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Report No: ICR0000869

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(Grant No. 51537, 51486)

ON A

GRANT FROM THE GLOBAL ENVIRONMENT FACILITY

TRUST FUND

IN THE AMOUNT OF SDR 2.86 MILLION (US\$ 3.7 MILLION EQUIVALENT)

TO THE

REPUBLIC OF ECUADOR

AND

A GRANT FROM THE GLOBAL ENVIRONMENT FACILITY

TRUST FUND OF SDR 3.41 MILLION (US\$ 4.3 MILLION EQUIVALENT)

TO THE

NATIONAL ENVIRONMENTAL FUND

FOR THE

NATIONAL SYSTEM OF PROTECTED AREAS

June 5, 2008

Environmentally and Socially Sustainable Development
Bolivia, Ecuador and Peru Country Management Unit
Latin America and Caribbean Region Office

CURRENCY EQUIVALENTS

Currency Unit = US Dollar

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

CAS -	Country Assistance Strategy
CCER -	Cotacachi Cayapas Ecological Reserve
CI	Conservation International
DBPA -	Directorate of Biodiversity and Protected Areas
EIS -	Environmental Information System
FAN -	National Environmental Fund
FAO -	United Nations Food and Agriculture Organization
GEF -	Global Environmental Facility
GIS -	Geographical Information System
GOE -	Government of Ecuador
GNTB	National Biodiversity Working Group
GPS	Global Positioning System
ICR -	Implementation Completion Report
IDB	Inter-American Development Bank
ISR	Implementation Status Report
INEFAN -	Ecuadorian Institute of Forestry, Natural Areas and Wildlife
IPMU -	International Projects Management Unit
LAC -	Latin America and the Caribbean
MAE	Ministry of Environment (Ministerio del Ambiente)
MAG -	Ministry of Agriculture and Livestock
M&E -	Monitoring and Evaluation
MNP -	Machalilla National Park
MP -	Managerial Plan
MTR	Midterm Review
NSB -	National Strategy for Biodiversity
NGOs -	Nongovernmental Organizations
NSPA -	National System of Protected Areas
OCB -	Community-based Organizations
OSGs -	Second Grade Organizations
PA -	Protected Area
PAD -	Project Appraisal Document
PAF -	Protected Areas Fund
PAG -	Annual Disbursement Plan
PCU	Project Coordination Unit
PMC	Participatory Management Committees
SA	Social Assessment
SEC -	National System of Education and Training
SPNSPA -	Strategic Plan for the National System of Protected Areas
STAP -	GEF's Scientific and Technical Advisory Panel
TAC -	Technical Advisory Committee-NSPA
TAG -	Technical Advisory Group
TNC	The Nature Conservancy
UNDP -	United Nations Development Program
WWF	World Wildlife Fund

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Project Team Leader:	Gabriela Arcos
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ECUADOR
NATIONAL SYSTEM OF PROTECTED AREAS PROJECT

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A. Basic Information			
Country:	Ecuador	Project Name:	National System of Protected Areas
Project ID:	P066752	L/C/TF Number(s):	TF-51486,TF-51537
ICR Date:	06/09/2008	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	REPUBLIC OF ECUADOR & FAN
Original Total Commitment:	USD 8.0M	Disbursed Amount:	USD 7.6M
Environmental Category: B		Global Focal Area: B	
Implementing Agencies: Ministry of the Environment Fondo Ambiental Nacional			
Cofinanciers and Other External Partners: Germany-KFW and GTZ Interamerican Development Bank Government of Ecuador The Netherlands The Nature Conservancy Conservation International			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	03/19/2001	Effectiveness:	12/17/2003	12/16/2003
Appraisal:	03/25/2002	Restructuring(s):		
Approval:	11/26/2002	Mid-term Review:	05/03/2006	05/02/2006
		Closing:	06/30/2007	12/31/2007

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Global Environment Outcome	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory

Overall Bank Performance:	Satisfactory	Overall Borrower Performance:	Satisfactory
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C.3 Quality at Entry and Implementation Performance Indicators

Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
GEO rating before Closing/Inactive status	Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	27	27
General agriculture, fishing and forestry sector	73	73
Theme Code (Primary/Secondary)		
Biodiversity	Primary	Primary
Environmental policies and institutions	Primary	Primary
Other rural development	Primary	Primary
Participation and civic engagement	Secondary	

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Pamela Cox	David de Ferranti
Country Director:	Carlos Felipe Jaramillo	Isabel M. Guerrero
Sector Manager:	Laura E. Tlaiye	John Redwood
Project Team Leader:	Gabriela Arcos	Gabriela Arcos
ICR Team Leader:	Gabriela Arcos	
ICR Primary Author:	Sati Achath	

F. Results Framework Analysis

Global Environment Objectives (GEO) and Key Indicators(as approved)

The project's development objective was 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.

Revised Global Environment Objectives (as approved by original approving authority) and Key Indicators and reasons/justifications

The objective was not revised

(a) GEO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Protected Areas Fund supports basic recurrent costs of at least 9 protected areas.			
Value (quantitative or Qualitative)	No protected areas covered by a trust fund	The basic recurrent costs of 9 protected areas are covered.	Not revised	The basic recurrent costs of 11 protected areas are covered.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% The successful implementation of the fundraising strategy by FAN allowed to surpass the project's capitalization goal and to include 2 additional protected areas.			
Indicator 2 :	Directorate of Biodiversity and Protected Areas capable for resource allocation, regulating, monitoring and supervising the National System of Protected Areas.			
Value (quantitative or Qualitative)	Managerial and monitoring systems are not in operation	Managerial and monitoring systems designed and operating	Not revised	The managerial system is fully operational at the Directorate of Protected Areas and nine protected areas.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% MAE has substantially increased its capacity for planning, resource allocation and monitoring.			
Indicator 3 :	NSPA is able to effectively protect ecosystems of global importance contained in two selected protected areas through the implementation of management plans.			
Value (quantitative or Qualitative)	Machalilal National Park requires an update of the management plan. Cotacachi-Capayas	Management Plans preparation/updating completed and implementation	Not revised	Management Plans have been completed and priority activities to

	Reserve requires a new management plan.	initiated on priority actions.		be developed under the project have also been completed
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% Management plans have been updated/developed through a participatory process. Participatory management committees will support and ensure their further implementation			
Indicator 4 :	Local communities are actively involved and committed to protected areas conservation, through the establishment and operation of participatory management committees.			
Value (quantitative or Qualitative)	Management committees not existent in the two selected protected areas and participatory mechanisms not developed.	Management Committees established in two selected protected areas, operational and fully involved in protected areas management.	Not revised	Management Committees have been established and are actively involved in PAs management. Strengthening programs for the committees have been completed.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% Management Committees are actively involved in protected areas planning and implementation of the activities established in the management plans.			
Indicator 5 :	Concessions for services in protected areas are fully regulated and piloted in two protected areas.			
Value (quantitative or Qualitative)	Concessions for services have not been developed in any protected area managed by the State	Concessions for services fully regulated and piloted in two selected protected areas, contracts negotiated and signed	Not revised	Legal analysis and bidding processes for pilot concessions has been completed. Contracts were not granted until the closing date.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 70% Legal analysis and the preparation of the legal framework took longer than expected. The bidding process has been completed and ready for the selection of concessionaires.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	NSPA Strategic Plan updated			
Value (quantitative or Qualitative)	Draft Strategic Plan prepared under former GEF project needs to be updated and become official.	Strategic Plan updated	Not revised	Strategic Plan has been updated and officially approved. Priority actions have been completed.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% The Strategic Plan has been incorporated to the National Development Plan and has become the official policy framework for the future development of the National System of Protected Areas			
Indicator 2 :	Financial/Administration management system of the NSPA installed and operating.			
Value (quantitative or Qualitative)	Financial/Administration management system of the NSPA is not in place.	Financial/Administration management system of the NSPA installed and operating	Not revised	Financial/Administration management system of the NSPA installed and operating in nine protected areas
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% Nine protected areas are capable of planning, resource allocation and monitoring			
Indicator 3 :	FAP Trust Fund is fully operational and its capital endowment has increased to at least US \$ 12 million, covering about 14% of the NSPA recurrent costs.			
Value (quantitative or Qualitative)	No protected areas covered by a trust fund.	Protected Areas Trust Fund fully operational and its capital endowment has increased to at least USD 12 million. covering about 14% of SNAP's recurrent costs.	Not revised	Capitalization goal has been surpassed (US\$ 13.5 million), covering basic recurrent costs of 11 protected areas, about 24 % of NSPA's basic recurrent costs.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% The Protected Areas Trust Fund is considered one of the most important mechanisms to secure the long term financing of protected areas. This instrument will help FAN and MAE to secure additional capitalization.			
Indicator 4 :	Biodiversity Monitoring system fully operating in two protected areas.			
Value	Databases on biodiversity	Biodiversity	Not revised	Biodiversity

(quantitative or Qualitative)	of protected areas exist at the Information System of the Ministry of the Environment, this data need to be transferred to a monitoring system for decision making.	monitoring system operating in two selected protected areas.		Monitoring system is fully operational in two priority protected areas.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% This monitoring system will be replicated on the rest of protected areas and will provide accurate information on the status of biodiversity for decision making.			
Indicator 5 :	Financial Sustainability Strategy for SNAP prepared.			
Value (quantitative or Qualitative)	Initial efforts by the Government and NGOs have been developed to estimate the costs of the management of the SNAP and to identify additional sources of revenue.	Financial Sustainability Strategy for SNAP designed and implemented on priority actions	Not revised	The Financial Sustainability Strategy for NSPA has been completed. Regulatory framework has been developed for the administration of revenues generated by telecommunications infrastructure.
Date achieved	12/31/2003	12/31/2007	12/31/2007	12/31/2007
Comments (incl. % achievement)	Achievement: 100% The Financial Strategy will strategically complement the PAs Fund and will secure the reinvestment of self generated revenues in PAs.			

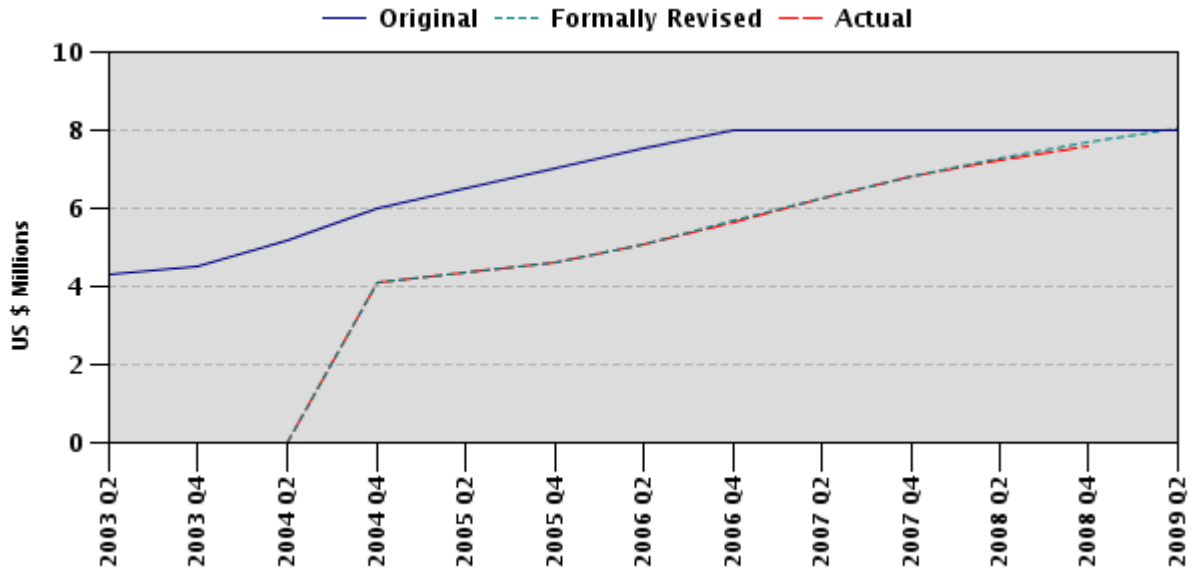
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	GEO	IP	Actual Disbursements (USD millions)
1	03/07/2003	Satisfactory	Satisfactory	0.00
2	12/23/2003	Satisfactory	Satisfactory	0.00
3	06/14/2004	Satisfactory	Satisfactory	4.08
4	12/08/2004	Satisfactory	Satisfactory	4.36
5	12/10/2004	Satisfactory	Unsatisfactory	4.36
6	05/05/2005	Moderately Satisfactory	Unsatisfactory	4.52
7	11/18/2005	Moderately Satisfactory	Unsatisfactory	4.80
8	05/30/2006	Satisfactory	Satisfactory	5.56
9	12/27/2006	Satisfactory	Satisfactory	6.28
10	05/21/2007	Satisfactory	Satisfactory	6.85
11	06/28/2007	Satisfactory	Satisfactory	6.85
12	12/09/2007	Satisfactory	Satisfactory	7.26

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives [or Global Environment Objectives] and Design

1.1 Context at Appraisal

Country and Sector Background: According to the World Wildlife Fund (WWF), Ecuador is one of the 17 "megadiverse" countries in the world. At appraisal, this richness was exemplified by the density of species estimated to be the highest in the world (9.2 species/1,000 km², excluding fish) and degree of endemism thought to be second in the world. In terms of flora diversity, the country had an estimated 25,000 species of vascular plants or approximately 10% of the world's total. Ecuador's rich faunal diversity was illustrated by the estimated 800 species of freshwater fish, 450 species of marine fish, 422 species of amphibians (4th in the world), 375 species of reptiles, 333 species of mammals (8th in the world), and 1,618 species of birds (18 % of the world's total). All this biodiversity was sheltered in a country of 256,370 km², equivalent to 0.18% of the Earth's land surface. Agriculture, one of the pillars of Ecuador's economic development and the basis for food security, and ecotourism, an important source of revenue, depended on this rich biodiversity resource.

The National System of Protected Areas (NSPA), originated in 1976 with the purpose to support the conservation of this biodiversity. It was made up of 27 natural areas: 23 continental areas, two islands and one marine area, covering a land surface area of 4,669,871 ha (approximately 18% of the national territory) and 14,110,000 ha of marine surface area.

Threats to Biodiversity. Ecuador's ecosystems were fragile and had been exposed to increasing pressures, due to expansion of agricultural frontier, and natural resources based export production. The demands for land and natural resources by impoverished groups had contributed to the degradation of the biodiversity resources of the country. State and private interests in the exploitation and extraction of natural resources were on a collision course with conservation, and in many instances the former had prevailed over conservation interests. Activities such as mining, oil exploitation, major infrastructure works, shrimp farming, fisheries and timber extraction had all contributed to environmental degradation and represented threats to the protected areas.

Habitat alteration, fragmentation and destruction were caused mainly by deforestation stemming from the expansion of agriculture and timber exploitation. Between 1950 and 1996, about 58% of the country's vegetation had already been significantly altered and 95% of the coastal forests had been cut. On average, 2.3 percent of native forest was lost annually. The high demand for luxury products such as lobster, sea cucumbers, furs and skins contributes to the overexploitation of flora, fauna and fisheries. The introduction of exotic species in areas such as the Galapagos island jeopardized the survival of native species.

Conflicts with landowners and local communities within PAs. Ambiguity in land-holding regimes and a lack of enforcement of the law within buffer zones was the cause for most of the conflicts with conservation of land within protected areas. Absence of strict delimitation of PAs boundaries had created conflicts from encroachment by illegal settlers. The existing PAs land tenure status, where 71% (3,300,131 ha) of land belonged to the State and 29% (1,367,295 ha) to private parties, confirmed the importance of carrying out the full delimitation of PAs. The existing legal framework did not recognize the existence of private property inside parks and reserves, however it recognized the ancestral rights of Indigenous and Afro-Ecuadorian communities.

Weak Institutional Capacity. Frequent changes within the leadership of the sector had led to numerous changes in the institutional framework for environmental management. This, and the limited capacity of the existing institutions, were major constraints to the sustainable management of biodiversity in Ecuador.

Lack of sustained financing. One of the most critical issues Ecuador faced in the implementation of PA conservation strategies was the lack of sufficient financial resources. The Ministry of Environment (Ministerio del Ambiente- MAE) budget was very limited, and largely insufficient even to cover the most basic recurrent costs; let alone the investments needed to operate the NSPA at a minimal efficiency level. The revenues generated by the protected areas was going back to the MAE through a cumbersome bureaucratic process, most of it financed the operation of all the units within MAE and only a small portion was reinvested directly in the NSPA. Up to 1998, an important share of the tourism revenue from the Galapagos National Park was channeled to the MAE, thus financing the NSPA and other needs. However, 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.

Rationale for Bank assistance: The Country Assistance Strategy (CAS) Progress Report for Ecuador¹ alluded to the fact that the Government of Ecuador (GOE) faced serious environmental issues, and if not tackled, would constrain socially sustainable development in the medium and long term. The most relevant issues identified by the CAS were biodiversity protection and deforestation. The project aimed at contributing directly to the CAS goal of protection of Ecuador's biodiversity through the conservation and management of Ecuador's biodiversity for socially sustainable development, through implementing key structural and legal reforms that would set the framework for NSPA participatory management and financial sustainability.

The project would also support this policy objective by: (a) supporting institutional strengthening, including the Directorate of Biodiversity and Protected Areas (DBPA) and the PA administrations through improved capacity for PA management, and the introduction of modern tools for financial and administrative management; (b) the development of legal and institutional arrangements to enable participatory management and co-investment processes within PAs, including concessions of services; (c) the development of innovative financing mechanisms to help ensure protected areas' sustainability; and (d) the establishment of a Protected Areas Trust Fund to cover recurrent costs of the NSPA.

In addition, the Bank: (i) had several years of experience in supervising similar projects in Ecuador; (ii) was supervising other Protected Areas Trust Funds and NSPA projects in the region; (iii) had the continuity of staff that would ensure that the project builds on past experience; the Bank's procurement, contracting, disbursement, and disclosure procedures provided a framework for transparency in project activities and participation of other institutions in the implementation of the project; (iv) was also well positioned to catalyze additional support over the long term

¹ Document number: R2000-102; Date of CAS discussion: June 22, 2000

given its role in aid to Ecuador, and its work with donors to support trust funds; and (v) was also working with local NGOs in the implementation of GEF medium-sized projects and other projects, such as (Indigenous and Afroecuadorian Peoples Project-PRODEPINE) that would significantly complement this project.

1.2 Original Project Development Objectives (PDO) (or Global Environmental Objectives (GEO) and Key Indicators

The project's development objective was to ensure the conservation and management of Ecuador's biodiversity for socially sustainable development by strengthening the NSPA through improving the legal, institutional and financial foundations and capacities for the integrated, participatory management of protected areas.

Key Indicators were:

- Protected Areas Fund supports recurrent costs of at least nine Protected Areas
- NSPA 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
- Local communities within and around the selected Protected Areas are actively involved and committed to PAs conservation; through the establishment and operation of the Participatory Management Committees
- Directorate of Biodiversity and Protected Areas capable for resource allocation, regulating, monitoring and supervising the NSPA
- Non-budget revenues of NSPA increase in a gradual and on permanent basis
- Concessions for services in PAs are fully regulated and piloted in the two selected PAs
- NSPA Strategy updated
- Biodiversity Law approved within the first two years and regulations enforced
- A sound evaluation and monitoring system for the effective management of NSPA is functioning in selected PAs.

1.3 Revised PDO [GEO] (as approved by original approving authority) and Key Indicators, and reasons/justification:

The objective was not revised.

1.4 Main Beneficiaries

The beneficiaries of the project included:

- *Ecuador*. The global benefit of the project would be the improved conservation of the country's biodiversity, through the conservation of significant PAs with a rich variety of species and significant levels of endemism. The outstanding biodiversity found in the selected protected areas provided opportunities to develop self-sustainability social and financial strategies, including the establishment of participation mechanisms to support protected areas management and development of mechanisms to secure long-term financing and generate self-income.

- ***Ecuadorian society***. The project would provide an important benefit to the Ecuadorian society as a whole, as it would ensure the sustained conservation of PAs that were an integral part of Ecuador's natural and cultural heritage. Most protected areas of the NSPA were inhabited by a variety of local and indigenous communities. The Ecuadorian Constitution recognized the rights that these populations had to use the natural resources within their territories. The GOE's National Biodiversity Strategy was consistent with this principle, and proposed actions that were consistent with local communities livelihoods, therefore, these communities were key constituencies to ensure PA conservation and would be targeted for the potential benefits generated by the NSPA.
- ***The indigenous and local communities*** that inhabited PAs had a great cultural heritage, were generally well organized, and have developed good experiences in sustainable ecosystem management. The interest of the GOE to integrate these populations in the management of PAs would be clearly reflected in their direct participation in the PA Management Committees.
- ***Local governments*** such as municipalities and provincial governments would be integrated to the PAs management as strategic partners as their jurisdiction overlapped with PAs or their buffer zones. They would also actively participate as members of the Management Committees. Local governments would benefit, especially in terms of additional revenue from tourism and concession fees.
- ***The private sector*** - enterprises and businesses especially of the tourism sector that operate or were seeking to operate within the PAs, would become key partners in developing the concessions for services initiatives.
- ***The MAE***, specifically the DBPA personnel would be targeted for institutional strengthening and training to more efficiently manage and monitor the PAs.

