

OFFICE MEMORANDUM

DATE: March 29, 2001

TO: Mr. Ken King, Assistant CEO, GEF Secretariat
Att: GEF PROGRAM COORDINATION

FROM: Lars Vidaeus, GEF Executive Coordinator 

EXTENSION: 3-4188

SUBJECT: **Ecuador – National Protected Areas System (NPAS)
Work Program Inclusion – Resubmission (if required)**

Please find enclosed the final electronic attachment of the above-mentioned project brief for work program inclusion. This revised project brief responds to GEFSECs comments at the project review meeting on March 21.

The proposal is consistent with the *Criteria for Review of GEF Projects* as presented in the following sections of the project brief:

Country Driveness: The government has prepared a 15 year strategy for managing the National Protected Areas System (NPAS) that calls for modernization, and encouraging new partnerships and mechanisms for ensuring institutional and financial sustainability in the country's protected area network. The government has taken the preparation of this project very seriously as indicated by the formal establishment of a participatory Advisory Committee that will oversee project activities and the many workshops that have taken place with the Minister, other key government staff and civil society. The long-term plan and project activities are designed to specifically address shortcomings and lessons learned from the Pilot Phase GEF- Biodiversity Project (GEF Grant 28700-EC), especially in regard to institutional and financial sustainability. The project has good national support at all levels from central government to site level. A broad range of stakeholders, including NGOs, local communities and central and field level government agencies have participated in project design. Additional information can be found in Section B2 on p. 2 (*Governments' Strategy*) and Section D5, p.18 (*Indications of borrower and recipient commitment and ownership*).

Endorsement: The project is strongly supported by the government and the Ministry of the Environment. The national GEF focal point provided an endorsement letter on February 28, 2001.

Program Designation & Conformity: The project's objectives are consistent with the GEF Operational Strategy by aiming to consolidate and improve conservation efforts in priority protected areas. The project is also consistent with Operational Program Number 2: Coastal, Marine, and Freshwater Ecosystems, Operational Program Number 3: Forest Ecosystems and Operational Program Number 4: Mountain Ecosystems. Please see Section B1(a) (*GEF operational strategy/program objective addressed by the Project*).

Project Design: The project design has been developed specifically to address shortcomings and lessons learned from the first GEF Biodiversity Project in Ecuador and

highlighted in the project ICR and independent Bank OED evaluation. Please see section D.4 p. 17 (*Lessons learned*) and Annex 12 (*Detailed Lessons Learned*). The objective of the project is to reform Ecuador's NPAS to create a more decentralized and efficient system for managing and conserving biodiversity, with much greater involvement and responsibilities for civil society. The project is currently presented as a US\$ 8 million where US\$4.5 million will go to an endowment fund for PAs. The issue of absorptive capacity has been taken into account. The project will: i) develop and test a new institutional model for NPAS; including a broader range of stakeholders (NGOs, communities as well as government agencies); ii) develop and test mechanisms and incentives to enable PAs; to generate and retain income iii) finalize establishment and initial capitalization of a Fund to provide a regular and reliable source of funding to cover core recurrent costs for 8 high priority PAs; and (iv) implement a strengthened monitoring and evaluation system with specific performance benchmarks relevant both to individual sites and the whole protected area system. Input and suggestions from civil society and social groups have also been integrated into the project design to ensure that it accurately addresses on the ground realities and needs. Please see section C p. 10-12 (*Project Description Summary*), Annex 1 (*Project Design Summary*), and Annex 2 (*Detailed Project Description*).

Sustainability: Sustainability is a central theme of the project. Many of the components are designed to help achieve institutional, financial and social sustainability.

Institutional sustainability will be addressed through support for a Parks Advisory Commission and the establishment of a small unit within MOE and by strengthening capacity of park managers, NGOs and local communities to work together at the site level to achieve conservation objectives. This will contribute to local ownership and social stability. Financial sustainability will be achieved through: (i) capitalization of an independent and accountable private trust fund (PAF- Protected Areas Fund) housed within FAN which will manage the capital funds to provide assured, long-term resource flows to a pilot group of the protected areas, in accordance with approved Bank investment guidelines; (ii) the identification and implementation of cost recovery and financing mechanisms at individual sites which will be used to augment the government's budgetary allocations to those protected areas; and (iii) implementation of income generating activities for local communities related to eco-tourism in PAs, which will enhance their economic, social and financial sustainability in the short-term. Please see Section F1, p. 27 (*Sustainability*).

Replicability: The project is a three years pilot to test new institutional and financial models in 3 protected areas, selected because of their high biological values and likelihood of achieving success e.g. working partnerships with NGOs, local community support; and tourism potential. Two of these areas already received some limited support for infrastructure and capacity building under the pilot project. This project will build on, and consolidate, those earlier activities. The project is a time slice of a much longer, projected 15 year plan to put the whole protected area network on a sustainable footing. Once management and financial mechanisms have proved viable they will be expanded to other protected areas within the network under second and subsequent phases. Please see section C1 p.10-12 (*Project Components*) and Section F1 (*Sustainability*) on p. 27 for a discussion of this issue.

Stakeholder Involvement: The project design and implementation plan has benefited greatly by engaging a wide range of stakeholders, with input and participation at several planning workshops (3 at central level), (6 at the local level). For an identification of project stakeholders, please see Section C3 p. 12 (*Benefits and target population*), for a summary discussion of the involvement of stakeholders in preparation and implementation, please see Sections E5, p. 24 (*Social*) and E7 p.25 (*Participatory Approach*). Annex 8 presents the results of the Social Assessment.

Monitoring & Evaluation: Monitoring and evaluation are key components of the project. M&E indicators are presented in Annex 1 (Project Design Summary). In addition, the program includes a subcomponent that will design and implement a biodiversity monitoring program for the project to assess impact of project activities in conserving biodiversity and improving PA management effectiveness see Annex 2 (*Detailed Project Description*).

Financing Plan: The summary project cost table is presented in Section C1 page 10. Additional information can be found in Annex 3 (*Estimated Project Costs*) on p. 56. The breakdown between baseline funding and incremental costs and the rationale for GEF support may be found in Annex 4 (*Incremental Costs and Global Benefits*) starting on page 57.

Cost-effectiveness: Information on cost effectiveness of the project can be found in Annex 4 (*Incremental Cost Analysis*) on page 57.

Core Commitments and Linkages: The Bank has been the lead agency in providing assistance to the Government for the environment sector, including support to the National Protected Areas System (NPAS) through the Biodiversity Protection Project-Phase I.

Consultation, Coordination and Collaboration between IAs: please see Section D3 p. 15 (*Major related Projects financed by the Bank and/or other development agencies*) The project preparation has benefited from extensive consultations with other donors active in the Natural resource sector in Ecuador, including UNDP, other GEF-supported initiatives in Ecuador and exchange of experiences with designers and implementers of other GEF-supported trust funds in Latin America. Given the current state of preparation for the various projects, no overlap exists between the GEF Bank pipeline and the GEF-UNEP and UNDP pipeline. The proposed project will continue to coordinate with the other agencies on any proposal to fund activities in the project area to ensure complementarity of the activities and to avoid duplication of efforts. Annex 12 presents the list of biodiversity and rural and social development project funded by different donors in Ecuador.

Response to STAP Expert Comments: An expert from the STAP Roster (Dr. Kenton Miller) reviewed the project in March 2001; the STAP expert's comments are attached as Annex 5, p. 62. The responses and comments of the preparation team to the STAP review are also attached as Annex 5B, p. 64.

Response to GEFSEC Review at the time of initial PDF submission in December 1999: In their comments of January 2000 the Secretariat team recommended that the Ecuador/Bank preparation team look at a number of concerns and issues. These have been carefully addressed in the preparation of the Project Appraisal Document (PAD). Main concerns indicated at that time, to be addressed prior to submission for inclusion in the work program, were:

a) Long term financial sustainability.

As part of the project, new financing strategies will be tried at three pilot sites, based on tourism potential and ability to raise revenues from other sources e.g economic services. The government is preparing new regulations to enable PAs to retain revenues so generated.

The capitalisation of a trust fund to cover core recurrent costs in other pilot areas, with limited revenue-earning potential, is a major component of the project. The Trust Fund design has been supported by TNC, and the other Trust Fund operating in the region (FUNDESNAP, PROFONANPE, FUNBIO and the Mexico Fund for Protected Areas). A Board has been incorporated, 7 members, 6 from civil society and private business sector and one from the government. Lessons learned from these trust funds have been incorporated. An operational manual, bye-laws and regulations are already prepared and approved. KFW have committed funds (document available) and the Dutch Embassy has also shown clear interest (letter on its way). For a full description of the Fund, see Annex 9, 9a and 10 (page 8, 86 and 87 respectively). A list of Board Members is presented in Annex 9b. Details on the design of the Trust Fund are presented in Annex 9, 9a and 10.

b) Major threats and underlying problems associated with biodiversity conservation and sustainable use in Ecuador.

The process used to select priority sites for the project assessed in detailed the major threats and underlying problems of biodiversity conservation and use in Ecuador and undertook threat analysis for specific sites. These were further refined based on social assessments at key sites. Project sites were chosen based on social as well as economic and biological parameters, including local ownership, community willingness to work with PA managers, NGO partners and tourism potential i.e sites chosen were those where new institutional and financial mechanisms are most likely to succeed. The results of the Social Assessment and Selection are presented in Annexes 8 and 6 respectively.

d) Stakeholder involvement and social assessment, including listing of potential sites with indigenous groups.

The project benefited from extensive consultations and participation of numerous stakeholders. As part of pdf preparation social assessments were undertaken at specific PAs –see Annex 7. As part of the Social Assessment, an Indigenous Peoples Strategy is being finalized for one PA (Cuyabeno Reserve) where indigenous people live within the buffer zone. This Strategy will be available shortly (within two to three weeks).

Other Technical Comments.

(a) identification of project sites, including a root cause analysis per site: The preparation team has conducted a detailed and participatory process based on ecological and social criteria to select the project sites. This is presented in Annex 6, p. 63. Also, a detailed social assessment was conducted over the last nine months in the project sites where project investments will take place. The information on the Social Assessment are included in a detailed report available in project files and a summary is presented in Annex 8, p. 80.

(b) *Complete design of the Protected Area Conservation Fund;* (see under long term financial sustainability)

(c) *clear implementation arrangements including completed institutional analysis;* The project has been supported by the new Minister of Environment who appointed an Advisory Committee that includes professionals from several NGOs and social groups. The Ministry is pursuing several reforms and has developed a new vision for the National Protected Areas System of Ecuador including support for i) co-management arrangements with NGOs, local organization and government; ii) concession program to generate income; iii) participatory management processes from the Federal to the local level. The project will support development and implementation of these new regulations see Annex 7, p. 73 and Section B2, p.2 and E4, p. 22.

(d) *project baseline and incremental costs;* The project baseline and incremental costs have been completed and are presented in Annex 4, p. 57

(e) *monitoring and evaluation plan;* A monitoring program has been designed for the project and is part of the Component 1, sub-component E (Annex 2). This program will continue to be refined as we reach the appraisal stage of the project.

Change in project scope since Pipeline Entry: At the time of pipeline entry, it was envisaged that the project would target about half of the country's protected areas involving a total level of GEF financing of \$20 million USD over a 5-6 year period. During further project preparation, and in consultation with stakeholders, the scope of project activities has been modified to better reflected absorptive capacity and reduced to a smaller number of pilot protected areas over a shorter, three year period. Consequently the overall request to GEF has been reduced from \$20 to \$8m. This project design will allow a a more phased approach, with the project addressing just one time slice of an overall e 15 year PA system vision to pilot new institutional and financial mechanisms and a greater role for civil society in PA management in a few sites prior to expanding that model to the whole PA system.

Please let me know if you require any additional clarifications to finalize the Work Program submission. Many thanks.

cc : w/o attachments: Messrs./Mmes. Redwood, Cackler, Serra (LCSES)

cc: Messrs./Mmes. Werbrouck (LCC6C); Arcos, Bradley, (LCSES); Castro, Khanna, Aryal, Dubois (ENV), ENVGC ISC, IRIS4

PROJECT BRIEF

1. IDENTIFIERS:

PROJECT NUMBER:	p066752
PROJECT NAME:	Ecuador: National System of Protected Areas
DURATION:	3 years (first phase)
IMPLEMENTING AGENCY:	World Bank
EXECUTING AGENCIES:	Ministry of the Environment (MoE), Fondo Ambiental Nacional FAN
REQUESTING COUNTRY OR COUNTRIES:	Ecuador
ELIGIBILITY:	Ecuador ratified the Convention on Biological Diversity on February, 1993.
GEF FOCAL AREA:	Biodiversity Conservation
GEF PROGRAMMING FRAMEWORK:	OPs 2, 3 and 4

2. SUMMARY: The project's development objective is to contribute to the improved sustainable and equitable management of Ecuador's biological diversity by strengthening the effective management and financial sustainability of its National Protected Areas System (NPAS). The global environmental objective is to conserve and sustainably manage globally important forest and freshwater ecosystems in Ecuador, one of the 17 megadiverse countries in the world. This project would specifically: a) strengthen the legal, regulatory and institutional framework for a new co-management structure for the administration of the NPAS; b) pilot and test innovative financial mechanisms and new participatory management models in three protected areas that have potential markets; and c) establish a Protected Areas Trust Fund to cover the recurrent costs of six other priority protected areas.

The project is the first phase of a long-term program defined by the Strategic Plan for the NPAS that was developed with the assistance from the GEF Pilot Phase project (GEF Grant 28700-EC) to achieve a fully functioning NPAS in Ecuador. The project builds on the Pilot Phase project achievements and specifically addresses the shortcomings of that project. It explicitly seeks to address the issue of PA institutional, social and financial sustainability of a first group of PAs of high global biodiversity value by testing new management and financial mechanisms. The areas were chosen for enabling activities to contribute to a successful achievement of project objectives (eg. local and NGOs support, economic earning potential, varied geographical coverage). If these pilot models are successful, GoE intends to replicate these models throughout the NPAS network. Financing from GEF is requested for only this first phase.

3. COSTS AND FINANCING (MILLION US):

GEF:	-Project	US\$ 8.00
	- PDF:	US\$ 0.35
	Subtotal GEF:	US\$ 8.35
Co-	-International Donors:	US\$ 4.80
FINANCING:	-Local and international NGOs:	US\$ 1.00
	-Government of Ecuador:	US\$ 0.60
ESTIMATED PROJECT COST:		US\$ 14.75

4. OPERATIONAL FOCAL POINT ENDORSEMENT:

Name: Rodolfo Rondon
Organization: Ministry of the Environment

Title: Minister of the Environment-GEF Focal Point
Date: February 28, 2001

5. IA CONTACT:

Theresa Bradley, acting LAC Regional Coordinator, Tel. # 202-473-0016, Fax: 202-614-0087, Email: tbradley@worldbank.org
Claudia Sobrevila (HQ) – Task Manager
Gabriela Arcos (Quito) - Co-task Manager

CURRENCY

US Dollar Ecuador's official currency since September 2000

GOVERNMENT FISCAL YEAR

January 1 – December 31

WEIGHTS AND MEASURES

Metric System

ABBREVIATIONS AND ACRONYMS

BICE – Biodiversity Information Center of Ecuador
CAS – Country Assistance Strategy
CBD – Convention on Biological Diversity
CCER – Cotacachi Cayapas Ecological Reserve
CFPR – Cuyabeno Faunal Production Reserve
EIC – Environmental Information Center of the Ministry of the Environment
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
ICR – Implementation Completion Report
INEFAN – Ecuadorian Institute of Forestry, Natural Areas and Wildlife
LAC- Latin America and the Caribbean
MAG – Ministry of Agriculture and Livestock
M&E – Monitoring and Evaluation
MNP – Machalilla National Park
MoE – Ministry of the Environment
NGOs – Non-governmental Organizations
NPAS – National Protected Areas System
OCB – Community-based Organizations
OSGs – Second Grade Organizations
PA – Protected Area
PAD – Project Appraisal Document
PAU – Protected Areas Unit, within the Ministry of the Environment
PAF – Protected Areas Fund
PAG – Annual Disbursement Plan
PCU – Project Coordinating Unit
POA – Annual Operative Plan
SEC – National System of Education and Training
UNDP – United Nations Development Program
STAP – GEF's Scientific and Technical Advisory Panel

ECUADOR: NATIONAL PROTECTED AREAS SYSTEM
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A: PROJECT DEVELOPMENT OBJECTIVE

1. Project Development Objective: (see Annex 1)

The project's development objective is to contribute to the improved sustainable and equitable management of Ecuador's biological diversity by strengthening the effective management and financial sustainability of its National Protected Areas System (NPAS). Due to the declining status and sustainability of many PAs and due to the structural changes occurring in the country's public sector, a Strategic Plan for the NPAS (15 year plan) was developed with the assistance from the GEF Biodiversity Project (GEF Grant 28700-EC). The long-term vision is to ensure that NPAS is self-sustained, transparent, decentralized, and managed through partnerships with local communities, government at various levels, NGOs and the private sector. The Plan has been discussed widely and is currently under final review by the Ministry of the Environment. The long-term vision and the activities selected for the project have addressed the major lessons learned from the GEF Pilot Phase Project (see section D-4 and Annex 11 for details). This plan has three Phases: 3 years, 6 years and 15 years. The proposed 3-year project (first phase) would test a series of reforms that the government has designed. It will specifically: a) strengthen the legal and regulatory framework for a new co-management structure for the administration of the NPAS; b) pilot test innovative financial mechanisms and new participatory management models in three protected areas that have potential markets; and c) consolidate a Protected Areas Trust Fund to cover the recurrent costs of six other priority protected areas.

Annex 1 presents the detailed logframe for the current project. Annex 1-b presents the project and its objectives within the context of the GEF Pilot Phase Project, and the long-term vision for the NPAS.

2. Key Performance Indicators: (see Annex 1)

- A policy and regulatory framework to strengthen the sustainable and participatory management of NPAS has been designed and at least 3 new regulations are prepared in a participatory manner;
- A participatory process-oriented NPAS management model has been designed and applied to at least 3 PAs;
- At least 3 concessions to promote economic sustainability for the NPAS are in place;
- An operational Protected Areas Trust Fund is functioning to support recurrent costs of three Protected Areas (with GEF contribution) and three additional protected areas (with donors contributions);
- Three selected protected areas are strengthened and innovative co-management models are applied at the ground level;
- A sound monitoring and evaluation system for the effective management of the NPAS is functioning in a few pilot areas.

B: STRATEGIC CONTEXT

1. Sector-Related Country Assistance Strategy (CAS) Goal Supported By The Project: CAS Document number: Date of latest CAS discussion:

The Government of Ecuador faces serious environmental issues, which, if not tackled, would constrain socially sustainable development in the medium and long term. Among the most relevant issues are biodiversity protection and deforestation (Ecuador is annually losing an average of 2.3 percent of its native forest). The Bank has been the lead agency in providing assistance to the Government for the environment sector and has already played an extremely important role in supporting the conservation of biodiversity by strengthening the National Protected Areas System (NPAS) through the GEF-funded Biodiversity Protection Project (GEF I). Through this new project, the Bank will continue supporting the strengthening of the NPAS, but strongly focused on one of the main policy objectives of the CAS: implementing key structural and legal reforms for sustainable development.

The project would support such policy objective by: a) establishing an innovative institutional and legal reform within the Protected Areas Unit and in the field, that will enable the efficient management of the NPAS. This transformation will involve capacity building efforts and human resources training, b) the development of new legal and institutional arrangements to enable participatory co-management and co-investment processes within the PA, c) the development of innovative financing mechanisms to help ensure protected areas sustainability; and d) the functioning of a Protected Areas Trust Fund to cover recurrent costs of the National System of Protected Areas.

1a. Global Operational Strategy/Program Objective Addressed By The Project:

The project's objective is consistent with the GEF Operational Strategy by aiming to consolidate and improve conservation efforts in priority protected areas. The project is also consistent with Operational Program Number 2: Coastal, Marine, and Freshwater Ecosystems, Operational Program Number 3: Forest Ecosystems and Operational Program Number 4: Mountain Ecosystems. It is particularly relevant to the conservation of areas of global significance and to the on-site conservation of biodiversity at all three levels, including genetic resources, species, and ecosystems. It will also support the sustainable and equitable utilization of biodiversity through support for studies and public/private sector initiatives.

The proposed project is also consistent with the principles of the Convention on Biological Diversity (CBD), of which Ecuador is a signatory country, in that it supports: conservation of biodiversity, conservation of tropical forests, maintenance of genetic resources, empowerment of main stakeholders, local participation in environmental management, strengthening of national capacity for establishing processes of sustainable development, and the strengthening of in-country scientific capacity in biological diversity.

2. Main Sector Issues And Government Strategy:

Ecuador's climatic, geological, topographic and hydrological conditions, have allowed the existence of a great variety of habitats and ecosystems, which have provided the basis of unparalleled levels

of biodiversity, with considerable global importance. For this reason, Ecuador has been classified as one of earth's 17 "megadiverse" countries. Indicators which have been developed to support this classification include: a density of species diversity estimated to be the highest in the world (9.2 species/1,000 km², excluding fish); and a degree of endemism, thought to be second in the world, surpassed only by the Philippines. In terms of flora diversity, the country has an estimated 25,000 species of vascular plants, or approximately 10 % of the world's total. Ecuador's rich faunal diversity is illustrated by the estimated 800 species of fresh water 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 is sheltered in a country of 256,370 km², equivalent to 0.18% of the Earth's land surface.

Most of this incredible biodiversity is contained in the National Protected Areas System (NPAS). The origin of the NPAS goes back to 1976 when the government created a National Park Unit inside the Forestry Division of the Ministry of Agriculture and Livestock (MAG). A Strategy for the Conservation of Outstanding Wildlife Areas of Ecuador was prepared with financial and technical support of the FAO. In this strategy, the creation of 18 protected areas (PAs), was proposed as a means to support the biodiversity conservation objectives established. In 1989, this preliminary strategy was updated to a second phase strategy which reinforced the importance of the System and identified 24 PAs as the minimum requirement to protect the country's biodiversity. These two initial efforts served as the basis for the formal establishment of the National Protected Areas System (NPAS). The System currently consists of 26 protected areas covering approximately 14 million hectares, which is roughly 18% of the country's total area.

In 1992, the government created the Ecuadorian Institute of Forestry, Natural Areas and Wildlife (INEFAN), an independent Institution under the Ministry of Agriculture and Livestock (MAG) to be responsible for the administration of the National Protected Areas System. In 1994, the Ecuadorian government signed a GEF grant agreement with the World Bank to strengthen the conservation of biological diversity in the NPAS. The main goal of this first GEF Biodiversity Protection Project was to support the restructuring and strengthening of the institutional capacity and overall policy and legal framework of the country's NPAS. The five year, US\$ 8.7 million project (GEF: 7.2 million, GOE: 1.5 million), had four components: (i) institutional strengthening, (ii) legal regulatory framework, (iii) outreach activities, and (iv) investments in protected areas. Eight protected areas (PAs) were selected from the 18 PAs that comprised the system at that time. INEFAN was the grant recipient, while technical management and administrative tasks were executed by a Project Coordinating Unit (PCU) and UNDP (procurement agent), respectively. The project began implementation in May, 1994 and was completed in September, 1999. The current project builds on this Pilot Phase project's accomplishments and addresses the weaknesses of the first project. For a full description of the key lessons learned refer to Section D.4 and Annex 11.

In 1996, the Ministry of the Environment (MoE) was created and INEFAN was transferred from MAG to the newly created Ministry. This change increased the importance of the environmental agenda in Government policies and decisions. In January 2000, the duties of INEFAN were transferred to the Ministry of the Environment¹.

In light of a growing concern about the declining status and sustainability of many of PAs and due to the structural changes occurring in the country's public sector, a Strategic Plan for the NPAS was developed with the assistance from the Biodiversity GEF Project (first WB GEF Biodiversity Project in Ecuador) The Plan has been discussed widely and is currently under review by the Ministry of the Environment. This plan is the basis of this project.

¹ The INEFAN-ME fusion process began in 1999, but the duties were not effectively transferred until 2000.

The Strategic Plan identified 21 key "operations", that will allow the implementation of several activities aimed at solving management problems currently affecting the NPAS. The key elements of the Plan follow the current worldwide trends of protected areas management systems and can be summarized as follows: (i) strengthen the administration of the NPAS; (ii) implement new regulations and programs that increase the capacity for protected areas management by the private and public sectors in Ecuador; (iii) increase the public support for protected areas by strengthening government and non-government communication /environmental education programs at the local, regional and national level; (iv) implement protected areas management plans; (v) establish a long-term financial mechanism for protected areas management; (vi) strengthen the mechanisms for the participation of communities, NGOs and private sector in the administration of the NPAS; and (vii) implement new mechanisms for the participation of regional entities (i.e.: municipalities) in the management of protected areas, supporting the decentralization process and making operational the establishment of regional and local conservation units.

The environmental sector has experienced important changes in the last years, which has triggered a series of strategies and actions. These changes have taken place due to the convergence of a series of events: the implementation of structural adjustment policies aimed at public sector reduction and redefinition of the role of the State; the deconcentration² and decentralization³ geared to State management efficiency, and the civil society demands for direct participation in policy decisions. Faced with such events, the recently-approved Environmental Law gives the Ministry of the Environment specific duties such as coordinating, unifying, executing and supervising policies, projects and programs of the diverse institutions and organizations (public and private) whose activities relate to (or have an impact on) environmental management, besides complying with and enforcing the environmental regulations contained in the new Ecuadorian Political Constitution.

The Ministry of the Environment (MoE) is developing the National Biodiversity Strategy, which identifies as one of the priority action areas, the need to work on strengthening the NPAS. The Draft Bill of the Special Biodiversity Law has been developed within the design of this strategy, through a broad process of participation and consultation among different actors of the public sector, the business sector, NGOs, OSGs, OCBs and the civil society. The MoE has also consolidated the National Working Group on Biodiversity (GNTB), an ad-hoc group of experts that supports the Ministry in defining policies and resolving conflicts regarding diverse matters relating to biodiversity. The three tools mentioned, have played a key role in the design and implementation model of the current GEF project.

The Ministry of the Environment is now focused on managing biodiversity issues of the country as a whole. The activities undertaken by the Ministry are especially directed to on the ground

² Deconcentration is the process whereby there is a transference of functions, responsibilities and resources (financial and human) from a central governmental unit to one that is under its same administrative jurisdiction but located in another territorial jurisdiction. In other words, this transference of jurisdiction is produced among entities that work under the name of a single legal entity. What is sought is to enhance the State's efficiency and efficacy – in terms of territorial and administrative coverage, allowing the units that are not located in the center (i.e. Capital City) to apply policy, administrative and financial decisions tailored to the specific territorial realities.

³ Decentralization involves the transference of duties or responsibilities and resources (financial and human) from a State Unit with a certain legal status (i.e. from the Executive Branch), to the other public legal entities (territorial and institutional) that are known as entities. It is said that there is decentralization when jurisdiction is transferred directly to a Region or Municipality, constituted as legal entities. The territorial decentralization is an administrative distribution of matters of social and, consequently, political interests of the country, within the entire territory. It is also a process whereby the delegation of power from the central to the local (regional, provincial or municipal) level is exercised as a means to bring the decision-making power and the resources to exercise such mandate closer to the people (bottom-up planning approaches).

conservation through the effective administration of the NPAS and to the protection of threatened wild species and wild-crop relatives. It also regulates ex situ conservation and oversees biological resources use, research and education, biodiversity impact assessments and mitigations. Finally, the MoE presides the National Committee of Genetic Resources and oversees issues related to access to genetic resources. This includes, supervising the eligibility criteria under the Environmental Management Law which establishes norms to deal with bio-security, regulating the dissemination, research, use, trade and importing of genetically modified organisms.

Due to the economic, political and social changes that the country had to go through, there is a strong need to strengthen NPAS within the recently created Ministry of Environment. New participatory management schemes, the design and implementation of at least three innovative mechanisms to promote economic sustainability of the NPAS and the functioning of a Trust Fund for Protected Areas are the key innovations of the current project.

In addition, the Government is currently implementing a program for the modernization of the state, and launched a decentralization initiative. The Government of Ecuador is willing to accelerate these processes, which will require: i) a revised legal framework; ii) budget decentralization; iii) transfer and delegation of management functions to sub-national entities; and iv) active local participation and representation. The proposed vision for the management of the NPAS (co-management and co-investment), will be fully consistent with such processes. This project will serve as a trigger to put into practice the Government's modernization and decentralization initiatives in relation to the country's biodiversity conservation sector.

Financial Sustainability.

One of the most difficult problems that Ecuador faces to implementing protected areas (PA) conservation strategies is the limited technical capacity for financial resource mobilization. Protection programs need guaranteed long-term funding of essential recurrent and core conservation costs. Yet, protected areas conservation activities have rarely generated net revenue. In this context, capital endowments have become increasingly important as a financing mechanism to provide the reliable, stable support to sustain effective programs promoting protected areas conservation programs.

Currently, the System is facing a funding deficit. Up to 1998, funding came mostly from tourism revenue from the Galapagos National Park. However, with the promulgation of the Special Galapagos Law, 95 % of this revenue benefits the islands. Consequently, the operational costs of continental areas do not receive sufficient financing to ensure their long-term existence.

Long term financial planning for protected areas is one of the limitations of the Ministry of the Environment, since political changes make it difficult to execute and follow up on projects of this nature. Within this context, the National Environmental Fund established a strategic alliance with the Ministry of the Environment for the purpose of developing their individual strengths. The National Environmental Fund, being a private organization, ensures stability and accountability in the management of economic resources on the long term, based on the goals and national priorities.

Based on the technical guidelines established in the Management Plans of each Protected Area, FAN will then administer these resources for protected areas management through an endowment fund devoted to financing the recurrent costs of protected areas (Protected Areas Fund – PAF). Under this project, the Fund will capitalize US\$ 4.95 million from GEF and US\$ 4.5 million from other donors and will cover 6 PAs.

During the design of the Fund, special attention was given to compliance with the experiences on Trust Fund design. (see section D.4 and Annex 11 for a full description of Trust Fund experiences and how the current project has taken them into account).

3. *Sector Issues Related To The Project And Strategic Choices:*

Currently, the National Protected Areas System (NPAS) is made up of 26 natural areas:⁴ 22 continental areas, 2 insular areas and 1 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 (See Annex 6). It covers 21 provinces of the country, although many of them have small areas. The provinces with the greatest extensions of Protected Areas are Galapagos, Napo and Sucumbíos. The current NPAS only includes the so-called State Heritage Natural Areas.

Presently, the NPAS is going through a number of problems, which, if not dealt with appropriately, could cause an accelerated loss of biodiversity in Ecuador. What follows is a brief discussion of the main problems that will be addressed within the framework of the proposed project.

Inadequate regulatory and policy framework. One of the major difficulties the NPAS has had to face is the existence of a political and regulatory framework that is not appropriate for biodiversity conservation and efficient PA management. As long as biodiversity conservation and sustainable use and protected area management are not integrated as the hub of domestic policies, there is a risk that the diverse interventions in these fields will lack continuity due to political changes at the moment. Over the past years, the MoE has been able to start fundamental changes, especially with the formulation of the National Biodiversity Strategy and the Draft Bill of the Biodiversity Law. These two processes have provoked an ample debate regarding biodiversity conservation and the role of the NPAS in achieving this goal. However, these political and juridical reforms require transformations and changes that seek to strengthen the institutional framework, within the Ministry of the Environment. The Environmental Authority's functions that regulate, supervise, and sanction should be strengthened, taking into account the new mission and vision proposed for the protected areas and the political and economic environment the country currently faces. There is presently no appropriate regulatory framework in which to promote initiatives of participation and co-management of the PAs. This requires updating the national legislation in order to promote and/or facilitate these mechanisms. The Ministry of the Environment is beginning to address the needed institutional reforms. These efforts must be augmented and translated into an overall improvement of NPAS management, raising the technical capacity of the personnel and establishing appropriate spaces and mechanisms for inter-institutional (inter-ministerial) coordination and with other civil society organizations. These spaces and mechanisms are still not clearly defined and there is a need to promote consensus processes regarding the urgency of effectively protecting and managing the country's protected areas.

Conflict between conservation and development objectives in PAs. The country's PAs are going through serious levels of habitat alteration caused by diverse types of anthropic pressures. In the current economic scenario, these pressures are on the rise, putting the ecological integrity of several PAs at risk. State and private interests in the exploitation and extraction of natural resources have been at odds, and in many cases have prevailed over conservation interests, especially mining, oil, shrimp, and timber activities without the appropriate environmental considerations. The impact of these activities, as well as infrastructure works executed without providing for environmental

⁴ This includes the "The Condor Park" with 2,450 ha.

impacts, have negatively affected biodiversity between and within zones surrounding protected areas. In general, the monitoring and control of these activities and their impact on biodiversity have been scarce or non-existent. The lack of clear limits contributes to NPAS weakness, generating dynamics that conflict with economic and social activities in the buffer zones and areas of influence. The existence of recurring conflicts in the areas surrounding the PAs suggests the need for long-term planning and management. This activity is still in its beginning stages and demonstrates deficiencies, especially in terms of inter-institutional coordination.

