Document of
The World Bank

Report No: 27191

IMPLEMENTATION COMPLETION REPORT
(TF-28678)

ON A

GRANT FROM THE GLOBAL ENVIRONMENT FACILITY

IN THE AMOUNT OF US$ 16.48 MILLION EQUIVALENT

TO THE

FONDO MEXICANO PARA LA CONSERVACION DE LA NATURALEZA A.C.

AND

UNITED MEXICAN STATES

FOR A

PROTECTED AREAS PROGRAM: PROPOSED RESTRUCTURING PROJECT

October 30, 2003

Environmentally & Socially Sustainable Sector Management Unit
Colombia and Mexico Country Management Unit

CURRENCY EQUIVALENTS

(Exchange Rate Effective September 19, 2003)

Currency Unit = Mexican Peso
MXN $1.00 = US$ 0.092
US$ 1.00 = MXN $ 10.8625

FISCAL YEAR
January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ANP	Natural Protected Area, or *Área Natural Protegida*
CA	Advisory Council or *Consejo Asesor*
CNANP	National Council on Protected Areas, or *Consejo Nacional de Areas Naturales Protegidas*
CONABIO	National Commission for the Understanding and Use of Biodiversity, or *Consejo Nacional para el Conocimiento y Uso de la Biodiversidad*
CONANP	National Commission for Protected Areas, or *Comisión Nacional de Areas Naturales Protegidas*
CTA	Technical Advisory Council, or *Consejo Técnico Asesor*
CTFANP	Technical Committee for FANP, or *Comité Técnico del FANP*
FANP	Fund for Natural Protected Areas, or *Fondo para Areas Naturales Protegidas*
FMCN	Mexican Nature Conservation Fund, or *Fondo Mexicano para la Conservación de la Naturaleza*
GEF	Global Environment Facility
GOM	Government of Mexico
INE	National Institute of Ecology, or *Instituto Nacional de Ecología*
IPDP	Indigenous Peoples Development Plan
LGEEPA	General Law for Ecological Equilibrium and Environmental Protection, or *Ley General del Equilíbrio Ecológico y Protección Ambiental*
NGO	Non-Governmental Organization
POA	Annual operational plan, or *Plan Operativo Annual*
PRODERS	Program for Regional Sustainable Development, or *Programa para Desarollo Regional Sustentable*
SEMARNAT	Ministry of Environment and Natural Resources, or *Secretaría de Medio Ambiente y Recursos Naturales*
SHCP	Ministry of Finance and Public Credit, or *Secretaria de Hacienda y Crédito Público*
SINAP	National System of Protected Areas, or *Sistema Nacional de Areas Naturales Protegidas*
UCANP	Coordinating Unit for Natural Protected Areas, or *Unidad Corrdinadora de Areas Naturales Protegidas* (Changed to CONANP in 2000)

Vice President:	David de Ferranti
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Sector Director	John Redwood
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MEXICO
Protected Areas Program: Proposed Restructuring Project (GEF)

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Project ID: P052209	*Project Name:* Natural Protected Areas Project (GEF)
Team Leader: Adriana Moreira	*TL Unit:* LCSES
ICR Type: Core ICR	*Report Date: November 6, 2003*

1. Project Data

Name: Natural Protected Areas Project (GEF)
L/C/TF Number: TF-28678
Country/Department: MEXICO
Region: Latin America and Caribbean Region

Sector/subsector: General agriculture, fishing and forestry sector (62%); Sub-national government administration (31%); Central government administration (5%); Other social services (2%)
Theme: Biodiversity (P); Rural non-farm income generation (P); Civic engagement, participation and community driven development (P); Indigenous peoples (S)

KEY DATES

			Original	Revised/Actual
PCD:	05/21/1996	*Effective:*	07/09/1997	
Appraisal:	03/09/1997	*MTR:*	11/10/2000	
Approval:	06/04/1997	*Closing:*	06/30/1998	12/31/2002

Borrower/Implementing Agency: FMCN/FMCN
Other Partners: SEMARNAT

STAFF	Current	At Appraisal
Vice President:	David de Ferranti	Shahid Javed Burki
Country Director:	Isabel M. Guerrero	Olivier Lafourcade
Sector Director:	John Redwood	Michael Baxter
Team Leader at ICR:	Adriana Moreira	Adrian Demayo
ICR Primary Author:	Adriana Moreira; Ruth Norris; Guadalupe R. Silva; Paula Freitas	

2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

Outcome: HS
Sustainability: HL
Institutional Development Impact: H
Bank Performance: S
Borrower Performance: HS

	QAG (if available)	ICR
Quality at Entry:		
Project at Risk at Any Time:	No	

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

The project development objectives were to (a) protect unique biodiversity in eligible biosphere and special biosphere reserves; (b) strengthen protected areas management at the reserve level; (c) promote local participation, including indigenous communities, in the implementation of protected areas operating and management plans; and (d) ensure long-term recurrent cost financing for core protection and conservation activities.

3.2 Revised Objective:

The objectives of the restructured project were to : (a) to implement protection/conservation programs in ten biosphere reserves in high priority ecosystems containing endemic and/or endangered species of global importance; (b) to strengthen the management of protected areas at the reserve level; (c) to promote local participation, including indigenous communities, in the implementation, operating and management plans for protected areas; and (d) to ensure long-term recurrent cost financing for core protection and conservation activities.

3.3 Original Components:

(a) Reserve Conservation Programs: This component encompassed a core group of protection, community outreach, sustainable use, and training activities, some supported by The National Commission for Protected Areas, CONANP (Comisión Nacional para Areas Naturales Protegidas), the public agency responsible for the management of federal protected areas in Mexico and others, including basic operation, equipment, conservation, community and training activities, eligible for support by FANP. The aim was to improve reserve management and ensure effective biodiversity conservation in the 10 project reserves. Annual conservation programs were prepared and implemented in each reserve with input from local stakeholders through the mechanism of Technical Advisory Councils. The design foresaw inclusion of activities identified through the Indigenous Peoples Development Plan process. Conservation activities supported as part of annual operating plans included patrols, biodiversity monitoring, signage, trails, fire prevention and control, habitat rehabilitation, control of invasive species, construction of rustic infrastructure, environmental awareness training, local community capacity-building, and pilot income-generating activities focused on conservation and sustainable use of natural resources. Reserve conservation programs also included strengthening reserve management capacity through training of the reserve management team and development of CTAs. The design permitted implementation of the reserve conservation program either by the reserve director and core staff or through contracts with qualified third parties (e.g., NGOs, universities, institutes, etc.), with the particular arrangements for each site worked out on a case-by-case basis and with flexibility to vary over time.

(b) Central Coordination Programs: This component included activities coordinated at the national level for the purpose of strengthening project performance, with particular emphasis on protected area management, the CTA mechanism, and project evaluation. These were programs designed to benefit multiple reserves or CTAs, such as training programs and specialized technical assistance in techniques including stakeholder participation, conflict resolution, financial systems; assistance to develop CTA capacity to play a meaningful role as partners of reserve management; national coordination of project planning, contracting, and procurement; and independent evaluations.

(c) FANP Endowment: This component supported establishment and operation of the Fondo para Áreas Naturales Protegidas (FANP) within the Fondo Mexicano para la Conservación de la Naturaleza (FMCN). Activities included establishment of the endowment's legal, financial, and operating structure; financing of

incremental staff, management, and office support to enable FMCN to assume its additional oversight responsibilities for the operation of the FANP; and operation of the FANP under the rules established in an Operational Manual. A technical committee composed of representatives of civil society (CTFANP) was established to oversee the program and make policy decisions. After 1998, only the proceeds from investment income were to be used to fund reserve conservation, central coordination, and FANP administrative programs.

3.4 Revised Components:

The restructured project supports biodiversity conservation in 10 priority reserves through the preparation and implementation of annual operating plans, facilitation of public input through technical advisory committees, central coordination including opportunities for exchange of experience and learning as well as evaluation and technical support, and ongoing financial support for core protection activities through the trust fund mechanism.