1.5 Original Components

The project consisted of four components as follows:

Component 1: Institutional Strengthening and Legal Development (Total Cost: US\$ 6.2 M, GEF financing: US \$0.7 M)

This component aimed to consolidate DBAP's role as the responsible agency for the administration of the NSPA, by strengthening its planning, control and monitoring capacities to ensure effective management of PAs. It would also develop the regulatory framework to promote participatory management and co-management of PAs in the country. The implementation of this component would articulate the long-term strategy for protected area management with the national policies and strategies for sustainable development and biodiversity conservation in Ecuador.

Component 2: Participatory management of Priority Protected Areas (Total cost: US\$17.65 M, GEF financing: US\$1.6 M)

This component aimed to promote the participatory management of two priority PAs (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 to facilitate the integration of different stakeholders in the management of PAs. In addition, 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, Cotacachi-Cayapas Ecological Reserve and the Cuyabeno Wildlife Production Reserve during the first year of the project until the Protected Areas Trust Fund (PAF) would generate revenues. These priority areas were selected by doing a comparative analysis, using biological, economic and social criteria.

Component 3: Sustainable Financing (Total cost: US \$ 11.44 M; GEF Financing: US \$ 4.3 M)

This component was directed to achieve the consolidation of the PAF, that operated within the National Environmental Fund (Fondo Ambiental Nacional - FAN) of Ecuador. PAF was a strategic response to a lack of a long term funding mechanism to support conservation within the National Patrimony of Protected Areas. Furthermore, once essential recurrent costs of PAs have been covered, any additional resources could then be targeted to more direct support of biodiversity conservation at PAs.

Component 4: Project Monitoring and Evaluation (Total cost: US\$ 1.4 M; GEF financing: US\$ 1.4 M)

This component aimed to ensure the proper operation of the project, through the establishment of a follow-up system to evaluate and monitor the implementation of planned activities at the administrative and technical levels. This system included the following aspects: (i) Protected Areas Information System; (ii) Management Efficiency Monitoring; (iii) Biodiversity Monitoring; and (iv) Monitoring of Project Activities.

1.6 Revised Components:

The components were not revised over the implementation period.

1.7 Other significant changes

There were no changes in the project's design, scope, and scale. However, there were changes in the project's schedule, funding allocations, and implementation arrangements as mentioned below. In addition, there were also amendments to the Grant Agreement.

Project Schedule. The closing date of the project was extended once by six months from June 30, 2007 to December 31, 2007 in order to: (i) follow-up on critical issues such as the implementation of the Strategic Plan; (ii) improve management of the selected PAs; and (iii) achieve the project's key performance indicators and objectives.

Funding Reallocations. During implementation, the Grant funds were reallocated twice among expenditure categories, as shown in the Table below:

Category	Original Allocation (US\$)	Reallocation July 2006 (US\$)	Reallocation Jan 2007 (US\$)
Works under Parts A,B and D of the Project	259,000	385,000	411,950
Goods under Parts A,B and D of the Project	416,000	522,000	600,300
Consultant Services and training under Parts A,B and D of the Project	2,197,000	1,987,000	1,881,750
MAE Incremental Recurrent Costs			
(a) for project management	130,000	507,000	507,000
(b) for selected Protected Areas	670,000	271,000	271,000
Total	3,672,000	3,672,000	3,672,000

The first reallocation, in July 2006, aimed to allow additional investments under the Civil Works and Goods categories to secure improved management and services to increase revenues at the two selected protected areas. This was expected to optimize the preparation of key planning tools and overall policy and legal framework, namely, the consultation process of the Protected Areas Strategic Plan and the completion of the legal framework for the concessions of services. The second reallocation, in January 2007, aimed to substantially contribute to the improved management of the selected protected areas and the full achievement of the project's key performance indicators and global objective.

Implementation arrangements. During the preparation phase, the Minister of Environment had indicated that the Grant No. TF051537 was going to be administered by the Project Coordination Unit-(PCU) within the MAE². This unit was established to administer all the international cooperation projects. However, the Financial Management and Procurement Capacity Assessments carried out by the Bank concluded that the PCU did not have all the conditions required by the Bank to carry out the overall administration of funds. An action plan was prepared for the PCU to fulfill all the steps necessary to meet the Bank's requirement. In the interim, the Bank and the MAE agreed to enter into a temporary agreement with FAN as the administrator of funds to execute Components 1, 2 and 4, until the PCU-MAE completed the action plan and was re-assessed by the Bank. After the PCU complied with the Bank's Financial Management and Procurement Capacity requirements, the administration of funds was transferred from FAN to the PCU in January 2006.

Amendment to the Grant Agreement. Before the effectiveness of the project, the GOE had indicated to the Bank that it was not possible to commit to the approval of the Biodiversity Law given that this decision depended on Congress approval. Therefore, upon the Government's request, the sections in Article V of the Grant Agreement referring to the approval of the Law within two years of project implementation were eliminated through the first amendment dated

² This PCU corresponds to an administrative unit within MAE responsible for the administration of all the international cooperation projects, it does not refer to a project implementation unit. The project was implemented by a technical team led by a Coordinator.

December 2, 2003 . The corresponding performance indicator was also eliminated from the Supplemental Letter.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design, and Quality at Entry

During preparation, the project design took into account lessons learned from the First GEF Biodiversity Protection Project. Likewise, the design considered the risk factors and appropriate measures were adopted to mitigate all major risks identified at appraisal. The project also provided a participatory framework involving stakeholders and direct beneficiaries in the decision-making processes

Lessons of earlier operation and reflected in the project design:

- **Community Involvement.** Involvement of communities in the planning and implementation of sustainable resource management and biodiversity protection is important for the harmonious development of strategic management plans for PAs.
- **NGO Collaboration.** Collaboration between public sector authorities, NGOs and bilateral cooperation organizations is essential for project implementation.
- **Project Focus:** Impacts of project actions are higher when focusing on limited and targeted objectives than supporting many scattered activities.
- **Institutional Sustainability:** Greater involvement of civil society in park management contributes to long-term PAs viability and social and institutional sustainability.

Financial Sustainability: It is necessary to implement a financing strategy to cover basic recurrent costs of the PAs to ensure the long-term operation and maintenance of such goods and infrastructure and the basic operation of the PAs.

Risks and Risk Mitigation Measures. The Table below shows the risks and mitigation measures identified in the Project Appraisal Document (PAD) along with a brief commentary on how the risks evolved during implementation.

Risk	Risk Rating	Mitigation Measure	Comment
MAE does not pursue the full execution of the Environmental Information System (EIS) designed by the MAE with the support of the Bank-financed PATRA Project and consequently the	Substantial	Project would support the development of the NSPA Information System to apply to the monitoring of selected PAs.	The project supported the development of the NSPA Information System, equipment and databases are in operation and training of key staff has taken place. The future operation of this system will rely on the financial resources available to update information and generate information services. Therefore, Risk rating remains as “ Substantial ”.

development of the NSPA Information System.			
Biodiversity law is not approved within the next two years	Substantial	Project would support raising the awareness of decision-makers and the public on the issues at stake through workshops.	See analysis on Section 1.7
GOE development policies are not compatible with conservation of protected areas and sustainable development.	Modest	Environmental policies issued by the MOE had received high level political support.	GOEs development policies are fully consistent with the polices and strategies developed under the NSPA Strategic Plan supported by the project. The new GOE's Development Plan establishes specific strategies and actions for the conservation and social and financial sustainability of the country's protected areas. Rating is confirmed as "Modest" .
GOE abandons decentralization policy.	Modest	GOE is deeply committed to decentralization, and decentralization is supported by strong social pressures.	The MAE has transferred competencies to local governments, establishing new alliances and agreements for the management of national protected areas, as well as for the creation of new municipal and regional protected areas. Rating is confirmed as "Modest" .
Participation policies are not supported by national and local authorities	Modest	Project would create specific mechanisms for their participation in the Participatory Management Committees.	National and local authorities have fully endorsed the establishment and operation of the protected areas Participatory Management Committees. National authorities have supported PMCs directly through its regulation and capacity building, while local authorities are active members of PMCs. Rating is confirmed as "Modest"
Insufficient additional endowment capital is raised to ensure full coverage of PA recurrent costs.	Modest	Project would support FAN's fund-raising strategy.	FAN surpassed the capitalization goal of the Protected Areas Trust Fund (original goal: US \$ 12 million; actual: US \$ 13.5 million), through the implementation of the agreed fund raising and capitalization strategy. This allowed the inclusion of 11 protected areas as direct beneficiaries of the financing of its basic recurrent costs, the original goal was 9 PAs. Rating is confirmed as "Modest"
Full independence and autonomy of decisions and operations of FAN are not guaranteed	Modest	FAN's by-laws would be modified accordingly.	FAN's full independence and autonomy have been secured during the life of the project and will continue in the future. The current sector authorities have confirmed the importance of FAN to continue implementing the financial strategy for the NSPA. Rating is confirmed as "Modest"
Controls by local communities and patrolling are not effective and sustained.	Modest	Local Community members would be hired and integrated to control and surveillance activities within selected PAs.	Local communities' members have been hired at nine protected areas to carry out the surveillance programs, their salaries are covered through the Protected Areas Trust Fund. Rating is confirmed as "Modest"

Suitable concessionaires for services in PAs not identified or interested.	Modest	The project would support in the establishment of key partnerships between MOE and private sector to motivate interest in piloting concessions for services.	The mechanism for concessions for services has been developed and established at two protected areas. The legal assessment took longer than expected as this is a new legal figure for protected areas. Although the contracts were not awarded until the closing date, private sector at the community and national level have expressed its interest in holding the administration of tourism facilities. Rating is confirmed as “Modest”
Concessions fees and other revenues cannot be reinvested directly in NSPA	Modest	Project would support the development and implementation of innovative mechanisms to secure the reinvestment of PAs revenues.	The project has developed the NSPA financial strategy to complement the Protected Areas Trust Fund. The strategy has been approved and currently the revenues from several services provided by protected areas (i.e telecommunications infrastructure), are being channeled directly to the protected areas. Rating is confirmed as “Modest” .
Political commitment to SNAP weakened	Modest	Political support would be secured through a strategic partnership between the Government and civil society	Political support has been secured through a strategic partnership between the Government and civil society established during the development of the NSPA Strategic Plan. Here, the National Government, local governments and key actors of the civil society have committed specific roles and responsibilities. Rating is confirmed as “Modest” .
Staff in the DBPA and at the field level do not collaborate with the personnel contracted by the project due to differences in salaries	Modest	The project would establish additional incentives like training and the financing of basic recurrent costs to fully integrate PAs staff into project implementation in spite of salaries differences.	The project team and the regular staff at the Directorate of Biodiversity have blended to establish a solid team for the implementation of the project. For the first time, regular staff has considered the project consultants as partners working towards the same objectives and goals. Rating is confirmed as “Modest” .
Decreased demand for tourism focused in PAs	Modest	The implementation of management plans in the two selected PAs would increase management capabilities and provide basic services and infrastructure to motivate private investment.	The remodeling of tourism infrastructure as well as the participatory updating and preparation of the management plans of Machalilla and Cotacachi-Cayapas, have actually motivated the participation of private sector and local communities to invest on tourism activities. Rating is confirmed as “Modest” .

Adequacy of participatory processes. During the preparation phase of the project, the MAE was particularly careful in enabling a broad participation by diverse stakeholders in Protected Area management. The participatory scheme included active consultation and consensus building among diverse sectors involved in PA management (governmental, non-governmental, private, community, international cooperation). It also provided a solid basis for the implementation phase, as representatives of these sector became strategic partners in the next four years.

Following the recommendations of the workshop on Protected Area Financing Mechanisms, sponsored by the Bank in June 2000, the MAE established a Project Design Advisory Committee.

This multi-disciplinary ad hoc working group was made up of experts who carried out activities in diverse protected areas in different regions of Ecuador and belonged to organizations with experience in park and reserve management. It was created specifically to guide and accompany the project design process. In addition, several workshops and informative meeting took place with representatives of International Cooperation Agencies in order to exchange ideas, receive comments and propose mechanisms of direct cooperation with the MAE and specifically with the project.

2.2 Implementation

The project was not restructured, and no changes were made to the project design. The project was at 'Risk' status until 2004 because of: (i) late effectiveness; and (ii) delayed implementation for the reasons mentioned below, and the resulting low disbursement. The Bank conducted a Midterm Review (MTR) in May 2006, and assessed progress to date on all project components, the implementation issues and the actions to be taken to ensure the successful completion of the project.

The following factors affected project implementation:

Factors outside government control or implementation agency

None

Factors subject to government control or implementation agency

(i) The project was declared effective in December 2003, one year after it was approved by the Board in November 2002. The main reason for the delay was the disagreement of the GOE on the wording of sections 5.0.1. (a) and (d) of the Grant Agreement, that referred to the approval of the Biodiversity Law within two years of project implementation and the Suspension of the Grant by the Bank if any future provisions regarding the country's protected areas legal framework was inconsistent with the project objectives. The Government argued that it was not possible to commit the approval of a Law given that this action relied on the Congress and that the language of those clauses was inconsistent with the sovereign right of a country to establish its own legal framework. In order to overcome this problem and obtain the ratification as soon as possible, the Government and the Bank agreed to amend the Grant Agreement. This amendment consisted of removing sections 5.0.1. (a) and (d) from Article V (Remedies of the Bank) and adding new text to Section 3.0.1. a)-Article III (Execution of the Project), to ensure that the GOE would provide an adequate environmental legal framework for the implementation of the project. Through this amendment, the obligation of the GOE to provide an adequate environmental framework for the implementation of the project remained as originally committed.

(ii) Political instability which prevailed in the country during the life of the project created a difficult environment for implementation. For example, since the project preparation started in 2001 Ecuador had seven Minister of Environment, and during the four years of implementation itself, the Minister had changed four times. In addition, the Ministry personnel also changed frequently which created instability and lack of continuity in implementation.

(iii) Implementation of the Components 1,2, and 4 under the agreement with the GOE was extremely slow in the first year after the project became effective (December 2003 to November 2004). The slow pace of implementation during this period was due to: (a)

unsatisfactory performance of the project's technical team; and (b) vacant position of Legal Specialist, Financial Strategy/PI Specialist, and Social Specialist for a lengthy period of time after the MAE decided to put in place a new project team.

(iv) Three main procurement issues affected project implementation:

(a) *Unclear organizational arrangements.* Regarding the organizational arrangements, initially the project procurement was implemented jointly by the FAN and the MAE. Under this arrangement, procurement progress was very limited because of lack of clear definition of responsibilities among the different actors: the FAN, technical staff of the MAE and project's technical team. Over the second year, coordination among parties as well as procurement tasks improved. Finally and as originally planned, procurement and financial management responsibilities were transferred to PCU-MAE as explained before. This new organization also presented some coordination difficulties at the initial stage of administration derived from the fact that PCU-MAE wanted to apply its internal procedures and failed to understand that the project was ruled by the World Bank's procedures and the project's Operational Manual. Once PCU-MAE was clear on its role, project administrative arrangements started to operate more efficiently.

(b) *High turnover of staff in the PCU-MAE.* The key staff in the PCU-MAE was changed frequently and the review or signing of procurement documents by this unit suffered substantial delays until the recruitment of a new staff familiar with the Bank's procedures.

(c) *Delays in payments to the contractors in the later part of the project.* Payments to the contractors towards the closing period of the project had been stopped because the PCU-MAE was not able to provide the Ministry of Finance with all the financial information it required. In addition, the new Governmental Accounting System started operating, comprising a temporary interruption of transactions under project and counterpart accounts.

2.3 **Monitoring and Evaluation (M&E) Design, Implementation and Utilization:**

M&E Design. Key Performance Indicators, Outcome/Impact Indicators, and Output Indicators were developed at Appraisal to monitor the performance of the project towards meeting the planned activities and the project global objective. Two additional aspects were part of the project's monitoring design: effectiveness of individual protected areas and status of biodiversity at selected protected areas. Overall the project provided the MAE with adequate tools, methods and capacity for collecting and analyzing data during the implementation period.

M&E Implementation and Utilization. The project was monitored at the three levels as explained below:

(i) Monitoring of Project Activities

A monitoring system to assess the progress on project's components and activities was installed at the start-up phase of the project. The assessments were developed based on the outcome indicators agreed during Appraisal. To complete this level of monitoring, the system included the project's planning instruments such as the annual operations plan and the weekly work plans, both of which ensured a measurement of the advances of the actions contemplated in the project. By monitoring the project activities, the continued supervision permitted timely decision making on the basis of the project objectives and the mentioned planning instruments.

(ii) Progress Reporting at Individual Protected Areas

The MAE applied the World Bank/WWF Management Effectiveness Tracking Tool³ twice during the life of the project at the two priority protected areas (Machalilla and Cotacachi-Cayapas). This tool forms part of a series of management effectiveness assessment tools, which range from the WWF Rapid Assessment and Prioritization Methodology used to identify key protected areas at threat within a protected area system.⁴

At the project level, the process started with the development of baseline information and the adjustment of the methodology to the local context. The information was collected directly by protected staff through the analysis of secondary information and verifications at the field. The final allocation of scores to the different evaluation parameters was carried out through specific workshops, participants included MAE authorities, personnel of the PAs, and local actors. In the particular case of Component 3 (Sustainable Financing), data was collected from FAN's officers, reports from Asset Managers and Financial Advisors based on the following indicators: (i) returns on the investment of endowment funds; (ii) % of funding for NSPA from FAP; and (iii) percentage of funding for NSPA from the GOE.

The reports produced so far have allowed the understanding of the status of the main management aspects and to take management decisions on a well informed, quick and efficient manner.

(iii) Biodiversity Monitoring.

This monitoring system focuses on assessing the status of biodiversity, although baseline information was developed during the project's preparation phase (as basis to select the priority protected areas), it was updated as initial information for the system. The update consisted of selecting key biodiversity elements ("species") as to secure a continued monitoring effort. The project team initially developed the biodiversity monitoring system at the two priority PAs selected for the Project, however upon request of the MAE and given the usefulness of this tool, it was extended to the other seven protected areas.

This system comprises three basic elements: a series of practical and user-friendly forms developed for data collection at the field, a database to process the information and a GIS

³ The purpose of this tool is to help track and monitor progress in the achievement of the World Bank/WWF Alliance worldwide protected area management effectiveness target. It is aimed to help reporting progress on management effectiveness, it has been developed to provide a quick overview of progress in improving the effectiveness of management in individual protected areas. It can be completed by protected area staff or project staff, with input from other protected area staff. It has been designed to be easily answered by those managing the protected area without any additional research. The main part of the assessment comprises a set of questions related to overall management parameters that can be answered by assigning a simple score ranging between 0 (poor) to 3 (excellent).

⁴ Sue Stolton, Marc Hockings, Nigel Dudley, Kathy MacKinnon and Tony Whitten. Reporting Progress at Protected Area Sites, A simple site-level tracking tool developed for the World Bank and WWF, March 2003.

platform to generate reports and maps for decision making. The data collection forms were prepared to allow field staff to easily collect information and make the initial processing at the protected areas. The whole process was accompanied by specific training to the MAE's staff at the field and central unit and the installation of specialized software and hardware, both at the protected areas and central unit in Quito.

Due to the short implementation period, it was not possible to actually assess the impacts of the project's actions on the status of biodiversity at the selected protected areas, however it was possible to pilot the system in at least nine protected areas and confirm that it was operating with very good results as expressed by the system users during the evaluation workshops and regular project missions. The long-term operation of the system is secured by three main aspects: i) the system operates autonomously, since it is not dependent on a central information system to process and generate information; ii) users are very well trained and capable of operating without permanent technical assistance from external persons/entities and iii) the continuous demand for information service by local agencies and international donors will also generate a continued and efficient operation.

2.4 Safeguard and Fiduciary

There were no significant deviations or waivers from the Bank safeguards and fiduciary policies and procedures during the implementation of the project. On the contrary, both the environmental and social safeguards were observed as described in the PAD. Compliance with safeguard policies were assessed during the supervision missions.

2.5 Post-completion Operation/Next Phase

(a) Transition arrangements.

Institutional. MAE is currently planning to create an Environmental Superintendency which would take over many of the functions of MAE, and MAE would become more of a technical entity. In terms of PAs, the government is planning to make changes to have more effective management in the field. For example, regional offices would be strengthened in PA management in the field and they would be made in charge of PAs, responsible for resource allocation and monitoring the status of biodiversity. The transition process will be strongly supported by the managerial and administrative tools developed under the project.

Financial/ Budget provision. FAN will continue financing PA management with its capitalized funds and is expected to increase the revenue to \$35 million to cover all 36 PAs by 2011. Thereafter, all the PAs are likely to receive \$45,000 to \$55,000 per year. The mechanisms to generate self income developed under the project, namely, concessions for services and tariffs for telecommunications infrastructure will complement FAN's efforts. The second consists of charging a tariff to telecommunication companies for the use of infrastructural facilities for the operation of radio, television, and mobile phones located inside the protected areas. The Ministry of Economy has committed to complement and cover basic recurrent costs.

The project has also complemented the efforts of FAN in the preparation of Financial Strategy for NSPA. This strategy includes:

- Putting in place legal framework so that all revenues generated by PA will stay in PA itself. The legal framework consisting of a specific regulation stemming from the

- Environmental Management Law to establish the procedures to allocate such funds at the protected areas level has been prepared and it is expected to be approved by July 2008.
- Increasing the entrance fee for tourists after improving the infrastructure services in all the PAs.
 - Revision and implementation of the fundraising strategy to secure the future capitalization of the PAF.

