

PD-ABP-508

EVALUATION OF THE ENTERPRISE FOR THE AMERICAS ACCOUNT

La Paz, Bolivia

January 1996

Robert J. Asselin
Ana Maria Linares
Ruth Norris



600 Water Street, S.W.
Washington, D.C. 20024
USA

202/484-7170
Fax: 202/488-0754

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List of Acronyms

EIA / EAI	Cuenta Ambiental Iniciativa para las Américas/ Enterprise for the Americas Initiative
EFA	Environmental Framework Agreement
FAN	Fundación Amigos de la Naturaleza
FONAMA	Fondo Nacional para el Medio Ambiente
GEF	Global Environment Facility (GETF = Global Environmental Trust Fund)
LIDEMA	Liga para la Defensa del Medio Ambiente
MDSMA	Ministerio de Desarrollo Sostenible y Medio Ambiente
MSI	Management Systems International
NGO / ONG	Non-governmental organization/Organización No Gubernamental
OTB	Organización Territorial de Base
USAID	U.S. Agency for International Development

Contents

I.	Executive Summary	1
II.	Background, Purpose, and Scope of Work	7
III.	Findings, Conclusions, and Recommendation	9
A.	Legal Analysis	9
1.	Environmental Framework Agreement	9
B.	Administrative Unit Operations and Procedures	10
1.	Procedures	10
2.	Financial and Technical Reporting and Tracking	12
3.	Reporting and Approval Mechanisms	12
4.	Communication and Coordination	12
5.	Proposal Review	13
6.	Satisfaction With AU Performance	14
7.	Project Management Capability	14
C.	Administrative Council	17
1.	Achievement of Goals and Objectives	17
2.	Assistance to the EAI Administrative Unit	18
3.	Performance of Functions Established by the Internal Regulations	18
4.	Supervision of Account Management	20
5.	Prioritization of Projects	20
6.	Representativeness of NGO Members	20
7.	Dissemination of Information to Bolivian NGOs	22
D.	Government-NGO Communication	23
E.	Support from FONAMA	24
1.	Performance of Service Functions	24
2.	Transparency	25
3.	Financial Management and Investment	26
F.	Support and Commitment of the Parties to the Agreement	27
G.	Grantee Performance and Satisfaction	29
IV.	Conclusion	32
V.	Lessons Learned	35
	Annex 1. Statement of Work	38
	Annex 2. Conclusions and Recommendations, FONAMA Institutional Evaluation	39

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Annex 3. List of Persons Interviewed 45

Annex 4. Documents Reviewed 48

I. Executive Summary

The Enterprise for the Americas Environmental Account is a \$21.8 million fund, created in accordance with an Environmental Framework Agreement between the Governments of the United States and Bolivia, to support projects that "preserve, protect, or manage the natural and biological resources of Bolivia in an environmentally sound and sustainable manner." In accordance with the Agreement, the fund supports primarily activities of non-governmental organizations, and only under exceptional circumstances, projects of government entities.

The Account is located within Bolivia's National Environmental Fund (FONAMA). The Account has its own Administrative Council, which is the decision making body with regard to selection of projects for funding, and also has administration and oversight responsibilities over all activities funded by the Account. The Account also has, on FONAMA's staff, its own Coordinator and administrative staff of four. FONAMA, in accordance with the terms of the Agreement, provides administrative and technical support, including technical oversight of projects, and contracting of the independent outside consultants for review of proposals.

The Account is capitalized by inflows of approximately \$2 million per year from the Bolivian Government. Capital is maintained in an investment account currently managed by J.P. Morgan. Periodic transfers to an Operating Account provide cash flow for operational expenses and project disbursements. To date, the Account has approved some 72 projects totaling more than \$5 million. About half of these are actually in implementation. The remainder have been completed or are awaiting final technical adjustments and first disbursements.

The evaluation team spent approximately five weeks working with FONAMA and the EAI Account, interviewing current and former personnel, reviewing documents, visiting project sites, and interviewing recipients, other applicants, and relevant personnel of the Bolivian government and donor community. In general, the team found that the EAI Administrative Council has done a good job of selecting a portfolio of projects that is geographically and thematically representative; that the Account's regulations and procedures are, with minor exceptions, adequate for its management; and that the Administrative Unit and Council have complied with both the Framework Agreement and the EAI Account's internal regulations and procedures.

The evaluators discovered serious problems in the area of support provided by FONAMA. There is a large backlog of pending legal and technical reviews. Disbursements have been delayed, documents have had to be submitted repeatedly, and NGO implementers have expressed frustration with the difficulty of getting information about the status of their applications.

The team listened to many suggestions for improvements in both FONAMA as a

whole and the management of the EAI Account in particular. The institutional evaluation of FONAMA, and its corresponding recommendations, are contained in a separate report. The evaluation team recommended that FONAMA take the actions necessary to improve its ability to efficiently and effectively serve its client community -- the environmental project implementers, and the donors who support them. With specific regard to the EAI Account, this means processing grant applications swiftly, transparently, and with a high degree of technical integrity. It means being an advocate for, and assisting implementers, with a focus on partnership in success and achievement rather than bureaucratic processing. It means keeping abreast of current trends in sustainable development, incorporating best practices, and assisting implementers to do the same.

A complete list of the recommendations included in the FONAMA institutional evaluation is annexed to this report. This evaluation of the EAI Account includes 12 recommendations (below). The team has attempted to identify in each case who should take responsibility for the recommended action, and why.

1. The Internal Regulations of the EAI Account need to be revised to include a description of the Administrative Unit as the EAI Account's administrative entity within FONAMA, specifying the AU's functions within FONAMA (administration and management of the Account). The regulations should establish the division of responsibilities within FONAMA, indicating specific responsibilities of the AU and of other divisions of FONAMA, and defining the mechanisms for programming and coordination of the activities necessary to carry out the listed responsibilities.
2. The proposal review process needs to be streamlined with the objectives of (1) limiting the number of full proposals requiring technical review and decisions by the Council; and (2) reducing the total time between Council approval and signing of contract.
3. The precise rules of financial management and documentation need to be clearly spelled out, and grantees informed before implementation begins.
4. The Internal Regulations of the EAI Account should be revised to give the Administrative Council a formal mechanism for petitioning FONAMA to resolve problems that arise with regard to FONAMA's provision of technical and administrative services, so that the Account, as a financing mechanism, can operate effectively and efficiently. In this way, the Council would be given a solid basis for exercising its delegated function of "directing" the operations of the Account.
5. The AU and especially the Account Coordinator need to have better control over the technical staff and consultants that review project proposals and carry out project technical evaluations.
6. More and better information about the EAI Account needs to be available to NGOs, academic institutions, community-based organizations, and the public.

7. NGO representatives on the Council should have opportunities to meet with representatives of various sectors of civil society, to exchange information and discuss issues that should come before the Council.

8. The Council should resume its former practice of holding its regular meetings in different cities and parts of the country.

9. The EAI's internal regulations should be revised to allow any majority of the Council to call extraordinary sessions (regardless of whether the president concurs) in order to deal with issues related to environment, sustainable development, and the Account. Additionally, the President of the Council should be one of the NGO representatives, rather than the Minister of Environment and Sustainable Development.

10. USAID should negotiate or otherwise use its influence with FONAMA to assure that the necessary support functions are provided.

11. While considering a change in investment agents, EAI personnel should actively solicit opinions (perhaps contracting a professional financial consultant) about options for maximizing returns (financial and social) from unobligated balances. An investment strategy should be developed and presented to the Council for approval.

12. The Minister of Sustainable Development and Environment should resume active participation in FONAMA and EAI proceedings, seconded by the Secretary of State for Natural Resources, who should give FONAMA and the EAI Account the priority attention merited by its relative size in the Ministry and the importance of its projects in the overall national vision for sustainable development.

The evaluation team concluded that adoption of these recommendations, many of which are actions the Administrative Unit and Council have already discussed, should be sufficient to assure effective operations and improve grantee performance and satisfaction. The chief constraints are (1) lack of adequate technical, legal, and logistical support from FONAMA; and (2) lack of a mechanism to enable the Administrative Council to make formal requests to FONAMA for compliance with the terms of the Framework Agreement that specify services to be provided. The severity of these constraints raises the question of whether FONAMA continues to be an appropriate institutional home for the EAI Account.

To answer this question, the team analyzed actions that FONAMA could take to improve its coordination and support of its Accounts, and considered the likelihood of their adoption.¹ Team members also analyzed the legal implications, advantages, and disadvantages of removing the EAI Account from FONAMA and establishing it as a separate,

¹. This detailed analysis appears in the institutional evaluation of FONAMA.

private Foundation.

The ideal scenario, the team concluded, would be for FONAMA to remain a coherent unit, coordinating and financing both public and private sector activities. The loss of the EAI Account, FONAMA's largest, would be a serious blow, compromising FONAMA's institutional and operational viability as well as its international reputation as a pioneer and leader in the development of national environmental funds. However, the team concluded that the necessary reforms are not likely to occur while FONAMA remains in the MDSMA, and recommended privatization of FONAMA in its entirety.

If a private FONAMA were to be established, it could develop procedures for financial and technical control much more agile than those it is currently obliged, as a state agency, to impose. It could regain its autonomy of administration and, subject of course to improved performance, its credibility with the donor community. It would become a more appropriate institutional home for the EAI Account than FONAMA is today. The Framework Agreement would have to be adjusted to name the new private foundation as the entity responsible for the implementation of the EFA. The foundation's fundamental purposes, structures, and obligations to the EAI Account would remain the same.

If FONAMA remains within the MDSMA, the team recommends serious consideration of terminating the EAI program within FONAMA and establishing it as a separate, private foundation. The EAI Account's Administrative Council would become its Board of Directors, with full autonomy to govern the Fund.

Before initiating any move toward privatization, the Council, and more specifically, the Parties to the Agreement, should carefully analyze the potential risks inherent in this option. Most important is to analyze whether such action would jeopardize Bolivia's continuing contributions to the Account. From a legal point of view, the Government of Bolivia has committed itself to make contributions to the Account, in accordance with the Debt Reduction Agreement with the U.S. Government, and with the Promissory Note (Pagaré) of the National Treasury, which establishes that these payments will be made to FONAMA, by means of deposits to the EAI Account. To the extent that privatization implies a change in the named beneficiary of these payments (the new foundation in place of FONAMA), it is necessary to determine whether such a change is possible under Bolivian law, and if so, what is the best mechanism for doing so.

The limits set by the Framework Agreement on funds EAI can draw for operating expenses (10%) would also pose a serious challenge for the new foundation. It would have to operate with a minimum number of technical and administrative staff; explore options for using project funding for such services as grantee technical assistance and project evaluation; and seek additional sources of funding. The constitution of the Council -- now the Board -- according to the EFA, with representation of the US Government, may limit this private foundation's attractiveness to other donors. Other EAI funds have met these challenges, however. In addition to the practices mentioned above, possibilities include negotiation with

the U.S. Government, cost-saving measures, and relationships with institutions such as universities and research centers that might provide technical support, or participate in technical advisory commissions.

To succeed, the new foundation would have to make a serious, deliberate effort to integrate its programs with the larger vision of environmental management and sustainable development in Bolivia. In the evaluation team's opinion, every effort should be invested in keeping FONAMA together and pressing for the reforms necessary to make it the appropriate home for the EAI Account, before opting for a separation. However, because the efforts necessary to establish a private Foundation will take time, it is recommended that the groundwork be initiated even before a decision is made, so that if a separation becomes necessary, it can be accomplished as quickly as possible.

Project Summary Page

1. Country: Bolivia
2. Project Title: Evaluation of the Enterprise for the Americas Initiative (EAI) Environmental Account
3. Project Number: N/A
4. Project Dates: FONAMA established 12 December 1990
Debt Reduction Agreement between US and Bolivian Governments signed 22 August 1991
Environmental Framework Agreement signed by Bolivian and US Governments 26 November 1991
Agreements signed with World Bank/GEF, Governments of the Netherlands, Switzerland, and PL 480 in 1991 and subsequently (no PACD)
5. Project Funding:
 - a. No USAID bilateral funding (\$372 million debt reduction)
 - b. Host country counterpart approximately \$22 million, including payments related to debt reduction agreement

Total committed to FONAMA to date is approximately \$50 million, with some \$20-30 million additional requested or in discussion. The EAI Account is capitalized entirely by local government contribution.
6. Mode of implementation: Host country government agency (MDSMA)
7. Project Designers:

Governmental and private sector Bolivian agencies and organizations, including but not limited to the Presidency of the Republic, MDSMA, FONAMA, SENMA, LIDEMA, and other NGOs; USAID and the US Department of the Treasury (Enterprise of the Americas Initiative); other donors including the World Bank, GEF, Netherlands, Switzerland, and PL 480.
8. Responsible Mission officials:

Acting Mission Director Lewis Lucke, Project Officers Michael Yates and David Lozano.
9. Previous Evaluations: None

II. Background, Purpose, and Scope of Work

Bolivia was the first country in Latin America to take advantage of the Enterprise for the Americas Initiative's debt restructuring opportunities. In November 1991 the Government of Bolivia signed an Environmental Framework Agreement with the Government of the United States, through which the Bolivian Government was able to reduce its bilateral debt by \$372 million. The EFA and related agreements called for the establishment of an EAI Environmental Account of \$21.8 million, "to preserve, protect, or manage the natural and biological resources of Bolivia in an environmentally sound and sustainable manner." As specified in the EFA, this Account is housed in FONAMA, the National Environmental Fund, and has its own Account Coordinator, support staff, and administrative budget.

In accordance with the EFA, the Account's Administrative Council makes decisions regarding the use of the Account's funds. The Council, whose seven members represent both Parties to the EFA (the Bolivian and U.S. governments) and a broad cross-section of non-governmental organizations working in the environment, is responsible for overseeing and administering all grant activities funded under the EFA.

The demand for EAI funds has been strong, and more than \$5 million has been committed to environmental projects. Projects range from environmental education to sustainable agriculture and forestry to conservation of biological diversity in protected areas.

