



1. Project Data :
OEDID: L3461
Project ID: P007703
Project Name: Environmental Project
Country: Mexico
Sector: Pollution Control / Waste Management
L/C Number: Loan 3461-ME and GET Grant 28604
Partners involved : Global Environment Fund
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2. Project Objectives, Financing, Costs and Components :

The main objectives were (i) to develop and increase the government's capacity to carry out key environmental protection and resource management functions; (ii) to strengthen the institutional and policy framework to enable the government to carry out these functions in a more efficient and decentralized manner; (iii) to decentralize environmental management functions from the federal to the state and municipal levels, and transform the federal agency into a higher level policy, coordination and quality assurance body, and (iv) to conserve biodiversity in selected protected areas.

The project financed studies, training, goods, equipment, minor civil works, and project coordination for the following components and subcomponents:

- (1) pollution monitoring and control: (a) water pollution; (b) air pollution; (c) environmental laboratories; and (d) enforcement.
- (2) minimization of environmental impacts of investment projects: (a) ecological zoning; (b) impact minimization and risk assessment; and (c) strategic planning.
- (3) biodiversity conservation: (a) wildlife protection and conservation; (b) protection of sea turtles; (c) management of protected areas.
- (4) modernization of environmental management: (a) institutional strengthening; (b) decentralization pilot program; (c) economic instruments for the environment; (d) national training program; and (e) regulations and standards.
- (5) strategic studies: (a) review of legal framework; (b) environmental impacts on health; and (c) future environmental strategy for Mexico.

Total project costs of \$126.6 million were financed by an IBRD loan of \$50 million (Loan 3461-ME, approved on April 14, 1992), a Global Environment Trust grant of \$30 million for the protected areas management subcomponent, and cofinancing by the Government of Mexico. By project closing on December 31, 1997, two years later than planned: (i) of the IBRD loan, \$19.5 million had been disbursed and the balance of \$30.5 million had been cancelled; and (ii) of the GET grant, \$8.2 million had been disbursed, \$5.0 million had been cancelled and the balance of \$16.3 million transferred to a privately managed endowment fund for protected areas under GET Grant 28678 (not covered by this evaluation).

3. Achievement of Relevant Objectives :

The project's objectives were only partially achieved :

- (i) the government's capacity was improved in certain environmental areas but not in others;
- (ii) the institutional and policy framework were strengthened to some extent;
- (iii) the decentralization of environmental management functions and transformation of the federal organization was not achieved; and
- (iv) the conservation of biodiversity in selected protected areas was only partially achieved .

4. Significant Achievements :

The project substantially strengthened the government's capacity for enforcement of environmental regulations, land use planning, and environmental impact and risk assessments, and the country's training capacity on environmental topics. Air quality management programs for the largest cities, hazardous waste policies, environmental assessment and permitting systems, a revised set of environmental regulations and standards, and a framework for ecological

zoning were developed and partially implemented . Various policy and strategy studies were completed and indicators and information developed .

The project helped create centers for the rehabilitation of wildlife and protection of turtles, and to implement public education and awareness programs . In protected area management, the project contributed to a credible administrative presence in 10 key protection areas through management plans, emergency plans, local consultative mechanisms, and improvements in the way indigenous peoples participate in and benefit from project implementation.

5. Significant Shortcomings :

The project failed to transform the federal environmental organization into a higher level policy and coordination agency due to the government's inability to articulate and fund a decentralization process that would have transferred environmental management functions to state and municipal agencies, enhanced the role of NGOs and promoted private sector participation .

The water pollution subcomponent, designed to address one of the most critical environmental issues in the country, was cancelled due to poor implementation and institutional reorganization .

The establishment of environmental laboratories was cancelled due to Mexico's 1995 financial crisis.

The biodiversity conservation target was scaled back from 17 to 10 protected areas, with serious problems in some areas, including conflictive situations arising out of local consultative processes .

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Unsatisfactory	Marginally Unsatisfactory	Substantial achievements were made, which render a "marginally satisfactory" rating more appropriate than the ICR's rating of "deficient".
Institutional Dev .:	Partial	Modest	The two ratings are equivalent
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Unsatisfactory	There is a discrepancy between ICR's text, which rates Bank performance as "not fully satisfactory", and Table 1, where it rates "satisfactory". OED concurs with the text - the project was excessively complex and overambitious.
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

Decentralization activities will not be successful at the sectoral level, and in particular for the environment, unless they are part of a clear overall political commitment forcing change across all relevant sectors and are accompanied by appropriate reallocation of fiscal resources and resource mobilization authority .

In Mexico, as in many other countries, protected areas have often been created on community and private lands with little consultation or respect for the rights of local communities . While this may have been understandable given the urgency of biodiversity protection, securing the trust of communities, transferring some management responsibilities on their own lands, and putting in place adequate consultation, participation and compensation mechanisms, need to accompany any protected areas program for conflicts to be manageable and the program to be successful .

8. Audit Recommended? ☒ Yes ☐ No

Why? An audit of this project should be a part of a broader OED inquiry into the results of the Bank's environmental lending in general, and in Mexico in particular .

9. Comments on Quality of ICR :

This ICR provides a sound analysis of the implementation experience of the project, with comprehensive information on results and arrangements for the future operation of each of the many components and subcomponents . The lessons learned are plentiful and well-supported by the analysis in the report . The quality of the report could have been raised above its already very good standard through mention of the number of supervision missions and the Board approval date for the loan restructuring, and inclusion of the aide memoire of the ICR mission and comments from the cofinancier (GEF).