Conflicts with local inhabitants. Another dynamic that accentuates the weaknesses in sustainable PA management has to do with the lack of clarity regarding land-holding regimes within these areas. The absence of on-site delimitation has created conflicts characterized by encroachment by illegal settlers on the protected areas, where 71% (3,300,131 ha) of land belongs to the State and 29% (1,367,295 ha) to private parties. The land-holding situation should be clarified by issuing rules and regulations that define the status of the different property regimes that currently exist inside the PAs. For example, present legislation does not contemplate the existence of private property inside parks and reserves. Neither does it take into account the issue of the ancestral rights of Indigenous and Afro-Ecuadorian communities. The presence of peasants and native communities in the NPAS has been a *offacto* situation that has not been dealt with appropriately and creates a series of conflicts that are hard to resolve. The Ministry is currently developing a project financed by IDB to support an Action Plan for the Ecuadorian Amazon. Under this project, land tenure issues, particularly those in the border zones will be addressed. Specifically, the buffer zones of the Cuyabeno Reserve and the Yasuni Park, two areas covered by the current project will be covered by the IDB project. Also, the Cotacachi – Cayapas Reserve, co-managed by CARE under the Subir project and financed by USAID, is supporting the buffer zone management of this reserve, addressing directly the need to provide land title to afro-ecuadorian communities.

Inadequate administrative tools and personnel in PAs. The NPAS faces practical administrative limitations due to serious deficiencies in PA Management Plan enforcement. To date, 16 of the 22 NPAS Management Plans are in effect, while the remaining 6 need to be updated; and it is necessary to develop Management Plans for 4 areas from scratch. Parallel to the need to update these normative documents, their execution is impaired by the lack of funding and of a monitoring system based on technical capacity and local equipment in optimal conditions. Additionally, the personnel in charge of NPAS administration is insufficient. Up until 1999, there were 313 persons in the PAU and the field: 261 permanent State officials and 52 hired through domestic and foreign support agencies. According to studies on NPAS management efficiency, this figures account for only 51% of all basic personnel required for efficient administration of the protected areas and effective conservation of the country's wild biodiversity. Added to the deficiency of technical personnel, in most cases training and skills development for the personnel working on the ground (in each PA) is limited.

Financial sustainability of PAs. Another key point that has contributed to NPAS weakness has been the absence of a long-term strategy to achieve economic -financial sustainability of the PAs. In this regard, it is necessary to develop financial mechanisms to value and charge for environmental goods and services, as well as to define clear figures for the participation of investments from other sectors in the NPAS. It is also necessary to analyze the feasibility – according to the reality of each PA of applying market strategies / mechanisms for self-sustainability. There are scarce initiatives for the sustainable use of non-timber resources within protected areas. Even nature tourism in protected areas, the principal source of revenue from the NPAS, needs to be evaluated and optimized. There is tourism infrastructure in only 13 of the protected areas, and it needs to be improved in most cases. There is also a need for clear legal frameworks in order to concession this infrastructure and its services, as well as mechanisms that will promote reinvestment in the NPAS.

Local Participation in PA management. The establishment of spaces, mechanisms and institutional / juridical arrangements that facilitate the participation of local stakeholders in PA management has been recognized as a priority. Today, there is limited participation on behalf of local governments (i.e. Municipalities and Provincial Government) and institutions, as well as local communities, in the planning, funding and execution of protected area management projects. In many cases, the benefits that local communities receive for the maintenance of genetic resources and the commercial development of their traditional lore are scarce or non-existent. Many projects that have sought to involve local communities in the conservation and management of protected areas have fell into a paternalism adding to the already management difficulties and affecting negatively the traditional culture of the communities. A long-term process of environmental awareness and education is required, aimed towards all institutions, organizations and local communities that are directly and indirectly involved in PA management. With this, support for changes needed for participatory, sustainable PA management can be mobilized.

Lack of monitoring and evaluation system. The NPAS is facing a serious deficit in the development of operational research that would enable biodiversity conservation, natural resource management, application of monitoring and evaluation systems, and appropriate policy-making. Although there have been major efforts made, operational research in protected areas has not been prioritized by the State. Consequently, it has little relationship to area management and to meeting the needs of local communities. Further, the information generated by operational research in protected areas is disperse and not well disseminated. There are insufficient mechanisms to ensure the publication of operational research for national, regional, local and international audiences.

Given the complexity of the issues that the NPAS is facing, it is evident that there is a need to have multisectorial interventions lead by the Ecuadorian Government with the support of the civil society and other organized groups with common goals. Within this scenario, the current project will not address some of the conservation and development conflicts (mining, oil exploitation) and land tenure irregularities within the NPAS. These problems will be tackled by promoting the institutional and legal changes which will be reinforced by the National Biodiversity Strategy and the Draft Bill Law on Biodiversity Conservation. In addition, in the PAs and their buffer zones selected for direct intervention by the Project, there are other governmental and international cooperation initiatives that aim to resolve these conflicts, where the main focus are both indigenous and rural communities.

3a. Strategies To Be Addressed By The Project

The above issues require efforts to strengthen the NPAS at different levels: institutional, juridical, educational, and in terms of economic management and social participation. The proposed project will seek to be an effective tool for facing these problems in an integral way. The manner in which the Project proposes dealing with these issues is through the generation and/or strengthening of processes of policy and strategic planning, legal reform, institutional capacity building at central and local levels, and sustainable sources of financing.

The main core activity of the current Project is to contribute to the transformation of the management model for NPAS administration and management. This transformation, detailed in Section C4 (Institutional and implementation arrangements) and in Annex 7, is based on achieving the application of an efficient, transparent, systemic and, especially, participatory management model. This change in management will be achieved through the establishment of programmatic lines of work or institutional processes within the Natural Areas Unit. The proposed project will support the continuity of the policy and legal reform process begun by the Ministry, through the piloting and testing new regulations directly linked to co-management, concessions for services and re-investments in PAs. Support for transforming the norms will be developed not only on a macro level but also on a regional and local level, as the plan is to affect the regulatory framework of three

selected protected areas, seeking to strengthen the above processes through mechanisms of consultation, participation and consensus building. What is fundamental in the new management model is the development of high-level technical capacity to guide the processes of reform in NPAS planning, administration and management. Working by processes – management programs – the PAU will overcome a number of problems: centralism, inefficiency and limited accountability, which have contributed to weakening the NPAS over the past years.

A second type of dynamics considered in the formulation of this Project is meeting the demand for an effective deconcentration, decentralization and/or delegation to third parties (outsourcing) of State roles and duties. These demands have become a vital backbone of the public management reform. The Ministry of the Environment has responded to this demand by setting up the National Decentralized System of Environmental Management, but still needs to define its regulatory framework regarding on-site conservation and the NPAS. It is hoped that the Project will help define the scenario clearly (responsibilities to be transferred, transfer and management modalities, stakeholders and participating institutions, etc.) in which these processes shall be carried forward, thus seeking efficiency in the management of on-site biodiversity conservation. With either scenario, the project will help to reinforce the institutional role that the Ministry of Environment has to play in order to achieve the long-term conservation of biodiversity. In this regard, may we point out that the Ministry already has one on-going experience: the decentralization of Cajas National Park management to the municipal government of Cuenca. However, there are still many elements to define, especially from the viewpoint of economic sustainability. The Project will identify the most appropriate legal forms, institutional arrangements and operation mechanisms to ensure that the process of transferring responsibilities be sustainable, both institutionally and economically. No doubt the results of applying the models to the three selected protected areas shall be a guide for defining similar arrangements in the rest of the NPAS.

A third core activity of the Project is the establishment of effective mechanisms for consultation, participation and negotiation among participants as a fundamental stage in the process of NPAS consolidation. The demand among communities and local populations to participate actively in the definition and execution of initiatives for the sustainable management of natural resources is very much taken into account in this Project. Recognizing the need to articulate local communities and populations in PA natural resource management was one of the key recommendations of the Biodiversity Protection Project. Also, the creation of opportunities for active stakeholder participation in PA natural resource management is no longer simple rhetoric and good intentions. The participation of local communities is an urgent need for Ecuador's NPAS which, as described above, is going through a series of problems that are hard to solve in the short and medium term. Further, as with the movement for State reform, the demand for participation opportunities by the civil society has increased significantly over the last years. Only through the creation of legitimate open discussions between the environmental authority – the Head of Area – and the different participants – organizational and institutional stakeholders – can sustainable processes be buttressed in each PA.

The development of self-sustainability strategies based on local (and/or regional) participation are experiences that will give the Ministry of the Environment a number of mechanisms to strengthen its role of regulating, controlling and facilitating on-site biodiversity conservation. The results of the experiences in three PAs, upon which the Project will have a direct impact, will act as a reference point for the design and application of similar mechanisms in the rest of the System.

A fourth core activity of vital concern to the Ministry of the Environment and the Project is the economic and financial sustainability of PAs. This Project will analyze several strategies that PAs may use to achieve this economic and financial sustainability. For this purpose, they will review

several existing market mechanisms for PA financing, and their appropriateness will be analyzed by developing economic, institutional and social pre-feasibility studies. One market strategy that will be developed in depth is that of Nature-oriented Tourism. We expect that the findings of the proposed alternatives will enable the Ministry to capitalize on the lessons learned and design other mechanisms for the protected areas.

The effective functioning of the Trust Fund in the National Environmental Fund, in turn, will allow for the continual financing and implementation of management plans of those PAs where the sustainable, participatory management model will be put to test. Considering that consensus processes among participants and the start-up of sustainable management alternatives take time and investment, the Trust Fund's contribution is fundamental. In addition, PA sustainability will be enhanced by the leveraging power of resources invested in the Trust Fund, which will make it possible to attract other donors with the same objectives. The Trust Fund has been established in accordance with GEF best practices.

C. PROJECT DESCRIPTION SUMMARY

1. *Project Components:*

To meet its objective, the project has four components: (a) Institutional Strengthening; (b) Sustainable and Participatory Management of Selected Protected Areas; (c) Protected Areas Trust Fund and; (d) Project Management and Monitoring. The following Table (1) summarizes the Project Component Costs:

Component	GEF Funds US\$M	Co-Financing US\$M	Total Project Cost US\$	% GEF financing US\$
1. Institutional Strengthening	1.3	0.5	1.8	72%
2. Sustainable, Participatory Management of Selected Protected Areas	1.4	1.3	2.7	52%
3. Protected Areas Trust Fund	4.9	4.5	9.4	52%
4. Project Management and Monitoring	0.4	0.1	0.5	80%
Total	8.0	6.4	14.40	56%

A summary of each component is provided below. For a full description of the components please refer to Annex 2.

Component 1: Institutional strengthening and Regulatory Reforms

The Institution-building component focuses on developing a long-range process to reform and restructure the NPAS so the outcomes can continue after project completion. The component has been formulated in view of lessons learned under the first GEF-Pilot Phase project. First, the project will re-structure the Protected Areas Unit that will consist of a small highly qualified team. This Unit will be advised by a Parks Advisory Commission. These two structures will provide institutional sustainability. The Advisory Commission will provide wide stakeholder participation and build a broad base of ownership that was not there during the Pilot Phase. The new Unit and the Commission will have to be in place as a condition of Grant Effectiveness. The team will oversee the NPAS and manage the decentralization process, legal and financial sustainability reforms. Second, three regulations directly relevant to park co-management at the field level would

be in place. Finally a monitoring and evaluation program would be applied at the three pilot areas and training of NPAS staff and other stakeholders involved (both central and local) will also take place.

Component 2: Sustainable and Participatory Management of Selected Protected Areas.

This component will address two issues that were not well developed under the Pilot Phase project. The first issue is the need to generate sources of revenue at the Protected Areas level. Nature-oriented tourism has been chosen as one of the financial mechanism to develop in three pilot Parks. This activity will involve institutional stakeholders, non-governmental organizations, communities and private enterprise. With a few changes and adaptations in legal and institutional mechanisms, this income could be reinvested to fund protected areas. The second issue is the lack of participation in Park management. The project will address the management needs of three pilot parks in a participatory way. The local committees will become operational, threats to the parks will be addressed through management and extension work, and co-management agreements with local NGOs, communities or private sector will be signed. Three parks have been selected to pilot the two activities mentioned. Two of the parks (Cotacachi-Cayapas and Machalillas) that were supported under the Pilot Phase were selected in part because they had built the basic infrastructure and the local capacity needed to succeed with this new initiative. Specifically, during the Pilot Phase, the activities financed included the preparation of a management plan for Machalillas, a buffer zone plan for Cotacachi-Cayapas, and building two visitors centers and providing car, field equipment, furniture, etc.. in Machalillas and in Cotacachi-Cayapas. The new activities in these two parks, as well as the third park (Cuyabeno) selected, will focus on management rather than infrastructure building. In addition to developing the financial mechanism and the participatory management program, investments in the three parks will be addressing the key threats of each of the parks (logging, fisheries, etc...).

Component 3: Protected Areas Trust Fund

This component consists of the operation of the Protected Areas Fund (PAF) within the National Environmental Fund (FAN) for the purpose of supporting protected area conservation. GEF-financing of the Trust Fund will be invested to generate interest that will cover the recurrent operational costs of three identified PA's. With co-financing from KfW and the Dutch Embassy (confirmed), three other PA s will be supported. FAN was created in 1994 and operates under private law. Its Board of Directors is constituted by 6 members of the private non-profit, business and social groups, while the seventh seat is for the Minister of Environment (See Annex 9a for a list of the Board of Directors). The by-laws of FAN were reviewed by Bank lawyers with knowledge on Trust Funds and the by-laws were modified to increase the number of Board Members and to include termination clauses that are critical to a GEF operation. The new by-laws of FAN are part of the Operational Manual and the detailed financial and operational management aspects are summarized in Annex 9. The basic design of the Fund (legal, financial and operational structure) has taken into account the best practices of Environmental Funds of the same nature and the recommendations of GEF Evaluation Report #1-99: *Experience of Trust Funds for Conservation*.(see Section D-4 and Annex 11). During project preparation, FAN's director and staff have assessed the Mexico Protected Areas Trust Fund and the Peru Protected Areas Trust Fund and many of the features of these trust funds have been incorporated in the design of this project. The PAs to be supported by the Trust Fund have been identified following a participatory selection process described in Annex 6. The Operational Manual for the Fund has been drafted and is currently under review by the Bank.

Component 4: Project Management and Monitoring

This component consists of ensuring that project management and monitoring takes place diligently during project implementation. This will include carrying out the procurement of good and services and financial transactions and accounting following Bank rules, technical progress reporting, ensuring that the Bank's Policies on environment and social safeguards are followed throughout project activities.

2. Key Policy And Institutional Reforms To Be Sought:

The project would support the following key policy and institutional reforms:

1. The functioning of the Protected Areas Unit (PAU), both at the central and PA level, based on management processes that have been identified and considered to be priorities;
2. Management outsourcing of operational activities through third parties participation.
3. Increased participation of local communities in protected areas management and their sustainable use.
4. Establishment of strategic partnerships with different sectors of civil society.
5. Strategic alliance with a private organization for the administration of the Protected Areas Trust Fund.

3. Benefits And Target Population:

The direct beneficiaries of the project include :

- The Environment Ministry, specifically the Protected Areas Unit – central level and field personnel working directly in Protected Areas.
- National and local NGOs or institutions currently working in PAs and their buffer zones. These actors will be associated partners in the implementation of the project in order to strengthen their implementing capability in the selected areas.

The indirect beneficiaries of the project include:

- Local population within the selected protected areas and their buffer zones.
- The local governments: municipalities and provincial governments that have their jurisdiction over the selected PAs or their buffer zones
- The private sector – enterprises and businesses especially of the tourism sector - that operate within the PA or intend to do so.
- The project would generate a series of economic benefits related to the maintenance of ecological services and sustainability, which, at present, are difficult to quantify.
- The global benefit of the project will be the improved conservation of sites rich in biological diversity (of global importance).

In case of the benefits, in the short-run there will likely be a trade off with the local poor people who should be better-off in the long term when the local economy can be sufficiently stimulated by the Project's actions. However, this may take time and poses a localized risk to project objectives.

Influential political and business interests are best combated by building a strong constituency for protected areas, something which the project aims to do through partnerships and environmental education and awareness campaigns.

4. Institutional And Implementation Arrangements:

Institutional Implementation: The Ministry of the Environment, through the Director of the Protected Areas Unit, will manage technical project implementation related NPAS components 1,2, and 4. The Director of the Unit will keep continual watch over Project management. Based on the technical guidelines established in the Management Plans of each Protected Area and in the Operational Manual for the project. FAN will then administer the resources of Component 3 through an endowment fund devoted to financing the recurrent costs of protected areas (Protected Areas Fund – PAF). Activities related to the management of PAs in Component 2 will be detailed once the Management Plan of each area is updated. National - local NGOs and other institutions will be in charge of the implementation in the field of these activities in order to strengthen their links with the PAs. The project will promote the creation of networks of NGOs and other institutions working with common conservation goals. The criteria for the selection of the implementing partners have been established with civil society and are detailed in the institutional analysis (Annex 7).

Regarding the procurement procedure, during the implementing phase, the Ministry of the Environment will follow Bank procurement rules

Project Coordination: In order to coordinate and internalize the Project, the project proposes that the Specialist in Protected Areas Planning and Conservation, who is part of the high-level team to advise the Protected Areas Unit of the Ministry of the Environment, technically coordinate the project as a fundamental part of his/her duties. The specialist in Protected Areas Planning and Conservation shall be supervised directly by the Director of the Protected Areas Unit and will be responsible for technical operation and support to the project's day-to-day activities as well as project administrative and financial management and will act as the interface between the Ministry, the National Park System Unit, FAN and the procurement agency (to be determined). The Project coordinator will be backed up by support personnel: administrative-financial, accounting and secretarial. In addition, a Parks Advisory Commission will be established following the model of the current project Advisory Group. Both the establishment of the Protected Areas Unit and the Advisory Commission will be a condition of Grant Effectiveness.

Accounting, financial reporting, and auditing arrangements: The specialist in Protected Area Planning and Conservation will be responsible for financial management, reporting and auditing related to protected area investment, following procedures that are acceptable to the Bank.

Monitoring and evaluation arrangements: Before effectiveness, a project monitoring and evaluation (M&E) program acceptable to the Bank will be established. In this case the Component 4 will be devoted to the monitoring and evaluation activities. Procedures and M&E reports will be guided by: (a) the Project Design Summary; and (b) the Monitoring Plan as will be detailed in the PAD. M&E is to be conducted through: (a) activities of the Implementation Unit; (b) annual progress review during Bank supervision missions; (c) Mid-term Review of project implementation to be carried out jointly by the Government of Ecuador and the Bank; (d) periodic beneficiary assessments and other special studies; and analysis of the results of the Project Management and Evaluation Component.

The specialist in Planning and Conservation of Protected areas, will transmit to the Bank progress reports on project implementation and outcomes, using the format agreed at negotiations every six months during the first two years of the Project and yearly after that. A PCR (Project Completion Report) will be prepared by the project Unit at the end of the project detailing all the results of the project (positive and negative). In addition, an independent panel will be contracted out to evaluate the impacts of the project. FAN will be in charge of the administrative monitoring and evaluation of the Protected Areas Trust Fund. International external audits will take place periodically.

D. PROJECT RATIONALE

1. *Global Importance of Biological Diversity in Ecuador.*

Ecuador's climatic, geological, topographic and hydrological conditions have allowed the existence of a great variety of habitats and ecosystems, which have provided the basis of unparalleled levels of biodiversity, with considerable global importance. For this reason, Ecuador has been classified as one of earth's 17 "mega-diverse" countries. Indicators which have been developed to support this classification include: a density of species diversity estimated to be the highest in the world (9.2 species/1.000 km², excluding fish); and a degree of endemism, thought to be second in the world, surpassed only by the Philippines. In terms of flora diversity, the country has an estimated 25,000 species of vascular plants, or approximately 10 % of the world's total. Ecuador's rich faunal diversity is illustrated by the estimated 800 species of fresh water 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 of this biological diversity is sheltered in a country of 256.370 km², equivalent to 0.18 % of the Earth's land area.

The project is also consistent with, and supports article 8J of the Convention of Biological Diversity by engaging indigenous and local communities and supporting traditional lifestyles and co-management opportunities relevant for the conservation and sustainable use of biodiversity. The proposed project also promotes and innovative approaches and practices for more equitable sharing of the benefits arising from the utilization of such knowledge and practices. In this context it is noteworthy that four of the World Heritage Sites (Sangay, Yasuní, Cotacachi-Cayapas and Machalilla) are the focus of specific activities under the proposed project. Project activities in these parks will be consistent with the international standards for cultural heritage preservation.

2. *Project Alternatives Considered And Reasons For Rejection:*

- (i) Project with multiple activities oriented towards the entire PA System. One alternative discussed was the design of a Project that would intervene in all PA by supporting small – critical- activities in each PA as a means to increase the Project's coverage. Such design was discarded in terms of cost-efficiency and its real incidence in provoking better AP management. Addressing coverage instead of focalization, would have lead to: the dispersion of low-impact activities in territorially distant PA, and the multiplication of small activities with little or no sustainability links beyond the Project's horizon. Considerations where taken to prioritize Pa where actions would lead to maximize results during the Project's execution.
- (ii) The establishment of a Trust Fund for Protected Areas within the Ministry of Environment, or the financial management of the Account to be managed by the MoE. These two options were rejected due to past experiences with State administrated Funds. In previous experiences, Funds administered by State agencies have lacked credibility, have been prone

to corruption and political/institutional instability. Hence, the establishment of a privately managed Trust Fund was considered as the best implementation option.

- (iii) Project Coordination Unit and Monitoring and Evaluation activities. In regards to this aspect, special attention was given to the institutional and implementation arrangements for the Project. A coordination Unit external to the Ministry was discarded in favor of an arrangement within the Protected Areas Unit. This arrangement, would enhance Project's ownership and capacity building within the Ministry, which would increase the institutional sustainability of the process – initiated by the Project.
- (iv) A Project with predefined implementation modes and pre-established execution strategies was rejected, considering the lessons left by the GEF Pilot Phase Project. Due to the fact that institutional and political change within the country has increased in the past years, the Project was designed with flexible arrangements and operation modes, which if needed to be reform will not pose such a difficulty as it was in the previous Project.

3. Major Related Projects Financed By The Bank And/ Or Other Development Agencies:

The proposed project would be highly complimentary and supportive of the objectives of other donor-assisted projects (see Annex 12 for list of all the projects).

a) Project linkage with other World Bank Projects.

The proposed project is consistent with the World Bank Country Assistance Strategy, which has as one of its main pillars the promotion of socially and environmentally sustainable development through the support of initiatives on biodiversity protection.

The World Bank is financing the following related operations in Ecuador :

Biodiversity Protection Project (GEF TF-28700-EC). This project was completed in 2000 and supported and contributed to the strengthening of the institutional capacity and overall policy and legal framework for the National System of Protected Areas (NPAS). Within Component No.6, the preparation of the Strategic Plan for the National System of Protected Areas was carried out, where a general framework regarding policies and mechanisms for the integration of critical areas for conservation into the NPAS, was established.

Wetland Priorities for Conservation Action Project (GEF MSP TF-022267). The main objective of this project is to assist and promote the conservation of Ecuador's wetlands through the identification, characterization and prioritization of wetlands in the country. Close coordination will be established between the Wetlands Priorities and NPAS teams in order to apply the principles of the framework developed to protect wetlands that occur within the project's 3 protected areas.

Choco-Andean Corridor (GEF MSP TF023882). This MSP is helping to preserve the threatened biodiversity of the Southern section of the Choco-Andean ecosystems. Project goals include: (i) enhance effectiveness of the existing protected natural areas; (ii) secure functional connectivity between 2 major ecosystems of NW Ecuador the Choco bioregion and the Andean Cloud forests; (iii) increase awareness of local communities; (iv) investigate and promote environmentally sustainable methods; and (v) influence regional and national policies to support sustainability. Fundación Maquipucuna, the Executing Agency for this MSP, will develop the strategy for conserving the biodiversity of the Choco-Andean Corridor within the context of the long-term strategy for the NPAS developed by the Ministry of the Environment. The Cotacochi Cayapas PA is

part of the Corridor and is one of the 3 PAs chosen as a pilot under the proposed full project. Within this PA, the MSP activities and outputs will feed into the proposed full project activities.

Coastal Albarradas: Rescuing Ancient Knowledge and Sustainable Use of Biodiversity (GEF MSP TF-023977). This proposal combines archeology and ecology to develop an understanding of how ancient peoples in the coastal zone of Ecuador coped with the El Nino phenomenon. The move to adapt technologies to a more modern system could help to conserve the wild relatives more effectively. The objectives of this project are to: (1) increase the understanding about the technologies utilized by the ancient inhabitants of the region to sustainably use the biodiversity of the area in relation to El Nino events; and (2) conserve the wild relatives, traditional cultivars and wild races of crop varieties in this ecosystem. There is no geographical overlap between projects and the strategy for recovering relevant indigenous knowledge will be applied to the participatory management models being applied in the 3 PAs addressed in this full project.

Monitoring the Galápagos Island Project (GEF MSP TF-021769). The project is been implemented by Fundación Natura. The main objectives are: (i) to establish a sound monitoring system to measure the well being of the ecoregions of the Galápagos Islands; (b) to monitor key sustainability variables of the Galápagos Islands; and (c) to provide information to local stakeholders and policy makers for the adequate management of the Galapagos ecoregions. The monitoring tools and methodologies developed under the Galapagos MSP will be used as input for developing monitoring tools for the full project

Indigenous and Afro-Ecuadorian People Development, PRODEPINE, (EC-40086), implemented by CODENPE. Its main objective is to improve quality of life of poor rural indigenous and afro-Ecuadorian communities by providing improved access to land resources and financing for investment subprojects. These investment subprojects will include natural resources management issues and will promote the legalization of a nationally recognized land tenure system for indigenous peoples. To further promote ownership and land stewardship, the project has encouraged indigenous communities to develop local development plans. The indigenous strategy of the proposed project is being developed in conjunction with PRODEPINE's annual operating plan.

b) Coordination with other GEF Implementing Agencies:

On February 2000, a meeting took place with representatives of UNDP, The Ministry of the Environment, the National System of Protected Areas Project preparation team and the Bank. The purpose of the meeting was to review the GEF portfolio of both implementing agencies, coordinate actions among proposed projects, identify actual or potential overlapping and reach specific agreements. This exercise strengthened the capacity of the Ministry and both implementing projects to implement GEF projects in benefit of the country in a coordinated way. During implementation of the project, coordination will continue on a regular basis to ensure that complementary exists among the different projects and that there are no duplicative activities.

UNDP is assisting the Ministry of the Environment, Fundación Ecociencia and Fundación Arcoiris (these two local NGOs are preparing the proposal for Ecuador per request and on behalf of the Ministry of the Environment) in preparing a Conservation of Dry Forests Binational full size Project. The main objective is to conserve remnant dry forests along the Pacific Coast and Southern Andean region of Ecuador, giving priority to areas with high endemism, particularly bird endemism. While specific sites have been selected for Peru, the preparation team in Ecuador is still in the process of identification. Sites in Ecuador will be fully identified with the support of a Block B grant which is currently under preparation. Whichever areas are finally selected, the Ministry of

the Environment and UNDP agreed that Machalilla National Park will not be included, given that this protected area is already considered under the National System of Protected Areas Project. Although there will be no geographic overlapping between both projects and the scope of work is different, very close coordination will take place during the implementation phase of both projects to ensure that conservation strategies will fall under the Ministry's priorities and the new trends (model) of conservation.

UNDP is assisting Fundación Natura in preparing the Conservation of Mache-Chindul Reserve MSP. The main objective of this project is to develop the Management Plans for the Mache Chindul Ecological Reserve and for the indigenous communities-owned protected forest (inserted in the Reserve's territory) and to strengthen the Ministry of the Environment's capacity to manage this protected area. There will be no geographical overlapping with the Protected Areas Project, however close coordination will also be necessary in this case given that the Mache-Chindul Reserve is part of the National System of Protected Areas, thus the preparation of the management plans of the Mache Chindul must follow the guiding principles designed under the Protected Areas Project.

Finally UNDP is implementing a full size project to control invasive species in the Galapagos Islands. Evidently, there is no overlap with the current project since Galapagos is not proposed under the current project.

4. *Lessons Learned And Reflected In The Project Design:*

The project would build on the following lessons learned under the first GEF Biodiversity Protection Project:

1. *Project Focus:* The Pilot Phase supported so many scattered activities that it was hard to measure overall effectiveness and impact. This proposed project supports only a short time slice of the long-term NPAS vision, is much narrower in focus (three pilot PAs) with more limited and targeted objectives, appropriate to the political and social context and current institutional capacity. The project will have measurable results in its own right as well as making a contribution to the longer term plan.
2. *Institutional Sustainability:* The Pilot Phase failed to build a central institutional capacity for managing the NPAS. The proposed project will establish an Advisory Parks Commission (representing all stakeholders) to steer NPAS activities and a small efficient central unit within the MOE. Establishment of The Advisory Parks Commission and the independent Parks Unit will be conditions of grant effectiveness. At the site level greater involvement of civil society in park management is expected to contribute to long-term PA viability and social and institutional sustainability. This project will strengthen public-private partnerships and build capacity within partner organizations to implement comanagement arrangements in three PAs (NGOS, park staff, grass root organizations, indigenous associations).
3. *Legal framework:* The Pilot Phase project led to the new Draft Biodiversity Law but did not develop specific legislation to support park management. This project will develop new regulations and incentives to increase civil society involvement in managing protected areas and generating financial resources from and for protected areas. These will be tested in three pilot with optimal conditions for success.
4. *Monitoring and Evaluation:* The Pilot Phase undertook assessments, surveys and established central databases but failed to implement mechanisms to monitor biodiversity impact or PA management effectiveness. This project will establish and implement monitoring activities at three selected protected areas to assess the impact of new management models.
5. *Financial Sustainability:* The Pilot Phase assessed potential financial mechanisms for covering PA recurrent costs. This project will specifically address financial sustainability in three target

PAs by a) developing and implementing innovative financial mechanisms and new participatory management models for 3 PAs that would generate significant profits, from ecotourism and payment for ecosystem services, and would be re-invested in the protected areas; and b) capitalize the Protected Areas Trust Fund to ensure a regular flow of funding to cover recurrent costs of six other priority protected. A Trust Fund Board has been established and operational manual prepared.

6. *Lessons identified in the Evaluation of Trust Funds*

The *GEF Evaluation of Experience with Conservation Trust Funds* identifies certain key conditions associated with trust fund success, including internal and external factors that contribute to a fund's ability to become a viable institution and achieve its mission. The Ecuador Trust Fund meets the following critical conditions:

- The existence of a valuable, globally significant biodiversity resource whose conservation is politically, technically, economically, and socially feasible. The biodiversity conservation issue to be addressed requires a long-term commitment. The fund will support biodiversity conservation at 6 globally important sites.
- There is active government support for creating a mixed, public-private sector mechanism that will function beyond direct government control. The Board is already established with 7 members from civil society, including NGOs... and only one member from government.
- There is a critical mass of people from different sectors of society who can work together, irrespective of their diverse approaches to biodiversity conservation and sustainable development. Establishment of Board, agreement on Fund criteria and preparation of operational manual have been a joint effort NGOs and the business sector of Ecuador.
- There is a basic fabric of legal and financial practices and supporting institutions (including banking, auditing and contracting) in which people have confidence.
- A legal framework exists for establishing a trust fund. It has already been created.
- A broad set of stakeholders have been, and remain, involved in the design process.
- "Mentors" support the Fund's establishment and operations -- in this case, a donor agency with program and supervision support (World Bank), an international NGO partner (The Nature Conservancy) and REDLAC (Latin America Network of Environmental Funds). The Nature Conservancy has been advise FAN since the beginning of the block B and has helped them to negotiate debt-for-nature swaps.
- Realistic prospects exist for attracting a level of capital adequate for the fund to support a significant program while keeping administrative costs to a reasonable percentage. A number of bilateral donors have given positive initial responses concerning possible support for fund administration costs and/or contributions to either the endowment fund or to support activities that would allow Fund to retain capital, provided positive indications of a successful inception and operation of the Fund are forthcoming.
- An effective demand exists for the Fund's product. The Pilot Phase had already identified the need to develop a Parks Trust Fund to support the recurrent costs.
- Supervision and monitoring of the Trust Funds expenditures should be carried out consistently to ensure efficiency in the use of funds. Very clear, tangible, quantifiable development objectives and indicators are needed to avoid dispersing the project into activities with little overall impact on the status of the environment. FAN and the NPAS, learning from other experiences (Mexico Fund for the Conservation of Nature), is going to apply mechanisms to monitor and evaluate the impacts of the investments made.

