investment of US\$ 23 million, US\$ 10 million of which was from the GEF. In the final analysis, the US\$ 8 million GEF grant leveraged US\$ 19 million in State and community counterpart funding to work toward providing global environmental benefits.

**Administrative and Institutional Efficiency :**

Delays in project implementation at the State and community levels, as well as delays in provision of counterpart funding, undercut the overall efficiency of the project's management/use of project resources.

**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	No		
ICR estimate	No		

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

**6. Outcome:**

With relevance ratings of modest for objectives and substantial for design; achievement of objectives ratings of negligible, negligible and modest, and an efficiency rating of modest, the overall outcome rating is unsatisfactory. At project closure there were significant shortcomings in achievement of its objectives.

**a. Outcome Rating:** Unsatisfactory

**7. Rationale for Risk to Development Outcome Rating:**

There is ample evidence that the challenges to effective implementation that the project faced are likely to continue to impede effective inter-institutional, inter-border management of the biodiversity in the Caatinga Biome in the future. That is, the rapid turnover of personnel in the State public institutions involved in managing project activities and, to a lesser extent, the challenging political context in the two States are not likely to improve or be resolved in the foreseeable future.

**8. Assessment of Bank Performance:**

**a. Quality at entry:**

There is ample reason to be critical of the Bank's performance during the seven-year preparation phase of the project, e.g. for not using better judgment and due diligence to analyze the realities on the ground in Bahia and Ceará and to develop a more technical approach to appropriate context-specific monitoring and evaluation for the project. There are at least three specific instances in which the Bank's performance was unsatisfactory: (i) conducting an inadequate risk assessment, i.e. failing to identify and mitigate the risk of extreme weather events (droughts); (ii) performing an inadequate assessment of the management capabilities and political contexts in the counterpart States of Bahia and Ceará; and (iii) developing an inadequate monitoring and evaluation (M&E) system for the biodiversity aspects of the project, i.e. lacking ecological baselines and feasible biological indicators.

**Quality-at-Entry Rating :** Unsatisfactory

**b. Quality of supervision:**

The Bank's performance during supervision of the project, on the other hand, showed improvement, e.g. conducting regular supervision missions, routinely preparing mission aide memoirs and supervision reports, and working diligently to resolve various implementation issues from the outset. In particular, the Bank deserves credit for assisting the counterparts with resolving issues on interstate cooperation and with developing, adopting and implementing appropriate policy reforms and beneficial socio-economic activities.

**Quality of Supervision Rating :** Moderately Satisfactory

**Overall Bank Performance Rating :** Moderately Unsatisfactory

**9. Assessment of Borrower Performance:**

**a. Government Performance:**

The project recipient was a non-governmental organization, the Luis Eduardo Magalhães Foundation (FLEM), but the governments of Bahia and Ceará, through their Management Teams, were principally responsible for technical management, oversight and monitoring of project activities. There is little evidence that the Caatinga was one of the top priorities for these States. There were no specific policies, strategies or budgets affirming high priority either at the time of appraisal or at project closing. As a result, many aspects of their performance, e.g. inadequate cooperation and coordination, slow progress in implementation, inadequate assessment of implementation risks, M&E that did not measure project progress adequately, were less than fully satisfactory.

**Government Performance Rating** Moderately Unsatisfactory

**b. Implementing Agency Performance:**

FLEM's performance appears to have been satisfactory; and successive Bank missions and audits consistently rated it as such. FLEM is credited with serving as a key player in ensuring the project's ongoing implementation despite various difficulties, in particular its role in building bridges among State players who, at one point during implementation, were unwilling to work with each other and were placing the project at risk.

In Bahia three agencies were involved in project implementation: (i) the State Company for Development and Regional Action (CAR); (ii) the State Secretariat of the Environment (SEMA); and (iii) the State Institute for the Environment and Water Resources (INEMA). With offices located in targeted project areas, CAR was able to facilitate the implementation of sub-projects. CAR's performance in this respect was satisfactory. On the other hand, the role of SEMA and INEMA in project implementation was negatively affected by Bahia's reform of the Environmental System, which profoundly changed its structure and reorganized its staffing. This process affected implementation of activities for all three project outcomes and limited the performance of SEMA and INEMA to only moderately unsatisfactory.

In Ceará, the State Council for Environmental Policies and Management (CONPAM) was designed as the project implementation agency. As such, CONPAM used its coordination mandate to facilitate project implementation,

with the support of the participating institutional bodies such as the Committee for the Caatinga Biosphere Reserve and the State Council for the Environment. In the end, CONPAM managed to build partnerships with relevant municipalities and delivered satisfactory performance of project implementation.

Based on the various performance ratings discussed above, overall implementing agency performance is rated moderately satisfactory, as follows:

- FLEM's performance is rated satisfactory
- CAR's performance is rated satisfactory
- SEMA and INEMA are rated moderately unsatisfactory, and
- CONPAM performance is rated satisfactory.

**Implementing Agency Performance Rating :** Moderately Satisfactory

**Overall Borrower Performance Rating :** Moderately Unsatisfactory

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

### **a. M&E Design:**

Design of the M&E system is one of the principal flaws of project design. The Results Framework included six outcome indicators and a number of Intermediate Outcome Indicators (IOIs). While these indicators reflected the range of project interventions and activities, they did not permit direct measurement of the "preservation" and "conservation" of biodiversity outcomes.