Technical/staffing: Because of the government freeze on recruitment, the MAE is faced with the problem of having limited staffing, especially on technical aspects, and also in the field. PAF is providing resources to allow MAE to hire staff from local communities for surveillance system and park rangers. As the technical staff cannot be hired using FAN resources, the MAE needs to find ways to hire the required staff for monitoring and biodiversity activities, and social specialists to deal with local social issues.

Policies. Financial Strategy, which is part of the Strategic Plan, was approved in November 2007. This is the official plan of the government for managing National Patrimony of PAs. *For further details see Section 3.2.*

Marketing. Concession for tourism is envisioned as a means of financing for PA management, and also for generating additional revenue for Ecuador. The project helped to develop the mechanisms for concessions for tourism services in two protected areas, although the legal analysis to support the process to end up with concessions contracts between the MAE and third parties (private sector, local governments and others) took longer than expected, the GOE has now the mechanism fully developed to expand this initiative to other protected areas with a high potential of increasing revenues to be re-invested in their improved management.

(b) Use of performance indicators. The key indicators which were used during implementation will continue to be used as part of the MAE's regular operations for monitoring and evaluation. However, these indicators are scheduled to be updated by September/October 2008, provided the MAE gets funding from the Government of Germany.

(c) Follow-up project. MAE and Fan are taking the necessary actions to process a new GEF operation using UNDP as the implementing agency to fully implement the Financial Strategy developed under the project and hopefully to reach \$35 million capitalization target by 2011 to cover the basic recurrent costs of 36 PAs currently comprising the State Patrimony.

(d) Suggested priority and optimum timing of any future impact evaluation. An independent external evaluation by a panel of auditors to evaluate the project's outcome is scheduled to be conducted in February/March 2009.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

The objective of the project is still important to the country's social and environmental development. It is also timely and appropriate to the needs of Ecuador. The project is consistent with the Bank's current CAS for Ecuador (Report No. 25817 EC, dated April 29, 2003), according to which the Bank will continue to play an important role in overseeing GEF-funded projects. The project activities have significantly strengthened the capacity of the MAE to administer the State protected areas. Two priority protected areas have fully developed overall

management, administrative and biodiversity monitoring tools, as well as participatory mechanisms and have become models to be replicated in the rest of the country. Eleven protected areas have their basic recurrent costs covered on a long term basis, providing the basic tool to develop additional financing mechanisms. Nine protected areas are capable of resource allocation and efficient financial and administrative management. These results provide the foundations to consolidate the NSPA and secure the sustainable use of natural resources as envisioned under the National Development Plan developed by the current administration.

Achievement of Project Development Objectives [or Global Environmental Objectives]

Satisfactory. The project was successful in achieving its GEO. The following achievements demonstrate the direct correlation between the project’s outputs and their resulting outcomes. For example, the project activities had significantly strengthened the capacity of the MAE to administer the State’s protected areas. Two priority protected areas have fully developed overall management, administrative and biodiversity monitoring tools, as well as participatory mechanisms and have become models to be replicated in the rest of the country. 11 PAs have their basic recurrent costs covered on a long term basis, providing the basic tool to develop additional financing mechanisms. Nine PAs are capable of resource allocation and efficient financial and administrative management.

The highlights of the project’s achievements are given in the following Table:

Indicator	Target	Actual Value
1. Protected Areas Fund supports basic recurrent costs of at least 9 protected areas.	The basic recurrent costs of nine protected areas are covered.	The basic recurrent costs of 11 protected areas are covered.
2. Directorate of Biodiversity and Protected Areas capable for resource allocation, regulating, monitoring and supervising the National System of Protected Areas.	Managerial and monitoring systems designed and operating.	The financial and managerial system for the Directorate of Protected Areas is fully operational in 9 protected areas.
3. NSPA is able to effectively protect ecosystems of global importance contained in two selected protected areas through the implementation of management plans.	Management Plans preparation/updating completed and implementation initiated on priority actions.	Management Plans have been completed and priority activities have been completed before the closing date.
4. Local communities are actively involved and committed to protected areas conservation, through the establishment and operation of participatory management committees.	Management Committees established in two selected protected areas, operational and fully involved in protected areas management.	Management Committees have been established and are actively involved in PAs management. Strengthening programs for the committees have been completed.
5. Concessions for services in protected areas are fully regulated and piloted in two protected areas	Concessions for services fully regulated and piloted in two selected protected areas, contracts negotiated and signed	Bidding processes have been completed. Contracts were not granted until the closing date.
6. NSPA Strategic Plan updated.	Strategic Plan updated.	Strategic Plan updated and officially approved. Priority actions have been completed.

7. Financial/Administration management system of the NSPA installed and operating.	Financial/Administration management system of the NSPA installed and operating.	Financial/Administration management system of the NSPA installed and operating in nine protected areas.
8. PAF Trust Fund is fully operational and its capital endowment has increased to at least US \$12 million, covering about 14% of the NSPA recurrent costs	Protected Areas Trust Fund fully operational and its capital endowment has increased to at least USD 12 million, covering about 14% of NSPA's basic recurrent costs.	Capitalization goal has been surpassed (original goal: US \$ 12 million; actual: \$ 13.5 million), covering basic recurrent costs of 11 protected areas, about 24% of NSPA's basic recurrent costs.
9. Biodiversity Monitoring system fully operating in two protected areas.	Biodiversity monitoring system operating in two selected protected areas.	Biodiversity Monitoring system is fully operational in two priority protected areas.
10. Financial Sustainability Strategy for NSPA prepared.	Financial Sustainability Strategy for NSPA designed and implemented on priority actions.	The Financial Sustainability Strategy for SNAP has been completed. Regulatory framework has been developed for the administration of revenues generated by telecommunications infrastructure.

The details of the project's major outcomes and achievements are as follows:

A. Improving the legal, institutional and financial foundations of NSPA.

The project was successful in building the capacity of the MAE to efficiently manage the NSPA through the design and operation of modern tools for financial and administrative management, the development of legal and institutional arrangements to enable participatory management within protected areas and the development of innovative financing mechanisms to help ensure protected areas' financial sustainability.

a) Legal

For the reasons explained previously in the document, the section in the Grant Agreement referred to the approval of the Biodiversity Law⁵ was eliminated prior to effectiveness and therefore one of the project's key performance indicators was eliminated. The main concern resulting from this action was the potential risk to achieve the improved management of the PAs.

The project team proposed an alternative to strengthen the management of protected areas without having the Law approved. This was the development of an internal regulation (Ministerial Decree) stemming from the Environmental Management Law, that provided the legal

⁵ In 2001, the draft Law went through the first debate at the National Congress. The National Congress at that moment considered holding a second and definitive debate on it. The reason that stopped the Congress to hold the definite debate was the adverse social and political context existing at that moment; the draft Law was perceived by key sector of civil society as an instrument imposed by the international cooperation.

basis for the operation of the NSPA. This regulation was approved in July 2006. Further, specific regulations were developed in articulation to this one to allow the operation of the following key aspects: : i) concessions for services for two protected areas holding tourist facilities; ii) participatory management committees; iii) co-management agreements in Machalilla and Cotacachi-Cayapas, iv) municipal, provincial, community and private protected areas; v) re-investment in protected areas of all revenues generated by them..

The legal assessment to establish the procedures for concession of tourism services took longer than expected, not allowing the piloting of such concessions in two protected areas as originally planned. However, private tourism operations at the community and national level have expressed its interest in holding the administration of tourism facilities in both protected areas.

The regulations developed under the project have provided a frame to move towards an improved an integrated management of PAs and buffer zones, and they have become a practical solution to high priority aspects. The above listed legal instruments, except for one, are approved and being implemented. Moreover, the GOE is also planning to continue seeking the approval of the Law.

b) Institutional

(i) The Protected Areas Strategic Plan has been updated according to the new management tools and approved. The Plan includes crucial aspects such as: (i) strengthening of the administration of the NSPA; (ii) implementing new regulations and programs that increase the capacity for protected areas management by the private and public sectors in Ecuador (some of them already developed under the project); (iii) increasing the public support for protected areas by strengthening government and non-government communication/environmental education programs at the local, regional and national level; (iv) implementing protected areas management plans; (v) establishing a long-term financial mechanisms for protected areas management; (vi) strengthening mechanisms for the participation of communities, NGOs and private sector in the administration of the NSPA.

(ii) The financial and managerial system for the DBPA is fully operational in nine protected areas

(iii) Management Plans have been completed and priority activities are under implementation, in order to effectively protect ecosystems of global importance contained in two selected protected areas

(iv) Biodiversity Monitoring system is fully operational in nine priority protected areas

(v) NSPA Information System has been developed, equipment and databases are in operation, and training of key staff has been completed

c) Financial.

The outcomes for this project in its Component 3 were: (i) capitalization of the Protected Areas Fund (PAF) to \$12 million before 2006; ii) Capitalization goal has been surpassed (US 13.5 million) by the end of the project, and (iii) that PAF supports about 24% of the basic recurrent costs of the NSPA.

The initial \$8 million seed capital of the PAF was established with following contributions: GEF: \$4 million; KfW-Germany: \$3 million and GoE: \$1 million. A second debt for nature swap between Ecuador and Germany negotiated between 2005 and 2006 allowed FAP to reach a US

\$ 12.3 million capital, surpassing the \$12 million target committed under the project. A third debt swap with Germany that took place by the end of 2007, has increased the capital to US\$ 13.5 million. As result of the successful implementation of the fundraising strategy, the project surpassed the 14% target of funding to basic recurrent costs by reaching about 24%.

FAN effectively managed its investment portfolio to assure an adequate rate of return from investments (in Ecuador and abroad) to maximize the amounts for the protected areas, and also ensured that the endowment funds were protected to preserve the original contributions for the endowment. The average return for the GEF Grant of the last three years was 6.89% and the average return of the entire portfolio (GEF grant plus debt for nature swaps plus contribution of the Republic of Ecuador) was 7.2% after meeting all costs from Asset Managers and Investment Advisors. This level of management capabilities from FAN has provided \$2.3 million to the NSPA through PAF during the period 2003-2008.

Further, between 2003-2008 not only \$2.3 million of new funding was made possible for NSPA but all the principal of the endowment never went below the original grant amount. Instead, through re-capitalization of funds not allocated to protected areas the total endowment was increased by more than \$500,000.

The implementation of the project has facilitated FAN to consolidate its base for its PA Trust Fund activities. There is evidence of a convergence of national public actors, including the MAE, Ministry of Economy and Finances, The Ecuadorian Agency for International Cooperation (AGECI), and the National Secretariat for Planning and Development (SENPLADES) and international ones, including the German Government, private NGOs such as Conservation International (CI) and The Nature Conservancy (TNC). These actors also support the concept of a financial mechanism that complements the contributions of the Ecuadorian state or favors NSPA. Additional alliances within the national productive private sector (Consorcio OCP-EnCana and EcoFondo) as well as the outside institutional private sector (Mac Arthur and Moore) also support the FAN's activities by providing financial support toward environmental management and the sustainable development of Ecuador.

Effective and efficient implementation of PAF by FAN has also generated interest in many organizations to be part of this effort. FAN's management capacities met stakeholders expectations and this confidence in the organization has generated more interest and commitment.

B. Improving the capacity of NSPA for the integrated, participatory management of protected areas and Public Involvement

The project has taken into consideration the experience and knowledge of the local communities as well as that of Non Governmental Organizations (NGOs) and the public sector when designing and implementing the project's activities. During the implementation, skills, experiences, and knowledge of these local communities became especially relevant to social participation. The NGOs provided important insight about managing protected areas while the private sector shared its knowledge of financial sustainability.

The project supported the creation and strengthening of local Participatory Management Committees (PMC) to facilitate the integration of different stakeholders in the management of PAs. National and local authorities have fully endorsed the establishment and operation of the PMCs. National authorities have supported PMCs directly through its regulation and capacity building, while local authorities are active members of PMCs. The committees also provided a

participatory space through a constant dialogue in the processes of planning, executing, supervising, and evaluating the project's actions in each of the selected PAs.

Many strategic partnerships were formed with NGOs, international agencies, programs, and consultant agencies that have assisted in an effective and voluntary manner in the distinct stages of project development. These partnerships have contributed to the coordination of strengths, means, exchange of information, and necessary resources to carry from start to finish the specific activities that will allow all stakeholders to reach common goals.

a) Cotacachi-Cayapas Ecological Reserve.

The project fully supported the preparation of the management plan, which became an instrument to identify the priority programs and actions, as well as the administrative mechanisms to implement an effective management in this PA. To ensure public participation during the management plan's design, several workshops were organized with different stakeholders related to this PA, including the local communities that live inside or around the area, and the productive sectors (i.e., tourism, forestry, mining, and agricultural) which use the natural resources of the area and its buffer zone.

The project also helped to create and strengthen the PMC to enhance coordination and communication among different stakeholders related to the PA management. A total of seven committees were established in this Reserve.

The Cuicocha's Environmental Interpretation Center, located in the upper zone of the Reserve, was remodeled and an intensive environmental education and interpretation program was developed to communicate the ecological and cultural importance of this reserve and the NSPA. Interpretation trails around the Cuicocha lagoon were given maintenance and new ones were constructed.

The project also strengthened the technical and logistical capacity of the reserve's staff for implementing an effective control and patrolling program, through hiring community park rangers (through PAF) and financing basic patrolling equipment (field equipment, uniforms, motorcycles, vehicle, and canoes).

The project financed training programs to community members on micro-projects on gardening and medicinal plants, and as a result, they are now capable of taking care of these micro-enterprises. The project, however, did not finance micro-enterprises due to shortage of time.

b) Machalilla National Park.

The project provided financial and technical assistance for the preparation of the Park's Managerial Plan, which stemmed from the Management Plan prepared under the first protected areas project and identified the priority programs and actions, as well as the administrative mechanisms to implement an effective management in this PA. This process was also carried out with the participation of all stakeholders, including the local communities that live inside or around the area, and the productive sectors (i.e. tourism, fishing, and agricultural) which use the natural resources of the area and its buffer zone.

The implementation of the Managerial Plan consisted of strengthening the technical and operational capacities of the field staff (training program described above), the improved protection of land and marine biodiversity and cultural resources, environmental and social research and monitoring, control and patrolling, education and public awareness, and promotion

of tourism and recreation in the PA. Park infrastructure (ranger stations and minor tourism facilities) was upgraded and basic equipment, (field equipment, Global Positioning System (GPS), radios, computers, motorcycles, navigation and communication equipment) was provided.

The project also created and strengthened the PMC to enhance coordination and communication among different stakeholders related to the PA management.

C. Cost-Effectiveness

As mentioned before, the project was behind schedule for almost two years because the institutional environment was not favorable for its implementation. Such context forced the project team to seek innovative and cost-effective approaches to secure the achievement of the global objective in a reduced time frame. The project planned for the activities to be carried out in shorter time periods that nevertheless permit effective execution and still provided evidence of the expected results.

The project team used the most cost-effective means to execute the project's activities. For example, the project considered the experiences of similar projects to assess its actions. The management plans were the least-cost ones as compared to others developed before and they have fully satisfied the necessary technical and planning tools requirements. The preparation of the NSPA Financial Strategy is another example of cost-effectiveness. The project took advantage of the ongoing initiative comprising the expertise of several national and international NGOs to put together experiences, carry out coordinated analysis and leverage resources.

It is worth highlighting that various products and results obtained through the project will serve as a baseline not only for the work developed by the MAE, but also for the stakeholders who are actively accompanying the actions being executed in the project.

Finally, establishing a basic work team that provided efficient support in the distinct actions that a project should undertake helped to obtain the expected results. The fact that the project managed to insert itself within the MAE's central unit and not just be an executing unit, permitted the advance of the project and the full involvement of the MAE's functionaries.

D. Financial Leverage

Due to the project dynamics, it was possible to leverage funds from NGOs such as CI, TNC, and Ecociencia to develop various studies such as "The Identification of Conservation Spaces and Priorities in the Marine Area," which have been sufficiently important to be taken into consideration in the integrated ecosystem management component of the Strategic Plan of the NSPA. The total contribution to develop these activities was \$88,350 (\$30,350 from CI; \$48,000 from TNC, and \$10,000 from Ecociencia).

As mentioned under the cost-effectiveness section, another activity that has received technical and financial support was the development of a financial sustainability strategy, which contemplated the identification of different viable financial alternatives inside the NSPA. The contribution of CI to develop this activity was \$60,997. Other contributions included \$135,000 from TNC, \$5,000 from Ecociencia, and \$15,000 from Mentefactura.

It was also possible to leverage funds from several NGOs to prepare the Management Plan of the Cotacachi-Cayapas Reserve for an amount of \$40,563. An additional contribution of \$5,000 in

technical assistance allowed the development of a regulation for the co-management of PAs. The project's training program received additional funds from CI (\$20,000) and TNC (\$32,000).

The MAE's Green Area Program contributed \$10,000 towards the elaboration of the business plan for the El Boliche National Recreational Area, which was necessary to later develop the financial sustainability strategy and to facilitate the process of designing the concession mechanism for tourist infrastructure.

In relation to the activities implemented by FAN, the MacArthur Foundation contributed \$150,000 to apply the management effectiveness tool at the Condor Kutuku Conservation Corridor. An additional contribution of this Foundation (US \$ 125,00) supported the updating of the fundraising strategy to secure additional resources to FAN, including the capitalization of PAF. TNC committed an initial contribution of \$30,000 to support the implementation of the PAF's fundraising strategy and to improve the overall management capabilities by FAN. Finally, the Moore Foundation provided a US \$ 1.5 million grant to FAN to support the management of the Podocarpus and Yasuní National Parks.

E. Replication Approach

The project has broadly disseminated its experiences in terms of planning, monitoring and financial tools and mechanisms for analysis and discussion through various documents, capacity building events at a local level, and information exchange with actors involved in the project. Among the functionaries at the MAE (at both the central and PAs levels), the transfer of knowledge took place through the elaboration of operational manuals, preparation of different events, and strategic analysis, among other means. The main purpose of such dissemination approach has been to motivate different actors to expand and upscale such initiatives, ideally to cover as much national protected areas as possible and even pilot such experiences at municipal and private protected areas.

The immediate replication actions after the project closing will be the installation of the financial-administrative system to cover at least 50% of the national PAs and the incorporation of at least 10 more PAs to the biodiversity monitoring system. The Inter-American Development Bank (IDB) replicated both, the biodiversity monitoring and financial systems under its BID-AMAZNOR Project (one of the project's co-financier), in the Cuyabeno Reserve and two other Reserves supported by its operation, to secure a standardized methodology.

With regard to the PA Trust Fund under Component 3, not only the design and implementation of the fund but also its institutionalization has led to the design of other funds such as the PA Trust Fund in Colombia and to create a PA Trust Fund in the Dutch Antilles in the Caribbean. Lessons learned and best practices have been broadly disseminated through the Latin America and the Caribbean Network of Environmental Funds-REDLAC.

3.2 Efficiency

N/A

3.3 Justification of Overall Outcome Rating

Rating: *Satisfactory*

Based on the discussion given in Sections 3.2, the overall outcome is rated as Satisfactory.

3.4 Overarching Themes, Other Outcomes and Impacts

(a) *Poverty Impacts, Gender Aspects, and Social Development*

Poverty Impacts. The project did not have any direct impacts on poverty alleviation. However it helped to create local capacity at the level of the PMCs for improved natural resources management.

Gender Aspects: The project contributed in empowering women in taking decisions. They are now actively participating in PMCs and in working groups and playing important roles in decision making process. Further, there is a good gender balance in all the committees.

Social Development: The project created a positive impact on the stakeholders in realizing their roles and the importance of their participation and involvement in the committees. The project also supported the capacity building of local people to develop more practical or operational ways to address conservation issues within their respective regions, especially in terms of finding alternative ways of livelihood activities.

(b) *Institutional Change/Strengthening*

The project has developed adequate mechanisms and institutional arrangements to facilitate the participation of local stakeholders in protected areas in the planning, funding and execution of protected area management projects, thus contributing to enforce the government's new policies on biodiversity conservation.

FAN has built capabilities for fund raising and administration, and for the transfer of financial resources to support the activities of the government, private sector and NGOs for the protection, conservation, and sustainable use of Ecuador natural resources. FAN has ensured the necessary stability and accountability in the management of economic sources over the long term, based on the national conservation and environmental management goals and priorities. For further details see Section 3.2.

(c) *Other Unintended Outcomes and Impacts (positive and negative):*

Positive

- Ambiguity in land-holding regimes and lack of enforcement of the law had caused conflicts with conservation of land within PAs. Because of the project, local communities, particularly at the Cotacachi-Cayapas Reserve have become willing to negotiate with neighbors and overcome their long-term disputes. Even more, upon the local communities request, the main activity financed at the Reserve under the project's

participatory strategy was the delimitation of an important portion of the Reserve, where land tenure was becoming a serious conflict among these communities.

- Instead of the planned nine PAs, by the close of the project, PAF was in a position to cover basic recurrent costs of 11 PAs. This was made possible because, FAN's capitalization goal was surpassed by the end of the project (\$13.5 million).
- During the implementation of PAF, other sources of funding were secured to develop a monitoring and evaluation tool for PAF, which was developed together with the MAE.
- FAN's capabilities to manage endowment funds also generated interest of other donors and currently FAN will manage the Invasive Species Fund for Galapagos, the ProCuencas Podocarpus Fund, the Gran Reserva Chachi Fund, and the Bosque Protector Chongon Colonche Fund. Without the project, FAN would not have developed those skills that are being transferred to other initiatives as the ones described above.
- Strong support of PMCs to the participation of youth and in turn, dedicated involvement of youth in the Management Plans were unexpected and positive outcomes of the project.

