



1. Project Data

Project ID
P094233

Project Name
BR GEF Espirito Santo Biodiversity

Country
Brazil

Practice Area(Lead)
Environment & Natural Resources

L/C/TF Number(s)
TF-55569,TF-93210

Closing Date (Original)
30-Jun-2012

Total Project Cost (USD)
12,000,000.00

Bank Approval Date
18-Nov-2008

Closing Date (Actual)
31-Dec-2014

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	4,200,000.00	4,200,000.00
Revised Commitment	4,200,000.00	4,200,000.00
Actual	4,200,000.00	4,200,000.00

Sector(s)

Other Agriculture, Fishing and Forestry(72%):Public Administration - Agriculture, Fishing & Forestry(15%):Other Water Supply, Sanitation and Waste Management(13%)

Theme(s)

Biodiversity(35%):Water resource management(35%):Land administration and management(17%):Other rural development(13%)

Prepared by
Ranga Rajan Krishnamani

Reviewed by
John R. Eriksson

ICR Review Coordinator
Christopher David Nelson

Group
IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Project Appraisal Document (PAD, page 5) was: **"To support the adoption of environmentally friendly land use practices on 3,400 hectares in two key Atlantic Forest watersheds in Espirito Santo, thereby contributing to improved biodiversity conservation."**

The objectives as stated in the Global Environment Facility (GEF) Trust Fund Grant Agreement (Schedule 1, page 7) were: **"To reduce threats to globally important biodiversity in the Recipient's territory from agricultural production systems and increase critical habitat for endemic species in two key rain forest watersheds in the Recipient's territory."**

This assessment is based on the objectives as stated in the GEF Trust Fund Agreement test.



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

No

- c. Components

There were four components.

Component One. Strengthening Watershed Management. (estimated cost at appraisal US\$2.50 million. actual cost at closure US\$1.40 million). This component aimed at improving biodiversity conservation and watershed conservation in the Jucu and Santa Maria da Vitoria watersheds in the State of Espirito Santo (SES). (Biodiversity conservation refers to saving life on earth in all its forms and keeping the natural ecosystems functioning and healthy. Watershed practices refer to practices such as increasing forest cover and protecting riparian zones). Activities in this component included: (i). establishing and strengthening watershed management committees. (ii). prioritizing intervention areas (such as preparing economic-ecological zoning plans for both watersheds, water resource and vegetative cover monitoring systems, identification of the micro-ecological corridors and identifying areas critical for water supply) and, (iii) developing a communication strategy.

Component Two. Targeted Biodiversity Protection and Protected Area (PA) Management. (estimated cost at appraisal US\$4.20 million. actual cost at closure US\$2.50 million). This component aimed at undertaking targeted interventions to enhance the protection of critical biodiversity conservation areas and support the management of PAs. Activities in this component included: (i). rehabilitating degraded areas. (ii). implementing the management plan for *Pedra Azul* National Park and establishing a PA management Committee. (iv). developing and implementing new instruments for biodiversity conservation, such as a conservation Trust Fund (defined for this project as an independent, long-term financial mechanism for providing payments for conservation to private landholders, if their lands had been recognized as PAs). and, (iv). supporting implementation of two ecological corridors.

Component Three. Integrating Biodiversity in Production Landscapes. (estimated cost at appraisal US\$4.30 million. actual cost at closure US\$6.20 million). This component aimed at inducing sustainable management of land use. (Sustainable land use as defined in this project refers to managing land without damaging ecological processes or reducing biological diversity over the long term). Activities in this component included: (i). promoting measures aimed at removing obstacles to the adoption of land use practices beneficial to the environment. (ii). promoting measures to induce the adoption of practices that contribute to biodiversity conservation and water services protection and developing a pilot Payment for Environmental Services (PES) program to protect critical areas that supply water in the Greater Vitoria Metropolitan Area in collaboration with water users (PES are incentives offered to farmers and landowners in exchange for managing their land. Typically, PES schemes are based on the twin principles that those who benefit from environmental services (such as users of clean water) should pay for the services and those who contribute to providing such services (such as upstream land users)- should be compensated for providing them).

