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**PROJECT PERFORMANCE ASSESSMENT REPORT**  
**ECUADOR – NATIONAL SYSTEM OF PROTECTED AREAS**  
**(GEF GRANTS NOS. TF051537 AND TF051486)**

**June 27, 2011**

**IEG Public Sector Evaluation**  
*Independent Evaluation Group*

## Currency Equivalents (annual averages)

### Ecuador

*Currency Unit = US Dollar*

2003	US\$ 1.00	US\$ 1.00
2004	US\$ 1.00	US\$ 1.00
2005	US\$ 1.00	US\$ 1.00
2006	US\$ 1.00	US\$ 1.00
2007	US\$ 1.00	US\$ 1.00
2008	US\$ 1.00	US\$ 1.00
2009	US\$ 1.00	US\$ 1.00

\* Since 2000, Ecuador has adopted the US dollar as its own currency.

## Abbreviations and Acronyms

CAS	Country Assistance Strategy
DNB	<i>Dirección Nacional del Biodiversidad</i> in MAE
FAN	<i>Fondo Ambiental Nacional</i> (National Environment Foundation)
FAP	<i>Fondo de Areas Protegidas</i> (Protected Areas Fund)
GEF	Global Environment Facility
GEO	Global Environmental Objective
ICR	Implementation Completion Report
IEG	Independent Evaluation Group
IEGPS	IEG Public Sector Evaluation
MAE	<i>Ministerio del Ambiente</i> (Environment Ministry)
PANE	<i>Patrimonio de Areas Naturales del Estado</i> (Federal System of Natural Areas)
PMC	Participatory Management Committees
PPAR	Project Performance Assessment Report
SNAP	<i>Sistema Nacional de Areas Protegidas</i> (National Protected Areas System)
UNDP	United Nations Development Programme

## Fiscal Year

Government: January 1- December 31

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This report was prepared by Richard C. Worden, who assessed the project in February 2011. The Report was Peer and Panel Reviewed by Lauren Kelly and John Heath respectively. Maria Margarita Sanchez provided administrative support.

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## Principal Ratings

### ECUADOR – National System of Protected Areas Project (GEF Grants Nos. TF051537 and TF051486)

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	Moderately Unsatisfactory
Risk to Development Outcome	Moderate	Moderate	Substantial
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Moderately Satisfactory	Moderately Unsatisfactory

\* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.

## Key Staff Responsible

### ECUADOR – National System of Protected Areas Project (GEF Grants Nos. TF051537 and TF051486)

<i>Project</i>	<i>Task Manager/Leader</i>	<i>Division Chief/ Sector Director</i>	<i>Country Director</i>
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**IEG Mission: Improving development results through excellence in evaluation.**
**About this Report**

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

**About the IEG Rating System for Public Sector Evaluations**

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: <http://worldbank.org/ieg>).

**Outcome:** The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Risk to Development Outcome:** The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

**Bank Performance:** The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

**Borrower Performance:** The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

## Preface

This is a Project Performance Assessment Report (PPAR) for the US\$8 million National System of Protected Areas Project (GEF-SNAP) that was financed by the Global Environment Facility (GEF) and executed by the World Bank. Two GEF Trust Fund grants were made: a US\$3.7 million GEF grant to the Ministry of the Environment (*Ministerio del Ambiente* or MAE) to ensure the conservation and management of Ecuador's biodiversity for socially sustainable development by strengthening the national protected areas system (SNAP for *Sistema Nacional de Areas Protegidas*); and a US\$4.3 million GEF Trust Fund grant to the National Environment Fund (*Fondo Ambiental Nacional* or FAN) to create a stable, long-term source of endowment funding to support SNAP. Total co-financing of MAE and FAN amounted to US\$36.6 million comprising, in addition to GEF's 22 percent contribution, funds from the Government of Germany (KfW, US\$8.3 million), the Inter-American Development Bank (US\$5.0 million), and the Netherlands (US \$2.3 million). Counterpart funds amounted to US\$7.3 million. A further US\$5.7 million came as parallel financing from national and international environmental NGOs. The GEF-SNAP Project was approved by the Bank's Board on November 26, 2002, but did not become effective until December 16, 2003. The grant closed four years later on December 31, 2007.

This PPAR was prepared by Richard Carlos Worden, IEG Senior Environmental Specialist. The peer reviewer was Lauren Kelly and the panel reviewer was John Heath. The findings are based on a mission in February 2011, which included visits to two protected areas within SNAP where project activities were conducted (the Cotacacchi-Cayapas Ecological Reserve and Machalilla National Park). Meetings and interviews were held with national project implementing agencies, project partners and beneficiaries in Quito and at the two sites. Mission preparations included reviewing project documents, and initial planning discussions with Bank project staff and implementing partners.

The IEG team would like to acknowledge the time and assistance provided by the Government of Ecuador in the MAE, and many dedicated World Bank and park service staff as well. Special thanks go to Sras. Ana Maria Villaquiran and Gabriela Arcos at the World Bank office in Ecuador for all the assistance they provided to the mission. In addition, the time and insights of Sr. Galo Rosales and the staff of Cotacacchi-Cayapas Ecological Reserve, Sr. Roddy Macías, Fernando Vera and Vincente Alvarez in Machalilla National Park were also greatly appreciated.

Following standard IEG procedures, copies of the draft PPAR were sent to the relevant government officials and agencies for their review and comments. No comments were received.



## Summary

Ecuador is one of 17 “mega-diverse” countries in the world and one of five in South America (the others being Brazil, Colombia, Peru, and Venezuela). Although it represents only 0.2 percent of world landmass it contains 18 percent of all bird species, 10 percent of amphibians, and 8 percent of mammals. The Galapagos Islands were the site of the first national park in Ecuador, established by presidential decree in 1936. A new National System of Protected Areas (SNAP) was inaugurated in 1976. The Ministry of the Environment (MAE), created in 1999, is charged with the sustainable management of SNAP, and is required under the new Constitution (Article 405) to “allocate the financial resources needed to ensure the system’s financial sustainability and foster the participation of the communities.”

The GEF-SNAP Project addressed many issues left unresolved by its predecessor, the Biodiversity Conservation Project (1994-2000). These issues included weak institutional capacity, inadequate financing, flawed operational guidelines, inconsistent practices for managing protected areas, and inadequate enforcement of existing laws and regulations.

The objective of the project was “to ensure the conservation and management of Ecuador's biodiversity for socially sustainable development by strengthening the National System of Protected Areas.” The means to achieve this objective were “through improving the legal, institutional and financial foundations and capacities for the integrated, participatory management of protected areas.”

With respect to improving the legal and institutional foundation of the SNAP, project results were limited. The Biodiversity Strategy was adopted as a ministerial decree by MAE in 2001 before the start of the project. However, a Biodiversity Law proposed to Ecuador’s Congress that same year based upon the Strategy has not yet been passed. The set of legal instruments comprising the “adequate environmental framework” that was required to be implemented within two years of the date of effectiveness by the Bank as a condition of approving the grant was passed in July 2006, but since then several of the seven elements of that framework are not currently active or in effect, such as the participatory management committees, and re-investment of self-generated fees or telecommunication infrastructure fees in protected areas. The SNAP Strategic Plan was adopted by MAE as a Ministerial Decree one month before project closing providing policy guidance for MAE’s management of the SNAP and a strategic framework for orienting donor assistance. It was submitted to the President of the Republic, but was never signed as a Presidential Decree. Components of the complex monitoring and evaluation system (SIG-SNAP and BMS) that the project supported were not operating at the time of the IEG mission, and IEG found no evidence that the National Biodiversity Directorate (DNB) had taken full advantage of project efforts to build its capacity to plan, control and monitor the management of the SNAP.

On the other hand, the project did realize its goal of creating an improved financial foundation for SNAP. A Protected Areas Trust Fund (FAP) was created, and the target of raising US\$13.5 million in endowments by project closing was exceeded (FAP now

contains US\$19.5 million). Disbursement and cost recovery targets were also exceeded: 11 SNAP reserves and parks were funded (the target was 9); and 15 percent of their operating costs were covered (compared to the 14 percent target). FAP now disburses 25 percent more than it did in 2007. However, recent government policies regarding entry fees, concession tariffs, and re-investment of a portion of revenues generated by protected areas have undermined the system's financial self-sufficiency.

Finally, in terms of DNB's capacity to manage the SNAP in an integrated and participatory manner, the results were modest. The participatory management commissions (PMC) and concession operations did not work well, and have not become useful models for replication elsewhere in SNAP. The PMCs set up by the project stopped operating once project funds ended in 2007, and were inactive at the time of the IEG assessment mission. The concession services established at the two sites provide services to tourists. However, contrary to appraisal expectations, they have not generated significant revenues locally. Nor lightened the workload of SNAP staff because of the level of supervision they require. Therefore, the achievement of the project's overall objective to ensure the conservation and management of Ecuador's biodiversity by strengthening SNAP was modest.

## **Project Ratings**

**IEG rates Outcome as moderately unsatisfactory.** In view of Ecuador's unique global status as a repository of species diversity the relevance of the project objective was substantial, and the relevance of project design was substantial since the project's components, activities and inputs in relation to the project's objectives were conceptually sound and logical. The efficacy of the project was rated modest because, as noted above, only one of three intermediate results (creating an endowment fund) was fully achieved; system-wide institutional strengthening and legal reform as well as participatory management of the two pilot protected areas were modest. Thus, limited progress was made toward the overall objective of ensuring the conservation and management of Ecuador's biodiversity by strengthening the SNAP. The efficiency of resource use was also modest for three reasons: first, project outputs were less than expected without any savings in costs; second, no allowance was made for measuring the cost effectiveness of protected area management relative to systems in other countries; and, third, institutional deficiencies led to implementation delays.

**Risk to Development Outcome is rated significant.** DNB's long-term management capacity and the legal and regulatory framework that are an essential underpinning of future effective management of SNAP remain weak. Although the project exceeded its outcome targets with respect to sustainable financing of SNAP, there is still a 57 percent shortfall in covering the basic operating costs of SNAP. No new donations have been made to the endowment fund since 2008. The recent reduction in park entry fees, concession tariffs, and retention of a portion of self-generated revenues at individual sites has further reduced prospects for the long-term financial sustainability of SNAP.

**Bank Performance is rated moderately satisfactory.** Quality at entry was compromised by the failure to take sufficient steps to increase the capacity of MAE to implement the project. During supervision, the Bank acted swiftly to intervene and

secure their replacement when project management staff members performed poorly at the beginning of the project. In addition, the Bank did successfully support preparation of a vital system-wide Financial Needs Assessment as well as the SNAP Strategic Plan and management plans at the two pilot protected areas. However, the Bank was slow to respond to obvious shortcomings in the PMCs at the two pilot sites, and to the unclear division of responsibilities between the two implementing agencies, FAN and MAE.

