Document of
The World Bank

Report No: ICR0000851

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(TF-24372)

ON A

GEF TRUST FUND GRANT

IN THE AMOUNT OF USD 7.5 MILLION

TO THE

UNITED MEXICAN STATES

FOR AN

INDIGENOUS AND COMMUNITY BIODIVERSITY CONSERVATION PROJECT

December 18, 2008

Sustainable Development Department
Colombia and Mexico Country Management Unit
Latin America and Caribbean Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective July 11, 2008)

Currency Unit = Peso
1.00 = US$ US$0.097
US$ 1.00 = Pesos 10.307

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CBD	Convention on Biological Diversity
CDI	Comisión Nacional para el Desarrollo de los Pueblos Indígenas (National Commission for the Development of Indigenous Communities)
CE/UNAM	Centro de Ecologia/Universidad Nacional Autónoma de Mexico (Center of Ecology/Autonomous University of Mexico)
CHM	Clearing House Mechanism
COINBIO	Proyecto de Conservación de la Biodiversidad en Comunidades Indigenas(Indigenous and Community Biodiversity Conservation Project)
CONABIO	Comisión Nacional para el Conocimiento y Uso de la Biodiversidad (National Comisión for Information and Use of Biodiversity)
CONAF	Consejo Nacional Forestal (National Forestry Advisory Group)
CONAFOR	Comisión Nacional Forestal (National Forestry Commission)
CONANP	Consejo Nacional de Areas Naturales Protegidas (National Council for Natural Protected Areas)
EA	Executing Agency
Ejido	Land reform block created in the 1930-1960 land reform
GEF	Global Environment Facility
GIS	Geographic Information System
GOM	Government of Mexico
GTZ	Deutsche Gesellschaft fur Technische Zusammenarbeit (German Technical Assistance Agency)
IBRD	International Bank for Reconstruction and Development
INE	Instituto Nacional de Ecologia (National Ecology Institute)
INI	Instituto Nacional Indigenista (National Institute of Indigenous Peoples)
MBC	Mesoamerican Biological Corridor
MBS	Mexican Biodiversity Strategy
MSP	Medium-Sized Project

NAFIN	Nacional Financiera (National Financial Agency)
NGO	Non-Government Organization
PMU	Project Management Unit
POA	Programa Operativo Anual (Annual Operational Plan)
PROCYMAF	Proyecto de Conservaci6n y Manejo Sustentable de los Recursos Forestales en México (Community Forestry Project)
PRODEFOR	Proyecto de Desarrollo Forestal (Forestry Management Program)
PRODERS	Programa de Desarrollo Regional Sustentable, implemented by SEMARNAP (Regional Sustainable Development Program)
PROMAD	Programa de Manejo Ambiental y Decentralización(Program of Environmental Management and Decentralization)
RAN	Registro Agrario Nacional (National Property Registry)
SAGAR	Secretarla de Agricultura, Ganadería y Desarrollo Rural (Ministry of Agriculture, Livestock and Rural Development)
SEMARNAP	Ministry of Secretaria de Medio Ambiente, Recursos Naturales y Pesca (Environment, Natural Resources and Fishery) (1994-2000)
SEMARNAT	Secretaria de Medio Ambiente y Recursos Naturales (Secretary of Environment and Natural Resources) (2001 to date)
SHCP	Secretaria de Hacienda y Credito Público (Ministry of Finance)
SINAP	Sistema Nacional de Areas Protegidas (National System of Protected Areas)
SNIF	Sistema Nacional de Información Forestal (National Forestry Information System)
SOE	Statement of Expenditures
UNDP	United Nations Development Programme
WWF	World Wildlife Fund

Vice President:	Pamela Cox
Country Director:	Axel van Trotsenburg
Sector Manager:	Maninder S. Gill
Project Team Leader:	Robert R. Davis
ICR Team Leader	Francis V. Fragano

Mexico
Indigenous and Community Biodiversity Conservation Project (COINBIO)