Component Four. Monitoring and Evaluation, and Project Management. (Estimated cost at appraisal US\$1.00 million. Actual cost at closure US\$1.90 million). This component aimed at institutional strengthening of the state's capacity. Activities in this component included: (I) establishing a project level monitoring and evaluation framework to track progress of activities included in the project. and, (ii). a regional level information system covering the two watersheds.

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

Project Cost. The total estimated project cost at appraisal (including total base line cost and costs associated with Project Preparation Facility) was US\$12.20 million. Actual costs of component one and two activities were lower than expected and costs of component three and four activities were higher than expected. The increase in cost of component three and four activities were met through reallocation of funding between components. Therefore, actual project cost at closure was as estimated at appraisal.

Project Financing. The project was financed by a GEF grant of US\$4.20 million. At closure, 100% of the grant was disbursed.

Borrower Contribution. The Borrower contribution was estimated at US\$8.00 million. Their contribution at closure was as planned.

Dates. The project was restructured three times through Level 2 restructurings. The first restructuring on 06/29/2012 reallocated funds between project components and extended the project closing date by 18 months from June 30, 2012 to December 31, 2013. This extension was approved to provide additional time for implementing the Payments for Environmental Program (PES) program. The ICR (page 5) notes that the 18-month extension restored the original five-year implementation period, which had been reduced to three and half years, due to an oversight in the Grant Agreement, which specified a closing date different from that in the PAD. The second restructuring on 12/01/2013, extended the project by a year from December 31, 2013, to December 31, 2014 for completing ongoing activities. The third restructuring was on 12/30/2014. This restructuring was intended for capitalizing the State Water Fund (*FUNDAGUA*) set up by law for the PES program, a component three activity. This restructuring made possible a single disbursement of US\$2.26



million to FUNDAGUA during the grace period. The project closed 30 months behind schedule on 12/31/2014.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The Project Development Objectives (PDOs) were highly relevant to the State of Espirito Santo (SES) in Brazil. The Atlantic Forest biome (a large naturally occurring community of flora and fauna occupying a major habitat such as a forest) is one of the five world's "hottest biodiversity hotspots", due to its unusual level of diverse species. About 508,000 hectares (ha) of this biome, representing 11 percent of SES's surface area were fragmented and inhibiting the movement of species. The project activities focused on two critical, high-biodiversity watersheds in south-central SES. Land use patterns in the years before appraisal had led to severe degradation of these watersheds. This in conjunction with intensive farming had contributed to soil erosion, water pollution, silting of rivers and pasture degradation and thereby threatening biodiversity.

At appraisal, the SES Vision 2025 Development Plan issued in 2006 (*Plano de Desenvolvimento Espirito Santa 2025*) had a 20-year vision plan for improving the population's wellbeing through environmental preservation and conservation. The PDOs were consistent with the government's National Forestry Program aimed at establishing sustainable forestry practices and the government's National Water Resources Management System and Policy aimed at decentralization of water resources management and defined watersheds as the territorial unit for implementing policies. The PDOs were also consistent with the Government's Sectoral Plan for the Mitigation and Adaptation of Climate Change for the Consolidation of an Economy of Low Carbon In Agriculture (ABC Plan) issued in 2014, which aimed at reducing the emissions of Green House Gases (GHGs) from 38.9% to 36.1% by 2020 and the Government's *Produtor de Agua* Program which supported using schemes such as Payment to Environmental Services (PES) to encourage adoption of sustainable land use practices.

The PDO was consistent with the Bank Strategy for Brazil. At appraisal, the Country Assistance Strategy (CAS) for the 2008-2011 period specifically addressed the issue of protecting Protected Areas (PAs) through implementing PESs schemes. The PDO was aligned with the Bank's Country Partnership Strategy (CPS) for 2012-2015 period. One of the four strategic objectives of this CPS highlighted the need for improving sustainable management of natural resources.

At appraisal, the PDOs were aligned with the "GEF Three" Guidelines of (1) catalyzing the sustainability of Protected Areas by helping develop new, sustainable financing sources for PAs and for agricultural activities in PA buffer zones and corridors; (2) mainstreaming biodiversity conservation in production landscapes by strengthening watershed management; and (3) fostering new-market based instruments to provide incentives for the conservation of biodiversity of goods and services. The PDOs were also consistent with the current "GEF Six" issued in August 2016 Guidelines of adopting environmentally friendly land use practices and the goals of reversing current global trends in land degradation by promoting good practices conducive to sustainable land management.