Negative. There was no unexpected negative impact of the project.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

The following are the most significant conclusions and recommendations of the final Beneficiary Assessment conducted at project closing:

It has been shown that the project fulfilled the goals and commitments that were undertaken. According to the performance indicators of the PAD, the project in some cases has exceeded the expectations and expected results.

The following products could be considered extra contributions of the project, and should be highlighted to give recognition to the efficiency of the persons responsible: i) SNAP Financial Sustainability Strategy, Economic Evaluation of SNAP, ii) Modernization of the Management Plan of the El Boliche National Recreational Area.

The following are among the products most appreciated and valued by the stakeholders: The NSAP Strategic Plan; The plan for strengthening social participation through the formation of administrative committees; The new CCER Management Plan and MNP Administrative Plan; The interactive and participatory work with stakeholders, especially with MAE officers, and the infrastructure and equipment that was received.

The NSAP Strategic Plan is recognized as a valuable contribution of the project. In fact, the instrument is already in use as a reference and source of support for various activities, including the preparation of projects for several national and international institutions and NGO's.

The contribution of the project to the CCER Management Plan and the MNP Administrative Plan is acknowledged, and there is agreement that these instruments are up to date and that they will facilitate conservation work in these areas.

The concession processes for the tourism services of El Boliche and co-management of the infrastructure at Cuicocha are very positive initiatives in the opinion of many MAE stakeholders because they will free MAE officers from infrastructure maintenance activities, for the actual work of conserving the site.

An exceptional contribution of the project is the preparation and application of various tools for facilitating the administration of NSAP. Particular mention is made of the following: Evaluation of Management Effectiveness of PA's, Biodiversity Monitoring System, legally validated the proposal of a fiduciary fund for handling self-management income for PANE services, as well as several methodological procedures that MAE officers can apply in the future, including participatory preparation of terms of reference, invitations for concessions, etc.

The large majority of the beneficiaries acknowledge the effective work and commitment of the managers and persons responsible for the project. The specific observation made in the midterm evaluation is reiterated, highlighting the recovery of time lost at the beginning of the project, and the capacity to achieve the goals and obtain projects in a much shorter time than was scheduled for the project.

Concordant with the foregoing, the concern of several stakeholders should be noted regarding the fact that some products, although finished, cannot be applied due to lack of time. This could be the case for the NSPA Geo-Referenced Information System.

With regard to the training proposal, the project implemented the entire emergency training plan including the following basic, priority items, Microsoft Project and English for central office officers, environmental legislation for officers in regional offices and selected PA's, conflict resolution for the 9 selected protected areas, and others.

With respect to complementary training for protected area management, the proposal was completed as a finished product, and a course in Microsoft Office was given to park rangers of the 9 selected protected areas. However, it was not possible to contract or implement the two courses (central office and selected protected areas) on protected area management; they could not be contracted due to the lack of time for implementing it, since the closing date of the project was December 31, 2007. This is definitely one of the few products, possibly the only one, that has been left at this level.

A positive and generalized perception was noted regarding the openness and participation that characterized the project. For example, there was the opportunity for MAE officers to participate as stakeholders and share the responsibilities of decision-making processes such as the preparation of Terms of Reference, selection processes for teams of consultants, follow up and monitoring of consultants' activities, participation at events for presenting results and others. All this allowed the MAE stakeholders to become familiar a priori with the results of the project, and facilitated the application process.

Effective work was carried out to strengthen the social participation of communities through administrative committees in the selected PA's, and their formation was legalized by means of MAE ministerial resolutions.

It should be noted that one of the achievements of the project was the unity achieved among several very diverse ethnic groups on the administrative committees, and in the case of CCER, the formation of a central committee that joined together all the groups involved (Mestizos, Afroecuadorians, and Indigenous Peoples) and defined several common planning and social organization elements.

Although the committees are legally established and are functioning or participating in several activities involving the project itself, stakeholders on the committees still have certain concerns, questions or perceptions about obtaining funds for their operation. The managers of the project

began seeking financing and obtained initial funding to support the operation of the committees while the Ministry of Environment identifies other alternatives for future support.

Although it is clear that MAE has no possibilities in its budget to finance the operational activities of the committees, interest and concern about resolving this matter could be perceived in the persons responsible for the selected PA's. For example, in MNP, an office has been made available for the committee inside the facilities of the park administration in Puerto Lopez. Undoubtedly, these initiatives could make the difference between the sustainability of the actions of the committees or their disappearance over time.

Regarding the lack of training and lack of specialized knowledge shown by the communities that are established in PA's and in their buffer zones, the intervention of the project has also been effective. Worthy of note are the awareness and training activities that were carried out simultaneously with the organizational process.

It is also recognized that an additional training and dissemination process for new knowledge on conservation is pending in order to ensure the co-management commitment of the committees of the selected PA's. That task, like many others, will be the responsibility of MAE officers, through DBAP, which, as the direct beneficiaries of the project, will have the responsibility of providing follow up and maintaining the active participation of the committees.

4. Assessment of Risk to Development Outcome

Rating: Moderate

The project has developed a sustainability strategy in collaboration with different actors that were working toward the long-term administration of PAs—these actors include national and local governments, NGOs, and international agencies.

Also, the project team has ensured that the investments made for the project would be sustainable through strengthening the environmental authority, offering different alternatives such as the administration by third parties of PA services, and providing community concessions, among others.

A strategy of financial sustainability with the participation of different actors, including the private sector has been elaborated, in such a manner to ensure the implementation of this strategy. On the other hand, the project together with the DBPA, has elaborated a strategy for strengthening the PA trust fund as an effective mechanism for financing actual expenses in these areas. Furthermore, percentages of reinvestments of the self-generated funds of MAE are put toward the maintenance of infrastructure and services.

The design and implementation of the trust fund and the institutionalization of the FAN are very important elements for ensuring the sustainability of the project's objectives, principally in relation to the three PAs that receive the support of the project.

The Technical Advisory Committee (TAC) which was formed under the project, will support the DBPA to strengthen the administration of the PAs. This Committee could eventually support the leveraging of funds.

Local stakeholders have been involved through the Participatory Management Committees formed in the selected PAs. These committees will respond to the reality of the local actors, taking into consideration the project's objectives. PMCs have been strengthened through specific training and are fully involved in PAs management.

The project has propelled the initiative to make official the National Biodiversity Strategy, the Forestry Strategy, and the recommendations of the National Congress of Natural PAs (in which are constituted political documents) through a linked judicial instrument.

5. Assessment of Bank and Borrower Performance (relating to design, implementation and outcome issues)

5.1 Bank

Bank Performance in Ensuring Quality at Entry (*i.e., performance through lending phase*):

Rating: *Satisfactory*

The Bank's performance in the identification, preparation, and appraisal of the project was satisfactory. During preparation and appraisal, the Bank took into account the adequacy of project design and all major relevant aspects, such as technical, financial, economic, and institutional, including procurement and financial management. In addition, major risk factors and lessons learned from other earlier projects in the social sector were considered and incorporated into the project design. In the design stage of the trust fund, many Ecuadorian experiences were incorporated into the planning of a financial mechanism that was sensitive to local necessities but also reflective of the lessons learned in similar projects.

Project preparation was carried out with an adequate number of specialists who provided the technical skill mix necessary for the project preparation. Through local consultations, the project team was able to design operational strategies that were compatible with local and indigenous communities' participatory mechanisms. During local consultations, opinions were obtained from a total of 52 individuals through focus groups and interviews.

A Social Assessment (SA) was carried out during the preparation phase. The main objective was to evaluate the development needs of local people and their relationship with the protected areas, and to identify potential development activities that could be supported by the NSPA, based on the existing community organizations, legislation, and the needs of the local population.

The Bank provided adequate resources in terms of staff weeks and dollar amount to ensure quality preparation and appraisal work. The task team received strong support and guidance from the Country Manager, Sector Manager, Country Director, and the Regional Coordinator. The project was consistent with the CAS and government priorities in the sector at the time and was consistent with the Bank's environmental protection and safeguard strategies.

Quality of Supervision

Rating: *Satisfactory*.

The Bank's performance during the implementation of the project was also satisfactory. The project focused on its development impact. Sufficient budget and staff resources were allocated,

and the project was adequately and closely supervised. The continuity of task management significantly contributed in ensuring uninterrupted supervision of the project. The task team maintained continuous monitoring of the project and dialogue with the authorities. Given the political volatility of Ecuador, the task team played a key role by constantly explaining the project to each of the seven persons who became Minister of Environment during the project period.

By monitoring the project's actions, the team was able to see not only where it was necessary to deploy greater effort, but also which activities required finding alternate means of overcoming challenges in order to proceed as smoothly as possible with the project's execution. In this sense, the monitoring contributed to the fulfillment of the Annual Operation Plan, and the semester work plans also were crucial for advancing the project, considering the objectives and goals. The task team took into consideration the experience and knowledge of the local communities as well as that of NGOs and the public sector when implementing the project's activities. During the implementation, the skills, experiences, and knowledge of these local communities became especially relevant to the theme of social participation.

Aide-Memoires were regularly prepared and the performance of the project both in terms of achievement of development objectives and implementation were realistically rated in the Implementation Status Reports (ISRs). Selection of consultants was reviewed by the Bank in accordance with the provisions stipulated in the Loan Agreement and the Bank's Guidelines for Selection and Employment of Consultants. The review of procurement of goods was also in accordance with the provisions stipulated in the Grant Agreement and the Bank's Guidelines for Procurement. The task team carried out a Mid-Term Review in May 2006. The Review assessed: (i) progress to date; (ii) the validity of the project's critical assumptions and risks; and (iii) specific implementation problems.

Justification of Rating for Overall Bank Performance:

Rating: *Satisfactory*.

Based on the Bank performance during lending phase and supervision as discussed above, overall Bank Performance is rated as Satisfactory.

5.2 Borrower Performance

(a) Government Performance:

Rating: *Satisfactory*.

The government performance at preparation was satisfactory. The indications of government commitment and ownership were demonstrated in the early stages of the project by the letter of endorsement from the Minister of the Environment as Ecuador's GEF focal point. In addition, the GOE's commitment to the project was reflected in a series of actions it had undertaken, namely: (i) The project was identified by the GOE as a priority for the Bank support; (ii) It has strongly supported the operation FAN, considering it a key partner for the sustainable management of PAs; (iii) The MAE had provided US\$1.0 million to the Protected Areas Trust Fund as part of the matching funds of the GEF US\$ 4.0 M; (iv) An Environmental Strategy for Sustainable Development for Ecuador was presented by the Minister of Environment in September 1999 and issued in October 2000; (v) The draft Biological Diversity Law was prepared through a highly participatory process and was passed to the Congress for their review and approval; (vi) The

National Biological Diversity Strategy and its action plans were completed and approved; (vii) The Protected Areas Advisory Committee was established to oversee the implementation of this project and the overall management of the NSPA; The MAE had committed an additional US\$0.74 million in counterpart funds to allow and complement the timely allocation of GEF resources for the project.

At the initial stage of implementation however, the government's commitment was not clear, as reflected in the delay in the ratification and publication of the Grant Agreement N. 051537. Also, the volatile political atmosphere which prevailed during the implementation period and the resulting frequent change of administrations created instability and uncertainty in the country. As mentioned in Section 2.2, during four years of project implementation, Ecuador had three Presidents, and seven Minister of Environment. As a result, the government's commitment was fluctuating and inconsistent, and very often, the political leadership was either totally missing or rather weak. Because of this situation, there was a lack of focus on the project and the government did not make necessary decisions to make the project work effectively.

(b) Implementing Agency or Agencies Performance

Rating: *Satisfactory*.

Ministry of the Environment/Directorate of Biodiversity

MAE was responsible for the implementation of Components 1, 2 and 4 through the Grant Agreement No. 051537 of US\$3.7 million. MAE's performance during implementation is to be evaluated in two phases: first phase lasting until the end of 2004; and the second phase from early 2005 until the close of the project. In the first phase, the government performance was unsatisfactory, particularly in relation to the following aspects: (i) the first technical-administrative team did not perform well (ii) procurement management in terms of schedules and reliability; (iii) legal covenants due to non-compliance in terms of timely reporting on technical and financial aspects.

In the second phase, MAE's commitment and performance improved significantly. The second technical-administrative team contracted by the project that supported project implementation worked fully blended with the counterpart team at the Directorate of Biodiversity. An evaluation system was established and applied twice a year to assess staff performance. MAE's procurement performance was satisfactory. Although it did not have previous experience in procurement, it acted diligently in searching and selecting Procurement Specialist and was eager to learn and apply the Bank's procurement procedures. This team prepared the Project Procurement Plan, coordinated its implementation, and prepared documents for invitations to bid and the contracts.

Overall, the project team had maintained adequate financial management arrangements during implementation. The project experienced delays in submitting timely and accurate withdrawal applications, supporting documentation, project plans, and reports and did not request access to Client Connection. One of the major weaknesses of the project team was associated with project planning and cash flow, since it was not accustomed to monitor plans against actuals on a frequent basis. Audit reports and interim un-audited reports were submitted after the deadlines. The project was subject to annual audits, where unqualified opinions were issued by auditors. Internal control procedures were rated as satisfactory and recommendations were implemented. Based on the issues above mentioned, financial management is rated as moderately satisfactory. Even though these moderate shortcomings in financial management existed, they did not,

however, prevent the timely and reliable provision of information required to manage and monitor the implementation of the project.

MAE established strategic partnerships among stakeholders at both the national level, including NGOs such as CI and TNC, as well as at the international level, including the USAID. These partnerships not only strengthened the initiative to achieve the common goals outlined in the project's objective, but also optimized human resources and finances in the process. With respect to the implementation of the PAF, MAE developed a positive working relationship among the Directorate of Biodiversity, Regional Districts, Protected Areas, and the FAN.

National Environmental Fund-FAN

FAN was responsible for the implementation of the Component 3 through the Grant Agreement No. 051486 of US\$4.3 million. FAN's responsibility under the project was two-fold: i) Administrator of the US \$4.0 million GEF endowment and the PAF; and ii) Administrator of the funds of MAE's Components 1, 2 and 4 during the first year of the project.

As administrator of the PAF, it ensured that the expenditure of its resources fulfilled the requirements established by the project. It had adequate organizational structure with experienced staff, and was capable of adequate planning and monitoring activities. FAN's information system was capable of providing the basic financial information which was required and was supported by acceptable information security practices. It also had an acceptable internal control environment with documented manual of procedures and controls.

FAN performed its responsibilities according to the Action Plan and the schedule. It developed fund raising strategies for the administration of PAF. It hired an Assistant Manager and Financial Advisors to supervise the fund, managed well the administration of investment portfolio, and could maintain the rate of returns at 6.5 % of the revenue.

As administrator of Components 1, 2 and 4, at the beginning, FAN's procurement and financial management performance was moderately satisfactory, mainly because it failed to adequately coordinate its actions with the MAE's technical and administrative staff. In addition, there was no dedicated procurement and financial management staff to the project. Later on, coordination with MAE improved and two additional administrative staff were contracted to significantly improve overall administrative procedures.

Justification of Rating for Overall Borrower Performance:

Rating: *Satisfactory*.

In light of the performance of the government and the implementing agencies as discussed above, the overall performance of the Borrower was satisfactory.

6. Lessons Learned

A. Project-Specific

Protected Areas Policy and Legal Framework, Mainstreaming and Management Capacity

- Business administration and management skills throughout the Patrimony of Protected Areas will increase the ability to deal with pressures on protected areas by extractive industries and other activities and to increase the protected areas' economic and financial potential.

- In a context of decentralization that the MAE is pursuing in relation to protected areas management, local governments require capacity building and adequate resource allocation so that they can effectively take specific responsibilities in the management of municipal, provincial or regional protected areas. The same capacity building effort should be sought for private owners who are willing to offer their land to conservation activities.
- Since the initial operation of the GEF, biodiversity projects have tried to demonstrate the important link between biodiversity conservation and economic development, including improved livelihoods and cost-effectiveness to mainstream conservation in national development planning and economic policies. Effort should continue to actually demonstrate such a linkage through real, replicable initiatives involving populations whose livelihoods mainly and directly depend on the sustainable use of natural resources.
- The protected areas management plans should become tools not only for planning, but to actually increase overall management efficiency. These plans should permit the establishment of a structure synchronizing actions made within the central MAE and within the distinct regions of MAE with the end goal of ensuring an efficient administration of the protected areas. A wider dissemination of the knowledge accumulated through such planning exercises will also help to ensure long-term commitment by key actors.

Participatory Management of Protected Areas and Impacts on local beneficiaries

- Conservation and the sustainable use of biodiversity in rural landscapes demand further development of sustainable productive systems, which in turn require an adequate system of technology transfer. The development of this type of initiatives could help Ecuador to position itself globally as a reservoir of natural resources and a producer of goods and services associated to its natural capital.
- Although developed through a participatory process, the sole process of preparation of the protected areas management plans is not enough to secure the ownership and full understanding of the proposed conservation strategies by stakeholders. For this reason, the project implementation strategies comprising the direct participation of the protected areas Management Committees should be further developed under new approaches to secure its adequate implementation of biodiversity conservation strategies.
- Communications and capacity development programs in natural resources management can significantly raise awareness and improve local beneficiaries' capacities and benefits both in the short and long terms. The capacity development activities implemented with the PMCs immediately established the necessary incentives for its members to become real actors in protected areas management. The activities developed under the protected areas operational plans have been incorporated to their own local planning on natural resources management. Motivation has become stronger when PMCs have seen their proposals being part of the decision making process and incorporated to operational plans.

Biodiversity conservation as a cross-sector issue

- Impacts of protected areas management and biodiversity conservation projects need an adequate period of time to be measured and assessed. This project was designed to be developed over a 4-year period, however important time delays at the initial stage implementation due to the reasons explained in other sections of this ICR, reduced the implementation time to about half of the originally planned period. Even though this project would have been implemented over the four years, it is still not enough to measure the impacts of the actions of the project.
- Planning instruments for the long-term management of protected areas must be clearly articulated to national development plans and agendas in order to incorporate sustainable biodiversity management as a key element for national and local development. The project was successful in considering the government's Development Plan to secure the adequate treatment and long term sustainability of the protected areas.
- Efforts put in a project by the government officials and social actors/activists, to reinforce social participation and creating/improving local awareness on the need for biodiversity conservation will yield good results.
- Any strategy aimed at achieving biodiversity sustainable management, must consider: (i) supporting institutional development at various levels (national, departmental and municipal); (ii) support administrative decentralization without hindering the development of the central government; (iii) respect the country's particular cultural and ethnic diversity; (iv) ensure that conservation and sustainable use initiatives result in local benefits, and (v) relate natural resource management to rural development.
- Even though the project has substantially increased management efficiency of the selected protected areas, there is still a strong pressure on natural resources, several protected areas are being logged illegally and are subject to clearing for cattle ranching and small farmer agriculture. New approaches are called for with the same goals but with better tools and more effective institutional arrangements. Instead of the legalistic, process-driven experience of the past, which has not proven sufficient or effective, policy and institutions should be driven by specific objectives and institutions should be held accountable for their achievements.
- Further development of incentives need to be developed in order to get local communities and governments involved in protected areas and biodiversity conservation. One of the critical and still unsolved issues is land tenure, which need to be more equitable and secure. Directly related to the management of protected areas, indigenous land titling has advanced, but the process has been characterized by conflict and many claims have not been addressed. Land policies need to support a model of growth and poverty reduction that improves living standards, promotes social inclusion and maintains environmental sustainability.
- Part of the solution to land tenure conflicts must be achieved through recognition of communal and individual property rights, and as such should be linked to an environmental territorial ordering and the generation of incentives to promote ecological, economic and social sustainability. Communal territories are central to this process and should constitute a living link between conservation and socioeconomic development.

B. General Applicability

Important factors for the success of a project

The continuity of task management, and having the Task Team Leader (TTL) based in the country office will significantly contribute in ensuring uninterrupted supervision of the project.

Project Design, Management and Implementation Issues

- The approval of laws should be avoided as a condition under projects with such time frames, given that this is beyond the scope of action of the project team and the government executing agency (i.e. the executive branch of government) given that the passage of laws is in the hands of the legislative branch.
- Based on previous experiences, the establishment of project units at the executing agency has strongly limited the integration of the project activities to the executing agencies' planning, effectiveness and most important, ownership. Such units also face serious difficulties to transfer the capacity needed to secure the sustainability of the project actions. After assessing the results of the management arrangements under this project, it could be confirmed that a support technical team fully blended with and integrated to the counterpart team has only benefited project's implementation, has secured efficiency, encouraged ownership and has allowed sharing of knowledge between the project team and the MAE's technical team. It is expected that in the near future, the MAE will become fully capable of managing a new operation with its own technical staff.
- Consulting a range of stakeholders through the Participatory Management Committees (PMCs) and other mechanisms such as the Protected Areas Advisory Committee and the agencies that actively participated in the development of the Protected Areas Financial Strategy, has strongly promoted ownership of the project objectives and activities. This combination of consulting sectors has enriched project implementation with technical, scientific and traditional knowledge and has created a space to develop innovative mechanisms for protected areas management. At the same time, it has facilitated capacity building and transfer of knowledge at the field, establishing local teams composed of protected areas staff and members of the PMCs, capable of carrying out planning and monitoring activities.
- The design and implementation of a long-term financing mechanisms to cover the recurrent costs of protected areas, in this case, the PAF, secured the overall sustainability of the actions implemented under the project.
- The implementation of biodiversity conservation/protected areas projects in the Andean Region has demonstrated that those projects aimed at achieving change at the system level are more efficient when they have adequate resources, a sufficiently long time frame and a realistic implementation plan. For this reason, future operations should seek a programmatic approach and ensure that beneficiary countries provide strategic contexts for long-term implementation, under which GEF should progressively reduce participation and help to leverage other funds.