Article VIII(3) of the EFA calls for a review of "the operation of this Agreement three years from the date of its entry into force." Due to personnel changes within FONAMA, including the EAI Account Coordinator, and difficulties associated with FONAMA's move into the Ministry of Environment and Sustainable Development, USAID determined in November 1994 that the evaluation was not feasible at that time.

In September 1995, USAID and other donors to FONAMA developed terms of reference for an evaluation of FONAMA, to analyze the organization's functions and performance, organizational and operational structures, and institutional coordination with various constituencies. The same evaluation team contracted for the FONAMA evaluation carried out a concurrent evaluation of the EAI Account, as per the requirements of the EFA. The purpose of the EAI evaluation was to review the functioning of the Agreement, and of the Account. The team was charged with making recommendations as appropriate for changes in existing operating procedures and/or institutional arrangements, in order to better comply with the goals and objectives of the program, and to analyze lessons learned, with the goal of allowing Bolivia's EAI experience to continue to enrich other EAI programs, and to support USAID's international interest in the EAI and its possible expansion to other countries.

The evaluation team's Statement of Work is included as Annex 1 to this document. The team conducted initial interviews in Washington, D.C., in October 1995, and then traveled to Bolivia, spending approximately 75 person-days in country. The methodology

consisted of (1) review of relevant documentation, including legal documents, FONAMA's and the EAI's official files, and material from the files of USAID and PL-480; (2) interviews with a broad cross-section of relevant stakeholder and interest groups, including current and former FONAMA and EAI personnel, members of the EAI Administrative Council, representatives of the Government of Bolivia, USAID, and other donors, and grant recipients. A formal survey was conducted of a random sample of 25 grant recipients (approximately 35 percent of the total number of recipients).

Finally, the team presented preliminary findings, conclusions, and recommendations to representatives of FONAMA, USAID, the Government of Bolivia, and others, in order to receive initial comments and feedback for the preparation of the report. A draft report was circulated in order to receive further comments and feedback before the final report was prepared. Additional interviews were conducted during the preparation of the final report to address comments and questions raised in the review of the draft.

III. Findings, Conclusions, and Recommendations

A. Legal Analysis

1. Environmental Framework Agreement and Internal Regulations of the EAI Account

Findings

Through the Environmental Framework Agreement signed by the Bolivian and United States Governments in November 1991, the Bolivian Government committed itself to opening an "Environmental Account" (Initiative for the Americas Account) in FONAMA as a funding mechanism to finance activities to preserve, protect and manage the natural and biological resources of Bolivia in an environmentally sound and sustainable manner. By mutual agreement of the parties, FONAMA, an entity of the Bolivian government, was selected as the institutional home of the EAI Account, and obliged to provide certain support functions as stated in the EFA.

The Government of Bolivia's responsibilities, through FONAMA, are clearly spelled out in the EFA.² The way such responsibilities were to be carried out within FONAMA, that is, the assignment of responsibilities among different FONAMA departments, was not made clear. FONAMA's by-laws list the functions and responsibilities of all its departments, but as mentioned in FONAMA's institutional evaluation, there is a basic confusion between support functions to be executed by the "directorates" and operative functions to be performed by the administrators of the various accounts.

For the Administrative Unit of the EAI Account, this confusion has left it to perform the account administration without any support services from other FONAMA departments (not even secretarial support for the Council's meetings) and problems in the substantive review of project proposals because of lack of adequate and timely contracting and supervision of technical review services.

² These responsibilities are: a) managing and making disbursements from the Operating Account; b) monitoring the management of the Investment Account; c) preparing project portfolio to be reviewed by the Council; d) tracking project progress and reporting to Council; e) conducting internal programmatic and financial evaluations; f) providing administrative support for meetings of the Council; g) preparing annual budget for administrative expenses.

Conclusion

The internal regulations of the EAI Account incorporate the Government of Bolivia's responsibilities, through FONAMA, vis-a-vis the US Government, but do not include how and who should perform the various functions within FONAMA (i.e. technical, legal and administrative support to be provided by the "directorates" and operative functions to be left to the Administrative Unit of the EAI Account). Furthermore, the internal regulations of the EAI Account do not make specific mention of the Administrative Unit of the Account.

Recommendation

1. The internal regulations of the EAI Account should incorporate the Administrative Unit because it is the one managing the Account, and should clearly separate FONAMA's support functions from the AU activities.

B. Administrative Unit Operations and Procedures

Findings

1. Procedures

The Administrative Unit has developed procedures that, in the main, should be sufficient to insure timely and technically sound operations for the account. The evaluation team reviewed procedures for identification of projects, guidelines for project presentation, guidelines for evaluation of proposals submitted, forms for the submission of evaluation data, guidelines and forms for ex-ante evaluation on site, and guidelines and forms for project implementers for submission of technical and financial reports.

With the exception of the guidelines for submission of financial reports, the guidelines are clear and direct, and their application by competent professionals should be sufficient to promote and select technically sound projects directed toward the goals of the EFA.

Still, FONAMA has not been able to maintain timely and efficient operations in the administration of the Account. The average time lapse between pre-approval of projects and initial disbursements is more than a year. In July 1995, the Minister of Sustainable Development wrote an official letter expressing worries about the "constant complaints with regard to the administrative delays of the Institution."

Review of procedures for disbursement of funds, procurement of consultant services, and monitoring and evaluation of project progress reveals a series of bottlenecks and areas of confusion that have seriously affected timely performance of designated functions. One is the

enormous volume of proposals received (100-140 responses to each call for proposals, which are issued twice a year). Despite the fact that only seven to 10 percent of the proposals received are pre-approved by the Council, all of them undergo detailed review by consultants and equal consideration before the Council. Contracting consultants has been the province of FONAMA's Technical Directorate, and there have been numerous delays due to changes in procurement regulations, and internal disagreements and conflict within FONAMA about the procedures to be followed. Consultants who reviewed proposals in May have still not been paid, and there is some question as to whether they will be willing to continue to work for FONAMA under those circumstances.

The workload in the Technical Directorate is such that the "adjustments" necessary to move a project from pre-approval to contract is in many cases protracted and frustrating to both the soliciting organizations and the EAI Administrative Unit. The quality of the technical reviews has been mixed, and several well qualified organizations have invested considerable time and effort in answering inappropriate or ill advised technical comments and recommendations. Technical monitoring and evaluation has been neglected, with the result that scheduled disbursements to active projects are frequently delayed, and ex post or impact data is simply not available.

The procedure for making disbursements is generally adequate. However, many grantees are unable to comply with the requirements for technical and financial reports to be submitted in advance of each scheduled disbursement. (These consist of narratives on achievement of the objectives spelled out in the project proposal, and documentation of expenses incurred, following the line items of the project budget agreed on at contract.) The resulting back-and-forth communication as the EAI staff request additional information and documentation, which implementers often have difficulty producing, often delays disbursements. The evaluation team heard several cases of projects coming to a standstill, being unable to make salary payments, or missing a window of opportunity (eg., planting season) because of these delays.

The main reason for the implementing organizations' inability to comply appears to be a (1) lack of clear guidance from the beginning on exactly what the reporting requirements are; and (2) the fact that many activities typical of environmental projects are difficult to get receipts for (field visits and research, travel expenses in rural areas).

Guidance on reporting requirements and procedures is necessary during the proposal preparation phase, so that implementing organizations can program the necessary efforts for compliance (eg., accountant services) within their project plans and budgets.

Only two projects have been closed out to date. Close-outs involve a site visit by an auditor from the AU. This staff's work and efficiency have been highly regarded as professional, efficient, and helpful in the limited experience available to draw on.

In general, with the exceptions mentioned, the systems and procedures for

management of the Account and its project portfolio are adequate. It is in their application, particularly with regard to the technical and logistical support services shared among FONAMA's various accounts, that the most serious problems appear.

2. Financial and Technical Reporting and Tracking

Both financial and technical reporting and tracking have been problematic for project implementers. Financial tracking has improved with the establishment in the AU of a competent team of accountants and project audits, but implementing organizations still experience difficulty in complying with requirements. AU staff track projects both manually (project folders in a central file system) and electronically (computerized accounting data). A database for recording project technical information has been established in FONAMA's Technical Directorate but is not fully operational. It is of extremely limited use in comparison to the technical staff time invested in its maintenance (ie., registry of details of rejected projects). Physical control of project information has been a problem, and lost files have resulted in duplication of effort and delays.

3. Reporting and Approval Mechanisms

Several steps in the proposal review process (submission of projects passing technical review to the Administrative Council, preparation of reports on institutional and technical recommendations, preparation of letters informing solicitants of the Council's decision, review and submission to Legal Advisor of proposed contract with implementer) pass from the AU to the Technical Directorate or Legal Advisor, then to the General Manager, and back to the AU. The General Manager appears to be a bottleneck in which many projects experience significant delay without being subject to further decision authority.

It appears that direct coordination and communication between the various advisory or support units and the Coordinator of the Account would be sufficient, and that the General Manager could be copied for information only until the final signing of documents.

Council members are responsive to direct inquiries but report that they are not generally kept informed of EAI activities on a regular bases. Those interviewed reported difficulties finding time in busy volunteer schedules to review large numbers of proposals.

4. Communication and Coordination

Relations between the AU and the rest of FONAMA are at a low point. FONAMA is not providing the level of service contemplated in the EFA (see following section). At the same time, the Coordinator has repeatedly learned of instances in which FONAMA technical staff have entered into negotiations with or imposed conditions on EAI project implementers without informing or including AU staff. Urgent requests to process long-pending pre-approved projects, for example in order to complete the "adjustments" and begin implementation in time to meet the calendar of a school year, a matching grant, or an

agricultural season, have gone unanswered.

There have been several cases of information and reports submitted by project implementers that were not forwarded to the AU staff, or arrived in the AU office after a week or more in the offices of the General Manager and Technical Directorate.

The EAI Account Assistant was reassigned by FONAMA's Technical Manager to a half-time position within the Technical Directorate without consultation of the EAI Coordinator. The General Manager has authority to see and sign all official correspondence. Recent General Managers have often made substantive changes in important correspondence without consulting the Coordinator, and caused significant delays. Organizations whose projects were pre-approved in March 1995 still had not been officially notified in September.

The Coordinator's work life is a constant stream of interruptions for "urgent" requests: find a file lost by the technical staff, produce duplicate copies of all administrative resolutions to replace those lost from the files, prepare a report on all staff activities for the past six months, meet with the Central Bank to clear up an issue about the account numbers, and so on. Without secretarial support from FONAMA, this disorganized communication takes up a large percentage of the time available.

FONAMA's inability to provide adequate, professional support is a function of the deep problems within the organization, discussed in detail in the institutional evaluation. FONAMA has had eight (acting or official) General Managers within the past 36 months. As these General Managers, particularly the most recent, have dismissed and replaced successive waves of professional staff, and others have resigned, the organization's technical capacity has been severely diminished and its basic ability to function severely disrupted. The conflict and lack of coordination experienced to different degrees by the various accounts is a symptom of a more pervasive organizational crisis.

5. Proposal Review

Upon receipt of proposals responding to a given call for proposals, the AU does a preliminary screening to check for submission of the required information and documents in the required format, which eliminates a very small number (perhaps 5). The remainder are then assigned to technical consultants, with a single consultant reviewing all proposals for a particular sector (e.g. sustainable agriculture, environmental education, etc.). There is a set time for proposal review, during which time each proposal is assigned a percentage score (0-100). Then FONAMA's Technical Directorate checks the consultants' recommendations and prepares proposals for submission to the Council. Council members receive only the recommendations but can and frequently do request the entire proposal.

According to the Council's internal regulations, adopted January 11, 1992, and following the dictates of the EFA, all proposals are elevated to the Council for decision. This provision makes funding accessible to the broadest possible range of NGOs and community

organizations, but it has several disadvantages. One is the time required for technical reviews of all proposals. Another is the demand on the Council's time. With three days in which to discuss more than 100 proposals, it is difficult for the Council to give the full attention merited. Finally, since the majority of proposals in this scenario -- more than 90 percent -- end up rejected, there is a tremendous lost investment on the part of the unsuccessful soliciting organizations in having met the requirements for participative program design, for example, with the result that their community counterparts wind up disappointed and frustrated.

6. Satisfaction With AU Performance

Council members are generally satisfied with the AU's performance but are very aware of the problems elsewhere in FONAMA.

EAI grantees in general are most satisfied with having access to a significant amount of donor funding that was previously unavailable. They are unanimous in their dissatisfaction with the long time between submission/approval of projects and ultimate disbursement of funds and with FONAMA's failure to provide a priori guidance on requirements for record keeping, resulting in further delays when technical and financial reports are submitted. Many grantees have complaints regarding a lack of responsiveness to information requests. Several were quite specific in producing records of letters that had gone unanswered for months. Further details are presented in the section "Grantee Performance and Satisfaction."

7. Project Management Capability

The Administrative Unit has a staff of three accountant/auditors who have improved and streamlined financial management capability to the point where managing the current project portfolio (72 projects) is feasible. By their own estimate, increases will be possible once the difficulties of the early projects are sorted out and better instruction to grantees on record keeping and reporting has been implemented. One or two additional accountant/auditors may be needed in the future if the portfolio grows substantially -- if existing projects are not completed at the same rate as new projects are taken on. Clerical help is urgently needed.

If FONAMA's Technical Directorate were more effectively managed, and the shared services were accessible to the EAI Account as envisioned in the Framework Agreement, it should be possible for FONAMA to manage between 100 and 150 NGO projects (EAI and other donor small projects) at any given time, according to the opinions of former FONAMA staff and the evaluation team's examination of project files and technical responsibilities. However, FONAMA's current dysfunctional technical team does not have this capacity. In fact, the Technical Directorate was unable during the course of this evaluation to produce a list or a number of projects currently under its jurisdiction.

Given the 10 percent limit on administrative funds, the EAI Account is likely to have to turn to other mechanisms to achieve effective project management capacity, if FONAMA does not prove capable of improving its technical services. In the scenarios for future FONAMA and EAI Account structure, the evaluation team examines options such as including M & E and auditing technical services among project costs, fundraising from other sources for operating costs, etc.

