

IMPLEMENTATION COMPLETION REPORT

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GEF Medium-Size Project:

**El Triunfo Biosphere Reserve: Habitat Enhancement
in Productive Landscapes, Chiapas**

March 26th , 2003

Mexico and Colombia Country Managing Unit
Environmentally and Socially Sustainable Development Sector Unit
Latin America and the Caribbean Region
The World Bank Group

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El Triunfo Biosphere Reserve: Habitat Enhancement in Productive Landscapes, Chiapas
Mexico
Medium Sized GEF Project Completion Report

I. Basic Data

(1) Date of Completion Report: March 26, 2003.

(2) Project Title: El Triunfo Biosphere Reserve: Habitat Enhancement in Productive Landscapes, Chiapas Mexico

(3) GEF Allocation: US\$750,000

(3a) Period of Project Implementation: June 1999 – September 2002. (First disbursement received September 1999).

(4) Grant Recipient: Instituto para el Desarrollo Sustentable en Mesoamerica A.C. (IDESMAC)

(5) World Bank Manager/Task Team: Ina Ruthenberg (1998-2001); Theresa Bradley (2002).

(6) Goals and Objectives: (include any changes in the objectives):

The goal and project objectives were consistent throughout project implementation. The goal was to conserve biodiversity in the El Triunfo Biosphere Reserve buffer zones by supporting local efforts to adopt sustainable agricultural practices, including shade-grown coffee, that reduced fragmentation of forest habitats, promoted the conservation of biodiversity, and increased local participation in the benefits of conservation. The specific project objective was to conserve biodiversity and increase habitat in productive landscapes of the El Triunfo Biosphere Reserve buffer and influence zones by (i) preserving coffee cultivated under diverse shade trees, (ii) reconverting other coffee production regimes, and (iii) promoting other sustainable production opportunities.

(7) Financial Information:

Financial management of GEF financed expenditures was greatly enhanced at the launch workshop when the planned expenditures by project category designed during project preparation were carefully examined and then soon after adjusted jointly with the newly appointed implementing agency, its partners and the World Bank. The most significant change in planned expenditures was to explicitly account for project administrative and management costs as a separate category and the adjustments in the commercialization strategy under Component 2. About 30% of GEF funds were budgeted for administrative and management costs. Actual expenditures by project component (shown below) and by expenditure category were very close to the adjusted plan developed at the launch workshop.

Co-financing, all of which was planned as in-kind (as planned in the Project Brief) exceeded the amount planned by 3.5% (almost US\$50,000).

The sources of co-financing were altered as well. Planned in-kind co-financing from Rainforest Alliance and Pronatura Chiapas were not mobilized. Originally Rainforest Alliance and its local partner Pronatura were to provide assistance in the certification process, but the project team chose other partners that promoted higher environmental quality

standards. The project team was able to diversify its sources of financing to include more regional and national level organizations, including: GTZ through the Inter-American Institute for Cooperation on Agriculture (IICA), Fideicomisos Instituidos en Relación con la Agricultura (FIRA), Consejo Estatal del Café (COMCAFE), Secretaria de Agricultura y Ganadería (SAGAR), and Universidad Autónoma Chapingo. During implementation, in-cash support was also provided by the David and Lucile Packard Foundation (US\$250,000), Fondo Accion BANAMEX (US\$125,000), BANCOMEXT (US\$80,000) and BUWAL (Swiss Agency for Environment and Forestry) (US\$25,000).

Project Components	Planned in Project Brief			Planned at Project Launch	Actual		
	Total Cost	GEF	Others	GEF	Total Cost	GEF	Others
Community Participation	436,600	251,000	185,600	227,500	307,714	217,297	90,417
Sustainable Production	991,400	313,000	678,400	184,000	668,465	183,959	484,506
Native Species Conservation	693,100	161,000	532,100	115,500	706,894	127,023	579,871
Project Management and Administrative Costs				198,000	487,250	196,722	290,529
Total	2,121,100	725,000	1,396,100	725,000	2,170,323	725,000	1,445,323

II. Project Impact Analysis

(1) Project Impacts

The project had significant tangible impacts and over-achieved many of its ambitiously set indicators (e.g. income increase of 25% to actual increase of 50-125%). Prior to the project, there was little local acceptance for the need to conserve their biodiversity. The Reserve faced increasing pressure from local farmers as land was cleared to plant coffee, and it operated without the participation of local communities. By the end of the project, participants no longer engaged in destructive actions that harmed conservation efforts and a closer working relationship between the Reserve and communities developed. In this marginalized, poor, remote but biodiversity rich area small farmers have improved their livelihoods in a tangible manner while contributing to protecting the local and global environment.

These changes in behavior and relationships stemmed from two major outcomes from the project:

i. Transformation of 1740 hectares into organic coffee and 910 hectares into shaded coffee that are sustainable from an economic, social and environmental perspective.