**Borrower Performance is rated moderately unsatisfactory.** Government met its counterpart funding obligations and provided the seed money needed to attract more than US\$18 million in matching funds from external donors. But the government was also responsible for a lack of continuity in policies and leadership that hampered achievement of the project objective. The two implementing agencies performed very differently. MAE was unable to effectively carry out the project activities for which it was responsible. Conversely, FAN successfully discharged its responsibility for creating and administering an endowment fund for SNAP.

## Lessons Learned

*In designing participatory models for protected area management, the Bank needs to draw upon successful experiences in other countries.* The PMCs and private sector concessions set up at the two pilot SNAP sites did not work well, and did not contribute to improved management of these protected areas. While the need for input from stakeholders is indisputable, the manner in which it is integrated into park management decisions requires further thought and experimentation. Better results may have been achieved if other successful models had been assessed in terms of Ecuador's circumstances during preparation and appraisal, such as the Indigenous Management of Protected Areas Project in the Peruvian Amazon or the Natural Protected Areas Project in Mexico.

*Support for protected areas needs to be based upon a careful analysis of their revenue and expenditure streams over time to estimate the minimum amount required for their sound management as part of the whole system.* The Financial Needs Analysis of the SNAP was very useful by revealing the shortfall between current public expenditures for the system (US \$2.7 million) and the minimum amount required for its operation (US \$6.3 million). An updated financial analysis, coupled with an estimation of the economic benefits that flow to local and national economies from protected areas (environmental services, foreign exchange earnings from tourism, etc.), can strengthen the case for adequately funding protected areas elsewhere.

*Non-profit, private sector institutions can serve the public interest by independently managing endowment funds for protected areas.* In this case, a private sector entity (FAN) administered the Protected Areas Fund (FAP) effectively and efficiently. It provides an alternative model to public management that might be applied elsewhere in situations where transparency and freedom from political influence is at a premium.

*Effective management of protected area systems requires sustainable financing to ensure basic operating costs are covered for all of the protected areas within the system.* With the exception of the Galapagos Marine Reserve and National Park which

do not share any of the revenues they generate with the rest of Ecuador's protected areas system despite raising 4.8 times as much as the other 34 SNAP sites combined, the other protected areas in Ecuador are "severely and chronically underfunded" below their basic needs, according to the Financial Needs Analysis conducted by the Ministry, FAN, and a group of NGOs in 2005. In contrast to the Galapagos, all the other protected areas within SNAP must remit 100 percent of the revenues they generate to the national treasury and receive only 30 percent of government fiscal support (the other 70 percent goes to the Galapagos). Thus, an appropriate revenue-sharing arrangement is not in place nor is the support provided by the government to SNAP sufficient at this time.

Vinod Thomas  
Director-General  
Evaluation

# 1. Background

1.1 Ecuador is one of 17 “mega-diverse” countries in the world; and one of five in South America (the others being Brazil, Colombia, Peru, and Venezuela) in terms of its biological diversity (biodiversity).<sup>1</sup> Although it represents only 0.2 percent of the world’s land surface, it contains more than 18 percent of the planet’s bird species, 10 percent of its amphibians, and 8 percent of its mammals. This rich biodiversity is now threatened by expansion of the agricultural frontier, mining, oil exploration and production, major infrastructure works, commercial shrimp farming and fisheries, and timber extraction.

1.2 The first national park in Ecuador was created in 1936 by presidential decree to preserve and protect the Galapagos Islands and surrounding marine area. However, another 30 years passed before a second protected area, the Geo-Botanical Reserve of Puluahua, was added to Ecuador’s protected area system by the Ministry of Agriculture. Over the next 40 years, responsibility for managing these protected areas was poorly defined, shifting from the Ministry of Agriculture to the Ministry of Production and then back again to the Ministry of Agriculture between 1960 and 1975. The regulatory, legal and policy framework was also weak.

1.3 In 1976, the Ministry of Agriculture, acting with international donor assistance, proposed a Preliminary Strategy for Conserving the outstanding Wildlands of Ecuador (*Estrategia Preliminar para la Conservación de Areas Silvestres Sobresalientes de Ecuador*). This led to a re-thinking of the role of these areas, shifting the emphasis from commercial exploitation that had dominated national economic development and planning processes up to that time to conservation.

1.4 The 1976 Strategy for Protected Areas created six new national parks and seven new reserves. A new National System of Protected Areas (SNAP) evolved over the course of the next thirteen years. There are now 33 sites within SNAP, excluding the Galapagos National Park and Marine Reserve, which were given special legal status by Presidential decree (*Ley de Regimen Especial No. 278*) in 1996. This decree set it apart from other units of SNAP administratively and financially, allowing it to retain 95 percent of self-generated revenues, due to its unique ecological and historic and strategic importance to Ecuador as an international tourist destination.

1.5 An amendment to this Special Law (*Ley de Reforma Orgánica del Regimen Municipal No. 429*) in 2004 eliminated the remaining five percent contribution of revenues that the Galapagos shared with the other sites in SNAP. Thus, as this project was being designed and appraised, addressing the serious funding shortfall of SNAP and securing a stable source of long-term financial support for it was of paramount importance.

1.6 In 1989, a second national strategy was unveiled, placing greater emphasis on analyzing the representativeness of all the country’s eco-regions within the SNAP, the contribution of each park to system’s conservation objectives, and the provision of

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<sup>1</sup> World Wildlife Fund.

environmental goods and services for society at large. This strategy also promoted community participation in land-use planning activities and decisions involving the conservation of protected areas.

1.7 In 1991, the Ecuadorian Institute of Forestry, Natural Areas and Wildlife (INEFAN) was created within the Ministry of Agriculture. INEFAN became the leading national authority in the conservation field, helping to build a national consensus that natural areas should primarily be conserved rather than commercially exploited. The following year a national environmental commission (CAAM) was formed, leading in 1996 to the creation of a new Ministry of the Environment (MAE), which incorporated the functions and staff of INEFAN.

1.8 In 1998, Ecuador's newly approved Constitution declared that SNAP's purpose was to "guarantee the conservation of biodiversity and the maintenance of ecological services in accordance with Ecuador's obligations under international agreements."<sup>2</sup> The 1999 Strategic Plan expanded the system of protected areas to include regional, municipal and privately-held protected areas, and involving regional development cooperatives and the private sector more in their management. It called this system the National Patrimony of Natural Areas (PANE). It is larger than SNAP and currently comprises 45 sites, including 11 National Parks, 10 Wildlife Refuges, four Biological Reserves, National Recreational Areas, and Wildlife Reproductive Areas each, nine Ecological Reserves, two Marine Reserves, and one Geobotanic Reserves covering nearly 4.8 million hectares or 17 percent of Ecuador's land area.

1.9 There are also 44 important buffer zones known as "special areas" or "protective forests" that act as *de facto* conservation corridors and are not part of SNAP. There are three classes of protective forests (medium, high and very high priority), encompassing over half a million hectares (543,100 ha). The following year MAE presented a new Strategic Plan for SNAP with assistance provided under the first GEF-supported Biodiversity Protection Project. Although this proposal was never passed by Ecuador's Congress, it served as a reference point for the functioning and operation of SNAP over the next several years. In 2006, the current Strategic Plan for SNAP was created by MAE, with assistance from the current GEF-SNAP Project. It also has never been officially approved as state policy.

1.10 In 2008, the voters of Ecuador approved a new Constitution. Under Article 405, it states that, "The national system of protected areas shall guarantee the conservation of biodiversity and the maintenance of ecological functions. The system shall be comprised of state, decentralized autonomous, community and private subsystems, and it shall be directed and regulated by the State. The State shall allocate the financial resources needed to ensure the system's financial sustainability, and shall foster the participation of the communities, peoples, and nations who have their ancestral dwelling places in the protected areas in their administration and management."<sup>3</sup>

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<sup>2</sup> Article 86 of the Constitution: *Políticas y Plan Estratégico del Sistema Nacional de Áreas Protegidas del Ecuador 2007 – 2016*, p. 16, 2006.

<sup>3</sup> (Section 3 of Chapter 2 of Title VII)

1.11 Ecuador also has twelve coastal and two marine protected areas (including the National Park and Marine Reserve of the Galapagos Archipelago), covering over 1.5 million hectares. Of these fourteen sites, eleven are also designated as “wetlands of international importance,” according to the criteria established by the International Convention on Wetlands (RAMSAR, 1971). The wetland sites include Machalilla National Park (MNP), which is located on the central coastline of Ecuador, and was one of two parks targeted for pilot activities by the project. A map of Ecuador’s National System of Protected Areas is presented in Figure 1 at the back of the report in Annex C.

## **Related World Bank and Donor Assistance Projects**

1.12 Prior to the project assessed here, the World Bank had gained several years of experience supervising similar projects in Ecuador and throughout Latin America, progressively developing its expertise in working with local NGOs and communities to implement GEF medium- and small-sized projects.

1.13 The most important of these previous projects was the US \$8.3 million GEF grant-supported Biodiversity Protection Project (GEF No. 28700-EC), which became effective in mid-1994 and closed at the end of March, 2000. This project provided financial and technical support to strengthen INEFAN (the predecessor to MAE, which was created in 1996 as part of a government overhaul of the country’s weak environmental management system). The project sponsored a review of Ecuador’s legal and regulatory framework, comparing it to other countries. It also supported public education and outreach activities, and prepared management plans and infrastructure improvements at the Galapagos National Park and Marine Reserve, as well as at seven other SNAP sites. These sites included the two sites that were later targeted to pilot participatory co-management approaches under this follow-on project: Machalilla National Park, and the Cotacacchi-Cayapas Ecological Reserve.

## **2. Ecuador’s Protected Areas System Project**

2.1 Much of the rationale for the GEF-SNAP Project was based on addressing several issues that had been left unresolved by its predecessor, the Biodiversity Conservation Project of 1994 – 2000. These issues included weak institutional capacity and the lack of a stable source of SNAP financing, lack of an operational national policy and consistent practices for managing protected areas, and inadequate enforcement of existing laws and regulations. The GEF-SNAP Project (henceforth, “the project”) had an almost identical rationale and set of objectives as its predecessor.