Conclusion

While the procedures and systems established to manage the EAI Account, in principle and on paper, can be rated adequate to the Account's operational needs, in practice, there are several key deficiencies that need to be addressed. Chief among these are inadequate technical support, poor coordination within FONAMA, FONAMA's highly centralized processing of documents and consultant procurement, and inadequate prior communication with grantees regarding compliance with record keeping and reporting systems.

Recommendations

2. The proposal review process needs to be streamlined with the objectives of (1) limiting the number of full proposals requiring technical review and decisions by the Council; and (2) reducing the total time between Council approval and signing of contract.

The first objective might be realized by some combination of the following steps:

- ◆ Have a pre-qualification phase in which NGOs interested in developing proposals present their qualifications, with only those meeting minimal institutional qualifications invited to submit proposals. Community-based organizations not meeting the criteria could still participate through the capacity building partnerships with NGOs.

- ◆ Establish a "profile" or "idea" phase in which the Council reviews abbreviated profiles. Only pre-approved profiles would pass to the full proposal stage, requiring full technical review in that stage. This would have the advantage also of postponing intensive community participation workshops etc. until a profile had a reasonably good chance of approval, resolving the problem of raised expectations and resulting cynicism. The Council should pre-approve only a limited number of profiles, giving those approved for full consideration at least a 50 to 75 percent chance of final approval, rather than the one-in-10-15 odds currently prevailing.

The objective of shortening the timespan between submission and approval could be partially achieved by taking the above steps and thus reducing the overall workload of the technical staff. Further, time limits should be set and priority given to adherence, by both grantees and FONAMA.

3. The precise rules of financial management and documentation need to be clearly spelled out, and grantees informed before implementation begins.

First, the AU and Council need to acquire the services of the most skilled and knowledgeable legal advisers to clarify exactly what are the requirements that it must impose under SAFCO and other applicable laws and regulations. The purpose of this exercise would be to identify any areas in which the EAI auditors can exercise more flexibility in requirements for compliance on the part of certain types of beneficiaries (eg., in application of procurement guidelines).

Second, the Administrative Unit should prepare guidelines for project implementers. (It should be acknowledged here that project contracts spell out the reporting requirements. Evidently, however, the NGO personnel responsible for the day to day administration of projects do not see or have regular access to contracts, which may be filed away with legal documents. Separate guidelines -- with more detail than is provided in the contracts -- would be very useful to implementers. Having these guidelines during the proposal preparation phase would help NGOs program sufficient time and funds to comply with requirements.)

Third, the AU and Council should consider convening workshops (annually, or preferably, following each Council meeting for all new implementers) to instruct project implementers in the required systems, and to receive feedback from implementers on their successes and difficulties in complying with the terms of their contracts. Where common difficulties are discovered, AU staff should deploy qualified legal and financial consultants to devise the most agile possible alternatives under the law.

4. The AU and especially the Account Coordinator need to have better control over the technical staff and consultants that review project proposals and carry out project technical evaluations.

The FONAMA institutional evaluation discussed several options for improving overall technical performance, including staff replacements to assure that the technical competence is in line with specific needs for proposal and project evaluation, elimination of unnecessary time-consuming tasks, and improving supervision of the Technical Directorate to assure that technical staff are assigned appropriate amounts of time to achieve programmed tasks within reasonable deadlines.

The Council should consider getting additional help with technical reviews by creating advisory committees and developing consultative relationships with Bolivian institutions competent in various aspects of environmental analysis (Institute of Ecology, Conservation Data Center, etc.)

Additionally, the staff should consider allowing project implementers to suggest or nominate technical consultants familiar with and qualified to review their work.

C. Administrative Council

1. Achievement of Goals and Objectives

Findings

The Administrative Council is responsible for supervision and direction of activities resulting from grants from the EAI Account, following the EFA. The Council comprises two representatives of the Government of Bolivia (the Minister of Sustainable Development and Environment, who presides over the Council, and the General Manager of FONAMA), one representative of the U.S. Government, and four representatives of Bolivian NGOs.

By creating the Administrative Council to direct and supervise the Account operations, the Parties to the EFA implicitly delegated certain responsibilities for the management of the Account, while still maintaining for themselves the ultimate responsibility for the Account.

The Administrative Council is a body outside the staff structure of FONAMA, which should oversee that the activities of the Account are performed in accordance with the Internal Regulations, and that they conform with the intent of the Parties. To make this delegation of authority fully effective, both Governments, in the terms of the EFA, committed themselves to give the Council the authority necessary to carry out its assigned functions.

Currently, the Administrative Council carries out the functions as specifically enumerated in the Internal Regulations.³ These functions do not specifically include determination of whether the Account is receiving the appropriate level of support from FONAMA, and if FONAMA is not providing the indicated support, petition for the provision of those services. However, the Council's responsibility for direction of the activities of the Account include this type of action, which at the same time allows an opportunity to solve problems before the Parties to the EFA must resort to the legal remedies included in the EFA (normally more drastic than actions that the Council could take).

Still, the evaluation team found that the Council has complied with its enumerated functions, noting that decisions regarding project selection, monitoring and evaluation, and financial administration have taken into account the goals and objectives set forth in the EFA and the responsibilities and functions elaborated in the internal regulations. In particular, the

³. The functions of the Council are: a) instruct FONAMA to publish calls for proposals; b) review all proposals and approve grants; c) submit proposals over \$100,000 for the approval of both governments; d) receive and certify programmatic and financial evaluations; e) request evaluations and financial audits; f) meet at least once every four months; g) review and approve reports prepared by FONAMA; y h) approve the annual calendar of Council meetings.

selection of projects has been made with great care regarding geographical and thematic balance, addressing diverse aspects of conservation and sustainable development in Bolivia.

This finding is based on a review of the proceedings of Council minutes as well as interviews with individual Council members and EAI administrative staff.

2. Assistance to the EAI Administrative Unit

Findings

The Council has, as a whole, given the assistance required by the Administrative Unit in terms of the selection and management of projects.

The Council played a role, for example, in recommending improvements to the processes for project selection and management, streamlining the flow of projects and helping the AU work more efficiently. The Council assisted in defining the broad guidelines and criteria for project selection, and terms of reference for proposal review, in order to expedite the selection process.

In the same way, the Council has also made recommendations regarding the preparation and distribution of guidelines for interested organizations, explaining the requirements for project submission and the process of review and selection, step by step, as well as the requirements for project implementation, including disbursements, monitoring, and ex post evaluation.

Development of this type of guidelines serves to facilitate the work of the Administrative Unit by reducing the amount of time involved in responding to individual requests for information and guidance.

However, it is also important to note that the Administrative Unit would benefit enormously from the Administrative Council taking steps to assure FONAMA's compliance with the provision of technical and administrative assistance, as discussed above.

3. Performance of Functions Established by the Internal Regulations

Findings

- a) The Administrative Council has carried out its responsibility to instruct FONAMA to publish calls for proposals. In 1993 two calls were published. There were two in 1994 and one in 1995.

In accordance with internal regulations, this function includes not only instructing FONAMA to publish calls for proposals, but also that the Council give instructions regarding selection criteria and qualifications required of proposing organizations. The

calls for proposals published to date have been done in accordance with this requirement. A detailed discussion of the content and effectiveness of the criteria and process of project selection is included in later sections of this report.

The Council has also assured that FONAMA publishes the results of the selection process following each call for proposals and the subsequent Council review.

- b) As specified in the EFA and internal regulations, the Council reviews **all** proposals submitted to FONAMA or directly to the Council. The lack of a pre-selection process places a significant burden on the Council and on the Administrative Unit, who must review a large number of proposals, some of which turn out to be ineligible for various reasons. This issue is discussed more fully elsewhere in the report.
- c) The Council is responsible for review and certification of programmatic and financial evaluations of each project financed by the Account. In performance of this function, the Council analyzes a report prepared by the Administrative Unit and submitted at each Council meeting, summarizing the status of each project. On some occasions, the Council, lacking time to review all projects, reviews only those experiencing problems or difficulties. The Council also reviews the final reports of all projects and determines the disposition of all goods acquired with project funding.
- d) The Council has authority to order and oversee independent audits and evaluations of projects when necessary. To date there has been only one such audit, of the project "Conservation of Bolivia's Biological Diversity," implemented by FAN. This project is financed by several donors in addition to the EAI Account, and the audit was initiated by FONAMA rather than the Council. It has not yet been carried out.
- e) The Council is responsible to assure that the U.S. Government receives each year the proposal and budget for the following year's activities; an annual report on activities financed during the previous fiscal year; and an annual report prepared by an independent auditor covering the previous year's finances.

The Administrative Unit has presented the following reports in accordance with the timetable established.

- Chronogram of activities programmed for each year
- Annual report of projects financed
- Annual financial audit reports

Conclusion

As shown in the above analysis, the Administrative Council has complied with the

functions enumerated in the EFA and Internal Regulations.

However, this restricted interpretation of the Council's functions, limited to those specifically enumerated in either document, limits the Council's ability to deal with problems in FONAMA's provision of technical, legal, and administrative support to the Account. As the entity with responsibility for the direction of the Account, because the Parties to the Agreement have delegated it that function, and as a body outside the staff structure of FONAMA, the Council has the responsibility to take actions to correct any deficiencies affecting the Account's operations as soon as those deficiencies are identified. The Council has an implied responsibility to act as a mechanism for airing any problems that affect the operations of the Account, and to attempt corrective action, before the Parties must resort to more drastic measures such as the legal remedies spelled out in the EFA, to resolve such problems.

Recommendation

5. The Internal Regulations of the EAI Account should be revised to give the Administrative Council a formal mechanism for petitioning FONAMA to resolve problems that arise with regard to FONAMA's provision of technical and administrative services, so that the Account, as a financing mechanism, can operate effectively and efficiently. In this way, the Council would be given a solid basis for exercising its delegated function of "directing" the operations of the Account.

4. Supervision of Account Management

The key findings related to this point can be found under the discussion of relations between FONAMA and the EAI Account.

5. Prioritization of Projects

The Council has given priority to projects implemented by non-governmental organizations, as required in the EFA. The projects approved to date have included participation of community-based organizations where feasible and appropriate, and of universities. The Council has selected projects with care to assure that the portfolio is balanced and responds to national priorities.

6. Representativeness of NGO Members

Findings

The NGO representatives on the Administrative Council were selected through a broad-based participative process in which NGOs from throughout Bolivia received invitations

to and participated in nominating meetings. Eight persons were nominated, of whom four were selected by the Bolivian Government to represent the NGO community on the EAI Council.

Of these four, one is from the League for Defense of the Environment (LIDEMA), one from the Program for Rural Assistance in Agricultural Bioenergy (PAAC), one from the Institute of Ecology, and one from Caritas, who represented Pastoral Social at the time of election. One of the originally elected NGO representatives resigned when she left her NGO to join the Government.

The participation of NGO representatives has been founded largely on their individual roles as experts and leaders, rather than a perception that they give voice to interested parties. They were nominated by their peers in an open selection process. Although each one brings a civil society perspective in the deliberations of the Council, this could not be characterized as direct representation of the interests of the NGO sector in general.

It is worth mentioning that in recent Council meetings, the four NGO representatives have convened a special meeting prior to the full Council meeting. The objective of these sessions has been to exchange ideas and information and identify issues to be brought before the Council. To date, the issues discussed have followed the Council agendas. There have yet been no discussions of interests of the NGO sector, outside established agendas, that should be transmitted to the Council.

Conclusion

The inclusion and participation of four NGO representatives on the Administrative Council has not resulted in an active representation of the different organizations and sectors with potential interests in the activities of the EAI Account, as was originally envisioned. This is due in part to the fact that these four representatives were elected in a personal capacity, as experts in environmental issues.

The objectives of the Account do not specify that Council members should formally represent their respective organizations. This is to avoid any potential for conflicts of interest. However, it is not defined just how these individuals are to serve as representatives of broad subsectors (academic and scientific institutions, grassroots groups, etc.). The Council's ability to receive input from interested sectors of civil society is limited by the lack of established mechanisms to promote regular communication and information sharing among its members and their constituencies.

In order to assure that the four NGO representatives to the Administrative Council effectively represent the interests of the broadest possible range of stakeholders, the team arrived at two principal recommendations.

Recommendations

6. More and better information about the EAI Account needs to be available to NGOs, academic institutions, community-based organizations, and the public. The EAI Account should consider establishing a regular publication for distribution throughout Bolivia, to inform interested parties about the activities of the Account.

7. NGO representatives on the Council should have opportunities to meet with representatives of various sectors, to exchange information and discuss issues that should come before the Council. The frequency, location, and agendas of such meetings should be decided by NGO representatives to the Council.

7. Dissemination of Information to Bolivian NGOs

Findings

The evaluation team found no evidence of any regular flow of general information between the NGO members of the Council and organizations interested in the environment. Information is transmitted primarily through informal contacts, which generally are not sufficient to keep the NGO community informed of the activities of the EAI Account. In general, NGOs are not well informed about the activities of FONAMA and the EAI Account.

Some organizations that have received EAI funding also have limited access to information about the Account. Once their projects have been approved and financing is in progress, implementing organizations maintain contact only through the presentation of technical and financial reports and their review by EAI and FONAMA staff.

LIDEMA, as an umbrella organization serving various NGOs, has served to disseminate information about the EAI Account, primarily through its Consultative Council, which has held discussions and analyzed both the EAI Account and FONAMA in general. NGOs with representation on the Consultative Council of LIDEMA thus have been well informed about the EAI Account. Beyond this, however, the team did not observe any further dissemination of information about EAI by LIDEMA.

Conclusion

Several factors limit the ability of NGO representatives on the Council to act a sources of information for the NGO community at large. First, the number of NGOs working in the environmental sector in Bolivia is very large. A serious and organized attempt would be necessary to provide the NGO community with adequate knowledge of the EAI Account. However, to date this type of communication has been accomplished informally, by the members themselves, who have limited time to invest in these efforts.

Second, the Council has no formal policy or mechanisms for information dissemination by its members. Each member does what he or she can within the limits of time and information available.