The project began with only one of the seven cooperatives producing organic coffee. Access to markets was solely through intermediaries, at very low farm-bought prices. The cooperatives did not have management and development plans that were oriented toward improving the members' incomes. None of the cooperatives had a transparent decision-making system of managing their resources. Indeed, financial conditions of the cooperatives were poor, each facing high debts and inability to access credit to contract technical services or invest in economically productive and biodiversity-friendly activities.

By end of project, these seven cooperatives collectively increased their memberships from 400 to over 900 families, and increased their income by a range of 50-125% (depending on the cooperative). Six of the seven cooperatives transformed into well-organized legally binding cooperatives with transparent rules and monitoring mechanisms, greater participation of members (including women) in decision-making processes, better financial management and access to credit, orientation toward improving social, economic and environmental conditions of its members, and in some cases direct access to organic and bird-friendly certified coffee export markets in North America and Europe. While the seventh cooperative also transformed into a legally binding cooperative and participated in the certification processes, it had yet to develop the internal controls, monitoring and strategic shift in organizational goals that the other cooperatives have achieved.

The economic gains that came from these efforts were critical to transforming the communities into those that actively supported biodiversity conservation.

ii. Greater awareness of the importance of and sustained support for biodiversity conservation in the region.

Prior to the project, local communities did not participate in biodiversity monitoring activities of the Reserve. On-farm, there was little systematic information on biodiversity available. Project efforts to build from a small base the ability of local communities to plan, undertake, and monitor biodiversity conservation efforts significantly enhanced the local communities' capacity and willingness to conserve biodiversity. By the end of the project, each of the seven cooperatives built capacity to apply biodiversity monitoring methods on-farm. Coupled with a baseline survey on biodiversity on the farms and the community-based monitoring system that was designed and piloted by the project, this capacity will help researchers over the longer term to clearly establish the role that biodiversity-friendly coffee producing systems are having on local flora and fauna.

Project Goal	Indicators in Project Brief	Revised Indicators	Results
	Stabilization of areas under natural forest in the buffer zone: 50 % (approximately 4,000 ha).	No change	Around 1,000 ha. of primary forest are protected through the certification program. An additional 1,050 has. of forest are protected under biodiversity conservation agreements with two communities, and development of agreements are underway with three other communities that would cover an additional 1,500 has..
	More than 100% increase of the area under diverse shade coffee production (from 700 ha to 1500 ha).	No change	1740 hectares of organic coffee and 910 hectares of shaded coffee were certified by EOP.
	Decision making carried out and responsibility taken in conservation activities by 20% of men, women and youngsters.	Results from periodic meetings with communities and cooperatives are documented, and the project's progress results in their participation in and evaluation of the project	The number of producers that participated in the project rose from 156 in 1999 to 872 in 2002. Fifteen percent of the number of participating producers were women. For one cooperative, a woman was chosen to be part its Board. Representatives from five of the seven cooperatives directly participated in the final evaluation. (Distance prohibited the participation of the other two cooperatives.)
Project Objectives	Indicators in Project Brief	Revised Indicators	Results
Local communities, their production organizations with their	Documentation of results of regular village meetings, advances in activities and the status of contributions and benefits, results in	27 workshops held to agree upon and plan for internal quality control within the cooperatives.	Level of participation greater than originally planned as 39 workshops were held instead of the planned 27; 95% of the producers attend workshops to establish the quality control system for their cooperative; All of the

technical staff are actively involved in planning, implementation and monitoring of biodiversity conservation.	participatory evaluation.		communities elected promoters; 56 out of the 57 promoters elected at the community level participated in the organizational and internal quality control workshops. (The one promoter who did not participate emigrated to the United States in the last year of the project). System of monitoring biodiversity created and in place at community levels.
Agricultural production (primarily coffee) is sustainable in terms of impact on biodiversity and economic viability.	Average net income of small producers increased by about 25% through diversified and biodiversity friendly production systems based on coffee compared to baseline.	No change.	Net income for the farmers increased by a range of 50% to 125%, depending on their cooperative membership. All seven cooperatives have government financing to continue their technical assistance services to the farmers, at least for the short-run after EOP.
Native species population of flora and fauna are conserved and a recuperation of threatened species can be observed.	Presence of selected indicator species related to bio-diversity friendly cultivation is at least stabilized and preferably increased compared to baseline. The species selected are: (i) <i>Penelopina nigra</i> , (ii) <i>Pharomachrus mocinno</i> , (iii) <i>Bothrops nummifier</i> , (iv) <i>Panthera onca</i> , (v) <i>Persea americana</i> .	No change.	Baseline data was not established for any of the species selected, due to limited results from complementary research projects. Monitoring system by local communities was created. Because the system was not implemented until the third year of the project, there was not enough data to quantify changes in native species populations.
1. Community Participation	All project communities have the capacity to apply participatory techniques and tools for community planning,	100% of producers participated in community based activities to establish internal quality control	95% (743 producers) participated in community based activities to establish internal quality control systems for production.

