MANAGEMENT REPORT AND RECOMMENDATION
IN RESPONSE TO THE
INSPECTION PANEL INVESTIGATION REPORT

ECUADOR MINING DEVELOPMENT AND ENVIRONMENTAL CONTROL
TECHNICAL ASSISTANCE PROJECT
(LOAN NUMBER 3655-EC)

1. Attached for consideration by the IBRD Board of Executive Directors is Management's *Report and Recommendation* in response to the Inspection Panel Investigation Report on the Ecuador Mining Development and Environmental Control Technical Assistance Project (*Investigation Report on Ecuador Mining Development and Environmental Control Technical Assistance Project, Loan No. 3655-EC*) (INSP/R2001-1, February 23, 2001).

2. It is recommended that the IBRD Board of Executive Directors approve the actions and next steps set out in Section VI of the attached *Management Report*.

Sven Sandström
Acting President

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CONTENTS

ABBREVIATIONS AND ACRONYMS

AACRI	Asociación de Caficultores Organicos Rio Intag (Association of the Coffee Growers of Rio Intag)
BITS	Government of Sweden's Agency for International Technical and Economic Cooperation (later Sida)
BTO	Back to Office (Report)
CEDENMA	Comite Ecuadoriana Para la Defensa de la Naturaleza y el Medio Ambiente (Ecuadorian Committee for the Defense of Nature and the Environment)
CODENPE	Consejo de Desarrollo de las Nacionalidades y Pueblos del Ecuador (Ecuadorian National Council of Indigenous Nationalities)
DECOIN	Defensa y Conservación Ecológica de Intag (Defense and Ecological Conservation of Intag)
DFID	Government of the United Kingdom's Department for International Development
DINAGE	Dirección Nacional de Geologia (Ecuadorian Geological Directorate)
EA	Environmental Assessment
GEF	Global Environment Facility
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEPS	Initial Executive Project Summary
LCR	Latin America and the Caribbean Region
NGO	Non-Governmental Organization
NPAS	Ecuador's National Protected Areas System
OD	Operational Directive
ODA	Government of the United Kingdom's Overseas Development Agency (later DFID)
OP/BP	Operational Policy/Bank Policy
OPN	Operational Policy Note
PATRA	Ecuador Environmental Management Technical Assistance Project
PID	Project Information Document
PRODEMINCA	Ecuador Mining Development and Environmental Control Technical Assistance Project
Sida	Swedish International Development Agency
TA	Technical Assistance

MANAGEMENT REPORT AND RECOMMENDATION IN RESPONSE TO THE INSPECTION PANEL INVESTIGATION REPORT

ECUADOR MINING DEVELOPMENT AND ENVIRONMENTAL CONTROL TECHNICAL ASSISTANCE PROJECT (LOAN NUMBER 3655-EC)

I. BACKGROUND

1. **The Project**. The Ecuador Mining Development and Environmental Control Technical Assistance Project (Loan Number 3655-EC) (PRODEMINCA, the Project), closed last December 31, 2000. It was officially requested by the Government of Ecuador twelve years ago, on March 14, 1989. The Initial Executive Project Summary (IEPS) was issued on April 9, 1990 and the project appraisal was completed on December 17, 1992. The project was approved by the IBRD Board of Executive Directors on October 21, 1993.

2. At Approval, PRODEMINCA was a relatively small technical assistance loan, with IBRD Commitments of US$ 14.0 million, and was cofinanced by the Government of Sweden's Agency for International Technical and Economic Cooperation (BITS)[1], and by the Government of the United Kingdom's Overseas Development Agency (ODA)[2] for a total of US$ 8.1 million equivalent.

3. **The Request for Inspection**. On December 17, 1999 the Inspection Panel (the Panel) registered a Request for Inspection[3] for PRODEMINCA filed by DECOIN (Defensa y Conservación Ecológica de Intag), a non-governmental organization (NGO) located in the Intag Valley of Ecuador and by four members of AACRI (Asociación de Caficultores Organicos Rio Intag) in the same region (the Requesters). On January 18, 2000 Management prepared a response to this Request[4]. After a field visit to Ecuador, the Panel prepared a memorandum entitled *Request for Inspection: Ecuador Mining Development and Environmental Control Technical Assistance Project (Loan 3655-EC)* (INSP/R2000-5) which it sent to the IBRD Board of Executive Directors on May 3, 2000.

