



1. Project Data:		Date Posted : 08/16/2002	
PROJ ID: P007128		Appraisal	Actual
Project Name: Environmental Management Technical Assistance Project	Project Costs (US\$M)	20.0	11.6
Country: Ecuador	Loan/Credit (US\$M)	15.0	9.8
Sector(s): Board: ENV - Central government administration (32%), Sub-national government administration (31%), Animal production (30%), General agriculture fishing and forestry sector (7%)	Cofinancing (US\$M)		
L/C Number: L3998; LP181			
	Board Approval (FY)		96
Partners involved :	Closing Date	09/15/2000	12/15/2001

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2. Project Objectives and Components

a. Objectives

The objectives of the project were to :

- strengthen the capacity of the Environmental Advisory Commission (CAAM) to undertake environmental policy analysis and environmental program design and management;
- strengthen the environmental management capability of three key ministries (Urban Development [MIDUVI], Industry, Commerce, Integration and Fisheries [MICIP], and Energy and Mines [MEM]);
- establish and strengthen urban environmental management capability in selected urban areas; and
- build institutional capacity and carry out the participatory processes and technical analysis required to resolve two of Ecuador's most serious environmental problems, those related to pollution of the Gulf of Guayaquil, and the area in the Amazon most affected by oil exploration and production .

Note that, shortly after project approval, the Ministry of Environment (MoE) was created. The CAAM was merged into MoE and subsequently abolished in 1998. The project provided support to MoE, as proposed for CAAM .

b. Components

Operationally, these objectives were translated into four components :

- Policy Formulation and Institutional Strengthening - US\$6.5 million or 32.5% of project costs;
- Municipal Environmental Management - US\$3.9 million or 19.5% of project costs;
- Environmental Information and Management in the Gulf of Guayaquil - US\$6.5 million or 32.5% of project costs; and
- Environmental Planning and Management in the Ecuadorian Amazon - US\$3.1 million or 15.5% of project costs.

These components were divided into a large number of discreet activities . The project took place in a period of great political, institutional and economic change in Ecuador . At the Mid-Term Review (MTR) in 1999 it was clear that there was a need for consolidation of these activities and this was done, although the basic objectives and structure of the project were unchanged .

c. Comments on Project Cost, Financing and Dates

At the MTR project cost was reduced and almost US\$ 3.0 million was canceled. Because of further delays, the project closing date was extended for a total of 15 months and, in 2000, a further US\$2 million of the loan was canceled. At completion a final cancellation of US\$0.2 million was made.

3. Achievement of Relevant Objectives:

The project largely achieved three of its four objectives :

- Significant progress was achieved in strengthening the capacity of the MoE to carry out policy analysis, as well as program design and management.
- Less success was achieved in strengthening the environmental management capability of MIDUVI, MICIP, and MEM. In conditions where there was considerable policy turmoil and high turnover of officials at all levels, project activities, that were not at the core of the ministries' interests, received less attention .
- The project played a key role in strengthening management of environmental issues by a number of local government units.
- Significant progress was achieved in addressing the environmental issues in the targeted Amazon and Guayaquil Bay areas, but there were substantial shortfalls below what was initially intended .

4. Significant Outcomes/Impacts:

The project provided substantial support to the MoE to undertake environmental policy analysis and environmental program design and management; review and update pollution control legislation, including a national system of environmental impact assessment; design and implement a national environmental information system; develop a communication campaign and train ministry staff; and establish a policy coordination unit .

A second major achievement was in strengthening the environmental actions of local governmental units . The project supported the development of a number of Environment Management Units (EMUs) in 23 small and medium-sized municipalities across the country, with the provision of training and assistance in the development of ordinance and environmental plans . In particular, in the municipality of Esmeraldas the EMU, through strong local political support, addressed environmental problems and supported environmental education with the participation of the Provincial Council, NGOs and civil society . Other municipalities have now requested assistance from Esmeraldas in creating their own EMUs .