	plan implementation and plan evaluation	systems for production.	
	Total of 20 communities have demonstrated capacity to successfully plan, implement, and self-evaluate their Community Natural Resources and Development Plans.	All seven organizations are applying their internal quality control system for organic production, which includes a production list and a commercialization plan. Five communities have agreements for land use for biodiversity-important areas developed out of community-based workshops. Seven cooperatives designed and are implementing strategic plans for external technical assistance.	All seven organizations are applying their internal quality control system for organic production, which includes a production list and a commercialization plan. Two communities have reached agreements on land-use for biodiversity important areas. Four other communities have proposed agreements designed, with discussions for implementation underway. Seven cooperatives designed and are implementing strategic plans for external technical assistance with financing from FIRA and BANAMEX..
2. Sustainable Production	Presentation of at least five feasible alternative non-extractive projects and successful implementation of at least two alternative non-extractive projects	No change.	Seven alternative non-extractive projects were identified, and three projects were in the process of implementation at EOP.
		Certification criteria for biodiversity-friendly coffee is developed and at least one certifying agency adopts the criteria.	OCIA International realized an agreement with the Smithsonian Migratory Bird Center (SMBC) to certify bird-friendly shade grown coffee. CERTIMEX is participating actively in the formulation of the Mexican norm for sustainable coffee.

	1500 ha coffee plantations certified as bio-diversity-friendly coffee production	No change.	1740 hectares of organic coffee and 910 hectares of shaded coffee were certified by OCIA and SMBC, respectfully by EOP.
	Small producer organizations have capacity to market bio-diversity friendly coffee	No change.	Volume of coffee produced by the cooperatives certified and sold as biodiversity-friendly rose from 1820 Qq in 1999 to 11,035 Qq in 2002. Combined, cooperatives exported 9.5 containers of organic coffee and sold one container on the national market in 2001.
	Technical guidelines for implementation of alternative production technology and diversification are completed and mainstreamed among agricultural services	Dropped. The mid-term evaluation determined that development of technical guidelines would be premature and that a period of 2-3 years would be hended to identify viable alternative technologies.	The project co-organized with the Universidad Autonoma de Chiapas the first diploma in Sustainable Coffee, which is accompanied by a information guide on the type of services that can be provided. The aim is to provide technical assistance over the long-term to the cooperatives.
	Successful regional network of local biodiversity-friendly coffee promoters is created	Dropped. The mid-term evaluation determined that this was not a feasible indicator for local conditions.	
3. Native Species Conservation	GIS system able to monitor 1,5000 points. Study on Forest Cover in El Triunfo updated.	No change.	100% of the entire monitoring area (150,000 ha) has been GIS surveyed. The Forest Cover Study was completed, comparing forest cover at 1996, 2000 and 2002.
	Environmental education workshops in 20 communities. Six types of packages of environmental education		Six packages of environmental education material disseminated and applied to 113 schools.

	material disseminated and applied, one each addressing children, women, men coffee producers, schools and organizations.		
	Platform for environmental information exchange fully operational and useful.	Regional offices of the Reserve have a biodiversity database that is accessible and relevant for communities and producer organizational planning purposes. Participatory research modules which link small producers with research centers and universities designed and piloted.	The information on biodiversity as well as other project reports and documentation is available at the Reserve and IDESMAC's regional offices. Five cooperatives have the equipment and software to access this information, although they lack the capacity to use the more technical GIS-based information. Participatory research models designed. Biodiversity indices for parameter groups designed and monitoring of these indices carried out by some promoters.
	15 communities have agreements and rules established and implemented on land use for bio-diversity hotspots.	Five communities reach agreement to improve soil conservation in sites considered high in biodiversity.	Two communities have reached agreements on land-use for biodiversity important areas. Four other communities have proposed agreements designed, with discussions for implementation underway.
		100% of the project's participating producers engage in environmental education project activities.	80% of the cooperatives, through their promoters, participate in environmental education activities.
4. Administration	Final workshops with project stakeholders on evaluation of the implementation of the project according to established output and impact indicators. Preparation of annual reports.		Mid-term and final workshops held with input from project stakeholders. Annual reports completed on a timely basis.

(2) Project Sustainability

The key aspect of the project's sustainability is that the project strategically focused on building local capacity to switch to economic activities that increase on-farm income and help conserve biodiversity. Creating buttresses to support this core element was a main focus of the Bank's supervision efforts, particularly in the last year of implementation. Over time, the project improved the conditions of sustainability through investing in: (i) institutions and networks, (ii) financial sustainability of the cooperatives, and (iii) social capital and participation in biodiversity conservation. The later two aspects are discussed in detail in section (1) on project impacts. In this section, the focus will be on the sustainability of the institutions and networks that were build and/or strengthened during the project.