For a detailed description of achievements and shortcomings of the Pilot Phase Project, see Annex 11. For the STAP review and response, see Annex 5.

5. *Indications Of Recipient Commitment And Ownership:*

As an indicator of government commitment to the project, a letter of endorsement from Ecuador's GEF focal point was delivered February 28, 2001.

In addition, the Government of Ecuador's commitment to the project is reflected in a series of actions it has recently undertaken, namely:

- i. It has established an independent protected areas Account within the National Environmental Fund (FAN);
- ii. An Environmental Strategy for Sustainable Development for Ecuador has been presented by the Minister of Environment in September 1999 and issued again in October 2000.
- iii. It is making the last improvements to a new Biological Diversity Law which is ready to be passed by Congress;
- iv. It is in the process of preparing a National Biological Diversity Strategy and action plans; and
- v. The project has been identified by the Government of Ecuador as a priority for Bank support.

6. *Value Added Of Bank And GEF Support:*

- i. The Bank has several years of experience in supervising similar projects in Ecuador;
- ii. The Bank is supervising other Protected Areas Trust Funds and National Protected Areas System projects in the region. The lessons learned from other projects can be readily incorporated in the project design and supervision;
- iii. The Bank has the continuity of staff that will ensure that the project builds on past experience;
- iv. Bank procurement, contracting, disbursement, and disclosure procedures provide a framework for transparency in project activities and participation of other institutions in the implementation of the project;
- v. GEF funding provides credibility and facilitates the identification of co-funding donors;
- vi. The Bank is well positioned to catalyze additional support over the long term given its role in aid to Ecuador, and to convince donors to support trust funds.
- vii. The Bank is presently working with local NGOs in the implementation of GEF medium-sized projects and other projects (PRODEPINE) that would significantly complement this project.
- viii. The value added to the GEF relates to:
 - a. Its ability to commit permanent endowment funds resources;

- b. Its ability to act as catalyst for the mobilization of additional resources and to disseminate lessons learned.

E. ISSUES REQUIRING SPECIAL ATTENTION

I. Economic:

The project's general objective is to contribute to a pilot phase to support the Government's long-term strategy toward the sustainability of the protected area system of the country. The GEF Alternative intends to achieve key outputs at a total cost of \$36.40 million. Under the baseline scenario, grant agreements between the GoE and international cooperation agencies and NGOs (local and international) will continue to be the main source of funding for protected areas during the duration of the project. Total expenditures for the project under the Baseline Scenario are estimated at US\$ 22.0 million. The baseline will cover basic operational costs and limited investments costs, but will not be able to make additional investments to improve management within the system. In this context, Ecuador will be able to manage only a group of selected protected areas and provide the basic recurrent costs for the NPAS, but this will be insufficient to ensure an operational and financial sustainability.

The GEF Alternative would specifically:

- strengthen the leadership role of protected areas to formulate and implement policies for the NPAS;
- finance a highly qualified team to transfer their knowledge to the central administration and field staff;
- develop three pilot programs to generate financial resources at the Protected Areas level and re-invest in PAs; and to develop co-management and co-investment mechanisms with wide participation of stakeholders;
- establish and support a Protected Areas Trust Fund to cover the recurrent cost of six priority protected areas.

Thus, this project is designed to have impact on the ground that is sustainable - from the social, institutional, and financial perspectives - after project completion. First, three parks of critical importance to the world's biodiversity will have begun to use economic instruments to finance park management and implement co-management arrangements between the private and public sectors. Processes that lead up to this achievement will be conducted in a highly participatory manner, incorporating stakeholders from the private sector, NGOs, and government. And training to instill capacity to implement these financing and institutional mechanisms will have taken place. Thus, the project will produce institutional and financial conditions that will enable three highly important parks for global biodiversity, to be well functioning. Without the project, the biodiversity protection of these parks will be limited and not secured for the long-run. Second, six other parks, also of critical importance to the world's biodiversity, will a secured long-term source of recurrent cost financing for basic park management activities through the private sector-run Trust Fund. This will improve the protection accorded to biodiversity for these three parks, compared to the baseline scenario, although the level of projection will not be optimal. Third, changes at the macro level, coupled with the demonstration effects from these targeted parks, will set the stage for replication of the pilot sites to other areas of the NPAS. Specifically, three regulatory reforms will have been implemented during life of project that will enable other parks with market potential to mobilize financing through economic instruments and to create co-management arrangements between the

private and public sectors. A well-run Trust Fund will be a vehicle for future capitalization efforts that will enable additional parks to receive financing to cover recurrent costs.

Total Expenditures under the GEF Alternative is estimated at US \$ 36.40 million. The difference between the cost of the Baseline Scenario (US\$ 22 million) and the cost of the GEF Alternative (US\$ 36.40 million) is the incremental cost (US\$ 14.4 million, of which 8 million from GEF). Details of the incremental cost analysis are presented in Annex 4.

2. Financial:

The total project cost (Phase I) is US\$14.40 . The sources of funding for Phase 1 are as follow: 8 million from GEF, 4.8 million from International donors, 1 million from local and international NGOs and 0.6 million from the Government of Ecuador. The following committed counterpart are already in place: 2.8 million from KfW, 0.7 million from the Netherland Embassy, 0.6 from the government and 1.0 million from the NGOs. The Netherland Embassy is also considering providing 1 to 2 million per year to finance recurrent costs of PAs. In sum, the financing packaging for Phase 1 is substantively covered.

Fundraising. The GEF Evaluation of Experience with Conservation Trust Funds documented the difficulties that most funds have encountered in raising additional endowment capital: to date, governments have been unwilling or unable to appropriate funds to private endowments; bilateral donors generally have policies favoring short to medium-term projects and sinking funds; private donors have to date contributed only small amounts of funding, and generally these, too are for specific programs and activities rather than endowment capital. Only one fund (Bhutan) succeeded in raising substantial endowment capital, due to its special relationship with several European donors.

Some funds have developed innovative approaches to capital fundraising, including special management agreements with donors of sinking funds that allow interest to be captured and converted to endowment, substitution of short-term funding for regularly programmed expenditures, thus allowing endowment earnings to be “plowed back,” recurrent income from various sources (fees and levies, voluntary surcharges and contributions), and other sources. However, the level of additional capital funds foreseen in this project, represents almost an order of magnitude increase in challenge. Capital fundraising is a specialized field. It must be recognized that the proven techniques and approaches – including but not limited to planned giving, solicitation of unrestricted contributions (usually private individual donations), and establishment of mechanisms for collecting recurrent income (i.e.: fees, surcharges, memberships, cause-related marketing, event-based fundraising) – all have significant costs up front, and often require several years to achieve their goals. (The normal time frame for a “capital campaign” in the US is three to five years.) FAN has secured the assistance from The Nature Conservancy, organizations with a successful track record in capital fundraising, and will be launching a campaign in 2001, to aid in this endeavor.

3. Technical:

During the project preparation phase several technical issues regarding the new management model to be implemented for the NPAS, the protected areas where this model will be applied and the financial mechanism that would support such operations were resolved among the Protected Areas Unit, the Environmental Ministry and FAN.

From an NPAS efficiency perspective, the Project will contribute to the implementation of an innovative management model for the PA Unit, with the creation of a technical process of planning

and work based on measurable objectives and goals. Further, the formation of a high-level technical team in the Unit will contribute to the application of the MAE policy for on-site biodiversity conservation. The Unit reform process, with the leadership of central plant personnel and professionals to be hired for the three protected areas will significantly improve PA evaluation, monitoring and technical performance (efficiency). With the above activities, the transformation of the current decision-making process within the NPAS – in which too many conjunctural (i.e. political) variables intervene – into a more technical one, is expected. Evidently, the effective introduction of technical decision-making processes would generate national and local expertise in participatory matters and in sustainable PAs management in Ecuador.

The NPAS management model to be strengthened through the Project was defined following a series of discussions within the Ministry and the Protected Areas Unit, and together with the Project Design Advisory Group. In keeping with the new mission, vision and policies of the System, it was established that the most viable option from a technical standpoint was to introduce the Unit (both centrally and on a local or PA level) into a system of planning by processes. Due to the characteristics of this processes, the establishment of a high-level technical team to lead this reform from the Unit and in the three selected protected areas, was considered priority. The consolidation of a team of such profile was also deemed as a necessity especially to generate synergies with the different institutional participants, aimed at more efficient, participatory PA management.

As a function of the Project's operational objective to achieve participatory and sustainable PA management, the need was established to select three protected areas for efficiently implementing the management model proposed for the NPAS. The process of selecting the protected areas included prioritization and qualification based on biodiversity, social and economic factors, management efficiency, institutional capacity and political conditions (Annex 6). Another criteria for the selection of the three areas was their potential to become financially sustainable in the medium term and thus contribute to the income generation of the rest of the NPAS. In addition to these variables, the pertinence of intervening in the selected PAs was analyzed as a function of local population demands and the way in which these could be compatible with the objectives of on-site conservation and those of sustainable development.

Another innovative aspect in the technical area has been the design of the financial tool – the Protected Areas Trust Fund– that will add to NPAS economic sustainability.

4. Institutional:

Reforms within the Ministry of Environment. The main executing agency will be the Protected Areas Unit, both centrally and locally, in the selected PAs. At present, the Protected Areas Unit under the Ministry of the Environment is a relatively small department. It has a total staff of around 300. In the headquarters in quite, the office includes a Director (Ad Interim), 6 suitably qualified professionals and the support of 3 administrative staff. In addition, all protected areas have a Chief of Protected Area and a number of trained park guards. Its mandate is clearly defined in that it is normative and regulatory in function, with its mission being clearly focused on protected areas management and biodiversity conservation. It operates on a system of Annual Operating Plans approved by the Ministry of the Environment and has an annual budget of around US \$ 350.000.

The operational effectiveness of the National Protected Areas System will depend much on how successful the Ministry is in continuing to reform towards the delegation of responsibility for day-to-day protected area management to field directors and to what extent it can develop fruitful partnerships with other entities.

The reforms that have taken place have enabled the Ministry of Environment to assert its role as the key policy maker in Biodiversity Conservation and NPAS management. Within this policy definition, the Protected Areas Trust Fund has been identified as an important implementation instrument. Clarity in the roles that the Ministry and FAN have in the NPAS and within the current Project greatly enhances the achievement of the project's objectives.

From the institutional analysis (Annex 7) developed during the Project's preparation phase, one potential problem that was identified is the fact that within the new organizational structure of the Ministry, the Protected Areas Unit has less influence over the implementation of on-site biodiversity conservation policies, since above it there are two higher levels: the Biodiversity Division and the Environmental Management Under-secretariat.

However, as shown in the analysis, the Unit's position inside the Ministry is not a determinant issue, because the Project contemplates activities aimed at strengthening the Unit's management, both centrally and at the PA level, by implementing a process-centered work system (management program) and strengthening the field offices. The new management model will begin an effective process of transferring duties and responsibilities towards the Heads of Area through the leadership of a high-level technical team to be hired by the Project. Also, a consensus definition of the normative and procedural framework will seek to transfer and/or delegate responsibilities-through various outsourcing mechanisms- to NGOs or other private/public organizations and/or community associations related to the NPAS. The Unit has the optimal conditions for this transformation, especially due to what was achieved during the last year – the definition of a National Biodiversity Strategy. These activities will guarantee the capacity of the PA Unit and the Ministry as a whole to implement the Project with the necessary strategic coherence, establishing a transparent, effective system for monitoring, follow-up and evaluation in coordination with the different NPAS participants and initiatives.

The Fund/Ministry of Environment. The partnership is a requirement for success. But even the partnership between both institutions develops as it is planned, the "mixed management" structure leaves certain key issues to be answered during the implementation, including (i) who is responsible for fomenting sustainability at the protected area level rather than perpetual dependence on FAP; (ii) career development of the protected area staff – some of whom work for NPAS, some for NGOs or others, with corresponding differences in salaries, benefits, opportunities for training and promotion, and (iii) concerns about the value added at each level of participation. Human resources being the greatest asset of the system, the partnership needs to focus on developing the field team and making sure that career opportunities are equitably available. These issues will be addressed in ongoing negotiations and updating of the subsidiary agreement for implementation of the project.

Also, the efficient operation of the Trust Fund depends largely on the close coordination between the Protected Areas Unit, the Ministry of the Environment and FAN. On an initial level, this coordination has been achieved by the consistency between the institutional processes to be developed by the Unit and the Flow of Projects to be financed by FAN and described in the Operational Manual of the Protected Areas Fund. This point is of vital importance, since this consistency has enabled a logical coherence among project activities of Component 3 and the responsibilities of each institution. The second level of coordination achieved was the establishment of a clear operative framework for the financial administration and management of the Protected Areas fund in accordance with the Ministry of the Environment's technical and political guidelines. The activities described seek a smooth coordination and a process of close management and collaboration between the Unit (Ministry) and FAN.

In the context of the implementation of the Protected Areas Fund, the Ministry of Environment is responsible for the technical and political definition of the PAs' priorities through their Management Plans. FAN is responsible for the administration of the endowment fund in order to ensure that the expenditure of its resources fulfill the requirements established by the donor and the Ministry of Environment. The technical planning tool for disbursement decision-making is the Management Plan and its correspondent Annual Disbursement Plan. (PAG).

5. *Social*

Social assessments have been carried out in three representative protected areas (Machalilla National Park, Cuyabeno Faunal Reserve and Cotacachi-Cayapas Ecological Reserve) with important local populations. (See section E-7 on Participation). A full report on the social assessment is available and a summary is presented in Annex 8. The Social Assessment includes a discussion of the Indigenous People Strategy for the project and the measures taken to avoid resettlement.

The social assessment identified a series of strategies that the Project will consider in order to enhance local/community participation in PA management as well as to guarantee indigenous population rights. PAs planning and management will be developed with the participation of public and private institutions, especially with indigenous populations, afroecuadorians and local communities, through co-responsibility, cooperation and coordination mechanisms. Participatory approaches will guide the formulation and/or up date of the PA management plans. The following are the strategies the Project has endorsed to promote active stakeholder participation and address indigenous peoples issues. (See Annex 8 for details).

The GOE and the NPAS has endorsed the principle of “parks with people” and therefore during the implementation of project activities no resettlement of indigenous populations and local communities is expected to take place. In the event that some restriction to natural resources access occurs, the Project is carrying out several safeguards: a) establishing local management committees as spaces for conflict resolution and participatory planning of the PAs; b) Training programs are also planned to educate the local groups about the legal and political framework, the participation processes, and the management of PAs; c) specific activities to revise and develop locally based PA management plans have been considered through the incorporation of the main stakeholders and; d) project support for some key activities by local groups.

Currently, the GOE is promoting the formulation of Local Development Plans through participatory mechanisms given the mandate of the National Planning System ratified in the Constitution in 1998. In the case of indigenous peoples and afroecuadorians, both CODENPE and CODAE have been actively pursuing the formulation of participatory development plans based on the recognition and maintenance of cultural identity and territorial issues. This is supported by PRODEPINE – Proyecto de Desarrollo de los Pueblos Indígenas y Negros del Ecuador (Préstamos BIRF 4277-EC; FIDA 464-EC). In this project there are two components: a) Strengthening of Nationalities, People and Organizations; b) Legalization of the lands and waters. The indigenous strategy of the current project is currently being developed in conjunction with PRODEPINE's annual operating plan.

For a list of the groups consulted, please refer to the appendix of Annex 8, Appendix 8.

6. Environmental:

Environmental Category A B C

The project components are not expected to have any significant negative impacts on the environment. However, there may be low-impact activities related to tourism development in protected areas and buffer zones, such as interpretation trails construction, the construction of guard houses, etc. Sustainable economic activities planned within buffer zones (e.g. agro-ecological production, sustainable harvesting of non-timber products such as medicinal plants and bio-prospecting activities) may also have minor impacts. To ensure that the impacts of these activities are fully mitigated, they will be subject to environmental screening procedures to be included in the Project Implementation Plan. Responsibility for this will lie with the Project Coordinator.

7. Participatory Approach:

Participation during preparation: The Design Phase of the Project “Ecuador: National Protected Areas System NPAS project” has been especially careful to enable a broad participation by diverse stakeholders in Protected Area management.

The Ministry of the Environment has sought the greatest dissemination, comprehension and understanding of the Project scope among all involved stakeholders, and proposes to strengthen the confidence between the Ministry of the Environment and those interested in Protected Area management. The defined participation scheme includes processes of active consultation, consensus building, negotiation (involved in decision-making), and development of specific agreements on different aspects of project design. The proposed participation scheme seeks for the diverse sectors it has tried to involve (governmental, non-governmental, private, community, and international cooperation) to take on roles and responsibilities that not only strengthen the preparation process of this phase, but also provide a solid basis for execution, through project ownership and a greater commitment and respect towards decisions made jointly.

Following the recommendations of the workshop on Protected Area Financing Mechanisms, developed under the sponsorship of the World Bank during June 2000, the Ministry of the Environment established a so-called “Project Design Advisory Committee”. This multi-disciplinary ad hoc working group is made up of experts who carry out activities in diverse protected areas in different regions of Ecuador and belong to organizations with experience in park and reserve management. It was created specifically to orient and accompany project design. A list of the members of this committee and the organizations that they represent is presented in Annex 8, Appendix 2.

The participation of Advisory Committee members in various discussion workshops has been fundamental to clarify, structure and come to consensus on fundamental design issues, such as the NPAS strategic mission and vision, the definition of institutional objectives and selection of the protected areas to be benefited by the Project.

At the local level, the preparation team has carried out 4 workshops in Cotacachi Cayapas with the participation of 28 organizations. Two were in the andean region and two in the seashore region of the park. A list of these organizations is available in the Social Assessment report. In addition one workshop with local inhabitants and governments as well as NGOs was carried out in Machalilla. For the Cuyabeno reserve, the workshop included representatives of the indigenous organizations, local municipal governments and NGOs.

For defining the activities to be developed by each Project component, the following participation schemes were suggested:

- i For Component I, regarding institutional strengthening, the project design team developed a proposal that was discussed at a number of meetings, basically with Ministry of the Environment authorities, especially the Under-secretariat of Environmental Management, personnel of the Natural Areas and Wildlife Units, and heads of the selected protected areas. Once the proposal met consensus, it was discussed later with the Advisory Committee to be submitted to the approval of the Minister.
- i Component II, regarding investment activities in the selected protected areas (Machalilla National Park and the Cotacachi-Cayapas and Cuyabeno Reserves), initially took into consideration the recommendations and results of the Social Analysis and Evaluation developed in the stated areas.

Later, based on visits to the selected areas and meetings with the relevant participants described in the Social Study and others identified as priorities, the Project Design Team proposed a series of financing options in the lines identified as essential in the protected areas. This first sketch of activities was studied by the Ministry of the Environment in order to adjust and focus the proposal.

The proposal sketched by the Ministry's team was then presented to the Design Committee and discussed at a workshop to which the relevant participants from the selected areas were invited. Once the activities were defined, they were included into the project's logical framework for later discussion.

- i Component III, regarding the trust fund to cover recurrent costs for protected areas, was designed by the National Environmental Fund and discussed later with the Design Committee and Ministry of the Environment Authorities (Under-secretariat of Environmental Management, Protected Areas Unit and selected Heads of Area), especially the operational flow of cost disbursements, accountability systems and process evaluation.
- ii For Component IV, Project Monitoring and Evaluation, its layout was discussed with the Design Committee once the design team had given a preliminary proposal.

With all the above inputs, the logical matrix of the Project was built together with the Design Committee, submitted to the approval of the Ministry of the Environment authorities, and then included in the final proposal document to be sent to the World Bank.

Different workshops and informative meetings have been held with representatives of International Cooperation Agencies in order to exchange ideas, receive comments and propose mechanisms of direct cooperation with the Ministry of the Environment and specifically with the Project, in order to join efforts in NPAS management. At this time, the core activities and focal topics of the International Cooperation Agencies are being identified within the System, in order to identify contributions that, once negotiated, could become the Project counterpart.

Participation during Project Execution. Project execution will seek the active participation of different participants involved directly and indirectly in the NPAS. As stated above, one of the core project activities is the implementation of a new management model in the Protected Areas Unit. The central aspect of this model is the creation of opportunities for participation and coordination with all stakeholders involved in PA management. Especially Component I proposes the need to

establish linkages of participation and consensus with the Ministries of Energy and Mines, Finance and Agriculture to get the Biodiversity Law passed. Also, coordination with public sector institutions will be essential for the solution of a series of issues that plague the PAs: landholding, mining activities and agricultural frontier expansion, among others. As pointed out briefly in the institutional analysis and in greater depth in Annex 7, the efficient application of the proposed management model will depend largely on the effectiveness of the Unit in working together with local participants – especially sectional governments, indigenous and peasant communities, NGOs and private businesses. Testing out innovative association and participation mechanisms among these stakeholders will be a vital axis during the entire project, since NPAS sustainability depends largely on this.

In the protected areas that were selected both for recurrent cost financing and for Component 2 activities, the participation of communities residing within them will be sought with special interest. As mentioned in the Social Assessment and in greater detail in Annex 8, participation of indigenous and local communities will comply with the GEF principles. In the case of the Cuyabeno Reserve, activities will be prioritized with the indigenous communities, as with the Cotacachi-Cayapas Reserve. In general, the participation processes to be developed will seek to improve community empowerment through the establishment of income alternatives to overcome situations of marginality and/or poverty. The participation of women and children will also be given special interest, seeking to develop activities that effectively reduce gender and age inequalities. One of the strategies proposed to make local participation viable is the formation of Local Management Committees in the selected PAs. These Committees are expected to give form and a more programmatic content to stakeholder participation in the PAs, establishing concrete mechanisms and goals for this purpose. Being an investment, participation should generate real proposals and changes, and not be limited to figurative tasks. For this reason, it is hoped that the Local Management Committees will be focal points where participatory PA planning processes are developed, and will also become spaces for the monitoring and evaluation of project activities. Thus will transparent, democratic dynamics be established within the PAs, a matter which, if not addressed, will contribute to weakening the authority of the Heads of Area in the sight of local populations.

F. SUSTAINABILITY AND RISKS

1. Sustainability:

Sustainability is a central theme of the project, and most components are designed to help achieve institutional, financial and social sustainability. Sustainability will be achieved through:

- i) An independent and accountable private trust fund (PAF- Protected Areas Fund), within the institutional context of FAN, that will manage capital funds in such a way as to provide assured, long-term flows of resources to the protected areas, in accordance with Bank-approved investment guidelines;
- ii) The identification of cost recovery and financing mechanisms which will be used to augment the Government's budgetary allocations for protected areas management;
- iii) The implementation of income generating activities related to "Nature oriented Tourism" in PA with potentiality, increasing their economic -financial sustainability in the short term .

iv)The adoption of participatory planning mechanisms and strategic partnerships with stakeholders, as a means to increase social sustainability and ownership by the local institutions/organizations;

v)Capacity building and training efforts in order to strengthen the SNAP and Protected Areas Unit within the Ministry of Environment and achieve sustainable management beyond the Project's scope.

vi)The creation of long-term innovative partnerships with civil society, the private sector and other national and international institutions in the identification and implementation of sustainable and participatory PA management.

vii) The creation of an innovative protected areas management model that can be replicated in Ecuador and other countries.

2. **Critical Risks:**

Risk	Risk Rating	Risk Minimization Measure
<p>Increasing vulnerability of the NPAS due to political decisions that consider short term economic interests based on unsustainable natural resource extraction (i.e. mining, petroleum, mangrove replacement for shrimp farming, etc).</p> <p>Ministry of the Environment’s weak institutional capacity to: (a) delegate and decentralize and develop innovative cost recovery and biodiversity protection techniques that are sustainable in the local context; (b) sustain the interest of multiple stakeholders; and (c) harmonize relations with buffer communities and establish guidelines and regulations with both national and subnational governments</p>	<p>High</p> <p>Medium</p>	<p>Threats against the NPAS will be minimized by: a) Sponsoring dialogue and consensus building processes among different institutional actors from the government (central, regional and local) and private (non profit and business oriented) sectors, b) Developing and implementing financial mechanisms that will ensure income sustainability for the NPAS, c) Establishing economic alternatives for sustainable management of in situ biodiversity and natural resources, d) Fostering awareness campaigns and processes aimed at creating a strong and favorable public opinion for the NPAS</p> <p>This risk will be minimized by: a) introducing legal and institutional reforms within the Ministry and the local (provincial) units, b)contracting outside most of the work related to cost recovery options – vis a vis FAN, (b) devolving operational responsibility to individual protected areas; (c) creating an effective protected areas management body within the Ministry of the Environment; (d) creating partnerships with other institutions (NGOs and others); (e) improving relations with local governments; (f) establishing and strengthening local management advising groups.</p>
<p>Risks inherent in NGOs, cooperating organizations and local communities not participating in the preparation and implementation of management plans. Conflict resolution problems may pose risks.</p> <p>Other donor projects do not share or contribute to program objectives, are not well coordinated and thereby duplicate</p>	<p>Medium-High</p> <p>Low</p>	<p>The project has completed a social assessment and will invest in public awareness campaigns and conflict mediation through dialogue, it will also establish and strengthen local management advisories groups and adaptable management regimes whereby the local populations share in the benefits of protected areas management.</p> <p>Raising awareness among donors; holding frequent meetings to continually update donor activities in a matrix. Steps</p>

efforts.		towards the harmonization with the strategies of other donors has been taken into account during the Project preparation.
Insufficient well-trained key personnel in the Ministry and the Protected Areas Unit.	Medium-High	A permanent dialogue will be maintained about the project and about a commitment to improve the quality of key personnel. Using high technical standards for staffing of Protected Areas Unit that will be involved in key technical transference and coordination. A joint Bank and Ministry of the Environment agreement on the qualifications and selection of key project personnel will be established.
Overall Risk Rating	Medium-High	

Annex 1: Project Design Summary

Hierarchy of Objectives	Key Performance Indicators	Monitoring and Evaluation	Critical Assumptions
<p>Sector-related CAS Goal: Strengthening of the SNAP focused on implementing key structural and legal reforms for sustainable development</p> <p>GEF Operational Program Promoting goals and objectives of Operational Programs 2, 3 & 4: conservation (in-situ protection of biodiversity) and sustainable use of freshwater, forest and mountain ecosystems of global significance</p>	<p>Sector Indicators: Better governance, targeted public investment, more agile process for private sector participation, balance budgets and cost recovery</p> <p>Biodiversity surveys within protected areas show the maintenance of species diversity and endemism and the presence and abundance of indicator or keystone species, and measures of the quality of processes such as water quality, nutrient cycling demonstrate maintenance of ecosystems integrity</p>	<p>Sector /Country Reports: Evaluation of public participation and its role in defining processes and program implementation</p> <p>Evaluation of ecosystem structure and function, and of sustainable use.</p>	<p>(from Goal to Bank Mission) Continuity and consistency in the development of sustainable resource management policy.</p> <p>Poverty, social investment needs, continued in-migration and population growth do not preclude achievement of conservation and sustainable use of globally significant ecosystems.</p>
<p>Project Development Objective: The project's general objective is to contribute to the first Phase of the long-term vision of conservation of Ecuador's highly diverse biota by improving the National Protected Areas System management.</p> <p>Global Objective: The global objective is to conserve key global biodiversity values by promoting the long-term sustainability of the diverse ecoregions and ecosystems of Ecuador.</p>	<p><u>The Project (Phase 1):</u> (US\$ 8 Million). 3 Reforms are tested to ensure that the building blocks for the institutional and financial sustainability of NPAS is in place. 3 participatory co-management models are in place. 3 PAs are effectively managed at 50% level a Protected Areas Trust Fund supports the recurrent costs of 6 PAs. .</p> <p>Selected protected areas comprise priority ecoregions which conserve rich biodiversity of global importance. Selected protected areas comprise priority ecoregions which conserve rich biodiversity of global importance.</p>	<p>Project Reports: Independent evaluation of resource use based on sustainability criteria.</p> <p>Project's final progress report.</p>	<p>(from Purpose to Goal) Decentralization occurs and political will exists to support conservation priorities.</p> <p>The root causes of deforestation and unsustainable land use in and around protected areas are under control (high population growth, in-migration, and poverty).</p>

Annex 1

Activities	Indicators for Phase 1 2001-2004	Means of Verification	Assumptions Phase 1	Phase 1
COMPONENT 1: Institutional Strengthening				
A. Legal and political framework				\$160,000
	<p>Three norms prepared: 1) concessions for services, 2) re-investments in PAs; 3) co-management arrangements.</p> <p>At least 3 PAs have: 1) at least made 1 concession for services; 2) received income from the concessions payments; 3) entered into co-management agreements for the PA.</p>	<p>1) Enactment and publication of the three Norms.</p> <p>Pas concession contracts, official assessment and follow-up reports of the contracts, co-management agreements assessment reports, Pas financial reports showing income increments due to reinvestment</p> <p>Regulations enacted and published, reports from consensus meetings with key stakeholders working on the NPAS</p> <p>The publication of the Regulations follows immediately after the Biodiversity Law is passed.</p>	<p>There is consensus among the main stakeholders to develop the proposed norms There is also consensus on the % that needs to be re-invested in PAs. – There is favorable political environment for the enactment of the proposed norms.</p> <p>There is proved technical, administrative and financial capacity in the selected organizations that will develop concessions and co-management processes in PA, Efficient reinforcement of laws, including transparent and effective licitation processes for concession, co-management and third-party participation, income generated through concessions, co-management and third-party participation is reinvested in the Pas.</p> <p>During the process of preparation of the regulations, there is a consensus with the key stakeholders. The regulations reflect this consensus</p> <p>The Biodiversity Law is approved.</p>	<p>\$40,000</p> <p>\$60,000</p> <p>\$60,000</p>

Annex 1

Activities	Indicators for Phase 1 2001-2004	Means of Verification	Assumptions	Phase 1
B. Development of a new Management Model				\$1010,400
	<p>-NPAS Participatory management process is designed and written up. - Training occurs within the Protected Areas Unit of the NPAS and 3 Pilots PAs.</p> <p>Agreements have been signed between the individual PA (3 PAs) and the local actors to apply the new management process</p> <p>Processes of participation and coordination are implemented: 1) at the local level in the 3 PAs with local actors and 2) at the national level, with interministerial actors, legislative power and international cooperation</p> <p>The Protected Areas Unit is established to oversee NPAS in order to develop the new management model by the contracting out 7 Professional staff Knowledge and expertise is effectively transferred to PAs staff . 6 PAs developed Annual Operating Plans are completed through participatory mechanisms</p>	<p>The new processes are documented and are applied in the institution, according to training phases (starting the second year), Evaluation reports of the management model progress</p> <p>Minutes from meetings, Assessments of the process and training of the local actors and director of PAs Agreements signed. Minutes and reports from the agreements reached on participation with the different actors selected. Regular assessment reports of the effectiveness of the processes. Signed contract and new staff working effectively to strengthen the PAs. Official reports from the Protected Areas Unit Director, Performance evaluation of the professional staff contracted out Protected Areas Unit evaluation reports 6 Annual Operating Plans, Evaluation reports/</p>	<p>The design of the processes and the implementation plan reflect the reality and needs of the NPAS. Staff in the Protected Areas Unit and at the field supports the implementation of the new management processes. There is positive leadership of both the Director of the Protected Areas Unit and PA Chiefs for the implementation and administration of the processes. The processes that have been designed respond to the management needs of the NPAS and receive support from the stakeholders involved. The actors – at local and national level- are willing to participate and collaborate with each other and with the NPAs</p> <p>Staff in the Protected Areas Unit and at the field collaborates with the personnel contracted out. Difference in salaries between the existing staff at the PAU and the personnel contracted out does not provoke operational conflicts. The Annual Disbursement Plans are done in a participatory and effective way.</p>	<p>\$100,000</p> <p>\$82,000</p> <p>\$100,000</p> <p>\$428,400</p> <p>\$300,000</p>

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Activities	Indicators for Phase 1 2001-2004	Means of Verification	Assumptions	Phase 1
C. Outreach Activities				250,000
	Specific programs address the principal threats in the three Pilot Areas.	% of the population is familiarized about the value of the NPAS for the society , number of activities and events carried out and participants, campaign evaluations,	There are other projects and/or initiatives options that will support the communication strategy	250,000
D. Monitoring System for the NPAS				\$50,000
	The criteria and the indicators for management efficiency of the NPAS are established and applied.	A list of criteria and indicators is published, NPAS Reports and evaluations on biodiversity and management efficiency, Number of organizations, institutions and individuals that have accessed the information disseminated by CIBE, number of training activities, workshops and meetings organized by CIBE to disseminate information, Minutes of the events and meetings.	CIBE becomes an effective tool to gather and disseminate relevant information related to the NPAS, CIBE works under a clear institutional framework Good coordination between CIBE, the Protected Areas Unit, PAs and information users, Scientific and technical Information generated about NPAS is pertinent, CIBE has institutional capacity to administer and disseminate information.	\$50,000
SUBTOTAL COMPONENT 1				\$1,470,400