5. Significant Shortcomings (including non-compliance with safeguard policies):

As appraised, the largest single component of the project (almost one-third of expenditures) was to address the environmental problems in the Gulf of Guayaquil, particularly due to deteriorating water quality . These had resulted from pesticide run-off from the extensive banana plantations, uncontrolled cutting of mangrove to create shrimp farms, mismanagement in these shrimp farms, and poorly treated municipal sewerage and untreated industrial effluent from Guayaquil . These had adversely affected water quality and, in particular, the large shrimp fisheries . Although some progress was made in establishing local EMUs and developing basic data for environmental planning, actual achievements in addressing the severe environmental problems of the region appear modest . Only US\$1,48 million was spent of the US\$6.5 million planned and the ICR does not indicate that funds were saved by adopting particularly cost-effective methods, or that the work was undertaken using other funds .

The project also suffered because of the country's instability . During the five year life of the project there were five Ministers of the Environment and five project coordinators, and rapid turnover in other staff related to the project . These changes led to several changes in the country's environmental priorities, affecting the continuity and execution of the project's components .

Given this condition, project design was excessively complex and demanding . The instability problem was well known at appraisal. The ICR reports that there had been an eighteen month hiatus during preparation, when Government austerity measures held up the effort . This strongly suggests that the Bank should have pressed for a straightforward project, not one requiring action by four ministries and with a myriad of defined tasks .

Another factor that undoubtedly hampered the project, although it was not a significant shortcoming, was the fact that Ecuador was not short of funds for environmental activities . The ICR reports that the country received about US\$110 million, in addition to the funds under the Bank project, during the project period . The majority of these other funds were received in the form of grants, which may have inhibited the use of Bank loan funds, if grant funds could be used for the same purpose . These funds supported about 80 projects, which must have severely taxed the capacity of the new MoE .

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Moderately Satisfactory	While the project achieved most of its major relevant objectives (which were institutional and qualitative), there were

			significant shortcomings.
Institutional Dev .:	Substantial	Substantial	
Sustainability :	Likely	Likely	
Bank Performance :	Unsatisfactory	Unsatisfactory	The ICR rates overall Bank performance as unsatisfactory (marginally so) largely on the basis of inadequate supervision during the early stages of the project, before the mid-term review, when the number of sub-components was reduced and the focus sharpened. However, preparation took five years, partly because of fiscal and political difficulties on the Ecuadorian side. The project as appraised was overly complex, and appears to have been victim to a desire to get something approved after all the preparation work. The deficiency in Bank performance appears to have been greatest in the preparation stage.
Borrower Perf .:	Satisfactory	Unsatisfactory	The Borrower also contributed to the extended preparation time and then, immediately the project became effective, it created a new Ministry of the Environment, into which the CAAM (the project's principal counterpart) was merged. This action created considerable problems that hampered implementation in the crucial, early stages. In addition, such an action (of which the Bank was not aware) strongly suggests that the dialogue between the Bank and Borrower was not as close as it should have been at this time, the blame for which may have been equally shared.
Quality of ICR :		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

The ICR notes two lessons that are of broad applicability :

- The complexity of the project has to be commensurate with the capacity of the Borrower . In this case the design was too ambitious and too broad for a new ministry .
- Extension of the closing date can be essential in the achievement of project objectives . Because of initial delays this project only got up a real head of steam in the last two years, including the extension .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR provides a broadly satisfactory review of a project that is difficult to assess, because of the vague nature of its institutional objectives and the fact that the appraisal identified a large number of tasks, but did not give any real indication of their relative priority.

Given this situation, the ICR might have concentrated more on two sets of issues :

- Project design, that was over complex. Why did the Bank and Borrower agree on such a complex design when the problems of instability, institutional change, and funding must have been apparent from the beginning?
- Ministerial overload. The Bank loan was less than 10% of the funds received by the country for environmental activities, and was in the form of a loan rather than a grant . Was Bank funding used for critical activities in the MoE that increased its capacity to effectively utilize the external funds available, or was it used for discreet, but limited activities, while the MoE limped along trying to manage an range of operations that overloaded its limited capacity?