1) Investing in institutions and networks

The institutional sustainability of the project has three key aspects: strengthening of seven coffee producer organizations and investing in local leadership; the creation of an institutional network around the concept of biodiversity friendly coffee that is nationwide including the initiation of new institutions and inter-institutional forum; and institutional strengthening of the local implementing agency of the project.

a. Strengthening of local organizations

Although some of the seven cooperatives are providing adequate services to their members and have stable access to funds to continue their work after the end of the project, at least three cooperatives were not self-sufficient in terms of capacity and financing and hence will require continued external support. In the last year of the project efforts were made to mobilize support for continued technical assistance to this subset of cooperatives. In this regard, the capacity of 17 extension officers in Chiapas to provide technical assistance for sustainable production systems was strengthen during the project, offering the possibility to serve the needs of these and other cooperatives in the region. after end of project.

There is also evidence of sustained impacts on on-farm biodiversity conservation at the local level. Since the project closed a third community has reached agreement on land-use for biodiversity important areas and a fifth community has proposed an agreement, and discussions for implementation are underway.

b. Creation of an Institutional Network

A whole network of organizations around the concept of sustainable coffee production has been built during project preparation and implementation, providing a powerful foundation for promoting the concept of biodiversity friendly coffee. The network includes governmental organizations at the federal and state level ¹, the private sector², non-governmental institutions³,

¹ Government: SAGARPA, SEMARNAT, SDR (Secretaria de la Desarrollo Rural), Consejo Mexicana de Café, Consejo Estatal de Café.

² Starbucks and Sustainable Harvest provided early-on support; other private companies roles were limited to purchasing the coffee.

³ NGOs: Vientes Culturales, PRONATURA, Conservation International, The Nature Conservancy, Smithsonian Migratory Bird Center

academia and research institutions⁴, financial intermediaries⁵, certification agencies⁶, local private agricultural extension services⁷ and international organizations including bilateral donors⁸. This network will help turn the concept of sustainable coffee production in a realistic vision of poverty reduction and biodiversity conservation.

The project's capacity to reach out and work together with other actors has created a dynamic in itself, which produced results on the institutional landscape of the project. These included the creation of: (i) *Roundtable El Triunfo*, (ii) a nationwide 'Consejo de Café Sustentable', (iii) two certification agencies that now issue a comprehensive coffee certification embracing biodiversity friendliness, organic and fair trade; (iv) access to rural credit through financial intermediaries; and access to diversified international coffee markets. These are quite notable achievements and are results that were not fully anticipated during project design.

- *Roundtable El Triunfo*: As soon as tangible results of the project surfaced, the project undertook efforts to integrate these results into other Bank projects and Mexican policy in the agricultural sector. The Federal Ministry of Agriculture (SAGAR) was particularly responsive and keen to support this effort. With their backing, the project initiated an inter-institutional forum that brought together governmental (federal and state) and non-governmental organizations that work in the project region El Triunfo⁹. As a result of this networking approach, programs and activities were better coordinated. At times coverage of programs were expanded to include the marginalized and remote areas of El Triunfo and even new collaborations were initiated, namely in the area of finance and credit. With the change of the federal government, the Roundtable unfortunately suffered as a crucial participant, the Ministry for Agriculture and Livestock, withdrew its active support.
- *Consejo Civil de Café Sustentable*: The project's work on developing shade coffee certification included extensive consultations and workshops with other coffee organizations and certifying agencies in Mexico. Out of this surfaced the idea of establishing a new organization that would promote sustainable coffee production in Mexico based in part on the experiences and work of the El Triunfo GEF Coffee Project. The "Consejo" was established in 2001 and embraces 16 organizations (cooperatives, NGOs, certifiers, academics)¹⁰ in five states and representing about 30 000 producers. Its main purpose is to lobby for the certification norm of biodiversity friendly coffee. The Consejo has established international credibility, serving as one of Mexico's representatives to The International Sustainable Coffee Conference. It is noteworthy that no other country that participated in the 2003 conference, including the major coffee

⁴ Academia: UEA, UACH, INIFAP, UNICACH, ECOSUR, UNACH.

⁵ Financial intermediaries: BANAMEX, FIRA, BANCOMEX, PACKARD.

⁶ Certification Agencies: CERTIMEX, OCIA.

⁷ Private agricultural extension services: DAISA, PAISA.

⁸ International organizations and bilateral donors: IICA, World Bank, GEF, German and Swiss Government.

⁹ Members of the Roundtable include: SAGAR, FIRA, COESCAFE, SAG, IHN, CONANP, SEMARNAT, IDESMAC.