The restructured project relied on GOM financial support, FANP investment income, and NGO co-financing to provide financing for all project activities from 1998 onwards. Co-financing from NGOs and private foundations was a new element added to the project financing plan during the redesign. At the time, the main source of co-financing was assumed to be FMCN's existing small grants program, established with funding from GOM, USAID, and other sources, to support conservation and sustainable use projects, local community capacity building, publications, and scholarships. All of the reserves supported by the SINAP project fell within the priorities already established for the small grants program, and FMCN agreed to carry out promotion and dissemination activities to assure that reserve staff and local residents were aware of the opportunities presented by the small grants program.

The restructuring decentralized implementation arrangements, strengthened local participation, and promoted coordination between national governmental and nongovernmental institutions to ensure management activities consistent with national protected area legislation and policies. The two institutions responsible for project implementation after restructuring were FMCN and the National Institute of Ecology (INE), a semi-autonomous agency of the Secretariat of Environment, Natural Resources, and Fisheries (SEMARNAP). SEMARNAP retained overall responsibility for the policy and institutional framework of the National System of Protected Areas (SINAP), oversight of INE's implementation of protected area management, and responsibility to provide additional technical and financial support to the implementation of Indigenous Peoples Development Plans through PRODERS, the Regional Sustainable Development Program within CONANP.

The project was completed and closed on December 31, 2002. At that time, all of the planned activities had been completed. The project activities were completed in accordance with planned budgets with respect to the GEF funds. Increased fiscal appropriations to CONANP permitted additional activities beyond those contemplated in the project design, financed with counterpart funding. Co-financing from the private sector and NGOs also increased the scale of activities and results in the protected areas system.

This was an extraordinarily successful project, achieving not only the specific objectives elaborated in the project design, but also having positive impacts throughout the entire system of protected areas management in Mexico. During the course of the project, the Government of Mexico substantially increased its annual financial commitment to protected areas, and elevated the protected areas agency to a significantly more visible and powerful position within SEMARNAT. The partnership between SEMARNAT and FMCN created incentives and mechanisms to develop management plans and improve management systems. This was true not only for the 10 reserves included in the project but for many others

as well.

Because of the success of the permanent financing mechanism, protected areas now have a reliable source of annual funding that is not dependent on annual budget appropriations (but creates an incentive to keep appropriations at an adequate level). As a result of the project activities, the national protected areas system has begun to develop systems for long term planning and monitoring of field activities, appropriate to the field of conservation where the objectives are for the long term. Finally, the effectiveness of the financing mechanism has created opportunities for significant additional external funding from bilateral, corporate, and nonprofit sources, nationally and internationally.

3.5 Quality at Entry:

Mexico is ranked fourth among the thirteen megadiversity countries, containing 10% of the world's biodiversity. Besides being biologically important, Mexico's forests and wildlands have national and global significance for environmental, social, and economic reasons. The Government of Mexico (GOM) has developed various strategies for protecting critical natural areas over the past two decades, including the creation of a National System of Protected Natural Areas (SINAP).

In the early 1990s, GOM and the World Bank began to explore ways in which financial support could assist GOM in achieving its environmental objectives. This dialogue culminated in the approval, in March 1992, of GEF Grant No. 28604 to finance the implementation of emergency plans, management plans, and operating plans in up to 17 SINAP protected areas.

In late 1992, the GOM agency responsible for implementing the project reorganized, establishing two semiautonomous institutes, the National Ecology Institute (INE) and the Attorney General for Environmental Protection (PROFEPA). INE had responsibility for managing protected areas and PROFEPA for enforcing environmental regulations. The GEF project and the associated World Bank Loan 3461-ME (Mexico Environmental Project)put in name and number were restructured to be consistent with new institutional arrangements. At the same time, the GEF grant amount was reduced to SDR 17.83 million (US$25 million equivalent) and the number of SINAP protected areas included was reduced. The project reserves, encompassing about one-half the total area of Mexico's biosphere and special biosphere reserves at the time, were: (1) Calakmul Biosphere Reserve; (2) El Triunfo Biosphere Reserve; (3) Isla Contoy National Park; (4) Wildlife Protection Area Islas del Golfo de California; (5) Sierra de Manantlán Biosphere Reserve; (6) Mariposa Monarca Biosphere Reserve; (7) Montes Azules Biosphere Reserve; (8) Ría Lagartos Biosphere Reserve; (9) Sian Ka'an Biosphere Reserve; and (10) Vizcaíno Biosphere Reserve.

The above mentionned governmental reorganization and budgetary problems related to an economic crisis and peso devaluation resulted in budget austerity measures and severe spending controls on publicly funded projects. At the end of 1994, there was another agency reorganization. INE was placed under the jurisdiction of a new ministry for environment, natural resources, and fisheries (SEMARNAP, name changed to SEMARNAT in 2000). By the end of 1995, the project's original closing date, only $US3.96 million had been disbursed. Management plans had been completed for 6 reserves, emergency plans for another 3. Technical advisory councils (CTAs) were established in 6 reserves, and on-site protection activities initiated at 10. However, within these technical accomplishments there was tremendous variation from site to site, both in the scope and the quality of management plans and in the degree of involvement of CTAs.

In an effort to reach a common understanding about the constraints to effective implementation, the GOM

and the World Bank agreed to commission an independent analysis and recommendations for improving project implementation and justifying an extension of the project closing date. The Mexican non-governmental organization Pronatura conducted this exercise. The assessment report recommended changes including increased training and technical assistance, streamlining of World Bank procurement review requirements, introduction of third-party reserve management programs where appropriate, and measures to address long-term financial sustainability.

In view of the special status of GEF resources and the fact that once canceled, there was no assurance that grant funds would be available in future, the Bank waived its normal procedures (which require that extensions be granted only when implementation arrangements are fully satisfactory for the purposes of completing the project) and authorized four-month extension of the closing date to April 30, 1996. It was estimated that this period would be sufficient to permit the Bank and GOM to reach agreement and put in place the changes in implementation arrangements needed for satisfactory project completion and achievement of project objectives.

In addition to incorporating many recommendations from the Pronatura study, the redesign included a new component, an endowment fund capitalized by the undisbursed funds from the GEF grant. The design features, including capital funds invested to maintain the value while generating income to fund project activities, participatory decision making mechanisms, and agile disbursement mechanisms, contributed to stabilizing recurrent cost financing and moderating the volatility of project funding, as well as enhancing public-private partnerships, catalyzing additional resources from public and private sources, and improving the flow of funds to the field.

Negotiations for the restructured project concluded in May 1996, permitting resumption of project activities with a new completion date of 2002. Some of the original grant resources were reassigned for the first year's operations, and $16.48 million from Grant 28604 was canceled in favor of FMCN for the purpose of capitalizing the endowment.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The project was completed and closed on December 31, 2002. At that time, all of the planned activities had been completed. The project activities were completed in accordance with planned budgets with respect to the GEF funds. Increased fiscal appropriations to CONANP permitted additional activities beyond those contemplated in the project design, financed with counterpart funding. Co-financing from the private sector and NGOs also increased the scale of activities and results in the protected areas system.

This was an extraordinarily successful project, achieving not only the specific objectives elaborated in the project design, but also having positive impacts throughout the entire system of protected areas management in Mexico. During the course of the project, the Government of Mexico substantially increased its annual financial commitment to protected areas, and elevated the protected areas agency to a significantly more visible and powerful position within SEMARNAT. The partnership between SEMARNAT and FMCN created incentives and mechanisms to develop management plans and improve management systems. This was true not only for the 10 reserves included in the project but for many others as well. Because of the success of the permanent financing mechanism, protected areas now have a reliable source of annual funding that is not dependent on annual budget appropriations, but rather creates an incentive to keep appropriations at an adequate level. As a result of the project activities, the national protected areas system has begun to develop systems for long term planning and monitoring of field activities, appropriate to the field of biodiversity conservation. Finally, the effectiveness of the financing

mechanism has created opportunities for significant additional external funding from bilateral, corporate, and nonprofit sources, nationally and internationally.