Annex 1

Activities	Indicators for Phase 1 2001-2004	Means of Verification	Assumptions	Phase 1
COMPONENT 2: Sustainable and Participatory Management				
A. Financial Mechanisms				\$200,000
	At the end of Phase 1, at least 2 PAs finance 20 % of their expenditures from the revenues coming from the financial mechanisms developed	PAs Budget Reports demonstrating the increase in income due to application of financial mechanisms, Mid term and Final Reports	There is a clear legal and institutional framework for the implementation of the financial mechanisms, The financial mechanisms applied are feasible both social and economically.	\$100,000
	3 PAs with greatest potentiality are in the process of developing tourism concessions based on Nature Oriented Tourism.	Concession contracts for 10 parks are signed.	There is a demand for tourism in Ecuador and PAs provide some of the services that the tourism industry is looking for. The Government has clear regulation of what Nature Oriented Tourism is and the objectives of Park Protection remain unharmed by the new activities.	\$100,000
B. Sustainable and Participatory Management of three PAs.				\$490,000
	Participatory and coordination processes in three pilot PAs established through local management committees	Local management committees established and registered. Committee Work plans in accordance to Pas Management Plans approved . Assessment of the effectiveness of the committees. Minutes of the meetings held by committees	There is a willingness from the Government and local actors to work together to support PAs management.	\$40,000
	4 experts contracted for the 3 selected PAs to provide expertise in sustainable management	Independent assessment of the experts technical assistance work.	The personnel contracted leads and coordinates the processes at the local level for each PA and becomes a catalyst for the effective PA management. Difference in salaries between the existing staff at the PAs and the personnel contracted out does not provoke operational conflicts.	\$140,000
	The indicators, methods and process for monitoring biological diversity are established for the 3 selected PA in accordance to their Management Plans	3 biological monitoring systems in place at the local level incorporating stakeholder participation	There is technical capacity at the field level to implement the system, Good coordination among stakeholders involved in monitoring in the selected PAs, Scientific and technical Information generated within the 3 PAs is pertinent.	\$ 40,000
	The 3 PAs are able to cover their recurrent costs through the PAF mechanism (Protected Areas Trust Fund)	PAs Financial Reports Assessments	Mechanisms to achieve financial sustainability in Pas are working adequately	\$270,000

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C. Strengthening management at the Protected Areas Level.				
Parque Nacional Machalilla				\$190,000
	<ul style="list-style-type: none"> - PA personnel and local authorities has been trained in: management processes, conflict resolution and legal processes, - at least 2 institutional agreement signed, - - communication plan prepared for this PA – at least 30% of communication plan activities implemented - a tourism zoning plan has been completed - 30% of the activities proposed in the tourism plan have been implemented 	<p>Reports and evaluations from the training activities, signed agreements and reports on communication plan implementation</p> <p>Tourism Zoning Plan report, Progress reports, Mid term and final evaluation, Interviews with Tourism operators, Assessments Visitors' satisfaction</p>	<p>High interest among the PA personnel, local authorities and main stakeholders in the training processes. .</p> <p>The local communities, authorities and tourism operators are interested in cooperating with the PA authority in the development and implementation of the Tourism Plan. Good coordination between the Ministry of Tourism and the Ministry of Environmental at national and local levels.</p>	\$50,000
	<ul style="list-style-type: none"> - Fisheries Use Plan has been prepared for a marine zone within the National Park . - 20% of the activities recommended in the Plan have been implemented) 	<p>Fisheries Plan report</p> <p>Progress report, Mid term and final evaluation, Interviews with stakeholders involved in fisheries' activities, Assessment of marine biological diversity</p>	<p>The local communities, authorities and stakeholders involved in fisheries' activities are interested in cooperating with the PA authority in establishing and implementing a marine zone within the national park. Good coordination, at national and local level, between the Ministry of Environment, Ministry of Commerce, Industry and Fisheries, Ministry of Defense and private fisheries organizations.</p>	\$90,000
Cotacachi-Cayapas Ecological Reserve				\$200,000
	<ul style="list-style-type: none"> - PA personnel and local authorities has been trained in: management processes, conflict resolution and legal processes, - at least 2 institutional agreement signed, - - communication plan prepared for this PA – at least 30% of communication plan activities implemented - a tourism zoning plan has been completed - 30% of the activities proposed in the tourism plan have been implemented 	<p>Reports and evaluations from the training activities, signed agreements and reports on communication plan implementation</p> <p>Tourism Zoning Plan report, Progress reports, Mid term and final evaluation, Interviews with Tourism operators, Assessments Visitors' satisfaction</p>	<p>High interest among the PA personnel, local authorities and main stakeholders in the training processes. .</p> <p>The local communities, authorities and tourism operators are interested in cooperating with the PA authority in the development and implementation of the Tourism Plan. Good coordination between the Ministry of Tourism and the Ministry of Environmental at national and local levels.</p>	\$60,000
	<ul style="list-style-type: none"> - diagnosis on most critical illegal activities within the 	<p>Progress reports, Mid term and final</p>	<p>The local communities, authorities and</p>	\$80,000

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	<p>PA and its buffer zone prepared</p> <ul style="list-style-type: none"> -30% of the illegal activities with greatest environmental impact inside the reserve and its buffer zone have been regularized - at least 2 pilot sustainable management initiatives, according to the PA Management Plan have been started. 	<p>evaluation, Interviews with stakeholders involved in sustainable natural resource management, Assessment of sustainable management initiatives</p>	<p>stakeholders involved in PA management activities are interested in cooperating with the PA authority in: a) control of illegal activities within the reserve and its buffer zone, b) promoting sustainable use of natural resources The Ministry of Environment has a strong capacity to enforce laws and regulations related to illegal activities in PA. The sustainable management initiatives have good market possibilities.</p>	
Cuyabeno Reserve				\$250,000
	<ul style="list-style-type: none"> - PA personnel and local authorities has been trained in: management processes, conflict resolution and legal processes, - at least 2 institutional agreement signed, - - communication plan prepared for this PA – at least 30% of communication plan activities implemented 	<p>Reports and evaluations from the training activities, signed agreements and reports on communication plan implementation</p>	<p>High interest among the PA personnel, local authorities and main stakeholders in the training processes. .</p>	\$50,000
	<ul style="list-style-type: none"> -Patrolling, surveillance and demarcation plan prepared with direct involvement of indigenous communities; -20% of the patrolling, surveillance and demarcation activities are in place to ensure control and protection of the reserve 	<p>Progress reports, Mid term and final evaluation, Interviews with stakeholders and indigenous communities involved in control and protection activities, completion assessment of the patrolling, surveillance and demarcation plan</p>	<p>The indigenous communities, local authorities and stakeholders involved in PA management activities are interested in cooperating with the PA authority in the establishment and implementation of the patrolling, surveillance and demarcation plan for the reserve. The impacts in the northeastern part of Ecuador of the application of Plan Colombia are managed by the government.</p>	\$80,000
	<ul style="list-style-type: none"> - a tourism zoning plan has been completed with direct participation of indigenous communities - 30% of the activities proposed in the tourism plan have been implemented (activities cannot be identified until the zoning plan is done) - PA-indigenous communities agreements are revised and updated 	<p>Tourism Zoning Plan report Progress reports, Mid term and final evaluation, Interviews with stakeholders and indigenous communities involved in tourism activities, Interviews with Tourism operators, Assessments Visitors' satisfaction</p>	<p>The indigenous communities, local authorities and stakeholders involved in tourism activities are interested in cooperating with the PA authority in the establishment and implementation of the Tourism Zoning Plan. The implementation of Plan Colombia does not affect – in dramatic terms - tourism activities within the reserve.</p>	\$50,000
	<p>Natural Resource Monitoring and Evaluation plan for this PA prepared with direct involvement of indigenous communities, - Increase knowledge and adoption of biodiversity friendly practices and uses by the local communities within the reserve</p>	<p>Progress Reports Mid term and final evaluation, Assessment of biodiversity practices and uses, Completion Assessment of the natural resources monitoring and evaluation plan</p>	<p>The indigenous communities, local authorities and stakeholders involved in PA management are interested in cooperating with the PA authority in the establishment and implementation of the Natural Resources Monitoring and Evaluation Plan. Good exchange of natural resource monitoring and evaluation experiences</p>	\$70,000

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			with other national and international PAs. Research activities are not affected by implementation of the Plan Colombia.	
SUBTOTAL COMPONENT 2				\$1,330,000
COMPONENT 3 Protected Areas Fund				
	<ul style="list-style-type: none"> -Established Fiduciary Fund .By Yr. 1: -Fiduciary fund presents acceptable fund raising strategy; by Yr.2: GoE and FAN have convinced donors to make contributions to Fiduciary Fund in a 1:1 basis for the endowment funds. - At least 3 protected areas of the system increase in funding available for sustainable use activities -PAF investment performance meets targets . 	<ul style="list-style-type: none"> -Manager quarterly reports and annual performance audits. -Consolidated PAG/reports by PA Directors. -PAGs, Independet evaluations -PAF reports 	<ul style="list-style-type: none"> -Economic volatility is not a significant issue. -GOE continues to give priority to SNAP and actively fund raises f rom bilateral anda multilateral donors. -Prospective donor's willingness to support protection and sustainable use activities through endowment mechanisms. 	\$4,950,000
SUBTOTAL COMPONENT 3				\$4,950,000
COMPONENT 4: Project Coordination				
	<ul style="list-style-type: none"> - Project coordination functioning efficiently. - Progress reports sent to WB periodically - Disbursement and procurement arrangement in place 	Progress reports		\$250,000
SUBTOTAL COMPONENT 4				\$250000

Annex 1 b. Contributions of this Project to the Long-Term Vision of the Protected Areas System

Sustainability Dimension	<i>Pilot-Phase Accomplishments and Shortcomings</i>	<i>Expected Outputs (this project)</i>	<i>Long-Term Strategic Goals and Targets</i>
Policy and Legal Framework	<ul style="list-style-type: none"> • Preparation of the Strategy for NPAS • Studies conducive to draft Biodiversity Law • Lack of regulations remains vis-à-vis protected areas 	<ul style="list-style-type: none"> • Draft Biodiversity Law fully discussed and submitted • Three key regulations passed on concessions, re-investments in PAs and co-management arrangements 	<ul style="list-style-type: none"> • A fully supportive and coherent legal framework for the Protected Area System approved by Congress • Sectoral legislation compatible with Protected Area Legislation
Institutional Issues	<ul style="list-style-type: none"> • Creation of Ministry of Environment • Cadre of professionals trained (200) • Minimum equipment at the central level • Lack of institutional structure and continuity remains a serious issue 	<ul style="list-style-type: none"> • Advisory Parks Commission established providing independence • Small, highly trained central unit functioning under the Commission • Legislation for co-management agreements prepared using three pilot PAs. 	<ul style="list-style-type: none"> • Autonomous agency • Decentralized management fully operational • Administrative and operational procedures functioning effectively
Financial Sustainability	<ul style="list-style-type: none"> • FAN was created to house the PA Trust Fund. Operational manual ready • Studies on fee-recovered mechanisms done but not 	<ul style="list-style-type: none"> • Trust Fund capitalized at \$9 million and supporting recurrent costs of six PAs • Revenues generated in 3 Pilot Areas (20%) and re-invested 	<ul style="list-style-type: none"> • Investment Needs are Fully Covered • One-hundred percent of recurrent management costs covered • Diversified funding base (Treasury,

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Sustainability Dimension	<i>Pilot-Phase Accomplishments and Shortcomings</i>	<i>Expected Outputs (this project)</i>	<i>Long-Term Strategic Goals and Targets</i>
	applied except in Galapagos	protected areas	Trust Fund, Fee Mechanisms)
Management Effectiveness and Biological Impact	<ul style="list-style-type: none"> • Management plans and investments in infrastructure in 4 parks • Ecuador's biodiversity and vegetation databases up-dated • Threats at the park level were not addressed 	<ul style="list-style-type: none"> • 3 PAs increase effectiveness and major threats addressed by at least 50% as measured by scorecards • Application of biological monitoring system in 3 areas 	<ul style="list-style-type: none"> • Adequate effectiveness in 100% of the areas as measured via scorecards • Full ecoregional representation through creation of new areas and re-categorization of existing ones • Biological monitoring in 100% of the system
Public-Private Partnerships, Civil Society Participation	<ul style="list-style-type: none"> • Local participation ad hoc • Local committees still not operational 	<ul style="list-style-type: none"> • New participatory management models tested in three PAs and ready for dissemination • Local management committees in place for three pilot areas 	<ul style="list-style-type: none"> • NGOs actively participating in managing areas • Local management committees operational in 100% of areas
Public Awareness	<ul style="list-style-type: none"> • Public education campaigns successfully launched • Weak public awareness and support remains a concern 	<ul style="list-style-type: none"> • Outreach program at specific PAs. 	<ul style="list-style-type: none"> • NPAS with strong and broad-based public support

Annex 2: Project Description

1. Institutional Strengthening (component 1)

The Institution-Building for the “Ecuador: National System of Protected Areas” Project focuses on developing a long-range process to reform and restructure the National System of Protected Areas (NPAS), so the outcomes can continue after project completion. This process seeks to transform the Protected Areas Unit, which is a core body in the Ministry of the Environment’s Biodiversity Division. The Protected Areas Unit intervenes directly in defining and implementing NPAS policy and strategies. Strengthening the Protected Areas Unit aims to change the current management model, from top-down planning to management by processes (management programming). This is outlined in Section B.3 and described in depth in Annex 7 on Institutional arrangements. Further, this component will attempt to enhance the NPAS’ technical capacity, by forming a top-level technical team to accompany the reform process at the central level and in the three selected protected areas that will be supported under component 2 of the project. Actions will also be taken to optimize the Unit’s human resources through training processes, considering their new responsibilities and functions. This will guarantee that the proposed new management model will be implemented. Emphasis on setting agreements at local and national level to implement the management processes. Training processes will accompany the implementation of the model and will involve UPA’s staff (central and field personnel). Finally, the component will also work to sensitize and raise public opinion and awareness regarding the value of Protected Areas, by implementing communication, sensibilization and information strategies. As a mechanism for effective tracking of the model, support will be given to the implementation of a system to monitor the management efficiency of the NPAS through CIBE

The Institution-Building component has been formulated in view of achievements and lessons learned under the first GEF-financed project in Ecuador: Biodiversity Protection Project concluded in 1999. Although the biodiversity Protection Project made significant headway in Institution-Building, this progress has lacked continuity since INEFAN, the body to be strengthened, was absorbed by the Ministry of the Environment on January 2000.

Moreover, the new institutional framework involves profound reform of the State, with ongoing downsizing, de-concentration and decentralization, making it mandatory for the civil society to participate in natural resource planning and management processes. In general, these trends seek to reinforce the roles of oversight, follow-up and effective enforcement by the State, and guarantee long-term financing sources. For these reasons, the institution-building component is geared toward influencing these reform processes and contributing to making an institutional and legal arrangement that will be more coherent and directly related to in-situ conservation of biodiversity.

In addition to institutional changes, GEF II has new, important legal elements that have varied over the last few years. Since 1998, the Ministry of the Environment has defined the Environmental Strategy for Sustainable Development, which is the framework document guiding its short-, medium- and long-term actions. The Environmental Management Law has also been enacted, defining the overall new role of the State in environmental issues. In the area of Biodiversity, the creation of the Biodiversity Division within the Ministry acknowledges the strategic importance of this issue in the Ecuadorian government’s administration. This Division will soon have to apply a National Biodiversity Strategy, currently being developed through a process of broad-based participation and discussion among the different stakeholders of society. Along with the Strategy,

which will enable the Ministry to define a more concrete approach to its work, two draft laws have been proposed that will ensure programmatic actions for sustainable management, use and biodiversity conservation. These proposed laws are: Sustainable Forestry Use (already presented to the President of Ecuador for analysis) and the Special Law on Conservation and Sustainable Use of Ecuador's Biodiversity, which is in its final stage of preparation and is expected to be presented to the President by mid 2001.

To implement these innovative legal frameworks, an administrative institution must be consolidated for protected areas that is legitimate in its roles as an authority, technically efficient, leading participatory natural resource planning and management, and facilitating the identification of financial options for the NPAS' economic and financial sustainability.

In summary, Component 1's overall objective is to efficiently administer and manage the NPAS, through: actions to strengthen the environment authority's jurisdiction in regulating, overseeing, monitoring and enforcing, at the central and local levels (especially in the three selected protected areas); processes to optimize and train NPAS staff and other stakeholders involved (both central and local); active participation and consultation processes among the different parties involved in the NPAS, and activities to consolidate the NPAS' evaluation and follow-up system.

A. Legal and Regulatory Framework

This sub-component seeks to support the definition of a legal and policy institutional framework to ensure fulfillment of the NPAS' new institutional mission and vision.

This sub-component will pursue activities organized around five fundamental themes:

1) Formulation and issue of laws, regulations and standards regarding the different Protected-Area management modes⁵

As a result of these activities, the institutional arrangements and the legal framework required to administer, manage and monitor the Protected Areas will be defined. These modes will involve private enterprises, non-governmental organization (NGOs), community based organizations (OCBs) and indigenous communities. These activities are pursued and executed through consultation and participation with the different stakeholders involved in the NPAS, and special support from the MoE legal office.

2) Special Law on Conservation and Sustainable Use of Biodiversity in Ecuador and its regulations.

These activities are specifically geared toward disseminating, enacting and regulating the draft version of the Special Law on Biodiversity Conservation and Sustainable Use in Ecuador. As an outcome of these activities, regulations will be developed, mainly for:

- i) NPAS administration and management
- ii) Land and aquatic wildlife
- iii) Research in protected areas
- iv) Sustainable use of biodiversity
- v) Social involvement in the NPAS
- vi) Other that will be defined

⁵The different management (or participation) modes include co-management (via concession, land-grant, etc.) , co-investment and third party contracting .

These activities will call for organizing a process of political negotiation, inter-sectoral coordination and dissemination of the proposal to the different stakeholders involved, through meetings, forums and other broad promotion, dissemination and consultation mechanisms. The main stakeholders include: governmental bodies (mainly the ministries responsible for Energy and Mining, Finance, Agriculture and Fisheries); non-government organizations; legislators; representatives of indigenous and community organizations; opinion leaders; and private businesspersons.

B. Development of the Management Model

1) Implementation of the new NPAS' management model. These activities will pursue effective implementation of the new NPAS management model at the central level (Protected Areas Unit, Biodiversity Division) at the field units and through main stakeholders participation (outsourcing and delegation).

The new NPAS management model will be grounded in a programmatic concept of activities, seeking to transform the current NPAS operations and structure into a new setup, oriented by long-term institutional processes. These reforms will call for a process of support and training of stakeholders involved in institutional, legal and planning issues. It will also entail organizing meetings and working groups with sub-national stakeholders and societal organizations directly and indirectly involved with the NPAS to implement an efficient regulatory framework.

2) Design and implementation of a Training and Upgrading Plan for the staff currently working in the Protected Areas Unit at headquarters and in the selected protected areas-, to make it possible to suitably implement the institutional processes defined above and lead the contributions of the different societal stakeholders grouped together in the management committees for protected areas. In this case, training will involve Unit staff at headquarters and field personnel. This training will cover general issues of implementing the management model and accordingly the new NPAS mission, vision and policies. Emphasis will be placed on exchanging experiences and transferring knowledge among PA technical staff as a horizontal training strategy. As indicated below (Component 2), specific training processes in the selected protected areas will cover the issues and needs for each of them.

3) Implementing mechanisms for participation and consensus-building among the different parties involved in NPAS management

Coordination mechanisms will be developed especially with non-governmental conservation bodies, legislators, representatives of indigenous, afro-Ecuadorian and community organizations, private enterprise, sub-national entities (provincial councils and municipalities) to participate in the management of protected areas. The purpose is to generate participatory means to foster the formation of PA management committees for participatory management, planning and annual operational planning, and to coordinate plan implementation.

4) Establishment of a NPAS unit following new Management model.

During the project implementation it will be necessary to have a highly qualified team to accompany the process. To form this team, the project will hire personnel who can provide support in: management techniques, social work, relation with grassroots organizations, policy formulation and application, issue and enforcement of norms and laws to promote and facilitate activities focusing on conservation and sustainable use of biological diversity, and nature-oriented tourism, among others. An obstacle to achieving this is the present salary level. To overcome this obstacle, there is a budget in the project that makes it possible to offer competitive salaries that can appeal to qualified personnel.

The central purpose of this Sub-component is to improve and increase technical capacity in the Protected Areas Unit to enhance overall NPAS management. This will involve:

- a) Hiring a highly qualified technical team who, from the Protected Areas Unit at headquarters level will contribute to effective participatory and de-concentrated NPAS management. This team will be highly responsible for the areas of planning, implementation, monitoring and evaluation of policies, norms, programs, plans and activities supporting NPAS protected area management. Funding is proposed for specialized staff for the institutional processes of:
 - i. Protected Area Planning and Conservation,
 - ii. Legislation related to Protected Areas,
 - iii. Economic (financial) sustainability for Protected Areas,
 - iv. Natural Resource Management and Monitoring,
 - v. Nature-Oriented Tourism and Environmental Interpretation ,
 - vi. Social Management,
 - vii. Environmental Education, Training and Dissemination.

- b) Hiring of the specialized technical team required to implement the institutional processes defined in the three selected protected areas⁶. This includes hiring: three experts on tourism to work with the Machalilla National Park, the Cotacachi-Cayapas Ecological Reserve and the Cuyabeno Wildlife Reserve; and an expert in marine reserve design, planning and consensus-building to promote this area in the Machalilla National Park.

The technical team to be engaged, both for the central headquarters and for the three selected protected areas, will be the key driver to implement the new management model proposed for the NPAS. They must also lead the participatory strategic planning mechanisms indicated in Sub-component 1.1. In this way, the NPAS' institutional structure (headquarters and area departments) its planning mechanisms (management plans, annual operating plans] and annual disbursement plans]), and its available financial tools (coverage of recurrent expenses by the protected-area trust account) will all be grounded in specific, inter-related processes, so that, during the project period, the country's protected-area management will be restructured.

C. Outreach Activities:

The core aim of this sub-component is to support outreach and public awareness activities at the three pilot Protected Areas. Activities in this component will be implemented in collaboration with the various stakeholders at the site level and will address the threats to the area. The activities will be further defined during project preparation.

D. Protected areas monitoring

The main aim of this sub-component is to develop a reliable system to evaluate, follow up on and monitor protected areas and PA management. The system developed will have two main thrusts: (i) performance efficiency performance in PA management, and (ii) biodiversity assessment and monitoring. . The following actions will be taken:

⁶ This activity is described in Annex 1 in component 2

1) Establishment of a monitoring and follow-up system for the NPAS

The focal point for these actions will be the Biodiversity Information Center of Ecuador (BICE), which was established under the GEF Phase 1 project to gather up-to-date information on the conservation status of biodiversity of Ecuador. BICE's capacity will be enhanced in order to: , - Design and implement a protocol to record and analyze information, to be applied for each PA. - Design and apply indicators for biological , monitoring of the NPAS. This activity must be pursued jointly with PA Directors, considering the most efficient mechanisms to compile and systematize information. Moreover, to monitor efficiency in PA and overall NPAS management, actions will reinforce the BICE's capacity to record and analyze the following:

-
- Achievements and outcomes in implementing the NPAS Strategic Plan
- Projects under way or to be pursued in protected areas and their performance
- Application and progress in compliance with international agreements and strategies regarding PA management, specifically the Biological Diversity Convention
- Progress and/or setbacks in the status of NPAS biodiversity and the different protected areas in regard to economic and financial investments, and compliance with Management Plans and POAs.

This information must be analyzed to generate aggregated indicators (Indexes) in order to determine the different degrees (states or levels) of efficiency in management and performance of the NPAS (and each of its areas), considering progress made in the first phase of the GEF in this regard. One last aspect to be strengthened in the BICE is its capacity to disseminate the information generated. Technical documents will be developed to systematize information on the NPAS and its status, for distribution among the various national and/or local stakeholders involved in decision-making processes.

2) Application of efficient biological monitoring systems in the three selected protected areas

This will require strengthening of the system to evaluate and monitor in-situ biodiversity conservation, perfecting the compilation, recording and analysis of ecological and biological PA information. Technical staff hired in the PA Unit for this process will refine information on selected protected areas. This database will contribute to decision-making within the NPAS. Local indicators and criteria and monitoring activities for each PA will be defined according to each one's specific characteristics. NGOs, universities and other specialized institutions are expected to contribute to this system. Participatory processes, especially with local communities and indigenous populations, will be set up to assist in applying the monitoring system, to enhance its operating efficiency.

2. Sustainable and Participatory Management of Selected Protected Areas. (Component 2)

Sustainable and Participatory Management of Selected Protected Areas will work on two major sub-components. The first will be geared toward establishing strategies to ensure the NPAS' economic and financial sustainability. Several options will be analyzed at the pre-feasibility level, and Nature-Oriented Tourism strategy will be implemented in those PA with greatest potential. Nature-oriented Tourism has been chosen as an innovative strategy both to involve institutional stakeholders, non-governmental organizations, communities and private enterprise, and to test collaboration and co-management mechanisms. These initiatives present several positive aspects, including:

- a) Nature-oriented tourism is a promising activity in several PA. The number of visitors and the volume of revenues from tourism are currently significant in several protected areas. With changes and adaptations in legal and institutional mechanisms, this income could be reinvested to fund protected areas, providing financial sustainability in the short-term.
- b) There is a local installed capacity and experience. Since several protected areas are already part of diverse tourism circuits (geared toward middle/ upper-class tourists, backpackers, researchers, educational tourism, etc.) local peoples and communities have developed capacities for tourism activities: Nature guides, administration of tourism services and facilities, monitoring and surveillance, promotion and dissemination, etc.
- c) There is physical infrastructure and basic equipment in several protected areas. As in the preceding sub-section, the investment in this area may, in some cases, be recovered through concession mechanisms.
- d) Although implementing Nature-oriented tourism will demand legal and institutional changes, when compared to those required for other operations that involve international parties and agreements (i.e. environmental services and goods payments), the former ones could be attained in a lesser time as they relate to national and local reforms. Further, being “internal” reforms, the stakeholders with whom negotiations will be held should be more accessible for consensus building and discussion.
- e) At present, there is a favorable climate for investment in tourist operations geared toward Nature and sustainable natural resource use. According to the country’s macroeconomic policy, exporting goods and services that are “clean and/or environmental” has been favored. There is also the political will to turn Ecuador into a major tourist destination in the region.

Implementing this strategy will also require overcoming certain difficulties, including:

- a) In a large number of protected areas, there is very little control over tourism activities and related services. The lack of supervision, control and monitoring has, in several cases, led to inappropriate growth of the activity that could soon provoke major environmental impacts in protected areas.
- b) Since Nature-oriented tourism and sustainable extraction of non-timber forest products are currently very popular strategies, several protected areas have experienced rapid declining in the quality and efficiency of these operations, due to factors such as unfair competition (establishment of unrealistic prices, violation of permits for patents granted, discretionary and often inequitable payments to local communities, etc.), creation of tourism operations without financial or technical planning, lack of training within activities.

The second sub-component will be oriented toward strengthening sustainable and participatory management of three selected protected areas. Such strengthening will be achieved by implementing, the institutional reform processes pursued under Component 1 within the three selected areas and by financial support to cover their recurrent costs.⁷ Optimization of management in these three areas will also seek to legitimize the role of the PA Director in his or her functions of regulation, control, monitoring and enforcement. An underlying goal for the strengthening activities is to increase the capacity of the selected areas to mobilize and negotiate resources –both financial and technical- from other donors. The support given by the Project enhances the -already favorable- possibilities for leverage and cooperation with NGOs, communities and development agencies currently working in these areas.

⁷ , The recurrent costs for the three selected protected areas will be covered by GEF’s non-endowment funds, while the other s three protected areas will be covered by the Trust Fund

The reform process to be implemented in the three selected protected areas will work on the basis of the institutional processes defined for the NPAS, which in some areas will require greater reinforcement, according to each PA's specific situations. The processes thus established will work toward PA management efficiency through eight basic working guidelines that must be included in the Management Plans for all System areas:

- Planning of Protected Areas and Natural Resource Conservation. This line of work includes developing participatory planning processes, to enhance efficiency in operational administration and regulation, monitoring and follow-up on Management Plans, implementation of control and surveillance systems, management of sites with environmental risks and rehabilitation of ecosystems and species.
- Legal This line of work includes activities under norms and regulations for efficient PA management.
- Financial Sustainability for Protected Areas includes activities for the sustainable use and management of natural resources, environmental goods and services projects, fund-raising activities, coordination of international projects, and administrative-financial management of the current GEF Project.
- Management and Monitoring of Natural Resources. This line of work includes activities to support natural resource management and basic and applied research in biodiversity management, ecological and socioeconomic monitoring and follow-up, and scientific dissemination.
- Social Management. This includes activities related to inter-institutional consensus-building, community relations building, and developing participation processes within PA.
- Environmental Interpretation Tourism. This includes the regulation, control and monitoring of recreational and tourist use, and the development of environmental interpretation activities in protected areas.
- Education, Training and Dissemination. This includes environmental education, dissemination and training activities in each PA and its buffer zones.

The specific activities of this component include:

A. Design and application of strategies and/or mechanisms for economic and financial sustainability of protected areas and their buffer zones.

As indicated above, this sub-component has two core objectives:

To establish, on the basis of a pre-feasibility analysis, strategies and/or mechanisms best suited to guarantee economic and financial sustainability for protected areas and their buffer zones. In this case, activities to be funded by the Project include the following:

- Pre-feasibility analysis (economic, social and institutional) to apply mechanisms for financial sustainability in protected areas and their buffer zones, by applying methodologies that set values on environmental goods and services, through the following options:
 - a) Payment for water services. This analysis must include, on the basis of existing experiences, a present and future market analysis, rate-setting strategies (tariffs) and water price calculations, enforcement mechanisms (participation and consensus processes),
 - b) Bio-prospecting,
 - c) Other strategies and instruments to charge for environmental services and licenses.

- The second core objective is to implement Nature- Oriented Tourism initiatives in sustainable use of natural resources, in protected areas with the greatest potential, to guarantee their economic sustainability. The implementation of these initiatives include defining the following:
 - Identification, through an assessment process, the Protected Areas with greatest potential for Nature-Oriented Tourism.
 - Different modes of co-management co-investment and/or stakeholder participation, based on an analysis of efficiency and effectiveness of requirements for institutional/ legal reforms that each mode requires.
 - Market analysis and investments needed to start operations (e.g. investment to improve infrastructure for protected areas, specific equipment, path construction and rehabilitation, signs and physical delimitation).
 - Analysis of the carrying capacity and potential environmental impacts caused by the operation.
 - Identification, rating and accreditation of partners for PA management, which could be NGOs, communities, companies, local governments, universities, research centers, etc.
 - Preparation of the contractual grounds for tendering Nature Oriented Tourism, according to institutional and/or legal arrangements identified as most suitable.

Once the initiatives have been developed, activities include the tender and contract process to get operations under way, and then the implementation and monitoring of such operations by the PA authority.

B. Sustainable and Participatory Management of Three Selected Protected Areas

The objective of this sub-component is to strengthen three selected protected areas of key biological and economic importance and to apply the new institutional mission and long-term vision for the NPAS. The activities to be carried out will be part of implementing management plans in the selected protected areas, which will be revised with financial resources from Component 1. Financial support for the recurrent costs of these three areas will be covered through non-endowment funds by FAN, with the same project cycle designed in Component 3. The objective of this part of the project is to ensure that recurrent costs are covered while the PA generates income to maintain itself with the results of the other financial strategies mentioned. Each PA will receive a fixed income during the three years of Phase 1 and will continue after the project. The amount received will decrease gradually while other incomes start increasing.

Another key area which this sub-component will support is the preparation of all legal and institutional groundwork necessary to implement strategies that will provide these areas with sustainable income generation. In the three selected protected areas, the activities with the greatest potential hinge upon Nature Oriented Tourism and Sustainable Use of Natural Resources. However, the promotion of such activities requires specific arrangements and mechanisms. The underlying principle that will guide the choice of such arrangements is integrated management, where the collaborative participation of stakeholders is key. This participation considers collaborative management (co-management) with grassroots organizations, NGOs, local governments and indigenous communities as a tool to fortify the financial and social sustainability of the selected protected areas. Prior to implementing income generating activities, however, emphasis in the three selected areas will be on strengthening the PA authority by means of technical assistance, specific training programs (tailored to the needs of each PA) and the development of a communication strategy.

The training programs to be implemented in these three areas differ from the one developed in Component 1, in terms of the specificity of the education and capacity building requirements. The

training program to be developed through Component 1 is geared to all the personnel in the Unit and the NPA System. Accordingly, its content is general and will touch on homogeneous themes. Through this subcomponent, , training and capacity-building actions are tailored to the specific realities and needs of the selected areas.