¹⁰ CEPACO, UCIRI, MAJUMUT, SAN FDO, ISMAM, TOSEPAN (HUATUSCO), PRONATURA, IDESMAC, FOMCAFE, CERTIMEX, OCIA, I.ECOLOGIA, CHAPINGO, COMERCIO JUSTO MÉXICO and POP.

producers of Brazil, Colombia, and Vietnam, has yet to develop such a national institution.

- *Certification Agencies:* Two certification agencies now accredit certification for biodiversity friendly coffee. This is the most comprehensive coffee certification for sustainable production worldwide as it incorporates both organic and bird friendly (shade) criteria. No other country has yet developed and put into practice such a comprehensive certification label. Building on the certification of organic was a crucial strategy as biodiversity-friendly is not yet established in the marketplace and by itself does not draw a premium.
- *Financial Intermediaries:* The project consciously resisted to include a credit component in its design. Instead the strategy to identify how the project can collaborate with existing rural financial intermediaries proved successful. Two financial intermediaries¹¹ are now providing credits for the harvest.
- *Access to Diversified Markets:* The project's ability to develop diversified alliances between the cooperatives and other businesses to facilitate the processing and sale of higher-value differentiated coffees is a key factor in sustaining the projects impacts. Diversity is indicated by tapping into both North American (Starbucks) and European markets (Holand and Italy).

c. Strengthening the Executing Agency

A local NGO, IDESMAC, was the responsible implementing agency of the project, while two government agencies (Federal Government Administration of the El Triunfo Reserve and IHNYE) formed part of the operating committee. IDESMAC was a small organization with a few dedicated professionals. Implementing a project like this was a challenge for them as it represented by far the largest project that they had administered and implemented. Subsequently, IDESMAC did require assistance by the World Bank Team in administrative processes, project management, monitoring and evaluation and participatory tools. Considerable assistance was also provided early on in project implementation by the World Bank on designing a commercialization sub-component.

Through active participation in project implementation, INE and IDESMAC have significantly enhanced their capacity to apply participatory techniques and tools for planning, facilitating implementation, and evaluating community-based projects which will be applied to their future efforts in the region.

(3) Replicability

The project's tangible results in combining biodiversity conservation with poverty reduction resulted in keen interest by the sustainable development policy community as well as academics. This in turn provided many opportunities for the project to disseminate and share its on-going lessons with a global audience throughout project implementation, which has helped set conditions necessary for replication. For example, during implementation, presentations on the project were given at IUCN headquarters in Gland, the IUCN Annual Meeting in Amman, and at

¹¹ BANAMEX and FIRA.

an OECD conference in Paris that focused on linking biodiversity conservation to markets. In addition the project was analyzed and discussed in a prominent publication, the 2002 World Development Report on Sustainable Development. The project also reached a more academic audience as a case study that was presented in a recently published book by Earthscan: "Selling Forest Environmental Services: Market-based Mechanisms for Conservation."

During the last year of implementation as the successes of the project materialized, the major project partners began to develop an explicit strategy that included mechanisms to incorporate lessons learned into other projects, to continue provision of technical assistance to the cooperatives of the project, continue efforts to educate the public on the links between conservation of biodiversity and sustainable livelihoods, and to scale-up project activities within the region of Chiapas, and in other parts of Mexico.

Conditions for replicability are ripe. The project is discussed and viewed as a successful effort at sustainable development within Mexico and beyond its borders in Central America and Colombia. In Mexico, the Consejo de Civil de Café Sustentable is the likely vehicle to replicate the project's impacts nation-wide, with the participation of over 30,000 producers spanning 5 States. In addition, the project contributed to the creation of an accredited course on sustainable coffee production at the local Universidad Autonoma de Chiapas, which will help ensure replicability to other local cooperatives and farmers.

Replication of the project's impacts for other non-traditional products is likely if economic conditions are favorable. The producer organizations developed systems of commercialization that incorporate supply chain and quality control concepts that are essential for their future success in any high-value markets for eco-friendly products. Already, alternative commercialization of products in the region, such as decorative palms and honey, are enabling a more diverse source of income that contributes to stability and sustainability of the eco-friendly concepts of the project.

The Bank also engaged in efforts to scale up to a regional level the lessons learned from the commercialization aspect of this MSP in the region. In particular, the project team and Task Manager worked quite closely with the preparation of the GEF Mesoamerican Corridor project. Specifically, IDESMAC participated in the design of some components of that project, integrating lessons learned from the MSP. In addition, the El Salvador GEF MSP and two Bank projects in Colombia chose to use the same World Bank consultant and type of analysis to develop a commercialization strategy that helped guide the El Triunfo project. The project's success also contributed to further sectoral work at the World Bank, including coffee studies in Mexico, Central America, and Colombia that included the "sustainable" coffee approaches that were first pioneered in the El Triunfo MSP. With these insights, several projects noted that they corrected some notable shortcomings and improved their quality as a result.