Rating

High

b. Relevance of Design

The project design linked PES, land use and biodiversity conservation to address threats to water supply and critical habitats. The statement of the PDO was clear and the links between the project activities and their outputs were logical. Component one activities could be expected to improve biodiversity conservation and watershed conservation in the Jucu and Santa Maria da Vitoria watersheds. Component two activities aimed at undertaking targeted interventions could be expected to contribute to enhance the protection of critical biodiversity areas. Component three activities could be expected to aid in sustainable management of land use. The combination of these activities in conjunction with the institutional strengthening of the state's capacity (component four activity) can be expected to aid in reducing threats to globally important biodiversity from agricultural production systems. However, there were significant shortcomings in design. However, the project which had PDO and GEO objectives was overly ambitious considering the time frame, scope and funding envelope. This contributed to the non-completion of some activities such as the adoption of Ecological and Economic Zoning (ZEE) by the municipalities and implementation of new mechanisms to finance Protected Areas. The design overestimated the capacity of the implementing agency to develop Payment for Environmental Services (PES), especially as the agency was also developing and implementing another PES program. This contributed to the delays of almost three years for development of PES for this project. There were shortcomings with the Results framework. Although project activities aimed at addressing conservation and countering threats to



biodiversity, none of the outcomes specifically related to issues of biodiversity conservation and countering threats to biodiversity. This in turn affected monitoring project performance.

The design envisioned using the Ecological and Economic Zoning (ZEE) as a planning tool to be used by the State and municipalities for improving land use decisions. However, this aspect of design was undermined due to the lack of good quality mapping information at appraisal, although this handicap was rectified by contracting for development of high-resolution maps of the entire state.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective

To reduce threats to globally important biodiversity from agricultural production systems.

Rationale

Outputs.

Two watershed management committees were established as targeted, with board members elected. The watercourses classification was approved in late 2014. The watersheds management plans were prepared as targeted. Water resources monitoring system was implemented by the State Institute for Environment and Hydrological Resources (IEMA) and the State Rural Research, Technical Assistance and Extension Institute (INCAPER). High resolution images and photos of the whole State were provided to the Government of Espirito Santo. IEMA implemented a vegetation monitoring program and the system was operational at project closure. Main water users in the two watersheds were identified as targeted.

The Ecological and Economic Zoning (ZEE) for watersheds were formulated. Participating municipalities however had not officially adopted the ZEE at project closure.

Two technical units to support watershed units were not established as targeted. At committee's request, technical studies were carried out in lieu of establishing technical committees. A number of technical studies were completed as part of Watershed Management Plans and a Dynamic Information Framework (DSS) system was established for enabling scenario analyses for decisions on the resources of Espirito Santo. The system had time series data that could be used in National Agencies to analyze the resource base and develop predictive scenarios on climatic and ecosystem changes.

A short term Payment for Environmental Services (PES) for sustainable land use practices was established as targeted.

31 landholders received short term PES. This was well short of the target of 160.

A project level Monitoring and Evaluation (M&E) framework was established and a regional level Information Framework covering the Jucu and Santa Maria da Vitoria basins were established as targeted.

Outcomes.

Almost all of the indicators were output-oriented.

4,031 hectares (ha) of land employed environmentally friendly land use practices. This exceeded the target of 3,400 hectares.

Rating
Substantial

Objective 2



Objective

To increase habitat for species in two key rainforest watersheds of the Atlantic Forest.

Rationale

Outputs.

Critical biodiversity conservation areas were identified.

Management Plan for Pedra Azul State Park was updated as targeted and the management council for the park was established as targeted.

Twelve Private National Heritages were established at project closure. This exceeded the target of eight.

360 landholders were trained on Sustainable Land Management (SLM) practices as compared to the target of 300. 100 extension officials (including government staff, staff of the municipalities and Non-Governmental Organizations (NGOs)) were trained on SLM practices as compared to the target of 60. Five experimental stations on SLM were implemented as compared to the target of four.

Best Practices and lessons learned were disseminated in the municipalities of the State and to other states at project closure.