CONTENTS

A. Basic Information

Country:	Mexico	Project Name:	Indigenous and Community Biodiversity Conservation Project (GEF)
Project ID:	P066674	L/C/TF Number(s):	TF-24372
ICR Date:	12/18/2008	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	NACIONAL FINANCIERA, S.N.C.
Original Total Commitment:	USD 7.5M	Disbursed Amount:	USD 7.5M
Environmental Category: B		**Global Focal Area: B**	
Implementing Agencies: Nacional Financiera SEMARNAT			
Cofinanciers and Other External Partners:			

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	01/15/1998	Effectiveness:		08/15/2001
Appraisal:	04/10/2000	Restructuring(s):		
Approval:	04/17/2001	Mid-term Review:	01/23/2006	01/23/2006
		Closing:	06/30/2008	06/30/2008

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Satisfactory
Risk to Global Environment Outcome	Low or Negligible
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance

Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
GEO rating before Closing/Inactive status	Satisfactory		

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Central government administration	11	11
Forestry	58	58
Other social services	8	8
Sub-national government administration	23	23
Theme Code (Primary/Secondary)		
Administrative and civil service reform	Primary	Primary
Biodiversity	Primary	Primary
Decentralization	Secondary	Secondary
Participation and civic engagement	Primary	Primary
Rural non-farm income generation	Secondary	Secondary

E. Bank Staff		
Positions	**At ICR**	**At Approval**
Vice President:	Pamela Cox	David de Ferranti
Country Director:	Axel van Trotsenburg	Olivier Lafourcade
Sector Manager:	Maninder S. Gill	John Redwood
Project Team Leader:	Robert Ragland Davis	Augusta Molnar
ICR Team Leader:	Francis V. Fragano	
ICR Primary Author:	Francis V. Fragano	

F. Results Framework Analysis

Global Environment Objectives (GEO) and Key Indicators(as approved)

To achieve more effective biodiversity conservation in the states of Oaxaca, Michoacán, and Guerrero by strengthening the capacity of indigenous and ejido communities to manage and protect their biological and cultural resources based on traditional values and practices.

Revised Global Environment Objectives (as approved by original approving authority) and Key Indicators and reasons/justifications

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(a) GEO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	150,000 hectares under community conservation in different ecozones in the project area, and 150,000 hectares of complementary area under sustainable use.			
Value (quantitative or Qualitative)	0 ha	150,000 hectares under community conservation in different ecozones in the project area, and 150,000 hectares of complementary area under sustainable use.		166,776 hectares (111%) are under community conservation in the three states. 156,206 hectares (106%) of complementary area are under sustainable use.
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	over 100% achievement			
Indicator 2 :	Seventy organizationally advanced communities (Category 3 and 4) with active conservation (and integrated resource use) on communally owned land of high biodiversity in Oazaca, Guerrero and Michoacan.			
Value (quantitative or Qualitative)	0 communities	70 communities.		64 communities (91%) have achieved this indicator. Communities are deemed to have reached this indicator when they have an organization in place, trained or with approved

				management plans.
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	91% achieved			
Indicator 3 :	Number of incipient communities (Category 1 and 2) with increased capacity and willingness to engage in conservation activities.			
Value (quantitative or Qualitative)	0 communities	Incipient communities involved in conservation		77 communities/ejidos have carried out conservation activities, biodiversity studies, institutional strengthening and productive investment in areas related to biodiversity.
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	110% achieved			
Indicator 4 :	Institutional Framework at state level to channel resources to communities for their conservation initiatives, and to support inter-community networking and collaboration on shared conservation goals.			
Value (quantitative or Qualitative)	No framework	Institutional framework established		State comittees with participation in communities, state government, and NGO's continue to meet regularly. State coordinators/promoters oversee the process
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	100% achieved			
Indicator 5 :	Positive market for sustainable use products generated and income increased in communities in high biodiversity areas without environmental loss.			
Value (quantitative or Qualitative)	No markets	Positive markets developed		Contributed to facilitate market development/access through community products/service thru 489 subprojects.

Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	100%			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Community-driven committees trained and operating in three states and transfering knowledge and resources to communities.			
Value (quantitative or Qualitative)	Plans incremental	Financial, institutional sustainability of mechanism		Framework in place in all States and functioning. 489 subprojects have been supported. States are investing and contributing to LT sustainability.
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	100% w/Framework in place, state participation secured and 489 subprojects supported.			
Indicator 2 :	Land use plans developed in 300 communities.			
Value (quantitative or Qualitative)	To be developed by project	300 plans		Total 248 plans developed
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	82% achieved			
Indicator 3 :	150 incipient communities develop conservation skills through capacity-building intitatives led by more advanced communities.			
Value (quantitative or Qualitative)	To be developed by project	150 communities		152 communities (101%) reached through community-to-community seminars, workshops, training courses and other activities
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	101% achieved			

Indicator 4 :	70 community conservation areas demarcated and put under improved protection.			
Value (quantitative or Qualitative)	To be developed by project	70 conservation areas.		78 community conservation areas have been demarcated and are under improved conservation.
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	111% achieved			
Indicator 5 :	Establishment of sustainable practices and green ventures in 150,000 hectares of complementary lands.			
Value (quantitative or Qualitative)	Incremental areas.	Sustainable practices and green ventures on 150,000 hectares.		489 sustainable subprojects and 156,206 ha under sustainable management
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	100%			
Indicator 6 :	Implementation of SII with internet and local connections and access to information at community level.			
Value (quantitative or Qualitative)	no information system	Information system designed and functioning		Information system designed and available online. Monitoring system equipped in 12 communities.
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	100% achieved.			
Indicator 7 :	National oversight operational and legal and community model frameworks incorporated into national strategy.			
Value (quantitative or Qualitative)	No national oversight of operational and legal and community model frameworks incorporated into national strategy	National oversight operational and legal and community model frameworks incorporated into national strategy.		As of 2008 COINBIO was transferred to CONAFOR program. 78 Communities incorporate conservation areas into their by-laws. Law reformed to formally recognize community

				conservation areas at national level.
Date achieved	06/06/2001	06/30/2008		06/30/2008
Comments (incl. % achievement)	100%			

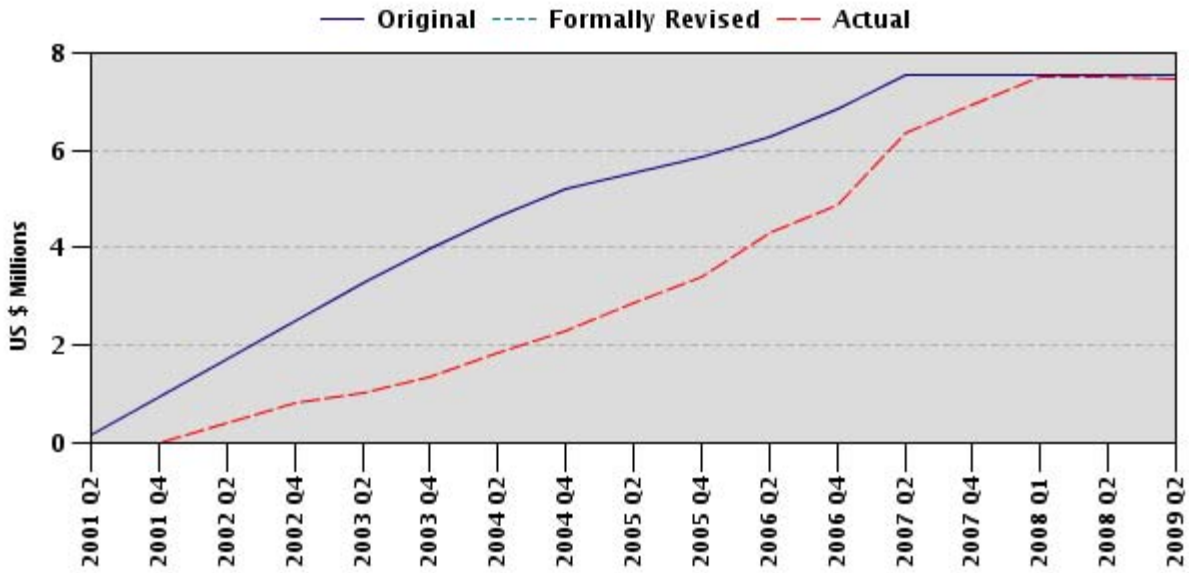
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	GEO	IP	Actual Disbursements (USD millions)
1	05/30/2001	Satisfactory	Satisfactory	0.00
2	12/13/2001	Satisfactory	Satisfactory	0.40
3	02/06/2002	Satisfactory	Satisfactory	0.46
14	12/04/2002	Satisfactory	Satisfactory	1.02
15	06/05/2003	Satisfactory	Satisfactory	1.28
16	12/12/2003	Satisfactory	Satisfactory	1.82
17	06/18/2004	Satisfactory	Satisfactory	2.20
18	06/19/2004	Satisfactory	Satisfactory	2.20
19	09/23/2004	Satisfactory	Satisfactory	2.41
20	04/26/2005	Satisfactory	Satisfactory	3.06
21	01/28/2006	Satisfactory	Satisfactory	4.31
22	05/12/2006	Satisfactory	Satisfactory	4.63
23	12/21/2006	Satisfactory	Satisfactory	6.36
24	06/28/2007	Satisfactory	Satisfactory	6.94
25	12/02/2007	Satisfactory	Satisfactory	7.50
26	05/28/2008	Satisfactory	Satisfactory	7.50