4.2 Outputs by components:

1. Reserve Conservation Programs

Basic staffing and management plans for protected areas

Each of the 10 reserves is managed by a core permanent staff of 5 (Director, Subdirector, 2 Project managers, Administrator) paid by CONANP from annual fiscal funds. CONANP counterpart funding for basic operations and equipment have met or exceeded targets established at project design. Approximately 150 additional staff (15 per reserve) are supported with project funds and contracted through NGOs.

Management plans have been published for all of the reserves. Annual operating plans updated each year form the basis for project disbursements and monitoring activities. The annual plans have been executed within 85 to 100% of technical and expenditure norms over the life of the project, with percentages improving steadily as the project matures. Annual regional workshops have developed the skills of guards, data managers, administrators and individuals responsible for biological and social monitoring.

Social strategies

All of the protected areas included in the project have functioning Advisory Councils (CAs) composed of representatives of communities and other stakeholders, including indigenous people. The CAs participate in the review of annual operating plans and play other roles in the implementation of social strategies in the respective areas. The experience of the CAs has generated considerable learning about social participation, resulting in the development of new models with considerable interaction with local populations, more so than the originally envisioned Technical Advisory Committees (CTAs). These include the establishment of sub-councils for distinct regions or thematic focus areas. Additionally, the CAs now function as one element in a comprehensive social strategy for each protected area. These strategies also include indigenous peoples development plans where appropriate, sustainable development action plans, strategies for social "co-responsibility" for conservation, and for outreach and communications. Each protected area includes specific activities and outcome indicators for these 4 components of the social strategy in its operating plan and monitoring program. To date, more than 60 community-based sustainable development projects in buffer zones have been supported with project funds, and more than US$4 million in complementary funding for sustainable development projects has been channeled to the 10 reserves through development agencies, NGOs, and others. Over the period 2000-2002, achievement of the identified outputs and outcomes was generally very good, in the range of 80-100% overall.

Monitoring and evaluation system

In order to examine the relationship of project activities to achievement of objectives, CONANP and FMCN have collaborated in developing a monitoring and evaluation system designed to provide feedback oriented toward adaptive management of the protected areas. The system was developed through a series of workshops with protected area managers and technical experts, using a logical framework format adapted from the ZOPP methodology, and approved by CONANP, FMCN, and the World Bank in 1998. It emphasizes periodic field-level evaluation of management activities and their impacts. Four indicators are monitored in all of the reserves, two relating to biodiversity conservation and two to sustainable use of biodiversity. In addition, as a measure of context, each protected area monitors population trends -- rate of growth or decline -- inside the reserve. The indicators include:

(a) rate of habitat conversion;
(b) trends in observations (average occurrence) of indicator species;

(c) area under sustainable use; and
(d) number of residents adopting sustainable use practices.

Baseline data was gathered in 1999. Reports of annual measures have been integrated as part of the annual cycle of planning and reporting. The intention is to manage the monitoring and evaluation system as a five-year cycle. In addition, the Central Coordination and FANP administration units have developed logical frameworks and indicators to monitor their performance.

The preliminary data shows that habitat conversion rates have decreased in some protected areas since their decree, but have increased in others, with the highest rates (ca. 0.7% per year) occurring in *Mariposa Monarca* and *Ría Lagartos*. Deforestation rates since the beginning of the project also show mixed upward and downward trends, which could reflect the short time that the project has been in existence, or an increasing level of threat beyond what the project can address. One reserve, *Sian Ka'an*, actually shows an increase in vegetative cover due to restoration projects.

In December 2002, the National Commission on Knowledge and Use of Biodiversity (CONABIO), the National Institute of Ecology (INE), CONANP, and FMCN met and agreed to undertake additional work to standardize the methods used to gather data for the biodiversity indicators, and to formalize their ongoing inter-institutional cooperation to continue and improve conservation monitoring. This should assure continuing improvements in the quality of the monitoring program and the relevance and reliability of data for management.

Institutional strengthening and funding of the protected area management agency

Public funds channeled to the SINAP increased 20-fold from 1994 to 2003. In 2000, an extraordinary appropriation of US$9 million raised the annual budget for protected areas to US$13.4 million, and in subsequent years, that level has become the budget baseline. CONANP's annual budget has continued to increase above that level due to the incorporation of the regional sustainable development program PRODERS into its program portfolio. Today, 72 of the 149 protected areas in the system have core staff and basic operations budgets paid by the Mexican government. 27 protected areas have a published Management Program. By way of contrast, as recently as 1990, no protected areas had permanent official staff.

For the first time, a team of dedicated and professional protected area managers has been built, constituting a new generation of leadership for the system. The Mexican government has instituted six-year, coherent programs for protecting biodiversity in consultation with scientists, conservationists, and local people. Inter-institutional bodies have been established to identify common goals and rationalize investments in and around protected areas.

The agency responsible for administering protected areas, renamed CONANP (National Commission for Protected Areas) has increased status as a commission under SEMARNAT. Additionally, the Regional Sustainable Development Program (PRODERS) within SEMARNAT was transferred to CONANP, ensuring added support to sustainable practices within and around protected areas. During the course of the project, CONANP instituted improved, criteria-based hiring policies, added a new monitoring and evaluation unit, and began testing new revenue generation mechanisms, including entry fees at some sites. National regulations for protected areas have been published and CONANP is working on turning these regulations into law.

Based on the success of this project, the structure and mechanisms were retained, with a few modifications reflecting lessons learned, in the follow-on SINAP II project, which became effective in April 2002.

2. Central Coordination Programs

This component succeeded in installing a functioning unit for coordination of planning, monitoring, and reporting; establishment of a comprehensive monitoring system for the protected areas, and compliance with other terms of the grant agreement, including application of fiscal counterpart funds. The central coordination consistently prepared and submitted consolidated reports, and participated in consultations, within agreed timeframes. Independent external evaluations were conducted at midterm (2000) and at the end of the project (2003). The project succeeded to a large extent in coordinating projects of multiple external donors to avoid duplication of program activities and incompatible efforts.

3. FANP Endowment

Efficiency and timeliness of disbursements to protected areas

Throughout the project period, the flow of funds remained agile. Benchmarks for processing annual operating plans, disbursements, reports, and closing the fiscal year were consistently met. During the project period, FANP disbursed US$7.03 million, with US$5.29 million going directly to the protected areas, US$0.47 million to NGOs supporting the protected areas in contracts and administration, US$0.44 million to central coordination programs, and US$0.83 million to FANP administration. This represents an average overhead of 11.80 percent. The rate is expected to continue at 12 percent during the second phase of the project, as the number of protected areas supported through essentially the same infrastructure increases by 80 percent.

The FANP was managed in accordance with the investment guidelines, and achieved returns significantly greater than projected in the first two years. In 2000, the investment guidelines were changed with the no-objection of the World Bank, to take into account lessons learned as a result of the cancellation of the debt swap program, and to provide a fixed-income base to support essential program activities, leaving only 10% of the portfolio in more volatile equity investments. Thus, the target investment performance was also achieved in 2001 and 2002, despite the economic downturn.

Fundraising

SEMARNAT began making annual contributions of US$1 million to the FANP endowment in 2001, with a commitment to continue through the implementation of the SINAP II project to 2006. FMCN raised an additional US$5 million for priority protected areas as a counterpart to this project, and to date has raised US$7.5 million more from sources other than public in matching funds for the follow-on project, SINAP II. Beginning with a single donor (GEF), the FANP now counts 12 large donors and commitments of more than US$20 million in additional funding in the coming years, with the addition of the SINAP II protected areas and funding. At the end of 2002, FANP endowment reached US$41.5 million, including SINAP II and public contributions.

On a larger scale, FMCN as a whole has increased its endowment from US$30 million to US$71.5 million, of which US$26 million corresponds to GEF contributions. Its programs in support of protected areas, in addition to the FANP, have expanded to include two Conservation Learning Networks dedicated to protected area management and fire prevention and control. Approximately one-third of the funds granted in FMCN's non-GEF funded portfolio have been channeled to projects supporting protected areas, more than US$4 million as of the close of this project.