Finally, information provided to constituencies by NGO representatives on the Council tends to be limited to the results of Council meetings. These sessions are required to be called only once every four months. Outside of formal meetings, the Council members do not maintain regular contact with the Account and the implementation of its activities.

As a result, the intention that NGO representatives to the Council disseminate information about the Account to the NGO community has been difficult to achieve, given the limited resources available to the NGO members to accomplish the objective.

Adoption of recommendations 6 and 7 above would serve to achieve the communication objectives, by providing council members with informational materials and regular contact with each other and with representatives of civil society.

Recommendation

8. The Council should resume its former practice of holding its regular meetings in different cities and parts of the country.

In addition to facilitating communication with Bolivian NGOs, the "field" meetings offered opportunities for both social and official contacts, and local mayors and other local government representatives were consistently invited to participate in informal sessions.

D. Government-NGO Communication

Findings

The Administrative Council has been the primary forum for dialogue between governmental and civil society representatives on topics related to the operation of the EAI Account and the projects it supports.

The composition of the Council (three governmental representatives and four from NGOs) has been the key element assuring that the nongovernmental sector is heard and has a strong role.

Communication between the governmental sector and NGOs, however, has been limited by two factors. First, the dialogue takes place almost entirely in the context of Council meetings, which generally take place four times each year. With this frequency it is not possible to establish a close and collaborative relationship or follow up on topics discussed in significant detail.

Second, the meetings focus on issues presented to the Council by the Administrative Unit, for example, review of proposals, approval of the budget, and so forth. The meetings do not include opportunities for discussion of topics of general interest to both sectors.

As mentioned above, meetings outside La Paz in the past provided useful interchange with local officials, and more extensive informal opportunities for discussion that do not arise in La Paz, where officials commit much less time to informal lunches and social gatherings.

Conclusion

Beyond the regular communication necessary for the Council's operations, there is little evidence of improved communication and collaboration between government officials and the NGO community and other stakeholders. The Administrative Council has facilitated communication between the NGO representatives and government officials with respect to issues directly related to the Account and treated at Council meetings. However, no new lines of communication have been opened for discussion of issues and activities related to the environment.

It is interesting to note that Council members generally assume that only the Administrative Unit calls meetings. However, the internal regulations establish a procedure whereby any four members (including the President) can call for an extraordinary session.

In practice, the Administrative Council meets only when called by the Administrative Unit, according to a previously approved calendar. These four meetings each year are not sufficient to establish close communication between the governmental and nongovernmental representatives. The members of the Administrative Council thus are losing an opportunity to establish a forum for discussion of important issues affecting both government and civil society.

Recommendation

9. The EAI's internal regulations need to be revised to allow any majority of the Council to call extraordinary sessions (regardless of whether the president concurs) in order to deal with issues related to environment, sustainable development, and the Account. Additionally, the President of the Council should be one of the NGO representatives, rather than the Minister of Sustainable Development and Environment.

E. Support from FONAMA

Findings

1. Performance of Service Functions

In reality, the Administrative Unit functions almost as an autonomous unit in terms of

administrative functions.

- ◆ It is the staff of the AU, and not FONAMA's Administration Directorate, that manages and makes disbursements from the Operating Account, pursuant to Articles II and VII of the EFA, although the General Manager co-signs disbursement requests.

- ◆ When the Investment Account (Article II) was set up in 1992, FONAMA's Director worked with the Account Coordinator to research options, select the investment manager, negotiate terms, etc. Since that date, the monitoring of the account has been done by the AU staff, without assistance from the General Manager or Administrative Manager.

- ◆ The AU staff receive no administrative or logistical support in organizing meetings of the Council.

- ◆ The Coordinator prepares the annual budget of administrative expenses associated with operation of the account.

With regard to technical support, FONAMA provides personnel and services, including legal review of project contracts, technical review of proposals submitted, and, to a certain extent, technical follow-up and evaluation of projects.

As discussed above, these services are not generally adequate. Reports to the Council on project progress are prepared by the Coordinator and the AU staff assistant, with little help from the Technical Directorate. Preparation of the project portfolio for Council meetings has been subject to delays and problems in contracting consultants; the AU staff have to do all the clerical work, including photocopying 100 technical reports for each Council member, mailing, keeping records of discussion and decision, etc. Due to other pressures on the Technical Directorate's time, no real system of project impact evaluation has been developed, and only a few ex post evaluations have been done. The quality of the work is generally poor.

2. Transparency

The Council's organizing statutes, written policies, operating procedures, minutes of meetings, reports, and guidelines for the presentation and evaluation of proposals, as well as the awarding of grants, are current and open for public inspection in the office of the Account Coordinator. In fact, it is AU staff, without assistance from FONAMA's clerical or legal staff, who record and keep the minutes and resolutions. Each member of the Council is provided with copies of all official minutes and resolutions, in order to make them available for direct inquiries from NGO constituents or the public in general.

The evaluation team had full access to all documents requested, and in fact, open access to EAI files and staff at all times. In general, apart from organizations with proposals in the works who call and write to inquire about the status of their projects, there is little demand for information and documents. To date, the demand has come mainly for the evaluation and by external auditors.

3. Financial Management and Investment

The Administrative Unit has experienced problems with the time required for transfers from the Investment Account to the Operating Account (normally only one day, but there have been delays of up to 20 days) and believes that it should be possible to get better interest rates. It is also the opinion of Delta Consult Ltd., the independent firm that audited the EAI Account records for 1993 and 1994, that the current investment agent, J.P. Morgan, is not providing the optimum rate. The AU has recommended, and the Council has concurred, that a new investment agent be sought, and the matter is currently in consultation with USAID.

Conclusion

FONAMA does not service the EAI Account with the level of professional counsel and service required in order to make optimum use of the resources available.

Recommendations

10. USAID should negotiate or otherwise use its influence with FONAMA, first through the Council, and if necessary, through application of legal remedies spelled out in the EFA, to assure that the necessary support functions are provided.

Additional quality time from better qualified technical staff is urgently needed to facilitate the review and analysis process, as is logistical/secretarial support to regain the professional time lost in performing clerical functions.

In an early draft, the evaluation team recommended negotiation of a new written agreement. However, several reviewers pointed out, and after new consideration the team concurs, that the problem is mainly attributable to failure to comply with existing agreements. Under those conditions, it is difficult to maintain that writing a new agreement per se amounts to a solution. FONAMA's statutes establish the responsibility of the Technical Directorate to provide evaluation, technical control, and follow up to projects of all the accounts, including EAI. The EFA also designates FONAMA as the entity responsible for providing such services. USAID needs to communicate to FONAMA that it is out of compliance with the EFA in this matter, requesting an enumeration of steps that will be taken to comply with the EFA, and informing FONAMA what actions USAID is prepared to take to assure compliance.

11. While considering a change in investment agents, AU personnel should actively solicit opinions (perhaps contracting a professional financial consultant) about options for maximizing returns (financial and social) from unobligated balances. An investment strategy should be developed and presented to the Council for approval.

As a matter of course, the AU staff and Council should periodically review investment

options and seek the best possible returns, also considering the social and environmental impact of the investment. The strategy for the Investment Account should aim to match the maturities of investment vehicles with balances needed for transfer to the Operating Account. It should consider risks, potential returns, and Council decisions to invest in socially beneficial instruments.

A formal endowment is probably not the best structure, although this would depend on the Bolivian law applicable to endowment funds. In general, an endowed fund requires specific actions by trustees to release capital, and might hinder the agility and flexibility of the EAI Account. Alternative structures, such as a formally structured Sinking or Draw-Down Fund with a 10-year or longer schedule for disbursements and reinvestment of dividends, might allow for greater returns, and more flexibility in reinvestments, while maintaining access to capital.

F. Support and Commitment of the Parties to the Agreement

Findings

The **Government of Bolivia** has faithfully complied with its schedule of payments to the EAI Account, roughly \$2.2 million per year. This is a concrete demonstration of support and commitment that should be noted with an acknowledgement that there are many competing demands on the government's resources. This also is the one element of support without which none of the other elements of the Agreement would be possible.

In the past two years, FONAMA's technical support of the EAI Account has not been of acceptable quality, as discussed throughout this report. Since this failure is within the authority of MDSMA to address, and it has not yet done so, this could be interpreted as a lack of commitment and support. However, Secretary of State for Natural Resources Waldo Vargas, who exercises the MDSMA's "*tuición*" over FONAMA, has, since taking office, sought to address many of the problems and concerns expressed in this evaluation. He has been an active supporter of and participant in the evaluation process, and was himself the source of some of the ideas that led to recommendations by the evaluation team. The team had full access to and cooperation from the Secretary and his staff throughout the process.

Representatives of the Government of Bolivia have regularly attended FONAMA and Administrative Council official meetings. However, recently the MDSMA, and particularly the Minister for Sustainable Development and Environment, have not continued the high level of participation in FONAMA and the EAI Council that was expected, and that was in fact given, during the first two years. Participation by the Bolivian Government's highest ranking environment and sustainable development officials in FONAMA and AC meetings was, in the early years, an important point of access for NGOs to the highest levels of government. Bolivian NGOs remain committed to dialogue, but do not feel that the delegation of FONAMA and EAI AC participation to the sub-secretarial level of interest constitutes a proper expression of commitment on the part of the Government. As discussed in the

institutional evaluation of FONAMA, the changing cast of representatives also tend to come to functions ill prepared, lacking background and continuity with important issues to be decided.

The current administration's rejection of the National Environmental Action Plan in process when it took office, and the fact that it has not yet articulated clear, specific priorities for environmental conservation and sustainable development at the national level, makes it difficult for the Administrative Council of the EAI to apply selection criteria and develop a portfolio of private-sector projects complementary to efforts in the public sector and overall national priorities.

The **Government of the United States** has given strong support through its participation on the EAI Administrative Council, forging excellent relations with the NGO majority, and giving strong and consistent support to the NGO leadership. Through its representation on the Council and oversight by the Project Officer, the U.S. Agency for International Development detected and is in the process of negotiating corrections to a FONAMA administrative action that would have violated the terms of the EFA if implemented.

The U.S. Embassy has complied with reporting requirements to the Enterprise for the Americas Initiative Board in Washington, and has participated in informal information sharing that has allowed FONAMA to learn from the experiences of other EAI Funds, and other funds to learn from FONAMA.

Like the Government of Bolivia, USAID has collaborated fully in this evaluation, recognizing issues that need to be addressed and providing access and information to the evaluation team.

Neither government has exercised its veto power over any grant application exceeding \$100,000. In fact, \$100,000 has become an informal ceiling, and no proposals over that amount have been approved.

Conclusion

The U.S. Government has given full support and commitment to the EFA, FONAMA, and the EAI Account. The Bolivian Government is to be commended for meeting its financial commitments, and encouraged to enhance its participation and oversight of FONAMA to assure that the support committed to in the EFA is provided.

Recommendation

12. The Minister of Sustainable Development and Environment should resume active participation in FONAMA and EAI proceedings, seconded by the Secretary of State for Natural Resources, who should give FONAMA and the EAI the priority

attention merited by its relative size in the Ministry and the importance of its projects in the overall national vision for sustainable development.

G. Grantee Performance and Satisfaction

Findings

To learn more about the grantees, their projects, and their level of satisfaction with FONAMA and the AU staff and Council, the team conducted a survey of some 20 implementing organizations, and visited the offices or project sites of nine. Evaluators also reviewed project files and documentation in FONAMA's and the EAI Account's files.

Since the inception of the EAI Account in 1992, there have been seven calls for proposals, receiving each time from 107 to 140 proposals. To date, 72 (10 percent) have been approved by the Council, and 35 are actually in implementation or completed. (The remainder are pending technical or financial adjustments prior to contract signing or startup.)

The Council invites and considers proposals from all sectors. Calls for proposals specify general eligibility requirements; there are no "special" terms for sectoral projects (e.g., spelling out priorities for environmental education or forestry projects). By definition, then, the EAI is responsive to the needs of the environmental community, accepting for consideration whatever projects have the highest priority to the proposing organizations. Virtually all respondents to the survey indicated that the project they were implementing with EAI funds represented a core priority of the organization; that is, none had developed a project somewhat outside the organization's normal priorities in order to take advantage of EAI funding.

The Council has also succeeded in selecting a portfolio of projects that is balanced both sectorally and geographically. By far the largest number of projects involve sustainable agriculture or agroforestry (and are implemented by organizations that characterize themselves as oriented toward community development rather than environmental protection). There are also sizable numbers of projects dedicated to environmental education, research, and biodiversity conservation.

In general, the projects are a good representation of the EAI's goal to "preserve, protect or manage the natural and biological resources of Bolivia in an environmentally sound and sustainable manner." Many of the grantees have engaged in participatory processes of project design and implementation, although it is difficult to determine whether there is any net increase in public participation in environmental management.

In most cases it is too soon to determine whether biological resources are being protected or managed in such a way as to be sustainable over the long term. From the data gathered in the survey, there is reason to be concerned about the sustainability of project activities and results. Only half of the respondents indicated that their projects would be

completed or would be sustainable from other sources of funds when the EAI funding was completed. In a broader sense, most of the project implementers -- as well as FONAMA -- tend to see their projects as a series of activities, and success as completion of the chronology of activities. None of the research is focused on carrying capacity or definitions of sustainability in the different sectors; community-based organizations have no systematic methods for monitoring whether practices adopted in the short term continue beyond the life of the project or in fact maintain tree cover or soil fertility.

Nearly three-quarters of the organizations interviewed indicated that FONAMA had requested, and they had provided, baseline data to measure project impact. However, further questioning, and reviews of project files, indicate that "baseline" information tends to be very general and superficial, that consideration of gender issues is also very superficial, and that FONAMA has provided little or no guidance as to what type of information or data is required. Further, the few ex post evaluations that have been carried out have not included impact analysis or updating of baseline data, but rather, have focused on whether the organization complied with the chronology of activities.