The selected protected areas for these different actions are: the Machalilla National Park (MNP), the Cotacachi-Cayapas Ecological Reserve (CCER) and the Cuyabeno Faunal Production Reserve (CFPR)(See Annex 6 for detailed on the PA selection process)

C. Strengthening Selected Protected Areas at the local level.

1) Machalilla National Park (MNP)

Activities regarding Machalilla National Park management enhancement will be organized around three main thrusts:

a) Strengthening of the PA's Environmental Authority through training and communication processes. For this purpose, a plan will be designed and implemented for MNP human resource training and optimization, considering the new NPAS management model. In the case of the MNP, this will involve emphasis on training in the areas of:

- Planning, assessment and supervision (control and surveillance) of Tourism Operations
- Planning, assessment and supervision (control and surveillance) of Fishing Activities
- Conflict Management and negotiating techniques
- Legal and supervisory guidelines for regulation of landholding systems
- Ecological monitoring of the marine reserve.

To support this training plan, there will be a communications, dissemination and information strategy.

b) Planning and ordering of tourism activities in the MNP. This effort will strengthen the capacity of the Head of Area to regulate tourism activities in the PA. The main emphasis will be on reviewing (formulating and/or updating) existing regulations and norms on tourism activities in the MNP, and on establishing a system for efficient control, monitoring and evaluation of medium-term activities, strengthening the Park authority in its regulation and control functions and creating coordination processes with the different stakeholders involved. In this case, the Director of the PA will become the sustainable development facilitator for tourist activity by organizing tourism exchange meetings at local, national and international levels. The result, by Project completion, will be effective application of the MNP Tourism Management Plan and ordering of this activity in the Park.

c) Planning and ordering of fishing activities in the MNP. As above, the purpose of these activities is to strengthen the PA's Director PA control and monitoring authority over fishing activities in the Park. For this purpose, an efficient system must be set up to oversee and monitor activities to be pursued by MNP personnel. To complement this System, regulatory instruments (regulations and norms) will be developed as necessary to enforce (by granting and withholding licenses and permits) for these activities. These regulatory functions will work with participatory planning processes – for example, by defining multi-use zones, in consensus with users, for fishing activities (on the basis of analyzing carrying capacity and environmental impact) and setting up a management plan for fisheries and the conservation of important marine areas around MNP . Fishing activities planning in the PA will consider the

socioeconomic standing of local populations from a dynamic perspective (planning by scenarios). This planning should achieve, by the medium term, effective promotion of alternative economic activities for MNP fishers, and their formal involvement in tourism activities

2) Cotacachi-Cayapas Ecological Reserve (CCER)

Activities to strengthen management of the Cotacachi-Cayapas Ecological Reserve will be organized around three core issues:

- a) Strengthening the PA Environmental Authority through training and communication processes. For this purpose, a training and human resource enhancement plan will be designed and implemented for CCER, considering the new NPAS management model. For this Reserve, the Plan will emphasize training in the areas of:
- Planning, assessment and supervision (oversight and surveillance) of tourism operations
 - Planning, assessment and supervision (oversight and surveillance) of sustainable natural resource use activities
 - Oversight and surveillance, especially regarding timber and mining in CCER buffer zones
 - Conflict management and negotiation techniques
 - Legal procedures to regulate landholding regimes

To complement the training plan, a communication, dissemination and information strategy will be devised for the CCER.

- b) Planning and ordering of tourism activities in the CCER. This part will seek to reinforce the Director of the PA's capacity to regulate tourism activities in the PA and its buffer zones. The central emphasis will be on reviewing (formulating and/or updating) regulations and norms for tourism activities within the Reserve, and establishing a system for efficient control, monitoring and evaluation of this activity. By strengthening the Reserve's authority in regulatory and supervisory functions, coordination and collaboration processes may be built up with the various stakeholders involved. A strategy will be set up for promotion and sustainable development of tourism in the CCER by integration with regional and/or provincial tourism circuits. On the basis of this strategy, the Director of the PA will become a sustainable development facilitator for tourism activity, by organizing tourism exchange meetings on the local, national and international level. The outcome, by Project completion, is consensus-building and application among different stakeholders of a Tourism Management Plan for the Reserve that will integrate the objectives of biodiversity conservation.
- c) Planning and ordering of activities for sustainable use of natural resources in the CCER and its buffer zones (e.g. non-timber and organic products, handicrafts, etc.). Here, the emphasis will be on implementing planning and coordination activities among the different stakeholders and initiatives for sustainable resource use already taking place in the CCER buffer zones, according to the CCER management plan. The purpose is for the CCER authority to be able to facilitate alternatives that will generate economic revenues for the local population and communities, in order to significantly reduce the human pressures over the natural resources on the Reserve. Accordingly, the Reserve authority must, by applying participatory processes, carry out the necessary reforms to encourage co-management and co-investment. In the medium term, it is expected that the outcomes of these initiatives will be useful to guarantee the CCER's ecological integrity, which is currently threatened by economic pressures and interests in buffer zones.

3) Cuyabeno Faunal Production Reserve (CFPR)

Activities to strengthen the management of the Cuyabeno Faunal Production Reserve (CFPR) will be organized under four main themes:

- a) Strengthening of the PA's environmental authority through training and communication processes. For this purpose, a training and human resource enhancement plan will be designed and implemented for CFPR, considering the new NPAS management model. For this Reserve, the Plan will emphasize training in the areas of:
- Planning, assessment and supervision (oversight and surveillance) of tourism operations
 - Planning, assessment and supervision, with emphasis on ecological monitoring, detection of environmental impacts caused by tourism, petroleum activities and poaching/ illicit fishing
 - Planning, assessment and supervision of sustainable natural resource use activities
 - Conflict management and negotiation techniques
 - Legal procedures to regulate landholding regimes

To complement the training plan, a communication, dissemination and information strategy will be devised for the CFPR.

- b) Strengthening of the CFPR authority's control and surveillance oversight and surveillance powers. Due to this Reserve's particular features – presence of petroleum activities, inflow of settlers and the societal and economic impacts of the Plan Colombia, it is considered a priority to strengthen control and surveillance actions in the Reserve. For this purpose, activities will be funded to improve the existing control and monitoring system, using such tools as GIS. It also aims to coordinate monitoring activities with other MoE units especially the BICE. Agreements with the Armed Forces will be sought for control and surveillance activities and mechanisms to enable the indigenous peoples (especially the Sionas, Cofans and Quichuas) to effectively support this work through agreements, including develop of monitoring systems. Relations with local communities will also be reinforced in the control and surveillance role by granting land to indigenous communities that can demonstrate their ancestral possession (Sionas, Quichuas, Cofans, Secoyas), on the basis of usage and management agreements conditioned on and in accordance with the stipulations of the new Biodiversity Law. Consciousness-raising activities will target the people living in the Reserve and its buffer zone regarding the needs and benefits of improved control and surveillance of the Reserve . Surveillance actions will be strengthened on the basis of ongoing training and financing of physical demarcation, sign placement and regular maintenance of the Reserve's boundaries (landmarks, boundary swathes, signs, indications, etc).
- c) Planning and ordering of tourism activities in the CFPR. These activities seek to reinforce the Director of the PA's capacity to regulate tourism activities in the PA and its buffer zones. The central emphasis will be on reviewing (formulating and/or updating) regulations and norms for tourism activities within the Reserve, and establishing a system for efficient control, monitoring and evaluation. On the basis of participatory consensus-building processes, tourism zoning of Cuyabeno will be redefined, with the inclusion of carrying capacity analysis and environmental impact provisions. In the medium term, it is expected that the strengthening of the Reserve's authority in its functions of regulation and oversight will contribute to coordination processes among the various stakeholders. Consensus-building efforts will consider the cultural variable as a cross-cutting theme, working to foster a recovery of traditional cultures and practices among the indigenous peoples living within the Reserve. The implementation of a strategy to develop Nature-oriented tourism activities involving local stakeholders and communities will

call for consciousness-raising and training actions both to formulate initiatives and to oversee and monitor those already under way.

- d) Establishment of a system to monitor the Reserve's value for scientific research and knowledge. As already indicated, the human pressures on the CFPR are expected to increase in the medium term. Therefore, it is important to establish an efficient system to monitor and assess these pressures in order to record, inventory and disseminate the CFPR's the state of the natural resources. A fundamental part of this system will be to obtain indicators to monitor deforestation and land use (especially in the outer areas of the Reserve); tourism activity; petroleum activity; peasant migration; the migratory flows of displaced persons from Plan Colombia; biodiversity (with emphasis on endangered species); among other aspects. The innovative feature of the proposed system is that it will be linked with applied (or operational) research processes seeking alternatives for sustainable wildlife management, especially for terrestrial and aquatic wildlife species⁸, pursuant to the CFPR management category. The monitoring program will also include a biological component and a socioeconomic component, with two main approaches:
- Monitoring of the impacts of the main threats to the PA's biodiversity.
 - The effectiveness of conservation actions implemented in the PA (e.g. ongoing evaluation of wildlife management projects and their contributions to area conservation).

In the medium term, efficient development of this System is expected to serve as an example for other protected areas comprising the NPAS that, according to specific conditions in each, may be replicated elsewhere.

3. Protected Areas Trust Fund (component 3)

This component consists of the establishment and operation of the Protected Areas Fund (PAF) within the National Environmental Fund (FAN) for the purpose of supporting protected area conservation. The Trust Fund will be invested to generate interest that will cover the recurrent operational costs of six PAs. The GEF contribution to the Trust will be \$4.5 million, on a 1:1 match from other donors. Counterpart funds to capitalize the trust will be deposited in equal amounts to those deposited by other donors.

The basic design of this fund (legal, financial and operational structure) has taken into account the best practices of Environmental Funds of the same nature and the recommendations of GEF Evaluation Report #1-99: Experience of Trust Funds for Conservation. FAN was created in 1994 and operates under private law. Its Board of Directors is constituted by 6 members of the private non-profit, business and social groups, while the seventh seat is for the Minister of Environment. The by-laws of FAN were reviewed by Bank lawyers with knowledge on Trust Funds and the by-laws were modified to increase the number of Board Members and termination clauses that are critical to a GEF operation. The new by-laws of FAN are included in the Operational Manual and the detailed financial and operational management are summarized in Annex 9. FAN's director and staff have assessed the Mexico Protected Areas Trust Fund and the Peru Protected Areas Trust Fund and many of the features of these trust funds have been incorporated in the design of this project. The PAs to be supported by the Trust Fund have been identified following a participatory selection process described in Annex 6)

The GEF portion of this endowment (4.5 million) will be administered by FAN to provide support for basic operating costs – including conservation, community and training activities for three

⁸ In the CFPR there are many fish species that hold promise for in-situ management.

priority protected areas. The activities financed with GEF investments are described in detail in Annex 10 and correspond to the process approach triggered by the MoE, and described in Component 1. Government annual fiscal funding will continue paying for basic personnel, as well as support for basic operations, equipment, and conservation activities in addition to the activities covered with income deriving from the endowment. This combination of GEF and GOE continuous support at the protected area level will benefit the PAs by assuring physical presence, continuity of management, and effective authority on the sites; reducing bureaucracy, expanding geographic and thematic coverage of management programs; reducing illegal settlements, destructive practices, illicit uses; increased social participation and direct assistance to communities; and initiation of valuable inter-institutional exchanges and lessons learned through the participation of other stakeholders.

4.5 million will be provided by other donors to match the 4.5 million from GEF. The income of the matching endowment will be directed to cover these or other conservation costs in any of the 17 reserves considered priority by the current project (Annex 6). The following table summarizes the approach proposed to allocate capital resources obtained from GEF and other donors. The table takes into account the distinction between basic and complementary conservation activities, as well as the break-down of the 17 priority reserves into the two groups of (a) reserves to be financed by GEF's endowment, (b) other reserves that need immediate urgent attention and are part of the prioritization process developed by the Ministry of the Environment and will be covered with matching funds for the GEF endowment.

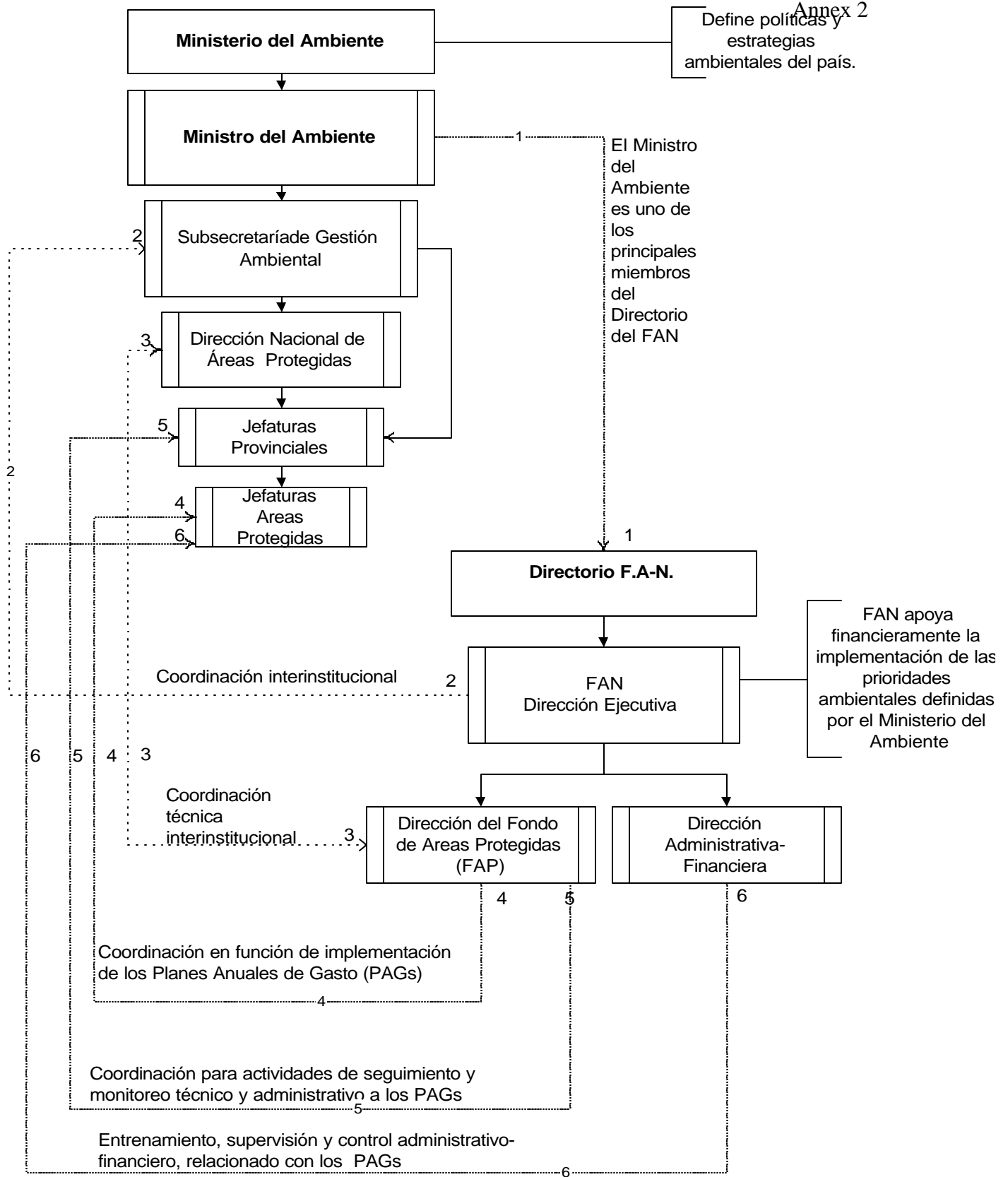
	Areas under GEF's endowment (7) Sangay, Yasuní, Podocarpus, Sumaco Napo Galeras, Manglares-Churute, Mache Chindul, Cotopaxi	Areas in need of immediate attention (10) Manglares Cayapas Mataje, Cajas, Cayambe Coca, Antisana, Limoncocha, Llanganates, Las Ilinizas, El Angel, Pululahua, Chimborazo.
Basic Conservation	*GEF contribution to the endowment. *Contribution from GOE and other donors	*Contribution from GOE and other donors
Additional activities to achieve full protection	Restricted contributions from other donors	Restricted contributions from other donors.

The principles that guided the design of the Project cycle can be summarized as:

- (a) Benchmark other Funds that have initiatives similar to the PAF in order to learn from past successes and failures. The FAN interviewed and studied more than 20 Funds around the world to enrich the process.
- (b) The cycle is based on Protected Areas Planning tools (Protected Area Management Plan and its correspondent Disbursement Annual Plan) in order to ensure that the eligible activities meet long-term objectives of conservation of biodiversity in Protected Areas.
- (c) Sound control, monitoring and evaluation processes have been established to ensure that the resources get to the field on time and are disbursed for the project objectives.
- (d) The design has considered the actual and future MoE's institutional framework.
- (e) Resources will be channeled directly to the PAs.

Within FAN, the Board of Directors will oversee the efficient and effective administration of the endowment. Under the direction of the Board of Directors, PAF will continue to provide oversight for the endowment program according to the project cycle and guidelines contained in the

Operational Manual. The diagram shown below defines the inter-institutional levels of coordination in the different phases of the project cycle described in the Operational Manual (Annex 10).



Under the administrative direction of FAN and in coordination with the PAU, the annual budget per protected area per year will be determined using a formula taking into account the density of

population living in the PA, the number of visitors and the alpha biodiversity present in the area, and technical and administrative performance. This formula will be reviewed every two years to ensure the accuracy for the distribution of the funds.

A detailed description of FAN institutional arrangements, financial projections and fundraising plan is addressed in Annex 9.

A. *Start up costs (non-endowment)*

It is expected that the first disbursement of the GEF endowment (US\$ 1.4 million) will occur in year 2001. The corresponding match of US\$ 1.4 has already been secured. After disbursement has occurred, the capital contribution must be invested for a full year before interests are accrued and available to finance reserve level activities. In order to allow for prompt operation, US\$ 29,000 is required per reserve for its first year of operation. Therefore, in order to avoid invasion of capital and to allow one-year gestation period to elapse, funding for the first year field level operations is requested in non-endowment regular project disbursements. The estimated amount required for this purpose is US\$ 174,000 for 6 reserves. This amount will be equal to the first next year of allocation following the income generated by the first endowment contribution.

B. *Fundraising*

The institutional development unit of the FAN will be strengthened to carry out its role in the major government/private campaign required to raise endowment funds to match the GEF donation. Most of these funds will be obtained from foundations that have assisted and are currently providing support to the FAN; US\$ 0.3 million is requested from GEF starting in year 2001 until 2004. The fundraising plan will involve the GOE, the FAN, and alliances with other NGOs nationally and internationally. The detailed description of this fundraising plan can be found in Annex 10. This sub-component will finance consultancies, studies on the donor markets, dissemination and outreach.

4. *Project Management and Monitoring (component 4)*

Monitoring and evaluation of project activities will be part of the project implementation process. The system will integrate achievement of objectives, progress and completion of activities and financial reporting. The monitoring and evaluation system will be designed on the basis of the project implementation plan (Log Framework) developed during the preparation phase.

In general, the monitoring and evaluation system will be designed on the basis of the fulfillment of the project components and activities.

Annex 3: Project Costs

PROJECT SNAP -"ECUADOR: NACIONAL PROTECTED AREAS SYSTEM"		
ACTIVITIES	PHASE I	
	GEF	Co-Financing
COMPONENT 1: Institutional Strengthening		
1. 1. Legal Framework	160,000	
1.2. Management Models	1,010,000	
1.3. Capacity Building		
1.4. Outreach Activities	250,000	
1.5. Monitoring and Evaluation	50,000	
SUBTOTAL COMPONENT 1	1,470,000	500,000
COMPONENT 2: Sustainable and participatory management of PAs		
2.1. Financial Mechanisms	200,000	
2.2. Participatory management	490,000	
2.3. Strengthening PAs at local level		
2.2.1. Parque Nacional Machalilla	190,000	
2.2.2. Reserva Ecológica Cotacachi-Cayapas (RECC)	200,000	
2.2.3. Reserva de Producción Faunística del Cuyabeno	250,000	
SUBTOTAL COMPONENT 2	1,330,000	1,300,000
COMPONENT 3: PA Trust Fund		
SUBTOTAL COMPONENT 3	4,950,000	4,500,000
COMPONENTE 4: Project Management		
SUBTOTAL COMPONENT 4	250,000	100,000
TOTAL	8,00,400	6,400,000
PROJECT TOTAL	14,401,400	

Annex 4: Incremental Cost Analysis

Overview

The project's general objective is to contribute to the conservation of Ecuador's highly diverse biota by generating a long-term development strategy and establishing a reliable basis for sustainability of the protected area system of the country. The GEF alternative intends to achieve these outputs at a total incremental cost of \$14.4 million. (\$8 million from GEF).

Context and Broad Development Goal

The principal threat to most of Ecuador's rare plant and animal species is the loss or degradation of the natural habitats upon which these species depend. By far the most serious and widespread cause of habitat loss is deforestation (2.3% per year), particularly in the eastern slope of the Andes, the eastern lowlands, and the Amazonian lowlands. The extensive grazing, agriculture, oil exploitation and mining also threatens the rich biological diversity of the country. Many plant and animal species are threatened by direct overexploitation (for wood, meat, skins, or pet trade).

To date, the national Protected Areas System currently consists of 26 protected areas covering approximately 14 million hectares, which is 18% of the country's total area. However, many of Ecuador's protected areas are still with little or no on-the-ground protection.

The goal of the National System of Protected Areas Project would be to significantly improve the sustainable and equitable management of Ecuador's biological diversity by strengthening the management of its National Protected Areas System (NPAS) starting with a Phase 1 project. This 3 year project would support the effective management of three protected areas-Machalilla National Park, Cuyabeno Faunal Reserve and Cotacachi-Cayapas Ecological and the strengthening of a monitoring and evaluation mechanism for the System. In addition, a Trust Fund will be established as the basis for the long-term sustainable financial support three Protected Areas from the System.

Baseline

Under the baseline scenario, grant agreements between the GoE and international cooperation agencies and NGOs (local and international) will continue to be the main source of funding for protected areas during the duration of the project. With the current sources of revenue, the GoE will cover basic operational costs and limited investments costs during project implementation, but will not be able to make additional investments to improve management within the system. In this context, Ecuador will be able to manage only a group of selected protected areas and provide the basic recurrent costs for the System, but this will be insufficient to ensure an operational and financial sustainability.

Strengthen the Institutional and Legal framework under a new structure for the administration of the National System of Protected Areas: Under the baseline scenario, several national and international NGOs and international cooperation agencies will continue to support specific activities addressed to strengthen particularly the institutional framework for the management of the National System of Protected Areas up to an amount of US \$ 17.25 million. This support will include activities such as specific training to park guards, purchase and maintenance of equipment, design of community management plans; socio-environmental monitoring, strengthening of root grass organizations and limited land tenure issues, strengthening and development of co-management structures with the participation of NGOs, GOs and SOs. This contribution however, will be limited to a very reduced number of protected areas (Yasuni, Sangay, Podocarpus), not allowing the strengthening of other relevant protected areas within the system.

The GoE will cover basic recurrent and minor investments at the National System of Protected Areas (excluding the three areas under component 2) up to an amount of US \$ 0.75 million for three years.

In addition, the Ministry of the Environment will continue financing the updating of taxonomic information and basic operational costs of the Biodiversity Information Center up to an amount of US \$ 10,000 in the next 5 to 6 years, but it will not be able to assume the costs of designing and implementing a monitoring system to be applied to the National System of Protected Areas. No additional support from NGOs or international cooperation agencies is contemplated in the near future.

The cost of the baseline under this component will be of US \$ 18 million.

Promote and develop innovative mechanisms for the sustainable and participatory management of three protected areas (Cotacachi-Cayapas, Machalilla, Cuyabeno): The GoE is willing to support the consolidation of these three protected areas and will continue to cover the recurrent cost and specific investments at the three protected areas up to an amount of US \$ 0.22 million during project implementation period. It is unlikely that these levels of financing will increase significantly during project implementation under the baseline scenario, therefore, the GoE will continue to support the consolidation of these protected areas only with additional support from several national and international NGOs and international cooperation agencies.

Under the baseline scenario, these organizations will invest US \$ 3.78 million in development and technical assistance activities. This support however will be limited to the next 4-6 years and will not ensure consolidation nor sustainability of these three protected areas.

The cost of baseline under this component would be of US \$ 4.0 million.

Establish a Protected Areas Trust Fund to cover the recurrent cost of three priority protected areas: Under the baseline scenario, there will be a very low probability of developing and implementing a suitable financial sustainability mechanism such as a trust fund. Existing income generating mechanisms such as tourism entrance fees, scientific research permits and others will only continue providing the basis to finance recurrent costs at the National System of Protected Areas. The establishment of a protected areas account within the FAN, using as seed capital funds from the GEF, and therefore becoming an attractive mechanism to bilateral donors, will not be possible under the baseline scenario. Without this type of incentive, additional income generating alternatives to complement this initiative will not take place either. With the GEF contribution of US\$4.5 million to the Endowment Fund. GEF will contribute an additional US\$0.4 until capitalization occurs. An additional US\$ 4.5 million would be raised towards the Endowment Fund. So for this component, the GEF alternative would be US\$ 9.4 million.

The Baseline Scenario would therefore result in limited institutional capacity for environmental and biodiversity management at the national level, including participatory management of protected areas. The total cost of the activities under the baseline scenario is estimated at US \$ 22 million.

Global Environment Objectives

Ecuador's climatic, geological, topographic and hydrological conditions have allowed the existence of a great variety of habitats and ecosystems, which have provided the basis of unparalleled levels of biodiversity, with considerable global importance. For this reason, Ecuador has been classified as one of earth's 17 "megadiverse" countries. Indicators which have been developed to support this classification include: a density of species diversity estimated to be the highest in the world (9.2 species/km², excluding fish); and a degree of endemism, thought to be second in the world, surpassed only by the Philippines. In terms of flora diversity, the country has an estimated 25,000 species of vascular plants, or approximately

10 % of the world's total. Ecuador's rich faunal diversity is illustrated by the estimated 800 species of fresh water 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 of this biological diversity is sheltered in a country of 283,561 km², equivalent to 0.19% of the Earth's land area.

A consolidated and sustainable protected area system will help conserve a large proportion of this biodiversity and to maintain ecological and evolutionary processes.

GEF Alternative

The GEF Alternative would specifically:

- a) strengthen the leadership role of protected areas, providing highly competent and motivated professionals, isolated from political pressures and institutional change, and able to formulate and implement policies under the guidance of the Minister of the Environment. Similarly, given the existing government policy of decentralization, there will be an important space to create local capacity to manage critical ecosystems in the regional and local levels. It would also be possible to strengthen local governments, NGOs and communities to eventually assume the management of protected areas;
- b) finance a highly qualified team that will accompany the development of the project and transfer to central administration and field staff their knowledge and expertise related to management techniques, social work, relation with grassroots organizations of base, formulation and application of policies, to dictate and enforce norms and laws to promote and facilitate the development of activities focused on the conservation and the sustainable use of biological diversity;
- e) strengthening selected protected areas and the application of the new institutional mission and long-term vision for the NPAS. Specific co-management and co-investment mechanisms will be identified to incorporate the concept of integrated management and collaborative participation of stakeholders;
- f) establishment of a Protected Areas Trust Fund to cover the recurrent cost of 6 priority protected areas, allowing long-term financial sustainability. This will allow financing of three relevant components: 75 to 82 percent of annual Funds program expenditures be devoted to PA's conservation programs at the reserve level; 9 to 12 percent to central coordination activities managed at the national level; and 9 to 12 percent to the Funds administration;
- g) the design and initiation of a monitoring system to be applied to selected protected areas within the System. Among other relevant issues, the following will be monitored: (i) status of biodiversity; (ii) management efficiency; (iii) implementation of management plans; (iv) behavior and actions of local communities regarding conservation issues.

The GEF Alternative would have impact on the ground that is sustainable - from the social, institutional, and financial perspectives - after project completion. First, three parks of critical importance to the world's biodiversity will have begun to use economic instruments to finance park management and implement co-management arrangements between the private and public sectors. Processes that lead up to this achievement will be conducted in a highly participatory manner, incorporating stakeholders from the private sector, NGOs, and government. And training to instill capacity to implement these financing and institutional mechanisms will have taken place. Thus, the project will produce institutional and financial conditions that will enable three highly important parks for global biodiversity, to be well functioning. Without the project, the biodiversity protection of these parks will be limited and not secured for the long-run. Second, six other parks, also of critical importance to the world's biodiversity,

will a secured long-term source of recurrent cost financing for basic park management activities through the private sector-run Trust Fund. This will improve the protection accorded to biodiversity for these three parks, compared to the baseline scenario, although the level of projection will not be optimal. Third, changes at the macro level, coupled with the demonstration effects from these targeted parks, will set the stage for replication of the pilot sites to other areas of the NPAS. Specifically, three regulatory reforms will have been implemented during life of project that will enable other parks with market potential to mobilize financing through economic instruments and to create co-management arrangements between the private and public sectors. A well-run Trust Fund will be a vehicle for future capitalization efforts that will enable additional parks to receive financing to cover recurrent costs.

In sum the GEF Alternative would be an important step toward the long term achievement of biodiversity conservation through integration of key stakeholders in the management of protected areas, and creating the framework for long-term social and financial sustainability. Total Expenditures under the GEF Alternative is estimated at US \$ 36.4 million.

Incremental Cost

The difference between the cost of the Baseline Scenario (US\$ 22 million) and the cost of the GEF Alternative (US\$ 36.40 million) is estimated at US\$ 14.40 million (US\$8.0 million from GEF). This represents the incremental cost for achieving global environmental benefits and is the amount requested from the GEF.

Incremental Cost Matrix for GEF Funding

Component	Cost Category	Cost US\$ Million	Domestic Benefit	Global Benefit
Institutional strengthening	Baseline	\$ 18.0	Basic tools for the effective management of a limited number of protected areas.	Some short-term protection of biodiversity of global importance
	GEF Alternative	\$ 20.35	Integrated management approach for SNAP that responds to broader social, economic, and political realities	Long term protection of priority ecoregions of global importance
	Incremental	\$ 2.35		
Sustainable and participatory management of selected protected areas	Baseline	\$ 4.00	Some level of community work and technical assistance activities unlikely to achieve financial sustainability of selected areas.	Short-term protection of biodiversity of global importance
	GEF Alternative	\$ 6.65	Full understanding of long-term management needs, increased public participation in management and better resource allocation	Greater coverage of globally significant areas
	Incremental	\$ 2.65		
Protected Areas Trust Fund	Baseline	\$ 0	Very limited or non-existent capture of donor resources to finance some recurrent costs of management and Minimum level of revenue generation.	Short-term protection of biodiversity of global importance
	GEF Alternative	\$ 9.4	Establishment of financial mechanisms that will reduce burden to state; increased community participation and ownership and poverty alleviation.	Established basis for sustainability at all three levels (social, financial, and ecological)
	Incremental	\$ 9.4		
TOTALS	Baseline	\$ 22.0	Management of selected protected areas, and maintenance of adequate level of support to the central unit	Short-term protection of biodiversity of global importance
	With GEF Alternative	\$ 36.40	Setting the basis for sustainability based on long-term planning and social and financial tools	An efficient long-term management of selected protected areas which conserve ecoregions of global importance
	Incremental	\$ 14.40		

Annex 5: STAP Roster Expert's Technical Evaluation

GLOBAL ENVIRONMENT FACILITY-STAP Expert Comments

COUNTRY: Ecuador

PROJECT: “National Protected Areas System”

DATE: March 7, 2001

REVIEW BY: Kenton Miller, Ph.D.

1. **Overall Impression:** The importance of this project lies in its focusing on areas of very high national and global biodiversity value, and that its design is based upon a solid earlier GEF project phase. It focuses on a limited agenda of critical actions, and it will stay engaged for a period of time that may be sufficient to achieve its objective. While the project design is strong, exposition of the proposal is less so.
2. **Relevance and Priority:** The priority is very high given the national and global biodiversity value of the sites where the project will work. It is also relevant at this moment given the rather significant institutional restructuring taking place in Ecuador. Now is the time to help the Government, NGOs and communities move the protected areas program forward institutionally to fit within the new framework.
3. **Background and Justification:** The project brief sets out the background and justification for the project in clear terms. Protected areas represent a key strategy for a country with among the world’s highest biodiversity. The PA program has been suffering from a series of weaknesses that challenge the potential of these sites to maintain this diversity and provide options for the nation’s development. In the midst of a major restructuring of the nation’s institutions, the base line for Pas would hardly provide security for these areas and resources. Hence, the need for international cooperation.
4. **Scientific and Technical Soundness:** The project does not focus on actual scientific or technical methods regarding biodiversity conservation *per se*. Rather, its focus is on institutional, financial, and managerial strengthening – all appropriate and necessary needs. Technically, the approaches that are proposed for reforming legal and policy instruments, for promoting stakeholder participation in management planning and implementation, and for establishing a new fund, are sound. They follow what is becoming normal practice in these areas.
5. **Objectives:** The terminology used to delineate “goal”, “objective”, and perhaps “aim” is used inconsistently. There is no stated “overall goal.” What is stated as the project’s development objective is stated more as an “activity” (p. 1). Again in Annex 1, the goal and objective statements are presented somewhat differently, and again, more in the language of activities rather than measurable objectives. An overall objective statement might better read: “The highly diverse biota of Ecuador will be secured by strengthening selected Protected Areas.” Then, the specific objectives would focus: “Institutional and Legal reforms will promote the participation of stakeholders ...” etc.
6. **Activities:** The activities are well defined, and taken together, promise to achieve the project overall objective. I’ll make some comments on specific items below.