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Global Environment Objectives and Design

(this section is descriptive, taken from other documents, e.g., PAD/ISR, not evaluative)

1.1 Context at Appraisal

(brief summary of country and sector background, rationale for Bank assistance)

Sector Background

Mexico is among the top four mega-diversity countries in the world, with an estimated 10 - 14% of the planet's biodiversity. Its forest surface extends over approximately 57 million hectares, where 13.0 million people live, out of which 5 million are indigenous peoples of 43 different ethnic groups and represent 55% of extreme poverty of the country.

At the time of the appraisal, the terrestrial biodiversity in Mexico was being compromised due to rampant deforestation and land degradation resulted from population growth, expansion of the agricultural frontier, over-exploitation, poorly regulated tourism, accelerated economic development, and arbitrary settlement policies. Up until 1986, the incentives for sustainable forest and natural resource conservation were perverse. Commercial wood extraction relied upon a system of industrial concessions or inefficient *parastatals* that had no incentives for long-term sustainability and were not responsive to the needs or interests of indigenous communities or ejidos – the legal owners of much of the country's forest lands as a result of land reform. At the same time, agricultural policies fostered clearing of forests for subsistence and commercial agriculture or cattle-rearing and private land tenure was linked to forest clearing. Large-scale cultivation of illegal drugs began to proliferate in remote forested areas in the 1960s as a response to acute poverty, and continues to create social conflict and local violence in some areas.

In the early 1990s, a series of policy changes in the agricultural sector introduced reforms to land administration system to strengthen land markets, while preserving ejido and indigenous community tenure. As part of this reform process, a new Forestry Law was passed in 1986 and revised in 1992, providing the legal framework for indigenous community and ejido management of forests in their boundaries, based on a Forest Management Plan which requires government approval. Although this provided a positive framework for community forestry management, little additional support was provided by government in the form of TA, links to stable markets, or other positive incentives to facilitate change in this direction, apart from a few soft loans for industrialization of the forest communities and ejidos. There were however, small-scale NGO-supported initiatives in promising regions were carried out, particularly in Oaxaca.

Government's Actions. Under the guidance of the Convention on Biological Diversity, (ratified on March 11, 1993) Mexico developed a National Strategy for Biodiversity (NSB) with participation from academia, the private sector and other relevant stakeholders. The NSB indentified four priority areas for action: (i) protection of biodiversity rich ecosystems; (ii) sustainable use of Mexico's biological resources; (iii) expansion of the country's knowledge base related to its biodiversity; and (iv) promotion of green market/valuation of biological resources. Rainforest, dry forest and marine and coastal ecosystems are among the particular ecosystems identified as priorities for federal protection status and for a major mainstreaming of biodiversity considerations in economic and public investment programs. The NSB also recognizes the importance of indigenous and community conservation practices that have long prevailed, especially in rural/mountainous regions in South-Central Mexico, and supports development of innovative programs to strengthen such approaches to natural resource management.