(4) Stakeholder Involvement

Much of the project worked to build the capacity of seven local farmer organizations¹² whose members spanned 41 communities in Chiapas, México. To achieve this, farmers, through their

¹² Campesinos Ecológicos de la Sierra Madre de Chiapas. S.C. (CESMACH), Indígenas y Campesinos Ecológicos de Angel Albino Corzo S.S.S. (ICEACC), Unión de Ejidos Villa de Mapastepec (UEVM), Unión Nueva Alianza S.S.S. (UNA), Nubes de Oro S.S.S (NDO, antes

organizations were very active in both the project's design and implementation phases through workshops for diagnosis, information dissemination and consultation. During the design phase, these workshops formed the vehicle for these key stakeholders to participate in project design and implementation decision and to exchange information and ideas with the project's technical staff. Throughout implementation, the organizations and their focal points (promoters) participated in various workshops. For example, children and women participated in the creation of environmental education materials.

(5) Monitoring and Evaluation

Throughout the project cycle M&E played an important role and considerable attention of the Bank Team was devoted to promoting this concept. During project preparation the base was set for a functional M&E system by developing jointly with the stakeholders a Logical Framework that formulated results for components and activities, defined products and monitor able indicators. This was greatly enhanced and turned into an operational plan through a Project Launch Workshop. On the basis of this finalized Logical Framework half-year progress reports were prepared that provided a meaningful overview of progress in project implementation. IDESMAC was encouraged to disseminate these reports to the beneficiaries and other stakeholders as it was the basis for their accountability as project implementing agency. Furthermore, this intensive work on the M&E system allowed for a substantive mid-term self-evaluation.

(6) Special Project Circumstances (optional) –

The decline in international coffee prices by about 50% during project implementation (from US\$.85 per pound in 1999 to \$.42 per pound in 2001) was a major external factor that had both positive and negative impacts on the project. On the positive side, coffee cooperatives and producers intensified their interest in the higher-end of the market's products, such as organic and biodiversity-friendly coffee. In contrast, lower coffee prices had two negative impacts on the project: (i) a general increased level of risk aversion among farmers to diversify away from coffee production into alternative, more biodiversity-friendly products; and (ii) a general deterioration in living conditions in the local communities, with a resulting increase in abandonment of lands and migration north that included about half of the local leaders in coffee production (promoters) leaving the project area. Thus, the project experienced a significant loss of social and technical capacity, and higher barriers to diversification than what was anticipated during project design.

Minor external factors that affected the pace of project implementation, but did not significantly impact the project's overall impact included: (i) regional and national elections in 2001; and (ii) a 2001 drought that lowered coffee production by 40% that year.

(7) Institutional Capacity / Partner Assessments (optional):

The choice of IDESMAC as the implementing agency had both positive and negative elements. On the positive side, it had unique technical capacity and experience in the region working on sustainable agricultural practices, including working with organic coffee producers. However, it was a young organization –four years old – and it had never managed or led a project of this scale

Flor del Toronjil de la Tierra), Unión de Campesinos Ecologistas de Acacoyagua (UCEA), Finca Triunfo Verde (FTV)

and complexity in terms of partnerships. During the three years prior to the MSP, IDESMAC participated in 21 projects/tasks, with total income averaging US\$150,000 annually.

Lack of experience in forging strong and highly productive relationships with partners at regional, national and international levels, and inadequate financial management capacity surfaced during implementation and was the focus of much of the Bank's supervision efforts. During project implementation, IDESMAC had sub-optimal relations with its two major partners (IHN and INE). While the project components that built on IDESMAC's strengths (production technical assistance and community participation) flourished, other expected outcomes from the project – those that were under IHN and INE's responsibilities --environmental education, biodiversity monitoring, in particular suffered.

Given IHN's capacity in biodiversity monitoring, IHN's role in the project was closely linked to the first and third project objectives, which aimed at demonstrating that non-traditional coffee production is biodiversity-friendly. The concept was that IHN's support in biological monitoring would make it possible to test for the existence of a real recovery of species threatened by the planting of traditional crops.

IHN contributed to the project's successes on several fronts. For example, it was an important link to the various government institutions and authorities that helped enable the creation of the Mesa El Triunfo, and it was an active participant in the design of educational packages for the environmental education component.

However IHN's expected main contribution to the project through biodiversity monitoring activities was reduced during project implementation relative to expectations for two main reasons:

- Project resources were mainly aimed at efforts to strengthen the organizations and engage the communities with the objectives of developing commercial skills. During implementation, there was less emphasis placed on biodiversity issues – and hence IHN's role -- than originally planned. Biodiversity monitoring related activities began with considerable delay, making it difficult to coordinate with IHN.
- During project implementation, IHN underwent four changes in administration which affected its relations with its members, giving rise to different views of institutional commitments.

Although IHN's level of effort was less than expected, INE was a full partner all during implementation yet the partnership between the two institutions did not evolve adequately to produce the expected results in providing environmental education and building capacity for biodiversity monitoring.