Several of the community based organizations included in the survey do in fact have comprehensive knowledge of baseline conditions, including the status of agricultural practices, forest clearing, and socioeconomic well being of beneficiary communities, but the pressure of other priorities and lack of resources leave this information "in the heads" of extensionists and technicians. It would not be particularly difficult or expensive to develop reporting formats to capture this information.⁴ Likewise, the organizations interviewed seem to have some grasp of gender issues, and simple guidelines or assistance during technical supervision visits could produce significant improvements in the organizations' understanding of how to incorporate and analyze gender concerns.

Project contracts for EAI-funded projects require that the implementing organization acknowledge EAI in all presentations and publications, and most of the organizations report that they do so.

Of the EAI grantees interviewed, only one expressed general satisfaction with their relationship with FONAMA. Thirty-five percent reported that the relationship had been positive, but with problems. Fifty-five percent reported having experienced problems sufficiently serious as to negatively affect the possibilities for implementation and success. Fifteen percent reported that if they had known from the beginning what the procedures and relationship with FONAMA would be like, they never would have presented a proposal.

⁴. FONAMA has recently employed consultants to design a project evaluation system, and regularly employs consultants to review proposals. The Technical Division simply needs to tap and organize this expertise to include appropriate questions on existing files and formats. This should be considered part of the Division's normal duties and obligations to the EAI Account.

All but three of the grantees reported that they had been able to carry out their own programmed activities and comply with terms of the agreement. Reviews of project files and field supervision reports generally bears this out. Although most technical reports and audits showed some objectives that had not been achieved or only partially achieved, and budgets reprogrammed to adjust for changing plans and circumstances, most of these did not have significant impact on the overall completion of the project. There were a few cases of organizations being unable to comply because of internal problems, staff turnover, etc.

The single greatest impediment to timely achievement of project goals appears to be the delays and difficulties occasioned by FONAMA's review processes. It is generally a year to a year and a half from the time a proposal is presented until the first disbursement is processed. When an organization presents technical and financial reports in anticipation of subsequent disbursements, the processing time is generally three months. Fully 80 percent of the organizations interviewed reported that delays in the processing of adjustments and financial reports had caused problems in project implementation.

The problems ranged from having to "borrow" funds from other projects and sources while awaiting a FONAMA disbursement, to having to discharge staff and halt implementation mid-project, to spending excessive time sending duplicate information and documentation (in cases of personnel turnover or loss of files inside FONAMA), to having to invest much more time and resources than planned in deploying accountants and auditors for financial management. About a third of the responding organizations felt that technical staff and consultants who had reviewed their proposals or technical implementation reports were not qualified or had offered comments showing a lack of understanding of the technical or social contexts of the projects.

Conclusion

Although the EAI Administrative Unit has made efforts to improve and speed up the process of project supervision, grantee expectations are not being met. Grantee performance appears to be generally good, although neither the EAI Account nor FONAMA in general has sufficient information about project impact, beneficiaries, and sustainability.

Recommendations

Adoption of the recommendations outlined above would address the key problems identified in this section.

IV. Conclusion

The evaluation team has concluded that the basic structure and procedures established within FONAMA to manage the EAI Account are sound. Adoption of the recommendations described above, many of which are actions the staff and Council have already discussed and would have implemented but for lack of time and logistical support, should be sufficient to assure effective operations and improve grantee performance and satisfaction.

As noted, the chief constraints at this point are (1) lack of adequate technical, legal, and logistical support from FONAMA; and (2) lack of a mechanism for the EAI Council to formally request compliance with the terms of the Framework Agreement that specify services to be provided. The severity of these constraints raises the question of whether FONAMA continues to be an appropriate institutional home for the EAI Account.

In the institutional evaluation of FONAMA, the team analyzed actions that FONAMA could take to improve its coordination and support of its Accounts, and considered the likelihood of their adoption. Team members also analyzed the legal implications, advantages, and disadvantages of removing the EAI Account from FONAMA and establishing it as a separate, private Foundation. Some consideration was given to the possibility that the EAI might affiliate with an institution other than FONAMA, for example, LIDEMA, but this was not seen as a feasible option due to the size of the Account in comparison with LIDEMA or other potential institutional homes.

The evaluation of FONAMA arrived at a set of recommendations that the team considers essential to restore FONAMA's effectiveness and regain credibility in the donor community. These range from clarification of objectives, inter-institutional relationships, lines of authority and clear statements in legal documents, to restructuring of the staff (most importantly, hiring environmentally and managerially competent leaders for key positions), developing efficient management procedures, improving legal and technical competency, and developing a fundraising strategy. (A matrix of the evaluation's major conclusions and recommendations is attached as Annex 2.)

The ideal scenario, the team concluded, would be for FONAMA to remain a coherent unit, coordinating and financing both public and private sector activities. The loss of the EAI Account, FONAMA's largest, would be a serious blow, compromising FONAMA's institutional and operational viability as well as its international reputation as a pioneer and leader in the development of national environmental funds. Further, FONAMA and the EAI Account would lose the advantages of the organization's unique modular structure, designed to allow relatively autonomous operation of diverse environmental projects and accounts, while promoting public-private collaboration and coordination and facilitating economies of scale through shared support services.

However, the findings of the evaluation clearly indicate that FONAMA, under the "tuición" of the MDSMA, does not currently enjoy the advantages of this structure. After detailed analysis, the team concluded that the necessary reforms are not likely to occur while FONAMA remains in the MDSMA, and recommended privatization of FONAMA in its entirety.

If a private FONAMA were to be established, it could develop procedures for financial and technical control much more agile than those it is currently obliged, as a state agency, to impose. It could regain its autonomy of administration and, subject of course to improved performance, its credibility with the donor community. The Framework Agreement would have to be adjusted to name the new private foundation as the entity responsible for implementing the agreement. The foundation's fundamental purposes, structures, and obligations to the EAI would remain the same as those currently attributed to FONAMA.

If for any reason this option proves not to be feasible, and FONAMA remains within the MDSMA, the team recommends serious consideration of terminating the EAI program within FONAMA and establishing it as a separate, private foundation.

if privatization is not possible, then setting up a foundation
The EAI's Administrative Council would become its Board of Directors, with full autonomy to govern the Fund. The Council would then have to establish a separate project selection body to avoid conflicts of interest between governance and project selection duties.

The legal steps necessary to achieve this option include renegotiation of the framework and debt reduction agreements, constitution of the EAI foundation, and adoption of statutes and internal regulations.

Before initiating any move toward privatization, the Council, and more specifically, the Parties to the Agreement, should carefully analyze the potential risks inherent in this option. Most important is to analyze whether such action would jeopardize Bolivia's continuing contributions to the Account. From a legal point of view, the Government of Bolivia has committed itself to make contributions to the Account, in accordance with the Debt Reduction Agreement with the U.S. Government, and with the Promissory Note (Pagaré) of the National Treasury, which establishes that these payments will be made to FONAMA, by means of deposits to the EAI Account. To the extent that privatization implies a change in the named beneficiary of these payments (the new foundation in place of FONAMA), it is necessary to determine whether such a change is possible under Bolivian law, and if so, what is the best mechanism for doing so.

Even though services from FONAMA have been deficient in the past, the AU at least has not had to contract its own technical staff. The limits set by the Framework Agreement on funds EAI can draw for operating expenses (10%) would pose a serious challenge for the new foundation. It would have to operate with a minimum number of technical and administrative staff; explore options for using project funding for such services as grantee assistance and project evaluation; and seek additional sources of funding.

The team conducted additional interviews upon return to Washington to determine how private EAI foundations in other countries meet this challenge. Some of the funds actually have a 15 percent rather than a 10 percent ceiling. Colombia's ECOFONDO, which has a large capital fund for which it hires an investment management agency at a 5 percent fee, is the only EAI foundation to date that has formally requested relief from the overhead cost ceiling. The EAI Board agreed that the investment agent fee did not have to be included in overhead costs subject to the limit.

Other funds keep their overheads low by occupying donated space; relying on unpaid technical advisory commissions, environmental organizations, and universities for technical reviews; designing staff-implemented projects (eg., training courses for NGOs, evaluations and special studies) that are presented to the Boards for project funding; and in general, maintaining extremely lean staffs and operations. Only one (ECOFONDO) has received project funding from additional donors. Canada provides about a quarter of both operating and project funds.

It was not the EAI Board's intention to fix a permanent limit on the various EAI funds' operating expenses. Rather, the idea was to send a message that funds would be used primarily for projects and overheads kept to a bare minimum. As the funds mature, local governments complete their deposit obligations, and the foundations develop track records and management capabilities, the EAI Board expects to enter into exchanges of notes with the individual funds, modifying agreements to accommodate reasonable -- albeit still minimal -- operating budgets, based on what the individual funds can document and justify, rather than across-the-board ceilings.

Finally, before opting for privatization of the EAI, the parties should consider the risk to FONAMA. As the team heard repeatedly during the course of the evaluation, EAI is the "motor" of FONAMA. It is the single largest account and the account with the longest assured life span. Its withdrawal would be a serious blow to the FONAMA left behind. Such an action would leave the local currency component of USAID's largest natural resources project (BOLFOR) in the hands of a severely weakened organization.

To succeed, the new foundation would have to make a serious, deliberate effort to integrate its programs with the larger vision of environmental management and sustainable development in Bolivia. This would include maintaining close relationships with MDSMA and FONAMA as well as other small grants programs and the NGO community. The foundation should be a participant, but not the leader, in broader donor coordination efforts.

V. Lessons Learned

Bolivia's EAI Account is unique among the Enterprise for the Americas program. Most of the other EAI funds are private foundations established specifically to administer the EAI program. Although there is precedent for administration of other donor funds in addition to the EAI Account (Colombia), only Bolivia's EAI program is housed in a government agency.

From experience with national environmental funds in other countries, both EAI and other structures, members of the evaluation team had observed, before coming to Bolivia, that many such funds were extremely "stretched" by the dual necessities of rapidly bringing into implementation a diverse, national level grants program at the same time that they themselves as organizations were weathering the passages of institution building: mission definition, strategy development, human resource capacity building, financial sustainability, and developing feedback loops to incorporate lessons learned into future actions. In Bolivia, the establishment of the EAI program as a mechanism within an existing organization eased this stress in some ways, but exacerbated it in others.

When FONAMA was working effectively, it was an excellent institutional home for the EAI Account. What has been learned from the FONAMA experience is that the political landscape can change quickly, with dramatic effects on the functioning of the account. The U.S. Government's position as a member of the Administrative Council of the Account does not confer authority or position sufficient to address the problems of the organization as a whole. On the other hand, the good relations among USAID and the international donor community supporting FONAMA's other accounts was a key factor in developing comprehensive terms of reference for the evaluation that will, it is hoped, lead to a concrete strategy for resolving FONAMA's crisis.

The primary lesson that can be learned from the Bolivian EAI Account's experience is the importance of having mechanisms to enforce terms of the Environmental Framework Agreement. In most countries, there are provisions requiring local governments to renew debt service in dollars in case of failure to comply with the EFA, but in Bolivia, the fact that the debt reduction was accomplished first, and the EFA signed three months later, has reduced the options available for dealing with limited compliance.

FONAMA's difficulties in servicing the EAI Account also highlight the importance of specific, detailed language establishing the range and the limits of support and services to be provided.

The history of Bolivia's EAI Account also emphasizes the importance of institutional knowledge of and close relations with potential implementing agencies, both in the design phase, as policies and procedures are being developed, and during implementation. If the NGOs that are expected to implement projects are not sufficiently capable and organized to

Importance of institutional strengthening

do so, and to manage funding appropriately, the process will be slowed down. Efforts should be made to combine financial management with capacity building. On the other hand, capable and experienced NGOs should be sought out and their expertise respected. In general, there are three kinds of target organizations, and each requires a different type of handling.

Environmental organizations generally have a good grasp of environment and sustainable development issues, and an ability to plan and implement technically sound interventions, but many of them are quite young, and in many cases, their EAI projects will be significantly larger than what they have implemented before. Technical assistance and adequate supervision are required to assure financial compliance, implementation of evaluation systems, adequate mechanisms for community participation and addressing gender issues, and sometimes, to help these organizations through the crises typical of young and growing NGOs.

Development organizations tend to have a longer track record, a stronger base of community relations, and more administrative experience than environmental NGOs. Influencing the project agenda of this already well developed NGO community toward environmental concerns and sustainable development is a powerful impact that EAI accounts can have. Technical oversight is required to assure the biological and ecological soundness of project activities, and to promote truly innovative solutions to development problems.

Community-based organizations generally need the most support and have the least resources available to develop project proposals. The Bolivian EAI's pilot project of "twinning" community-based organizations with more experienced NGOs bears watching as a potential model for other countries.

The Bolivia experience demonstrates that good technical administration is key. From the beginning, projects should have clearly designed objectives subject to verification. Technical staff must be highly qualified and knowledgeable about current trends, successes and failures in project implementation in the environmental sector.

It is generally accepted among national environmental funds that projects should be designed in a participative manner. (This is a critical factor in success and sustainability.) However, the high demand in Bolivia for EAI funds, resulting in an acceptance rate around 10 percent of proposals submitted, presents problems for NGOs in the design phase. With a high probability of rejection, NGOs must be cautious about investing time, and more important, raising community hopes and expectations, only to prepare a proposal. The lesson that can be drawn from this dilemma is the importance of designing selection processes to include some level of consideration before NGOs implement fully participatory planning, or a pre-implementation phase of funding to support workshops and so forth after pre-approval but during the final technical adjustment phase.

Perhaps FONAMA under-estimated the surge of interest among the NGO community

in developing projects. The load of 120-140 proposals per Council meeting (of which only perhaps 10 are approved) puts a tremendous strain on technical staff, technical reviewers, and the council, and perhaps limits the thoroughness of the attention that the council can give. The lesson that can be drawn from this experience is the importance of having a framework of project priorities -- not necessarily a national or government plan, but perhaps a consensus arrived at annually or biennially, in conjunction with NGO meetings to nominate candidates for the council -- as to what types of projects will be priorities for a given period. If each call for proposals were limited to a particular subsector of eligible activities, for example, there would be opportunities to evaluate projects on a comparative basis within a particular sector, not just in the abstract on their own merits. The different categories of eligible projects could be grouped in such a way that each group was included in at least one call for proposals each year.