Finally, the flow of funds to protected areas has been greatly enhanced by the active involvement and partnership of Mexican NGOs. Many of these organizations have developed local fundraising mechanisms,

designed regional approaches to conservation, and developed innovative conservation schemes with local communities. Financial data from the 10 protected areas included in the project show that flows of funds from Mexican NGOs 1998-2002 totaled US$1.7 million, a number that does not take into account the value of direct conservation work and technical assistance carried out by the NGOs themselves in benefit of the areas, or the value of contributions from international partners of these local NGOs.

4.3 Net Present Value/Economic rate of return:

The Mexico Protected Areas Program: Proposed Restructuring Project *(Sistema Nacional de Áreas Naturales Protegidas* - SINAP) was designed to conserve biological diversity in priority protected areas and to establish mechanisms to provide a stable, long-term flow of funds to support core operations in 10 protected areas. The project, which resulted from a restructuring of the Mexico Environmental Project originally approved in 1992 (GET Grant No. 28604), was approved by the Board in 1997 and financed with US$16.48 million in funds remaining from the original grant, canceled and redirected to the Mexican Nature Conservation Fund (FMCN) for the establishment of a permanent endowment for protected areas. FMCN and the National Commission on Protected Areas (CONANP), which has overall responsibility for the protected areas system, worked closely together to implement the annual project cycle of planning, funding, implementation, and monitoring.

No estimated economic rate of return was calculated at appraisal.

4.4 Financial rate of return:

At the close of 2002, the balance of endowment funds originating from the US$16.48 million GEF grant stood at US$17.76 million, of which US$1.4 million was destined to be disbursed during the following year. These figures correspond with the financial projections included in the original design (see Annex 4 of Project Document). Endowment funds originating from contributions to the FANP by the Government of Mexico for SINAP I stood at US$2.52 million, for a total endowment fund of US$20.28 million. In short, the endowment mechanism can be expected to have disbursed an amount equal to the entire GEF grant for conservation of protected areas within the next eight years, and still have a balance of capital sufficient to sustain that level of support into the indefinite future.

Permanent endowment for protected areas. During the project period, FANP disbursed US$7.03 million, with US$5.29 million going directly to the protected areas, US$0.47 million to NGOs supporting the protected areas in contracts and administration, US$0.44 million to central coordination programs, and US$0.83 million to FANP administration. This represents an average overhead of 11.80 percent. The rate is expected to stabilize at 12 percent during the second phase of the project, as the number of protected areas supported through essentially the same infrastructure increases by 80 percent. The FANP was managed in accordance with the investment guidelines, as adjusted in 2000, to provide a fixed-income base to support essential program activities. At the close of 2002, the balance of endowment funds originating from the US$16.48 million GEF grant stood at US$17.76 million, of which US$1.4 million was destined to be disbursed during 2003.

SEMARNAT began making annual contributions of US$1 million to the FANP endowment in 2001, with a commitment to continue through the implementation of the SINAP II project to 2006. FMCN raised an additional US$5 million in endowment funds for priority protected areas as a counterpart to this project, and to date has raised approximately US$7.7 million more from sources other than the Mexican government in matching funds for the follow-on project, SINAP II. Beginning with a single donor (GEF), the FANP now counts 12 large donors and commitments of more than US$20 million in additional funding in the coming years, with the addition of the SINAP II protected areas and funding. At the end of 2002, FANP endowment reached US$ 41.5 million, including SINAP II and public contributions.

4.5 Institutional development impact:

The strategic objectives to strengthen reserve management, promote local participation, including indigenous communities, and ensure long-term recurrent cost financing for core protection and conservation activities were achieved, in several instances with results exceeding the expectations of the project design team. The objective of conserving unique biodiversity in the selected reserves must be considered over a time period longer than the five years that the project has been operating; however, there are both early indicators of success and a system in place for continuous monitoring of the biodiversity resource in a timely manner, such that management systems can adapt to address new and recurring threats.

Clearly, the threat of invasions and conversion of habitat in and around the protected areas continues. The root causes of these threats to biodiversity are numerous and manageable only in the context of a concerted national effort, at the federal, state, and regional levels, to enforce environmental laws and promote appropriate development policies including sustainable use of biological resources and application of conservation criteria to activities of institutions in other sectors that may affect protected areas. The implementation agencies have recognized the importance of greater outreach and coordination with agencies in other sectors, and included a component of "biodiversity mainstreaming" in the second phase project, SINAP II, to increase inter-institutional coordination and synergy.

This project has already had impacts far beyond the 10 reserves, creating organizational models, systems, and management tools with broad benefit in the rest of Mexico's protected areas system, and for the design and operation of protected area trust funds throughout Latin America. Within CONANP, it is said lightly, but seriously, that this project is "the father of the agency", having been the impulse that sparked development of an agency appropriate to the scope and urgency of protected area conservation in Mexico, where before there had been a structure wholly inadequate to the task.

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

During the course of the project, the Government of Mexico substantially increased its annual financial commitment to protected areas, and elevated the protected areas agency to a significantly more visible and powerful position within SEMARNAT. The partnership between SEMARNAT and FMCN created incentives and mechanisms to develop management plans and improve management systems.
For the first time, a team of dedicated and professional protected area managers has been built, constituting a new generation of leadership for the system. The Mexican government has instituted six-year, coherent programs for protecting biodiversity in consultation with scientists, conservationists, and local people. Inter-institutional bodies have been established to identify common goals and rationalize investments in and around protected areas. National regulations for protected areas have been published and CONANP is working on turning these regulations into law.
Although, the project faced and continues to face, challenges. Most importantly, the social and economic forces driving protected area ionvasions and deforestation are outside the control of the project implementing agencies. The root causes of these threats to the reserves' biodiversity are numerous and manageable only in the context of a concerted national effort, at the federal, state, and regional levels, to enforce environmental laws and promote appropriate development policies including sustainable use of biological resources and application of conservation criteria to activities of institutions in other sectors that may affect protected areas. The executors of the project have recognized the importance of greater outreach and coordination with agencies in other sectors, and included a component of "biodiversity mainstreaming" in the second phase project, SINAP II, to increase inter-institutional coordination and

synergy.
Moreover, during the course of the project other factors outside the control of the authorities were, also, faced as the global economic downturn that challlenged the basic assumptions of the investment model beginning in 2000 and a particularly disastrous fire season in 1998.

5.2 Factors generally subject to government control:

Staff turnover, including significant turnover in directors and administrative staff at the protected area level, and major changes at the CONANP central level as a result of the change in administration. There were also changes in administrative personnel at FANP, which undertook an office relocation in 2001.
In spite of what precedes, it is one of the great achievements of this project to have continued virtually unchanged from one administration to the next, despite the change of parties in power. The current administration continues to support protected areas and to develop the legal framework and institutions necessary for their long therm conservation.

5.3 Factors generally subject to implementing agency control:

In order to examine the relationship of project activities to achievement of objectives, CONANP and FMCN have collaborated in developing a monitoring and evaluation system designed to provide feedback oriented toward adaptive management of the protected areas.It emphasizes periodic field-level evaluation of management activities and their impacts. In addition, the Central Coordination and FANP administration units have developed logical frameworks and indicators to monitor their performance.
However, the protected areas agency (UCANP at the beginning of the project, now CONANP), although growing rapidly and making progress, is still not consolidated in terms of well-regulated civil service career paths, and internal processes of planning, monitoring, and management.
There is, furthermore, a lack of clearly stated norms for good protected area management and an inadequate infrastructure to support field work in the protected areas.

5.4 Costs and financing:

Project Costs (1997-2002)by Project Component

(Apraisal estimates considers costs from 1997 to 2001)
(US$ million). Annual costs attributed to GEF indicate flows of funds to project activities from endowment investment yields. Start-up costs (1997) were paid by INE with a remnant from GET Grant No. 28604.