SEMARNAP's own programs have been reoriented to be consistent with this framework, and is working with other federal and state entities to mainstream this approach in related sectoral programs. GoM and CONABIO are now developing a more detailed Action Plan for Conservation, Use and Equitable Distribution of Benefits from Biodiversity. SEMARNAP has also initiated a range of programs for biodiversity conservation and sustainable natural resource management with the aim of balancing environmental values with societal interests and needs. In particular, SEMARNAP has promoted a set of programs to foster sustainable land use, as a complement to the strategy to develop a national system of protected areas (SINAP). In keeping with the country's strategic shift towards increased decentralization of environmental management to states and municipalities and the objective of increased public participation, SEMARNAP's programs emphasize local responsibility and participation.

At the time of the appraisal, GOM had several forestry programs, including: (i) an integrated model of sustainable development with a regional focus (PRODERs); (ii) a sustainable forestry management sinking trust fund for private producers, ejidos and indigenous communities (PRODEFOR) in those states willing to provide counterpart financing; (iii) a pilot forestry management project to text community forestry mechanisms (PROCYMAF); (iv) a restructured reforestation program (PRONARE); and (v) on-going policy work on international environmental issues and the global commons, including environmentally friendly markets. At the appraisal, there was no government-supported program for community-based conservation areas and sustainable use of biodiversity.

Bank's Involvement. The Bank-assisted Community Forestry Project (PROCYMAF), initiated in 1998, is piloting a positive model for channeling technical assistance to interested communities in Oaxaca to defray the cost of forest management plans and complementary studies while improving the quality of private technical services available to the 248 forest communities and ejidos in the state of Oaxaca.

In addition, the GOM has recognized the importance of expanding forestry development support to include assistance to communities for conservation efforts. Under this new expanded forestry strategy, the GoM wishes to develop and implement a program to conserve biodiverse community and ejido lands, while supporting financially sound complementary activities of sustainable use. This model would provide a more decentralized, grass-roots led conservation program, responding to unmet needs at the community level. The GOM proposes to test this new program in the states of Oaxaca, Michoacan and Guerrero; if successful, it would be expanded to other forest-rich states.

The project would address the lack of support for community-driven conservation initiatives and the need to build capacity at the local level. The project would support the creation of conservation areas based on voluntary choices by communities in areas of known high biodiversity, developing a mechanism for more systematically recognizing these customary law commitments at the national level to foster legitimacy and permanence. By financing investments and capacity-building complementary to the studies and training financed by PROCYMAF and the PRODEFOR sinking fund, the proposed new project would link communal conservation areas to sustainable use activities in adjacent forest and agroforestry lands, and link conservation actions across individual communities.

Communal areas provide an ideal focus for conservation efforts in Mexico, because of clear land and resource property rights derived from colonial degree and/or later land reform legislation. In the case of indigenous communities, two national constitutional articles (Nos. 4 and 27), and a state degree, in the case of Oaxaca, legitimate the right to establish land as individual parcel or as

areas of restricted use, recorded as customary laws (such as community by-laws, community statutes) at the community level to establish long-term, legally binding community conservation areas, registered formally in the National Property Registry. Where large expanses of land with high biodiversity value exist under indigenous community or ejido ownership, there is a comparative advantage to seek a model of biodiversity conservation that is voluntary and on private (communal) land.

The joint IBRD/IFC Mexico Country Assistance Strategy was discussed by the Board of Directors in May 1999. The CAS is structured along three main, interrelated themes: (i) social sustainability; (ii) macro-economic stability and sustainable growth; and (iii) effective public governance.

The project would simultaneously promote the various strategies in the CAS. The CAS strategy of working within the scope of and reinforcing local and indigenous cultures in Mexico was one of the main objectives of this project, as it would seek to reinforce indigenous community and ejido structures to promote the creation and maintenance of community protected areas. Environmentally, the project reflected the CAS strategy in working to enhance biodiversity conservation and strengthen institutional frameworks.

