

| 1. Project Data: | | Date Posted : 07/30/2008 | |
|---|-------------------------------|--------------------------|---------------|
| PROJ ID : P066752 | | Appraisal | Actual |
| Project Name : National System Of Protected Areas | Project Costs (US\$M): | 36.69 | 36.64 |
| Country: Ecuador | Loan/Credit (US\$M): | 8.00 | 7.99 |
| Sector Board : ENV | Cofinancing (US\$M): | 15.66 | 15.66 |
| Sector(s): General agriculture fishing and forestry sector (73%) Central government administration (27%) | | | |
| Theme(s): Biodiversity (29% - P) Environmental policies and institutions (29% - P) Other rural development (28% - P) Participation and civic engagement (14% - S) | | | |
| L/C Number: | | | |
| | Board Approval Date : | | 11/26/2002 |
| Partners involved : Government of Germany, Government of The Netherlands, Inter-American Development Bank | Closing Date : | 06/30/2007 | 12/30/2007 |
| Evaluator : | Panel Reviewer : | Group Manager : | Group: |
| John R. Heath | Christopher D. Gerrard | Monika Huppi | IEGSG |

2. Project Objectives and Components:

a. Objectives:

"The project's development objective is to ensure the conservation and management of Ecuador's biodiversity for socially sustainable development by strengthening the National System of Protected Areas (NSPA) through improving the legal, institutional and financial foundations and capacities for the integrated, participatory management of protected areas". (PAD, p. 3)

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

No

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

(i) **Institutional Strengthening and Legal Development** (Estimated, US\$6.2 million; Actual, US\$5.8 million). Aims to consolidate the Directorate of Biodiversity and Protected Area's role in administering the National System of

Protected Areas (NSPA); and to regulate participatory management of protected areas .

(ii) **Participatory Management of Priority Protected Areas** (Estimated, US\$17.6 million; Actual, US\$17.2 million). Involves the creation and strengthening of local management committees for two priority protected areas (Cotacachi-Cayapas and Machalilla); plus similar arrangements at the Cuyabeno Wildlife Production Reserve (under auspices of the Inter-American Development Bank).

(iii) **Sustainable Financing** (Estimated, US\$11.5 million; Actual, US\$11.4 million). Help to ensure availability of a long-term, autonomous source of financing by consolidating the Protected Areas Fund, interest from which will cover the recurrent costs of nine protected areas . (Capitalization of the fund is based primarily on the proceeds of a debt-for-nature swap with Germany).

(iv) **Monitoring and Evaluation** (Estimated, US\$1.4; Actual, US\$1.9). Includes set up of a Protected Areas Information System, management efficiency monitoring of stakeholder participation and monitoring of project implementation.

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

The Bank prepared and supervised the Global Environment Facility (GEF) financial contribution to the project. Parallel financing was provided by national NGOs (US\$5.69, estimated and actual); this is not included in the cofinancing amount in Section 1 above. There was a delay between approval (November 2002) and effectiveness (December 2003) resulting from the government's objection to a stipulation in the Grant Agreement about the need to approve the Biodiversity Law; the Agreement was revised to allow the legal framework for managing the protected areas to be based on a regulation (approved in July 2006) under the Environmental Management Law. The closing date was extended by 6 months in order to "(i) follow-up on critical issues such as implementation of the Strategic Plan; (ii) improve management of the selected protected areas; and (iii) achieve the project's key performance indicators and objectives". (ICR, p. 5)

3. Relevance of Objectives & Design:

Objectives . The project responds to the challenge of containing the threats to flora and fauna in this 'megadiverse' country (one of only 17 in the world), where protected areas are subject to encroachment by farming, mining, oil drilling, shrimp farming and logging . It addresses conflicts with illegal settlers by proposing a stricter delimitation and defense of protected area boundaries . It tackles the financial vacuum left by the withdrawal of protected area earmarking of a large share of Galapagos tourist receipts . The project is consistent with GEF's mandate (relating to Operational Programs 2, 3 and 4) and the Bank's current Country Assistance Strategy (April 2003).

Design . The project's design drew on the Bank's long record in the region of supervising protected area trust funds, its ability to leverage long-term assistance from a wide range of donors, and its experience of working with local NGOs. Alternative designs were rejected for sound reasons : the attempt to make a limited intervention in *all* Ecuador's protected areas was dismissed because it would not produce a strong enough demonstration effect; the option of leaving trust fund administration to the government was discarded because similar arrangements in the past were not transparent and provided only erratic financing .