Component	Appraisal Estimate (US$M)			Actual/latest estimate (US$M)		
	Local Costs	GEF	Total	Local Costs	GEF	Total
Endowment Contribution		18.71	18.71	5.00	16.48	21.48
Project Costs						
I. Reserve Conservation	7.49	5.32	12.81	24.26	5.29	29.55
II. Central Coordination	0.08	0.58	0.66	0.11	0.44	0.55
III. FANP Administration	0.00	0.58	0.58	0.75	0.83	1.58
IV NGO Support	0.00	0.00	0.00	5.14	0.47	5.61
Total Base Cost	7.57	6.48*	14.05	30.26	7.03	37.29
Price Contingency						
Physical Contingency						
TOTAL PROJECT COST	7.57	25.19	32.76	35.26	23.51	58.77

*does not include initial endowment contribution.

Observations:
a) Local costs include the 5 million endowment obtained by FMCN and GOM as a match to the GEF first donation.
b) Local costs include 23.24 million channeled by CONANP and non-NGOs, and 1.0 millior by FMCN (to cover the
lack of debt-for-nature contribution)
c) Local costs include an estimate of FMCN support to FANP in its administrative cost (approx.US$ 160.000 per year).

As indicated in annex 3 Table 1a of the 1997 Project Document " Pre-FANP Cost and Financing" the amount of $ 18.71 million correspond to the amount of $16.30 million (grant to FMCN through the reestructured project) remaining from the original grant No. 28604, plus the GEF financing cost of the three project's components in 1997 as showed below.

Reserve Conservation	2.14
Central Coordination	0.18
FANP Administration	0.09
Endowment to FANP	16.30
Overall Total:	18.71

The US$ 6.48 million represent the FANP financing estimated at appraisal for the three project's components between 1998 and 2001 as is showed below in accordance with annex 3 Table 1b "FANP Costs and Financing" of the 1977 Project Document.

Reserve Conservation	5.32

Central Coordination	0.58
FANP Administration	0.58
Overall Total	6.48

Project Financing Plan (1997-2002)by Financing Institutions

(Appraisal estimate considers the period 1997-2001, whereas the Actual/latest estimate encompasses the 1997-2002 period)

Source	Appraisal Estimate (US$M)			Actual/latest estimate (US$M)		
	Local Costs	Foreign Costs	Total	Local Costs	Foreign Costs	Total
GEF		25.19	25.19		23.51	23.51
Government of Mexico	7.57		7.57	23.37	.	23.37
Private Foundations (1)	0.00			6.75		6.75
NGOs	0.00		0.00	5.14		5.14
TOTAL	7.57	25.19	32.76	35.26	23.51	58.77

(1) *From the US$ 6.75 million contributed by private foundations, US$1.75 million were provided by FMCN.*

6. Sustainability

6.1 Rationale for sustainability rating:

The project is highly likely to be sustainable, and even to continue to grow and expand, during the second phase (SINAP II) and beyond. The project continued smoothly through a change of administrations in Mexico. The project continued smoothly through a change of administration in Mexico. As noted above, annual fiscal budgets for protected areas increased more than 20-fold between 1994 and 2003, and this level has been maintained as a permanent baseline in the federal budget. As indicated by the above mentioned project cost, local contributions exceeded almost five times the figure expected during appraisal.

Because of the permanent nature of the endowment fund, and the way in which endowment support is linked to continued provision of basic protected area staffing and infrastructure by the Mexican Government, as well as diverse resources brought in by NGOs and other donors, the flow of project funds to support conservation activities is likely to be sustained over the long term. Current projections indicate that by 2011, an amount equal to the original grant ($16.5 million) will have been disbursed in support of

the protected areas program, while at the same time that balance remains in a permanent endowment that will have grown fourfold through additional contributions, and yield some $5 million per year for protected area conservation.

6.2 Transition arrangement to regular operations:
CONANP's higher profile within SEMARNAT, and the development of a new generation of highly qualified protected area professionals within the government, in NGOs, and in FMCN, bodes well for the project's institutional sustainability. The legal framework for protected areas has been enhanced through the adoption of a national environmental law, and the promulgation in 2000 of regulations for protected areas, which are in the process of transformation to a national law for protected areas.

The highly participatory mechanisms established during the course of the project, ranging from the National Council on Protected Areas to the FANP Technical Committee and local advisory councils at each of the protected areas, should contribute significantly to the social sustainability of the project as well. Further development of social strategies is a main element in plans for continued operation of the project, as well as in the implementation of SINAP II.

7. Bank and Borrower Performance

Bank
7.1 Lending:
The Mexican Protected Areas Project (*Sistema Nacional de Areas Naturales Protegidas, or SINAP),* derives from the restructured Mexico Environmental Project originally approved in 1992 (GET Grant No. 28604). As a result, its lending phase was simultaneous to the restructuring of the previous project and SINAP did not acquire separate status until 1998, when supervision was already under way.

7.2 Supervision:
During the life of the project, supervision missions required staff of the recipient to spend more than 1.7 person/years in planning, logistical coordination, and documentation, and accompanying World Bank staff and consultants on mission. The project did benefit in several instances from the guidance of technical experts participating in missions. However, given the consistent high quality of technical and financial reports submitted throughout the project, and clear evidence of the competence of the managers at both central and protected area levels, the supervision in the middle years was excessive. It reflected the World Bank's need to acquaint new personnel with the project as much as the requirements of supervision.

7.3 Overall Bank performance:
The World Bank contributed significantly to the restructuring of the project to its current form and provided close, extensive supervision in the initial years of implementation to ensure a successful turnaround. In so doing, the Bank drew on extensive institutional, financial, and technical expertise related to designing, launching, and managing trust funds with similar objectives around the world.

Borrower
7.4 Preparation:
The recipient, FMCN, established guidelines for investments and operations in a timely manner, assisted CONANP personnel and NGOs to comply with the terms of the project cycle, involved the technical committee (CTFANP) appropriately in project oversight, and kept the flow of funds to protected areas on schedule and in compliance with agreed procedures. It met and exceeded targets for additional fundraising and became a model of effective trust fund operations.

7.5 Government implementation performance:

The protected areas agency, CONANP, significantly increased government support to the protected areas system, kept the core personnel in place at all of the reserves included in the project, and strengthened its institutional capacity considerably during the course of the project. In particular, the competence and dedication of the protected area managers contributed to the success of the project. Today, 72 of the 149 protected areas in the system have core staff and basic operations budgets The Mexican government has instituted six-year, coherent programs for protecting biodiversity in consultation with scientists, conservationists, and local people. Inter-institutional bodies have been established to identify common goals and rationalize investments in and around protected areas.

7.6 Implementing Agency:

CONANP still faces considerable challenges. It must develop a management structure adequate to support and supervise the growing number of staffed protected areas, consolidate human resources and career paths, and build on the current rudimentary monitoring and evaluation system to develop benchmarks and indicators of excellent protected area management as well as conservation status. Still, it is a much stronger partner in the project today than at effectiveness. Its continuity through the change of governments demonstrated how much more significant the profile of protected areas has become since the initiation of the project.

7.7 Overall Borrower performance:

Project operations were successful in large part due to the commitment of the people who participated in the project, including reserve personnel, members of CTFANP, CONANP, and FMCN. In particular, the protected area directors demonstrated vision, creativity, and technical capacity to overcome significant challenges. Their attitude of solidarity toward the communities within and around the reserves, searching together for long-term solutions to basic needs that have yet to be satisfied, formed the basis for well-founded social strategies and good possibilities in many areas for community involvement and leadership in vigilance and other conservation activities. Finally, the project benefited from excellent systems for use and control of the project budget.

8. Lessons Learned

Lessons related to protected area management

Financial sustainability of protected areas.