Global Operational Strategy

Mexico ratified the Convention on Biological Diversity on March 11, 1993. The proposed project is consistent with the GEF Operational Strategy, supporting long-term protection of globally important ecosystems. Oaxaca, Guerrero and Michoacán are the repositories of significant global biological diversity with high endemism. The project supports Operational Programs 4 (Montane Ecosystems) and 3 (Forest Ecosystems), and would target three GEF priorities: in situ conservation of globally unique biodiversity; sustainable use of biodiversity; and local participation in the benefits of conservation activities. The project was fully consistent with Mexico's first report to COP IV as with the principles of the CBD by supporting all three levels of biodiversity (ecosystems, species, and genes) and supports COP Decisions I/8, II/8, II/9, III/9, III/10 and III/12, and SBSTAA Recommendation I/3.

1.2 Original Global Environment Objectives (GEO) and Key Indicators (*as approved*)

The GEO was to achieve more effective biodiversity conservation in the states of Oaxaca, Michoacán, and Guerrero by strengthening the capacity of indigenous and *ejido* communities to manage and protect their biological and cultural resources based on traditional values and practices.

The key indicators designed to follow project implementation and outcomes were listed in the PAD and include: (i) 150,000 hectares under community conservation in different ecozones in the project area, and 150,000 hectares of complementary area under sustainable use; (ii) seventy organizationally advanced communities (Category 3 and 4) with active conservation (and integrated resource use) on communally owned land of high biodiversity in Oaxaca, Guerrero and Michoacán; (iii) Number of incipient communities (Category 1 and 2) with increased capacity and willingness to engage in conservation activities; (iv) Institutional framework at state level to channel resources to communities for their conservation initiatives and to support inter-community networking and collaboration on shared conservation goals; and (v) Positive market for sustainable use products generated and income increased in communities in high biodiversity areas without environmental loss.

1.3 Revised GEO (*as approved by original approving authority*) and Key Indicators, and reasons/justification

The GEO remained pertinent and did not change throughout project execution. Indicators were unchanged.

1.4 Main Beneficiaries
(original and revised, briefly describe the "primary target group" identified in the PAD and as captured in the GEO, as well as any other individuals and organizations expected to benefit from the project)

The primary target group of COINBIO was the indigenous communities[1] and *ejidos* in biodiversity rich states of Oaxaca, Michoacán, and Guerrero. Beneficiaries included indigenous and *ejido* communities with collective use of land under forestry livestock husbandry, organic coffee production, and tourism among other activities. The municipal government and state and national agencies were also expected to benefit from strengthening of organizational capacities as well as the improvement in their relationships with these communities to achieve other goals.

Local and National benefits envisaged included: (i) enhanced maintenance of natural resources (ii) preservation of cultural heritage and traditional knowledge (iii) access to resources to capitalize on environmentally sound practices to generate income. The global scale benefits foreseen included long-term preservation of critical ecosystems through development of incentives, capacities, and generation of new knowledge for sustainable management and community conservation.

1.5 Original Components (*as approved*)

The project had four components.

Component 1. Local Capacity Building (US 1.70 million; 22.7 % of total project cost)**.** This component would finance the costs of the three state committees and the state coordinating units, which would be the decision-making and oversight bodies respectively for activities at state level. Activities to be financed would include coordinating unit consultant fees, funds for technical assistance to communities and ejidos, training of the coordinating unit in financial and technical monitoring, operational expenses, and costs of consultation and regional meetings.

During the first few years, these coordinating units would be legally constituted and, over time, procurement responsibilities transferred completely to them during the course of project implementation. Over the long run, these committees might evolve as independent entities, serving the needs of those communities that are not sufficiently advanced to cover their own conservation investment needs or directly seek resources from external sources. The coordination units would transfer knowledge and experience during project implementation both to participating communities and to state committees on fundraising, investment practices and grant management.