Monitoring and Evaluation

- The lack of key performance indicators for biodiversity can impede the ability of project to track performance and assessed sustained results. A well developed monitoring and evaluation system facilitates an adaptive management approach during and beyond implementation. One of the highest priorities of this project was the development and operation of a sound monitoring system, including impact assessment related to the implementation of the annual operational plans and the impacts on biodiversity conservation.
- Monitoring system with measurable indicators as well as a strategic framework are critical to ensure a long term assessment of impacts and to define the objectives and scope of future operations. Monitoring systems and indicators also need to consider and be consistent with the constantly changing institutional and political context.
- The application of the World Bank/World Wild Life monitoring tool to assess the efficiency of individual protected areas has been an extremely valuable mechanism at the main stages of project implementation. At the initial stage, it allowed the development of a solid protected areas status baseline and the definition of the key indicators of the biodiversity monitoring system referred below. The results of the annual assessments actually had an impact on decision making, resulting on the development of management strategies that are currently reflected under the Protected Areas Strategic Plan.
- To achieve the GEF conservation objectives for the project, indicators to measure the sustainability of biodiversity must be in place, taking into consideration the carrying capacity of the Protected Areas and the current and projected future resource use patterns by communities. It is important to ensure that during and at the end of the intervention the conservation mandate and objectives are clearly articulated to the participants, including the Participatory Management Committees of the Protected Areas. The monitoring system developed under the project includes a very friendly data collection and processing of information methodology as to allow field staff supported by PMCs to accurately produce reports. The MAE should continue to provide technical input and process the necessary reports to conduct analyses of the state of conservation in protected areas using simplified and user friendly formats.

Government Commitment and Sustainability

- Political will is necessary to ensure the financial sustainability of protected areas. For the first time, the MAE has been able to move a step forward in adopting the various policy instruments as State policies, including the National Biodiversity Strategy and the Forestry Strategy and the recently updated Strategic Plan for the National System of Protected Areas. The Strategic Plan provides the mechanisms to optimize the operation of the National System of Protected Areas, including the creation of connected subsystems that would incorporate local governments and organizations and will better define the role of MAE.
- The MAE does not need to be responsible for all aspects of protected areas management. Local governments and private sector can play a critical role in management and could help leverage resources. Under this context, the MAE has developed a sustainability strategy in collaboration with different actors that are working toward the long-term

administration of protected areas—these actors include sector governments, local actors, national and local NGOs, and international agencies.

- In spite of the lack of a Biodiversity Law, this project has demonstrated that: clear and improved policy framework and regulations regarding management of protected areas; and use of natural resources can provide a stronger enabling environment and provide additional conditions for sustainability.
- Financial sustainability is key for the long-term operation of the National System of Protected Areas. The design and implementation of the trust fund and the institutionalization of the National Environmental Fund have been very important elements for ensuring the sustainability of the project's objectives, principally in relation to the protected areas that receive the support of the project.
- A conservation fund such as the PAF is not enough to secure the financial sustainability of the patrimony of protected areas. For this reason, the Project supported the development of a financial sustainability strategy with the participation of different actors, in such a manner as to ensure the implementation of the Strategic Plan and the protected areas management plans. The financial strategy has identified several mechanisms of self revenue, two of which are currently operating and will strengthen PAF as an effective mechanism to cover the recurrent costs of protected areas. Furthermore, a portion of the self-generated funds of MAE are now financing the maintenance of infrastructure and basic services.

Implementation

- The challenge of implementing a simple project like this cannot be underestimated in an atmosphere of political instability. While one would think that the administration of PA within the government would not be affected by political instability, it turned out that during implementation political instability and constant personnel changes were affecting the activities of the project.
- It is important to establish a basic working team that provides efficient support in the distinct actions that a project should undertake. The fact that the project was placed within the MAE's central facility and not just be an executing unit, enabled the MAE functionaries to be actively involved in the project activities and this factor facilitated smooth implementation of the project.

Procurement

Lack of a Procurement Specialist for the project at its preparation stage would lead to having inadequate initial procurement plan and organizational arrangements.

Due to the high turnover of the staff within most of the Ministries, a training program to strengthen the Ministry's capacity to carry out procurement is essential.

Financing

- Implementation of PAF should always be considered as a joint effort between the MAE and FAN, and this can never be overlooked

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies:

MAE: No comments were raised by to the contents of the ICR. A report assessing the achievement of the project's objectives and outcomes under Components 1, 2 and 4 is contained in Annex 6.

FAN: Specific comments on consistency of data regarding the outcomes under Component 3 were submitted. The ICR task team has revised the document accordingly. A report assessing the achievement of the project's objectives and outcomes under Component 3 is contained in Annex 6.

(b) Co financiers:

KFW-Germany and the IDB Amazon Project have not provided comments on the contents of the ICR, however they have submitted letters providing overall comments to the implementation and achievements of the project. The letters are included in Annex 7.

The project's and ICR task team appreciates the overall positive comments provided by KFW and IDB-Amazon regarding the implementation and outcomes of the project and will incorporate its recommendations to future operations.

(c) Other partners and stakeholders (e.g. NGOs/private sector/civil society):

N/A

ANNEXES

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in US\$ million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
1. Institutional Strengthening and Legal Development	6.20	5.81	93.7
2. Participatory Management of Priority Protected Areas	17.64	17.20	97.5
3. Sustainable Financing	11.45	11.36	99.2
4. Monitoring and Evaluation	1.40	1.91	136
Total Baseline Cost	36.33	36.28	99.86
Physical Contingencies	0.36	0.36	100
Price Contingencies	0.00	0.00	0.00
Total Project Costs	36.69 ⁶	36.64 ⁷	99.86
Project Preparation Fund	0.35	0.35	100
Front-end fee IBRD	0.00	0.00	0.00
Total Financing Required	37.04	36.99	99.86

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Global Environment Facility		8.00	7.99	99.88
Government of Germany	Co-financing	8.33	8.33	100
The Netherlands	Co-financing	2.33	2.33	100
Inter-American Development Bank	Co-financing	5.00	5.00	100
National NGOs	Parallel	5.69	5.69	100
Ministry of the Environment	Co-financing	2.47	2.47	100
Government of Ecuador	Co-financing	4.86	4.83	99.46

⁶ The data sheet of the PAD dated October 31, 2002, indicates a total project cost of US \$ 37.70. The corrigendum dated November 19, 2002 rectifies the total cost as US \$ 36.69.

⁷ The grace period of TF51537 was extended until June 30, 2008, therefore this amount includes the actual disbursements as reported in the Bank's system and the pending payments that will be processed before the end of the grace period.

Annex 2. Outputs by Component

Component 1: Institutional Strengthening and Legal Development

(i) Update of the National System of Protected Areas Strategic Plan

The conceptual basis for this activity was the Strategic Plan developed back on 1999 under the GEF-funded Biodiversity Protection Project. The Plan was reviewed and updated through a consultative and participatory process which secured the inclusion of the current social, economic and institutional arrangements in Ecuador. This process also facilitated the incorporation of the needs and priorities of different stakeholders and the consolidation as key elements of biodiversity conservation and sustainable development in Ecuador. The Plan was approved on November of 2007 and will become the framework for future operations supporting the sustainable management of biodiversity and protected areas in Ecuador.

An Action Plan for the period 2007-2008 was developed in order to promote the implementation of the Strategic Plan, it has been circulated and consulted among key stakeholders to secure their commitment for the execution of the specific activities.

(ii) Technical Advisory Committee

Given the delayed implementation during the first two years, the Technical Advisory Committee for the implementation period (an Advisory Committee was established before to support the project preparation⁸) was established on July of 2004, it is composed of several specialists in protected areas management, from the academia and local NGOs. Since its establishment, it has provided technical assistance to the Directorate of Biodiversity on the preparation and updating of both, the Strategic Plan and the Protected Areas Management Plans and its further implementation and overall project implementation. It has also provided permanent advise to the authorities at the Ministry of the Environment on improved protected areas management.

(iii) Financial and Managerial System

The project provided technical and financial assistance for the design and implementation of a financial and managerial system. This system is currently under full operation allowing a significantly improved resource allocation, regulation, monitoring and supervision capacities by staff at the central unit and field offices. This activity has also included the development of operational manuals and other administrative tools, after several training sessions, the staff at the MAE is fully capable of following and applying such tools and the system itself. The structure of the system is flexible as to allow modifications as needed to adapt to new administrative and managerial procedures that might be in place in the future.

(iv) Sustainable Financial Strategy

This subcomponent was composed of two main activities: identification of own-generated revenue mechanisms, and implementation of pilot concessions for services.

⁸ The initial Advisory Committee was established mainly to support project preparation and comprised representatives of at least 20 organizations, including MAE, NGOs, academia and others. In order to have a more operational Committee for the implementation phase, MAE decided to create a new one, with no more than five members selected among those ones who participated on the preparation phase.

Identification of own-generated revenue mechanisms. Before starting any specific study, the Directorate of Biodiversity and the project team decided to initiate consultations with national and international organizations that were already developing information to establish a sound sustainable financial strategy for the National System of Protected Areas. In order to avoid duplication of efforts, to better coordinate the activities related to the formulation of the strategy and to leverage funds, it was decided to establish the Promotor Group, comprised by MAE, the Project Team, Conservation International, The Nature Conservancy, the National Environmental Fund, USAID, and the national Foundations EcoCiencia, Natura and Mentefactura. The work developed by this Group included the identification and design of revenue generating mechanisms and the evaluation of experiences in decentralized management of protected areas. The Strategy included current and potential funding sources and specific mechanisms for generating non-budgetary revenues, such as income from the sale of environmental services, tourism patents, service fees collection, and research permits. The legal framework to implement one of these mechanisms has been developed and is now operational, this is the tariff collected by MAE for the telecommunications infrastructure located inside the protected areas.

The evaluation of decentralized management experiences was also developed : Under this section the study would analyze and evaluate experiences in decentralized management of PAs in the country, that would guide the decentralization and co-management processes in the future. To complement the efforts of the Financial Strategy developed by the Promotor Group, an economic valuation of protected areas was developed. This study helped to quantify the existing and potential revenues generated and its contribution to the national economy.

(v) Pilot concessions of services

The project carried out the legal and institutional analysis for the implementation of concession of tourism services in the two protected areas. The selected protected areas were the Cotacachi-Cayapas Reserve and the Boliche Recreational Area, both with tourism infrastructure financed under the first protected areas GEF project. The whole process included: identification of possible concessions (services and potential concessionaires); design of legal instruments; selection of criteria and procedures; preparation of bidding documents; establishing system of follow-up of concession contracts and agreements and evaluation of implemented concessions. In the case of the Boliche Recreational Area, an additional task to complete the legal framework was the updating of the Management Plan.

Given the delayed implementation of the project and the time necessary to complete the legal analysis and framework, it was not possible to actually pilot and assess this mechanism. However the project was able to complete the bidding process and it is expected that in the coming months, MAE will sign contracts with the selected concessionaires. As part of the internal monitoring system, MAE has developed a sub-system to monitor the implementation of these concessions.

(vi) Training Program

The project provided training for technical staff of DBPA and PA managers in the administration of protected areas. The program was focused on building capacities to ensure the proper implementation of the protected areas management plans and to carry out overall natural resources management planning. The training program was designed on the basis of an initial survey and identification of training priorities, given the reduced implementation period, MAE decided to prioritize training events only in the country. The beneficiaries were staff at the central units and field staff of the nine protected areas covered by the project.

(vii) Development of Legal Instruments

For the reasons explained before, the Biodiversity Law approval was eliminated as one of the activities under the project. Bearing in mind the importance of having a solid legal framework to secure the sustainability of the protected areas, MAE and the project team developed an initial analysis to identify the legal gaps and needs of regulations to cover critical aspects of protected areas management.

In this way and articulated to both, the Strategic Plan and the protected areas management plans, the project team developed the following instruments: i) internal regulation (Ministerial Decree) stemming from the Environmental Management Law for the operation of the National System of National Protected Areas, ii) regulation to operate the participatory management committees; iii) regulation for co-management agreements, iv) regulation to establish and operate municipal, provincial, community and private protected areas; v) regulation to re-invest in protected areas all revenues generated by them; vi) regulations for the concession of tourism services; vii) regulation for the administration of revenues generated by telecommunications infrastructure.

Component 2: Participatory Management of Priority Protected Areas

This component was developed to facilitate participatory management in two priority protected areas: Cotacachi-Cayapas Ecological Reserve and Machalilla National Park, by developing co-management models according to the specific social and political context of each area, and promoting the creation and strengthening of the Participatory Management Committees (PMCs), to promote the participation of different stakeholders in the management of the selected PAs.

The project provided financial and technical assistance to ensure effective management of the two areas selected by the project. The specific activities included de updating or preparing management plans, establishing the PMCs and the identification and execution of priority activities stemming from the management plans.

As part of the implementation of the management plans, the project financed the basic recurrent costs during the first year (to cover the gap until the protected areas trust fund generates interests), basic equipment and environmental education and public awareness activities in the two selected PAs and their buffer zones.

(i) Cotacachi-Cayapas Ecological Reserve

The project fully supported the preparation of the management plan, which became an instrument to identify the priority programs and actions, as well as the administrative mechanisms to implement an effective management in this PA. To ensure public participation during the management plan's design, several workshops were organized with different stakeholders related to this PA, including the local communities that live inside or around the area, and the productive sectors (i.e. tourism, forestry, mining, and agricultural) which use the natural resources of the area and its buffer zone.

The project also helped to create and strengthen the Participatory Management Committees (PMC) to enhance coordination and communication among different stakeholders related to the PA management. A total of seven committees were established in this Reserve.

The Cuicocha's Environmental Interpretation Center, located in the upper zone of the Reserve, was remodeled and an intensive environmental education and interpretation program was developed to communicate the ecological and cultural importance of this reserve and the NSPA. Interpretation trails around the Cuicocha lagoon were given maintenance and new ones were constructed.

The project also strengthened the technical and logistical capacity of the reserve's staff for implementing and effective control and patrolling program, through hiring community park rangers (with the protected areas trust fund) and financing basic patrolling equipment (field equipment, uniforms, motorcycles, vehicle, and canoes).

(ii) Machalilla National Park

The project provided financial and technical assistance for the preparation of the Park's Managerial Plan, which stemmed from the Management Plan prepared under the first protected areas project and identified the priority programs and actions, as well as the administrative mechanisms to implement an effective management in this PA.. This process was also carried out with the participation of all stakeholders, including the local communities that live inside or around the area, and the productive sectors (i.e. tourism, fishing, and agricultural) which use the natural resources of the area and its buffer zone.

The implementation of the Managerial Plan consisted of strengthening the technical and operational capacities of the field staff (training program described above), the improved protection of land and marine biodiversity and cultural resources, environmental and social research and monitoring, control and patrolling, education and public awareness, and promotion of tourism and recreation in the PA. Park infrastructure (ranger stations and minor tourism facilities) was upgraded and basic equipment, (field equipment, GPS, radios, computers, motorcycles, navigation and communication equipment) was provided.

Finally the project created and strengthened the Participatory Management Committee (PMC) to enhance coordination and communication among different stakeholders related to the PA management.

(iii) Cuyabeno Wildlife Production Reserve

Given the co-financing provided by the IDB's project to this Reserve, the project complement the activities to strength the control and patrolling actions in the Reserve, by financing the recurrent costs during the first year and half of the project and afterwards through the protected areas trust fund and also provided field and transport (canoes) equipment .

Component 3: Sustainable Financing

This component promoted the consolidation of the Protected Areas Fund (PAF), that operated within the Environmental Fund of Ecuador. PAF was designed as a strategic response to the lack of long-term funding to support conservation of PAs. Once essential recurrent costs of PA's have been covered at least for 12 protected areas, other resources were mobilized to support biodiversity conservation.

The involvement of FAN as an independent autonomous organization, ensured accountability and greater efficiency in the utilization of resources. The project allocated \$US 8 million (GEF: US \$ 4 million; Germany-KFW: \$3 million and GOE: US \$ 1 million) towards the Fund's

endowment; which, through interests earned, covered the basic recurrent costs. The main outcomes under this component could be described as follows: i) Capitalization of the protected Areas Fund (FAP) to \$12 million before 2006; ii) the FAP supports about 24% of the basic recurrent costs of the National System of Protected Areas (SNAP), iii) The FAP is covering the recurrent costs of 11 protected areas, 2 more than the original goal. The following analysis will contribute to better illustrate the actual contribution of the Protected Areas Trust Fund to the patrimony of protected areas.

In 2005, the Ministry of the Environment jointly with The Nature Conservancy, Conservation International, KFW-Germany, National Environmental Fund, Fundación Natura, Fundación EcoCiencia, USAID, UICN and Mentefactura, developed the analysis of financing needs for Ecuador's patrimony of protected areas. The financial needs were determined under three scenarios:

a) Baseline: implies an estimate of the basic recurrent costs of the protected areas to secure basic needs for management such as staff, basic services, maintenance of infrastructure.

b) Basic Scenario: takes into account the following principles: consolidate the presence of the Ministry of the Environment in the national protected areas, ensure the integrity of the protected areas and facilitate a participatory management involving local communities, local governments and other civil society actors. This scenario is aimed at identifying the basic needs of protected areas through the implementation of the two programs: administration/control/surveillance and participatory planning;

c) Integrated Scenario: comprises the effective implementation of five programs: administration/control/surveillance; participatory planning/community development/environmental education; tourism/research, management of natural resources and environmental monitoring.

Based on the information provided by this study, the actual impact of the Protected Areas Fund (FAP) through the project has been significant and will continue to be over the coming years and could be assessed at different levels. The annual contribution of FAP to the patrimony of protected areas is currently estimated at US \$ 670,000 per year. The annual financial needs of the patrimony of national protected areas, currently comprising 36 conservation units, are as follows: baseline: US \$ 2,705,788; basic scenario: US \$ 6,293,455 and integrated scenario: US \$ 12,211,681. Therefore PAF is currently covering 24.76% of the recurrent costs (baseline), 10.64% of the basic scenario and 5.48% of the integrated scenario.

At the level of the 11 protected areas targeted by PAF under the project, the annual financial needs have been established as follows: baseline: US \$ 1,057,115; basic scenario: US \$ 3,096,053 and integrated scenario: US \$ 6,124,300. This means that PAF is currently covering 63 % of the recurrent costs (baseline), 21.64 % of the basic scenario and 10.94 % of the integrated scenario.

Although there is still a financial gap at all the financing scenarios, in most of the protected areas it will fall within the Government's capacity to generate additional annual income that will help to fill these gaps channeled through PAF and other mechanisms to ensure they reach the financial needs. Concession for tourism services and income from telecommunications infrastructure, both mechanisms developed under the project, will help to increase self revenues in the future and substantially reduce the financial gap. To strategically complement this effort, the activities developed under components 1, 2, and 4, as described in this section, have clearly contributed to

implement the programs described under the basic and the integrated scenarios such as administration, control, surveillance, participatory planning, community development and environmental monitoring.

Component 4: Project Monitoring and Evaluation

The project developed the Information System for the National System of Protected Areas, piloted in the nine protected areas covered by the project. The implementation of this system has provided the following: i) documentation and dissemination of guides, forms, experiences, results, regulations, restrictions, procedures and other work tools for stakeholders that support conservation, ii) a planning tool that also controls and monitors MAE and the Department of Biodiversity activities. The system was designed to collect and disseminate information through Internet and included a spatial component, with a geographic information system, to manage digital geographic information. The data basis currently designed include detailed geographic, ecological and socioeconomic information, as well as data on staff, infrastructure, equipment and management plans of each area. The system also included information about the status of biodiversity, tourism activities, revenues generated by PAs, and administrative procedures on each area (such as research permits, tourism patents, and visitor records).

The application of the World Bank/World Wild Life monitoring tool to assess the efficiency of individual protected areas has been an extremely valuable mechanism at the main stages of project implementation. At the initial stage, it allowed the development of a solid protected areas status baseline and the definition of the key indicators of the biodiversity monitoring system referred below. The results of the annual assessments had an impact on decision making, resulting on the development of management strategies that are currently reflected under the Protected Areas Strategic Plan.

The project provided technical assistance to develop methodologies to monitor biodiversity in the protected areas, the system was piloted in the nine protected areas covered by the project. Criteria and indicators were identified to carry out the long-term monitoring of the status of conservation of biodiversity. A user friendly collection and processing data methodology was developed as to facilitate the direct involvement of field staff and the report processing by the central unit.