4. On May 15, 2000 the Board authorized the Panel to conduct an investigation into whether the Bank had violated its operational policies and procedures in the design,

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[1] Now Sida, the Swedish International Development Agency.

[2] Now DFID, the Department for International Development.

[3] DECOIN and four members of AACRI, "Request for an Inspection Panel on the Mining Development and Environmental Control Technical Assistance Project (PRODEMINCA)," (Ecuador, December 6, 1999), IPN Request RQ99/7, in *Request for Inspection: Ecuador Mining Development and Environmental Control Technical Assistance Project (Loan 3655-EC)*, Inspection Panel, (Washington, D.C., May 3, 2000), Annex 1.

[4] "Management Response to Request for Inspection Panel Review of Ecuador Mining Development and Environmental Control Technical Assistance Project (Loan 3655-EC)," (Washington, D.C., January 18, 2000), in *Request for Inspection: Ecuador Mining Development and Environmental Control Technical Assistance Project (Loan 3655-EC)*, Inspection Panel, (Washington, D.C., May 3, 2000), Annex 2.

appraisal, and supervision of the Project, specifically OD 4.0 Annex A[5] on Environmental Assessment (EA), OPN 11.02 on Wildlands[6], and OD 13.05 on Project Supervision[7]. After carrying out the investigation, on February 23, 2001 the Panel submitted to the Board a report entitled *Investigation Report on Ecuador Mining Development and Environmental Control Technical Assistance Project (Loan 3655-EC)* (INSP/R2001-1) (Panel Report). On the same day, the Panel delivered copies of the Panel Report to the President.

5. This *Management Report and Recommendation in Response to the Inspection Panel Investigation Report* is submitted to the IBRD Board of Executive Directors pursuant to paragraph 23[8] of the Resolution establishing the World Bank Inspection Panel[9].

6. Management would like to take this opportunity to thank the Inspection Panel for the thorough and professional way in which it conducted the investigation, for the broad range of stakeholders it consulted, and especially for its efforts to accommodate the request of the Borrower with respect to the timing of the field visits.

II. CONCLUSIONS IN THE PANEL REPORT AND MANAGEMENT REPORT

7. **Panel Report**. The Panel Report concludes "that Management is substantially in compliance with the provisions of OD 4.01 on Environmental Assessment (formerly OD 4.00, Annex A) except as noted below; OPN 11.02 on Wildlands (now OP/BP 4.04 on Natural Habitats), and OD 13.05 on Project Supervision. The Panel finds, however, that Management was in apparent violation of certain provisions of the policies and procedures on Environmental Assessment (OD 4.00, Annex A and OD 4.01) concerning processing, geographical scope, baseline data, and concerning consultation during preparation."[10]

8. **Management Report**. Management agrees with the Panel Report that it was substantially in compliance with OPN 11.02 on Wildlands and OD 13.05 on Project

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[5] *Operational Directive 4.00, Annex A: Environmental Assessment*, was issued on October 31, 1989 and was applicable to all projects that reached the IEPS stage after October 15, 1989. OD 4.00 Annex A was replaced by *Operational Directive 4.01: Environmental Assessment*, which was issued on October 3, 1991 and was applicable to all projects that reached the IEPS stage after October 1, 1991. OD 4.01 was replaced by *Operational Policy/Bank Policy 4.01: Environmental Assessment*, which was issued in January 1999 and was applicable to all projects reaching the Project Information Document (PID) stage after March 1, 1999.

[6] *Operational Policy Note 11.02: Wildlands: Their Protection and Management in Economic Development* was issued on June 2, 1986. It was converted *to Operational Policy/Bank Policy 4.04: Natural Habitats* in September 1995, and was applicable to all projects reaching the PID stage after October 15, 1995.

[7] *Operational Directive 13.05: Project Supervision* was issued in March 1989.