Outcomes.

Almost all of the indicators were output-oriented.

Sustainable market-based mechanisms to finance Protected Areas were not established as targeted.

The project was expected to return to a normal stage 1,000 hectares of degraded areas. This target was not achieved by project closure.

Rating

Modest

5. Efficiency

Economic Analysis. A Cost Benefit economic analysis was conducted both at appraisal and at closure for project activities associated with improving biodiversity conservation and improving water services. These components accounted for about 92% of the appraisal estimate and about 83% of the actual project cost at closure. The analysis considered: (1) the costs and benefits to farmers from switching to more environmentally-friendly land uses. and, (2) potential downstream benefits due to improved land uses in the watershed. Degradation in the Jucu and Santa Maria da Vitoria watersheds had caused significant increases in turbidity (a measure of water clarity) and this in turn had driven up water treatment costs. The analysis assumed that without intervention both degradation and turbidity would continue to rise and that intervention would help in either halting or reversing these trends. At closure, the total cost of complementary interventions in critical areas was estimated to range between US\$9.70 million to US\$12.80 million and the total benefits due to the interventions ranged between US\$15.90 million to US\$18.40 million. The Net Present Value (NPV) at closure ranged between US\$2.90 million to US\$3.70 million at closure as compared to the NPV of US\$48.40 million at appraisal. The average ex post Economic Internal Rate of Return (EIRR) at 12% discount rate was 13.4% at closure. The ICR or the PAD does not provide the ex ante EIRR and neither the PAD nor the ICR provides reasons for the omission of ex ante EIRR. The estimated net benefits at closure were lower than at appraisal due to a combination of factors including: (i). Improved estimates of the relationship between turbidity and water treatment costs. (ii). omission of some benefits included in the PAD such as benefits to hydroelectric power plants. and, (iii). inclusion of costs not considered in the PAD analysis such as interventions such as restoration of rural roads that complement land use changes.

Administrative and Operational Efficiencies. The limited capacity of the implementing agency which was also implementing another Payment for Environmental Services (PES) contributed to the delays in implementing EPS program for this project for almost three years. This in turn contributed to the low disbursements in the initial years. Procurement delays associated with contracting the hydrological modeling resulted in late identification of priority areas for conservation and this in contributed to the extension of the project closing date.

Efficiency Rating

Modest

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



	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	13.00	83.00 <input type="checkbox"/> Not Applicable

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

6. Outcome

The relevance of the PDO for the State of Espirito Santo in Brazil was rated as High. Relevance of design was rated as Modest. Efficacy of the first objective - to reduce threats to globally important biodiversity from agricultural production systems was rated as Substantial and efficacy of the second objective - to increase critical habitat for endemic species in two key rain forest watersheds - was rated as Modest. Results achieved at the outcome level was a significant factor in distinguishing the efficacy of the two objectives. Efficiency was rated as Modest.

- a. Outcome Rating
Moderately Unsatisfactory

7. Rationale for Risk to Development Outcome Rating

Government Commitment and Ownership. The Government of Espirito Santo's commitment to ongoing benefits from this project remained strong as demonstrated by earmarking part of the oil and gas royalties to finance forest management and conservation activities and Payment for Environmental Services (PES) Program through the State Water Fund (FUNDAGUA Trust Fund) set by law. Furthermore, unlike this project which was funded by a GEF grant, the state was now implementing an ongoing Bank-finance project (*Espirito Santo Integrated Sustainable Water Management Project*) financed entirely by an IBRD loan. There is however moderate risk to development outcome to funding in view of the fall in oil prices. Given that the implementation of the PES program was still in the early stages at project closure, the mid and long term impact of PES on landowner production systems was not clear.