2.2 Bank support of the project sought to address : (i) the continuing threats to protected areas and biodiversity, (ii) unresolved conflicts with local landowners and communities over ambiguity of land tenure and boundaries in areas next to or within protected areas, (iii) lack of enforcement of compatible land-uses in buffer zones, (iv) weak institutional capacity of MAE, and (v) the lack of sustained financing for MAE to adequately manage SNAP sites, especially since the new amendment to the Special Law

of the Galapagos Islands had completely cut off the sharing of any revenues (the final 5 percent) from the Galapagos Islands to the other sites within the SNAP.<sup>4</sup>

## **Project Objectives and Design**

### **OBJECTIVES**

2.3 The Project's Development Objective (PDO) and Global Environmental Objective (GEO), as stated in the Project Appraisal Document (PAD) and the Implementation Completion Report (ICR) are identical: "to ensure the conservation and management of Ecuador's biodiversity for socially sustainable development by strengthening the National System of Protected Areas through improving the legal, institutional and financial foundations and capacities for the integrated, participatory management of protected areas."<sup>5</sup> The statement of objectives in the GEF Trust Fund Grant Agreement (TF-051537) was identical, but it did not outline the means by which the objective would be achieved. It simply stated the objective as: "to ensure the conservation and management of Ecuador's biodiversity for socially sustainable development through the strengthening of SNAP."

2.4 For the purposes of this evaluation, the following three intermediate outcomes will be used to assess the project in terms of achieving its project development objective. Specifically, the project will be assessed in terms of:

- Improving institutional and legal foundation of the SNAP;
- Improving the financial foundation of the SNAP; and
- Improving the capacities for the integrated, participatory management of SNAP.

2.5 The extent to which these three intermediate outcomes were achieved will determine whether the objective of ensuring the conservation and management of biodiversity in Ecuador by strengthening the SNAP has been achieved.

### **COMPONENTS**

2.6 The project consisted of the following four components:

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4. The Biodiversity Conservation Project actually exacerbated the issue of a lack of sustainable financing for the SNAP, which it characterized as a positive outcome for the Galapagos National Park and Marine Reserve while ignoring the obvious implications for the financial impact on the SANP, when that project catalyzed a public debate over sharing revenues generated by the Galapagos Islands with the other sites in the SNAP. The ICR for that project justified this elimination of revenue-sharing by stating that "only a very small fraction returns for the protection of the Galapagos Islands. This Special Law is a success for Galapagos National Park's long-term protection." (p. v) The ICR for the GEF-SNAP Project characterized this very differently, stating on p. 2 that "with the promulgation of the Special Galapagos Law, 95 % of this revenue benefited the Galapagos province, and only 5% was channeled to MAE. When the project started implementation, a new legal reform eliminated the 5% contribution to MAE, consequently, the NSPA was facing a serious deficit and the mainland PAs did not receive sufficient financing to ensure their long-term existence."

<sup>5</sup> PAD for the GEF-SNAP Project, p. 3, October 31, 2003; and the ICR for the GEF-SNAP Project, p. 3, June 5, 2008.

- **Component 1: Institutional Strengthening and Legal Development.** (Expected cost at appraisal, US\$6.2 million; actual cost by closing, US\$5.8 million) This component aimed to consolidate the role of the National Directorate of Biodiversity (DNB) within MAE. The intent was to strengthen its planning, control and monitoring capacities to ensure the effective management of SNAP. DNB was also expected to develop the regulatory framework needed to support participatory management and co-management of protected areas, developing a long-term strategy that was consistent with the broader policy framework of national policies and strategies for sustainable social and economic development.
- **Component 2: Participatory Management of Priority Protected Areas** (Expected cost at appraisal, US\$17.6 million; actual cost by closing, US\$ 17.2 million) This component aimed to promote the participatory management of two priority protected areas (Cotacachi-Cayapas Ecological Reserve and Machalilla National Park) by developing participatory models according to the specific social and political conditions of each area. For this purpose, the project would support the creation and strengthening of local participatory management committees (PMC) that would represent various stakeholders. Also, the project would finance the updating and/or preparation of management plans and the implementation of priority activities, as well as the recurrent costs of the Machalilla National Park and the Cotacachi-Cayapas Ecological Reserve. Furthermore, limited support would be provided to the Cuyabeno Wildlife Production Reserve during the first year of project implementation prior to receiving funding from the Protected Areas Fund.
- **Component 3: Sustainable Financing of SNAP.** (Expected cost at appraisal, US\$11.5 million; actual cost by closing, US\$11.4 million). This component was directed at consolidating the Protected Areas Fund (FAP) managed by the National Environmental Fund (*Fondo Ambiental Nacional*). The FAP was a strategic response to a lack of a long-term funding mechanism to support conservation within the National Patrimony of Protected Areas (PANE). Its aim was to support a percentage of operating costs within nine protected areas of SNAP. Once those recurring costs had been covered, additional resources could be used to support capital improvement investments in biodiversity conservation efforts at those sites.
- **Component 4: Project Monitoring and Evaluation.** (Expected cost at appraisal, US\$1.4 million; actual cost by closing, US\$1.9 million) This component financed an internet-based electronic management and administrative tracking system containing the following elements: (i) Protected Areas Information System; (ii) Management Efficiency Monitoring System within the two pilot protected areas; (iii) Biodiversity Monitoring System; and (iv) Financial and Administrative Management System of project activities.

### 3. Project Implementation

3.1 There were two implementing agencies for the project. The National Directorate of Biodiversity and Protected Areas (DNB) within the Ministry of Environment (MAE) was responsible for the technical implementation of Component 1 (Institutional

Strengthening and Legal Development of SNAP), Component 2 (Participatory Management of Priority Protected Areas), and Component 4 (Project Monitoring and Evaluation). The National Environment Fund (FAN) was responsible for carrying out Component 3 (Protected Areas Fund or PAF). FAN acted as both the grant recipient and implementing agency. It is a non-profit, private-sector entity established in 1996 by governmental decree with the public purpose of attracting, managing, and disbursing external sources of financial assistance to support environmental activities within the various units of the SNAP. It is governed by a seven-member board of directors, headed by MAE as the government's representative with three members, one each from academia, the NGO community and the private sector, with the remaining three members unanimously approved by the others for their recognized expertise in natural resources management, financial management, or philanthropic fund-raising.

3.2 The project was approved by the Bank's Board in December 2002, but did not become effective until December 16, 2003, due to prolonged negotiations between the Bank and the borrower over conditionality clauses in the grant agreement stipulating that Ecuador's proposed Biodiversity Law would be passed by its Congress within the first two years of project implementation. The government indicated to the Bank that it could not commit itself to the approval of the Biodiversity Law given that this decision was beyond its control and that such a condition was inconsistent with the sovereign rights of a country to establish its own legal framework. Therefore, the Bank agreed to amend the agreement, making it a requirement that the government develop an adequate environmental framework for project implementation. Two weeks later the project became effective. However, the first disbursement of US \$4.08 million was not made until June 2004. During implementation, GEF grant funds were reallocated in July 2006 and in January 2007: expenditures were increased for infrastructure "works" and "goods" under the MAE/DNB components (1, 2 and 4) by US \$337,250. GEF funding for "consultant services" was reduced by US \$315,000 to US 1.9 million. GEF grant funds to support MAE's project management expenses nearly quadrupled from US \$130,000 to \$507,000 while GEF funds to pay for recurring operating costs at the two selected protected areas were reduced by a similar amount.

3.3 The project's technical team performed unsatisfactorily during the first year of implementation, due to high staff turnover. At the Bank's request, the Ministry of Environment agreed to put a new Project Coordinator and technical team into place, but there was a lengthy delay in replacing the vacant positions for Legal Specialist, Financial Strategy Specialist, and Social Specialist. The project closed at the end of 2007, six months later than planned, the delay being necessary to ensure implementation of the Strategic Plan, improved management of the two selected protected areas, and achievement of several output targets.

3.4 **Safeguard Policies:** The Bank's Environmental Assessment operational policy (OP 4.01) and three social/cultural policies (OP 4.10 for Indigenous Peoples, OP 4.11 for Physical Cultural Resources, and OP 4.12 for Involuntary Resettlement) were triggered by the project due to potential restrictions on local indigenous communities' traditional rights to extract natural resources, such as wood and game, from protected areas or their buffer zones. There were no significant deviations or waivers from the

Bank safeguards during the implementation of the project, which were assessed during supervision missions.

3.5 ***Fiduciary Issues:*** During project appraisal, the Financial Management and Procurement Capacity Assessments carried out by the Bank concluded that MAE's fiduciary capabilities were inadequate to meet the Bank's financial management standards and requirements, and it was agreed to transfer fiduciary responsibilities over to FAN during the first year of implementation. However, there were delays and confusion caused by this transfer of fiduciary responsibilities, and it was not until January 2006 that these responsibilities were transferred back to the Ministry from FAN. However, there continued to be coordination difficulties and misunderstandings by the Ministry's financial management staff regarding the application of the Bank's procedures as specified in the project's Operational Manual. Audit reports and interim un-audited reports were submitted after deadlines, preventing the timely and reliable provision of information required to manage and monitor the implementation of the project.

## 4. Achievement of Project Objective

4.1 **Project objective:** *“Ensure the conservation and management of Ecuador's biodiversity for socially sustainable development by strengthening the National System of Protected Areas through improving the legal, institutional and financial foundations and capacities for the integrated, participatory management of protected areas.”*

4.2 Achieving the project objective to ensure the conservation and management of Ecuador's biodiversity depended upon realizing three intermediate results: (i) improving the institutional and legal foundation of the SNAP; (ii) improving the financial foundation of the SNAP by establishing a stable, transparent endowment fund; and (iii) enhancing the capacity to manage the SNAP in an integrated, participatory manner through pilot initiatives in two protected areas (Cotacacchi-Cayapas Ecological Reserve and Machalilla National Park).

### **Improve the Institutional and Legal Foundation of SNAP**

4.3 The activities aimed at strengthening the DNB's planning, control and monitoring capacities to effectively manage the protected areas system were focused in the first (Institutional Strengthening and Legal Development) and last (Project Monitoring and Evaluation) components. Having failed to make passage of the Biodiversity Law a condition of the grant agreement, the Bank proposed an alternative strategy requiring the Environment Ministry to develop a set of regulations to incorporate greater participation by local communities in park management and increasing the communities' share of the economic benefits derived from in-park tourism concessions. These approaches were piloted by the project at the Cotacachi-Cayapas and Machalilla sites as potential models for replication at other SNAP sites. The ministerial decree authorizing this new approach was not approved until July 2006, more than two and a half years after the start of the project, and with only one and a half years remaining until the project closing date. This decree also contained provisions to prepare a strategic plan for SNAP and protected area management plans at individual

sites, and allowed them to retain a portion of the revenues they generated to invest in park capital improvements.