[8] "Within six weeks from receiving the Panel's findings, Management will submit to the Executive Directors for their consideration a report indicating its recommendations in response to such findings."

[9] The World Bank Board of Executive Directors, "The World Bank Inspection Panel," Resolution No. 93-10, Resolution No. IDA 93-6, (Washington, D.C., September 22, 1993).

[10] The World Bank Inspection Panel, *Investigation Report on Ecuador Mining Development and Environmental Control Technical Assistance Project (Loan Number 3655-EC)*, (Washington, D.C., February 23, 2001), Executive Summary, paragraph 92.

Supervision. Management accepts the position stated in the Panel Report that a more expanded and robust EA and consultation process should have been undertaken. The Management Report describes the actions that are being taken on the issues raised in the Panel Report.

9. The Management Report is organized as follows: Section III summarizes the findings in the Panel Report with respect to the claims made by the Requesters with regard to material adverse effects. Sections IV and V discuss the findings in the Panel Report with respect to the concerns raised by the Requesters regarding compliance with the EA process and consultations. Section VI explains the actions that are being taken on the issues raised in the Panel Report.

III. FINDINGS WITH REGARD TO MATERIAL ADVERSE EFFECTS

10. As required by the Resolution[11], and further explained in the Second Clarifications[12], the Panel Report discusses the claims made by the Requesters with regard to material adverse effects in the following areas: (a) impact of public release of map and mineral data; (b) impact of mapping activities; and (c) impact of project supervision activities. As detailed below, in each case the Panel Report indicates that there were no material adverse effects caused by Bank failure of compliance with its policies and procedures.

A. Impact of the Public Release of Map and Mineral Data

11. The Panel Report notes that the Requesters claim "that the public release of maps with mineral data collected under the Project's Geo-information component will attract mining companies and 'informal' miners. In their [the Requesters'] view, this would have a destructive impact in the areas where they live and on the protected areas and their buffer zones. It would also prevent local communities from continuing to work on their traditional farming and ecotourism activities, and trigger grave social problems within their communities. They [the Requesters] maintain that mining activities in these areas would be unavoidable should the geo-information maps and data reveal the existence of mining potential in the region, and would result in significant degradation of critical natural habitats, including the ecosystem of El Chocó and the Cotacachi-Cayapas Ecological Reserve. The latter is recognized as one of the world's richest remaining natural habitats and threatened biodiversity hotspots."[13]

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[11] See footnote 9 above.

[12] World Bank Board of Executive Directors, "Conclusions of the Board's Second Review of the Inspection Panel," (Washington, D.C., April 20, 1999). Paragraph 13 states: "As required by the Resolution, the Panel's report to the Board will focus on whether there is a serious Bank failure to observe its operational policies and procedures with respect to project design, appraisal and/or implementation. The report will include all relevant facts that are needed to understand fully the context and basis for the panel's findings and conclusions. The Panel will discuss in its written report only those material adverse effects, alleged in the request, that have totally or partially resulted from serious Bank failure of compliance with its policies and procedures. If the request alleges a material adverse effect and the Panel finds that it is not totally or partially caused by Bank failure, the Panel's report will so state without entering into analysis of the material adverse effect itself or its causes."

[13] Inspection Panel, *Panel Report*, Executive Summary, paragraph 7.

12. The Panel Report states that after having considered expert advice and examined the evidence, it would be "reasonable to conclude that the maps alone, even in conjunction with the geochemical data, are insufficient in themselves to locate ore deposits. The geochemical data and the geologic maps would be useful reconnaissance tools in narrowing the search area for further exploration, especially when used in conjunction with other available maps, papers, and reports, but they should not lead directly to mining activity.[14] ...The geochemical data and maps are a good starting point for further studies of the mineral potential of this region of Ecuador, but any interested company would have to do much more work, primarily detailed mapping and drilling, before any detailed exploration could begin. This would take considerable time and may cost millions of dollars."[15]