- a. Risk to Development Outcome Rating
Modest

8. Assessment of Bank Performance

- a. Quality-at-Entry

The project was based on lessons from prior Bank financed projects in Brazil (Sao Paulo Ecosystem Restoration of Riparian Forests (P0088009), Rio de Janeiro Sustainable Integrated Ecosystem Management in Productive Landscapes of the North-Northwestern Fluminense (P075379) and Rain Forest Ecological Corridors Project (P006572) which covered the entire state and aimed at increasing the connectivity among remaining fragments of Atlantic Rain forest. The project was also based on lessons from the international experiences in implementing Payment for Environmental Services (PES) from prior Bank-financed projects in the Latin America and Caribbean (LAC) region (Costa Rica Ecomarkets Project (P052009) and Costa Rica Mainstreaming Market-Based Instruments in Environmental Management Projects (P093384/P098838); Mexico Environmental Services Projects (P087038/P089171); and, the Regional Integrated Silvopastoral Ecosystem Management Project (P072979). The project was prepared with the involvement of Non-Governmental Organizations (NGOs) who were knowledgeable about the area's ecological characteristics and with Bank staff who had experience in implementing Payment for Environmental Services (PES) program. Appropriate arrangements were made at appraisal for compliance with safeguards and fiduciary issues. However, there were shortcomings at Quality at Entry.

As discussed in Section 3b, the PDO and GEO objective was overly ambitious considering the time frame, scope and funding envelope and



this contributed to the non-completion of some project activities. The design overestimated the capacity of the implementing agency to develop Payment for Environmental Services (PES).

There were shortcomings with M&E as none of the outcomes specifically related to issues of biodiversity conservation and countering threats to biodiversity. This in turn affected monitoring project performance.

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision

Five Implementation Status Reports were filed over a three year period, implying supervision missions of approximately twice a year. The project supervision was conducted jointly with an ongoing Bank-financed Project (Aguas Limpas Project) through September 2011. The first Implementation Status Report (ISR) addressing specifically this project was issued in January 2012 and the supervision team addressed issues relating to PES. The Bank specialists in the supervision team provided technical advice on complex technical issues that required specific expertise and this aided in compliance with fiduciary issues.

During implementation, the supervision team did not revise the results framework and include indicators specifically pertaining to biodiversity conservation and countering threats to biodiversity.

The supervision team was unable to obtain a faster implementation of the PES program in the state. This delayed project disbursements in the early years of the project.

Quality of Supervision Rating
Moderately Unsatisfactory

Overall Bank Performance Rating
Moderately Unsatisfactory

9. Assessment of Borrower Performance

a. Government Performance

The Government of Espirito Santo was highly committed to the project from conception to its closing. The Government enacted the Payment for Environmental Services legislation in 2008. The state also earmarked part of the oil and gas royalties to finance forest management and conservation activities, through the State Water Fund (FUNDAGUA Trust Fund). The state was able to secure funding from large corporations, such as from the mining company, Vale. The Government's commitment was also demonstrated by the fact that unlike this project which was funded by a GEF project, the state was now implementing an ongoing Bank-financed project (*Espirito Santo Integrated Sustainable Water Management Project*) financed entirely by an IBRD loan. This project includes a component aimed at implementation of Payment for Environmental Services (PES). The state in June 2016 also became a member of the 20x20 Initiative at the Second Global Forum on Sustainable Growth. This initiative was an effort by countries and organizations in Latin America and the Caribbean (LAC) to restore and prevent deforestation by at least 20 million hectares of degraded land by 2020.

Government Performance Rating
Satisfactory

b. Implementing Agency Performance

The State Institute for Environmental and Hydrological Resources (IEMA) with support from the State Rural Research, Technical Assistance and Extension Institute (INCAPER) was in charge of implementing the project. The Project Implementation Unit (PIU) was located within IEMA. There was fiduciary compliance.

The PIU had a small technical team and since it was also responsible for managing other state projects, there were delays associated with hiring external consultants. This contributed to the delays in implementing the PES program and non-completion of some project activities.



Implementing Agency Performance Rating
Moderately Satisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The outcome indicators - number of hectares of land under environmentally friendly land use practices and the number of hectares of critical habitat restored or protected from environment were appropriate.