### **b. M&E Implementation:**

Two of the six outcome indicators were converted to IOIs, without explanation, and treated as such in the Bank's supervision reports which tracked only four of the 23 IOIs included in the Results Framework. And, following the mid-term review in 2010, two of the IOIs were removed by the borrower without any apparent attempt to compensate for the missing indicators. These and other significant discrepancies undermined the value of the M&E program throughout the life of the project. However, despite the design flaws, the project still managed to collect some accurate and relevant data on project progress. The M&E of the few individual sub-projects generated large quantities of useful information. M&E implementation was hampered by problems related to the overall delays in project implementation, but the impact on actual data collection and quality was not considered significant.

### **c. M&E Utilization:**

Bank mission reports and internal sub-project progress reports provided extensive examples of different levels of achievement that allowed FLEM and implementation agencies to make necessary adjustments to component and sub-project implementation, as necessary. However, there is little evidence on which to evaluate the utilization of M&E results to improve implementation performance or to modify project activities to enhance achievement of project outcomes and results.

**M&E Quality Rating:** Modest

## **11. Other Issues**

### **a. Safeguards:**

The project was classified as a Category "B" under OP/BP4.01 Environmental Assessment. In addition five other safeguard policies were triggered. : (i) Natural Habitats (OP 4.04); (ii) Cultural Property (OP 4.11), (iii) Involuntary Resettlement (OP 4.12), (iv) Indigenous Peoples (OP 4.20) and (i) Forests (OP 4.36). For each of these policies the necessary documents were prepared (i.e. Environmental Assessments, Process Frameworks, and Indigenous Peoples Frameworks) and the mitigation measures (natural habitats, forests) or guidelines (chance finding procedures) were included in the Project's Operational Manual. The ICR does not elaborate on the safeguards triggered by the project, beyond reporting that there were no safeguard compliance issues and that Bank supervision consistently rated safeguard compliance as satisfactory. There was no evidence that safeguards were handled inappropriately (ICR pages 7-8).

**b. Fiduciary Compliance:**

In a similar manner, the ICR does not elaborate on fiduciary compliance issues beyond reporting that financial management and procurement were regularly reviewed and audited and that the Bank supervision consistently rated fiduciary compliance as satisfactory. The ICR indicates that there were no fiduciary compliance issues identified beyond minor shortcomings that did not affect project implementation (ICR pages 7-8).

**c. Unintended Impacts (positive or negative):****d. Other:**

<b>12. Ratings:</b>	<b>ICR</b>	<b>IEG Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome:</b>	Moderately Satisfactory	Unsatisfactory	Modest/substantial relevance, modest efficiency, tempered by two negligible/one modest efficacy ratings yield an unsatisfactory rating.
<b>Risk to Development Outcome:</b>	Significant	Significant	
<b>Bank Performance:</b>	Moderately Unsatisfactory	Moderately Unsatisfactory	
<b>Borrower Performance:</b>	Moderately Satisfactory	Moderately Unsatisfactory	Borrower performance is moderately unsatisfactory given the outcome rating.
<b>Quality of ICR:</b>		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:**

The following lessons are taken from the ICR with minor modifications in language:

**Complex environmental management operations involving amorphous preservation , conservation and sustainable management goals require due diligence in defining the technical /scientific aspects in project preparation .** In the case of Mata Branca, for example, specific technical failures in project preparation undermined the quality of the project at entry despite available time and resources, which led to many of the subsequent problems during implementation: (i) Bank projects of this nature, especially complex GEF operations, should not be initiated until fully developed baseline information has been established and full sets of carefully selected, field tested indicators, with appropriate protocols, have been identified. (ii) More diligence should be assigned to developing the risk assessment framework, i.e. all risks (including climate related events, natural disasters and other similar physical catastrophes, where appropriate) should be fully and properly assessed, and appropriate response scenarios should be evaluated and rated realistically.

**With complex, multi-party, multi-jurisdictional operations involving multiple sub -projects, the Bank needs to ensure thorough appraisal of the political /cultural aspects in project preparation .** In the case of Mata Branca, for example, many of the problems that affected project performance were related to the states' political and socio-cultural context. This is not a justification but rather a reminder that project design and preparation need to take these variables into account, and Bank teams have the primary responsibility of ensuring that every aspect of any given country's culture is built into a project. The "unexpected" during implementation is generally a result of poor planning or insufficient due diligence; it is not acceptable for relatively large investments in which plenty of time and resources have been available during the preparation phase.

**14. Assessment Recommended?**  Yes  No

**15. Comments on Quality of ICR:**

The ICR is fairly comprehensive in its presentation and analysis of the evidence generated by this complex multi-jurisdictional, multi-party environmental management project. Although its focus is results-oriented, its analysis of the project's various outputs and outcomes can be confusing and inconsistent in parts. It is clearer in its analysis of the performances of the Bank and the Borrower and its frank assessment of project M&E. But, the ICR would be stronger if it had reported evidence of compliance with the safeguards and any monitoring of compliance performed during project implementation. The same can be said for fiduciary compliance. The ICR would be stronger if it had reported evidence of fiduciary compliance, such as timely and acceptable quarterly financial reports and annual financial statements, the results of audit reports and opinions. The lessons identified are based on a careful analysis of the challenges and insights presented by the complex project. Despite the omissions and confusion in some sections, the ICR provides adequate evidence to support the bulk of its conclusions.

**a. Quality of ICR Rating:** Satisfactory