This project confirms the finding of several other projects that building a stable, diverse base of funding sources sufficient to support a protected area over time is a long and complex process. The concept of "graduation" of the core protected areas to a combination of CONANP support, an external donor base, and recurrent income from entry fees, concessions, etc. was intrinsically appealing. It opened the door for support to an increasing number of areas that would gradually become self-sufficient and be replaced in the portfolio by more areas. But there is little incentive for protected area managers to seek outside funding if success means the cutoff of the already established funding. Other donors generally provided project funding, and not support for the core staff supported by this project. This was one of the rationales for focusing project support on personnel and basic conservation activities, acknowledging the preference of many donors for specific projects over operations, and increasing the protected areas' ability to attract that funding by having core protection staff and infrastructure in place. It took five years of consolidation before CONANP was ready to address the issue of entry fees at a systemic level. There is reason to be optimistic about the protected areas' potential to build a stable base of recurrent funding, but this achievement will require much more time, and more investment in the development of funding mechanisms and expertise, before the vision becomes a reality.

Social aspects of protected area management.
This project confirms findings from diverse sources indicating that long-term conservation is possible only with the involvement and cooperation of stakeholders at the local and national levels, and that methods to achieve this involvement must be adapted to the unique circumstances of each area. In its early years, the project struggled with a "recipe" for Technical Advisory Committees (CTAs) and later developed a more complex vision of different levels and instruments of participation based on deeper knowledge of the social situation. Expertise in social analysis and knowledge of existing social structures was notably deficient at many protected areas and at the central level in the project's early years. Gradually, the project developed more comprehensive social strategies, including recognition of the need to identify tangible benefits of conservation and sustainable use in the short to medium term.

Supervision and monitoring.
Very clear, tangible and quantifiable development objectives and indicators are needed to avoid dispersing the project into activities with little overall impact on the status of the environment. This lesson was confirmed, and applied in the SINAP 2 project through identification of planned impacts and implementation of a monitoring program with adequate staff to attend to management practices and outcomes as part of overall supervision of the project.

Lessons related to trust fund design and operations

Finances and fundraising.
A lesson identified in GEF's global portfolio of trust funds was that trust funds can promote decreases in government funding of protected areas by substituting trust fund financing for regular appropriations. This project did not have that experience, and in fact became a premier example of a government/fund partnership that actually leveraged increased government funding to protected areas. This experience also confirms previously identified lessons highlighting the need to combine endowment funds with funding from traditional projects and other sources. While endowment funds are essential to provide the basis for permanent management in the areas, finding mechanisms including sinking funds are also important to address specific short and medium term needs. The GEF trust fund evaluation recommended that GEF support should be structured to provide incentives to encourage raising additional capital and developing innovative capitalization approaches. These lessons were taken into account in the SINAP II project, which included a structured approach to endowment building.

Asset management.
This project demonstrated that investments in variable-return instruments are not appropriate to programs with fixed income requirements, except in the unusual (and unpredictable) case of an equity market that provides sufficient excess revenues in the early years to provide a cushion for a sustained downturn. The project also benefited from local expertise in the management of the investment portfolio, reducing by half the management fees charged by financial agents.

Contingencies and emergency funds.
This project demonstrates the need for long-term financing mechanisms to have adequate reserves for emergencies and unforeseen costs, and raises interesting questions about proper use of contingency funds. "Emergencies" are not necessarily unpredictable. Some, including natural disasters like fires, occur with sufficient regularity to justify the inclusion of prevention and suppression activities as part of a regular budget. Some can be prevented -- for example, better training and supervision of temporary employee contracts can avoid costly legal battles between NGOs and discharged employees. Clear guidance on the

use of these funds, and conservation for genuinely unpredictable needs, are helpful.

Implications for Further Operations

The end of World Bank supervision of this project presents important opportunities as well as risks for future operations. In general, the project itself provided good opportunities for capturing lessons and incorporation of improved practices as part of the project cycle. Additionally, the design of the SINAP II project incorporates major lessons about protected area management and endowment building. FMCN and CONANP intend to continue operating this program fundamentally unchanged and in close coordination with the SINAP II project, maintaining consistent project cycles, requirements, and activities for the entire protected area system. Adjustments will be made through a process mirroring the process for SINAP II, with FMCN and its technical committee, CTFANP, assuming the responsibility for SINAP I supervision held to date by the World Bank.

In developing a plan for future operations, FMCN and CONANP have an opportunity to further develop their collaborative working relationship. They also face some risk, since without the Bank as the third party with ultimate authority over program and financial adjustments, there is not a clear source of resolution for any conflicts arising.

The success of this project, in particular the strong institutional structure that has developed a track record of effective operations in two successive administrations, suggests a potential for evolution and innovation in World Bank management over the life of the SINAP II project. If the transition to the next Mexican administration is again successful, the World Bank could consider changing its role to one of lighter supervision, technical assistance, and dissemination of lessons and best practices to GEF trust fund and protected areas projects in other countries.

9. Partner Comments

(a) Borrower/implementing agency:

CONANP

When the restructured Project started, the natural protected areas were the responsibility of the Coordinating Unit for Protected Areas under the National Institute of Ecology within the Environmental Ministry. Today a specialized organism, the National Commission for Protected Areas (CONANP), which has equal hierarchy as the National Institute of Ecology, is the agency in charge. Aside from acquiring higher political stature, the federal budget assigned to protected areas has increased 20-fold from 1994 to 2003. A firm financial base was necessary for the protected areas program to emerge and grow. This initial base was the GEF grant to protected areas in Mexico.

The project united efforts from private and public partners, creating an association with positive results as evidenced by the growth in the endowment. The synergy is reflected in financial growth, as well as in sharing of practices and management strategies. The 72 protected areas under the administration of CONANP have adopted the annual planning activities developed in the project. Community involvement in the management of protected areas has been incorporated into CONANP, as evidenced by the inclusion of PRODERS in CONANP and the establishment of a general directorship specialized on development for conservation. Participation of society, initially triggered by the project, permeates today the whole system. At the protected area level, Advisory Councils have been established and some have even evolved into a series of sub-Councils. The National Council for Protected Areas, now incorporated into the environmental

law, ensures social participation at the national level, while CTFANP provides oversight not only of the initial project, but also of the additional projects that have been triggered by the first GEF donation to Mexico.

FMCN

The project represented the start of an innovative partnership between the public and private sectors. The model has evolved to be a successful one, which has been used by both CONANP and FMCN for other projects with a diverse array of donors. The association has allowed combining the strengths of two institutions to benefit the project outcome. While CONANP has provided competent field personnel and political support to the project, FMCN has contributed with its administrative expertise and fund raising abilities. These qualities have raised the project profile and allowed to attract new resources with the objective of establishing a minimum financial base for priority protected areas in the country. This basic platform has functioned as expected, attracting new complementary funds. The result has been an increase from an original US$15.5 million endowment to the present US$ 41.5 million endowment. While in 1997 the endowment was established by one donor and it supported 10 protected areas, today 12 donors support a total of 16 protected areas.

The project has also allowed FMCN and the conservation community in Mexico to share experiences with the international conservation community. Through the Network of Environmental Funds of Latin America and the Caribbean (REDLAC in Spanish), which was presided by FMCN in its first six years of operation, 23 funds from the region share their experiences in fund raising, monitoring, financial managements and other topics. This system allows shortening learning curves in many processes that are newly being established by the innovative mechanism of environmental funds. In the last couple of years, a synergy with the World Bank has been established, which has further strengthened this learning community. This international exposure has certainly resulted in recognition of FMCN in Mexico itself, thus attracting political support and more funds to finance the national conservation agenda.

(b) Cofinanciers:

SEMARNAT

Within the Environmental Ministry, the protected areas program has grown to be one of the most important pillars of the conservation strategy, as evidenced by its 20-fold budget increase in the last decade. Its consolidation into the National Commission for Protected Areas reflects the growing recognition for this program within the Ministry. Further, the positive results in the field triggered the transfer of PRODERS (the Regional Sustainable Development Program) to the National Commission for Protected Areas. Within this innovative structure, PRODERS today supports development activities aimed at achieving conservation in priority areas in the country. The increase in field staff ensures presence that reduces illegal activities and promotes local development while conserving the biodiversity.