13. As a result of this analysis of the mining life cycle and the role of thematic maps, the Panel Report concludes that "the eventuality that the Project may come to cause harm (i.e. material adverse effects) to the Requesters is, in all likelihood, very remote. First, the Requesters reside in an area that has been excluded from the thematic mapping sub-component of the Project (see Map [in Panel Report]) and, hence, no mining activity in the area could be regarded as a direct consequence of the Project. Second, Ecuador's legislation only permits mining activities in protected areas (such as the Cotachachi-Cayapas Ecological Reserve) by exception. Even when permitted, these activities are subject to strict environmental controls. In meetings with the Panel, the Government of Ecuador's mining and environmental authorities confirmed their commitment to prohibit any kind of mining activities in protected areas. Finally, officials of local government in Ecuador (such as the Municipality of Cotacachi), representatives of civil society and local (such as DECOIN and CEDENMA) and international NGOs appear firmly committed to protect Ecuador's very rich biodiversity."[16]

14. Management is pleased to note that the Panel Report indicates that "the Panel accepts that the geological and thematic mapping carried out under the Project is ecologically neutral and agrees that thematic mapping is generally beneficial for the country, as it increases its database of knowledge on its natural resources. It will also help identify areas that are sensitive and that could be excluded from mining development."[17] Management agrees with the Panel Report that the information contained in the geological and thematic maps must be "carefully managed so as not to generate adverse social and environmental consequences,"[18] and measures taken in this regard are detailed in Section VI-B below.

B. Impact of Mapping Activities

15. The Panel Report notes that the Requesters claim that during the mapping exercise, carried out by the British Geological Survey and the Ecuadorian Geological Directorate (Dirección Nacional de Geologia, DINAGE), and cofinanced by ODA/DFID, "damage

[14] Ibid., paragraph 77.
[15] Ibid., paragraph 78.
[16] Ibid., paragraph 84.
[17] Ibid., paragraph 85.
[18] Ibid.

has already been done to the areas mentioned by paths being opened up for personnel engaged in prospecting and then being used by people who have nothing to do with the project as access route to the Cotacachi-Cayapas Ecological Reserve."[19]

16. The Panel Report indicates that the Panel "did not receive any evidence to support the Requesters' claim that the Cotacachi-Cayapas reserve suffered substantial or permanent damage as a result of the sampling activities carried out under the Project."[20]

C. Impact of Project Supervision Activities

17. The Panel Report notes that the Requesters claim that "the Bank has not monitored the PRODEMINCA project carefully enough, and that lack of control and surveillance has done harm to the parties involved (OD 13.05)."[21]

18. The Panel Report indicates that "the Panel found that frequent missions were undertaken and that there was considerable follow up by the Bank on outstanding issues. Moreover, it appears that the composition and scope of the missions evolved with Project requirements. On the basis of the evidence reviewed, the Panel finds the Bank in compliance with OD 13.05."[22]

19. Given these findings in the Panel Report, Management is not proposing any remedial efforts with regard to the claims made by the Requesters.

IV. FINDINGS ON THE ENVIRONMENTAL ASSESSMENT PROCESS

20. As noted in the Panel Report, "the Requesters claim a number of violations of OD 4.01 on Environment Assessment,"[23] although the Requesters do not claim that any harm or damage was done as a result. The Panel Report indicates "that a more expanded and robust EA process should have been undertaken."[24] Management accepts this position.

21. After a decade of experience and knowledge accumulation within the Bank and in the community of practice, the limitations of the EA are more apparent. Seen in historical perspective, this was the first EA for a mining technical assistance project in the Bank. Furthermore, OD 4.00 Annex A had been in effect for less than six months when the IEPS for PRODEMINCA was issued on April 9, 1990[25]. The project's EA category was changed from a Category B[26] to a Category A on June 27, 1990[27], and the

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[19] Ibid., paragraph 61.
[20] Ibid., paragraph 74.
[21] Ibid., paragraph 87.
[22] Ibid., paragraphs 90-91.
[23] Ibid., paragraph 17.
[24] Ibid., paragraph 24.
[25] Stefan Alber-G, Memorandum "ECUADOR – Mining, Technical Assistance and Environmental Control Project: Initial Executive Project Summary," (Washington, D.C., April 9, 1990).
[26] Lending Operations Timetable, February 14, 1990.
[27] Peter M. Fozzard, Memorandum "ECUADOR: Mining Development and Environmental Control Project: Environmental Assessment Category," (Washington, D.C., June 27, 1990).