Finally, Bolivia's experience illustrates that insulating the fund from national political currents, turnover in ministries, etc. is important. The quality of personnel in key positions is probably even more important than the development of manuals and procedures, and the replacement of qualified personnel with political appointees and personal friends has been severely damaging to FONAMA, and therefore to the EAI Account.

Annex 1. Statement of Work

DELIVERY ORDER STATEMENT OF WORK

BACKGROUND

NATIONAL ENVIRONMENTAL FUND (F O N A M A)

The National Environmental Fund (FONAMA), a GOB entity created in 1990, began activities by developing programs for debt reduction for environmental conservation (1991). Later on it grew to include mechanisms for raising resources in grants and concessional credits, and for investing in environment, managing and administering these resources to support Bolivia's sustainable development (1992). Beginning in 1993 it expanded its functions to the organization of investment in the environment, coordinating existing programs and projects with development of new activities. It now manages a range of environmental projects.

FONAMA has channeled these financial resources from both national and international technical cooperation organizations towards environmental and sustainable development programs. In this context, the Ministry of Sustainable Development and Environment (MDSMA), represented by the National Secretariat for Natural Resources and the Environment, along with USAID and other international and national financing agencies, jointly decided to conduct an institutional evaluation of FONAMA after its first five years of operation. At the same time FONAMA's most important account, the Enterprise for the Americas Environmental Account (EAI), now requires an evaluation, as per the terms of the bilateral agreement that established the EAI. This is expected to help inform the institutional evaluation of FONAMA, as the experiences of the EAI Account can shed light on the role of FONAMA in supporting specific programs and projects for sustainable development and the environment.

Basically, this evaluation will be carried out in two phases: first, an institutional evaluation of FONAMA, and second, an evaluation of the EAI environmental account in FONAMA. It will assess the degree of compliance of FONAMA with its legal statutes and bilateral agreements (in particular as related to the EAI), and determine if the institution, as currently constituted and operating, is in fact the most appropriate for helping Bolivia achieve sustainable development in the future.

ENTERPRISE FOR THE AMERICAS INITIATIVE (E A I)

Bolivia was the first country in Latin America to take advantage of the Enterprise for the Americas Initiative's (EAI) debt restructuring opportunities. In November 1991 the Government of Bolivia (GOB) signed an Environmental Framework

Agreement (EFA) with the Government of the United States (USG), through which the GOB was able to reduce its bilateral debt by fully \$372 million. The EFA (and related agreements) called for establishment of an EAI Environmental Account of \$21.8 million, "to preserve, protect or manage the natural and biological resources of Bolivia in an environmentally sound and sustainable manner." As specified in the EFA this Account is housed in the National Environmental Fund (FONAMA), and has its own Account Coordinator, support staff, and administrative budget.

As per the EFA, decisions on the use of the Account's grant funds are made by the Administrative Council. This Council is composed of 7 members, and includes representatives from both of the Parties to the Agreement (the GOB and the USG), as well as from a broad cross-section of non-governmental institutions and organizations working in the environment. Specifically, the Council includes 2 GOB representatives (the Minister of Sustainable Development and Environment or his delegate as President, and the General Manager of FONAMA), 1 USG representative (the USAID Director), and 4 NGO representatives nominated to serve in this capacity by their NGO peers. The Administrative Council is the most important body in the EAI Environmental Account, and is responsible for overseeing and directing the administration of all grant activities funded under this Agreement.

Demand for EAI funds continues to be very strong, with the Account maintaining roughly a 10:1 ratio between grant proposals received and approved. To date 61 grants have been approved by the Administrative Council, with a total of \$4,330,159 committed to these activities. These range from projects such as sanitary education in El Alto, to assessments of the role of women in environmental management, to work with rainforest Indian groups and a consortium of local institutions to isolate chemically active components in traditional medicines. Of course, many of these grants also support (if indirectly) the USG's larger collaborative environmental program with Bolivia, and the current GOB administration reports that the objectives of the Account are fully consistent with the country's new Popular Participation legislation. An even stronger indication of GOB support is the fact that disbursements to the Account (approximately \$2.2 million each year) under the current administration have complied rigorously with the disbursement schedule.

Bolivia continues to lead the hemisphere in EAI activities. Several other countries have requested information on the Bolivian EAI model to better establish their own EAI accounts, and EAI-Bolivia staff and/or Council members have provided direct technical assistance to Chile, El Salvador, Ecuador, and Uruguay. USAID/Bolivia has sent each of these countries copies of relevant EAI documents (e.g., the EFA and the internal by-laws of the Administrative Council)

and has also provided information to Colombia, Argentina, Honduras, and Madagascar. In addition, both the Department of Treasury and the Department of State in the U.S. (members of the U.S. EAI Board) continue to look to Bolivia for "lessons learned" and keep in close contact with developments with Bolivia's EAI Environmental Account.

Article VIII(3) of the EFA calls for a review of "the operation of this Agreement three years from the date of its entry into force." This means that this review should have been carried out in November 1994. However, USAID determined that such a review was not appropriate at that time, as FONAMA had neither a General Manager (appointed in December) nor an EAI Account Coordinator (appointed in March, 1995). In addition, FONAMA was still undergoing a difficult institutional transition in the new GOB administration, and its relationship to its parent institution, the Ministry of Sustainable Development and Environment, was continually evolving. USAID has concluded that now is an appropriate time for this evaluation, and on May 15 (see ENV-E-051/95, attached) advised the GOB's principle representative to the EAI Administrative Council (the Minister for Sustainable Development and Environment, Lic. Luis Lema Molina) that we would develop appropriate terms of reference for this evaluation and submit these for his review by letter ENV-E-069/95 (also attached).

ARTICLE I - TITLE

Project: Program Development and Support, Number 511-0000-0.

ARTICLE II - OBJECTIVE

F O N A M A

The purpose of this institutional evaluation is to analyze FONAMA's functions and performance based on regulations currently in force, and contained in the following legal documents: a) By-Laws (legal statutes), b) Law for Ministries (1493 and Supreme Decree 23660), and c) General Environmental Law (1933). It will evaluate FONAMA's organizational and operating structures and verify that these are the most appropriate to achieve the institution's goals and objectives for program development and for procuring adequate financial resources for Bolivia's sustainable development and sound environmental management at a national level. The evaluation should propose solutions and/or alternatives for any deficiencies encountered.

It will carry out a diagnosis of the institutional coordination of FONAMA with other GOB entities and structures, determining how well FONAMA fits within the broader public administration, according to legislation in force.

It will establish each one of the above actions with the National Secretariat for Natural Resources and Environment the **tuition** and hierarchical dependence of FONAMA.

E A I

As per the requirements of the Environmental Framework Agreement (EFA), the purpose of this follow-on evaluation is to review the functioning of the Agreement, and of the bilateral Environmental Account it established. As appropriate, it will make recommendations for changes in existing operating procedures and/or institutional arrangements, in order to better comply with the goals and objectives of the program. This evaluation should also produce "lessons learned" on EAI operations, aimed not only at improving the program in Bolivia but also at: 1) allowing Bolivia's EAI experience to continue to enrich younger EAI programs in other countries; and 2) supporting the renewed interest in Washington in the EAI, and in its possible expansion to other Latin American nations.

ARTICLE III - STATEMENT OF WORK

Institutional Evaluation, F O N A M A

The contractor shall conduct an evaluation which addresses the following areas:

General

How successful has FONAMA been in meeting the objectives outlined in its statutes, and fulfilling its functions and attributions for administration of its various accounts? Has it contributed to the end that said accounts are well coordinated, and are likely to meet their objectives?. Suggest procedures to improve the account administration. Consider especially the following aspects:

- (a) degree of adherence to its by-laws (statutes).

42

- (b) dollar amounts obtained for the implementation of governmental and non-governmental projects, as well as for the operating expenses of FONAMA in the short, medium and long range. (Financial Sustainability).
- (c) systems and procedures for the generation and identification of projects, grantee capability assessments, project follow-up, post evaluation, and determination of impacts, considering verifiable indicators.

Specifics

The evaluation, in addition to making a diagnosis of FONAMA's situation, should identify activities or functions that call for improvement, should submit:

Conclusions

Taking into consideration the objectives set forth and the results obtained, the Evaluation Team should submit general and specific conclusions.

Recommendations

Recommendations should be punctual and clear, intended to improved the activities and functions of FONAMA, both from the organizational point of view as well as the financial and operational, and assess the impacts that these recommendations could have, once implemented.

INSTITUTIONAL DIAGNOSIS

The institutional evaluation should include an evaluation of the following elements: normative and legal, organizational, operational, impacts/results, coordination and financial sustainability.

1. *Normative and Legal Evaluation*

This should review the legal documents listed in Annex 1 to this Scope of Work, i.e., a) By-Laws (or statutes, including analysis of each component of the same); b) Law for Ministries (no. 1493) and Supreme Decree No. 23660; and c) General Law for the Environment (No. 1333).

2. *Organizational Evaluation*

- a. **Organization.** Review and analyze documents establishing FONAMA, and their objectives. Review and analyze institutional

functions, policies and strategies; organization as related to goals and objectives. Analysis of the role and performance of its administrative components, with recommendations when this performance is not in conformance with intended roles; relationship between performance and the functions specified in the by-laws (statutes).

- b. **Personnel.** Functional organizational chart; functions performed and attributions of executive and operative positions. Systems for contracting personnel, and personnel management. Regulations and general provisions. Coordination of relationships with the M.D.S.M.A. (Ministry of Sustainable Development and Environment) staff and other Ministries.
- c. **Infrastructure and Equipment.** Analyze and evaluate the infrastructure and equipment (e.g. computers, software, vehicles, etc.) under FONAMA's management, its appropriateness, efficiency of use, etc.

3. *Operating Procedures Evaluation*

- a. **General.** Performance of FONAMA's organizational and operational policies. Identify decision-making and operational levels, and responsible parties.

Institutional analysis of accounts currently being managed, and their coordination, control, evaluation, follow-up, etc.

- b. **Financial.** Financing sources. What are the current available financing sources to cover operational expenses? Which unit is in charge of securing resources for the same, and how effectively has it functioned? What is the relationship of these units with FONAMA in general, and with other accounts and projects?, its future projections.

Administrative systems and responsibilities of the same, as stipulated in the by-laws (statutes). Efficiency of operations of systems being utilized for financial administration, budgeting, accounting and control.

- c. **Administrative.** Systems for contracting goods and services, and administration of human resources, including selection procedures for contracting new personnel. Existing norms, regulations or

mechanisms, and adherence to same. Analysis of FONAMA's personnel turnover. Proposal for the improvement of human resources.

Administrative Efficiency. Correlation between number of personnel and funds being managed. Recommendations for a more efficient administration, as appropriate. Salary comparison of the personnel assigned to different accounts in FONAMA, with those of FONAMA's other staff.

- d. **Technical.** Does FONAMA staff have sufficient technical knowledge of the environmental sector as related to macro-trends of Sustainable Development.

Training mechanisms for personnel for improvement in this area, as appropriate, to facilitate FONAMA's compliance with its institutional responsibilities (e.g., training courses, workshops, seminars, etc.)

Availability of a system for project technical administration and how it is applied (coordination, control, pre- and post evaluation). Are approved projects being implemented in a timely fashion?.

How, when and who are informed of the results of technical and financial evaluations, and what are their impacts on program development and implementation?.

EVALUATION METHODOLOGY

The methodology for this institutional evaluation should include the following:

1. Review and analysis of available secondary information.
2. Review and analysis of the application of laws, decrees, by-laws (statutes), regulations, manuals and action plans and their implementation. See annex for specified documents that need review.
3. Preparation of forms to carry out interviews and/or surveys.
4. Interviews with: grantees, donors, current FONAMA staff, other key administrative and technical staff who have worked in FONAMA since its founding; Board members and members of the Administrative Councils of the various accounts, and in general, with Bolivian public administration officials involved with FONAMA.

45

5. Site visits. To see how selected projects are in operation, with respect to FONAMA's administrative efficiency, structure and performance.
6. Analysis of primary and secondary data; preparation of draft evaluation report.
7. Conclusions.
8. Recommendations.

E A I

Immediately following the institutional evaluation of FONAMA, the evaluation team will conduct a more specific evaluation of FONAMA's largest account, the Enterprise for the Americas Environmental Account (EAI). This will address the following areas:

General

1. Review all relevant background documentation, including the Environmental Framework Agreement (EFA), EAI by-laws, FONAMA's statutes, USAID reporting cables and documents, EAI resolutions, grant application forms, evaluation criteria, technical reports, minutes of EAI Administrative Council (AC) meetings, and financial audits.
2. Interview a broad cross-section of relevant stakeholder and interest groups, including all EAI Council Members, the Account Coordinator and staff, USAID and FONAMA personnel involved with administration of the program, and a representative sample of grantees, beneficiaries, and applicants for EAI funding.

Specifics

Specifically, this evaluation will focus on the following issues:

1. the extent to which the procedures and operations of the EAI Administrative Unit have helped the GOB and USG meet the goals and objectives of the EFA;
2. the degree of support and commitment the **Parties** (GOB and USG) have demonstrated to the Agreement;
3. the degree of support and commitment the **Administrative Council** has demonstrated to the Agreement;

4/6

4. the extent to which **FONAMA** has complied with the functions assigned to it by the Agreement, and in particular has supported the operations of the EAI Administrative Unit and the Administrative Council; and
5. the extent to which the **grants and institutions** approved for EAI funding have been consistent with the goals and objectives of the EFA.

Evaluation Questions

EAI Administrative Unit (AU)

1. To what extent has the AU developed and implemented effective procedures to insure timely and technically sound operations for the Account, including disbursement of funds, proposal and/or project revisions, selection of consultants, monitoring and evaluation of project progress, and project close-outs? Are activities on schedule? If not, why not?
2. To what extent has the AU developed and implemented adequate financial and technical reporting and tracking systems?
3. How effective are formal reporting and approval mechanisms between the AU and the Administrative Council, and between the AU and FONAMA? Can these be improved?
4. How effective is the organization and communication between the AU and the Council, and the AU and FONAMA?
5. How effective are the AU's procedures for initial review of grant applications? Do these procedures accurately reflect the goals and objectives of the EFA?
6. What are the members of the Administrative Council, FONAMA, and EAI grantees most and least satisfied with, with respect to the support provided by the AU?
7. What is the maximum number of projects the AU is likely to be able to manage effectively, given the 10% allowed in the Framework Agreement for administrative expenses?