4. Achievement of Objectives (Efficacy):

The development objective can be decomposed into the following parts :

(i) **Improve natural resource management** . (*Substantial*) It is too early to assess the change in the biodiversity status of the protected areas: the first comparison against the baseline will be made in report scheduled for the end of 2009, the project team leader told IEG. But important intermediate outcomes have already been achieved : the expected number of protected areas with recurrent cost recovery was exceeded (11, up from 9); and the overall management framework for natural resource management--national and local-- was strengthened. Communities, particularly in Cotacachi-Cayapas, are negotiating more effectively with neighbors and authorities to resolve land use and boundary disputes. The experience and knowledge of local communities, nongovernmental organizations and the private sector were incorporated in the design of a participatory management process . To this end, the project supported the creation and strengthening of Participatory Management Committees, 7 in Cotacachi-Cayapas and 1 in Machalilla. There is a good gender balance in all the committees . The cost of running these committees has been met from interest payments accruing to the autonomous Protected Areas Fund and is not subject to the vagaries of the government budget.

(ii) **Strengthen the legal and institutional framework for protected areas** . (*Substantial*) Originally, approval of the Biodiversity Law was to provide the foundation; this proved to be unworkable because "the draft Law was perceived by a key sector of civil society as an instrument imposed by the international cooperation ". An alternative regulation (see Section 2d above) was developed, permitting concessions for tourist services in two protected areas, establishment of participatory management committees, and arrangements for revenues generated by protected areas to be reinvested in them. The Protected Areas Strategic Plan was updated, financial and managerial systems and a Biodiversity Monitoring System were made fully operational in 9 protected areas, and management plans are

under implementation in two priority protected areas .

(iii) **Develop a sound financing mechanism for protected areas** . (*High*) The appraisal target was for the protected areas trust fund (FAP) to become fully operational, realizing a capital endowment of US\$ 13 million and generating revenues covering about 14 percent of the recurrent costs of the entire National System of Protected Areas (NSPA), including full coverage of the recurrent costs of 9 areas. By project end the endowment had reached US\$ 13.5 million and the FAP supported 24 percent of NSPA recurrent costs, including full coverage of the recurrent costs of 11 areas--i.e. 2 more than originally planned.

5. Efficiency (not applicable to DPLs):

For the first two years of the project there were substantial implementation delays that could have reduced overall efficiency. But the project team made up substantial ground by quickly identifying least -cost means of carrying out project activities, drawing on the experience of several national and international nongovernmental organizations . The NSPA Financial Strategy exemplifies the cost-effective approach that was pursued . Under the auspices of the project, about US\$2 million additional funds were leveraged from a variety of NGOs (ICR, pp. 20-21). Also, based on its successful management of the protected areas trust fund, the National Environmental Fund (FAN) has been invited to administer endowments for other areas, including the Galapagos . This scaling-up effect enhances the overall efficiency of project resource use .

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

| | Rate Available? | Point Value | Coverage/Scope* |
|--------------|-----------------|-------------|-----------------|
| Appraisal | | % | % |
| ICR estimate | | % | % |

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

6. Outcome:

Relevance, efficacy and efficiency are each rated substantial, resulting in a satisfactory outcome rating .

a. **Outcome Rating** : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The overall institutional framework and financing mechanism seems to be solid, making it likely that the conservation of biodiversity has been sustainably strengthened in Ecuador . Encroachment on the protected areas is still a threat and whether the local population will continue to participate in protection may depend on whether they perceive a net income benefit from the new arrangements . There is no evidence yet that incomes have been enhanced as a consequence of the project : productive sub-projects (aquaculture, agro-forestry, tourism, etc) have still to be fully developed . But, in the discussion with IEG, the project team leader said that similar sub -projects have been developed in the area by other donors so the replication of these is possible . Also, the costs of running the participatory management committees is covered by interest accruing to the PAF endowment and is not contingent on the government's budget. The Ministry of Environment has no provision in its budget to fund the committees' operational activities, a concern expressed by participants at the stakeholder workshop held at project closing (ICR, p. 25); but this concern seems misplaced given the evident solidity of the PAF endowment .

