



1. Project Data:		Date Posted : 03/14/2002	
PROJ ID: P007105		Appraisal	Actual
Project Name: Irrigation Subsector Technical Assistance	Project Costs (US\$M)	25.5	24.7
Country: Ecuador	Loan/Credit (US\$M)	20.0	20.0
Sector(s): Board: RDV - Central government administration (100%)	Cofinancing (US\$M)		
L/C Number: L3730			
	Board Approval (FY)		94
Partners involved :	Closing Date	06/30/2000	06/30/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives
rationalize the operations and expenditures of the Borrower's irrigation subsector institutions;

- **improve the utilization and efficiency of public irrigation schemes** by promoting the sustainable participation of the private sector; and
- **develop regulatory and administrative framework** to ensure the effectiveness of future investments in irrigation .

b. Components
Institutional Reorganization and Strengthening : (i) organize CNRH to replace INERHI; (ii) strengthen regional agencies; and (iii) prepare an administrative framework to support decentralization (including water resource management, water rights and concessions, cost recovery for rehabilitation and O&M in the pilot area, and private sector participation in all phases of irrigation development and operation).

- 1. Private Sector Participation** : develop sustainable mechanisms for private sector rehabilitation, completion and operation of public irrigation schemes, and for transfer of schemes to Water User Associations (WUAs), through: (i) seven pilot projects; (ii) strengthening participating WUAs; (iii) training and dissemination of pilot experience to other WUAs; and (iv) reviewing private irrigation schemes.
- 2. Public Sector Irrigation Investment Planning** : (a) prepare inventory of irrigation schemes needing rehabilitation or completion; (b) develop medium term screening criteria; and (c) prepare feasibility studies of schemes selected under (2).

c. Comments on Project Cost, Financing and Dates
Dates: from PCD to approval took over four years, closing was a year late .

3. Achievement of Relevant Objectives:
The project achieved or exceeded all its major relevant objectives and the developmental reforms are continuing . This was despite adverse economic, financial, and political circumstances, compounded by several natural disasters and strong hostility in some circles towards the transfer objective . The major achievements were:

- public sector investment became redundant in favor of a participatory, demand -driven approach to planning in support of the transfer process;
- annual public sector subsidies for irrigation have sharply delined from \$ 9.4 m. per year to \$2 m;
- half of the public irrigation schemes were put in good working order and were transferred to WUAs;
- schemes are already showing large production increases and the reestimated ERR is strong;
- the recurrent budget for public irrigation has been reduced by 80%; and
- water sector management and regulation has been reorganized and decentralized, and policies reformed (a new Water Law was pending).

4. Significant Outcomes/Impacts:

- Responsibilities of the former INERHI were split between a new water institute (CNRH), nine Regional Development Corporations and the WUAs;
- WUAs have also formed a national apex organization which improves sustainability of the changes and gives the WUAs a firm institutional base and a voice with government;

- once the old water bureaucracy (INERHI) was dissolved, the demand for transfer of schemes to WUAs was so great that the original target of 7 schemes was increased to 19 and then 35 (which was achieved);
- the transferred area increased from 15,500 to 88,000 hectares, or five times the appraisal plan; these positive results have been achieved extraordinarily quickly and in all regions and agro-ecological zones;
- 45,000 families benefited (2 ½ times the appraisal target);
- physical investments were close to targets and most other indicators were very promising (irrigated area up 17%, production already up 28%, and family income up 41%, with consequent benefit to food security and health);
- the transfer of irrigation schemes to local ownership created an “energy and empowerment that can greatly improve economic efficiency, private incomes and investment” (ICR para. 8.1), including reviving a third of non-functional public irrigation schemes;
- irrigation charges collected by WUAs from members cover three-quarters of O&M costs (which are estimated to be 25% lower than under public management), and O&M activity has risen rapidly to about two-thirds of optimum level - a good sign for sustainability;
- well-performing revolving credit funds have proliferated amongst WUA members providing both investment and social benefits;
- related studies were completed as planned to define procedures and mechanisms, and to implement new subsector strategies and policies.

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

- Government did not follow through on the reforms it started, and strengthening of the new organizations was only partially successful and they remain weak;
- CNRH does not have the legal and enforcement authority necessary for full effectiveness;
- some of the project's sectoral reform objectives were too ambitious in the context of a subsector TA project but require the leverage of a higher level operation;
- the new Water Law (not a project objective but needed) has not come into effect as it was “languishing in the congress”;
- the transfer of public irrigation schemes to WUAs could not be achieved by local staff either in (the soon to be dissolved) INERHI or by those who moved to the new institute, since they had no self-interest in the policy), so the work had to be carried out by three international consulting firms, with little local skill or experience spin-off;
- the expected close working relationship between MOA and the new CNRH did not occur (repeating the common experience of agriculture and irrigation bureaucracies not working well together), with consequent impact on efficiency;
- there is little information available on the implementation or performance of the TA services, the dominant project input - see 9. below.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	An extraordinarily positive irrigation transfer experience in, at first, unpromising circumstances.
Institutional Dev. :	Modest	Substantial	The project had high institutional objectives some of which were not achieved, but still institutional impact (irrespective of objectives) was substantial by any account.
Sustainability :	Highly Likely	Likely	While the sustainability of the transferred schemes may be highly likely, the unfulfilled institutional measures (incl. making CNRH fully effective) suggest that a more cautious rating is appropriate for the whole project.
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf. :	Satisfactory	Satisfactory	
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:

(a) The many advantages of transferring costly, dysfunctional and moribund irrigation systems to irrigator control may warrant exceptional measures to disturb the *status quo*, release popular demand for such change and quickly respond - such as dissolution of ineffective organizations which are blocking change and the use of temporary TA staff to carry out the work. (b) The reach of reform measures expected in an operation should be at least matched by the scope and reach of the project carrying them - otherwise the project may not have the leverage to ensure the

measures are adopted.

8. Assessment Recommended? ● Yes ○ No

Why? The project achieved a remarkably high degree of success in unsupportive environment from which there may be additional useful lessons to be learnt . Perhaps the counterfactual has some hidden surprises . There is similar reform required in much larger dysfunctional and wasteful public irrigation systems elsewhere that might learn from this experience. It could be particularly instructive to fill in the missing details on the TA experience (the main project input), which succeeded in achieving a rapid rate of successful transfer despite local inertia and opposition . Finally there is still just a touch of mystery left about how the project became so successful in such apparently negative circumstances - the forces at work are not entirely apparent .

9. Comments on Quality of ICR:

Although satisfactory and comprehensive in describing the successful changes introduced under the project, the ICR should have provided better coverage of the main component of the project (65% of actual costs), i.e. the provision of technical expertise - there is almost no discussion of the provision or performance of technical assistance; and the magnitude of the institutional impact of the project is understated to a surprising degree (even after recognizing some government procrastination) for a project that has successfully restructured the irrigation subsector from top to bottom, and established many of the new institutions (legal processes, ownership, management systems, organizations etc.) that are required for the reformed industry .