7. **Participatory Aspects:** The Brief builds upon a previous phase of GEF work on this same subject. Considerable participation with stakeholders was achieved in that earlier phase as well as during this planning step. Most importantly, this project provides for major involvement of local residents in and around the selected protected areas, and their engagement in area planning, implementation, monitoring and evaluation.
8. **Global Benefits:** Global benefits from the project are clear. If these sites can be maintained in their near wild state, then a significant portion of the world's biodiversity will be secured.

9. **Specific Comments:**

How will this project coordinate its efforts with the NBS as it is finally developed?

Specify the “new mission and vision proposed for the protected areas.”

What is the management model. referred to in the Brief?

The term sustainable use of natural resources is used in a section of the document. What does it refer to?

Clarify that seminars/workshops will not be the only stakeholder participation that will take place during implementation.

What is the high-level technical team? Provide further details. My concern is how can one engender a bottom-up approach to planning and implementation with a top-down approach to training? Explain how this works.

Annex 5b: World Bank Response to STAP Reviewer's Comments

- The objectives and goals of the project need to be consistent in the whole document. Development goals are stated as simple activities. *Response:* The project Brief has been revised initially within the time frame allowed to incorporate these suggestions. Additional improvements will be done once the WB team can meet with the government team.
- The reviewer requested further clarification on how this project will coordinate its efforts with the NBS as it is finally developed? *Response:* The project is fully integrated with the National Biodiversity Strategy. The National Biodiversity Strategy has been developed in close coordination with the project, where key emphasis has been given to in situ biodiversity conservation by strengthening the NPAS. Within the National Biodiversity Strategy, the priority right now is to accomplish two major goals. One is to finalize the Strategy's Action Plan, in which the project is a key instrument to assure its operationalization. In addition, the project's frame within a 15 year programmatic scenario, contributes to the definition of the long term governmental actions needed to ensure biodiversity protection, hence achieving the goals defined by the NBS. A second goal is to finalize the Biodiversity Law and pass it by Congress. The enactment of the Biodiversity Law will be a key contribution to the strengthening of the NPAS, as it will set the necessary legal and political conditions for efficient PA management. In addition, within the project attention has been given to the formulation of specific regulations in support of the Biodiversity Law, which will complement the institutional restructuring pursued by MAE in relation to the NPAS.
- Specify the new mission and vision proposed for the protected areas. *Response:* The NPAS main mission is to ensure the long term sustainability of Ecuador's protected areas. The vision is to develop new participatory and financial models to carry out its mission. The vision is not only the Government's vision but it also incorporates the vision of the NGO sector and some social groups. Due to the economic crisis, the government sees its role as a catalyst of other supporters and not as a centralized and controlling government. Both the Mission and Vision of the NPAS has been validated during the project's preparatory phase. Therefore, there is great coincidence between the NPAS mission and vision and the project's formulation, as the latter is seen as a means whereby they can be accomplished. The project aims to contribute to the long term sustainability of the NPAS by implementing innovative management and financial mechanisms, with active participation of the main stakeholders
- It is also relevant at this moment the rather significant institutional restructuring taking place in Ecuador. Now is the time to help the Government, NGOs and communities move the protected areas program forward institutionally to fit within the new framework. *Response:* The Institution-building component focuses on developing a long-range process to reform and restructure the NPAS so the outcomes can continue after project completion. The component has been formulated in view of achievements and lessons learned under the first GEF-Pilot Phase project. First, the project will restructure the Protected Areas Unit that will consist of a small highly qualified team. This Unit will be advised by a Parks Advisory Commission. These two structures will provide institutional sustainability. The Advisory Commission will provide wide stakeholder participation and ownership that was not there during the Pilot Phase. The new Unit and the Commission would have to be in place as a condition of Grant Effectiveness. The team will oversee the NPAS and manage the decentralization process, legal and financial sustainability reforms. Three regulations directly relevant to park management at the field level would be in place, three agreements at three local level to implement the co-management processes will be key results. Finally a monitoring and evaluation

program would be applied at three pilot areas and training of NPAS staff and other stakeholders involved (both central and local) will also take place.

- The PA program has been suffering from a series of weaknesses that challenge the potential of these sites to maintain this diversity and provide options for the nation's development. In the midst of a major restructuring of the nation's institutions, the base line for PAs would hardly provide security for these areas and resources. *Response:* Project was designed taking into account the challenges to maintain biodiversity in Ecuador and to provide security and resources for PAs. The current project is built upon a long-term vision for managing the NPAS in an incremental way and a smaller experimental approach that has been adjusted to match the political and social reality of Ecuador. The major goal is to build successful stories in three parks of critical importance to the world's biodiversity from the standpoint of institutional, financial and social sustainability. Once this initial success is accomplished, these models can be replicated and will inspire confidence in future donors and supporters for continued phases. Financial sustainability will be tested and functioning at the Park level providing security of the pilot Parks.
- Given the importance of biological diversity in Ecuador, the project should focus on impact on the ground. *Response:* The project will address the management needs of three pilot parks in a participatory way and with concrete results on the ground. During the Pilot Phase, investments at the park level focussed on equipment and infrastructure and lacked emphasis on effective management. The current project takes a very different approach by using only three parks as models to demonstrate effective management. Two of these parks were supported during the Pilot Phase. During the Pilot Phase, the activities financed had included the preparation of a management plan for Machalillas, a buffer zone plan for Cotacachi-Cayapas, and building two visitors centers and providing car, field equipment, furniture, etc.. in Machalillas and in Cotacachi-Cayapas. The new activities will focus on effective management of specific threats rather than infrastructure building, on building local ownership and involvement and testing financial revenue generated activities.
- The reviewer requested that the new management model be described in more details. *Response:* The current model been developed by the Ministry is the product of a technical and administrative analysis oriented to achieve a higher degree of administrative efficiency, considering its role as the national environmental authority. The position also stipulates a transformation in the Ministry's human resources. The main guiding principles of the new management models is:
 - a) Integral NPAS management- PA management and biodiversity conservation are to be accomplished simultaneously through the establishment of managerial schemes that ensure team work, consensus based decision making and technical excellence NPAS management should take into account diversity and heterogeneity among and within the PAs. On ground (at each PA) planning and operation activities must incorporate such diversity during the design, implementation, monitoring and evaluation of the management plans.
 - b) NPAS management should be reflexive and adaptive. Given the rate of changes in social and economic conditions within the Pas, the managerial approach must be anticipatory and at the same time proactive. NPAS Staff (both at the central level and at the field) should develop the skills to respond effectively amidst the changing environment;
 - c) Development of a core team of professionals, isolated from political pressures and institutional change, who will be able to formulate and implement policies under the guidance of the Minister of the Environment. To this end, it will be necessary to finance a highly qualified team that will

accompany the development of the project and transfer to central administration and field staff their knowledge and expertise related to: management techniques, social work, relation with grassroots organizations of base, formulation and application of policies, to dictate and enforce norms and laws to promote and facilitate the development of activities focused on the conservation and the sustainable use of biological diversity. This team will be the stepping stone for the implementation of the new managerial model;

d) Stakeholders capacity building. Given the existing government policy of decentralization and public participation, there will be an important space to create local capacity to manage critical ecosystems in the regional and local levels. It would also be possible to strengthen local governments, NGOs and communities to eventually assume the management of protected areas. There is also a need to establish consensus building among the stakeholders in contribution to biodiversity protection and PA management;

e) Coherence between the managerial model, capacity building efforts and the long term vision for the NPAS through the application of the managerial model in three pilot PA. . Specific co-management and co-investment mechanisms will be identified to incorporate the concept of integrated management and collaborative participation of stakeholders. In addition, the implementation of the managerial model in these three PA, will enable the NPAS administration identify common bottlenecks and provide solutions and changes prior its implementation in the rest of the PAs.

- The term sustainable use of natural resources is used in a section of the document. What does it refer to? *Response:* The NPAS – MAE endorses the need to incorporate main stakeholders in sustainable PA management. From this perspective, the term sustainable use of natural resources refers to two aspects of the project design. One refers to the activities around developing and implementing mechanisms to generate financial sustainability of the Pas. For example, the project will implement Nature Tourism activities as a mechanism to generate income for the PA. In this context, the project is define this activity as sustainable use. The second aspect of the project regards to the activities that constitute a threat to the PA. In thre three selected PA the project will pay close attention to unsustainable activities that pose threats to biodiversity and in conjunction with local stakeholders will define and implement strategies to promote the sustainable use of natural resources. For example is fisheries is overexploited, then the project will design a project at the local level that will promote the sustainable use of the fish resources in a particular PA.
- Clarify that seminars/workshops will not be the only stakeholder participation that will take place during implementation. *Response:* During implementation, the government will sign co-management agreements with NGOS and local groups to include them in the participatory management of the PA at the local level. In addition, after reforms in the legal framework, concession mechanisms for management activities in the PA will be developed. In these active participation of stakeholders will be promoted. Also, some PA will test financial mechanisms to generate income from productive activities and to re-invest them for PA management. These financial mechanisms will be carried out by NGOs and local groups. Finally, active participation will be pursued from indigenous and local communities living within the three selected protected areas by establishing local steering committees, where the PA management priorities will be complemented with the population needs. The steering committees will contribute to consensus building for the design, implementation and evaluation of the PA management plans sought to be completed during the project..
- What is the high-level technical team?. The reviewer's concern is how can one engender a bottom-up approach to planning and implementation with a top-down approach to training? *Response:* The idea

of a high level team is the team will own a high level of technical and professional expertise to respond effectively to the current management needs of the NPAS. This team will instill leadership and enthusiasm at the Protected Areas Unit (PAU), elements that are lacking. As a small team it will be able to foster horizontal team work efforts and not apply top-down approaches, as these are not considered in the proposed managerial model. On the contrary, the government has learned that authoritarian and centralized approaches has not worked in the past. The capacity building will be assessed by the local groups and local staff that will be trained and their will be a process of feedback.

Annex 6: SELECTION PROCESS AND LIST OF CANDIDATE PROTECTED AREAS

Definition of Selection Criteria

The first process in the selection of protected areas was the development of selection criteria, predominantly those of bio-diversity.

In addition to the criteria of bio-diversity and PA management, other selection criteria were identified that considered social, economic and political factors, which should be taken into account for the selection of protected areas

Biodiversity and PA management Criteria

The study “*Estado de Conservación de la Biodiversidad en el Sistema Nacional de Áreas Protegidas del Ecuador Continental*” (Bio-Diversity Conservation Status in Continental Ecuador’s National System of Protected Areas), developed by Campos et al. (2000)⁹, was used as a basis to prioritize the criteria of bio-diversity and protected area management, which were analyzed during the selection of areas. Its main purpose is to systematize existing information on the protected areas of continental Ecuador, on the level of species diversity (birds, mammals and amphibians) and landscape diversity. This study, in turn, is based on the plant classification done for Ecuador by Sierra (1999)¹⁰.

Additionally, the study on Bio-Diversity Conservation Status is meant to be a starting point for the development of protected area monitoring and evaluation programs, being part of the design of the project: “Ecuador: National System of Protected Areas NSPA- GEF Project”.

The following criteria of bio-diversity and protected area management were considered and given a value in the selection of areas:

- Representation of the ecosystem
- Presence of natural vegetation
- Diversity of ecosystems
- Diversity of species
- Presence of endemic species
- Presence of endangered species
- Importance due to remnants
- Size of the PAs
- Protection of ecosystems
- Efficiency of protection
- Level of pressure on area

Social Criteria

Based on the findings of the study “*Evaluación Social de las Áreas Protegidas del Ecuador en el Contexto de un Nuevo Proyecto GEF*” (Social Assessment of Ecuador’s Protected Areas within the

⁹ “*Estado de Conservación de la Biodiversidad en el Sistema Nacional de Areas Protegidas del Ecuador Continental*”, 2000 (not published). Campos F., Cano, V., & M. Rodriguez. Preparation for the project “*Ecuador: Sistema Nacional De Areas Protegidas SNAP- Gef II Fase*” Ministry of the Environment – FAN.

¹⁰ Sierra, R (Ed.) 1999. “*Propuesta Preliminar de un Sistema de Clasificación Vegetal para el Ecuador Continental*”. Proyecto INEFAN-GEF-BIRF y EcoCiencia. Quito, Ecuador.

Context of a New GEF Project)¹¹, a technical team from the Sinchi Sacha foundation helped to define, prioritize and validate the social criteria that should be considered in the selection process. This study is required for designing the project “Ecuador: National System of Protected Areas NSPA- GEF Project”. The social criteria that were prioritized are:

Existing population inside and outside of the PAs.
Intensity and development of natural resources.
Economic intervention processes and existence of local capacity.
Potential for replicating a demonstration in other protected areas.

Economic and Administrative Criteria

It was important to analyze different economic and administrative criteria during the selection of protected areas. The criteria studied were:

Efficiency in NSPA management
Possibilities to develop eco-tourism programs in the PAs
Levels of investment by international cooperation in the PAs

The analysis of NSPA management efficiency took into account the finding of the study “*Evaluación de la Eficiencia del Manejo del Sistema Nacional de Áreas Protegidas del Ecuador*” (Management Efficiency Assessment of Ecuador’s National System of Protected Areas)¹² developed by the Bio-Diversity Protection Project. This study, based on assessment methodologies designed by Farias and Izurieta for Costa Rica, considers the analysis of 124 variables and assigns a percentage point to the management of each of the protected areas in the NSPA. The percentage points assigned were:

0 – 30 %	Unsatisfactory management
31 – 50 %	Slightly satisfactory management
51 – 70 %	Satisfactory management
71 – 90 %	Very satisfactory management
91 – 100 %	Ideal management

The possibility of developing PA eco-tourism programs was analyzed based on the Management Efficiency study mentioned above, considering the following variables: Number of visitors per PA; Number of tour operators per PA; Existing infrastructure per PA, and Tourism revenue generated per PA (# of visitors + operation patents).

Another variable that was considered was the levels of investment per PA (June 2000), an analysis developed to calculate incremental costs in designing the project “Ecuador: National System of Protected Areas NSPA- GEF Project”.

¹¹ “*Evaluación Social de las Áreas Protegidas del Ecuador en el Contexto de un Nuevo Proyecto GEF*”. 2000 (not published). Sinchi Sacha foundation. Preparation for the Project “*Ecuador: Sistema Nacional de Areas Protegidas SNAP- Gef II Fase*”. Ministry of the Environment – FAN.

¹² “*Evaluación de la Eficiencia del Manejo del Sistema Nacional de Áreas Protegidas del Ecuador*”. 1999 (not published). Valarezo V., Andrade R., Díaz R., Célleri Y., & J. Gomez. Strategic Plan for the National System of Natural Protected Areas. Bio-diversity Protection Project GEF I.

Political Criteria

Another set of criteria analyzed during the selection were the so-called “political” ones, which include:

Opportunity to develop other GEF projects in PA.

Regional representation (1 PA selected per geopolitical region – Coast, Andes, Amazon)

Support for PA de-concentration and decentralization processes.

Results of the Protected Area Pre-selection Workshop

With the criteria defined and prioritized, a Protected Area Pre-selection Workshop was held (July 25) with 33 experts in protected area management attending, including members of the Project Design Advisory Group, representatives of NSPA heads of area, and Ministry of the Environment authorities. The objectives of this workshop were to present the preliminary results of the criteria analysis, complete their final validation, and pre-select the protected areas to be considered both for investments and to cover recurring costs, in accordance with the plan proposed during project design.

During the morning session of the workshop, the results were presented and the criteria were discussed and validated. In the afternoon session, the participants were presented with a survey that included the validated selection criteria and the protected areas to be pre-selected. Each participant was asked to fill out the survey individually, and the results were tabulated. It was announced that the results would be presented to the Ministry of the Environment authorities for final selection.

The survey results are shown on the following table:

PRE-SELECTED PROTECTED AREAS	Score
CUYABENO FAUNA RESERVE	450
COTACACHI CAYAPAS ECOLOGICAL RESERVE	446
MACHALILLA NATIONAL PARK	426
SANGAY NATIONAL PARK	419
YASUNI NATIONAL PARK	417
PODOCARPUS NATIONAL PARK	401
CAYAMBE COCA ECOLOGICAL RESERVE	397
SUMACO NAPO GALERAS NATIONAL PARK	396
MANGLARES-CHURUTE ECOLOGICAL RESERVE	361
MACHE-CHINDUL ECOLOGICAL RESERVE	355
COTOPAXI NATIONAL PARK	353
MANGLARES CAYAPAS MATAJE ECOLOGICAL RESERVE	350
ANTISANA ECOLOGICAL RESERVE	342
LIMONCOCHA BIOLOGICAL RESERVE	338
LLANGANATES NATIONAL PARK	329
LOS ILINIZAS ECOLOGICAL RESERVE	323
CAJAS NATIONAL PARK	317
EL ANGEL ECOLOGICAL RESERVE	295
PULULAHUA GEO-BOTANICAL RESERVE	294
CHIMBORAZO FAUNA RESERVE	284

These results were presented to the Ministry of the Environment authorities, especially to the Minister of the Environment, for approval of the selection made by the group of experts and to discuss the results.

Considering the workshop results and analyzing the components suggested in the project design, three protected areas were selected to apply the mission and vision discussed and agreed on in a participatory fashion, and to receive investments. Likewise, the areas whose recurring expenses will be covered by the project were prioritized, and the 6 protected areas obtaining the highest score were selected as beneficiaries of this component during the first phase of capitalization.

The final selection results are presented on the following table:

SELECTED PROTECTED AREAS	
Investment Component	
	CUYABENO FAUNA RESERVE
	COTACACHI CAYAPAS ECOLOGICAL RESERVE
	MACHALILLA NATIONAL PARK
Recurring Cost Component	
	SANGAY NATIONAL PARK
	YASUNI NATIONAL PARK
	PODOCARPUS NATIONAL PARK
	SUMACO NAPO GALERAS NATIONAL PARK
	MANGLARES-CHURUTE ECOLOGICAL RESERVE
	MACHE-CHINDUL ECOLOGICAL RESERVE
	COTOPAXI NATIONAL PARK
	MANGLARES CAYAPAS MATAJE ECOLOGICAL RESERVE
	CAJAS NATIONAL PARK
	CAYAMBE COCA ECOLOGICAL RESERVE
	ANTISANA ECOLOGICAL RESERVE
	LIMONCOCHA BIOLOGICAL RESERVE
	LLANGANATES NATIONAL PARK
	LOS ILINIZAS ECOLOGICAL RESERVE
	EL ANGEL ECOLOGICAL RESERVE
	PULULAHUA GEO-BOTANICAL RESERVE
	CHIMBORAZO FAUNA RESERVE

Considerations of the PA Selected for Investment

The areas selected (both for the investment component and the recurring cost one) have high indices of bio-diversity and are considered of global importance according to the criteria analyzed.

The tremendous bio-diversity found in the selected areas, being the basis for various economic activities, offers interesting opportunities for self-sustainability. The potential for a sustainable use of this bio-diversity is great, with options relating to eco-tourism, medicine production (bio-prospecting), food, development of agroforestry systems in the buffer zones, use of non-timber forest products, among the most conspicuous ones. These PA already have positive experiences in natural resource management.

There are several indigenous communities in the areas, with great cultural wealth, that are organized, have management capabilities, and experience in sustainable ecosystem management. Additionally, several NGOs are carrying out various conservation and management projects financed through international cooperation agencies that act as strategic partners of the Ministry. (Investment and social analysis).

The selected areas have developed a series of governmental administration and management that enable their long-term conservation (NSPA management efficiency evaluation).

There are diverse pressures and threats on the resources of these areas, such as the development of infrastructure works with no appropriate environmental and social impact studies, accelerated deforestation caused by the advancing farm frontier, extraction activities for resources like oil, and mining activities, to mention the most degrading ones. It is essential to take resource conservation measures in order to mitigate these threats. One special consideration is the impact that Plan Colombia activities could have on the Cuyabeno Fauna Production Reserve, part of whose territory has been declared an Intangible Zone by the Ecuadorian Government in order to conserve its natural resources to benefit existing indigenous communities.

Landholding in the sectors of selected areas needs to be clearly defined, and it is necessary to develop actions to ensure and consolidate land tenancy.

The selected areas are representative of the three geo-political regions of the country.

Annex 7: Institutional Analysis

Advances in the regulatory framework

Since the mid-90's, the theme of biodiversity has gained strength within the Ministry of Environment (MOE). In order to maintain and promote sustainable use of Ecuador's biodiversity, the Ministry has undertaken the important process of institutional reform. This institutional re-organization effectively began with the fusion of INEFAN with the Ministry in 1999. It's fitting to point out that the Biodiversity Protection Project worked in aiding the NPAS under the structure of INEFAN, in which the Natural Areas and Wildlife Directorate (NAWD) existed. Before discussing the MOE's new structure and its relation with the NPAS, let's recount the NPAS's experience under NAWD.

Natural Areas and Wildlife Directorate – INEFAN

As the observations of the World Bank Missions during the Biodiversity Protection Project pointed out (see Biodiversity Protection Project: Final Report), the NAWD administration suffered from a series of limitations. NAWD had the purpose of facilitating its administration, especially in budget management, (being directly below the Executive Directorate it was assumed that budget allotment for the NPAS would become more expeditious) but despite its position, in reality this did not occur. Lack of a strategic planning process for the PA within the NPAS was one of the most recurrent and debilitating factors for NAWD. Another limiting factor was the lack of a clear NPAS mission and vision which resulted in having no coherent delimitation of responsibilities and functions for NPAS personnel, from the Directorate at a central level, to the Area Directors at a local level. During various times, the development of an institutional analysis – including revising responsibilities for Directorate personnel working on preserving in-situ biodiversity conservation - was given high priority. However, NPAS needed to establish a procedure and operations manual which would allow coordination between central and local staff, it also needed to strengthen the technical and administrative capacity of the NAWD in order to effectively complement the PA.

In summary, the NAWD administration was characterized as rigid and centralist by nature with deficiencies in the decision making processes and in the NPAS's financial administration. Additionally, the absence of planning processes affected the Directorate staff negatively, technical development of personnel was not achieved due to prior budget constraints. The structural conditions of INEFAN and NAWD provoked a disconnect that allowed for limited coordination, while the staff were primarily occupied resolving PA administrative issues and not long term administrative matters. The weakening of the NPAS was also a product of rivalries at a provincial level- between the Forestry Districts and the Area Offices. According to the structure of INEFAN, the Forestry Districts were the administrative bodies and PA needs were required to go through the District Officers. Since the Districts lent greater importance to forestry issues, an intermediary relation was established which was harmful for the NPAS, in which PA priorities were treated as secondary.

Institutional Arrangements since the Fusion of INEFAN with the Ministry of Environment

One of the fundamental changes concerning the administration of the NPAS began, as previously pointed out, with the fusion of INEFAN with the Ministry of Environment. This prompted the disappearance of the INEFAN Directorate which was replaced by an environmental authority administered solely through the Ministry.

Changes have also occurred in the policy and regulatory framework since the fusion of INEFAN and the MOE. A brief chronology of the progress achieved in this period is as follows.

The NPAS Master Plan

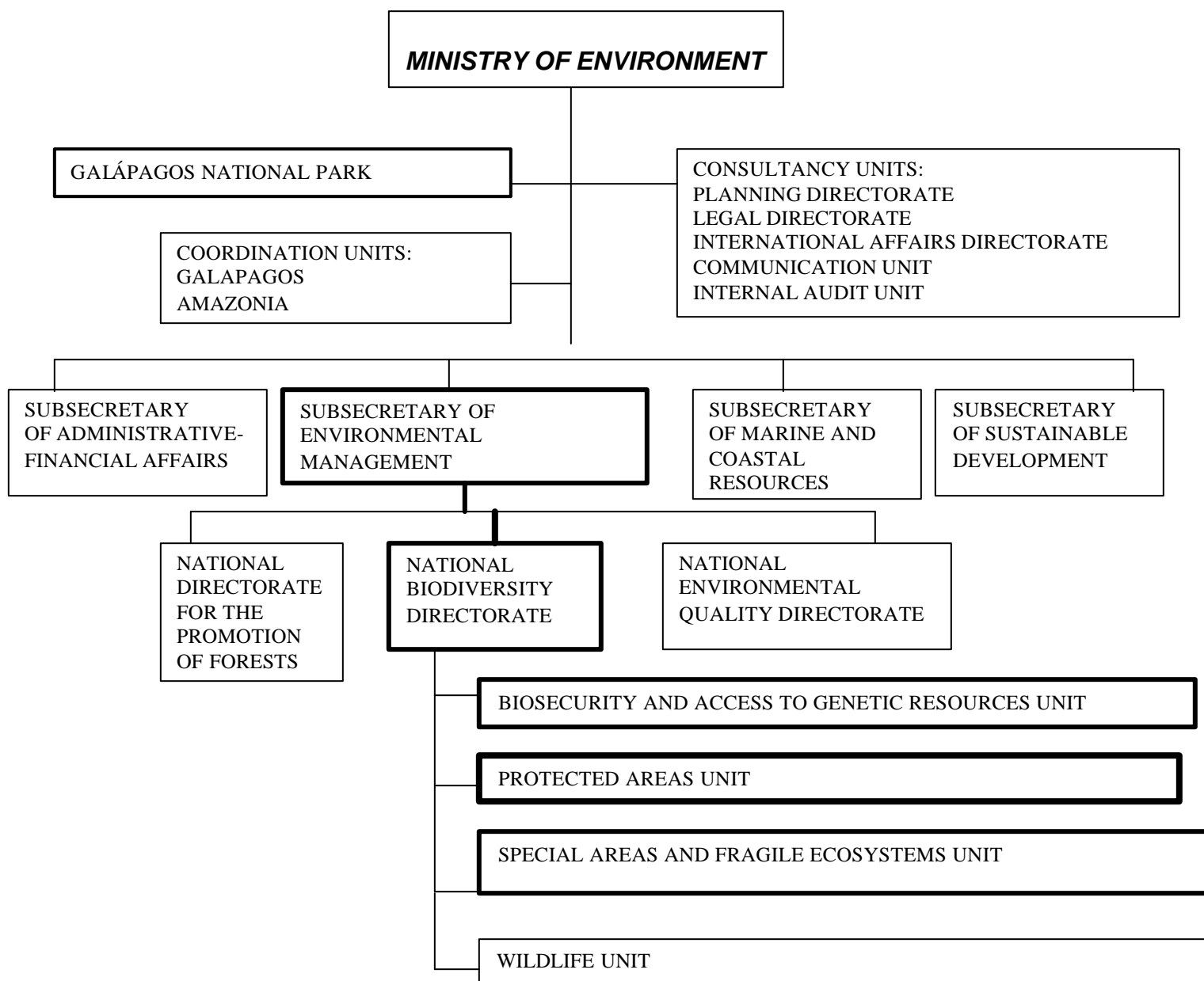
In 1999, the Biodiversity Protection Project proposed the first version of the NPAS Master Plan, in which needs and priorities for *in-situ* conservation were defined for the state. In this Master Plan, an evaluation of management efficiency for the various NPAS protected areas was achieved by means of a multivariate evaluation system. Due to the marked political changes that occurred in the last two years, this Master Plan should be radically modified in the hopes of operationalizing its application and constituting the fundamentals within its technical base for a short and medium term change in the administration model for the NPAS, as much at the central level as in each PA. Currently, the Ministry is revising this Plan with the goal of elaborating a Strategic Plan for the NPAS.

National Biodiversity Strategy

The Ministry has been designing this Strategy, in which the need to strengthen the NPAS is identified as a priority task, since January, 2000. Project GEF II applies itself fully to this Strategy since it aims to elevate the institutional capacity, by means of political and legal reforms. Within the Strategy design, the Draft of the Special Law on Biodiversity was developed by means of an ample process of participation and consultancy between distinct public sectors, businesses, NGOs, governmental organizations and civil society actors. Moreover, the National Biodiversity Work Group (NBWG) has been consolidated, achieving significant advances on defining an administrative model which the Ministry should assume in order to conserve biodiversity *in-situ*, principally through strengthening the NPAS. The aforementioned progress has unleashed a considerable debate within the interior of the Ministry of Environment, as well as outside it – among civil society actors (NGOs, indigenous and community organizations), national and regional governmental entities (provincial municipalities and councils) and the private sector, about the validity of biodiversity conservation and sustainable use within the country. Recognition of the strategic importance of biodiversity by various actors constitutes a step in a positive direction, since the future development of Ecuador is intimately linked with the sustainable use and management of its natural resources. However, much of this recent euphoria, expressed through public opinion, has not been translated into efficient state support for the NPAS. In recent years, public institutions have experienced a strong financial deficit, in large part produced by the economic crisis. In addition to the general crisis, the NPAS has experienced a significant reduction in its revenue since expediting the Galapagos Law, making the potential for operative management difficult.

In order to achieve a greater degree of efficiency in NPAS administration, the Ministry establishes the Protected Areas Unit to replace the Natural Areas and Wildlife Directorate (NAWD) and adds the Biodiversity Directorate as the entity charged with formulating and applying the state policies on the matters relating to biodiversity. The following diagram (1) summarizes the established changes, emphasizing those which affect NPAS.

DIAGRAM 1: ORGANO-FUNCTIONAL MATRIX OF THE MINISTRY OF ENVIRONMENT, 2000



A first glance at the matrix illustrates that the NPAS has been relegated to a fourth order level of importance, since its administration will depend on the Protected Areas Unit. However, this change does not intend to lessen the System's relevance, but rather to provide coherence to the biodiversity focus and subsequently, *in-situ* conservation.

Towards a new model of administration

The current position of the Ministry is the product of a technical and administrative analysis oriented to achieve a higher degree of administrative efficiency, considering its role as the national environmental authority. The position also stipulates a transformation in the Ministry's human resources.

Each Sub-Secretary, Directory and Unit are charged with fulfilling certain institutional processes, and in order to carry such processes, personnel and equipment requirements have been established. In this respect, the Ministry already relies on a process and procedure manual to cover the demands of the new administration. Moreover, an internal planning process has been effected and operational plans for the aforementioned different Sub-Secretaries and Directories also exist. Needs and priorities for human resources training and optimization are being simultaneously defined, as well as terms of reference for the responsibilities that have been created.

The proposed reforms are necessary, considering the current project layout for the Protected Areas Unit. Currently, the Unit is composed of 6 functionaries from the Central Office. Each of are in charge of and responsible for the supervision and administrative technical assistance of between three and four protected areas. This operational system has converted the functionaries into generalists, who, being overburdened with different problems, end up suggesting and applying similar proposals and actions for all the PAs (using a vertical approach) even though they have specific problems. This type of organizational planning continues to be anchored in a conventional administrative model- one that is not very participatory and not adaptive to the changing conditions and opportunities. Furthermore, lack of a flexible system incites lack of communication within the Unit's, since coordination and cohesion between the functionaries is not required in order to confront certain recurrent themes in each area. In this manner, supervision becomes an individual exercise, often guided by subjective parameters and criteria. This model has accentuated the weakness of environmental authority within the interior of the parks and reserves, since the work of the Area Officers does not have the backing of a coherent policy which takes into account either the management category specific to the area or the specific local context.

Changes in the structure and also with respect to administrative aspects, such as the creation of the Biodiversity Directory, will permit advancement in a manner coordinated with the implementation of a multi-sectoral strategy and policy on biodiversity preservation. The three biodiversity Units in the field look after three fundamental processes: (i) bio-security and access to genetic resources, (ii) Protected Areas and conservation of fragile ecosystems and (iii) wildlife. Establishing permanent coordinating links between these through the leadership of the Biodiversity Directory, which applies general strategic planning, is considered a parallel need to the specification of these processes. In such a case, problems specific to each sub-process will be administrated at the Unit level, which will be formed by teams of professionals from different backgrounds.

This new structure eliminates the authority conflicts that existed under the INEFAN model between the Forestry Directory and the Biodiversity Directory, since their arenas and coordination requirements are clearly defined. Similarly, horizontal coordination systems are established between the three Biodiversity Units, with the intent of developing work in a comprehensive manner, fulfilling annual operational plans and processes.

With the initiation of this functional system as defined by institutional processes, the fact that the Protected Areas Unit occupies a lower level than in previous structures does not constitute a limitation for its efficient management. As has been described, administering by processes attempts to establish an integrated and concerted administration between the distinct Units, Directories and Sub-Secretaries of the Ministry.