Parties (GOB and USG)

1. To what extent have the USG and GOB been faithful to the goals and objectives of the EFA, and to the Account's by-laws?
2. How supportive have the USG and GOB been of the operations of the AU and the Administrative Council?
3. How effectively have the representatives of the Parties communicated relevant information on EAI activities to their respective governments, to maintain or enhance support for the EFA?
4. What has been the impact of the EFA's provision of "veto power" to the representatives of both Parties?
5. What are the non-governmental members of the Administrative Council most and least satisfied with, with respect to the roles of the Parties to this NGO-dominated Agreement, and to their support in meeting the goals and objectives of the EFA?

Administrative Council (AC)

1. To what extent have the members of the AC been faithful to the goals and objectives of the EFA, and to the Account's by-laws?
2. How supportive have they been of the operations of the AU?
3. How effective has the Council been in:
 - a) instructing FONAMA to issue and widely disseminate public announcements of the calls for appropriate grant proposals;
 - b) reviewing all proposals for grant assistance submitted to the Account;
 - c) instructing FONAMA to publicly announce grants approved by the AC;
 - d) reviewing and certifying FONAMA's programmatic and financial evaluations of projects funded by the Account;

- e) determining if independent evaluations and audits of individual projects are needed; and
 - f) presenting to both Parties annually a proposed annual program; annual report on activities funded during the previous Bolivian fiscal year; and an annual financial audit by an independent auditor covering the previous Bolivian fiscal year.
4. How effectively has the AC ensured that performance under the EAI grants and other agreements is monitored by FONAMA to determine whether time schedules and other performance goals are being achieved?
 5. Has the AC given priority to projects that are managed by nongovernmental organizations and that involve local communities in their planning and execution, as called for in the EFA?
 6. Have the NGO members to the AC served effectively as representatives of larger constituencies (e.g., academic/scientific institutions; grassroots organizations; environmental NGOs; community development NGOs), as intended by FONAMA during the selection process for nominees to the Council, or are they better described as individual experts?
 7. How effectively have the NGO members of the AC communicated relevant information on the EAI Account to the range of Bolivian non-governmental institutions working in the environment? How might these activities be enhanced?
 8. Have government/NGO communications and collaboration been enhanced as a result of the composition of the AC and activities of the EAI Account? If not, why not?

FONAMA

1. How effective has FONAMA been in:
 - a) managing and making disbursements from the Operating Account, pursuant to Articles II and VII of the EFA?
 - b) monitoring the management of the Investment Account, pursuant to Article II?
 - c) preparing the project portfolio to be reviewed by the Council?

- d) tracking project progress and reporting to the Council?
 - e) conducting internal programmatic and financial evaluations of the projects funded?
 - f) organizing and providing administrative support for the meetings of the Council?
 - g) preparing an annual budget for the administrative expenses associated with the operation of the Account.
2. How effectively has FONAMA insured that the Council's organizing statutes, written policies, operating procedures, minutes of meetings, reports, and decision criteria used by the Council in the awarding of grants have been kept current, and are open for public inspection?
 3. As a GOB institution, how appropriate an "institutional home" is FONAMA for this NGO-dominated Account? How consistent are its statutes and operations with the goals and objectives of the EFA?
 4. The EAI Account currently maintains a large balance of unobligated funds. It is possible this balance will grow in the future, given the limited capabilities of Bolivian non-governmental organizations to use these funds effectively, and given the management constraints on the EAI Administrative Unit. Are there more effective ways to invest these uncommitted resources (e.g., creation of an endowment fund with a portion of the funding deposited to the EAI Account), in the context of the goals and objectives of the Framework Agreement? And is the EAI using the most appropriate investment agent for the Account?

Grants and Institutions

1. How effectively have EAI grantees complied with the terms of their agreements? If there are important general areas of weakness in project design or implementation, what are they? How can they be addressed?
2. Have grantees provided the baseline data necessary (including gender information, as appropriate) to measure overall project impact? If not, why not?

3. What evidence is there that EAI grantees have helped "preserve, protect or manage the natural and biological resources of Bolivia in an environmentally sound and sustainable manner?" Have they helped enhance public participation in environmental management?
4. Are these EAI-funded activities likely to be sustainable? If not, why not?
5. Do these EAI grants reflect the needs and concerns of the broader Bolivian environmental community? If not, what steps can be taken to improve their "representativeness"?
6. How many funding proposals have been received, and funded? How well do they reflect the goals and objectives of the EFA?
7. How effectively have EAI grantees incorporated gender concerns into their projects and programs? How might this be improved?
8. Is there an appropriate consideration of impacts on beneficiaries and cost-effectiveness in the evaluation of proposals?
9. Have grantees ensured that the EAI receives adequate credit for financing their activities?

ARTICLE IV - REPORTS AND DELIVERABLES

Two separate evaluation reports are required. One shall be entitled "Institutional Evaluation of FONAMA," and the second shall be entitled "Evaluation of the Enterprise for the Americas (EAI) Environmental Account."

1. FONAMA

Prepare a draft evaluation report that includes an executive summary, principle findings, "lessons learned," conclusions, and recommendations, and present this analysis, both verbally and in writing, to USAID, other donors and the GOB. This evaluation should enable FONAMA's key stakeholders (in particular the GOB) to measure the institution's results and impacts, its performance and adherence to by-laws (statutes), annual operating plans and plans under implementation, as well as its role in supporting achievement of the goals of its various accounts (note that FONAMA's role in support of these accounts is far more important for the purposes of this institutional evaluation than are the accounts per se). This analysis should enable an effective determination of

FONAMA's role in supporting Bolivia's environmentally sound and sustainable development, in a national and international context.

Parties will be provided two weeks for comments, and these will be taken into account in the preparation of the final evaluation report. The final report should also include a clear description of the methodology employed, the Scope of Work, and a list of all persons interviewed and consulted, and must be presented in both Spanish (15 copies) and English (10 copies each). Working in close coordination with USAID/Bolivia, the evaluation team will also draft an Evaluation Summary for submission to USAID/Washington.

Prior to departure from Bolivia, the evaluation team should make a presentation to an audience conformed by the National Secretariat of Natural Resources and Environment and the FONAMA community donors, of a summary of the draft report and its preliminary conclusions and recommendations. The final report should include comments from USAID, the GOB, and other key donor stakeholders.

The Consulting Firm should deliver ten (10) copies of the report in Spanish and two (2) copies in English directly to the National Secretary for Natural Resources and Environment/MDSMA, who will ensure the distribution of the document to the institutions involved. The donor community will receive copies of the report directly from the Consulting Team through USAID/Bolivia.

2. *E A I*

Prepare a draft evaluation report that includes an executive summary, principle findings, "lessons learned," conclusions, and recommendations, and present this analysis, both verbally and in writing, to USAID and the GOB. Both Parties will be provided two weeks for comments, and these will be taken into account in the preparation of the final evaluation report. The final report should also include a clear description of the methodology employed, the Scope of Work, and a list of all persons interviewed and consulted, and must be presented in both Spanish and English (10 copies each). Working in close coordination with USAID/Bolivia, the evaluation team will also draft an Evaluation Summary for submission to USAID/Washington.

Prior to departure from Bolivia, the evaluation team should submit a summary of the draft report and its preliminary conclusions and recommendations, both verbally and in writing. The final report should include comments from USAID, the GOB, and beneficiaries, if appropriate.

ARTICLE V - RELATIONSHIPS AND RESPONSIBILITIES

FONAMA and EAI

In both evaluations, the evaluation team will work under the general policy guidance of the USAID Mission Director, and with technical supervision from the Mission's Chief Agricultural and Rural Development Officer, or his designee. It is the intention of USAID to involve relevant GOB representatives from the MDSMA and other key stakeholder groups (in particular the broader donor community) to participate in this evaluation, in particular with comments on the required verbal and written evaluation reports, in both draft and final.

ARTICLE VI - PERFORMANCE PERIOD

The estimated performance period for these evaluations and submission of their final reports (in both Spanish and English) is three months, beginning no later than August 28, 1995 and ending no later than 90 days thereafter.

ARTICLE VII - WORK DAYS ORDERED

FONAMA / EAI

It is anticipated that this evaluation will take fifteen (15) person weeks of effort, with twelve weeks to prepare the draft evaluation report, and two additional weeks to present findings and make adjustments to the report, as necessary.

1. Team Leader. A professional with experience in the analysis of management and administration in public sector agencies, including financial, technical, and personnel management. Experience with foundations and fund-raising activities is highly desirable. Must also have in-depth familiarity of, and extensive experience with, USAID evaluation methodologies, procedures and concepts, and with specific experience in institutional evaluations; ideally, this person should also have project management experience. S/he will have primarily responsibility for

producing the draft and final evaluation reports for the FONAMA and EAI evaluations as well as for analysis of the larger institutional context in which FONAMA and the EAI Environmental Account Operate. A minimum of ten years of professional experience in institutional evaluations, and five in Latin America, is preferred.

Term of Contract: 6 weeks (4 FONAMA, 2 EAI).

2. Specialist in Environmental Projects. A professional with ample experience in the preparation, implementation and evaluation of environmental and sustainable development projects. Must have substantial experience in project implementation with non-governmental organizations and/or community groups, and academic and scientific institutions; s/he should have experience with field implementation of environment and natural resources management programs. S/he will take the lead in analysis of FONAMA and the EAI's relationships to the non-governmental community in Bolivia, and in assessing the field-level impacts of EAI grant activities. A minimum of five years of experience in these specific fields is desired.

Term of Contract: 6 weeks (4 FONAMA, 2 EAI)

3. Legal Consultant. A professional with experience in the legal aspects related to public sector activities, public and/or private foundations, and international agreements, ideally with experience drafting bilateral agreements with developing nations and monitoring compliance with the same. Experience with the operations of national environmental funds and/or EAI-like foundations is also desired. A minimum of five years of experience in these topics.

Term of Contract: 3 weeks (2 FONAMA, 1 EAI).

<u>Position</u>		<u>WorkDays</u>
Team Leader	36	
Specialist in Environmental Projects		36
Legal Consultant		18

ARTICLE VIII - USAID ILLUSTRATIVE BUDGET

See attachment I

54

ARTICLE IX - SPECIAL PROVISIONS

A. DUTY POST

La Paz, with limited field trips to the interior (not to exceed 6 working days for the team leader and specialist in environmental projects, with none for the legal consultant).

B. LANGUAGE REQUIREMENTS AND OTHER REQUIRED QUALIFICATIONS

At least two members of the team should have Spanish language capabilities at the FS 3/3 level or better, and all should be prepared to work in both urban and rural settings in Bolivia.

C. ACCESS TO CLASSIFIED INFORMATION

Contractor is not expected to have access nor use of classified information.

D. LOGISTICAL SUPPORT

Contractor is to provide all needed support, independent of USAID or other donors or GOB offices, with the exception of a local consultant who will be provided by the Embassy of CANADA in La Paz (for the FONAMA evaluation only; Attachment II to this document describes the proposed SOW for this position, and is illustrative only).

E. WORK WEEK

6 day work week is hereby authorized.

ARTICLE X - EVALUATION CRITERIA OF REPORTS AND DELIVERABLES

See attachment III

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Translation:bt (FONAMA TOR)
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Annex 2. Conclusions and Recommendations, FONAMA Institutional Evaluation

Conclusion	Recommendations
<p>The lack of updating and consolidation of FONAMA's fundamental legal documentation creates a confusion over which interpretations apply. Thus each interested party can apply its own interpretation of FONAMA's role, functions, and other important attributes.</p>	<p>1. Once FONAMA's future structure has been established, it will be necessary to undertake a review of fundamental legal documents, including the Decree of Constitution, and the pertinent sections of the Environment law and FONAMA's statutes.</p>
<p>FONAMA's legal nature is not well understood by the institutions and officials involved in its operations. This confusion is a source of conflict and impedes FONAMA's effective operation.</p>	<p>2. Once a decision is made regarding FONAMA's future structure, it will be necessary to establish in FONAMA's basic legal documents a definition of each of the legal attributes and characteristics assigned to the organization.</p>
<p>Without a common understanding of its mission, FONAMA is subject to whatever interpretation is given by officials at the moment. The statutes effectively describe functions that FONAMA performed well in its early years. However, the apparent discrepancies between the legal documents and the statutes, as well as a trend away from rigorous adherence to the statutes in FONAMA's administration, have confused the situation. The MDSMA's vision of FONAMA's mission is quite different from the purposes for which the organization was created.</p>	<p>3. It is fundamental that any institution, including FONAMA, have a clear mission, expressed coherently and concisely. FONAMA needs to define its mission precisely, responding to its legal nature and its given responsibilities, and securing consensus from its various constituencies.</p>

Conclusion	Recommendations
<p>Three of FONAMA's six functions relate directly to the MDSMA. However, the functions were defined without establishing mechanisms for inter-institutional relations. Therefore, FONAMA has difficulty in assisting with the Ministry's needs. The necessary coordination takes place at a purely informal level, subject to the variable personal relationships between the personnel involved.</p>	<p>4. FONAMA's functions need to be redefined in conformance with its mission and the needs of its constituencies.</p>
<p>FONAMA's current organizational structure has not served the institution well in terms of facilitating compliance with its functions. The "flat" structure and confusion between operational and support units has had the result that the accounts do not always receive the technical and administrative assistance that they require for smooth functioning.</p>	<p>5. FONAMA's organizational structure should be modified to reflect and serve the needs of its operative units.</p>
<p>FONAMA's Board operates outside the legal norms of the institution. Also, the constant change in individuals designated by each Ministry to participate in Board sessions hinders effective functioning. The representative is not determined according to which individual's responsibilities most closely correspond with FONAMA activities.</p>	<p>6. The composition of FONAMA's Board needs to be redefined to include more representation from civil society, replacing the never-appointed representatives of Departmental Environment Councils.</p>
<p>FONAMA's Board does not play a strong role in the administration of the organization. In part this is due to the consultative role established from the beginning, in part to its operating customs, and in part to the fact that it has never been fully constituted and changes regularly.</p>	<p>7. The role of FONAMA's Board needs to be redefined and its functions restructured. The Board should have clearly defined responsibilities and meet regularly to discharge them.</p>