[1] Indigenous groups identified in the project areas included: Zapoteco, Chontales, Mixes, Mazatecos, Chinantecos, Chatinos in Oaxaca; Mazahuas, Purepechas, Nahuas in Michoacan; and Tlapaneco, Amuzco, Nahuatl, and Mixteco in Guerrero.

Component 2. Community Conservation and Sustainable Use Sub-projects (US 4.58 million; 61.0 % of total project cost)**.** This component would channel grant resources to communities to finance a progressive series of community conservation and sustainable use subprojects tailored to the level of organization and willingness of participating communities to undertake long-term conservation. Incipient communities, defined as those with limited organizational skills and insufficient experience with conservation investments (Category 1), were eligible for grants to help finance land use planning, community conservation action plans, diagnostic studies, resource inventories, and training events that build their capacity for conservation. The more advanced and experienced communities (Category 2, 3, 4) were eligible for grants to help finance activities that assisted them to actively manage and protect areas designated for conservation, including area management and activities that promoted sustainable use in adjacent resource areas to generate income while reducing pressure on conservation areas.

As a member of the state committees and in its role as enforcer of the 1992 Forest Law, SEMARNAP was to ensure that environmental standards were applied to proposals under review. Grants would be given directly to communities. In some cases, communities would provide their own labor and technical assistance; in others, the community would contract private service providers or purchase small goods and services. Four types of activities (Types A-D) were eligible for grant allocation, each with a different community counterpart requirement, and each with progressively larger grant sizes:

Type A: Land Use Planning for the Establishment of Biodiversity Conservation Areas (Total $4.8 million; GEF $1.7 million)
Type A activities include workshops, participatory rural appraisals, land use planning, mapping, inventories of existing biodiversity resources, and delimitation of conservation areas, including preparation of by-laws or communal statutes (where appropriate) for the creation of permanent conservation areas.

Type B: Training and Capacity-Building, including Horizontal Exchanges (Total $1.7 million; GEF: 0.6 million)
This component would finance two types of activities: (i). capacity-building for conservation activities, including training for communities provided by third parties and by more advanced communities to less advanced ones, and (ii) carrying out feasibility studies as under Type C activities.

Type C: Community Investments for Conservation Areas and Sustainable Use (Total $4.6 million; GEF: $1.65 million)
This component would finance investment in conservation areas or in complementary sustainable uses of biodiversity, including investments to protect or improve the administration of conservation areas, as well as investments (and feasibility studies) that generate sustainable alternatives for communities. The potential scope of activities included forest certification studies, market studies, seed capital for eco-tourism projects, and non-timber forest product enterprises. Investments for protection could include infrastructure and management of conservation areas.

Type D: Community Green Venture Funds (Total: $1.8 million; GEF: $0.63 million)
Communities that had developed the capacity to invest in more substantial projects of sustainable use and which have a longer-term commitment to conservation of their permanent areas were to be eligible for a fourth type of grant investment, which would be a payment into a revolving fund established at the community level as a separate conservation account (see Annex 15 PAD).

Table: Summary of Subprojects by Types of Investment

Subproject Type	*Investment amount ($)*	*% contribution by communities/ejidos*	*Eligible typology of communities/ejidos*	*Relationship with other programs*
A	5,000 to 15,000,	At least 10% [2]	Category 1, 2, 3, 4	PROCYMAF funds in pine-oak forest areas/GEF other ecosystems.
B	2,000 to 8,000 per community	At least 20%	Category 1, 2, 3, 4	same as above
C	15,000 – 20,000	At least 25% for sustainable use; at least 20% for conservation purpose.	Category 3 and 4	PROCYMAF lead for pilot scale non-timber forest product based investments/PROCYMAF and PRODEFOR for TA and studies
D	20,000 – 50,000	Equivalent to the grant amount.	Category 4	

Component 3. Biological Monitoring and Evaluation (US 0.42 million; 5.6 % of total project cost). Project implementation monitoring would be carried out throughout the project implementation period to follow both physical execution as well as biodiversity changes over time. An important aspect of this component would be generating the needed information to assess the viability of the biodiversity conservation areas being established. Participatory evaluation studies would be designed and carried out to document social organizational processes and issues. An important part of the M&E system would be the Integrated Information System (SII), an interactive and dynamic geo-referenced data base. Evaluation activities would include an initial review at the end of the second year and a mid-term review at the end of the fourth year, which would be carried out to assess project experience and make adjustments as needed in project design. All biodiversity monitoring data generated through this project will be forwarded into the Clearing House Mechanism (CHM) that the GOM is developing to provide decentralized access to biodiversity conservation information.