Within this new structure, the task planning for the Protected Areas Unit will be done in a participatory manner- in conjunction with the Area Central Offices at a local level. Moreover, an organization of planning venues is sought with other institutions and sectors linked to the NPAS, among those which stand out are: the Ministry of Mining and Energy, the Ministry of Finance and the Ministry of Agriculture. Closer coordination will also be promoted with NGO's, especially with - the Committee for

the Defense of Nature and the Environment (CEDENMA), the national coordinating body for environmental organizations.

Planning for the Protected Areas Unit will be carried out by institutional processes designated for management programs. Implementation of these management programs will overcome problems caused by a centralist administration which contributed to the debilitation of the NPAS. Even though certain protected areas require these processes with greater prominence, it is thought that work in all PAs should be founded on these basic procedures.

The responsibilities to be fulfilled by the PA Central Offices Unit as NPAS authority and Programs defined for the Unit are as follows:

Planning And Conservation Of Protected Areas, With Sub-Processes Of Planning, Control And Surveillance, Management Of Environmental Risk Sites, PA Project Coordination And Ecosystem Rehabilitation.

1. Legislation in relation to protected areas, with regulatory sub-processes.
2. Protected areas economic sustainability(financial), with sub-processes of natural resource management, environmental goods and services in pas, and collection of funds.
3. Natural resource management and monitoring, with sub-processes of natural resource management, monitoring and evaluation, and basic and applied research.
4. Nature and environmental interpretation oriented toward tourism, with sub-processes of recreational and tourism use and interpretation.
5. Social administration, with sub-processes of inter-institutional reconciliation and conflict management.
6. Education, training and diffusion, with sub-processes of environmental education, diffusion and training.
7. Opportunities for institutional strengthening

With a clear definition of the institutional structure and of the processes that should be fulfilled, great opportunities for medium-term institutional development could be generated. With these opportunities in mind, it is suggested that current GEF project supports the continuation of the policy and legal reform process undertaken by the Ministry. This was accomplished through the definition of a clear and efficient regulatory framework for the administration and management of the NPAS. Support in the transformation of the regulations will not only be developed at the macro level, but also at a local and regional level. In this way planning to affect the regulatory framework of the three selected protected areas, the aforementioned processes are hoped to be reinforced through consulting, participation and reconciliation mechanisms.

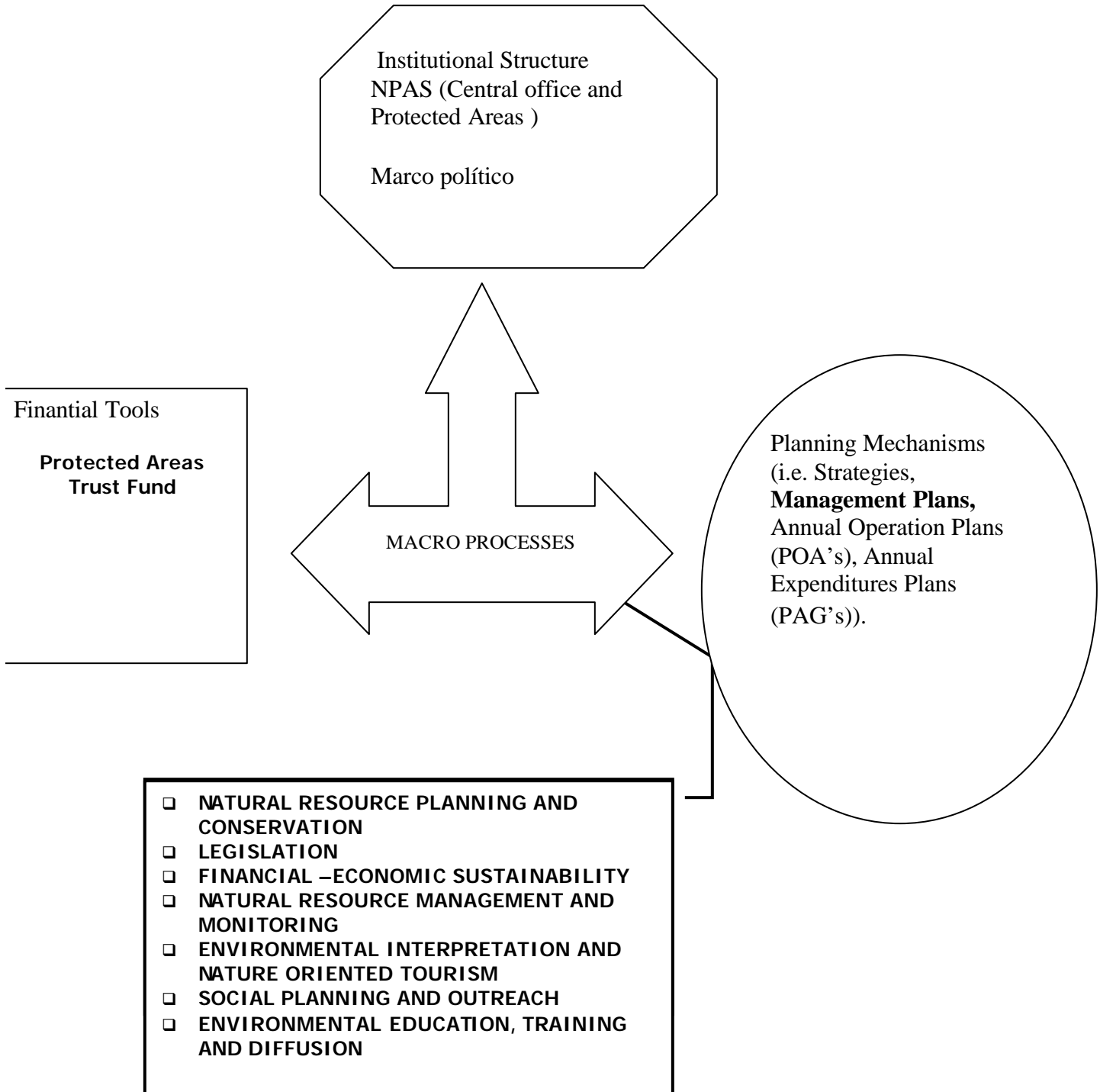
Additionally, high level personnel will be contracted with the support of the current GEF Project, in order to achieve implementation of institutional processes. This will guarantee the fulfillment of the technical accessory task necessary for the PA. Moreover, with the formation of a high level technical team, the “formal” position of the Unit will be strengthened with the interior of the Ministry, and also in the Area Offices. The personnel to be contracted will lead every one of the established processes and will serve as liaisons to the PAs at a local level and with other key institutional actors. In this respect, it is fitting to

point out the importance that was given to the processes of decentralization and third party intervention within the definition of the Unit's new structure. With the intent of guaranteeing the sustainability of the NPAS, mechanisms of community participation in PA administration, as well as of organizations, regional institutions and private businesses will be fostered through grants, co-management and co-investment. Clearly, these mechanisms will be developed after the fulfillment of the established institutional processes.

Finally, financial support of the Protected Areas Fiduciary Account will be created in the GEF II project and will contribute to the attainment of processes established for the Unit. With this another of the NPAS's recurrent problems will be surmounted (the lack of economic resources to administer the PAs).

The following diagram demonstrates a connection between tasks that are attempting to be fostered between the Ministry of Environment – the Protected Areas Unit, and the Area Bosses, with the introduction of the new administration model:

Scheme 1: Relations between the institutional processes suggested for NPAS



Annex 8: Social Assessment in the Priority Protected Areas.

A. Introduction

In accordance with the World Bank's OP/BP/GP 4.04, OD 4.20, OD 4.30 and OPN 11.03 a social assessment was carried out in three representative protected areas where the project will intervene. These are: a) Reserva de Producción Faunística Cuyabeno; b) Reserva Ecológica Cotacachi-Cayapas; y c) Parque Nacional Machalilla. These three protected areas were selected for the project's intervention due to their ecoregional representativeness – Coastal, Andean Sierra y Amazon- and given the characteristics of the existing population living within these PAs and their buffer zones. These three protected areas present similar trends to those encountered in the rest of the PAs of the country, in terms of population composition as well as in the characteristics of the conflicts and issues with PAs management. Finally, the three protected areas were thought to serve as markers in relation to indigenous population issues commonly observed in the Ecuadorian NPAS.

The study, conducted by Fundación Sinchi Sacha, an Ecuadorian Non-profit organization with ample experience in social analysis, revealed that biodiversity and social degradation within the PAs and their buffer zones have resulted from the implementation of previous state policies, including those aimed at conservation, without considerations of long term sustainability and social participation.

Additionally, the social assessment was a key contribution in the definition of the social criteria that were used for the PAs selection process (See Annex 5 for details).

Key findings of the social assessment were: a) biodiversity degradation within PAs and buffer zones have largely resulted from the implementation of previous state policies, even those aimed at conservation. These policies have fostered social processes contrary to the goals set by the Parks, confirming that when the Parks Unit was established in 1976, the social impacts were not always taken into account. Fortunately, the legal and political framework and the experience gained by the new SNAP administration presents new opportunities for the implementation of biodiversity programs with the local stakeholders residing within the PAs and their buffer zones. The potential synergies emerge as there are commonalities between the state, civil society organizations and local/community organizations within the PAs.

Methodology

The social assessment emphasized the following topics: 1) identification of the main trends and processes that produce pressure and threats to the integrity of PA. This included the analysis of macro and sectoral policies, as well as policies related to the use of natural resources for local welfare. 2) identification of key social and institutional actors and non-formal groups within the PA and in the buffer zones.

The documents in project files resulting from the social assessment include:

Document 1: a) description of methodology; b) general social assessment; c) protected areas; d) case studies in three protected areas; e) recommendations; f) social indicators; f) mapping of all the local social actors.

Documents 2, 3 y 4: These emphasize: a) problem analysis and trends in social pressure; b) identification of actions to be taken to address the social issues; c) identification of social actors based on these priority actions; d) conclusions and recommendations for each PA.

Document 5: a) systematization of the national sectoral policies; b) identification of the social problems affecting SNAP; c) identification of key political formulation.

Document 6: General recommendations regarding the social component of protected areas management.

Work focus

The strategy chosen was to identify the social and economic dynamics within and around the project's protected areas. For this purpose, the centers of activity and intervention in the protected areas were identified, in order to identify the typical nature and quality of these pressures.

As a part of this work, we analyzed how the costs, that the areas represent, and benefits or opportunities they may provide may be distributed equitably among the different stakeholders. This should represent a contribution to global efforts that the state and society should make in dealing with social and development issues, thus establishing a precedent for revising policies that affect protected area management.

The matter of participation was dealt with as a strategic tool to maximize the use of local knowledge and capacity in order to empower and further develop it. The guidelines for fruitful participation were also developed to encourage active stakeholder participation and identifies an appropriate role for the authorities.

Necessary secondary information was identified for the three work areas, and field work was conducted using questionnaires, interviews and workshops, to represent broad institutional and community participation. The main policies that could have inadvertent repercussions on the areas were identified, as well as a set of guidelines and protocol for social development in the protected areas.

B. Summary of results per area.

Machalilla:

The main objective in the area is the economic development of fishing and tourism industries along the coastal line. However, the local inhabitants are not receiving an equitable share of revenues generated from the expanding tourism sector. One important consideration for the future is to plan for its impact on the municipal water supply drawn from the Santa Elena peninsula, and how the impact of these industries will notably change the region's dynamics in resource management and planning. *It is noteworthy that the population appears to value conservation and preservation of the protected area.*

The social strategy for the area should consider strengthening local shares in the opportunities created by tourism and other environmental services as they are developed. We suggest that the population begins planning for the development of new economic activities in light of a foreseeable decline in expansion of the fishing industry.

Cuyabeno:

In Cuyabeno, we found that the oil business greatly impacts territorial management, the main consequence is a type of “colonization” that takes advantage an agricultural system that hasn’t been modernized or enjoy the benefits of regularized land tenure. The construction of *the Tarapoa – Puerto el Carmen* road has exacerbated a complex situation at the Colombian border, by adding new pressures on the land and reserve resources.

The proposed strategy requires agreeing upon standards, a general direction, and a process of local reinvestment of oil business benefits. It is also necessary to organize land use, land tenure, and the use of resources, encouraging tourism and local participation in land management.

Cotacachi Cayapas

Several social and economic factors affect this area, including pressures on timber resources, the expansion of palm cultivation and commercial farming in the low zone, the advancing farm frontier in the foothills, and a traditional settlement of impoverished inhabitants that nevertheless applies little pressure on the area in the high zone. This zone has a large tourism industry that benefits few local people. In addition, this zone represents an important reserve for conserving water resources.

The strategy proposes achieving sustainable management of forest resources by minimizing encroachment on the protected area and promoting local reinvestment by providing extension services on improved agricultural methods. In addition, we propose improving and consolidating the river transportation system, promoting the sustainable use of environmental services, and developing the tourism industry by linking to the two regions (Esmeraldas and Imbabura).

C. Orientations and lines of action for the National System of Protected Areas.

Guiding Principles:

- Strengthening the authority and capacity of the environmental institutions.
- Acknowledging the difference between those who assume the costs of conservation and its beneficiaries and the need for a balanced approach.
- Conservation is linked to general processes of development and improvement of the quality of life. This should be mainstreamed within general efforts of social and economic development, with special emphasis on benefit sharing with local.
- Recognition and institutionalization of participation by all stakeholders.
- Developing Priorities for intervention in other policies.
- It is necessary to articulate conservation policies with direct involvement of state-level management. Priorities are:
 - Developing policies for non-renewable natural resource extraction.
 - Construction of roads and infrastructure.
 - Agricultural development.
 - Policies for the use of renewable natural resources, including tourism.
 - Decentralization and participation.
 - Policies for exercising the collective rights of Indians and Afro-Ecuadorians.
 - Social policies.

Institutional Aspects:

- It is necessary to strengthen the environmental authority's relations with other state authorities and its management capacity.
- Strengthen local capacity and delegation of duties.
- Promote participation and accountability.

Intervention in social dynamics:

- The environmental authority should be able to process and understand the social dynamics surrounding the protected area management, in order to identify development alternatives that reduce impacts on natural resources and protected areas, and to promote the articulation of the population's best interests to development agents.
- To provide incentives and support to the dynamics of development that does not put pressure on natural resources while generating as many benefits as possible for the local population, and local reinvestment.
- To regulate and discourage economic activities that create risks to natural resources.
- To strengthen the monitoring, valuing and development of environmental services that are important to the surrounding population.
- To ensure, on the medium-term, that international cooperation is directed at research and support in the protected area, as part of development efforts that generate real benefits for the inhabitants, and not compensatory investments that are circumstantial.
- Finally, a set of information is included according to the objectives stated in the terms of reference, to facilitate project operation in the areas.

D. Legal and Political Framework in relation to social participation and indigenous peoples issues

Over the last decade, the government policies and the dynamic process of the private sector have changed dramatically in favor of sustaining more balanced social and biological processes. There are several policies that are listed below which favor indigenous people and other local social groups, and supports a more harmonious development of protected areas management at the local level and will ensure the survival of PAs.

The social policies established by the Ecuadorian Government during the last decade are consistent with the principles of the Bank's Operational Guideline on Indigenous People (OP.4.20).

The main policies are:

- a) In the new Constitution (1998)- Article 84 recognizes and guaranties the following rights to indigenous groups:
 - i) Conserve the title of community lands, inalienable and undivisible except by the government to declare them as of public utility. These lands will be exempt from taxes;
 - ii) Maintain the ancestral possession of the communal lands and to obtain free adjudication, according to the Law;
 - iii) Participate in the use, collection, administration and conservation of natural resources found in these lands.

- b) Ratification by the Ecuadorian Government of the Convention on Biological Diversity. Article 8J of the CBD commits the government subject to its national legislation to:

“Respect, preserve and maintain knowledge, innovations and practices of indigenous and local communities embodying traditional lifestyles, relevant for the conservation and

sustainable use of biological biodiversity, and promote their wider application with the approval and involvement of the holders of such knowledge, innovations and practices and encourage the equitable sharing of the benefits arising from the utilization of such knowledge, innovations and practices.

The project design and participation of local and indigenous groups is consistent with this Article.

- c) Ratification by the Ecuadorian Government of the Convention 169 of the International Labor Organization regarding indigenous and tribal populations (June 1999). Ecuador ratifies this Convention and through it, commits to the following actions :
- i) Grant to interested populations, the property right and land tenure that they have occupied traditionally. In addition, in appropriate cases, measures would have to be taken to protect the right of populations to use lands that are not exclusively occupied by them, but that they might have had access to them in the past through their traditional and subsistence activities. In this respect, special care will be taken with nomads and shifting agriculturists.
 - ii) The governments will have to take the necessary measures to determine the lands that interested populations traditionally have occupied and guarantee the effective protection of their right to possession and property.
 - iii) Adequate procedures in the national legal system would have to be used to solve the re-invidication to land titles by the interested populations.

In addition, the Article 15 of the Convention, commits the Government of Ecuador to especially protect the rights of the interested populations to the natural resources existing in their lands, including the right of these populations to participate in the extraction, administration and conservation of these resources.

- d) Policies of the National Protected Areas System (SNAP). The Ministry of Environment endorses a policy framework in which stakeholder participation is key for the management of NPAS. The policies for the NPAS management includes the following strategies to promote active participation of local communities and indigenous populations that reside within and around PA:
- i) NPAS planning and management will be developed with the participation of public and private institutions, especially with indigenous populations, afroecuadorians y local communities, through co-responsibility, cooperation and coordination mechanisms.
 - ii) NPAS management will be carried out through a consensus building process between the diverse interests of local population and indigenous communities and the PAs' biodiversity conservation objectives. A concerting process will be carried out with the joint identification of sustainable economic options that will contribute to raise the local populations' quality of life and secure an equitable participation in the benefits generated from the sustainable use of biodiversity within the PA and their buffer zones.
 - iii) Following consitutional mandates, the communal lands of indigenous people, afroecuadorians and local communities that are found within the areas of Nacional Patrimony of Natural Areas, will be collectively adjudicated by the Ministry of Environment to the ancestral traditional owners to avoid fragmentation and guarantee its conservation. The requisites and procedures for the adjudication would be established in the norms and requirements of the respective Management Plan.

- iv) Train and provide specialty instructions to local administrators public or private, especially indigenous communities, responsible for the administration of PAs within the SNAP to improve their technical skills and ensure the effective management of the SNAP at all levels.
 - v) Incentivate research, monitoring and evaluation of natural and cultural resources, through the signature of specific agreements with universities, technical schools, research institutes and other specialized organizations, giving priority to applied research to help the management of PAs within SNAP, and involving especially indigenous communities.
- e) The declaration of the *Zona Intangible de conservación* covering approximately 700,000 hectares for the Huaorani indigenous group in the National Park Yasuni and the titling of approximately 435,000 hectares in the Cuyabeno Reserve for quichuas, cofanes and sionas (Decreto Ejecutivo No. 552/ 2 Feb/99). This decree ratifies the collective right of indigenous groups and avoids resettlement.
 - f) The Biodiversity Law (in preparation) states that the Ecuadorian Government ratifies its responsibility for the indigenous people and the local communities that live in PAs and its buffer zones. In various parts of the Article, the Law guarantees the right of indigenous people and ancestral communities; a) sustainable use and management of natural resources within the PAs; b) recognition of ancestral collective property to ensure the titling of indigenous groups.
 - g) The creation of the *Consejo de Desarrollo de las Nacionalidades y Pueblos del Ecuador* – (CODENPE) and of the *Consejo de Desarrollo Afro-Ecuatoriano* (CODAE) (1998) that has two main objectives: a) formulation of State Policies for the indigenous and afroecuadorian groups; b) inter-institutional coordination to ensure the execution of these policies.
 - h) The implementation of the *Proyecto de Desarrollo de los Pueblos Indígenas y Negros del Ecuador* – PRODEPINE since 1998, with the financing by the World Bank of US\$ 50 million to support indigenous and afroecuadorian groups.

E. Strategies for addressing social participation and Indigenous Peoples Issues within the Project

The social assessment identified a series of strategies that the Project will consider in order to enhance local/community participation in PA management as well as to guarantee indigenous population rights. The following are the strategies the Project has endorsed to promote active stakeholder participation and address indigenous peoples issues.

Involuntary resettlement

The GOE and the NPAS has endorsed the principle of “parks with people” and therefore during the implementation of project activities no resettlement of indigenous populations and local communities is expected to take place. However, the Project does foresee the restriction of the local communities’ activities within the PAs which in the short term will have impact on the population’s access to natural resources. The issues that will emerge from the regulation of such activities within the PAs will be addressed through the establishment of consultation and participation mechanisms within each PA. The Project, through component 2, is placing key attention in establishing local management committees as spaces for conflict resolution and participatory planning of the PAs. Training programs are also planned under component 1 to educate the local groups about the legal and political framework, the participation processes, and the management of PAs. In addition, in component 1, specific activities to revise and

develop locally based PA management plans have been considered through the incorporation of the main stakeholders and will cover some activities by local groups.

Participatory Management

- a) PAs planning and management will be developed with the participation of public and private institutions, especially with indigenous populations, afroecuadorians and local communities, through co-responsability, cooperation and coordination mechanisms. Participatory approaches will guide the formulation and/or update of the PA management plans (Component 1).
- b) In each selected PA Local Management Committees will be established as spaces for dialogue, consensus building and conflict resolution (negotiation) between the different stakeholders involved in PA management and conservation (Component 2). Emphasis will be given to the integration of biodiversity conservation objectives with the development needs of indigenous peoples and local communities living in the PAs and their buffer zones. This will be addressed by the promotion of sustainable income generation activities identified by the indigenous and local populations, and ensuring that the benefits of such activities will improve their quality of life and will be distributed in an equitable manner.
- c) In the three selected PA, special attention will be given to develop participatory mechanisms for biodiversity control, monitoring and evaluation (Component 2). Alliances with indigenous populations and local communities in the set up and implementation of these monitoring systems is guided on the principle that the local population are the primary stakeholders in PAs biodiversity conservation and management, as well as the best partners for the enforcement of prevention and sanction measures.
- d) In the three selected PA participatory arrangements will be fostered in natural and cultural resources research, through the establishment of agreements with universities, politechnical schools, research institutes and other specialized organizations (Component 2). Priority will be placed in applied research related to sustainable management of PA with the participation of indigenous communities.
- e) Capacity building and training activities will be target both the public and private stakeholders related to the NPAS (Component 1 and 2). However, in the three selected PA emphasis will be given to develop and implement capacity building activities with the PA personnel and with the local and indigenous communities as a means to increase local technical skills and knowledge for the sustainable and participatory PA management.
- f) To increase financial sustainability of the PAs the Project will develop concession and co-management mechanisms (Component 2). Preference will be given to concessions and co-management arrangements with local and indigenous populations within the PA and their buffer zones, and to those that will promote stakeholder participation and direct and indirect benefits to the local populations.

Indigenous Peoples Development Plans and Territorial Rights Recognition

Currently, the GOE is promoting the formulation of Local Development Plans through participatory mechanisms given the mandate of the National Planning System ratified in the Constitution in 1998. In the case of indigenous peoples and afroecuadorians, both CODENPE and CODAE have been actively pursuing the formulation of participatory development plans based on the recognition and maintenance of cultural identity and territorial issues. This is supported by PRODEPINE –Proyecto de Desarrollo de los Pueblos Indígenas y Negros del Ecuador (Préstamos BIRF 4277-EC; FIDA 464-EC). In this project there

are two components: a) Strengthening of Nationalities, People and Organizations; b) Legalization of the lands and waters. This project is supporting the indigenous aspects of the GEF project and synergies have been developed to ensure that the land tenure issues are carried out in the project's PAs.

On land tenure issues

Although, the Project will not engage directly in activities related to the regularization of land tenure issues within the PAs, the project is considering the establishment of legal mechanisms for the recognition of ancestral and indigenous territories within the parks and reserves. Through the legal and institutional framework reforms addressed in component 1, the project aims at the establishment of a system whereby indigenous populations in the three selected PA- especially those with whom the Ministry of Environment has previous co-management and other type of agreements- will be granted territorial recognition. Such approach will be given special attention in the Cuyabeno Reserve, where there is a significant indigenous population as well as previous success experiences with co-management agreements.

As stated previously, the Ministry of Environment has endorsed the principle of “parks with people” in all aspects of NPAS management. In that light, in order to guarantee the integrity and biodiversity conservation of the NPAS, previous the declaration of any territory as a protected area where indigenous, afroecuadorian and local populations reside, the MoE will recognize and allocate communal rights to these lands through collective adjudication processes. The adjudication processes will observe the regulations, use conditions and restrictions determined in the Management Plans.

In addition to ancestral territorial recognition, PRODEPINE is directly addressing land tenure issues on behalf of indigenous populations nationwide. As established in their Annual Operation Plan (2001) emphasis will be given to the regularization of property rights of indigenous nationalities in highly vulnerable situations. Such is the case of the indigenous populations – Siona, Secoya, Quichuas, Shuar, Cofan – inhabiting the Cuyabeno Reserve, and thus there is great coincidence between the Project’s and PRODEPINE’s strategy to guarantee these population’s right to land. Henceforth, the Project hopes to establish specific operational agreements with PRODEPINE for the regularization of property rights for indigenous communities in the three selected PAs in accordance to the Management Plans’ guidelines developed for each area.

Integration of indigenous peoples development needs and PA management plans

PA management plans in the three selected PA will recognize the existing local development plans and/or indigenous development plans as a key step towards the recognition, valorization and protection of cultural resources and ancestral knowledge of the local and indigenous populations.

In the formulation and/ or update of the PA management plans especial importance will be given to the integration of the priorities and demands established by the local and indigenous population through their development plans. The majority of the indigenous development plans have been sponsored by PRODEPINE, with whom the Project will establish coordination and technical assistance agreements to ensure the integration of indigenous peoples’ demands in the selected PA management.

Currently, in the Cotacachi-Cayapas Reserve there are two local development plans which will be considered when the PA Management Plan will be updated: a) Plan de Desarrollo Local de la Union de Organizaciones Indigenas de la Cuenca Alta de Cotacachi UNORCAC and b) Plan de Desarrollo Local de la Nacionalidad Chachi.

In the case of Cuyabeno Reserve, as expressed in PRODEPINE's Annual Operation Plan by the end of the year 2001, priority will be given to the Siona, Secoya and Cofán nationalities in the formulation of development plans. With these nationalities' the project hopes to strengthen the existing co-management agreements and establish new ones, related to their strategic plans. Finally, in the case of Machalilla National Park, up dating of the Management Plan will consider the Manta-Huancavilca indigeneous population development plan to be sponsored by PRODEPINE during 2001.

In the rest of the PA, the project will ensure that the formulation or updating of the management plans incorporate the indigeneous population's knowledge, use and production systems compatible with those of sustainable biodiversity management.

Annex 8 - Appendix 1: List of NGO Stakeholders Consulted during Project Preparation

CEDENMA (Comité Ecuatoriano para la Defensa de la Naturaleza y el Medio Ambiente) Agrupa la mayoría de ONG's ambientalistas del Ecuador.

Fundación Natura - Nacional y el Capitulo Guayaquil

Fundación EcoCiencia

Fundación Arco Iris - Loja

Fundación Ecológica Andrade - Guayaquil

Fundación Machalilla – Puerto López

Fundacion Sinchi Sacha

Fundacion Ambiente y Sociedad

Fundación BIOPARQUES

Fundacion Cuyabeno

Red de Bosques Privados del Ecuador

WWF - Ecuador

The Nature Conservancy TNC

Asociación de Servidores Turísticos del Parque Nacional Machalilla

Asociacion Ecuatoriana de Ecoturismo

Asociación de Comunidades Pesqueras de la Costa de Manabí

Municipio de Puerto Lopez

Municipio de Cotacachi

ETAPA Empresa Municipal de Agua de Cuenca

Plan Choco

Proyecto PETRAMAZ

Proyecto Conservación de la Biodiversidad del Ecuador CBE

Proyecto Gran Sumaco - GTZ

Proyecto SUBIR

Proyecto Podocarpus

Proyecto PRODEPINE

Programa de Manejo de Recursos Pesqueros PMRC

Proyecto Paramos (agrupa 32 organizaciones miembros)

Embajada de Holanda

CISP – Italia - Machalilla
Cooperacion Alemana DED

Eduardo Figueroa BID

Carlos Viteri Coordinador Subgrupo Temas Indigenas Grupo Nacional de Trabajo de la Biodiversidad
GNTB

Ampam. Karakras Confederacion de Nacionalidades Indigenas del Ecuador CONFENIAE
Unión de Organizaciones Campesinas de la Cuenca Alta de Cotacachi UNORCAC Leonardo Viteri
Organizacion de Pueblos Indigenas del Pastaza OPIP

Renato Valencia Director del Herbario de la Pontificia Universidad Católica del Ecuador
Gunther Reck ECOLAP Laboratorio de Ecología Aplicada Universidad San Francisco de Quito

SEC - Sistema Ecuatoriano de Capacitación- DINICE
Herrmann y Asociados
Futura Asociados

Annex 8 -Appendix 2: List of members of the Advisory group to the project.

Maria Elena Jervis, Fundacion Antisana
Hans Knoublack, Proyecto Gran Sumaco
Fausto Lopez, Fundacion Arco Iris
Nancy Hilgert, Fundacion Andrade
Reyna Oleas, FAN
Vicente Polit, CEDENMA
Gunther Reck, Universidad San Francisco de Quito
Ruth Elena Ruiz, Fundacion Natura
Danilo Silva, EcoCiencia
Luis Suarez, Project Biodiversity Conservation
Roberto Troya, The Nature Conservancy
Ana Maria Velasco, IUCN – Ecuadorian Committee
Lylian Benitez, Sub-secretary Environmental Management Unit, MoE Domingo Paredes, Director
Protected Areas Unit MoE
Ricardo Crespo, Director Legal Department MoE
Gabriela Arcos, World Bank

Annex 9 – FAN and the Protected Areas Fund

A. General Aspects of the Organization

The Organization

The Fondo Ambiental Nacional (FAN)^{*} was established in 1996 as a private non-profit organization, as defined under the Ecuadorian Civil Code. The objective of the Fund is to provide stable, long term financing for conservation and sustainable development for Ecuador's critical natural resources, within the framework of national environmental priorities (Environmental Strategy for Sustainable Development).

Decision Making Process

FAN's Board of Directors is charged with defining the general policies of the organization and is the ultimate authority in the organization's governance structure. It is conformed by seven members (6 private and 1 public): comprising one representative of the academic sector, one from the private sector, one from an NGO, one from the Minister of Environment, and three recognized high profile individuals from civil society, who are appointed by the Board.

Operation.

The general operations of the Fund are overseen by an Executive Director, appointed by the Board. The Executive Director also acts as Technical Secretary of the Board. To carry out FAN's operations on a daily basis, the Executive Director is assisted by an operational staff in charge of three areas: Finance & Accounting, Institutional Strengthening and Communications. A detailed description of the organization's operational areas is described in the Statutes and Internal Bylaws that were reviewed and cleared by a World Bank team (including LEGLA).

In recognition of the importance of *in-situ* biodiversity conservation and given the current financial deficit experienced by the National Protected Area System (NPAS), the Ministry of Environment (the public institution in charge of the policy-making of the NPAS) and FAN (the private organization that will be in charge of administrating the resources of the PAF endowment) decided to create the Protected Areas Fund (PAF) as a mechanism to ensure long-term financing of the recurrent costs of the NPAS.

To assist with some of these key design decisions of the within the FAN, the members of the PAF, the Board of Directors and the Advisory Committee for the GEF Project developed recommendations for the establishment of an endowment mechanism for the GEF Protected Areas Project. A FAN task force carried out an extensive consultation process, in which almost 20 conservation organizations, local community representatives, private businessmen, government officials, other funds in Latin America and donors were interviewed personally. This consultation process served as a useful tool in designing the PAF.

Following the decision to create the PAF, FAN worked through the many details involved in establishing a viable endowment fund mechanism. The range of issues covered during this period includes: (a) organizational arrangements; (b) compiling necessary internal legal documents; (c) eligible activities and procurement guidelines; (d) project cycle and institutional responsibilities (between Ministry of

^{*} The FAN fulfills all the requirements described in the GEF Secretariat's Evaluation Report No. 1-99, Experience with Conservation Trust Funds.

Environment, Protected Areas Directorate, and FAN). Details of the project cycle are described in FAN's Operational Manual and the PAF Annex to the Operational Manual (Annex 10).

B. Budget for the Endowment Fund

Once the design phase of the PAF-GEF started, other donors joined the capitalization of this Fund in order to leverage the resources that are going to be invested by the GEF World Bank. Currently, the PAF initiative has been financed through a debt for nature swap of the German Government for 6.7 DM (negotiated and in process of transfer) and the Dutch Government contributed a sinking fund of \$0.7 million USD (negotiated and in process of transfer) for the same purpose. The budget for the endowment fund is calculated according to the following data and assumptions: (i) The US\$ 4.5 million endowment capital requested from GEF would support basic conservation costs in 3 initial priority PAs, generally following the criteria and formulas described in the Operational Manual for PAF developed by the Ministry of Environment and FAN (Annex 7c). (ii) The matching requirement would be of US\$4.5 million and would support three additional PAs. The project would support conservation activities above and beyond the “basics,” consistent with management plans and identified threats, intermediate and root causes, in any of the 17 protected areas identified as priorities for the GEF program as part of the PAF endowment or in other accounts. These activities will provide inputs, lessons and learned experiences that will serve other protected areas within Ecuador. In this case, the amount per protected area, and the selection of the areas to be included, would depend on the specific program to be supported and conditions of the donor.

