



<b>1. Project Data:</b>		<b>Date Posted :</b> 03/06/2001	
<b>PROJ ID:</b> P007726		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Aquaculture	<b>Project Costs (US\$M)</b>	58.8	not available
<b>Country:</b> Mexico	<b>Loan/Credit (US\$M)</b>	40	0.80
<b>Sector(s):</b> Fisheries & Aquaculture	<b>Cofinancing (US\$M)</b>	none	none
<b>L/C Number:</b> L4152			
	<b>Board Approval (FY)</b>		97
<b>Partners involved :</b> none	<b>Closing Date</b>	12/31/2002	05/23/2000

<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>

**2. Project Objectives and Components**

**a. Objectives**  
The primary project objective was to promote sustainable aquaculture development thereby contributing to economic growth and poverty alleviation in Mexico .

**b. Components**  
The project had two components. a) the regulatory framework and public goods and services component which was to assist the Government in completing and implementing its regulatory framework and to provide key public goods to stimulate productive investment in the sector . b) the social sector development component which was to support productive investments and training for social sector producers and develop an appropriate institutional framework that creates a more level playing field for social sector participation in aquaculture . Project activities were to be largely focused on seven states .

**c. Comments on Project Cost, Financing and Dates**  
The loan was approved in May 1997 and became effective in June 1998. The Borrower requested its cancellation in May 2000. Out of the total loan amount of US \$ 40 million, less than a million was actually disbursed.

**3. Achievement of Relevant Objectives:**  
The project was canceled after less than two years of implementation on the borrower's request . Even the short two year implementation period encountered several difficulties . The less than one million expenditure was largely on studies aimed at improving the sector's regulatory framework .

**4. Significant Outcomes/Impacts:**  
Nothing to report.

**5. Significant Shortcomings (including non-compliance with safeguard policies):**  
Substantial preparation costs were involved . Project identification to final approval was a long drawn process that lasted more than 4 years. A US \$ 700,000 grant from the Government of Japan was also used through the Bank's trust fund to cover project preparation. Even then, crucial issues were not given sufficient attention resulting in faulty project design . However, the real impediment to project execution has been the budget allocation and the issue around the legal status of AquaMexico .

<b>6. Ratings :</b>	<b>ICR</b>	<b>OED Review</b>	<b>Reason for Disagreement /Comments</b>
<b>Outcome :</b>	Not Rated	Not Rated	Relevance was substantial, but efficacy and efficiency cannot be rated.
<b>Institutional Dev .:</b>	Not Rated	Not Rated	
<b>Sustainability :</b>	Not Rated	Not Applicable	

<b>Bank Performance :</b>	Not Rated	Highly Unsatisfactory	The OED rating for Bank performance is based predominantly on quality at entry since evidence on supervision quality is limited. Quality at entry (identification and appraisal) was highly unsatisfactory. The project design was faulty and unrealistic. A large amount of resources and time were spent in identification and preparation. Even then, the Bank failed to identify key sector issues and ensure the responsible participation of the crucial Public Sector Expenditure Directorate ( <i>Egresos</i> ) of the Ministry of Finance in project preparation. The Bank also failed to sufficiently take into account the lack of the borrowers' capacity to prepare and implement the project.
<b>Borrower Perf. :</b>	Not Rated	Unsatisfactory	Borrower performance is rated unsatisfactory because: (i) the borrower failed to implement the project (ii) borrower commitment towards the project was weak. This is evident in the long delay in fulfilling the conditions of project effectiveness and the poor institutional communication between different parts of the government that negatively impacted implementation.
<b>Quality of ICR :</b>		Unsatisfactory	

**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 Project Completion Note (PCN) identifies important lessons, some of which are specific for Mexico, whereas others are general. Three of these lessons are highlighted here. First, given the fact that the borrower and the Bank differed on fundamental issues of design, the project preparation should have been discontinued by mutual agreement in order to avoid wastage of time and resources. Second, an accurate and independent analysis of crucial issues is essential and the Bank should satisfy itself that the institutions involved are going to be in a position to implement the project. Third, in the case of emerging sectors like aquaculture, where specific technical expertise may not be available, it may be more realistic to design simple projects.

There are other important lessons to be learnt from the experience of this project for the preparation of future Bank loans. (i) It is important that Bank management provide greater oversight to the project identification and preparation phase to avoid wastage of resources. In the case of the Mexico Aquaculture Project, large missions (9 members at identification and 11 at preparation) were fielded, but sector issues that were crucial for project implementation were not given appropriate attention. Second, if there is a basic difference in Bank and country strategy in a sector, it should be resolved at the CAS or latest, PCD stage. Project preparation should not be the stage where such differences emerge and certainly not project implementation. In the case of the Aquaculture project, the Bank was attempting to steer the project's focus to poverty alleviation and environmental conservation whereas the borrower was more keen for a development project aimed at supporting take off of the national aquaculture industry in the country. While this may have not been the crucial issue in loan cancellation, it certainly contributed to it.

**8. Assessment Recommended?**  Yes  No

**9. Comments on Quality of ICR:**

The project became effective in June 1998 and was canceled in May 2000. The original closing date for

the loan was December 2002. The OP 13.55 on Implementation Completion Reporting notes that an ICR is not prepared for a loan that fails to become effective or is canceled before significant implementation . Even though the current loan was under implementation for nearly two years, a PCN was presumably prepared because a total of less than a million dollars were disbursed . However, the PCN does not do justice to the case. More than 96 staff weeks and US \$ 130, 000 were spent on supervision, yet information on the two year implementation period is scanty . There are no details on the studies produced as a result of the project. Information on what share of government contribution was actually incurred is also lacking. Given the circumstances under which the project got canceled, the PCN could also have rated Bank and Borrower performance.