4.4 IEG reviewed the Strategic Plan for SNAP (2007-2016) and park management plans for Cotacachi-Cayapas and Machalilla. The Strategic Plan contained the 13 policies that guide the management of SNAP, a diagnostic of the system, a review of its legal and regulatory framework, and an assessment of its current status. Looking forward, it contained an analysis of alternatives, a section on objectives, goals, strategies, and priority actions that was clearly and logically laid out, and a well thought-out chronogram of sequenced actions to be taken over the 10-year lifespan of the Plan. The budget was based on an independent and credible analysis of SNAP's financial needs done for MAE/DNB by a Technical Assistance Group (*Grupo Promotor*) comprised of representatives from environmental NGOs, donors (USAID and KfW), and FAN.

4.5 The Strategic Plan also served as a model for the preparation of the management plans for Cotacachi-Cayapas and Machalilla, which included mechanisms for broader participation by local communities and a greater role for private concessions. The Plan was adopted by ministerial decree in 2005. It provides policy guidance and a strategic framework for donor assistance; and was submitted to the President in the hopes that it would be legalized by means of a presidential decree, but this has not yet occurred.<sup>6</sup>

4.6 Finally, in terms of reforming the legal and regulatory framework to manage the protected areas system, the Ministry of Environment had proposed creating an Environmental Superintendency to assume primary responsibility for policy making, allowing MAE to focus on technical and managerial activities. However, at the time of the IEG mission, this proposal had not been acted upon nor had the Biodiversity Strategy that the Ministry adopted in 2001 been codified and approved as a law.

4.7 Under the project monitoring and evaluation (M&E) component, DNB received project assistance to strengthen its planning, control and monitoring capacities to effectively manage the protected areas system. The centerpiece of this assistance was the electronic, internet-based management and administrative tracking system (SAG-SNAP) containing the following elements: (i) Protected Areas Information System; (ii) Management Efficiency Monitoring System; (iii) Biodiversity Monitoring System within the two pilot protected areas (originally referred to in the PAD as a "Social Monitoring" system); and (iv) Financial and Administrative Management System to track project activities. The system design was complex and sophisticated, and it was unrealistic to assume that the Ministry could implement it across the entire SNAP.

4.8 Before project startup, the Bank had executed the GEF-supported Monitoring the Galapagos Island Project (1998 - 2002). The objective of this project was to establish a monitoring system to evaluate conservation of the Galapagos Islands' eco-region,

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<sup>6</sup> ICR for the GEF-SNAP, page 52, June 5, 2008.: *The Strategic Plan for SNAP is recognized as a modern tool that might be the best contribution of the SNAP-GEF Project. It is a complete, published product, but it has not yet been legalized officially. Due to the national importance of this tool, it is hoped that it will be legalized by means of an Executive Decree, the text of which has been sent to the President of the Republic.*"

monitor key environmental variables, and provide information to local stakeholders and policy makers regarding management of the Galapagos. The monitoring tools and methodologies developed under the Galapagos project were used as inputs to design and develop the M&E tools and system for the GEF-SNAP Project. These proved to be too demanding and difficult a system for the Ministry to implement.

4.9 At the time of the IEG assessment mission, the electronic management information system (SAG-SNAP) was being uploaded into a larger government-wide system that was under construction, and it was not possible to verify its capabilities. The Ministry and SNAP websites were operating, but were limited to providing only basic data; most of the links were either missing or not working. The only means of assessing the system's capabilities was through a review of project documents. The information system was supposed to be installed and operated in 10 regional district offices of the Ministry, and piloted at nine protected areas. While it could not be independently determined how many regional districts had installed the system, it was not being used in the two districts visited during the IEG mission, and the survey of beneficiaries indicated that it was only operational in four pilot sites due to lack of infrastructure and equipment to connect to the internet.<sup>7</sup>

4.10 The Management Efficiency Monitoring System (METT) evaluations were conducted twice at the two pilot sites in 2005 and 2007. These surveys assessed the management effectiveness of the two sites from the perspective of Ministry and park staff as well as among local beneficiaries and stakeholders. The methodology used was developed by World Wildlife Fund (WWF) and the World Bank based on the World Commission on Protected Areas (WCPC)'s "Framework for Assessment."<sup>8</sup>

4.11 Its use is now obligatory for GEF-financed, Bank-executed projects as a relatively quick, replicable, and easily understood means of measuring progress toward improving the management of protected areas based on the idea that good protected area management follows a process with six distinct elements. This process begins with understanding the **context** of biodiversity values and threats to them, progresses through **planning**, allocating resources (**inputs**), and as a result of management actions (**processes**), produces products and services (**outputs**), that result in impacts or **outcomes**. Each one of these six elements has a set of questions associated with it and a four-point scoring scale from zero to three with a series of four alternative answers provided for each question to help assessors make a consistent judgment regarding the most appropriate answer and score. The METT assessment has a maximum total of 99 points.

4.12 The results from both METT evaluations at Cotacacchi-Cayapas and Machalilla showed a distinct and positive improvement in overall management of the sites between 2005 and 2007, increasing from a baseline overall score of 63 points in 2005 to 76 points two years later in both cases. A METT score above 70 is considered "satisfactory." At Cotacacchi-Cayapas, the most noticeable improvements were

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<sup>7</sup> ICR for the GEF-SNAP Project, p. 56, June 5, 2008.

<sup>8</sup> Management Effectiveness Tracking Tool (2<sup>nd</sup> edition), WWF & The World Bank; July 2009.

“inputs” provided to the ecological reserve by project resources, and the highest score was for “planning” due in large part to positive feedback regarding the implementation of the management plan prepared for Cotacacchi-Cayapas with project assistance. A slightly different picture emerged from the two METT assessments conducted at Machalilla National Park. The biggest improvement (increasing by 24 points to 77 points) occurred for “processes” to address threats to the parks, maintain facilities and equipment, and coordination with local stakeholders, such as the coast guard station at Retén Naval, municipalities located near the park, and tourist operators. The highest score was for “planning” (88 points), which was perceived as having improved due to the implementation of the updated management plan (*Plan Gerencial*). No follow-up METT assessments have been conducted by MAE since then at either protected area.

4.13 According to the ICR, the Biodiversity Monitoring System had been successfully implemented at both pilot sites, but this was not confirmed by the IEG mission. There was no evidence of its use by park staff and both superintendents made no mention of it when asked during interviews. There was no mention in any project documents regarding the results of the social monitoring program, of the Social Assessment’s Process Framework, or the implementation of the Indigenous Peoples Development Plan. While it was not possible to confirm the operation and utilization of the project’s management information system, the new government-wide system may be even more complex and less responsive to meeting the needs of MAE and SNAP. This will depend largely on the government’s resources and technical capabilities dedicated to updating information and maintaining the new system.

4.14 Finally, the project attempted to decentralize management decision-making processes within MAE/DNB itself, but recent actions by the government appear to have re-focused managerial and fiscal controls at the level of MAE headquarters and the central government, such as the policy reversal by the central government no longer allowing parks to retain a portion of self-generated revenues for capital investments.

### **Enhance the Financial Sustainability of the Protected Areas System**

4.15 There are four main sources of funding for Ecuador’s protected areas system: government budgetary support, donor projects, visitor entry fees and concession fees, and now with the endowment of the FAP, disbursements to support recurring costs of a growing number of protected areas. Data are provided in Table 4-1 below at the start of the project (2003) and the last year for which such data were available (2009).

**Table 4-1. SNAP Revenue Sources for 2003 and 2009 (excludes Galapagos)**

<i>Funding Source</i>	<i>2003 Amount (in US \$000s)</i>	<i>Percentage</i>	<i>2009 Amount (in US \$000s)</i>	<i>Percentage</i>
Government fiscal support	US \$ 950	35 %	US \$ 1,990	40 %
Entry & concession fees	US \$840	31 %	US \$295	4 %
Donor project support	US \$405	15 %	US \$2,110	42 %
FAP disbursements	US \$241	9 %	US \$715	14 %
Private sector fees	US \$270	10%	Unknown	--
<b>Total</b>	<b>US \$2,706</b>	<b>100 %</b>	<b>US \$5,010</b>	<b>100 %</b>

Source: 2003 figures from SNAP Financial Needs Analysis, 2005; and 2009 figures from Fondo Ambiental Nacional (FAN), 2011. These figures exclude the Galapagos National Park and Marine Reserve, which operate under a separate legal mandate, organizational affiliation, and financial accounting system from the other 34 units of the SNAP and 43 units of the PANE.

4.16 In 2003, nine percent of SNAP's revenues came from agreements with the private sector;<sup>9</sup> it is not known what amount that contribution represents now. Revenues from tourist entry fees and tariffs for telecommunication infrastructure concession rights paid by the private sector to the government have dropped noticeably over the past few years due to abrupt changes in government policy regarding them, according to project staff interviewed during the IEG mission. Although tourist visits had remained stable over the past several years, revenues had fluctuated as government pricing policies changed abruptly and without the benefit of market demand or carrying capacity studies.

4.17 In addition, this analysis does not include the budget allocated to the Galapagos National Park and Marine Reserve (henceforth referred to as "Galapagos"). In 2003, the total budget for SNAP was US \$8.7 million, of which 70 percent (US\$6 million) was disbursed to the Galapagos. The remaining US \$2.7 million went to cover the costs of the other 31 continental sites comprising the SNAP at that time (there are now 34 mainland SNAP sites). Moreover, the Galapagos generated over US \$4 million in tourist entry fees and concession fees in 2003, more than 4.8 times the total revenues generated by all the rest of the SNAP units combined, but shared only five percent of that revenue with the rest of the system under a "Special Law" which had passed in 1998.<sup>10</sup> Subsequently, this last five percent was eliminated in 2004 by the "Organic Reform Law to the Municipal Code" (No. 429).<sup>11</sup>

4.18 In 2005, the project facilitated a joint effort by a consortium of national and international NGOs (*Grupo Promotor*) working with the Environment Ministry and FAN to prepare a Financial Needs Analysis of the protected areas system. This analysis used the US \$2.7 million 2003 SNAP budget as the "baseline," and estimated two scenarios of operating costs for the SNAP. First, a "basic" level of funding was

<sup>9</sup> Executive Summary of the SNAP Financial Needs Analysis, pp. 4 – 8, 2005.