a. **Risk to Development Outcome Rating** : Moderate

8. Assessment of Bank Performance:

Quality at entry was enhanced by incorporation of lessons learned from previous projects, particularly with respect to identification of risks . The Social Assessment shed insight on the priorities of local communities and their relationship with the protected areas . Quality of supervision was enhanced by the continuity of task management, and the responsiveness of the project team to stakeholder demands --which included the need to explain the project to each of the seven persons who became Minister of Environment during the project period . The team performed well in a difficult operating environment . Sound monitoring helped to strengthen project outcome. For example, a tool was developed to evaluate the efficiency of the management of two selected protected areas. As a result the management of each protected area improved (p. 67).

a. Ensuring Quality -at-Entry:Satisfactory

b. Quality of Supervision :Satisfactory

c. Overall Bank Performance :Satisfactory

9. Assessment of Borrower Performance:

The first phase of the project (until the end of 2004) was subject to major implementation delays related to shortfalls in government (Ministry of Environment) performance: inappropriate staffing, weak procurement and untimely reporting on the technical and financial aspects specified in legal covenants . These failings were largely absent from the second phase . The implementing agency (National Environmental Fund) coped very well with its primary responsibility--administering the protected areas trust fund --but (during the first year of the project only) it was also involved in work on components (i), (ii) and (iv) and here results were more patchy, partly because of poor coordination with staff at the Ministry of Environment .

a. Government Performance :Moderately Satisfactory

b. Implementing Agency Performance :Satisfactory

c. Overall Borrower Performance :Moderately Satisfactory

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

Design. Key Performance Indicators and data sources were well specified in the project design (see PAD, Annex 1) helping to ensure that the Ministry of Environment would have the information it needed to facilitate project implementation. Three levels of monitoring were developed : (i) tracking of project activities, (ii) progress reporting at individual protected areas and (iii) biodiversity monitoring.

Implementation . Level (i) monitoring was developed during the start-up phase of the project, and included an annual operations plan and weekly work plans . Level (ii) monitoring involved development of a baseline and adjustment of the methodology to the local context . Level (iii) monitoring entailed revisiting the baseline created during project preparation and selecting key biodiversity elements for periodic inspection .

Utilization . Level (i) and (ii) monitoring helped to improve the timeliness of management decision making . The level (iii) model was developed for the two priority protected areas but made such a good impression that the Ministry of Environment requested that it be extended to the other seven protected areas . The results from the level (iii) exercise confirmed that this was a viable approach but, owing to the shortness of the implementation period, it was too early by project closing to arrive at a definitive assessment of the project's impact on biodiversity status . To help make this assessment an independent impact evaluation will be conducted in February /March 2009.

a. M&E Quality Rating : Substantial

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

Environmental and social safeguards described in the PAD were complied with . As envisaged at appraisal, the project did not have any direct impacts in terms of alleviating poverty .

| 12. Ratings : | ICR | IEG Review | Reason for Disagreement / Comments |
|-------------------------------------|--------------|-------------------|---|
| Outcome: | Satisfactory | Satisfactory | |
| Risk to Development Outcome: | Moderate | Moderate | |
| Bank Performance : | Satisfactory | Satisfactory | |
| Borrower Performance : | Satisfactory | Moderately | There were delays in the early phase of |

| | | | |
|-------------------------|--|--------------|---|
| | | Satisfactory | implementation, attributable mainly to weaknesses in the government's performance (detailed in section 9 above) |
| Quality of ICR : | | Satisfactory | |

NOTES:

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

13. Lessons:

The ICR gives the following lessons of broad applicability :

- Essential laws should be enacted before projects are approved; enactment should not be a condition for loan effectiveness because approval is in the hands of the legislature and is outside the control of the project team and the government executing agency .
- Projects have a role to play in strengthening government capacity : rather than establishing an independent project implementation unit, this project worked with a counterpart team in a ministry, training up this team so that they will cope effectively with new operations .
- It is important to develop long-term financing mechanisms to cover the recurrent costs of protected areas .
- To ensure country ownership, a programmatic approach is best with GEF progressively reducing its participation and helping to leverage other funds .
- A well-developed monitoring and evaluation system facilitates adaptive management during and beyond project implementation .
- The World Bank/World Wildlife Fund monitoring tool is useful for setting up a biodiversity baseline and defining key indicators .

14. Assessment Recommended? Yes No

Why? In five or so years it would be good to investigate if local population is still engaged in managing the two protected areas, to what extent engagement is contingent on increased incomes from productive sub -projects in the project areas, and whether the management model has been replicated throughout the national protected area system.

15. Comments on Quality of ICR:

This is a thorough and well-presented assessment, with a particularly rich section on lessons learned .
a.Quality of ICR Rating : Satisfactory