Annex 3. Economic and Financial Analysis (including assumptions in the analysis)

N/A

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending (from Task Team in PAD Data Sheet)			
Gabriela Arcos	Environmental Specialist	LCSEN	Task Team Leader and Environmental Safeguards
Ana Lucia Jimenez	Financial Management Officer	LCSEFM	Financial Management
Patricia McKenzie	Financial Management Specialist	LCSEFM	Financial Management
Pilar Larreamendy	Social Development and Civil Society Specialist	LCSSO	Social Safeguards and Participatory Strategy
Elizabeth Monosowski	Senior Environmental Specialist	LCSEN	Co-Task Team Leader
Claudia Sobrevila	Senior Biodiversity Specialist	LCSEN	TTL at the initial stage
Gonzalo Castro	Senior Biodiversity Specialist	ENV	Biodiversity and Protected Areas
Karin Shepardson	GEF Regional Coordinator	LCSEN	Regional Project Review and Processing
David Varela	Legal Specialist	LEGLA	Legal aspects
Alberto Ninio	Legal Specialist	LEGLA	Legal aspects
Gunars Platais	Environmental Economist	ENV	Financial and Economic Analysis
Carmen Palaco Nielsen	Procurement Specialist	LCSEPT	Procurement

Supervision (from Task Team Members in all archived ISRs)			
Gabriela Arcos	Environmental Specialist	LCSEN	Task Team Leader and Environmental Safeguards
Abel Mejía	Sector Manager	LCSEN	Overall supervision
Eduardo Somensatto	Country Manager	LCC6C	Overall supervision at the field
Ana Lucia Jimenez	Financial Management Officer	LCSEFM	Financial Management
Pilar Larreamendy	Social Development and Civil Society Specialist	LCSSO	Social Safeguards and Participatory Strategy
Kathryn Wendell	LCR GEF Coordination Team	LCSEN	Operations assistance
Keigsner Alfaro	Procurement Specialist	LCSPT	Procurement
Marcelo Osorio	Procurement Officer	LCSPT	Procurement
Jocelyne Albert	GEF Regional Coordinator	LCSEN	Overall supervision
Maria Donoso Clark	Sector Leader	LCSES	Overall supervision
Maria Lucy Giraldo	Procurement Specialist	LCSPT	Procurement
Stefano Pagiola	Environmental Economist	ENV	Financial Sustainability Strategy

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
Gabriela Arcos	18	21,474
Ana Lucia Jimenez	4	3,846
Patricia McKenzie	2	9,200
Pilar Larreamendy	3	4,260
Elizabeth Monosowski	4	18,400
Claudia Sobrevila	8	36,800
Gonzalo Castro	2	9,200
David Varela	2	9,200
Alberto Ninio	1	4,600
Carmen Palaco Nielsen	2	9,200
Total:		126,180
Supervision/ICR		
Gabriela Arcos	72	85,896
Abel Mejía	2	9,200
Eduardo Somensatto	1	4,500
Ana Lucia Jimenez	8	7,728
Pilar Larreamendy	8	11,360
Keigsner Alfaro	3	13,800
Marcelo Osorio	4	4,200
Maria Donoso Clark	4	18,400
Maria Lucy Giraldo	4	18,748
Stefano Pagiola	2	9,999
Sati Acath	6	14,000
Total:		197,831

Annex 5. Beneficiary Survey Results

Evaluation by Beneficiaries of the Project involved all the activities and products of the project. The specific objectives of the Evaluation were: i) to define and validate the elements of a baseline for the project according to indicators that were agreed to with the coordinators, stakeholders and persons responsible for the SNAP-GEF project, ii) to define qualitative and quantitative indicators for evaluating the results of the project, iii) to design and implement a methodological proposal and tools for the final evaluation of the project by the beneficiaries, and iv) to evaluate the results of components 1, 2 and 4 of the SNAP-GEF project from the perspective of the beneficiaries and persons responsible for future project activities.

The following were identified as direct beneficiaries of the project: i) MAE (Ministry of Environment), through the Department of Biodiversity, Protected Areas and Wildlife, ii) selected PA's (Protected Areas) (Machalilla National Park, MNP and the Cotacachi Cayapas Ecological Reserve, CCER), and iii) communities in the buffer zones of the selected Protected Areas. The following were identified as indirect beneficiaries: Second Tier Organizations, Local Governments, Non-Governmental Organizations, Universities, and Research Centers. The benefits of the project are: An *Overall Benefit* for Ecuadorian society through the identification, testing and application of methodological tools and procedures for the conservation and sustainable use of PA's, and a *Specific Benefit* due to the opportunity for the conservation of some PA's to become self-sustaining based on the methodological tools that were applied.

Results of the intervention of the project (perception and reaction of the beneficiaries)

Identification and definition of benefits and beneficiaries

The conclusion can be drawn that for most stakeholders it is very clear for that the project has influenced the entire group of beneficiaries described, and that some of them have certainly self-designated themselves as beneficiaries of the project.

A general consensus was also found regarding the definition of beneficiaries of the project. For Ecuadorian society in general, everyone is a beneficiary of the project in all its facets (the activities under components and subcomponents) are everyone, and this is demonstrated by the generation of tools and assistance with processes that involve conservation. An observation made in the midterm evaluation that the benefits of the project would transcend boundaries was also ratified, because conservation work is of global interest. For example, the activities carried out in the two selected areas: MNP and CCER, obviously have an international connotation and image, since these areas are frequently visited by foreigners (tourists, sportspeople and scientific observers). The intervention of the project will have undoubtedly facilitated the provision of services and improved the image of the selected areas as a result of the training and work tools provided to park rangers, improvements to facilities and the modernization of equipment at control and inspection posts, as well as improvements to signs and information systems, among others. All this is undoubtedly a project benefit for society.

Characteristics of the population involved

The characteristics of the local population involved in the selected protected areas are as follows:

- i) Ethnic and cultural diversity are apparent in the two selected areas; however, the population in CCER is much more ethnically and culturally diverse than the population in MNP. For example, in the high area of CCER there are at least three ethnic groups:

Mestizos, Awas, and Kichuas, and the latter includes the Cotacachi, Imbaya, Otavalo and possible Natabuela groups. In the low area of CCER, there are also three distinct ethnic groups: Mestizos, Afroecuadorians and Chachis. In MNP, there are three ethnic groups: Mestizos, Mantas and possibly Huancavilcas.

- ii) Although this ethnic and cultural diversity found in the selected protected areas could be seen as an advantage, it is also the case that for the purposes of planning or agreeing to proposals, this diversity becomes a potential problem. Cultural diversity means diversity of opinions, beliefs and behaviors, which makes it much more difficult to agree to proposals, such as the formation of administrative committees. Therefore, one of the noteworthy achievements of the project has been the consensus achieved by all these diverse groups regarding the administrative committees, and for CCER, the formation of a central committee that includes all the above-mentioned groups and defines several common planning and social organization elements.
- iii) An aspect involving population that was noted in the midterm evaluation and which has not been validated, is that apparently the population involved in MNP shows more leadership and professionalism than the population involved in CCER. Most of the people in the MNP Sectorial Committee are different types of professionals, some in fact, practice their professions in the official agencies of Puerto Lopez County. This could be perceived as a *comparative advantage* compared to other social groups; the level of dialog, the depth of the analysis of problems, and the capacity to propose solutions is apparently much greater and more pertinent, and behaviors and positions are more likely involve proposals rather than claims or petitions. For example, several officers of the administrative committee in Machalilla were very clear on the need to ensure and strengthen the conservation of the park. It is felt that this interest could be to ensure the sustainability of the tourism business, which involves private businesses, and that is the true interest in forming the local committees that support conservation.
- iv) The number of administrative committees formed in CCER (four in the high area and three in the low area) is a result not only of the geographical diversity and size of the area, but also its ethnic and cultural diversity. Precisely one of the complaints of some of the participants in the low area of CCER was that the president of the central committee is Indigenous from the high area, and up to this time, they have not been able to agree on joint proposals or even formal meetings.
- v) However, the foregoing does not mean that the project did not raise environmental awareness or interest in conservation among the populations involved. Despite the fact that the committee of Cuellaje in the region of Intag is in a conflictive and controversial area involving a copper mine for which a concession has been granted in an area near CCER and there is a declared social conflict due to the matter, the communities that are involved in the project and associated with the above-mentioned committee showed a completely favorable and optimistic attitude toward conservation and are willing to prepare and administer projects and cooperate fully with the initiative of the committees.

Degree of organization of the population involved

Although a lot of work has been done on community organization, and great progress has been made in the buffer zones of the selected PA's, it is evident that (before the project) there was a high degree of disorganization in the management of those PA's. It is obvious that the intervention of the project has played a key and timely role by proposing and executing a process for strengthening and organizing the administrative committees as agencies for co-managing conservation in the selected PA's.

The administrative committees are formed under the law, and legalized by ministerial resolutions issued by MAE itself. The committee for CCER was established by Ministerial Resolution number 180, published in the Official Gazette number 64 on April 16, 2007, while in the case of MNP, it is Ministerial Resolution number 163, published in the Official Gazette number 12 on January 31, 2007. A Central Committee was established for MNP, and a central committee formed by seven sector committees (four in the high area and three in the low area) in CCER. All have a functional organization with secretaries or work commissions covering specific matters such as tourism, administration and finance, education and training, projects, etc.

Regarding the apparent generalized lack of concern and lack of interest in organizing local administrative committees to support conservation in the selected PA's, it is acknowledged that, through the persons responsible for the areas and the social promoters, and the field work of park rangers, the intervention of the project has been effective. It is evident that the organizations and social groups involved has participated in an enthusiastic manner. Admittedly, in some cases the lack of interest was justified due to a lack of awareness of the importance of conservation, or the capital value of PA's; however, through promotional activities and interventions by the project, it has been possible to overcome these feeling among the populations and obtain their commitment to co-managing the PA's.

Regarding the lack of training and specialized knowledge that characterized the communities established in the PA's and in their buffer zones, here as well the intervention of the project has been effective. This included awareness and training activities carried out simultaneously with the organizational process; however, it is acknowledged that an ongoing process of encouraging training and disseminating new knowledge on conservation matters is still pending in order to ensure the committees' commitment to co-managing the selected PA's. This task will be the responsibility of MAE officers, through DBAPVS and the protected areas, which, as the direct beneficiaries of the project, would be responsible for providing follow up and maintaining the active participation of the committees.

Responsibilities of the committees in co-managing conservation

The baseline proposal and especially the midterm evaluation process, identified resistance and even a tendency by some population groups to oppose the conservation of the selected PA's. It is obvious that the project has made significant progress in raising environmental awareness by the communities and groups involved. Based on the opinions of the participants in group workshops held at the three sites (Cotacachi for the high area of CCER, Las Peñas for the low area of CCER, and Puerto Lopez for MNP), a significant change in the attitude of the participants was seen; ignoring the weaknesses that still persist in the organization and operation of the committees, they emphasized with great conviction the need to support and participate in conservation activities.

The project thus successfully completed the process of organizing the buffer communities of the selected PA's into local administrative committees. However, it is necessary here to mention

explicitly some perceptions or concerns that have detected in the beneficiaries regarding the future organization and operation of the committees. The same questions or queries from the midterm evaluation were used, and these will help reflect upon and externalize at the end of the project the changes observed throughout this organizational process:

What is the true role to be played by the committees?

Are they supervisors, alarms, or catalysts of the interests of local societies? Are they protagonists of conservation, or are they co-managers of the policies and programs proposed by MAE? In this regard, the opinions during the midterm evaluation were clearly divergent; now, at the end of the project, interesting progress can be seen in the work of the committees. Although some doubts persist about whether or not the committees have the capacity to be independent protagonists of conservation activities in the selected PA's, the majority agree and are aware that the role of the committees is to support and cooperate with whatever MAE does. It is agreed and acknowledged that MAE is responsible for conservation decisions, and that the committees will not be able to carry out independent or isolated interventions in the selected PA's.

Is the legal support received by the committees when their regulations were approved by means of a Ministerial Resolution sufficient? Here again there are divided opinions. On one hand, it was explained that the committees, having been established under the provisions of TULAS, and now with the approval and publication of the Ministerial Resolutions in the Official Gazette, the administrative committees have been legalized as organizations that support the conservation actions undertaken by MAE. In addition, their role as inspectors and alarms regarding possible surprise interventions in the PA's is recognized. They can play this role much better than the park rangers.

Will the committees have economic support (first from the project and later from MAE) for their functioning and operation? First, it should be remembered that all the members of the committees agree, without exception, on the need for funds for their functioning and operation. However, it was very clear that the project, in accordance with its commitment, supported the process of organizing, legalizing and strengthening the committees, without undertaking any commitment to finance their functioning expenses after they had been legally established. However, as was noted earlier, the persons responsible for the project as well as MAE officers, have been diligently seeking funds to support the functioning of the committees; for example, funds have been obtained for this purpose from the FAP Cycle and from donors. In MNP an office has already been arranged for the committee in the facilities of the park administration in Puerto Lopez; it was also mentioned that a small amount of funds from third party donations has been set aside to support certain urgent expenses of the committee and its officers. Undoubtedly, these initiatives could make the difference between the sustainability of the actions of the committees, or their disappearance over time. All the members should cooperate to make this process sustainable.

Can the local committees accept responsibility for administering certain services of the PA's? Here also there were diverging opinions; however, by the end of the project the matter was clarified. The stakeholders on the committees know that their participation involves the co-management of conservation activities in the selected PA's. They also know that the committees, as such, are not juridical entities with the capacity to make contracts or issue invoices, and they therefore cannot directly access the concession of services, but rather must do so through their member organizations that have legal status and are able to make contracts.

Can administrative committees develop projects to obtain funds from donors or competitive funds? Here it was found that some leaders and committee members still have expectations about

preparing and implementing productive projects in buffer zones, or conservation projects in the selected PA's. However, it has been clarified once again, especially by the participants from MAE and DBAPVS, that these projects can be developed, but under the supervision of MAE or through members of the committees (for example, municipalities, parish boards, or NGO's), but not directly as committees.

Principal interests and activities of the populations involved

- i) All the stakeholders and persons involved have particular interests and needs, and sometimes they are contradictory. Communities need income to ensure their survival and thus sometimes exert pressure for resources from the protected areas or buffer zones. Although NGO's propose conservation actions, they require the involvement of communities to justify the financing of their projects, and this conditions or at least prioritizes the financing of productive activities. Persons responsible for protected areas have a mandate to conserve the PA's, but they cannot do so alone using coercion, as it was thought in the past. On the contrary, they need the support and participation of the communities, and that justifies whole process of forming committees.
- ii) There is thus a consensus that to ensure the conservation of PA's, first the needs of the community must be satisfied. It would be ideal if proposals could be found that satisfy both things simultaneously. However, it is agreed that this is not something that can be resolved with a project and, in fact, it was not a commitment of the project.
- iii) The criteria that the implementation of productive enterprises managed for the benefit of the communities in buffer areas would ensure the conservation of the PA's is defined and ratified. These communities would become true human barriers to prevent the entry and intervention of other communities or persons.
- iv) However, although it was not a commitment of the SNAP-GEF project, it is acknowledged that certain advances and connections have been made for financing and implementing several projects for the communities. First, activities or enterprises that provide direct support to the communities involved have taken place through the PRODERENA project (whose counterpart is MAE) for CCER communities, and agencies like ECOLAP of the Universidad San Francisco, and Conservation International, CI, for the Machalilla National Park. Self-sustaining projects that are in progress under SNAP-GEF are also noted. For example, the demarcation project that has been carried out in two areas (high and low) of CCER, and the biodiversity monitoring project that was implemented in the two selected areas.
- v) It was also confirmed that the persons involved in the midterm evaluation had great expectations that productive proposals to guarantee certain income stability for the communities inside PA's and in buffer zones would be included in the new CCER Management Plan and in the MNP Administrative Plan. Statements by several members of the administrative committees regarding the results of these plans have also been confirmed. Several, including members of the Cuellaje administrative committee, intended to request reforms or even reject proposed Management Plans if they did not fulfill the expectation of the communities. The Cuellaje case is probably linked to the mining conflict and their expectations that the MP (management plan) would propose solutions to that conflict. It should be noted,

however, that the MP of CCER and the AP (administrative plan) of MNP contain profiles that could later become possible projects.

- vi) Under these circumstances, it can be seen that the task of preparing projects based on the profiles identified in the management and administrative plans is in the hands of MAE, through the persons responsible for areas and regional offices. The following are some of the items with potential to be productive proposals with the participation of the communities from the PA buffer zones, some of which match the themes that are indicated in the profiles of the Management Plans i) aquaculture projects, ii) small hydroelectric projects, iii) ecotourism and community tourism, iv) agro forestation, v) proposals involving environmental services, and vi) in general, proposals that involve agro productive chains that include value added.

SNAP Strategic Plan

The Strategic Plan was formulated with four thematic axes: i) Completeness, ii) Governance and Institutionality, iii) Social participation, and iv) Financial sustainability. The structure of the plan contains a complete assessment of the current conservation situation of SNAP, and identifies at least 11 structural problems for which strategies are established, and it defines the expected or recommended situations in a log frame format. The expected situation is defined as the hopes for SNAP functioning over the next 10 years. All work and proposals of the plan are defined according to three scenarios or desired situations: Ceiling, assuming that the proposed objectives are met; Intermediate, where the current situation has improved; and Floor, where the current situation has worsened. Each option identifies simple and combined quantitative and qualitative variables for constructing the proposed scenarios.

The SP (Strategic Plan) of 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.

Although it is not yet official, the SP has been adopted and empowered by MAE, and is in fact being used for several official purposes, especially as a reference for the preparation of international projects and alliances for the conservation of protected areas. For example, the German Cooperation is using it as a reference for preparing a 7 million euro project. Other NGO's and UNDP are designing projects for SNAP based on the SP.

A complete consensus has been detected among stakeholders and beneficiaries about the usefulness of the SNAP Strategic Plan; the information in the assessment is up to date and will serve as a starting point for designing possible National Conservation Policies to complement the existing ones.

CCER Management Plan and MNP Administrative Plan

Like the SNAP SP, the preparation and publication of the CCER Management Plan and the MNP Administrative Plan are considered finished projects. The view of the majority of the stakeholders and beneficiaries regarding these tools is very positive, especially the direct beneficiaries (MAE stakeholders), in this case, the persons responsible for PA's, including park rangers. The view of several stakeholders and persons involved outside MAE is also positive. There is general

agreement that these documents are a significant contribution to all future activities involving the conservation of these selected PA's.

It is acknowledged that the MNP Administrative Plan is useful as a source of information and support for several proposals that involve conservation alliances and interventions. For example, there is the marine tourism project proposed by ECOLAP of the Universidad San Francisco; Conservation International, CI, has also arranged several activities to support MNP including programs for Community Development, Scientific Research, Tourism and Recreation, Interpretation, Education, Training, and Administration. The Italian-Ecuadorian External Debt Exchange Fund could support environmental management, community development and applied research programs. All these projects have been prepared, or will be developed, using the information from the new MNP Administrative Plan for support and justification. These and other projects are included in the text of the Administrative Plan in a chapter on identifying funds that could support MNP conservation initiatives.

The direct beneficiaries and persons involved in the CCER Management Plan also have the same perception. Although previous Management Plans were not available, the usefulness of the tool is recognized, especially because of its up to date assessment information. In this case, there is no financial support has been offered for conservation activities as was the case of MNP; however, initiatives that are in progress under the PRODERENA project are based on and supported by the Management Plan. There is a portfolio of profiles that could become projects requiring funding. These are classified in a scheme of Macro Projects, and are as follows: Administration, Control and Monitoring Program; Participatory Planning Program; Financial Sustainability Program; Community Development and Environmental Education Program; Tourism and Recreation Program; and Research, Natural Resources Management and Environmental Monitoring Program.

An exception, however, is the dissatisfaction by the population groups that make up the Cuellaje administrative committee. They had hoped that the CCER MP would include solutions to the mining conflict in that area; however, the area of the mining concession is in fact outside the boundaries of the protected area; in other words, the entire area of the concession is in the buffer zone of the Reserve where other Government agencies have jurisdiction and must help resolve the conflict.

Evaluation of the management efficiency of the selected PA's

The evaluation of the management efficiency of the selected PA's is something the project has been doing almost since the beginning of the implementation. The stakeholders recognize that this theme is a new strategy or tool for improving the administration of PA's.

Based on that evidence, the administrators of the evaluation, stakeholders from the two protected areas, MNP and CCER, and officers from the central office of MAE acknowledge that this is an important contribution of the project for defining and correcting possible weaknesses in conservation management. It is noted and acknowledged that the methodology that was applied, being a proven methodology, provides a high degree of confidence in the results. There is also agreement among the stakeholders that it is very feasible that this experience could be applied in an extensive manner to evaluate the administration of other SNAP protected areas.

Most of the persons asked expect the results of the two experiences to be published and socialized nationally, especially among the persons in charge of all PA's, and persons responsible for inspection, to provide an opportunity for reflection and improvement of PA management..

Staff training

The training proposal called “*Education and training program for MAE personnel working in SNAP in Ecuador in the areas of Planning, Environmental Management and Financial Management,*” was implemented to a level of approximately 70%. The items implemented involved the emergency training plan for the project and included the following priority themes: i) English Training for central office staff carried out by the World Street Institute ii) Training in Conflict Resolution techniques given by ECOLAP and the Universidad de San Francisco for officers from the central office and 9 protected areas of SNAP, iii) Training in the use and application of Microsoft Project for staff from the central office and regional offices, and courses in Microsoft Office for park rangers; both were given by the CEC Training Center of the Politecnica Nacional, iv) Environmental Legislation course for officers from the two selected protected areas and from the respective regional offices; the project also completed a proposal for providing training in protected area management that was socialized among possible beneficiaries. This complementary training program is for MAE personnel and is given in four levels according to the possible beneficiaries: Management, Technical, Operational and Administrative Personnel, which are the four components of the plan. The macro themes to be covered in each component are training in planning, in administrative and financial management, in environmental management, and in socio-cultural matters.