<sup>10</sup> *Ley de Régimen Especial para la Conservación y Desarrollo Sostenible de la provincial de Galapagos; 1998.*

<sup>11</sup> *Ley de Reforma Orgánica del Régimen Municipal No. 429; 2004.*

estimated, representing the minimum required to prevent the system from deteriorating in terms of maintaining a physical presence at all SNAP sites and managing them adequately. The “basic” funding level was estimated at US \$6.3 million annually, indicating an annual shortfall of US \$3.6 million relative to actual funding levels. The government’s fiscal support of US \$950,000 represented just 15 percent of this estimated “basic” SNAP budget. A second “integrated” scenario was estimated representing a level of funding that would meet the system’s objectives of supporting conservation and maintaining social development over the long run. This was estimated at US\$12.2 million, leaving an annual shortfall of US \$9.5 million. The Financial Needs Analysis was done more than six years ago using figures from 2003, and has not been updated since then. Several persons interviewed during the IEG mission mentioned that this analysis should be updated using the most recent figures available to develop a financial sustainability plan that will cover the “basic” funding level required to manage SNAP in the future.

4.19 In addition to providing support for the Financial Needs Analysis, the project helped establish the Protected Areas Fund to cover a portion of the recurrent costs of the protected areas system, which was administered by FAN. The Ecuadorian government invested US \$1 million in seed money in 1999 to attract matching contributions from donor organizations. By the end of the project, The German government’s foreign aid organization (KfW) had contributed US \$12.5 million in debt-for-nature swaps and the GEF grant of US \$4 million, had brought the FAP’s total endowment to US \$17.5 million, surpassing the project goal of US \$13.5 million. Today, the FAP’s total capitalization is US \$19.5 million (at the end of 2010). SNAP’s new Strategic Plan for 2006 - 2015 has set a goal of raising the PAF’s endowment to US \$35 million. However, there have not been any additional contributions made by donors since 2008. See Table 4-2 below for a summary of donations to FAP and its endowment size over time.

4.20 Under FAN’s auspices, management of the fund has been transparent and independent. The size of the endowment has increased every year (except once in 2007 during the economic crisis), earning an average return of 6.5 percent annually on its investments. Ten percent of the revenues generated by the FAP are retained as a management fee by FAN (except for GEF funds which cannot be used for management fees), 10 percent is used to recapitalize the fund, and 80 percent is disbursed to SNAP.

**Table 4-2. Donations and Capitalization of Protected Areas Fund (FAP)**

<i>YEAR</i>	<i>SOURCE OF FINANCING</i>	<i>AMOUNT OF DONATION (US \$ MILLIONS)</i>	<i>CAPITALIZATION OF FUND (US \$ MILLIONS)</i>	<i>TOTAL FUND ENDOWMENT (US \$ MILLIONS)</i>
2001	Government	1.0	0.325	1.325
2002	German Aid Agency (KfW)	3.081	0.438	4.84
2003	German Aid Agency (KfW)	3.236	0.828	8.91
2004	GEF grant	4.0	0.0	12.91
2007	German Aid Agency (KfW)	1.108	0.058	14.07
		5.065	0.116	19.26
2008	Moore Foundation	0.070	0.001	0.071
<b>Total</b>		<b>17.56</b>	<b>1.76</b>	<b>19.32</b>

Source: FAN analysis provided to IEG on February 10, 2011.

4.21 Disbursements have increased each year from US \$157,000 for four protected areas in 2002 to US \$754,000 for fourteen protected areas in 2010. Total disbursements over that time reached US \$4.7 million, as can be seen in Table 4-3 below.

**Table 4-3. FAP Disbursements to Protected Area Sites**

<i>Year</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
Amount of FAP Disbursements (in US \$000s)	\$157	\$242	\$396	\$522	\$586	\$603	\$714	\$715	\$754
Number of SNAP Units Receiving Disbursements	4	6	9	9	11	11	12	12	14
Total Disbursements (in US \$000s)	\$157	\$398	\$794	\$1,316	\$1,902	\$2,505	\$3,219	\$3,935	\$4,689

Source: FAN analysis provided to IEG on February 10, 2011. Not exact figures; some rounding errors.

4.22 As a percentage of SNAP's overall operating costs, these FAP disbursements represent an increase from less than 9 percent of SNAP's total operating costs in 2003 to nearly 15 percent in 2010, slightly exceeding the target of 14 percent. FAN projects that the PAF will disburse over US \$1 million before the end of the current SNAP Strategic Plan period in 2015. However, when one considers the "basic" budget level that was estimated in the Financial Needs Analysis as the minimum funding required to effectively manage the SNAP in 2003 (US \$6.3 million), the current disbursement in 2010 would meet just 12 percent of that level.

4.23 This indicates that the FAP will only meet a relatively small proportion of the financial needs of the protected areas system in the near future, and will require continued donor support, government fiscal resources, and greater levels of self-generated revenues from tourism and concession services in parks and reserves. Self-generated fees have dropped dramatically in recent years as the government has shifted its policies regarding entry fees abruptly and without taking into account up-to-date estimates of tourism potential, or the carrying capacity of the parks (the level of use they can support without long-term damage). Given the severe funding shortfall of SNAP, it may be useful to analyze various alternatives to increase and reinvest self-generated revenues into meeting a larger percentage of protected areas' operational costs.

4.24 The new administration of President Correa launched a government-wide initiative in 2010 to improve financial planning and budget control systems, requiring all SNAP units (except the Galapagos National Park and Marine Reserve) to return revenues collected on-site to the central Treasury. This reversed one of the central tenets of the SNAP Strategic Plan and the Ministry's 2006 decree allowing parks to retain a portion of self-generated revenues for capital re-investment. Given the serious deficit in operating and capital investment funds within SNAP, there appeared to be a case for increasing non-budgetary revenues at these sites through increased concession fees and entrance charges. But, unexpectedly, the government reduced the entrance fees charged to visitors and eliminated or reduced a number of sources of concession fees, such as those paid for communication transmission lines crossing protected areas.

### **Improved Capacity for Integrated, Participatory Management of SNAP at Two Pilot Protected Areas**

4.25 The project established two mechanisms by which it intended to improve MAE/DNB's capacity to empower local communities in the management of protected areas and to receive a more equitable share of the benefits generated by them. They piloted these mechanisms at two SNAP sites (Cotacacchi-Cayapas and Machalilla).

4.26 First, they set up participatory management committees (PMC) at the two pilot sites to involve local communities and families living in or near the reserves in decisions affecting them. IEG found that the level of local participation had increased during the project, but was not commensurate with the time and effort put into them. There was little evidence, beyond the creation of the PMCs and the number of meetings they held during the project, to demonstrate any contributions made by them to improved management of the pilot sites. For example, IEG noted in field visits that several land tenure and property disputes had been resolved by the project's interventions of demarcating property boundaries between private lands and protected areas. However, the issue of extracting natural resources and game from protected areas was unresolved due to the conflict between the conservation objectives of the SNAP and the private gains and needs of local populations. Once project funds to cover the expenses of the PMCs ceased in 2007, their activities in park management decisions dropped off sharply. By the time of the IEG visit in 2011, the PMCs were inactive at both sites and park managers did not consider them to have been successful models.

4.27 There were seven PMCs set up in the Cotacacchi-Cayapas Ecological Reserve (four in the “upper” province of Imbaburá, and three in the “lower” Esmeraldas province), which covers nearly a quarter million hectares. These PMCs met more than four dozen times. However, much time was spent squabbling over their perception that one group or community had captured a comparatively larger share of project resources than another, or discussing long-standing boundary disputes. These problems were aired in the Beneficiary Survey and IEG confirmed in interviews with reserve staff that the PMCs were no longer active. In Machalilla National Park, a single PMC was set up in the small coastal community of Puerto Lopez, located near the southern section of the 56,000 hectare park. The PMC met regularly during project implementation, but park staff and local stakeholders felt that the PMC had become a tool for local hotel and tourism commercial interests with little commitment to sustainable natural resources management.<sup>12</sup> The PMC was found to be inactive by IEG, and a number of site staff and managers were skeptical about the contribution that the PMC could make to park management. While no one questioned the value of involving local communities in park management decisions conceptually, most agreed that more thought and experimentation was needed before the approach could be replicated at other SNAP sites.

4.28 The other mechanism by which local communities were intended to benefit from greater participation in park management was through local hiring preferences to conduct patrolling and surveillance work, and by providing tourist concession services at the two SNAP sites. The legal process of establishing the concessions took longer than expected, and left little time to pilot them during project implementation. IEG observed that, concession services were operating and were being monitored by SNAP staff at these sites. However, while several of the concession services appeared to be quite profitable, many others appeared to be providing little revenue. High quality services and accommodations that would attract higher-spending foreign tourists were lacking.

4.29 At one of the most visited areas of Machalilla National Park (*Los Frailes Beach*), local taxi services and concessions stands for food, beverages, and beach apparel were well-regulated by park staff. Boat trips to the wildlife and shorebird sanctuary of *Isla de la Plata* were carefully monitored to control the number of daily vessels and visitors allowed to visit the island, particularly during the nesting season. “Off-limits” areas were strictly enforced, and logs of visitor arrivals and departures were kept. Trained guides introduced visitors to the island and briefed them about its rich wildlife and the need to protect them. IEG also encountered a local indigenous community running concession services at the cultural museum and archeological site of *Aguas Blancas* in collaboration with park staff, but these appeared to be barely making any money.

4.30 During the site visit to Lake Cuicocha Environmental Interpretation Center in Cotacacchi-Cayapas, tourist concessions were not operating due to poor weather and lack of visitors. However, it was evident that the Center’s potential for offering high quality concession services was not being fully optimized. While the Center’s educational exhibits and interpretative services were impressive, the spaces provided for concession services were limited to the periphery of the center. However, a nearby restaurant and boat service around the lake appeared to be well-run and profitable.

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<sup>12</sup> ICR for the GEF-SNAP Project, Annex 5, p. 49, June 5, 2008.

4.31 Overall, the project's activities to promote participatory management of protected areas appears to have been modest in terms of the limited contribution made by the PMCs at the two sites, and the mixed results achieved with concession services at both sites. There is no dispute about the need to have inclusive, participatory decision-making processes and local benefit-sharing mechanisms in place to manage protected areas. However, the manner in which they are integrated into park management requires further thought and experimentation.