consultants financed by the Government of Sweden's BITS started work on December 3, 1990[28]. OD 4.01 was issued almost a year later on October 3, 1991[29], and had been in effect for just a year by the time the EA studies had been completed and reviewed on October 9, 1992[30]. The EA Summary was finalized by the Government and issued to the IBRD Board of Executive Directors on January 7, 1993 (Report Number SECM93-25).

22. Despite the limitations of the EA, Management is pleased to note that the Panel Report indicates that material adverse effects to the Requesters from the Project may be considered as remote[31]. The Project focused on the establishment of the conditions allowing the development of the mining sector, including the development of information systems, mining cadastre and geological and thematic mapping, which, as recognized in the Panel Report (and detailed in Section III above) have negligible or non-existent direct environmental impacts. However, Management accepts the position in the Panel Report that a more comprehensive EA process "would have enabled the Borrower and Bank management to better understand and prepare for potential adverse impacts derived from the Project as a whole"[32] and better positioned the Government of Ecuador for the coming stages in the development of its mining industry and for the sound management of the environmental and social consequences of an expansion of private sector mining in the future.

23. In retrospect, a more comprehensive sectoral EA should have been carried out with many of the characteristics called for in the Panel Report - namely a broader scope covering the entire project area; an analysis of the natural environment including on biodiversity conservation, human health and safety, and social issues; greater emphasis on the role of local public entities and civil society in addition to institutional, legal and regulatory strengthening at the national level; and a broader and deeper consultation with community-based, non-governmental and local, state and national government entities.

V. FINDINGS ON THE CONSULTATION PROCESS

A. Timing of the Consultations in the North

24. The Panel Report correctly notes that consultations about the thematic mapping activity did not take place in the northern part of the country at the time of project preparation or as part of the EA process. Instead, the British Geological Survey and the Ecuadorian Geological Directorate, working on behalf of the Project, followed the standard international practice used by geological survey organizations. Prior to entering an area to carry out the mapping exercise, the standard international practice is to meet with local government authorities and community leaders (such as religious leaders and

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[28] Peter M. Fozzard, Mission Back to Office Report, "ECUADOR: Mining Development and Environmental Control Project, Project Preparation, Mission BTO 26 Nov – 3 Dec, 1990," (Washington, D.C., December 13, 1990), paragraph 6.

[29] See footnote 5 above.

[30] George Ledec, Memorandum "ECUADOR – Mining Development and Environmental Control TA Project – Comments on Environmental Assessment Report," (Washington, D.C., October 9, 1992).

[31] Inspection Panel, *Panel Report*, Executive Summary, paragraph 84.

[32] Ibid., paragraph 24.

village heads) in the area that will be mapped, describe the nature of the mapping activity and the anticipated timeframe, and introduce members of the mapping team. In the case of Ecuador, this practice was applied as the mapping activity progressed from south (late 1995) to north (1998).

B. Quality of the Consultations

25. Management agrees with the Panel Report that given the "strongly expressed fear,"[33] the "misinformation,"[34] and the history of the "traumatic event"[35] related to the removal of a mining company from the area, the consultations in the area around the Cotacachi-Cayapas Ecological Reserve could have been improved to address "the legitimate needs of potentially affected people for information about the Project" and "could have led to a better understanding about what was intended, allayed latent fears, and provided feedback that would have improved the Project and increased community cooperation in implementing it."[36]

26. Following the attention drawn to the mapping work and the ensuing controversy, in November 1999 the Government and the Bank recognized the necessity of further consultations, and the dissemination of more detailed information. A consultation program was immediately designed and implemented, targeting local authorities and residents of the Intag Valley (which is a buffer zone of Cotacachi-Cayapas Ecological Reserve), as well as other stakeholders at the national level. The purpose of the program was to (i) present the interested parties with information in an accessible manner, based on scientific facts, through a series of public fora and popular assemblies; (ii) give them the opportunity to discuss the information with representatives of the Project; and (iii) propose ways for disseminating and tracking the use of the information. A sociological assessment of the Intag Valley was carried out by a well known community development NGO on the views of stakeholders regarding thematic mapping. The results were published and disseminated to the residents and authorities of the Intag Valley and the Cotacachi area. Books and brochures were published, to inform local communities on the use of the information for planning and resources management purposes.