In terms of the participation from civil society, The National Council for Protected Areas has grown to become a major decision-making organization that advises the Environmental Ministry. As an example, the Council selects committees that conduct selection processes to define top candidates for protected area directors. The three candidates with best qualifications are submitted to CONANP´s President, who makes the final decision. The existence of the advisory body has been incorporated into the national environmental law. Further, the guidelines for protected areas have also become part of legislation.

Within the international agenda of the Environmental Ministry, the success of the GEF restructured project for protected areas opened the possibility to request additional support for other projects in Mexico. A couple of years after the restructured project showed its first signs of success, the GEF portfolio grew to US$ 100 million. The latter encompasses today projects in charge of multiple institutions, where topics span from community development in rural areas to addressing urban environmental problems in the largest city in the world. It is doubtful that this wide array of institutions could have submitted projects to GEF if the first GEF project in Mexico had not functioned properly after its restructure.

Compared to other countries, Mexico developed late its National System of Protected Areas. However, this late start may well be compensated with many aspects within the system that today set an example worldwide. The first GEF project in Mexico allowed this to happen.

(c) Other partners (NGOs/private sector):

The protected areas restructured project incorporated NGO, which are in charge of accounting and hiring personnel contained in the Annual Operating Programs prepared by the protected areas personnel. This role has contributed to the administrative strengthening of the NGOs through the interaction with FMCN. The NGOs have learnt many of the requirements from international donors, thus developing the capacity to request international support directly.

In addition to this contribution to strengthening the conservation community in Mexico, the project has resulted in a close interaction between NGOs and protected areas. This in turn has resulted in synergies, such as the development of common projects directed at raising local funds to support the conservation of protected areas. Working side by side, CONANP, NGOs and FMCN have learnt from each other and have become stronger partners and institutions through the synergies derived by the project.

10. Additional Information

Summary of final evaluation

The Mexican Protected Areas Project (*Sistema Nacional de Areas Naturales Protegidas, or SINAP)* began in its present form in 1997 upon signing of Grant Agreement No. TF028678. The Grant Agreement included as a condition that independent evaluators would examine the progress and achievements of the project at its conclusion.

This report presents the results of the independent final evaluation of the SINAP Project. It describes the development of the project mechanisms and activities included in the Grant Agreement, and presents recommendations for areas that might be improved.

The principal objective of the evaluation was to assess the effectiveness of the SINAP Project. To comply with this objective, the evaluation focused on three key questions:

1. Are the agreed-upon mechanisms and activities functioning?
2. Are these the most appropriate ways to achieve the project objectives?
3. Do the objectives correspond to the principles of the implementing organizations?

The evaluation identified strengths, elements of success, weaknesses, and lessons learned from the

implementation of the project.

The following examples illustrate the nature of the recommendations and other key findings and conclusions of the full report.

Among the strengths identified, outstanding examples include:

a) **Permanence.** Basic financing of the 10 protected areas is assured, which permits management planning for the long term.
b) **Flexibility and agility**. The mix of public and private resources is managed without excessive administrative requirements.
c) **Security and reliability**. Being able to count on the FANP 's flow of resources all the year round permits protected area personnel to concentrate on management and operations.
d) **Opportunity and stability**. When fiscal resources are unavailable, having access to GEF resources channeled by FANP's mechanism gives a measure of stability to the supported protected areas.
e) **Synergy and leverage**. The role of the project in strengthening 10 protected areas has contributed indirectly to general improvement of protected area management in Mexico, and has facilitated the flow of resources from other sources.

Among the lessons learned, the evaluation highlights:

a) FANP is a lesson in and of itself.
b) The model unleashed an unprecedented level of attention to protected areas by the Government of Mexico.
c) The mechanism survived the transition from one government administration to another and the inherent internal political changes introduced by the new government. .
d) The project demonstrated the viability of the alliance between the public and private sectors.
e) The protected areas supported in this project are a new standard within CONANP.

Among the recommendations for improvement of project components, the team places emphasis on the following:

a) In light of the project experience, analyze the feasibility and potential advantages of channeling resources for contracting human resources, above and beyond the CONANP basic staff team, through CONANP rather than nongovernmental organizations.
b) Use GEF resources for long-term needs such as monitoring and evaluation, and to catalyze and take advantage of opportunities.
c) Create a system of benchmarks and standards for effective protected area management.
d) Review the achievements and responsibilities of the advisory councils.
e) Conduct “social mapping” in each protected area to identify priorities, potential allies, and possible alliances.
f) Include personnel with social expertise in the protected area management teams.
g) Train protected area personnel at all levels in social issues and conflict resolution.
h) Create a Mexican Conservation Service.
i) Make a strategic decision about use of emergency funds.
j) Make a strategic decision about use of the endowment.
k) Keep the long-term vision, independent of individuals involved at any given time.
l) Systematize, publish, and disseminate experiences.

With respect to the key questions, the evaluation findings permit a conclusive answer that the instruments and mechanisms are functioning, are appropriate, and do correspond to the principles of the implementing organizations. Still, with the view that even successes can be improved, it is also possible to say that the Mexican experience permits the derivation of important lessons. These include problems to avoid in future experiences as well as elements of success to replicate and promote.

In conclusion, the evaluation confirms that Mexico has demonstrated commitment and ability, that all involved have learned and continue to learn. All parties have greater capacity at the close of the project than at the beginning. The project mechanisms and activities were well developed in terms of efficiency and effectiveness. The fact that a second phase is already in progress is a significant achievement of this project in terms of protected areas management in Mexico.

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
Qualified, trained management team in place as permanent employees of CONANP in each of the 10 reserves.	Core Staff per PA: 5 Supplemental Staff per PA: 15	Core Staff per PA: 5 Supplemental Staff per PA: 15
Implementation of POA at reserve level within expenditure norm (80-100%).	100%	100%
Implementation of POA within satisfactory technical norms.	85-100%	85-100%
Fiscal support for permanent staff/operating costs meets or exceeds target norms.	100%	100%
Funding from SINAP project for sustainable development projects complemented by funding from other sources.	100%	100%
FANP investment performance meets or exceeds target norms.	100%	100%
FANP fundraising target of $5 million in additional resources met or exceeded by 2001.	100%	100%

Output Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
Indicators of biodiversity conservation established and monitored in each reserve on an annual basis.	100%	100%
Social strategy developed for each reserve, including indigenous peoples development plan.	100%	100%
Local advisory councils (CAs); meet at least 3 times each year.	100%	100%
Sustainable use activities implemented in buffer zones.	60 projects in implementation in the 10 reserves	69 projects in implementation in the 10 reserves, 668,516 ha under sustainable use management; and 5456 land users applying sustainable practices.
Improved Management system in operation at the reserve level.	100%	100%
Avoidance of duplication projects activities or incompatible projects.	100%	100%
Timely disbursement of funds for programs in accordance with Operational Manual.	100%	100%
Administration costs within target norms and not exceeding 12% of the FANP spending plan.	100%	100%

[1] End of project

Annex 2. Project Costs and Financing

Project Cost by Component (in US$ million equivalent)

Component	Appraisal Estimate US$ million	Actual/Latest Estimate US$ million	Percentage of Appraisal
Reserve Conservation Programs	12.81	29.55	126
Central Coordination Programs	0.66	0.55	27
FANP Administration	0.58	1.58	45
NGO support	0.00	5.61	
Total Baseline Cost	14.05	37.29	
Total Project Costs	14.05	37.29	
Total Financing Required	14.05	37.29	

Project Costs by Procurement Arrangements (Appraisal Estimate) (US$ million equivalent)