### **Overall Objective: Ensure the Conservation and Management of Ecuador's Biodiversity by Strengthening the SNAP**

4.32 The overall effect of the three intermediate results intended to achieve the project objective of ensuring the conservation and management of Ecuador's biodiversity by strengthening the SNAP was **modest**. First, project activities to reform the legal basis of SNAP and strengthen the institutional foundations of MAE/DNB had limited results. The government did not act upon several MAE initiatives, such as creating an Environmental Secretariat, enacting the Biodiversity Law, or adopting the SNAP Strategic Plan. Nor was there any evidence to suggest that project activities to strengthen MAE/DNB's planning, control and monitoring capacities of the SNAP had been significantly improved. Second, while the protected areas endowment fund exceeded its targets, chronic underfunding of the SNAP by the government and recent policy changes regarding entry fees, concession targets, and retention of self-generated revenues by protected areas have raised concerns about the financial stability of the system. Third, the participatory management committees and local concession operations piloted at two protected areas were problematic and did not serve as a model for replication at other sites in SNAP.

## **5. Evaluation Ratings**

### **Relevance of Objectives**

5.1 Conserving biodiversity is critical to Ecuador's sustainable development. Tourism represents the fourth largest source of foreign exchange for Ecuador's economy, constituting 2.3% of Ecuador's GDP. Forty-two percent (42%) of foreign tourists visiting the country spend an average of 2.7 days in at least one national park during their stay.<sup>13</sup> In addition to tourism, almost all of the production of the commercial fishing sector is based in the marine-coastal ecosystems of the country, and the forestry sector accounts for 2.7% of Ecuador's GDP with nearly two-thirds of that wood extracted from native forests.

5.2 The project's objective was consistent with the Bank's last Country Assistance Strategy (CAS, 2003 - 2007),<sup>14</sup> which has not been updated since then. A new Draft Concept Note for an Interim Strategy Note (ISN) for FY2012-2013 has been prepared

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<sup>13</sup> Ditto, p. 7, 2005.

<sup>14</sup> Report No. 25817 EC

for discussions between the Bank and the government.<sup>15</sup> This ISN includes a pillar to support the government’s global public goods agenda to “Protect nature’s rights and promote a healthy and sustainable environment,”<sup>16</sup> as part of its new National Development Plan. However, the statement of objectives was convoluted and confusing with a series of “for, by, through, and for” prepositions that made it difficult to ascertain the causal chain of inputs, outputs, and outcomes needed to achieve the project’s objective. The relevance of objectives is rated **substantial**.

## Relevance of Design

5.3 The relevance of the project’s design was also **substantial** since the project components, inputs, and activities were logically connected in the Results Framework to achieve the project’s objective. The design of the project responded to the institutional, financial, and regulatory weaknesses that had been highlighted by the first Biodiversity Conservation Project (1994-2000), and placing the management of the protected areas fund (FAP) in the hands of an independent entity (FAN) instead of a government entity turned out to be a key strength of the project.

## Efficacy

5.4 Only one of the three means for achieving the project objective was satisfactorily met: that is, to establish a stable, long-term source of financial support for the protected areas system. However, even for this intermediate result, recent policy reversals by the government regarding entry fees, concession tariffs, and re-investment of self-generated revenues raised at SNAP sites for capital improvements have raised concerns about the long-term financial sustainability of the SNAP.

5.5 Output targets to reform the legal and regulatory framework and strengthen the institutional capacity of MAE/DNB were met, such as proposing a Biodiversity Law to Ecuador’s Congress, updating the Strategic Plan, preparing a Financial Needs Analysis for SNAP, and developing the management plans and effectiveness evaluations for the two pilot protected areas. However, while some of the output targets were achieved, the intended results were not achieved on the whole. For example, the proposed Biodiversity Strategy was never passed into law, the Strategic Plan has not been officially approved as a Presidential Decree as sought by MAE, and the Financial Needs Analysis has not been approved by the government and requires updating. Efforts to promote participatory co-management with local communities and other stakeholders at the two pilot protected areas were not successful in achieving their intended purpose, and more experimentation and refinement with this mechanism is needed before it can be replicated at other sites in the SNAP. Increasing local participation in providing concession services, while well regulated by park staff, has not reached its full potential either in terms of serving the parks’ interests of reducing the workload on staff, or in terms of providing significant additional economic benefits to local communities.

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<sup>15</sup> Draft Concept Note for ISN, pp. 15-16, February 16, 2010.

<sup>16</sup> Ditto, p. 15, February 16, 2010.

5.6 Thus, the only indirect evidence of the degree to which the project achieved its global environmental objective of ensuring the conservation and [effective] management of Ecuador's biodiversity by strengthening the national system of protected areas was provided by the METT assessments carried out at the two pilot sites, which showed significant increases for all six criteria of the METT framework. Overall METT scores for Machalilla and Cotacachi-Cayapas were 76 and 77 points in 2007, respectively (up from 63 points for both protected areas two years earlier). This corresponds to a satisfactory level of management effectiveness for these two pilot protected areas.

5.7 However, there is no indication that this tracking tool will continue to be applied at the two pilot sites or at other protected areas in SNAP, even though it is simple, practical and inexpensive to do. Overall, the broader institutional and legal foundations to ensure the effective conservation and management of Ecuador's biodiversity by strengthening the SNAP have not been established. Thus, the efficacy of the project objective is rated as **modest**.

## **Efficiency**

5.8 This type of project does not lend itself to estimating rates of return since its purpose is to conserve a non-market public good. That said, a cost-effectiveness analysis should have been done to estimate the cost of promoting the participatory co-management approach and expanded concession services offered at the two protected areas. There were no estimates done of the costs per hectare at the two pilot sites, against which to compare them with the average costs of managing other protected areas in Ecuador, or with those costs in comparable countries. This would have provided useful information to other park managers and regional office directors regarding whether to replicate those ideas elsewhere.

5.9 The US \$8 million project leveraged more than US \$29 million in other donor co-financing and counterpart contributions, and the project made excellent use of strategic partnerships with international and Ecuadoran environmental NGOs/CSOs and foundations to leverage additional in-kind support, taking full advantage of their technical skills and conservation knowledge.

5.10 On the other hand, there was the one-year delay between Board approval in December 2002 and the effectiveness date for the project in December 2003. Implementation of project components 1, 2 and 4 was extremely slow in the first two years due to deficiencies in the project's design, and the unsatisfactory performance and high turnover of the Project Coordination Unit's technical team. Once these initial start-up problems were resolved, the project was run more efficiently over the last half of implementation and closed six months after the estimated date at the end of 2007. Given the lack of any data that could have been compared to the costs of managing protected areas in other countries, coupled with the slow implementation of project activities initially, project efficiency is rated as **modest**.

## Outcome

5.11 The project's objective was substantially relevant to the Bank's CAS of 2003 and the country's priorities in its new Development Plan. The relevance of the project design was also substantial in terms of having a clear causal chain between the project's components, activities, and inputs to achieving its objective. However, the project only achieved one of three intermediate results and the overall project objective was only modestly achieved. Efficiency was rated as modest. The resulting outcome rating is thus **moderately unsatisfactory**.

## Risk to Development

5.12 Institutionally, MAE/DNB's capabilities to effectively manage the protected areas system were not significantly strengthened by the project. The evidence given to support this (participatory co-management and concession services) was inconclusive at best, and not relevant to the core capabilities that MAE/DNB still needs to develop in order to become a more effective institution. It needs to fully develop its administration and management capacities by effectively using an information system (SIG-SNAP) similar to the one started under the project. The usefulness of the information system and its replication at other SNAP sites were questioned during the Project Beneficiaries Workshops. However, an independent assessment of the system could not be three years later during the IEG mission in 2011 because the system was in the process of being integrated into a government-wide system that was not yet accessible. The extent to which it will function in the near future as part of this larger system is an open question at this time.

5.13 The project experienced its greatest successes in creating the FAP under FAN's financial stewardship, and the SNAP is now on firmer financial ground. The endowment fund currently stands at nearly US \$20 million. FAP disbursements are being made to an ever-growing number of SNAP parks and reserves, which now supports 15 percent of SNAP's "basic" operating cost needs. However, even here there are clouds on the horizon. Since the project closed, there have been no new additional donations made to FAN by international donors or development banks. It was originally envisioned that the FAP would reach its current goal of having a US \$35 million endowment by 2011;<sup>17</sup> that was later revised to coincide with the ending of the current Financial Sustainability Strategy in 2015. However, that goal is likely not to be met as new government procedures requiring all international donor funds to pass through a central Treasury account first before being transferred to the implementing agencies has apparently stifled new donations to the FAP. In addition, the increase in self-generated revenues that was expected to arise from higher entry fees, concession permit charges, and tariffs on telecommunication facilities located inside SNAP units have not materialized, raising concerns about the system's future financial sustainability. SNAP still faces a funding shortfall, aggravated by the loss of revenue from the Galapagos National Park and Marine Reserve since 2004.

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<sup>17</sup> ICR for the GEF-SNAP Project, pp. 13-14: June 5, 2008.

5.14 Finally, the participatory management committees for the two pilot protected areas and increased concession services to alleviate the workload on park staff have proven problematic. While the conceptual basis for these initiatives is increasingly accepted as an indispensable element of park management, the manner in which they were executed at the pilot sites was problematic and incomplete. Further refinement is required before they can become models for replication elsewhere in SNAP. These issues have raised concerns and uncertainty regarding the sustainability of the protected areas system, and the risk to development is considered to be **substantial**.

## **Monitoring and Evaluation**

5.15 The Environment Ministry managed the M&E system for Component 1 (Institutional Strengthening and Legal Development), Component 2 (Participatory Management of Priority Protected Areas), and Component 4 (Project M&E); the National Environment Fund was responsible for Component 3 (Sustainable Financing) of the Protected Areas Fund. There were two levels of monitoring: first, at the project performance indicator level, and second, for the indicators developed to manage the two pilot protected areas. The internet-based electronic information management system was at the heart of the M&E system. It contained five component parts: (i) the Protected Areas Information System; (ii) Management Efficiency Monitoring System within the two pilot protected areas; (iii) Biodiversity Monitoring System (BMS); and (iv) Financial and Administrative Management System for tracking project activities.

### **M&E DESIGN**

5.16 The M&E design borrowed heavily from previous experience under a GEF project for the Galapagos Islands (1998 – 2002),<sup>18</sup> which introduced a sophisticated monitoring system requiring strong technical skills and the financial resources needed to support the high demands of operating and maintaining it. The M&E design for the project reviewed here was thorough and comprehensive, but it may have been too complex and sophisticated for the available technical skills and limited financial resources of the Environment Ministry.

5.17 The results framework lacked any measures directly pertinent to the conservation of biodiversity or socially sustainable development, such as the numbers of indicator species or hectares of protected areas under effective management or indices of social equality in areas proximal to protected areas. In many cases, values for baselines and indicator targets were either not measurable or present. Some of the indicators focused more on “outputs,” such as management plans prepared or PMC meetings held, rather than on “outcomes,” such as the effect of implementing those management plans or the contribution made by more participatory management approaches in protected areas by PMCs. There was general consistency between most of the Key Performance Indicators (KPI) in the PAD and the ICR. These are described in Table 5-1 below.