27. Management is pleased that the Panel Report recognizes these efforts, and notes that "the Panel commends the November 1999 initiative to strengthen and enhance, however late, the consultation process related to geo-information and thematic mapping."[37]

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[33] Ibid., paragraph 54.
[34] Ibid., paragraph 56.
[35] Ibid.
[36] Ibid., paragraph 57.
[37] Ibid., paragraph 59.

VI. ACTIONS AND NEXT STEPS

A. Remedies

28. As discussed in Section III, given the findings in the Panel Report, Management is not proposing any remedial efforts with regard to the claims made by the Requesters.

B. Ensuring the Effective Use and Monitoring of Mapping Information

29. PRODEMINCA is closed, but Bank staff will continue to work with the Government and local NGOs to implement actions agreed on under the Project, especially with regard to the use of the geological and thematic mapping information produced by the Project. To prevent adverse social and environmental consequences and to ensure that the information is used in favor of development effectiveness, the following activities will be undertaken, as detailed below: (a) participation of NGOs in monitoring the use and application of the information generated under the Project ; (b) enforcement of the standard license agreements for the use of the information; and (c) publication of brochures, and workshops, on the use of geo-information.

30. **Monitoring of Information Use**. In order to monitor the use of geological and thematic information in protected areas, and to prevent unauthorized activities in such areas, the Ministry of Environment and the Ministry of Energy and Mines have awarded a two year contract to a group including two environmental NGOs. This group was selected through a competitive process, based on terms of reference developed in consultation with a broad and representative range of environmental NGOs. In each key community, at least seven local resident observers will be trained to watch the protected areas, and to provide information to local communities so as to assure their involvement. Training will also be provided to local Protected Area Managers. Procedures to channel complaints have been set up, and work is underway on launching a web site. Status reports will be published twice a year, and a public conference will be organized once a year to inform and assess the situation. Management is pleased that the Panel Report indicates that "the Panel views this as a very positive development."[38]

31. **Enforcement of License Agreements**. Any organization, corporation, or individual wishing to purchase the thematic and geological mapping information has to sign a license agreement with the Ministry of Energy and Mines. In doing so, the purchaser acknowledges that it knows the laws and regulations regarding the development of mining activities within the National Protected Areas System (NPAS), agrees to follow the regulations regarding the use of this information, and will communicate with both the Ministry of Environment and the Ministry of Energy and Mines regarding the use of such information in protected areas. Management is pleased that the Panel Report also considers that these are "strict"[39] conditions that will promote sound management.

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[38] Ibid., paragraph 82.
[39] Ibid.

32. **Additional Publications and Workshops**. Additional brochures are being published and workshops are being organized, aimed at further facilitating the understanding and use by a broader audience of the geo-information produced by PRODEMINCA. This activity will be continued under the coordination of the Ministry of Energy and Mines.

C. Development of Consultation Mechanisms

33. The development of consultation mechanisms for mining activities in Ecuador has been initiated and is linked to that of other extractive industries. A governmental coordination committee has been established, including the Ministry of Government, the National Council of Indigenous Nationalities (CODENPE, the Consejo de Desarrollo de las Nacionalidades y Pueblos del Ecuador), Ministry of Environment, and Ministry of Energy and Mines, and advised by national consultants and Bank staff. The legal and sectoral frameworks for the consultation process have been reviewed, and in November 2000 a series of workshops were organized with all stakeholders to define the scope and procedures to develop consultation mechanisms.