None of the key outcome indicators specifically addressed issues of biodiversity conservation or targets pertaining to countering threats to biodiversity. This in turn affected monitoring project performance in relation to these outcomes. The number of indicators was large (22) and this complicated M&E implementation.

b. M&E Implementation

The joint supervision of this project with another ongoing project, Aquas Limpas Project (ALP) in the initial years undermined the M&E of this project as the (ISRs) focused on the ALP and did not include monitoring of this project. The first independent ISR addressing the indicators for this project was only issued in January 2012, six months before the original closing date. There were problems associated with obtaining data from other implementing agencies and this was exacerbated by the large number of indicators which made it difficult to consolidate information.

c. M&E Utilization

The data collected was used for diagnosing and addressing the problems associated with the State Program of Payment for Environmental Services (PES) law and contributed to the preparation of a revised PES law and the launch of the *Reflorestar* program (The program addressed the problems of the earlier PES program and also incorporated initiatives, such as complementary short and long term payments to address the different requirements of restoring degraded habitats and conserving forests).

M&E Quality Rating
Modest

11. Other Issues

a. Safeguards

The project was classified as a "Category B" project. Other than environmental assessment (OB/BP 4.01), three safeguard policies were triggered: Natural Habitats (OP/BP 4.04); Cultural Property (OP/BP 4.11); Forests (OP/BP 4.36).

Environmental and Social Safeguards. The PAD (page 82) notes that a socioeconomic assessment and an assessment of the rural population in the Santa Maria da Vitoria and Jucu watersheds was completed at appraisal. The results indicated that the population in the project areas included: (a) a largely urban population downstream, comprising 46% of the State's population. and. (b) a predominantly rural population upstream. The Payment for Environmental Services (PES) scheme would seek to compensate the upstream landholders through water service payments by water users downstream. The PAD (page 83) reports that an Environmental Assessment (EA) report was to be prepared during preparation covering four areas: (a) environmental and social impacts of watershed conservation and restoration in the Jucu and Santa Maria da Vitoria watersheds. (b) an analysis of biodiversity and conservation units in the project area. (c). a physical and hydrological analysis of the two watersheds, and, (d) an analysis of the rural landscape and its producers in the watersheds. This report was to be publicly disclosed. It is not clear if these reports were produced. The ICR (page 10) notes that compliance with safeguards was deemed to be satisfactory but provides little by way of details such as whether the reports were produced, any environmental issues were



encountered and how they were addressed during implementation..

b. Fiduciary Compliance

Financial Management. An assessment of the capacity of the Planning Secretariat's existing Financial Management Systems (FMS) and procedures was conducted at appraisal and the assessment concluded that the financial arrangements were deemed to be satisfactory (PAD, page 18). The financial management risk was rated as Moderate and a Financial Management Action Plan was developed at appraisal (PAD, page 64).

The ICR (page 10) notes although there were some financial management issues such as inconsistencies in the FM system used to execute the physical and financial monitoring and issuing of the unaudited Interim Financial Reports during the implementation phase, the audits were unqualified and the implementing agency followed the action plan and adopted corrective actions. The implementing agency's financial management performance was deemed to be satisfactory (ICR, page 10).

Procurement. An assessment was made at appraisal of the capacity of the implementing agency to address procurement issues. The assessment included identification of risks and a Procurement Plan was developed at appraisal (PAD, page 66). The ICR (page 10) reports that there was procurement compliance during the implementation phase.

c. Unintended impacts (Positive or Negative)

d. Other

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Substantial	---

Note

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 ICR draws the following main lessons from the experience of implementing this project.

(1) Strong commitment from the Government and state agencies and stakeholders can be very useful. In the case of this project, the Government of Espirito Santo revised the Payment for Environmental Services (PES) law and also replaced the initial program with a revised one. This contributed to the implementation of the PES program in the latter years of the project.

(2) While joint supervision of GEF projects with other projects can bring in savings, they can also result in insufficient attention paid to



key project activities as happened in the case of this project.

(3). Documentation of the expected and financial costs and benefits of degradation can be instrumental in securing Government commitment. In the case of this project, the economic analysis prepared during appraisal was instrumental in convincing the Government of Espirito Santo and the Espirito Santo Water Utility Company (CESAN) to support this support and to continue supporting Reflorestar after the project.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR provides a detailed overview of the project. The narrative supports the ratings and available evidence. It is candid (particularly in parts where it discusses the issues associated with the implementing agency in the initial years of the project. The ICR discussion of the Economic and Financial Analysis is however confusing. It is not clear why neither the PAD nor the ICR provides the ex ante EIRR for the project. The ICR provides little by way of details of compliance with environmental and social safeguards.

- a. Quality of ICR Rating
Substantial