On the positive side, the project significantly helped to build IDESMAC's capacity and role both at the local and international levels. IDESMAC is now participating in several NGO networks, including the NGO network associated with the GEF. In June 2003 IDESMAC is expected to become formally affiliated with IUCN. Its capacity to manage and lead projects is reflected in its planned budget for next fiscal year of US\$450,000 – three times that of the average budget for IDESMAC in the years prior to the project.

III. Summary of Main Lessons Learned

Linking biodiversity conservation efforts to direct economic benefits motivates change.

The commercialization aspects of the project served as a primary motivation of producer organizations to participate in the project. For example, the process of educating the communities in environmental matters intensified as the link between meeting economic needs and conserving biodiversity was forged.

The commercialization aspects of the project also served as the economic stimulus for the adoption of eco-friendly methods of production and land management. Through this motive, the project was able to initiate a sustained participatory and practical learning process of invaluable entrepreneurial skills among the relevant stakeholders, both producers and local institutions. It permitted producers to bypass the low-price local chain that did not value their biodiversity efforts and more directly participate in the market with products that are rewarded for their support of local biodiversity and appropriate land stewardship. In this context, certification became the key vehicle to anchor biodiversity friendly methods and prevent over-exploitation of resources as producers became more commercially successful.

Stakeholder and Civil Society participation is a slow process especially in a region like Chiapas which has a legacy of conflict and mistrust. The project did a commendable effort to build a joint vision on the project with all stakeholders ranging from local, state, and federal government to a broad coalition of civil society organizations that include universities and research centers, national and international NGOs, and regional producer associations.

Sustainability of local partnerships and strategic alliances is difficult in a highly politicized environment. The “Roundtable for El Triunfo” initiated by the project initially was a useful forum for *inter-institutional cooperation* that worked towards overcoming fragmentation and politicized government programs. However, with the historical elections of 2000, the Roundtable forum diminished in the project’s last year.

For relatively inexperienced executing agencies, specific activities should be designed and project funds should be allocated for strengthening that organization during implementation, and additional budget for Bank support in project design and supervision are required.

The benefits of having a local NGO as the Executing Agency were very strong, and can be seen in the tangible positive and sustained impacts from the project. However, a national or international NGO that would have had more capacity and experience and would have likely required less supervision from the Implementing Agency. In part because the participation of the executing agency IDESMAC team in the project design phase was not possible (IDESMAC hired project staff only after the project was approved), the design of the project was not able to take into account the need for capacity building of the Executing Agency. This issue was compounded by the fact that the project was designed to have three principal institutions involved in executing project activities. In addition, the project preparation budget (including US\$25,000 in PDF-A funds) was not sufficient to fully develop a participatory project implementation plan and the design of a monitoring and evaluation system that was operational at project start. As such, project start-up was a particularly critical period for the project.

Capacity building project activities undertaken early on in project implementation, with support provided by GTZ/IICA, complemented by relatively intense Bank supervision, proved to be important for the project’s success:

- The World Bank team suggested a project launch workshop for the first month after project start which would build on the earlier project preparation workshop that was held with all stakeholders, including with beneficiaries in the field. The aim of this second workshop was twofold: (i) to make the project log frame more operational and closer to the realities in the field (i.e. capacity of the cooperatives were much weaker than originally thought, and so the implementation plan had to be re-oriented to reflect this reality.); (ii) to bring all the actors on common ground with IDESMAC and its new staff with respect to the concept and design of the project. Furthermore, it helped start to build IDESMAC's capacity to monitor and evaluate the project. Expertise for the workshop was provided by GTZ/IICA.
- GTZ and IICA contributions in critical junctures of the project cycle helped to strengthen the capacity of IDESMAC to use participatory tools..
- The launch workshop and early World Bank supervision missions helped to identify and finance new project activities (i.e. strategy for the commercialization of products) needed to achieve project objectives
- The World Bank's use of two consultants to augment its supervision efforts on two targeted and critical elements for the project's success that were identified in the early stages of project preparation and implementation: (i) a consultant with specialization in commercialization of coffee and international markets for coffee was identified and hired at project start to help adjust the design and supervise the execution of this critical sub-component; and (ii) a consultant with specialization in training and facilitating the use of participatory tools that accompanied and undertook Bank supervision missions to prepare for the mid-term and final project evaluations. Having an expert on coffee markets as a consultant to the World Bank team was key in orienting the project's strategic approach of grounding itself to certification of organic coffee production. The project particularly benefited from the marketing study that the consultant developed, with co-financing by the Summit Foundation, the Commission for Environmental Cooperation (CEC), and the Specialty Coffee Association of America. (SCAA).