Expenditure Category	Procurement Method[1] ICB	NCB	Other[2]	N.B.F.	Total Cost
1. Works	0.00 (0.00)	0.00 (0.00)	1.60 (0.00)	0.12 (0.00)	1.72 (0.00)
2. Goods	0.00 (0.00)	0.00 (0.00)	6.06 (0.00)	0.28 (0.00)	6.34 (0.00)
3. Services Consultants and Training	0.00 (0.00)	0.00 (0.00)	0.68 (0.68)	0.24 (0.00)	0.92 (0.68)
4. Miscellaneous Endowment Capital	0.00 (0.00)	0.00 (0.00)	16.30 (16.30)	0.00 (0.00)	16.30 (16.30)
5. Miscellaneous Operating Costs	0.00 (0.00)	0.00 (0.00)	0.00 (0.67)	4.71 (0.00)	4.71 (0.67)
6. Miscellaneous Salaries	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.86 (0.00)	3.86 (0.00)
Total	0.00 (0.00)	0.00 (0.00)	24.64 (17.65)	9.21 (0.00)	33.85 (17.65)

[1/] Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

[2/] Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

Project Financing by Component (in US$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	Govt.	CoF.	Bank	Govt.	CoF.	Bank	Govt.	CoF.
Reserve Conservation	5.32	7.49		5.29	24.26		99.4	323.9	
Central Coordination	0.58	0.08		0.44	0.11		75.9	137.5	

FANP Administration	0.58	0.00		0.83	0.75		143.1	0.0	
FANP Endowment	18.71	0.00		16.48	5.00		88.1	0.0	
NGO Support	0.00	0.00		0.47	5.14		0.0	0.0	

NGO Support component was not applicable at appraisal, it becomes active during implementation.

Annex 3. Economic Costs and Benefits

The project cost and benefits at appraisal were estimated as follows:

Cost: Project cost for the restructures project fall into three distinct categoris: (a) original project arrangments (actual expenditures incurred between 1992 and 1996): (b) transition program cost includingthe establishment of the endowment (1997): and (c)endowment supported program (1998 onwards). For the purpose of illustrating the project costs under the endowment mechanism a four-year time period (1998-2001) was considered representative of the longer implementation period entailed by the endowment.

According to the figures proposed during appraisal, the total cost for the restructured project (1992-2001) was estimated to reach US$ 46.2 million. About 51% from the total would be directed to conservation activities at the reserve level, 35% to the establishment of the endowment, 12% to central coordination activities, and about 2% to endowment administration costs. Annual costs once FANP would become operational (1998 onwards) were expected to average US$3.5 million per year, including 61% of this amount directed at protection programs in the reserves, 28% channeled to local community participation activities, 4% to management training programs, 2% to program coordination and evaluation, and 5% to endowment administration.

Benefits

As recognized during appraisal, the GOM had been historically constrained in its capacity to mobilize resources for protected areas conservation and to effectively channel those resources to the field level in a timely manner. The establishment of FANP would address these constraints for the reserves included in the GEF project. Over time, the FANP would allow for future expansion to other reserves in the SINAP and contribute to the long-term viability of conservation activities by: (a) stabilizing *recurrent cost financing;* and (b) moderating the volatility in funding from the GOM and other donors. The FANP was also expected to increase the effectiveness of conservation programs at the reserve level by *streamlining procurement and disbursement* procedures, thereby increasing timeliness of conservation activities.

In addition to these two fundamental benefits, FANP represented a new approach to biodiversity conservation in Mexico, based on a public private partnership relying on a balanced mix of national and international resources. If successful in meeting its objectives in the initial years, FANP was likely to be able to tap into significant additional resources from public, private, domestic or international sources. Beyond the establishment of the FANP, the restructured project would result in enhanced protection of biodiversity in the ten reserves due to increased support from local participation through the CTAs and involvement of indigenous peoples in the conservation process. This ***increased institutional capacity*** at the local level would be as important to the long-term success of conservation efforts in Mexico as the creation of an innovative financing mechanisms (FANP) at the national level. Taken as a whole, the restructured project offered the possibility of testing a new conservation model in Mexico which, based on other preliminary experiences, had the potential for future replication.

Outcomes at Closing

The results of the final evaluation of the project show that all the above mentioned expectations were

successfully met. The actual costs of the project (as showed in Project Costs and Financing tables in this document) indicate a highly satisfactory implementation through the results of each component. While GEF funds contributed approximately in the amount expected, local sources were almost five times more than estimated during appraisal. Further, this innovative project resulted in additional benefits. The endowment interest is being channeled in a timely manner; the long-term viability of conservation activities is now ensured, which results in enhanced protection of biodiversity and increased local participation and involvement of indigenous peoples in the conservation process. An increased institutional capacity is evident in the management of protected areas in Mexico, which is accompanied by the creation and development of an innovative financing mechanism at the national level.

The factors contributing to the success of the project included the innovative design of the project; its long term vision; a creative and flexible funding mechanism; the strength of the public-private partnership; strong leadership and commitment to the project objectives by FMCN, CONANP, and stakeholders at all levels; a higher institutional profile and increased fiscal support to the protected areas. In addition to the counterpart funding provided by CONANP, a diverse group of national and international public and private donors, as well as NGOs, contributed with substantial resources to the protected areas. Asset management strategies produced yields sufficient to support project activities despite the market downturn two years after the project began. Practices established in the FANP-supported protected areas have become the norm for the entire protected area system. The protected areas agency was elevated to a more important position within the government hierarchy, showing continuity through the change in the federal administrations. The Mexican model of public-private partnership in a conservation trust fund has become the "golden standard" for conservation trust fund projects worldwide.

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation 03/1997				
Appraisal/Negotiation 03/1997				
Supervision 09/1997	*4*	Task Manager (1); GEF Regional Coordinator (1); Anthropologist (1); Protected Area Manager (1)	S	S
10/1997	*4*	Task Manager (1); Fund Raising Specialist (1); Anthropologist (1); Protected Area Manager (1)	S	S
02/1998	*1*	Monitoring & Evaluation Specialist (1)	S	S
03/1998	*1*	Task Manager (1)	S	S
05/1998	*3*	Task Manager (1); Environmental Specialist; Mining Specialist	S	S
09/1998	*1*	Task Manager (1)	S	S
03/1999	*5*	Task Manager (1); Economist; Social Scientist (1); Sector Leader - ESSD (1); M&E Consultant (1)	HS	HS
06/1999		Task Manager (1)	HS	HS
09/1999	*7*	Task Manager (1); Social Scientist (1); Environmental Specialist (1) MIS System (1); M&E (1); Procurement (1); Financial Manager (1)	S	S
04/2000	*6*	Task Manager (1); Environmental Specialists (2); Finance (1); Sector Leader -- ESSD (1); Financial Manager (1)	S	S

	08/2000	*4*	Task Manager (1); Finance (1); Environmental Specialist (1); GEF Regional Manager (1)	S	S
	10/2000	*1*	Social Scientist (1)	S	S
	11/2000 Midterm Evaluation	*3*	Task Manager (1); Social Scientist (1); Env. Specialist (1)	S	S
	02/2001	*2*	Civil Society Specialist (1); Environmental Specialist (1)	S	S
	05/2002	*1*	Social Scientist	S	S
	03/2003	*4*	Task Manager (1); Biodiversity Specialist (1); Social Scientist (1); Finance Manager (1)	S	S
				S	S
ICR					
	06/003	*1*	Trust Fund Specialist (1)	HS	HS

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US$ ('000)
Identification/Preparation		
Appraisal/Negotiation	10.8	50.9
Supervision	40.0	200.0
ICR	14.0	70.0
Total	64.8	320.9

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	Rating
☐ *Macro policies*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☒ *Sector Policies*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Physical*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☒ *Financial*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Institutional Development*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Environmental*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
Social	
☒ *Poverty Reduction*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*
☒ *Gender*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☐ *Private sector development*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*
☒ *Public sector management*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance	*Rating*
☒ *Lending*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Supervision*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Overall*	○ *HS* ● *S* ○ *U* ○ *HU*

6.2 Borrower performance	*Rating*
☒ *Preparation*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Government implementation performance*	○ *HS* ● *S* ○ *U* ○ *HU*
☒ *Implementation agency performance*	● *HS* ○ *S* ○ *U* ○ *HU*
☒ *Overall*	● *HS* ○ *S* ○ *U* ○ *HU*

Annex 7. List of Supporting Documents