D. Support for Conservation and Environmental Management in Ecuador

34. The findings documented in the Panel Report underscore the importance of the Bank and the Latin America and the Caribbean Region (LCR) investing further in sectoral and strategic EAs in the coming years. Such an approach is recommended in the proposed corporate Environment Strategy and in LCR's recently approved Regional Environmental Strategy. LCR will seek the opportunity to support its clients in carrying out strategic EAs - sectoral, regional and policy-based - in upcoming operations. LCR will also promote training for staff on strategic EAs in collaboration with the World Bank Institute.

35. Although PRODEMINCA has now closed, the Bank continues to be engaged in several activities in Ecuador that allow the Bank to continue the policy dialogue and support for environmentally sustainable development through conservation and strengthening of environmental management capacity.

36. **Country Assistance Strategy**. In recognition of the unique biological and natural resources, and the different ecosystems represented in Ecuador – which is one of the 17 megadiverse countries of the world - as well as the wide range of environmental issues faced by the country, the Bank has made support to environmental strengthening activities a priority for its country assistance strategy. This was documented in the *Country Assistance Strategy* of May 5, 1993 (Report No. P-5657-EC), and reconfirmed in the *Country Assistance Strategy* of June 1, 2000 (Report No. R2000-102) which was recently discussed at the Board.

37. **Conservation**. The first project to support the NPAS in Ecuador was a US$ 7.2 million equivalent *Global Environment Facility Biodiversity Protection Project*, (GEF Grant 28700-EC), which was under preparation at the same time as PRODEMINCA, and was approved six months later on May 9, 1994. The project closed on September 30, 1999. The objective of the grant was to support the restructuring and strengthening of the

institutional capacity and overall policy and legal framework of the NPAS. Eight of the eighteen protected areas in the system, including the Cotacachi-Cayapas Ecological Reserve, were included for direct assistance.

38. Among project outcomes achieved with grant assistance are: support to the Ministry of Environment, created in 1996, which improved the visibility of the environmental agenda in Government policies and decision and elevated the status of protected areas within the Government structure; preparation of a ten year *Strategic Plan of the National System of Natural Protected Areas of Ecuador*, which was officially presented in October 1999; completion of the *Protected Areas Biodiversity Assessment and the Socio-Economic Assessment*; inputs into the formulation, and support for the *National Strategy for the Protection and Sustainable Use of Wildlife in Ecuador*, the *Special Biodiversity Law,* and the *National Biodiversity Strategy* (under preparation); creation of a Biodiversity Information Center with input from four academic institutions, and initiation of a database on Ecuador's biodiversity and the production of vegetation maps; highly participatory management planning exercise in four protected areas; upgrading of infrastructure and equipment, and training of key personnel in the NPAS.

39. The Government of Ecuador has requested Bank assistance for the second stage of conservation activities. The *Strategic Plan* prepared under the first GEF project is the basis for a second GEF project which is now in the early stages of preparation, and which is intended as the US$ 8 million three-year first phase of a 15-year program of support. It has the objective of contributing to the improved sustainable and equitable management of Ecuador's biological diversity through the effective management and financial sustainability of the NPAS, and of conserving and sustainably managing globally important forest and freshwater ecosystems in Ecuador. As currently designed, the project would support the effective management of the Cotacachi-Cayapas Ecological Reserve and two other protected areas, through: participatory development of a management plan; identification and implementation of co-management mechanisms; training and other institutional capacity building activities; and legal and regulatory reforms to create sustainable mechanisms to finance park management activities. In addition, the project would capitalize a Protected Areas Fund that would secure long-term funding for six protected areas that have little opportunity to use market-based mechanisms to mobilize resources to finance management activities.

40. **Strengthening of Environmental Institutions**. Also prepared at the same time as PRODEMINCA, the US$ 15 million *Environmental Management Technical Assistance Project* (Loan 3998-EC, PATRA) which was approved on April 4, 1996, had the objective of providing support for the ongoing process of implementing the National Environmental Management Strategy by strengthening the Ministry of Environment and environmental units in other ministries, and in assisting the Government in building up environmental management capacity in three priority geographic areas. Implementation of this project was problematic and the project was restructured in early 1999. The Government has reaffirmed its commitment to the objectives of the project, and the Bank is working closely with its counterparts to achieve these project objectives.