51

Conclusion	Recommendations
<p>FONAMA confuses operational and support units, and does not have appropriate lines of authority to coordinate their activities. The responsibilities of each unit are often unclear and not appropriate to their status in the organization or technical capability.</p>	<p>8. The responsibilities of the operative and support units should be adjusted to provide clear and appropriate lines of authority, and responsibilities appropriate to FONAMA's needs.</p>
<p>Neither FONAMA's statutes nor current operating procedures provide the account coordination units with sufficient authority or effective mechanisms to assure the collaboration of the FONAMA's support units. This situation results in delays in project activities that depend on the services of support units.</p>	<p>9. Mechanisms need to be established by which account coordination units and operative divisions can jointly program support unit activities in order to assure that these units receive adequate service.</p>

Conclusion	Recommendations
<p>FONAMA is not functioning as well as it should be. Although there are many dedicated and competent individuals on the staff, the combination of skills and experience is not well suited to FONAMA's operational needs. Some internal policies and systems are not adequate to the organization's needs. Others, although adequate in theory, are not followed. The result is an organization that is not able to carry out its functions efficiently or effectively.</p>	<p>10. FONAMA needs to rebuild its staff emphasizing leadership, technical qualifications, and teamwork, and upgrading professional positions to civil service or equivalent status to emphasize careful hiring and protection from arbitrary firing.</p> <p>11. The internal authority structures of the organization should be adjusted to give the Account Coordinators and Councils more say in the supervision of support functions. Support divisions such as the Technical Division should not be line offices, with management implications, but staff divisions, clearly under the management level.</p> <p>12. FONAMA should clarify standard operating procedures, review current operations to eliminate unnecessary or duplicated efforts, and take steps to streamline proposal and report revision processes.</p> <p>13. FONAMA should actively collaborate with Ministry of Human Development and other public and private organizations involved with implementation of the Popular Participation Law.</p>
<p>FONAMA does not have sufficient technical capability. It lacks required broad expertise in environment and sustainable development, and particularly, as discussed below, expertise in project impact evaluation.</p>	<p>14. In addition to making environmental expertise a key qualification for the General Manager, FONAMA needs to restructure the Technical Division, emphasizing competence in those sectors most appropriate to project implementation (i.e., forestry, environmental education, sustainable agriculture, biology).</p>

Conclusion	Recommendations
<p>FONAMA does not have the ability to evaluate project impacts. The evaluation team is not able to make conclusions about the overall impact of FONAMA programs on the environment.</p>	<p>15. FONAMA needs to develop a clearly articulated system of evaluation, including collection of baseline data, project monitoring data, and ex post evaluation. Adoption of the SISIN project registry system will not be sufficient to achieve this purpose. In fact, because the system is designed to monitor projects generally much larger than FONAMA's and emphasizes financial and management rather than impact data, installation of this system could further paralyze the technical review process without significantly increasing FONAMA's ability to track project progress and impact.</p>
<p>FONAMA's financial management may be improved with the installation of new systems, but still requires close oversight to ensure that it complies with generally accepted accounting standards and with the specific requirements of donor agreements.</p> <p>It is imperative that FONAMA take steps to install internal procedures for investigating possible improprieties.</p> <p>FONAMA's procurement activities conform with basic public agency regulations but lack internal consistency. The lack of clear guidelines results in delays and sometimes insufficient authorization. Imposition of public agency regulations on NGO implementers causes problems and delays in project implementation.</p>	<p>16. FONAMA should establish and fill the position of internal auditor, as required by its statutes.</p> <p>17. FONAMA should set up internal procedures for investigations, including grievance procedures for accused employees, in case financial improprieties are alleged or discovered.</p> <p>18. FONAMA should (a) establish procedures for acquisition of goods; (b) follow its statutes in consulting the Contracts Committee on procurement; and (c) determine what are the legal requirements pertaining to procurement applicable to NGO implementers.</p>

60

Conclusion	Recommendations
<p>FONAMA's financial security for its operational expenses in the future is uncertain. At present, there are neither sufficient cash flows from existing projects, nor well-developed strategies for assuring funding from other sources sufficient to cover its operational costs.</p>	<p>19. Immediately upon resolving institutional and structural issues and contracting a new general manager, FONAMA should make it a first priority to develop and implement a funding strategy.</p> <p>This implies a parallel recommendation to MDSMA, that the Government of Bolivia clarify and articulate funding priorities, selecting a limited number of first-priority and second-priority objectives. MDSMA also needs to confer on FONAMA exclusive authority to make, manage, and coordinate contacts with donors in those areas. MDSMA must collaborate with and support FONAMA's fundraising efforts and not duplicate or compete with them. If FONAMA and MDSMA pursue separate and uncoordinated funding efforts, neither can succeed.</p>
<p>FONAMA has a good initial portfolio, but is encountering trouble building it because of loss of credibility and confidence resulting from difficulties with grantees.</p>	<p>The recommendations detailed above are the evaluation team's judgment of what is necessary and sufficient to resolve these difficulties.</p>

Annex 3. List of Persons Interviewed

Representatives of Donor Agencies

Ian Davis, British Embassy
Jean Francois Cuenod, COTESU
Arturo Moscoso, Netherlands Embassy
Gary Hunnisett, World Bank/GEF
Michael Yates, USAID/Bolivia
Charles Hash, USAID/Bolivia
David Lozano H., USAID/Bolivia
Jorge Calvo, USAID/Bolivia
Robert Kahn, USAID/Bolivia
Carlos Brockmann H., PL480
Gustavo Bracamonte, Canadian Embassy
Carlos Murillo, PL480
Frank Fass, German Embassy
Antonio Vigilante, PNUD
Jaime Muñoz-Reyes N., Consultant BID
Jean Payen, BID
Allan Bojanik, UNDP

FONAMA staff

Eduardo Valenzuela S., Acting General Manager
Jorge del Castillo L., GETF coordinator
Waldo Gómez R., EAI Account
Johnny Pereyra D., ETAP coordinator
Hector Ormachea, BOLFOR coordinator
Sofia Orsini, administrative manager
Consuelo Wolfhard, EAI coordinator
Jorge Rivas, chief accountant
Beatriz Carrasco, procurement agent
Ruben Salas, technical division
Javier Otto Alba Morales, legal advisor

Board members, FONAMA

Luis Alberto Rodrigo, LIDEMA
Luis Fernando Peredo Rojas, Subsecretary of Economic Promotion
Martha Gutiérrez, DIFEM

Other Government of Bolivia

62

Waldo P. Vargas B., secretary, natural resources and environment, MDSMA
Alejandra Sanchez de Lozada, director, biodiversity conservation directorate, MDSMA
José Fernández, legal advisor, MDSMA
Claudia Ranaboldo, Subsecretary of Productive Promotion
Marcelo A. Iriarte Saavedra, General Manager, Ministry of the Presidency - FIS
Rodolfo Claros Chávez, General Secretary, Ministry of Economic Development
Rudy Araujo Medinacelli, National Secretary of Coordination of the Ministry of the Presidency
Mario Candia, DIFEM
Marianella Curi Chacón, MDSMA
Raúl Lora, MDSMA

Non-governmental Organizations

Diane Wood, World Wildlife Fund/US (member of EAI board)
Lauren Spurrier, World Wildlife Fund/US
Caroline Stem, University of Michigan Fellow
Julio Alem, R., CIDRE
Jorge Cortés, CERES, former coordinator of Plan de Acción Ambiental Boliviano
Oscar Aguilar Calderón, SEMTA
Gastón Mejía, PROA
José Uribe Adamczyk, PROA
José Paz, LIDEMA
Elvira Salinas, GRAMA
Marisol Quiroga, GRAMA
Roberto Laserna, CERES
Luis Mérida, Centro Huallparrimachi
Jorge Reister, APCOB
Hermes Justiniano, FAN
technical staff of UNAPEGA
Hugo Salas, Bolivia representative, The Nature Conservancy
Teresa Centurion, Museo Noel Kempff Mercado
Tim Killeen, Missouri Botanical Garden
(additional NGO representatives interviewed by Marisol Quiroga and Elvira Salinas are listed in the NGO Survey annex)

Former FONAMA staff

Carlos Quintela, former Director
Carlos Arze, former coordinator EAI account and Acting General Manager
Maria Luisa Urday de Escobari, former General Manager
Eduardo Forno, former Technical Director
María del Carmen Rocabado, former Fund Raising Manager and Acting General Manager
Percy Bacarreza, former technical director

Adela Dipps, former administrative manager
Fernando Tórres, former General Manager

Others

Preston Pattie, regional director, CHEMONICS
Rodrigo D. Valderrama Aramayo, Consultant to MDSMA
John Nittler, BOLFOR

Administrative Council, EAI Account

Roberto Barja, CARITAS
Martín Villarroel, PAAC
Cecilia de Morales, Institute of Ecology

64

Annex 4. Documents Reviewed

Banco Internacional de Reconstrucción y Fomento. *Convenio de Donación del Fondo Fiduciario para el Medio Ambiente Global (Proyecto de Conservación de la Biodiversidad)*. Agreement between IBRD (as fiduciary agent for GEF) and Government of Bolivia, December 21, 1992.

Delta Consult/Grant Thornton International. FONAMA/EAI State of Accounts Statement to December 1992.

Delta Consult/Grant Thornton International. FONAMA/EAI Financial audit report for the accounting year ended December 31st, 1993.

Department of the Treasury. *The Operation of the Enterprise for the Americas Facility*. Report to Congress, June 1995.

Embassy of The Netherlands. The Environmental Fund of the Embassy. Unpublished report, 1995.

FONAMA. Dirección Técnica. Lists and bibliographic location of documents; memoranda regarding organization of project information; internal reports.

FONAMA. *Estatuto Orgánico*. December 1993.

FONAMA. Guidelines for proposal presentation and evaluation: *Guia de Presentación de Solicitudes de Financiamiento hasta a \$us. 20.000* (June 1993); *Guia de Presentación de Solicitudes de Financiamiento -- Pequeños Proyectos No. 01/95* (March 1995); *Guia para la Evaluación de Solicitudes de Financiamiento* (undated).

FONAMA. *Memoria Anual Agosto 1991 - Julio 1992*.

FONAMA. *Informe de la Gerencia Técnica, Diagnóstico y Perspectivas Del 5.5.95 al 22.9.95*.

Gibson, J. Eugene and William J. Schrenk. "The Enterprise for the Americas Initiative: A Second Generation of Debt-for-Nature Exchanges -- With an Overview of Other Recent Exchange Initiatives." *The George Washington Journal of International Law and Economics*, Vol. 25 No. 1, 1991.

Government of Bolivia. Ley de Ministerios del Poder Ejecutivo. Ley No. 1493, 17 September 1993, *Gaceta Oficial de Bolivia*.

Government of Bolivia. Reglamento de la Ley de Ministerios del Poder Ejecutivo. Decreto Supremo No. 23660, 12 October 1993, *Gaceta Oficial de Bolivia*.

Inter-American Development Bank. *Bolivia: Institutional Strengthening of the Ministry of Sustainable Development and Environmental Protection*. Loan Proposal. IDB internal document, 1994.

IP Institut für Projektplanung GmbH. *Misión preliminar para definir el marco general de un posible proyecto de cooperación alemana al SNAP*. Report of the March 1995 mission planning possible assistance by KfW (Kreditanstalt für Wiederaufbau) to MDSMA/SNAP.

IUCN. *Report of the First Global Forum on Environmental Funds*. Santa Cruz, Bolivia, 30 May - 2 June 1994.

PL480 Secretaria Ejecutiva. Three archives of documents (proposals, technical reports, evaluations, correspondence) relating to institutional support for FONAMA 1993-95.

Quintela, Carlos E. "Bolivia: una lección de Fondo" in *EcoLogica*, February 1994.

Quiroga, Juan Carlos and Isabel Ascarrunz B. *Metodologías para la formulación y presentación de proyectos relacionados con los recursos naturales y el medio ambiente*. Consultant report to FONAMA, Ministerio de Hacienda y Desarrollo Económico, Subsecretaría de Inversión Pública y Financiamiento Externo, Dirección de Inversión Pública. In draft, October 1995.

World Bank. *Biodiversity Conservation Project (GET grant 28620-BO) Supervision Report*. October 6, 1995.

Legal Documents

1. Ley No. 1178 de 1990, "Ley de Administración y Control Gubernamentales"
2. Decreto Supremo No. 23215 de 1992, "Reglamento para el Ejercicio de las Atribuciones de la Contraloría General de la República"
3. Decreto Supremo No. 23318-A de 1992, "Reglamento de la Responsabilidad por la Función Pública"
4. Ley No. 1493 de 1993, "Ley de Ministerios del Poder Ejecutivo"
5. Decreto Supremo No. 23660 de 1993, "Reglamento de la Ley de Ministerios del Poder Ejecutivo"
6. Resolución Suprema No. 216145 de 1995, "Normas Básicas del Sistema de Administración de Bienes y Servicios"
7. Ley No. 1333 de 1992, "Ley de Medio Ambiente"
8. Decreto Supremo No. 22674 de 1990, Constitución de FONAMA
9. Resolución Suprema No. 213679 de 1994, Aprobación Estatuto Orgánico de FONAMA
10. Código Civil Boliviano, 1967.
11. Acuerdo Ambiental Marco suscrito entre el gobierno de Bolivia y el gobierno de los Estados Unidos de América el 26 de noviembre de 1991
12. Agreement between the Government of the United States and the Government of Bolivia Regarding the Discharge of Certain Debts Owed to the Government of the United States, signed on 22 August 1991
13. Pagaré del Tesoro General de la Nación, 26 de enero de 1992