As was mentioned above, this theme was met with obvious acceptance and pleasure by the stakeholders and beneficiaries of the project; unfortunately, it could not be implemented in its entirety due to time limitations.

Proposal for the concession and co-management of services

The contribution of the project in this area included work on two specific proposals: the concession process for infrastructure and ecotourism services in the El Boliche National Recreation Area, and co-management of the tourism infrastructure at Cuicocha (the high area of CCER).

This is an interesting and decisive contribution to the future administration of SNAP, and is especially recognized by DBAPVS and the MAE central office managers. It is acknowledged and accepted that these types of mechanisms could be the solution for relieving pressure and administrative weaknesses in several SNAP processes and services. It is also seen that these processes show how to relieve MAE officers of the administration of these services and receiving visitors, and will allow them to dedicate their time to conservation activities.

Of these two processes, the co-management of Cuicocha has possibilities to reach fruition. In this case, the Gorky Campusano self-guided trail around Lake Cuicocha, the Interpretation Center, and the Administrative Building will be co-managed. The terms of reference have been developed for the bidding competition and the process has begun with a public invitation in the press. It is hoped that prior to the end of the project, the bids can be opened and evaluated.

However, there were certain worries and questions by stakeholders from the high area of CCER. They say that the successful bidder will have certain difficulties managing the visitors because according to the current flow in effect at the facilities, the route the visitors take does not include the interpretation center. If this continues, the successful bidder would possibly not have a sufficient flow of visitors to keep the service active. A possible corrective measure for this concern would be to regulate the flow of visitors in the area and make it obligatory to visit the

interpretation center. Another concern involves the fees. These are not part of the concession and thus there will be no incentive for bidders. No possible solution was seen in this case, because entrance fees to protected areas by law are income for MAE and become state funds that cannot be shared with any private company.

In the case of the El Boliche Recreational Area, the pre-contractual conditions of the project have been defined, prepared and approved, but due to lack of time, the concession process of the Project could not be completed, and its continuation is in the hands of MAE.

Tools for facilitating self-management of the system of protected areas

The project supported and developed several activities in this process, and all were directed toward supporting and creating the conditions necessary to facilitate SNAP self-management. The principal contribution of the project was the development of mechanisms for generating income in addition to the budget for self-sustained management of PA's. At the end of the project, the stakeholders and beneficiaries acknowledged that significant contributions have been made regarding this matter.

The principal contributions of the project to facilitate SNAP self-management processes include the following:

- i) SNAP financial sustainability strategy is a finished project and will possibly need an additional socialization stage to ensure the details of its application.
- ii) SNAP marketing strategy that is essentially a proposal that determines the level of interest companies have in donating toward the conservation of natural areas in Ecuador.
- iii) SNAP Information System that is an appropriate tool for improving the services of DBAPVS and the selected protected areas.
- iv) SNAP Administrative and Financial Management System that is undoubtedly another tool that the project has provided as a finished project, which will help improve the management of these two processes and will produce an improvement in the services and thus in the income of SNAP.
- v) Concession and co-management processes for PA services to free DBAPVS officers from having to manage the services, to allow them more time for conservation activities.
- vi) Economic appraisal of the contributions of protected areas, which essentially proposes that the monetary and non monetary contributions of protected areas to the family, local, regional and national economy be evaluated, and that the opportunity costs of populations in protected areas and buffer zones be determined.

All the processes and activities mentioned are contributions that are acknowledged by the beneficiaries (MAE officers and managers). They agree that this will be a decisive contribution toward the future management of SNAP. However, it should be noted that contradictory and rather pessimistic criteria have also been encountered. Some DBAPVS officers feel that the search for opportunities to make conservation self-sustaining could be counterproductive, since there is a risk that the Government could ignore its responsibilities, and persons responsible for PA's could dedicate their efforts to seeking income generating options and neglect conservation activities. In addition to these positions, contrary opinions were also heard. Some defend the need to demonstrate the profitability (in economic terms) of conserving the SNAP natural resources. There will be no way to justify conservation or at least it will be difficult to sustain, if the value of what is conserved is not demonstrated. Perhaps the most outstanding aspect of this analysis was its contribution to the matter of an economic appraisal of the services provided by SNAP.

SNAP Financial Management System (SAG-SNAP)

This is another contribution of the project and is presented as an administrative and financial tool for managing protected areas. The system was designed to optimize the administrative and financial processes of protected areas, make up to date information available, and standardize documents, forms and processes.

The stakeholders and beneficiaries noted the usefulness of this administrative tool in the several aspects, but the likelihood that the system will allow administrative and financial processes to be decentralized is significant. The system will also allow the generation of uniform criteria for financial management and systematic monitoring of investments by the Government and other donors.

However, although the system has been implemented in at least nine protected areas, it is only operational at four sites, the Central Office, and Podocarpus National Park in the regional districts of Pichincha and Loja. It should be noted that there is justifiable concern by some stakeholders, especially MAE stakeholders. They feel that due to a lack of proper infrastructure and equipment, the system will not operate properly in many regional offices and protected areas, especially those outside the reach of Internet networks.

SNAP financial sustainability strategy

This proposal defines the guidelines for SNAP financial management, and since it is part of the SP, it has been developed for a period that will extend to 2016. A diagnostic study of the current state of conservation financing in protected areas provided the basis for preparing this proposal.

The proposal contains the following specific objectives: To seek strategies for increasing the government's financial contribution to the budget of SNAP; To generate a regulatory framework that will permit the participation of the private sector and communities to be promoted; To position SNAP as a strategic sector for the economic development of the country, and To strengthen managerial skills in the National Environmental Authority, in this case, DBAPVS, for administering the National Areas Heritage of Ecuador, PANE.

The Financial Sustainability Strategy contains at least the following six priority lines of action: i) To increase the contribution of public funds by orienting Government investment toward conservation, ii) To propose that mechanisms and opportunities for generating self-management resources be diversified, iii) To improve the management of available resources by promoting cost reductions and efficient expenditure, iv) To seek mechanisms for capitalizing the Protected Area Fund, FAP, v) To establish alliances that generate benefits for participating communities and strengthen their commitment to conservation, and vi) To encourage national and international voluntary contributions (individuals and legal entities)

Improvement of infrastructure and equipment

The project made its contribution in the two selected areas (MNP and CCER), and provided specific assistance to the Cuyabeno Wildlife Production Reserve, and the MAE Central Office. Inspection facilities and control posts, the interpretation center, and tourism areas in MNP were improved with equipment and signs, including improvements to the inspection post on Isla de la Plata. In the high area of CCER, assistance was provided for control and inspection post infrastructure, interpretive paths were improved, and signs, tourist sites, interpretation centers, etc., were modernized. Equipment was also provided for control and inspection posts. A high

level of satisfaction was perceived regarding the support received for infrastructure and equipment in these two areas.

In the low area of CCER, although the provision for equipment for control and inspections posts was acknowledged, the displeasure of MAE stakeholders was evident (persons responsible for administering the AP and staff from the regional office in Esmeraldas). They say the project has not helped provide infrastructure for control posts. The perception of these apparently injured parties is that decisions were made that prevented their infrastructure from being provided. However, the project managers' version is that due to the instability of the area manager, and considering that during the implementation of the project, at least three area managers passed through the position, it was not possible to submit the necessary technical specifications in a timely manner and carry out the required infrastructure improvements, and the need to make those improvements was also not obvious. As a result, once the specifications were agreed to, the times set for the selection process by the Committee of Contracts and Purchasing (CCA) were very short, and it was not possible to award the contract to the supplier.

In addition to the difficulty with providing infrastructure, which remains as a deficiency, there is also the matter of the burning of the control post at Borbon in the low area of CCER; it is really an irreparable loss, since documentation and files relating to the administration of the AP were destroyed. Thus, the rebuilding of this control post is added to the infrastructure needs, which of course are not the responsibility of the project, since no funds were included for new infrastructure.

The feeling of the persons responsible for the AP is general frustration, because they say they received equipment but not infrastructure in which to install the equipment. The only option for resolving this situation is for MAE to find a source of extra funds, or to incorporate into its own budget the necessary economic resources for improving the infrastructure at the three control posts in the lower area of CCER, which are Naranjito, Alto Tambo, and Playa de Oro.

Regarding the project's contribution for transportation and mobilization facilities, the delivery of 4 x 4 vehicles, motorcycles and canoes was timely and effective; these will be used for administrative activities in the selected PA's, and monitoring, control and inspection activities.

Systematization and dissemination of the experiences of the project

Although the project did not have a direct commitment for systematizing the results and experiences, it should be noted, however, that the project constantly systematized and published technical documents such as reports, studies, progress reports, consultants' reports, etc. Several documents were produced at the end of the project that are developed systems and completed processes which, being official documents or products of the project, were, or will be published for dissemination to the beneficiaries.

In the chapter, "Bibliography", there is a detailed description of most of the information generated by the project. Some of these documents may remain as technical reports, but others necessarily have been published for distribution to the public, or are being printed for distribution to users. The following documents, among others, have been edited for official publication: SNAP Strategic Plan, CCER Management Plan, MNP Administrative Plan, DBAPVS Training Plan, Assessment of the Machalilla National Park, Management Plan for the El Boliche National Recreation Area, the SNAP Financial Sustainability Strategy, and the MNP and CCER Management Efficiency Evaluation.

A Pamphlet was also published on Administrative Committees that reports on the process of strengthening these committees. The goal is to socialize the matter among the members of the committees themselves. All the documents that were edited and published will constitute the “*Documented contribution of the project,*” and in addition to serving as work tools for the direct beneficiaries of the project, they will be available for specialized institutions and even for the general public.

The criterion of some MAE officers is that it would be desirable for the project to consider a specific systematization study to summarize all the accumulated experience of the project. The project findings and lessons learned could be highlighted and documented in the study and made available to the public in a summarized form. However, it should be mentioned that this document is being prepared and will be part of the final report. Several project participants have stated that this systematization would have helped to overcome past experiences. There have been projects with important results, but due to the lack of documentation and distribution, many results have remained in the files, or have been little used by the beneficiaries.

SNAP SIG Information System

The contribution of the project in this case was the development of the SNAP Geo-Referenced Information System with SIG-ON LINE applications and with local and Internet access, which can be implemented in the different SNAP protected areas. It has at least five subcomponents, each with a series of internal processes and activities that help make the system a complete tool and, to a certain degree, universally applicable for managing SNAP. The SIG subsystems are: i) Administration of SIG SNAP, ii) SNAP Information, iii) Planning instruments, iv) Institutional management processes, and v) SNAP maps.

There is general agreement among the stakeholders and beneficiaries about the importance of implementing the SNAP Information System. Several mentioned the importance of the following aspects of the system: i) It will provide an opportunity to document and disseminate guides, forms, procedures and other work tools to persons involved in conservation. ii) It will be an opportunity to disseminate the experiences and results of the projects and highlight the conservation work of MAE. iii) It will be an opportunity to disseminate regulations, restrictions, agreements and regulations that are issued by MAE or DBAPVS. iv) The information system will also be a planning, follow up, and monitoring tool for MAE or DBAPVS activities.

However, some MAE stakeholders were concerned that the system will have to prioritize the information before making it available on the system. They believe that not all the information is suitable for free distribution to the public, so there will have to be a justified classification of the information in order to determine which information is restricted in nature, and which is freely available. In all likelihood, this is a task for MAE, through DBAPVS; even if it does not classify the information, it will have to regulate the process to avoid problems.

Products most valued by beneficiaries and applicability of the products

The responses to following two specific questions were tabulated based on fieldwork and especially interviews with key persons:

a. Mention two of the most outstanding contributions or products of the SNAP-GEF Project. The responses assigned the following order of priority to the following products:

- SNAP Strategic Plan

- Strengthening social participation and the establishing administrative committees
- The new CCER Management Plan was valued by local stakeholders from this protected area, and the MNP Administrative Plan was valued by local stakeholders from Manabi.
- Interactive and participatory work with stakeholders, especially with MAE officers.
- Infrastructure and equipment that was received is valued especially by stakeholders from the protected areas of CCER (high area) and MNP.

b. Give your opinion about the applicability of the results or products of the SNAP-GEF Project.

The responses were mostly in agreement that the applicability of the results would depend on the degree of commitment of MAE itself, through DBAPVS. Several officers that were interviewed believed that the applicability will depend on obtaining additional support (for example of a GEF-III), that would be prepared with the direct participation of the persons involved and would have the primary objective of applying the projects that are generated, and the continuity of actions carried out by the SNAP-GEF Project.

Annex 6. Summary of Borrower's ICR and/or Comments on Draft ICR

A. MINISTRY OF ENVIRONMENT OF ECUADOR

1. Evaluation of the Achievement of the Objective

DESCRIPTION OF OBJECTIVES	INDICATORS TO BE CONSIDERED	RESULT	FULFILLMENT
To ensure that the biodiversity of Ecuador is managed and conserved for sustainable social development.	Greater efficiency in protecting biodiversity in SNAP	Preparation of a control and monitoring program for PNM and RECC	100%
	Increased social support for the protection of areas using cost-efficient tools to achieve the sustainable management of selected protected areas	Development of a methodology for evaluating management efficiency in selected protected areas	100%
	Increased participation by the private sector and civil society organizations in managing the conservation of biodiversity.	Strengthening of participatory mechanisms	100%

2. Evaluation of Performance Indicators

Indicator: The National System of Protected Areas is able to efficiently protect ecosystems of world importance and conserve the biodiversity found in two selected protected areas through the efficient implementation of management plans

Management Plan of the Cotacachi-Cayapas Ecological Reserve (100% fulfilled)

The Management Plan of the Cotacachi Cayapas Reserve was designed and developed during 2006 and 2007 as a technical planning instrument for managing the Reserve. It contained the principles, guidelines and standards for ensuring harmonious coexistence between the rational use of the resources, goods and services the Reserve generates, and the conservation of the biodiversity and ecosystems of the Reserve.

The Management Plan of the Cotacachi-Cayapas Ecological Reserve was formalized by means of a Ministerial Resolution of the Minister of Environment of Ecuador.

Preparation of the Management Plan of the Machalilla National Park (100% fulfilled)

The Management Plan of the Machalilla National Park was prepared during 2006 and 2007. This plan is a guide for the participatory, effective, technical, administrative and financial management of the park over the next three years by the Ministry of Environment, communities, sectional governments, fishing sector and tourism, and it will contribute to the achievement of its objective of conserving the biodiversity of the park.

The Management Plan of the Machalilla National Park was formalized by means of a Ministerial Resolution of the Minister of Environment of Ecuador.

Indicator: Local communities in and around the selected protected areas participate actively and with a commitment to the protected areas through the creation and operation of participatory management committees.

Strengthening participatory mechanisms (100% fulfilled)

Management Committees for the Cotacachi Cayapas Ecological Reserve and the Machalilla National Park were created during the implementation of the Project to coordinate, concentrate and support the management of the reserves. Their primary function is to ensure that protected areas are conserved by strengthening the participation of local stakeholders that are involved with the protected areas.

The Management Committee of the Cotacachi Cayapas Ecological Reserve was created by means of Ministerial Resolution No. 180 that was published in the Official Gazette No. 180 on April 16, 2007.

The Management Committee of the Machalilla National Park was created by means of a Ministerial Resolution that was published in the Official Gazette No. 12 on January 31, 2007.

To complement the creation of the Management Committees, the Project implemented plans for strengthening the Management Committees of the Cotacachi Cayapas Ecological Reserve and the Machalilla National Park.

Indicator: The Department of Biodiversity and Protected Areas of the Ministry of Environment will be able to assign resources, control, monitor and supervise the National System of Protected Areas (100% fulfilled).

The Project helped develop a computerized Management Information System so that the National Department of Biodiversity and Protected Areas could control, supervise and monitor the legal and financial administration of 9 Protected Areas and 10 Regional Districts of the National System of Protected Areas of the Ministry of Environment.

The information system known as SAG – SNAP is currently operating on the Ministry of Environment Web Page. Its objective is to support the decentralization of administrative processes that affect the financing of protected areas with regard to research, tourism and infractions. To utilize this computerized system, computers of the latest generation were purchased for the National Department of Biodiversity, Protected Areas and Wildlife and nine selected protected areas.

Staff from the National Department of Biodiversity, Protected Areas and Wildlife, Regional Districts, and protected areas was also trained in the use of the SAG-SNAP computerized system.

The Project also helped to develop the capacity of personnel and technical staff of the National Department of Biodiversity, Protected Areas and Wildlife, and protected areas of the National System of Natural Areas, by designing a formal and non-formal education program in planning, environmental management, and financial management based on an updated assessment of the training needs of Ministry of Environment personnel involved in administering and managing protected areas in the National System of Protected Areas, within the context of environmental policies, the National Biodiversity Strategy, processes in progress, and staff functions.

Based on a training needs assessment and design, a training program in computers (MS Office and MS Project), conflict resolution, and English was implemented.

Indicator: A gradual and permanent increase in the non-budgetary income of the National System of Protected Areas (SNAP) (100% fulfilled)

To fulfill this indicator, the Project developed a Financial Sustainability Strategy for SNAP that helped achieve objective 6 of the Strategic Plan of SNAP (2007-2016): “To attain the long term financial sustainability of the Natural Areas Heritage of the Country and develop financial mechanisms for managing other SNAP subsystems.” To achieve this, the Project supported the following studies and consultancies:

- Development of a financial sustainability Strategy for SNAP, which is a process lead by the Ministry of Environment that seeks to increase financing between 2007 and 2016, provide administrative structure to ensure the effective management of SNAP, and strengthen participatory social involvement in the management of the Country’s natural areas.
- Preparation of an Economic Assessment of SNAP Goods and Services that support the financial sustainability of the National System of Protected Areas by seeking new income alternatives for services that are provided by protected areas.
- Structuring of the Fiduciary Fund “Natural Areas Heritage of the Country.” The purpose of the Fiduciary Fund is to administer self-management resources for services that are provided by the Natural Areas Heritage of the Country – excluding the Galapagos Marine Reserve and National Park – as well as donations and other contributions that are obtained in the future for investment in the administration and management of protected areas.
- A technical study for promulgating a permit for levying and collecting a differentiated authorization fee for occupying, building or maintaining telecommunications infrastructure, or installing antennas in the Natural Areas Heritage of the Country (PANE).

Indicator: Concessions for services in regulated areas, completely tested in the two selected areas (100% fulfilled)

Technical assistance during the concession process for tourism infrastructure and services in the El Boliche National Recreation Area, including: the identification of the selected area, the establishment of an Oversight Committee inside the Ministry of Environment of Ecuador to accompany the process, the review of pre-contractual bidding documents, and updating of the economic-financial study of the concession project.

The pilot Concession for tourism infrastructure and services in the El Boliche National Recreation Area includes the identification of services, preparation of legal instruments, development of selection criteria, and preparation of bidding competition documents.

Another important contribution of the Project was the development of legal instruments to allow income to be generated for the proper management of selected protected areas and the promotion of co-management and participation by stakeholders involved in decision making for selected protected areas. This was how the co-management process began at Lake Cuicocha in the Cotacachi-Cayapas Ecological Reserve; the co-management process also began at the Los Frailes Recreational Center in Machalilla National Park.

Indicator: Updated strategy of the National System of Protected Areas

Updating of the Strategic Plan of the National System of Protected Areas (100% fulfilled)

The Strategic Plan was updated in 2006 using sustainable development as the guideline for the management and administration of the protected areas of the country. It is a quick and flexible tool for effectively guiding the efforts of the Environmental Authority and civil society in managing the National System of Protected Natural Areas, optimizing the use of technical, material and economic resources, and periodically evaluating the progress achieved between 2007 and 2016.

The updated Strategic Plan of the National System of Protected Areas was formalized by means of Ministerial Resolution No. 009 of the Minister of Environment of Ecuador on February 8, 2008.

Indicator: A monitoring and evaluation system to ensure the efficient management of SNAP in selected Areas (100% fulfilled)

The Monitoring and Evaluation System of the project included the following activities:

- Evaluation of project beneficiaries based on the evaluation of Project beneficiaries in components 1, 2 and 4.
- Development of a methodology for evaluating management efficiency in two selected protected areas.
- Consultancy for monitoring biodiversity in protected areas (PNM y RECC)

3. Evaluation of the Fulfillment of components and activities

Component 1: Institutional and legal strengthening

Activity: Updating of the SNAP Strategic Plan within the institutional framework of the Ministry of Environment of Ecuador.

Result: A regulatory framework for promoting the integral management of SNAP through the involvement of stakeholders in the management of protected areas, given the importance of conserving biological diversity and protected areas as elements that contribute to the sustainable development of the country.

An evaluation of the beneficiaries of the SNAP Strategic Plan Project shows that the implementation of the plan will be a starting point for designing possible National Conservation Policies that will strengthen existing policies.

Activity: Development of a system for the financial and administrative management of SNAP

Result: The computerized system is operating on the Ministry of Environment web page and its purpose is to support the decentralization of administrative processes that involve the financing of protected areas regarding research, tourism and infractions.

Activity: Financial Sustainability Strategy for SNAP

Result: The Financial Sustainability Strategy for SNAP helped achieve objective 6 of the Strategic Plan of SNAP (2007-2016): “To attain the long term financial sustainability of the Natural Areas Heritage of the Country and develop financial mechanisms for managing other SNAP subsystems”.

To achieve and strengthen the Strategy of Financial Sustainability, the following sub activities were carried out:

Financial strategies were developed for SNAP and two selected protected areas.

An Economic Assessment of the Goods and Services of SNAP was prepared.