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<sup>18</sup> *Monitoring the Galapagos Island Project* TF021769

**Table 5-1. Comparison of Key Performance Indicators across PAD and ICR**

Key Performance Indicator	PDO Section of PAD	Annex 1 of PAD	ICR Results Framework
FAP supports recurrent costs of at least 9 Protected Areas	X	X	X
FAP is fully operational and its capital endowment increases to at least \$12 million, covering about 14% of SNAP recurring costs		X <sup>19</sup>	X
Directorate of Biodiversity and Protected Areas is capable of resource allocation, regulating, monitoring and supervising the SNAP	X	X	X
SNAP is able to effectively protect ecosystems of global importance for biodiversity conservation contained in the two selected protected areas, through the effective implementation of management plans	X	X	X
Local communities within and around the two selected Protected Areas are actively involved and committed to PAs conservation; through the establishment and operations of Participatory Management Committees	X	X	X
Management Committees and Technical Assistance Groups created and fully operating in 2 protected areas		X	
Non-budget revenues of SNAP increase in a gradual and permanent basis	X	X	
Regular field staff numbers recommended in PA management plans increase to 9 in MNP and 13 in RECC		X	
Concessions for services in PAs are fully regulated and piloted in the two selected PAs;	X	X	X
SNAP Strategy updated;	X		X
Financial Sustainability Strategy for SNAP prepared			X
Financial/Mgmt system of SNAP is installed and operating		X	X
Sound evaluation and monitoring system for the effective management of SNAP is functioning in selected Pas	X		
Biodiversity Monitoring System fully operating in two protected areas			X
Biodiversity Law approved within the next two years and regulations enforced	X		
<b>Total Number of Key Performance Indicators</b>	<b>9</b>	<b>10</b>	<b>10</b>

Source: IEG.

## M&E Implementation

5.18 The Project Coordinators at the Environment Ministry and FAN submitted annual progress reports that were reviewed by the Bank's in-country project staff. The staff was also responsible for preparing the independent mid-term review, organizing a beneficiary survey workshop held at project closure, and overseeing the application of the METT assessment framework at the two pilot sites.

5.19 It was difficult to assess implementation of the project's M&E system because the system was not accessible during the assessment mission since it was being uploaded into a new government-wide budget planning and accountability information system that was under construction. However, the Stakeholders Workshop conducted near project closing in December 2007 noted that the biological information system was only functioning in four of the nine SNAP sites where it had been introduced.<sup>20</sup> The Mid-Term Review Report conducted in May 2006 found that "The project's results and

<sup>19</sup> There was a discrepancy in the amount of the endowment indicated in the PAD from the ICR of US \$1 million (\$13M vs. \$12M), but this inadvertent became a moot point when the capitalization of the FAP surpassed US \$13.5 million in 2007. As of the end of 2010, the FAP stood at over US \$19.3 million.

<sup>20</sup> Evaluation of Beneficiaries of Components 1, 2 and 4 of the GEF-SNAP Project, p. 16, December 2007.

monitoring framework is being applied to assess the impact of the activities under implementation, to adopt sound methodologies and approaches, and to develop adaptation strategies to allow the Project's adequate implementation."<sup>21</sup>

## **M&E UTILIZATION**

5.20 The ICR stated that the M&E system "includes a very friendly data collection and processing of information methodology,"<sup>22</sup> and that "given the usefulness of this tool (that is, the Biological Monitoring System), it was extended to the other seven protected areas."<sup>23</sup> However, no evidence was presented to back up these claims, and the results of the beneficiary workshop held at the end of the project stated that the project information system had only partially been operational due to inadequate equipment and lack of access to internet services in some of the more remote parks and reserves. No mention was made of its installation or use at 10 regional MAE offices, and at the one regional office visited during the IEG mission, the regional director had no knowledge of it.

5.21 The rating for M&E is **modest**.

## **Bank Performance**

### **QUALITY AT ENTRY**

5.22 Quality at entry is rated as **moderately satisfactory**. The Bank provided sufficient resources to ensure adequate preparation and appraisal support. A Social Assessment was conducted with input provided by over 50 local stakeholders in two workshops held during project preparation to evaluate the development needs of local people living in or near protected areas. The project sought to harmonize the needs of local indigenous residents and communities to access natural resources within the two pilot protected areas as traditionally practiced with the conservation of biodiversity and natural habitats. Strategies were established to resolve conflicts over the use of natural resources within protected areas and boundaries disputes without affecting the rights of local populations. As a result, a Process Framework was put in place to evaluate the potential social impacts of specific project tasks or activities once those were defined during project implementation, and an Indigenous Peoples Development Plan was prepared.

5.23 Institutional weaknesses were identified in MAE regarding its fiduciary capabilities. The Bank initiated a remedial program of technical assistance to bring MAE's procurement system and financial management controls up to the Bank's standards. It was agreed that during the first two years of project implementation, fiduciary responsibilities would be transferred to FAN.

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<sup>21</sup> Mid-term Review Report for Ecuador-NSPA GEF Project (TF051537/051486), p. 1, May 2, 2006

<sup>22</sup> ICR for the GEF-SNAP Project, p. 33, June 5, 2008.

<sup>23</sup> ICR for the GEF-SNAP Project, p. 12, June 5, 2008.

5.24 Major risk factors and lessons learned from earlier projects in Ecuador were incorporated into the project’s design. For example, an important decision was made prior to Board approval to insist that the protected areas endowment fund be managed by FAN, and not by MAE or another government entity, as the government had requested, due to poor past performance and lack of financial accounting transparency. However, lessons from successful Bank experiences in other countries were not adequately considered and incorporated into the design. This was especially true in terms of implementing “best practices” for designing participatory management schemes and concession services to improve the quality of tourists’ visits, and increase local revenues taken from other countries’ experiences. The risk mitigation measures, especially those regarding institutional risks, proposed at appraisal turned out to be inadequate to address the unexpected and abrupt changes in government policies and project management that occurred, and the Bank miscalculated its ability to strengthen the implementing agency.

5.25 There was a one-year delay between Board approval and the effectiveness date of the project due to a clause in the Grant Agreement regarding passage of the Ministry’s Biodiversity Policy into national law that was eventually dropped by the Bank in favor of a ministerial decree. However, there is little reason to think that this decision adversely affected the outcome of the project given that the real problem was lack of implementation capacity or political will on the part of MAE, rather than the lack of adequate legal authority. For example, the new Constitution of 2008 contains an article (Article 405) requiring the government to “allocate the financial resources needed to ensure the system’s financial sustainability and foster the participation of communities.” Yet despite this constitutional requirement, adequate fiscal support has not been provided yet, as evidenced by the funding shortfall described earlier in this report. The Bank’s performance is faulted for not having realized this earlier, and been more focused instead on minimizing MAE’s institutional risks and shortcomings.

## Quality of Supervision

5.26 Supervision quality is rated **satisfactory**. The Bank’s project team was based in-country and closely followed the project’s implementation, addressing problems and delays diligently. For example, when project management staff members performed poorly at the beginning of the project, the Bank acted swiftly to intervene and secure their replacement. The new project coordinator and team provided steady stewardship of the project over the last two and a half years of the project, during which time most of the outputs were accomplished. However, the Bank was slow to respond to obvious shortcomings in the PMCs at the two pilot sites, and slow to address the unclear division of responsibilities between the two implementing agencies, FAN and MAE.

5.27 The Bank’s project staff and the project coordination unit were able to facilitate a strategic alliance between MAE and a consortium of local and international NGOs (*Grupo Promotor*) to produce several important products, such as the Financial Needs Assessment and Financial Sustainability Strategy for the SNAP, as well as the management plans and management effectiveness evaluations for the two pilot protected areas. These products increased the project’s impact by positively influencing public discourse over the unmet financial needs of protected areas in Ecuador, and have pressured the government to meet its Constitutional obligations to adequately fund them.

5.28 Supervision missions were conducted regularly and benefited from having Bank project staff in-country to supervise the implementation of the project and interact with the implementing agency and government on a regular basis. The 2006 Mid-Term Review provided some guidance and insights into placing greater emphasis on the use of strategic alliances by commenting favorably on both the management effectiveness surveys and the Financial Needs Analysis of SNAP done by MAE, FAN, and local and international NGOs. Finally, an independent project evaluation was conducted under the auspices of MAE, and the Bank sponsored the Stakeholders Workshop to provide MAE staff and project beneficiary testimony of project achievements and failures. These findings were included in the final project completion report.

5.29 Overall Bank performance is rated as **moderately satisfactory**.

## **Borrower Performance**

### **GOVERNMENT'S PERFORMANCE**

5.30 Government performance is rated **moderately unsatisfactory**. The government initially demonstrated its commitment to the project by providing the original US\$1 million donation to the Protected Areas Fund as seed money to attract matching funds from external donors, such as the GEF and KfW. The government also met its co-financing obligations by providing nearly US \$5 million in counterpart funds to support project activities in the Environment Ministry (MAE).

5.31 On the other hand, the government has not approved the SNAP Strategic Plan 2007-2016 as official policy, nor has it acted upon the 10-year National Biodiversity Strategy that was approved by MAE, and presented to the Ecuadoran Congress as a proposed Biodiversity Law in 2001. The government's refusal to include passage of the Biodiversity Law as an effectiveness condition in the GEF Grant Agreement within the first two years of project implementation was emblematic of its limited commitment to the project's objectives, and delayed the start of the project for more than a year.

5.32 Overall government commitment has been "fluctuating and inconsistent"<sup>24</sup> as demonstrated by frequent changes in administration (three different Presidents and seven ministers of MAE served between the beginning of 2004 and the end of 2007), which has created instability and a "volatile political atmosphere"<sup>25</sup> throughout the implementation period. There have been abrupt changes in government policies regarding entry fees, tariffs for private sector concessions, and reinvestment of self-generated funds by protected areas for capital improvements (with the exception of the Galapagos National Park and Marine Reserve).

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<sup>24</sup> Mid-term Review Report for Ecuador-NSPA GEF Project (TF051537/051486), p. 1, May 2, 2006.

<sup>25</sup> ICR for the GEF-SNAP Project, p. 28, June 5, 2008.