Despite such limited preparation and implementation budget, the project was able to deliver tangible and sustainable impacts on the ground. However, the project's impacts would have likely been even higher and partnerships would have been stronger if there were more financial resources available for project preparation. Moreover, the project would have benefited from more intensive support from the Bank. For example, both the project launch workshop and preparation activities for the final self-evaluation workshop would have benefited from the participation of the Bank Task Manager in field, but low supervision budgets did not permit these missions to take place. Additional supervision budget also would have enabled more frequent missions and supervision that could have helped to strengthen the relationship among the three major partners in the project's execution. In addition, some of the World Bank supervision budget needed to be re-directed to support processing of disbursement requests and to design and monitor the implementation of an action plan to improve financial management practices of IDESMAC. It should also be noted that the shortage of such expertise and experience in commercial aspects of coffee production within the World Bank Group required an extensive and time-consuming search to contract the services of a highly specialized external consultant..

In sum, more up-front planning for capacity building activities for IDESMAC and its partners, and additional supervision budget, would have likely led to stronger project impacts, particularly with regard to those that required a more coordinated effort on the part of the three executing agencies. It is recommended that additional GEF funds are allocated to project preparation

funds, and additional funds for supervision are provided to Task Managers of MSPs, with the highest priority given to those projects executed by NGOs with limited project implementation experience.

At the time of this project's execution, MSPs were a new instrument for the Bank, and the supervision and implementation of this project would have benefited from a more pro-active effort on the part of the Bank to develop and disseminate protocols, particularly for disbursements, and perhaps most importantly to recognize that and plan for additional resources and time that were needed to implement these protocols for the first of these MSPs. For example, because this MSP was one of the first for the Bank, protocols for disbursement were not fully established and operational, and this caused some difficulties and delays for the second disbursement request. At the time of the third disbursement requests, procedures were in place and capacity on the part of IDESMAC was built that enabled a more rapid disbursement of funds.

The World Bank should consider in the design and later refine in the implementation phase the role it will play in sustaining the project's impacts after the life of the project. The sustainability of the MSPs under the implementation of the World Bank would have been enhanced if there was an explicit strategy on the part of the Bank to build bridges to other larger Bank projects and on-going dialogue with the government and other key stakeholder groups in the country and region. Although several efforts were made by the Bank Task Manger and other team members to create these bridges were successful (see the replication sections), the lack of an overall systematic approach by the Bank to ensure that the MSP from the beginning was closely aligned with its related on-going and planned operations in the country likely created sub-optimal conditions for replicability and sustainability of the project's impacts. Along these lines, with regard to the particular focus of this MSP, the Bank needed to rely on an outside consultant to provide professional market-oriented analysis and advice as well as operational know-how and in-depth experience on participatory tools. Absorbing the lessons learned from the project into other Bank work has been constrained by this lack of in-house expertise, as the Bank relies on consulting expertise that is no always readily available.

To some extent, the notion that the MSP is a mechanism that can be used to disburse grants to Executing Agencies with minimum supervision budget has contributed to the fact that relatively less managerial attention is being paid to ensuring a strategic fit in the Bank's work compared to full-sized projects. The successes of this MSP, as well as its shortcomings, indicate that potential mechanisms to sustain project impacts may be lost. In sum, this MSP experiences indicates that the sustainability of MSPs may likely be enhanced from a rethinking of the MSP mechanism by the GEF and its partners that would lead to a a stronger strategic framework for the Bank's participation in GEF MSPs.

IV. Financial Management Status

First audit report covering July 1999 – May 2000: The auditors issued an unqualified opinion. The World Bank's financial management specialist found the report acceptable but as an exception. An action plan to remedy the situation was agreed, and its implementation was reviewed during subsequent supervision missions. Specifically, the financial management specialist recommended that the audit TOR to be modified to include Financial statements in the audit report and the review of the compliance with Grant agreement clauses, applicable laws and Bank missions, and an inform on the internal controls as well. Subsequent audit reports are to include a conciliation between the amount disbursed and the information contained in the financial statements. As the Executing Agency administrator was giving properly follow-up to the audit findings, the

World Bank's financial management specialist assessed the project as "low financial management risk."

Second audit report, covering July 2000 – June 2001. The auditors issued an unqualified opinion. The World Bank's financial management specialist found the audit report satisfactory. Nonetheless, the financial management specialist found three aspects of financial management that needed improvement: (1) system of information management; (2) internal controls; and (3) creation and implementation of the operational manual. All three issues were identified during the course of the last year's disbursement review, but were not yet improved. The TM decided to disburse only a portion of the remaining grant designated for the last year of the project until specific actions recommended by the FMS were undertaken. These actions were taken on a timely basis and the final portion of the last disbursement was disbursed accordingly.

Final statement of accounts and external audit with period of coverage: Third and final audit covering July 2001 – September 2002 due May 30, 2003.

Received by task manager: No. Expected by May 30, 2003, as indicated in the Legal Agreement.