The “Natural Areas Heritage of the Country” Fiduciary Fund was structured in order to administer self-management funds from the services provided by the Natural Areas Heritage of the Country – excluding the Galapagos Marine Reserve and National Park – as well as donations and other contributions that may be received in the future for investment in the administration and management of protected areas.

A differentiated fee was established for authorizations to occupy, build and maintain telecommunications infrastructure, or install antennas in the Natural Area Heritage sites of the Country.

Co-management of the infrastructure and services at Lake Cuicocha in the Cotacachi-Cayapas Ecological Reserve and at Los Frailes in the Machalilla National Park to strengthen sustainable tourism development in protected areas and ensure that biodiversity is conserved.

Activity: Concession of services in protected areas

Implementation of the concession process for tourism infrastructure and services in the El Boliche National Recreation Area. This is a pilot concession involving tourism infrastructure and services in the El Boliche National Recreation Area involving the identification of services, preparation of legal instruments, development of selection criteria, and preparation of bidding competition documents.

To implement the pilot concession process, assistance was provided for updating the Management Plan of the El Boliche National Recreation Area, which served as the basis for planning the management of the area. The Plan was formalized by means of a Ministerial Resolution that will be published in the Official Gazette.

Activity: Developing the capacity of personnel for planning, environmental management, and financial management

A training program was designed for the technical staff of the National Department of Biodiversity, Protected Areas and Wildlife, and selected protected areas in order to improve their skills in planning, environmental management and financial management to enhance the management of protected areas.

Component 2: Participatory management of selected protected areas (Cotacachi-Cayapas Ecological Reserve and Machalilla National Park)

Activity: Design of the Management Plan of the Cotacachi-Cayapas Ecological Reserve.

Result: The Management Plan of the Cotacachi-Cayapas Ecological Reserve was completed, and will provide a tool for updated management and control by Ministry of Environment officers and local stakeholders over the next 5 years.

Based on an evaluation, the beneficiaries and persons involved agree that the plan is a very useful tool, especially given the updated information contained in the assessment.

Activity: Design of the Management Plan of the Machalilla National Park

Result: The Management Plan of the Machalilla National Park was completed and will serve as a guide for the participatory, effective, technical, administrative and financial management of the park over the next three years, and help to achieve its conservation objectives.

Based on an evaluation, the beneficiaries and persons involved agree that this plan will provide information and support for several partnership proposals and interventions that will foster the conservation of biodiversity in the Park.

Activity: Strengthening of participatory mechanisms

Result: Management Committees were established for the Cotacachi Cayapas Ecological Reserve and the Machalilla National Park as organizations for social participation by local stakeholders who will provide definitive administrative support and ensure that the protected areas are conserved.

Management committees strengthen the active participation of local stakeholders involved with protected areas to promote their conservation.

Activity: Assessment of the Machalilla National Park (PNM)

Result: The updated Assessment of the Machalilla National Park involved the following activities: an assessment of the utilization of PNM marine resources, detailed marine cartography of areas of importance to PNM, an update of current PNM land and marine management areas, a definition of the priority elements of PNM biological and cultural diversity, a juridical analysis of the current legal framework and the political and institutional situation of the administration and

management of PNM, and a participatory situational analysis of PNM, which will permit this study to be a tool that supports the implementation of the Management Plan of PNM.

Activity: Effectiveness of the Cuicocha Interpretation Center in the Cotacachi Cayapas Reserve

Result: To increase the effectiveness of the interpretation center, the project improved the existing infrastructure of the Cotacachi Cayapas Reserve and purchased several items of equipment, leading to a substantial increase in the effectiveness of the center for managing tourism sustainability in the reserve.

Activity: Implementation of the Management Plan of the Machalilla National Park

Result: During the implementation of the Management Plan of the Machalilla National Park, the project helped improve the infrastructure of the Park and purchased several assets and items of equipment that helped to ensure that this activity was the most valued by the stakeholders that are involved in conserving the biodiversity of the Machalilla National Park.

Activity: Implementation of a Control and Monitoring Program in the Machalilla National Park, the Cotacachi Cayapas Ecological Reserve and the Cuyabeno Wildlife Production Reserve

Result: The Project improved the facilities of control and monitoring posts, modernized signs and labeling, and assisted with the purchase of equipment and assets such as vehicles, outboard motors, and field equipment, thus substantially improving the control and monitoring activities in protected areas.

Component 4: Monitoring and Evaluation

Activity: Coordination of the Project

Result: The Coordination of the Project included several activities that were carried out in order to fulfill the indicators of the donation agreement. These activities were:

Preparation of the Operations Manual of the Project, the Purchasing Plan of the Project, the POA, monthly and semiannual reports, and tools and methodologies that were used to systematize the process.

A project monitoring and evaluation system was implemented using MS Project and data that were updated periodically.

Technical assistance was provided to the National Department of Biodiversity on matters relating to the management and administration of Protected Areas, and the implementation of studies that were contracted by the Project.

A study evaluating the beneficiaries was submitted to the World Bank, which demonstrated the high degree of satisfaction of the stakeholders involved in protected areas due to support that was provided by the project for strengthening the conservation of Biodiversity in the areas.

Activity: SNAP Information System

Result: The project developed a Geo-referenced Information System for SNAP with SIG ON LINE applications and local and Internet access. The implementation of this system has provided the following: i) documentation and dissemination of guides, forms, experiences, results, regulations, restrictions, procedures and other work tools for stakeholders that support conservation, ii) a planning tool that also controls and monitors Ministry of Environment and the Department of Biodiversity activities.

Activity: Evaluation of the efficiency of protected area management

Result: A methodology developed for evaluating the efficiency of the management of two selected protected areas was applied with the assistance of technical personnel from the Department of Biodiversity and Persons Responsible for the protected areas. As a result, the efficiency and performance of each protected area was improved.

Activity: Monitoring biodiversity in protected areas (PNM and RECC)

Result: The Project helped carry out a consultancy to monitor biodiversity in protected areas (PNM and RECC). This document has become a consultation tool because of the up-to-date information it contains, and the indicators it generates to provide information about the conservation status of these protected areas.

4. Evidence of a Government commitment to the sustainability of Project activities

Through the Ministry of Environment, the Government of Ecuador has taken the following actions, which are obvious commitments to the sustainability of the SNAP-GEF Project:

- The updated Strategic Plan of the National System of Protected Areas was formalized by means of Ministerial Resolution No. 009 of the Minister of Environment of Ecuador on February 8, 2008, making it part of the National Development Plan of the country.
- The management committees of the Cotacachi Cayapas Ecological Reserve and the Machalilla National Park were created by means of Ministerial Resolutions that were published in Official Gazettes No. 12 and 64 respectively, and are actively accompanying the Responsible Persons in each Area.
- Several actions by the Ministry of Environment to ensure that proposals involving the Fiduciary Fund, co-management and concessions that were implemented by the Department of Biodiversity with the support of the Project are implemented by means of Ministerial Resolutions and are included in the Operating Plans of the Department of Biodiversity.
- Total support for the dissemination of the products generated by the project among other related stakeholders (strategic allies) so that they can be implemented with the technical and financial support of the Ministry of Environment.

5. Evaluation of the performance of the World Bank in supervising the Project

From the perspective of the persons involved in the project, the World Bank played an important role because the Bank's experience in supervising similar projects in Ecuador ensured that this project would be implemented.

The participation of the World Bank involved the following actions:

- Support in achieving the indicators of the Donation Agreement.
- Timely approval of terms of reference that were prepared for consultancies and the hiring of individual consultants.
- Assistance with purchasing processes and the hiring of consultants
- Prior, rapid, and timely review of processes before awarding contracts.
- Periodic reviews and supervision of project progress and performance based on the indicators of the agreement.
- Reviews subsequent to contracting processes to ensure transparency in the implementation of those processes.
- Technical and administrative support for linking the project to NGOs, thus strengthening actions taken for the conservation of Biodiversity.

Based on the above, it is evident that the World Bank's performance in supervising the project resulted in the proper execution of the project in accordance with the provisions of the Donation Agreement.

6. Evaluation of MAE performance in executing the Project

The Ministry of Environment executed the project in the following manner:

The technical implementation of the project was carried out with the support of technical personnel from the National Department of Biodiversity, and project technical staff under the supervision of the Project Coordinator. From a technical standpoint, the performance of the Ministry created no problems during the execution.

Financial management was the responsibility of the National Environmental Fund until December 2005, and then in January 2006, the Project Coordinating Unit (UCP) of the Ministry of Environment took charge of the financial administration of the resources of the project, under the supervision of the Project Coordinator who authorized all expenses.

There were no problems with the administration of resources by the Environmental Fund; however the most critical problem with the UCP was the turnover of the unit Coordinators, who were in their posts for at most six months. Had it not been for this problem, the project could have achieved 100% performance.

B. FAN: Component 3:

Scope

The purpose of this document is to present some reflections and considerations as a result of the implementation of the GEF Project National System of Protected Areas which was implemented by the Ministry of the Environment of Ecuador and Fondo Ambiental Nacional, this entity responsible for component No. 3 "Financial Sustainability" of the project under grant TF051486.

This document is intended to provide a perspective from Fondo Ambiental Nacional and is annexed to the Final Report of the Project submitted by the World Bank as implementing agency for GEF.

The executive document presents an analysis of the key output indicators of the project, how they were achieved, and then factors that were critical in the overall results of the Project. The document also addresses some other interesting results which were not forth seen at the start of the Project but which are important enough to highlight in this report. The document concludes wit specific references to the sustainability of Project’s objectives, and with some further considerations, and potentialities for the future.

Key output indicators and performance

The outcomes for this project under this component were:

- i. Capitalization of the protected Areas Fund (FAP) to \$12 million before 2006, and
- ii. That FAP supports 20% of all the basic operational costs of the National System of Protected Areas (SNAP)

It should be noted that both outcomes were successfully achieved, below a brief analysis of the key factors that were critical towards the achievement of the outcomes:

Capitalization of the protected Areas Fund (FAP) to \$12 million before 2006

- i. The design of FAP included the best practices of Funds alike, and many of the lessons learned from implementation of such Funds from other organizations in Latin America and the Caribbean who are funding basic operational expenses in Protected Areas.
- ii. This project and particularly the “sustainable financing” component were designed with the active participation of other entities who has also interest in financing Protected Areas, such is the case of the Cooperation from the Republic of Germany. The \$4 million needed to reach the outcome came from a second debt for nature swap between Ecuador and Germany. It should be noted that prior to this Project, Germany had never contributed to an endowment fund for Protected Areas. The \$4 million was the second time in which out of a debt for nature swap the amounts agreed went in to the endowment fund of FAP. So this factor has a lot to do with the interest of other stakeholders in FAP, including of course the Government of Ecuador through the Ministry of the Environment which spearheaded the negotiations.
- iii. Another important factor that can be mentioned has to do with effective and efficient implementation of FAP from Fondo Ambiental Nacional (FAN), this created what we call a virtuous circle out of which many more organizations become interested in joining the effort. Management capacities in FAN delivered what stakeholders were expecting and this “confidence in the organization” generated more interest and commitment, and thus more funding.

That FAP supports about 24% of all the basic operational costs of the National System of Protected Areas (SNAP)

- i. The success in reaching the 24% target of funding to basic operational expenses was dependent on the capacity of FAN to manage effectively its investment portfolio to assure an adequate rate of return from investments (in Ecuador and abroad) to maximize the amounts for the protected areas but assuring that the endowment funds were protected to prevent any loose of the original donations for the endowment. The average return for

the GEF Grant of the last three years is 6.89% and the average return of the entire portfolio (GEF grant plus debt for nature swaps plus contribution of the Republic of Ecuador) is 7.2% after all costs from Asset Managers and Investment Advisors. This level of management capabilities from FAN allowed in the period 2003-2008 providing \$2.3 million to the SNAP through FAP.

- ii. Another aspect that should be mentioned is that between 2003-2008 not only \$2.3 million of new funding was made possible for SNAP but all the principle of the endowment never went below the original grant amounts but through re-capitalization of funds not allocated to Protected areas the total endowment was increased in more than \$500,000.
- iii. Another important factor which was very important to assess the level of funding for protected areas through FAP was the financial needs assessment conducted by the Ministry of Ecuador with the support of various organizations (Grupo Promotor) including FAN, which identified the level of funding for the basic scenario of operations of SNAP that by 2004 was of \$2.7 million per year. Our current estimate is that yearly around \$3 million are spent in SNAP and out of those, \$670,000 per year come from FAP which represents slightly above 22%.

Other relevant outcomes as result of project implementation, not originally identified.

At the start of the Project we did not foresee that FAN, out of the implementation of the project and its results, was going to more than triple the funds it provides from its portfolio since 2002, as a reference the projected operational budget for 2008 \$US 4 million (programs and projects).

Another outcome that was not foreseen was that during the implementation of FAP other sources of funding were secured to develop a monitoring and evaluation tool for FAP, with funding from the MacArthur Foundation, which was developed together with the Ministry of the Environment. During the implementation of the Project and with support from Conservation International –Ecuador we successfully engaged the GB Moore Foundation to provide funding on basic operations and some investments in Sangay National Park and Podocarpus National Park. This grant also allowed us to sub grant funds to Fundación Natura working in the Cordillera del Condor Region and Fundación Arco Iris of Loja working in the buffer zones of Podocarpus National Park in the high biodiversity area of Nangaritza.

Fondo Ambiental Nacional capabilities to manage endowment funds to support other biodiversity conservation, or sustainable use of natural resources, also generated interest of other donors, currently we are managing the Invasive Species Fund for Galapagos (GEF-UNDP, United Nations Foundation-UNF, Conservation International-CGF, UNESCO), the ProCuencas Podocarpus Fund (Municipality of Zamora, Ministry of the Environment, The Nature Conservancy, Conservation International, Arco Iris Foundation), The Gran Reserva Chachi Fund (CI – Ecuador and GTZ), and the Bosque Protector Chongón Colonche Fund (Germanys KfW and Ministry of the Environment). Without this Project Fondo Ambiental Nacional would not have developed those skills that are being transferred to other initiatives as the ones described above. The above provides a very interesting and valuable institutional capacity of an Ecuadorian organization to manage and channel those types of funding.

The Project allowed for the implementation of FAP in FAN and had provisions for institutional strengthening with funding for incremental costs, outreach to donors, and participation in RedLAC the Latin American and Caribbean Network of Environmental Funds (very effective

space for best practice sharing among Funds). The implementation of the project gave FAN stronger capabilities not only to implement better its strategy but to also adjust the strategy to a more challenging environment where to support biodiversity conservation basic operations are not sufficient and other strategies with buffer zones and local communities must be implemented.

4. Sustainability of the Project

Since the Project financed the start of the implementation of a long term funding mechanism for sustainable financing of protected areas in Ecuador, through an endowment fund (Protected Areas Fund) all provisions have been taken and incorporated in our operations to assure that the objectives of this Project with regards to financial sustainability are maintained once project is over. This includes: a strategy to continue capitalizing FAP (target \$35 million 2011), a very carefully designed and closely monitored investment strategy for the operation of the endowment funds, and a Monitoring and Evaluation Tool to track together with the Ministry of the Environment the implementation of FAP. Institutional sustainability has also been addressed by having achieved close working relations with the personnel of the Ministry of the Environment, whom now truly see themselves as co-owners of FAP.

As for year 2008 out of the Protected Areas Fund (FAP) we will be providing \$670,000 for activities in Protected Areas this is more than 20% of all funding to the National System of Protected Areas funding originating from an Ecuadorian institution in operation since 2001 with a long term strategy for funding Protected Areas. This is also a strong element of financial sustainability for the System.

Other objectives and outcomes of the Project (Components under the responsibility of the Ministry of the Environment) benefit in terms of sustainability from Fondo Ambiental, such as the Strategic Plan for the National System of Protected Areas, in its process of development, Fondo Ambiental participated very actively, and also during the development the Strategy for Sustainable Financing of the National System of Protected Areas. In both documents FAP and Fondo Ambiental Nacional are recognized as key elements of the financial sustainability of the System.

Final Considerations

- i. There is potential to further upscale FAP to cover all Protected Areas in Ecuador building on the successful implementation of this Project, other parallel projects for FAP with other donors, and the credibility and confidence achieved by FAN and the Ministry of the Environment in implementing FAP.
- ii. This project has made a very big difference in the financing of the National System of Protected Areas in Ecuador, but we have not completed the job yet, we need to reach the new target of raising \$35 million by 2011 so we can go from 11 protected areas receiving support to the 36 protected areas of SNAP. The Bank can play a key role this with additional endowment funds from the GEF portfolio that will be matched by other donors.

- iii. The Bank could also help Fondo Ambiental and other environmental funds in the region which have received support from GEF-WB to further refine our assessment of impacts on biodiversity conservation from FAP.
- iv. We like to recognize the work of our colleagues at The Ministry of the Environment and at the Protected Areas which are key actors in the successful implementation of this Project an FAP, as well as the technical and administrative staff of Fondo Ambiental Nacional, and also the leadership and guidance from our Board of Directors.
- v. We specially like to recognize the World Bank and its Staff in Quito and in Washington for their guidance and support through all the implementation of the project and particularly our Project Manager Ms. Gabriela Arcos, we sincerely hope to continue working with the World Bank as implementing agency of GEF.

Annex 7. Comments of Cofinanciers and Other Partners/Stakeholders

1. Comments from KFW-Germany

May 30, 2008

Ms. Gabriela Arcos
Task Manager
Ecuador National System of Protected Areas GEF Project
The Work Bank
Quito-Ecuador

Ms. Arcos:

This letter has as main objective to express our points of view as co-financiers of Component 3 under the above indicated Project. This component was executed by the National Environmental Fund and the objective was to establish and operate the Protected Areas Trust Fund (PAF) to cover the basic recurrent costs of at least nine protected areas and ensure a long-term financing mechanisms for the National System of Protected Areas. The Government of Germany, through KFW, provided the initial matching funds to the GEF seed capital, totaling US \$ 3. 9 million through a first debt swap negotiated with the Government of Ecuador.

During the implementation of the project, additional contributions to capitalize the PAF took place as follows: i) A second debt for nature swap between Ecuador and Germany negotiated between 2005 and 2006 together with interest capitalization allowed FAP to reach a US \$ 12.8 million capital ii) A third debt swap that took place at the end of 2007, has increased the capital to US\$ 13,5 million.

Main Outcomes. The main outcomes under component 3 are the establishment of a sustainable financial system able to cover the basic needs of some of the most important protected areas of the national protected areas system, the implementation of a basic monitoring system through the national environment fund (FAN) of the yearly operational plans of the areas covered. Component 3 also helped to elaborate the financial gap analysis and to design Ecuador strategy for financial sustainability of its national protected areas system.

Coordination though the implementation of the project. In the beginning coordination was week. We would have preferred the World Bank to have a condition included claiming initial capitalization of the PAF for an amount of US \$ 1 million before starting the project. Later on, a permanent dialogue with World Bank allowed coordinated action when necessary and a common position of donors in moments when political decisions endangered the existence of the PAF as it was initially conceptualized.

Main recommendations for the future. Donor coordination under the guidance of FAN and the national Environment Ministry should be institutionalized.

Sincerely,

Stefan Rischar
Regional Program Manager
KFW

2. Comments for the IDB Amazor Project



Oficio AMAZNOR DG-159
Quito, D.M. a 29 de mayo de 2008

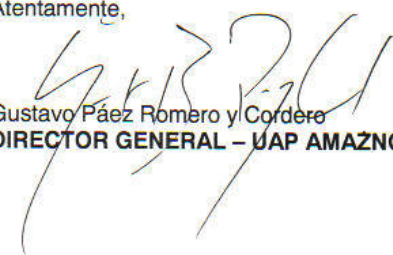
Licenciada
Gabriela Arcos
BANCO MUNDIAL
Presente.-

De mis consideraciones:

A solicitud del Ministerio de Ambiente, me permito indicarle que el aporte del programa SNAP GEF, consistente en un vehículo Toyota 2007, dos canoas con sus respectivos motores fuera de borda, han complementado muy eficazmente los esfuerzos que realiza el Programa AMAZNOR, en la Reserva de Producción Faunística Cuyabeno, tendientes a la consolidación de esta área protegida, mediante acciones de regularización de la tenencia de la tierra, en zonas adyacentes a la Reserva, y de convenios de manejo con las comunidades indígenas que habitan al interior.

El aporte de SNAP GEF está sirviendo eficientemente a las actividades de control y vigilancia, junto con los esfuerzos que realiza AMAZNOR, por lo que este aporte está plenamente justificado y ojalá se multiplique a futuro, pues se requieren recursos adicionales para la sostenibilidad de los nuevos sistemas en la Reserva Cuyabeno, posterior a la terminación de AMAZNOR y del Proyecto GEF orientado al SNAP.

Atentamente,


Gustavo Páez Romero y Cordero
DIRECTOR GENERAL – UAP AMAZNOR



Annex 8. List of Supporting Documents

- Project Implementation Plan
- Project Appraisal Document for Ecuador: National System of Protected Areas Project, dated October 31, 2002 (Report No: 23889 EC)
- Aide Memoires, Back-to-Office Reports, and Implementation Status Reports.
- Project Progress Reports.
- Beneficiary Assessment, dated January 2008
- Final Project Report from the National Environmental Fund dated January, 2008
- Final Project Report from the Ministry of the Environment dated February, 2008
- Análisis de las necesidades de financiamiento del Sistema Nacional de Areas Protegidas del Ecuador. Ministerio del Ambiente. Agosto , 2005.

*including electronic files

Annex 9-MAP