The calculations for the GEF portion of the endowment are derived from the assumption that this endowment will be a total endowment support for basic conservation in the initial 7 areas. Additional endowment capital will be dedicated to other areas. Annex 9b shows investment of both GEF and other donors' endowment for illustrative purposes only. This is based on the assumption that endowment donors will expect their funds to be maintained in separate accounts, and that projections for investment and use of those funds will be developed in consultation with the donors. FAN and the GOE will oversee the funds in such a way as to maximize coherence of strategies, uses, monitoring, and reporting procedures among the funds from different donors.

C. Financial Projections

The financial projection pertains both to the GEF endowment contribution and to contributions from other donors. It is assumed that donors that contribute to the matching funds (endowment or sinking funds) will request separate accounts and specific investment strategies, so that the projection will differ from the one presented here only for illustrative purposes.

General Considerations for the Investment

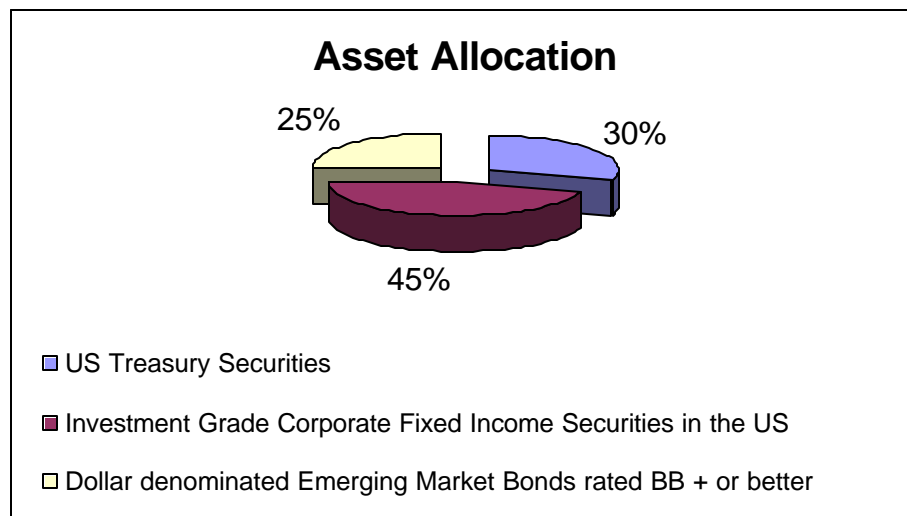
The main considerations in the preparation of the asset management proposal for the NPAS endowment funds are: safety, preservation of principal and maximization of available cash flow. Also taken into consideration is the fact that there are two different phases for investing. The first phase of investing would be the time period for the procurement of matching funds.

Investment Allocation GEF Funds.

The following investment allocation has been designed taking in consideration the recommendations of other Environmental Funds in Latin America that work with GEF Projects. With the purpose of maximizing the financial support to the NPAS while procuring matching funds, the investment objectives would place an emphasis on maximizing available cash flow while insuring the safety of principal. Given the fact that interest rates fluctuate over time, it is not possible to precisely determine the yield on future

investments; therefore the investment objectives should seek to maximize the yields in US dollar fixed income instruments while abiding by the investment grade guidelines defined in the following asset allocation table.

Asset Class	Allocation
US Treasury Securities	30%
Investment Grade Corporate Fixed Income Securities in the US	45%
Dollar denominated Emerging Market Bonds rated BB + or better	25%



Considering the current valuations in fixed income markets and utilizing the asset allocation mentioned above, the expected cash flow yield for the GEF funds would be of approximately 7% per annum.

Deployment of investments.

We have determined that passive management is to be preferred over active investment management. The reason for this is that we do not believe that active management fees ranging from 20 to 40 basis points per annum have much added value and that these operating expense savings can be passed on directly to the conservation efforts.

The FAN would hold its investments with an investment firm of the highest quality and rating in the USA. Preferably a firm which understands the nature of an environmental fund, willing to serve as a custodian and conduct fixed income transactions on a one-time-only basis and with a maximum mark-up on bids of 1/8 of 1%. (for more on this see the terms of reference for investment managers Annex 7.a).

Benchmark.

In order to properly evaluate and monitor the investment performance of the actual investment portfolio for the GEF funds, a benchmark portfolio would be utilized. Such benchmark would consist of a weight of 30% Lehman Intermediate Government Bond Index, a 45% Lehman Corporate Fixed Income Index and a 25% JP Morgan Emerging Market Bonds Index.

FAN Program Cash Flow

It is important to note that the matching funds procured by the FAN would be invested in a different manner than the GEF funds. The matching funds would be invested in US dollar instruments in the local markets of Ecuador, at current levels the expected returns are slightly above 9% in short term fixed income instruments (three to six months). The FAN support of the NPAS budgets would vary in accordance and to the degree of the future interest rate fluctuations.

The weighted cash flow yield on the combined value of the GEF and the matching funds would be approximately 8%; thus, according to the procurement schedule the FAN should be able to provide financial support net of administrative expenses in the amount of \$678,000 USD by the end of the fourth year of the program and \$1,352,000 USD by the end of the eighth year of the program.

D. Fundraising plan

The program to raise matching capital for the protected areas endowment will be carried out jointly by the GOE with FAN, GOE playing a lead role in national appropriations and approaches to bilateral and multilateral donors, and FAN playing a lead role in strategies for raising funds from international and private sources, including partnership with GOE in approaching bilateral sources.

The matching funds needed have been projected for eight years. For this first phase of three years, the FAN has already secured \$3,500,000 USD in matching funds, in addition to procuring \$500,000 USD per year for the first three years (first year not counting). So therefore, at the end of this period, FAN should raise a total of \$4,500,000 USD in matching funds and the endowment should have reached US\$ 9million. After the first three year, FAN expect to raise \$1,250,000 USD a year, leveraging the endowment funds up to a total of \$20,000,000 USD (additional US\$11 million) considering an interest gain during the whole period of time.

The GOE

The GOE has recognized the protected areas program as a priority instrument to achieve conservation of biodiversity.

The GEF project is an incentive for the GOE to support the idea of diversifying funding sources for the protected areas, and the GOE sees this as an opportunity to involve different sectors of society in co-responsibility toward conservation. For this reason, a debt for nature swap (\$2.8 million USD) that was originally negotiated for other purposes has been earmarked for the capitalization of the endowment fund for Protected Areas. The Government of Germany has accepted the changes and is willing to use it for the purpose mentioned above and will act as a counterpart for the GEF endowment. In the same vein, recent negotiations with the Government of Holland have identified some emergency funds (\$700 million USD) to strengthen the NPAS while the GEF funds are available. These contributions helped in securing \$3.5 million USD, to correspond to the match required by GEF for the first four disbursements to the endowment.

The agreement between GOE, through the Ministry of Environment (MOE), and the FAN to deal with the negotiations and securing funds for protected areas, is engaged to satisfy donors in the administration of the funds from a financial perspective, and allowing the MOE implement national environmental strategies and programs, specially the ones related to protected areas.

In that matter, the general strategies in the co-responsibility with the MOE will be to contribute directly in the capitalization of the endowment and sinking funds, by:

1. Facilitating negotiations with bilateral donors.

2. Assisting FAN and consultants in the elaboration and implementation of projects and fundraising strategies (specific capitalization goals from the government will be defined during the design of the fund raising strategy).

The FAN

The assurance of sufficient resources (both endowment and sinking funds) to achieve the objectives of the FAN, within the framework of its mission and the context of the national strategy for the conservation of biodiversity, is a permanent task fundamental for the institution. In the start-up phase of the project of PAF, the FAN facilitated the bilateral negotiations with Germany and Holland in order to raised US\$ 3.5 million in endowment and sinking funds.

For the match to the \$ 4.5 million USD requested from GEF in this proposal, \$3.5 million USD have been obtained. The remaining \$1.0 million USD will be raised as a result of a team effort between FAN, GOE and other NGOs partners.

The main inputs and elements that are required to implement a successful fundraising strategy to financially consolidate the National System of Natural Protected Areas (NPAS) in the country and meet the GEF matching requirements are:

1. Support and unconditional commitment of the different groups involved in the initiative, including the FAN Board, its President, the Executive Director, corresponding GOE sectors (in this case Ministry of Environment), the Finance Ministry, as well as the recipients or direct beneficiaries, in the protected areas and the central coordination of the program.
2. A clear vision towards the future, as well as a good Strategic Plan for the fundraising program, developed in a participatory manner.
3. Objectives supported in defined priorities, plans, budgets, and clearly delimited needs, according to the country reality.
4. Justification of the needs (Case Statement) through a convincing and attractive document for the potential donors.
5. A market study on the potential donors whose philosophy and mandate is in accordance with the institutional profile of the FAN in the context of a developing nation.
6. Partnerships with international institutions, such as WWF and TNC, that can provide their expertise and help in these important fundraising goals.

As a first step, the Strategic Plan will be developed in 2001. The structure of the Fundraising Program will be to build a base of donors and partners. Three principals will underpin the fundraising program: 1) Build on a diversity of sources and partners; 2) Appeal to the self-interest to sensitize grantmakers (private foundations, bilateral and multilateral cooperation, private sectors, and individuals); and 3) Strengthen the involvement of all actors present in co-responsibility of the fundraising program.

The strategic plan will be developed with the cooperation of an international advisory team that will focus in giving a tactical approach to raise the money expected, through a specialized consultants. The advisory team will work closely with two professionals in FAN and the MOE. It is expected that a full fundraising team will be conformed by the end of the year 2001.

Also, this strategic plan will be enriched by an exchange on fundraising strategies with other Funds for Protected Areas and the Environmental Funds in Latin America and the Caribbean (through the corresponding network REDLAC), as an exercise of “benchmarking”.

In addition to the strategic plan, the fundraising program will be complemented by a computerized system that will hold the information of diverse donors, a dissemination process of MOE and the NPAS nationally and internationally and Coordination with strategic international partners.

The possibility of the generation of resources through membership campaigns, it is also suggested as a mechanism to link up a greater number of individuals committed to conservation and with influence on environmental politics and ethics. While this mechanism is considered as long-term activity, it will ensure an enhanced public image and recognition for the GOE as well as for the private conservation sector, and will strengthen the message of commitment that is viewed favorably by fundraising schemes in the international arena. It is therefore strategic to link protected areas with the economic and social viability of the country. The strategy of fundraising in this matter, has a strong component of cooperation with individuals and the private sector, through “cause-related campaign” or “environmental marketing”, this aids in heightening awareness of an organization and widening its ability to articulate conservation issues, and while bringing “new” money.

An initial analysis for potential sources and mechanisms for fundraising will be considered as part of the strategy to obtain US\$6.5 million in the next eight years will include:

Private

- Fundraising for the direct application to the endowment (foundations, bilateral and multilateral organizations, individuals, and international NGOs).
- Fundraising for sinking funds with the possibility to direct interests to the endowment.
- Cause-related campaigns.
- Individual membership through market campaigns.
- Voluntary donations from the private sector present in the urban centers close to the natural protected areas.

Public

- Fundraising between governments for the direct application to the endowment or for sinking funds where interests can be directed to the endowment.
- Follow up of Debt for nature swap strategy that the FAN designed in cooperation with The Nature Conservancy.

Annex 9a: Evaluation criteria for selection of investment firm and custodian.

Organization

Established in United States of America

Investment professionals of 500 plus

Investment accounts – more than 10,000 with at least 5 % relevant to mandate

Assets under management of 1 billion plus

Investment process & philosophy

Conservative to moderate style

Decision making process- mix of committees and investment professionals

Disciplined risk reward allocation of investments

Key personnel for mandate

Experience of 10 years +

Coverage of account by manager and representative.

Client relationship

Internet access of accounts

Monthly statement

Quarterly review

Performance

Top quartile for relevant indices

S & P 500

MSCI world

Lehman Corporate & Govt. Bonds

JP Morgan emerging market bonds

Minimum 5 year track record

Cost structure

Maximum markup of 1/8 of 1 % for fixed income instruments

Maximum annual charge of 50 basis points on equity funds

No load funds

No back end fees

Fees inclusive of custodial charges, management charges and transaction charges.

Annex 9b: FAN's Board of Directors

1. Roberto Troya Villacorta
2. Andres Hidalgo Cevallos
3. Yolanda Kalabadse Navarro
4. Rodolfo Rendon Blacio
5. Vicente Polit Montes de Oca
6. Paul Palacios Martinez:
7. Richard Hall Gonzalez-Rubio
8. Maria Virginia Herdonza Jurado (suplente)
9. Jose Cuesta Vasconez (suplente)

Annex 10: FAN Operational Manual

Index

The Operational Manual of FAN is well advanced and is available in the project files. A list of the table of contents is presented below.

1. BACKGROUND

The National Environmental Fund (FAN)
 The GEF Project—World Bank: National Protected Areas System
 General terms for the donation of the Trust Fund FAN-GEF
 Legal aspects: By-laws and regulations
 Legal aspects: Inter-institutional cooperation agreement between the Ministry of the Environment and FAN
 Inter-institutional relationship between the Ministry of the Environment and FAN
 Objectives

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Selection Process of Protected Areas
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 Eligible Items, Activities And Sub-Activities
 Updated Management Plans
 Annual Expense Plans

3. TECHNICAL/FINANCIAL ACCOUNT REPORTS

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 Quarterly Technical/Financial Reports
 Annual Technical/Financial Reports
 Reports Produced by FAN
 Biannual Reports
 Annual Reports
 External Audit Reports

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 Process Timetable
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Hiring of Manager/Accountant
 Primary Responsibilities of Manager/Accountant
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 Procurement of Protective Clothing and Equipment
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 Pay Advances

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7. TECHNICAL, ADMINISTRATIVE AND FINANCIAL FORMS

Technical-Financial Forms

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 Executed Activities Report
 Progress Report
 Budgetary Execution Report
 Revenues and Expenditures Report

Administrative Forms

Request for Advance of Payment for Mobilization, Travel Expenses and Subsistence Allowances
 Request for Reimbursement for Mobilization, Travel Expenses and Subsistence Allowances
 Request for Funds for Workshops and Events
 Request for Reimbursement for Workshops and events
 Request for funds for Fuel and Vehicle Maintenance
 Request for purchase of Educational Material

Financial Accounting Forms

Register and Petit Cash Control
 Log and Control of Revolving Funds

Bank Reconciliation
Log and Control of Fuel Expense and Vehicle Maintenance
Log and Control of Educational Material Inventory
Register and Fixed Assets Control

Annex 11. Lessons learned from the GEF Pilot Phase

The GEF Biodiversity Protection project closed, September 30, 1999, three months earlier than planned. In August 1999, an independent evaluation was completed to assess the project results and impacts. The panel of evaluators was carefully chosen among experts in protected area and biodiversity management in Latin America. Dr. Gabriel Baracatt, Dr. Ricardo Crespo Plaza and Dr. Valeria Merino Dirani constituted the panel of independent experts. The results of the evaluation can be found in a report published in September 1999 (available upon request). The main findings of this evaluation are summarized below.

Positive achievements under the Pilot Phase:

1. *Institutional sustainability*: Policies for the National Protected Areas System (NPAS) and the National Strategy for the NPAS were developed. GEF funds supported various studies that provided significant input to the National Strategy for the Protection and Sustainable Use of Wildlife in Ecuador (which has subsequently been approved) and the Special Biodiversity Law of Ecuador and the National Biodiversity Strategy which are currently under preparation. The Protected Areas Biodiversity Assessment and Socio-Economic Assessment were also prepared under the Pilot Phase. In addition, a series of studies by experts were financed to provide input to various biodiversity-relevant policies (e.g., establishing the economic value of “goods and services” provided by protected areas, and developing ecotourism in a sustainable manner).
2. *Protected areas management*: Management plans for 4 out of 8 parks, originally programmed to receive funds, have been completed (Machalilla, Sangay, Yasuni, Cayapas-Mataje) using a highly participatory process of using innovative methodologies to involve key stakeholders in the strategic planning process. Limited technical capacity to carry out management plans, delays in reaching consensus on the contractors for the management plans and the political changes in INEFAN are the main reasons why management plans for 4 parks were not completed. Visitor centers for 4 parks have also been completed (Boliche, Cotopaxi, Cotacachi-Cayapas and Machalilla) and nature interpretation plans have been prepared for the 8 parks planned. In addition, basic equipment (survival, surveillance and communications) has been provided to 8 parks as planned.
3. *Financial Sustainability*: The results of several feasibility studies include: (i) economic and social valuation in Cayapas-Mataje, (ii) development of criteria for the economic and social valuation of wildlife in the NPAS; (iii) assessment of the value of an annual fee pass for the NPAS; (iv) establishment of a Trust Fund to serve as a sustainable financial mechanism (though not originally planned); (v) a functioning Board and Executive Director are in place; and (vi) an Operational Manual has been prepared.
4. *Public Awareness Campaign*: Posters and other educational materials, as well as TV programs have been developed. Although there is not a direct measure of the success of these programs, public awareness at the national level about protected areas has increased as a direct result of the augmented media coverage on protected areas. An educational campaign directed at school-age children was also developed for Galapagos National Park.
5. *Training*: Given the low level of education of INEFAN field staff, a system for long-distance education and training programs was designed by the Ecuadorian Foundation for Ecological Studies (Ecociencia). An agreement was also signed between INEFAN and the University of Loja to train protected areas staff and as a result, approximately 1,000 students, composed of staff from protected areas and representatives from the surrounding communities, were enrolled in 21 educational

programs. These students received training at the: primary and secondary school level, technological level and also for undergraduate degree programs. In addition, protected areas staff were trained in management and administration. The training program was so successful that the Independent Evaluation recommended continuing it under the new project.

6. *Monitoring and Evaluation:* The Biodiversity Information Center was created under the GEF Pilot Phase. An integral tool of the Center is the database which has been designed to include data on biodiversity that will support the monitoring and management of protected areas. Agreements have been signed with 4 academic institutions to exchange scientific information that will be synthesized and added to the database to ensure access to up-to-date technical information. In addition the Center has access to vegetation maps of Ecuador and the results of studies which have been supported by a wide range of universities.
7. *Public/Private partnership:* At this point public/private partnerships have not been solidified and outcomes remain limited (see below for a discussion on lessons learned). NGOs have participated in several project activities but in more of a consulting function rather than as partners with the government on PA management. A participatory methodology of developing management plans was prepared and applied in only a few parks.

Weaknesses of the Pilot Phase Project and how the project addresses them:

7. *Project Focus:* The Pilot Phase supported too many scattered activities and did not focus on specific objectives that could be replicated later. At the end it was difficult to show concrete results and impacts on the ground. Proposed Actions: The current project is built upon a long-term vision for managing the NPAS that was prepared under the Pilot Phase. The proposed project establishes more limited and incremental objectives, a smaller experimental project size, and shorter implementation period that has been adjusted to match political and social realities in Ecuador and its institutional capacity. Specific, results-oriented activities will be developed in three protected areas only. The new project will focus on developing pilot case studies that will demonstrate how to co-manage and monitor three self-sustaining, decentralized pilot parks. Once the initial phase of the project is completed, models will have been well developed, and they will serve to inspire confidence in future donors and supporters for continued phases.
8. *Institutional Sustainability:* NPAS was not initially structured within INEFAN due to the political and economic crisis that Ecuador was enduring. INEFAN was abolished as a result of the new mandate by the Central Government to reduce the size of the public sector. In fact, the creation of the Ministry of the Environment occurred within the first 3 years of the Pilot Phase and could be considered as an important achievement of the project. The unit for parks administration within the Ministry of the Environment remains institutionally under-developed and is perceived as a threat. The PCU was isolated from MoE with low participation by civil society and private sector. Project actions: The proposed project will establish a Parks Advisory Commission that will encourage participation and will include a small efficient central unit that will support the administrative units in the field. The participatory nature of the Commission will bring more ownership to the project than there was in the Pilot Phase. Establishing the Parks Advisory Commission and an independent Parks Unit will be conditions of grant effectiveness. By requiring that these conditions be met before grant effectiveness there is an assurance that the shortcomings of the pilot phase are not repeated.
9. *Legal framework:* During the Pilot Phase, several studies and strategies were prepared and resulted in a new draft of the Biodiversity Law. While the Pilot Phase did not develop specific legislation to support park management, the social assessment helped better understand the need for participation

which is integral to the new project and will help in finding solutions to the bottlenecks that impede co-management and financial sustainability. Proposed actions: Under the new project, new regulations will be needed to implement the long-term vision that will ensure that NPAS is transparent, decentralized, self-sustaining and managed through partnerships at the local level. Instead of supporting studies, the project will directly develop tests for legal mechanisms and incentives to increase civil society involvement in generating financial resources from and for protected areas and in administering parks and the financial resources that sustain them. This will be tested in three pilot parks that represent optimal conditions for revenue generation and for developing agreements for co-management.

10. *Financial Sustainability*: During the Pilot Phase, plans to generate income from fees, tariffs, fines were planned by the PCU. A few studies were conducted but they did not lead to concrete results. This was due to the lack of political influence of the PCU, and the dual role of INEFAN as promoter of forestry industry development and protector of biodiversity in addition, civil society and the private sector had not been invited to participate in developing financial mechanisms. During implementation of the Pilot Phase, the need to establish a Protected Areas Fund came up, but this was not part of the original goals of the Pilot Phase as the funds had not been earmarked for a Trust Fund. Proposed actions: Thanks to the civil society and the Ministry of Environment, an environmental fund was created that would eventually house the Protected Areas Fund. One lesson learned is that without a basic infrastructure and minimum staff at the park level, it is very hard to develop revenue-generating activities. Ecuador has led the way, by partnering with The Nature Conservancy to administer fees for water services. This time, the project has been designed to work in parks where basic consolidation has been initiated and where the potential for generating income is high. The presence of private partners was also a criteria to select the PAs where the financial mechanisms will be tested. Thus the current project will test a series of reforms that the government has designed and will specifically: (i) promote, develop and implement innovative financial mechanisms and new participatory management models that would generate significant profits that would be re-invested in the protected areas; and (ii) capitalize the Protected Areas Trust Fund to cover the recurrent costs of six priority protected areas. (iii) ensure continuity in the flow of funding to protected areas management (many resources are lost if management plans are not followed up immediately by investments in infrastructure and training). The lessons learned from other projects on Trust Funds is presented below.
11. *Monitoring and Evaluation*: The Pilot Phase project lacked standards for protection or a realistic timeframe for raising performance to meet such standards. The Pilot Phase invested in many scattered studies, such as databases for cataloguing data on biodiversity, vegetation types and research projects, however systematic park monitoring was not introduced. Proposed actions: A monitoring system will be implemented at three selected protected areas to assess the impact of new management models. The emphasis will be on the ground and will analyze how threats are handled. The current project will also include performance benchmarks for institutional strengthening.
12. *Park Management*: During the Pilot Phase, investments at the park level focussed on equipment and infrastructure and lacked emphasis on effective management. The Pilot Phase arrived at a moment when park system of Ecuador was under developed and the investments went directly to urgent needs and equipment instead institutional reforms and processes. The Pilot Phase supported the purchase of cars and computers, training of personnel, construction of visitor centers and development of management plans. Mechanisms for private sector administration of these centers was not accomplished due to lack of follow-up by INEFAN staff nor was the local Parks Commission established. In sum, the impact in the field was minimal because most components of the project operated in different geographical areas or at the national scale. Proposed actions: The current project takes a very different approach by using only three parks as models to demonstrate effective

management. These parks have been partially supported under the Pilot Phase, but only targeted activities to develop management plans and establish some minimum infrastructure. Now the emphasis of the investment in the current project is on local ownership and involvement, testing tourism generated activities, and management of specific threats.

13. *Public/Private Partnerships.* During the Pilot Phase, there was limited public participation by NGOs and other sectors in project design and implementation. Proposed actions: This was discussed earlier under Institutional Sustainability and Park Management.
14. *Training and outreach.* Training under the Pilot Phase focussed on national level training, through advanced graduate work and short term courses on biodiversity, research and conservation. It was mainly targeted to INEFAN staff and did not target national NGOs or regional and community based organizations. Proposed actions The current project provides training on a new PA management model that centers around participatory processes and fostering relationships with potential partner organizations for co-management. The training will be directed to the staff that will manage the three pilot PAs (park staff, NGOs, local government, grass root organizations, indigenous associations, etc...)

Lessons identified in the Evaluation of Trust Funds

The *GEF Evaluation of Experience with Conservation Trust Funds* identifies ten key conditions associated with trust fund success, including internal and external factors that contribute to a fund's ability to become a viable institution and achieve its mission. The Ecuador Trust Fund meets the following critical conditions:

- The existence of a valuable, globally significant biodiversity resource whose conservation is politically, technically, economically, and socially feasible and will be addressed as a long-term commitment. The fund will support biodiversity conservation at 6 globally important sites.
- There is active government support for creating a mixed, mechanism for the public-private sector to function beyond direct government control. The Board has already been established with 6 members from civil society, including NGOs and one member from government.
- There is a critical mass of people from different sectors of society who can work together, irrespective of their diverse approaches to biodiversity conservation and sustainable development. Establishment of a Board, an agreement on Fund criteria along with the preparation of an operational manual have all been a joint effort with NGOs and the business sector of Ecuador.
- There is a basic fabric of legal and financial practices in place and supporting institutions (including banking, auditing and contracting) in which people have confidence.
- A legal framework exists for establishing a trust fund which has already been created.
- A broad set of stakeholders have been, and remain, involved in the design process.
- "Mentors" support the Fund's establishment and operations -- in this case, a donor agency with program and supervision support (World Bank), an international NGO partner (The Nature Conservancy) and REDLAC (Latin America Network of Environmental Funds). The Nature Conservancy has been advising FAN since the beginning of the preparatory phase and has helped negotiate debt-for-nature swaps.
- Realistic prospects exist for attracting a level of capital adequate for the Fund to support a comprehensive program while keeping administrative costs at a reasonable level. A number of bilateral donors have given positive initial responses concerning possible support for fund administration costs and/or contributions to either the endowment fund or to support activities that would allow the Fund to retain capital, provided positive indications of successful inception and operation of the Fund are forthcoming.

- Real demand exists for the Fund's product. The Pilot Phase had already identified the need to develop a Parks Trust Fund to support the recurrent costs.
- Supervision and monitoring of the Funds expenditures should be carried out consistently to ensure efficiency in the use of funds. Very clear, tangible, quantifiable development objectives and indicators are needed to avoid dispersing the project into activities with little overall impact on the status of the environment. FAN and the NPAS will apply learning from other experiences (Mexico Fund for the Conservation of Nature), to monitor and evaluate the impacts of the investments made.

Annex 12. Related Biodiversity or Rural and Social Development Projects financed by the main donors in Ecuador

	Project Name	DONORS	EXECUTORS	DURATION
1	PETRAMAZ	Unión Europea	Unidad Ejecutora, PETRAMAZ	1995-2000
2	Comercialización Café Ecológico	Fondo Ecuatoriano Canadiense	Fundación Nampaz	1998-2001
3	Conservación y manejo del PNY y su ZA	Embajada de los Países Bajos	FEPP	1999-2001
4	Conservación y manejo de los Recursos Genéticos	AECI	Sacha Supay	1999-2000
5	Especies Paisaje	USAID	WCS/EcoCiencia	2000-2004
6	Conservación y manejo del PN Sangay	Embajada de los Países Bajos	Fundación Natura	1996-2001
7	Proyecto Agrosilvopastoril/forestal (za)	GTZ	CREA Macas	2000-
8	Proyecto de Riego y Desarrollo (ZA)	COSUDE	CESA	2000-2003
9	Bioreserva del Córdon	TNC	Fundación Antisana	1996-2001
10	Conservación del Oso Andino	TNC,AID, Gran Bretaña, Natura	EcoCiencia	1998-2001
11	Vigilancia y control de la Reserva	EMAAP.Q	Fundación Antisana	1997-2000
12	Alas de América	USAID-TNC	Fundación Arco Iris	1999-2004
13	Parques en Peligro: Podocarpus	USAID-TNC	Fundación Arco Iris	1993-2001
14	Programa Podocarpus	Embajada de los Países Bajos	DHV Consultora Holandesa	1997-2002
15	Conservación de Bosques Protectores	FOES	Arco Iris, Fundatierra, Maquipucuna	1999-2001
16	Bosque Protector Aguarongo (ZA)	Ayuda en Acción	Ayuda en Acción-Fundación Mazán	1997-2000
17	Proyecto SUBIR (ZA)	USAID	CARE-EcoCiencia-Jatun Sacha	1999-2002
18	Plan Ambiental Chocó (ZA)	PNUD/CAF	Unidad Ejecutora, MAE	1996-2000
19	Plan Ambiental Chocó II Fase	PNUD/GEF	Unidad Ejecutora, MAE	Negociación
20	Comunidades Río Santiago-Canandé (ZA)	Fondo Canadiense	Cooperativa La Concepción	1998-2001
21	Ecodesarrollo Chachi-Río Canandé	Fondo Canadiense	Fundación Natura	1998-2000
22	Manejo Forestal Esmeraldas (ZA)	GTZ	GTZ	2000-2003
23	Desarrollo Rural (ZA)	COSUDE/FOES	CESA	Permanente
24	Proyectos de conservación y de alternativas productivas(ZA)	FOES	FBU, IEE, Terranova	1999-2001
25	DRI Cotacachi	AECI	AECI, Ayuda en Acción	1998-2002
26	Proyectos de conservación y de alternativas productivas(ZA)	PPD/PNUD	FBU, DECOIN, Rainforest	2000-
27	Proyecto Selvas Tropical Gran Sumaco	KFW/GTZ	GTZ	1995-2005
28	Proyectos productivos no maderables	FOES	DIA-FOIN	2000-2003
29	Parques en Peligro:Machalilla	USAID/TNC	Fundación Natura	1991-2001
30	Manejo Agroecológico (ZA)	FOES	Corporación Amingay	1999-2001
31	Estudios de Migración	TNC-Mcarthur	TNC-Mcarthur	1998-2000
32	Desarrollo Ecosustentable ZEM Sur Manabí	Unión Europea	CISP	1999-2001
33	Agroforestería Sucumbios (ZA)	FOES	Fundafor	1999-2001
34	Conservación y uso sustentable de los manglares	Embajada de los Países Bajos	FEPP	1998-2001
35	Conservación y manejo de la Reserva y su ZA	Ayuda en Acción,DWWH	FEPP/Ayuda en Acción	1999-2002
36	Remediación ambiental	GEF-Banco Mundial	CEDEGE	1995-2001
37	Proyecto PARAMO	Embajada de los Países Bajos	U. Amsterdam -EcoCiencia	1998-2001
38	PROBONA	COSUDE	UICN/Intercooperation	1999-2005
39	DFC Desarrollo Forestal Campesino	Embajada de los Países Bajos	DFC/Ministerio del Ambiente	2000-2003
40	Inventario Nacional de Humedales	GEF-Banco Mundial	EcoCiencia	1999-2001
41	Diagnósticos pilotos: Estrategiaa Nacional de Biodiversidad	Embajada de los Países Bajos	EcoCiencia	2000-
42	Programa de Manejo de Recursos Pesqueros	BID	PMRC	1993-2000
43	Protección Páramos del Chimborazo	AECI	Manos Unidas	2001-2004
44	Conservación y Manejo de la RECC	Agencias Italiana y otros	UNORCAC	Permanente
45	Fortalecimiento Organizacional y Manejo de Recursos	IBIS/Dinamarca	ONHAE	2000-2003
46	Conservación Reserva Mache Chindul	GEF-PNUD	Fundación Natura	Negociación
47	Rescate conocimiento Ancestral Biodiversidad	GEF-Banco Mundial	ESPOL-F. Pedro Vicente Maldonado	Preparación
48	Conservación de la Biodiversidad de Pastaza	GEF-Banco Mundial	Inst. Biotecnología Sacha Supay	Preparación
49	Conservación Reserva Antisana	GEF-Banco Mundial	Fundación Antisana	Preparación

50	Proyecto SNAP-GEF II	GEF-Banco Mundial	Ministerio del Ambiente/FAN	Preparación
51	Proyecto de Desarrollo de Pueblos Indígenas y Negros	GEF-Banco Mundial	PRODEPINE	1999-2002
52	Proyecto Binacional Bosque Seco	GEF-PNUD	Ecociencia, Fundación Arco Iris	Preparación
53	Corredor Choco Andino	GEF- Banco Mundial	Fundación Maquipucuna-CDC	Preparación

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