## Implementing Agency

### MINISTRY OF ENVIRONMENT (MAE)

5.33 The Environment Ministry's performance as one of the two implementing agencies in the project is rated **moderately unsatisfactory**. MAE implemented Components 1, 2 and 4. It did not achieve either one of the two intermediate results it was responsible for that would lead toward achieving the overall project objective. Its initial performance was weak, owing to the poor performance of the original staff in the project coordination unit, poor procurement management in terms of timeliness and reliability of reporting, and non-compliance with legal covenants.

5.34 Progress toward the project development objective was rated as "at risk" by the Bank for the first two years of implementation and supervision ratings in late 2004 and 2005 were unsatisfactory due to lack of progress in implementing the project by MAE and high turnover of senior ministry managers. It was not able to "make necessary decisions to make the project work effectively,"<sup>26</sup> and project planning and cash flow management remained weak throughout the project. Audits and non-audited reports were submitted late, preventing the timely and reliable provision of information required to manage and monitor the implementation of the project.

### NATIONAL ENVIRONMENT FUND (FAN)

5.35 The performance of the National Environment Fund (FAN) is rated **highly satisfactory**. FAN implemented Component 3 (Sustainable Financing of the SNAP) with a US \$4.3 million GEF grant (TF-061486). Unlike other donations to the PAF, none of the revenue generated by GEF trust funds can be used to pay for FAN's costs of managing the PAF, and all proceeds must be reinvested to the endowment fund or disbursed to selected SNAP parks and reserves.

5.36 The FAN has had stable, competent leadership and staffing throughout project implementation and beyond (although the Executive Director left FAN earlier this year). It has also avoided becoming embroiled in political controversies, although a recent proposal to transform FAN into a publicly-run entity was strongly resisted by the two largest donors to the PAF: the World Bank and the KfW. The FAN's demonstrated record of strong performance and institutional credibility has attracted the interest of other donors and foundations wishing to establish new funds in Ecuador, such as the US \$12.5 million Galapagos Invasive Species Control Fund, the US \$3 million CEREPS Project Fund for Yasuní and Cuyabeno protected areas, the Condor-Kutukú Corridor Fund, and the ProCuencas Water Fund, all of which are managed by FAN.

5.37 The Borrower's overall performance is rated as **moderately unsatisfactory**.

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<sup>26</sup> Ditto, p. 28.

## 6. Lessons Learned

6.1 *In designing participatory models for protected area management, the Bank needs to draw upon successful experiences in other countries.* The PMCs and private sector concessions set up at the two pilot SNAP sites did not work well, and did not contribute to improved management of these protected areas. While the need for input from stakeholders is indisputable, the manner in which it is integrated into park management decisions requires further thought and experimentation. Better results may have been achieved if other successful models had been assessed in terms of Ecuador's circumstances during preparation and appraisal, such as the Indigenous Management of Protected Areas Project in the Peruvian Amazon or the Natural Protected Areas Project in Mexico.

6.2 *Support for protected areas needs to be based upon a careful analysis of their revenue and expenditure streams over time to estimate the minimum amount required for their sound management as part of the whole system.* The Financial Needs Analysis of the SNAP was very useful by revealing the shortfall between current public expenditures for the system (US \$2.7 million) and the minimum amount required for its operation (US \$6.3 million). An updated financial analysis, coupled with an estimation of the economic benefits that flow to local and national economies from protected areas (environmental services, foreign exchange earnings from tourism, etc.), can strengthen the case for adequately funding protected areas elsewhere.

6.3 *Non-profit, private sector institutions can serve the public interest by independently managing endowment funds for protected areas.* In this case, the FAN administered the Protected Areas Fund (FAP) effectively and efficiently. It provided an alternative model to public management that might be applied elsewhere in situations where transparency and freedom from political influence is at a premium.

6.4 *Effective management of protected area systems requires sustainable financing to ensure basic operating costs are covered for all of the protected areas within the system.* With the exception of the Galapagos Marine Reserve and National Park which do not share any of the revenues they generate with the rest of Ecuador's protected areas system despite raising 4.8 times as much as the other 34 SNAP sites combined, the other protected areas in Ecuador are "severely and chronically underfunded" below their basic needs, according to the Financial Needs Analysis conducted by the Ministry, FAN, and a group of NGOs in 2005. In contrast to the Galapagos, all the other protected areas within SNAP must remit 100 percent of the revenues they generate to the national treasury and receive only 30 percent of government fiscal support (the other 70 percent goes to the Galapagos). Thus, an appropriate revenue-sharing arrangement is not in place nor is the support provided by the government to SNAP sufficient at this time.

## Annex A. Basic Data Sheet

### ECUADOR – NATIONAL SYSTEM OF PROTECTED AREAS PROJECT (GEF GRANTS NOS. TF051537 AND TF051486)

#### Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	36.69	36.64	99.86
Loan amount	8.00	7.69	92.13
Cofinancing*	22.99	22.96	99.86
Cancellation	-	0.31	-

\*Including Government co-financing. Parallel co-financing from National NGOs was US\$5.69.

#### Cumulative Estimated and Actual Disbursements

	<i>FY03</i>	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY08</i>	<i>FY09</i>
Appraisal estimate (US\$M)	4.5	6.0	7.0	8.0	8.0	8.0	8.0
Actual (US\$M)	0.0	4.1	4.6	5.7	6.8	7.6	7.7
Actual as % of appraisal	-	68.3	65.7	71.3	85.0	95.0	96.3
Date of final disbursement:	July 17, 2008						

#### Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review		03/19/2001
Appraisal		03/25/2002
Board approval		11/26/2002
Signing		04/17/2003
Effectiveness	12/17/2003	12/16/2003
Mid-term Review	05/03/2006	05/02/2006
Closing date	06/30/2007	12/31/2007

**Staff Inputs (staff weeks)**

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget only)</i>	
	<i>No. Staff Weeks</i>	<i>USD thousand (including travel and consultant costs)</i>
<b>Lending</b>		
Gabriela Arcos	18	21.47
Ana Lucia Jimenez	4	3.85
Patricia McKenzie	2	9.20
Pilar Larreamendy	3	4.26
Elizabeth Monosowski	4	18.40
Claudia Sobrevila	8	36.80
Gonzalo Castro	2	9.20
David Varela	2	9.20
Alberto Ninio	1	4.60
Carmen Palaco Nielsen	2	9.20
<b>Total:</b>	<b>46</b>	<b>126.18</b>
<b>Supervision/ICR</b>		
Gabriela Arcos	72	85.90
Abel Mejia	2	9.20
Eduardo Somensatto	1	4.50
Ana Lucia Jimenez	8	7.73
Pilar Larreamendy	8	11.36
Keigsner Alfaro	3	13.80
Marcelo Osoria	4	4.20
Maria Donoso Clark	4	18.40
Maria Lucy Giraldo	4	18.75
Stefano Pagiola	2	10.00
Sati Acaath	6	14.00
<b>Total:</b>	<b>114</b>	<b>197.83</b>

**Task Team Members**

<i>Names</i>	<i>Title</i>	<i>Unit</i>	<i>Responsibility/ Specialty</i>
<b>Lending</b>			
Gabriela Arcos	Environmental Spec.	LCSEN	TTL and Env. Safeguards
Ana Lucia Jimenez	Fin. Mgt. Officer	LCSEFM	Fin. Mgt.
Patricia McKenzie	Fin. Mgt. Spec.	LCSEFM	Fin. Mgt.
Pilar Larreamendy	Soc. Dev. And Civil Society Spec.	LCSSO	Social Safeguards and Participatory Strategy
Elizabeth Monosowski	Sr. Env. Spec.	LCSEN	Co-Task Team Leader
Claudia Sobrevila	Sr. Biodiversity Specialist	LCSEN	TTL at the initial stage
Gonzalo Castro	Sr. Biodiversity Spec.	ENV	Biodiversity and Protected Areas
Karin Shepardson	GEF Regional Coord.	LCSEN	Regional Project Review and Processing
David Varela	Legal Specialist	LEGLA	Legal aspects
Alberto Ninio	Legal Specialist	LEGLA	Legal aspects
Gunars Platais	Environmental Econ.	ENV	Fin. And Econ. Analysis
Carmen Palaco Nielsen	Procurement Spec.	LCSEPT	Procurement
<b>Supervision</b>			
Gabriela Arcos	Environmental Spec.	LCSEN	TTL and Env. Safeguards
Abel Mejia	Sector Manager	LCSEN	Overall supervision
Eduardo Somensatto	Country Manager	LCC6C	Overall supervision at the field
Ana Lucia Jimenez	Fin. Mgt. Officer	LCSEFM	Fin. Mgt.
Pilar Larreamendy	Soc. Dev. And Civil Society Spec.	LCSSO	Social Safeguards and Participatory Strategy
Kathryn Wendell	LCR GEF Coord. Team	LCSEN	Operations assistance
Keigsner Alfaro	Procurement Spec.	LCSEPT	Procurement
Marcelo Osorio	Procurement Officer	LCSEPT	Procurement
Jocelyne Albert	GEF Regional Coordinator	LCSEN	Overall supervision
Maria Donoso Clark	Sector Leader	LCSES	Overall supervision
Stefano Pagiola	Environmental Econ.	ENV	Fin. Sustainability Strategy

## Annex B. Persons Interviewed

<i>Name of Person Interviewed</i>	<i>Position and Organizational Affiliation</i>
Aguirre, Marcela	Administrator at the National Environment Fund (FAN)
Alvarez, Vincente	Former Superintendent of Machallila National Park, now Superintendent of Pacoche Ecological Reserve in MAE/DNB
Endara, Isabel	Director of MAE/DNB
Factos, Miriam	Former GEF Project Coordination Unit Coordinator in MAE
Fuentes, Segundo	Inambarú Provincial MAE Director
Gonzales, Juan Carlos	The Nature Conservancy and member of <i>Grupo Promotor</i>
Gutierrez, Alvaro	Professional within MAE/DNB
Macías Párraga, Roddy	Manabí Provincial MAE Director
Martinez, Humberto	PMC of <i>Agua Blanca</i> community in Machallila National Park
Onofa, Angel	Professional within MAE/DNB
Moscoso, Viviana	Superintendent of Cotacacchi-Cayapas Ecological Reserve
Rosales, Galo	Former Director of Wildlife Unit in MAE/DNB, Imbaburá Provincial MAE Director.
Sanguenza Pardo, Samuel	Executive Director of the National Environment Fund (FAN)
Turan, Rocio	Accountant and Administrator of Cotacacchi-Cayapas Ecological Reserve
Vera, Fernando	Current Superintendent of Machallila National Park
<i>Names of World Bank Staff Interviewed</i>	<i>Position</i>
Arcos, Gabriela	TTL and ICR Team Leader