The evaluation activities would include an initial revision at the end of second year of the implementation, another revision at the mid-term, at the end of fourth year, which will be conducted to analyze the experiences generated on behalf of the project and implement the necessary adjustments to the system design.

Component 4. National Coordination (US 0.8 million; 10.7 % of total project cost). This component would finance the costs of the national coordination unit, the national oversight committee, the supervision and monitoring activities, establishment of the legal and conceptual framework for community conservation as a valid protected areas model, and reporting to the Government and the Bank. Evaluation and dissemination activities would include documenting project lessons and sharing these findings with other community and indigenous groups in Mexico and the Latin American region, to facilitate cross-fertilization of experiences with

[2] Presented as in kind contributions of local labor, travel, participation in workshops and evaluations, and community meetings.

innovative programs across states and elsewhere in Latin America (e.g. Argentina, Peru, Bolivia, Brazil, Colombia, Central America, etc.)

1.6 Revised Components
Not applicable - no revisions to components

1.7 Other significant changes
(in design, scope and scale, implementation arrangements and schedule, and funding allocations)

Amendment*:* The Grant Agreement was amended in August 2006 to revise the implementation arrangements for the Project, reallocate funds among categories (including increasing their respective disbursement perecentage in accordance with country financing parameters). Specific modifications included:

- M&E component – modified to focus on participatory and local monitoring of natural resource and biodiversity impacts
- Eligible subprojects – community venture fund (Type D investment)' subprojects were dropped by mutual agreement
- Technical assistance for the analysis, design and promotion of institutional arrangements included – to set up a financial mechanism for conservation and sustainable use activities and thus to ensure that project outcomes are sustained and expanded.

Institutional arrangements. From 2001 to 2002 the project implementation was decentralized and included a National Committee and three State committees with their own coordination units (a coordinator and administrator) while a national level Liason Officer supported the States. In 2003, the officer was replaced by a National Coordinator.

The *National* Committee was composed of (i) three representatives of the communities/ejidos (one for each State Committee), (ii) one representative of SEMARNAT (iii) one representative of CONABIO (iv) one representative of CONANP and (v) one representative of CONAF. After 2003, a representative of CONAFOR was added and in 2004 a representative of CDI, a representative of each State government and one representative from NAFIN. These aditions were included in the grant amendment of 2006.

At inception, the *State* Committees had one representative of the ejidos from each region of the project, one State government representative, one delegate from SEMARNAT, and one representative from conservation NGO. In 2003 a representative of CONAFOR was included and in 2004 a state delegate of CDI was included. While each State Committee was initially supported by an administrator, this post was terminated, due to the few administration needs. In addition, the State Coordinator posts were converted to Technical Coordinators (see section 2.2)

Project Extensions. The project was *not* extended from the original date of June 30, 2008.

Reallocations. On February 1, 2008, the Bank approved a requested reallocation of the Grant's funds and on October 27, 2008, NAFIN confirmed that USD$19,860.61 was being refunded to the Bank. (see table below for details).

Reallocation 2008 and Final Allocation
USD$

#	Category	Original allocation (2001)	Reallocation	Final allocation	Undisbursed
1	Goods	1,000	350	650	-
2	Consultants services/training	2,065,000	(175,162)	2,240,162	21,162
3a	Operating expenditures NAFIN	583,000	1,101	581,899	(5,033)
3b	Other expenditures costs	125,000	9,821	115,179	3,732
4	Subprojects A,B and C	4,688,000	125,889	4,562,111	-
5	Subprojects D	-	-	-	-
6	Unallocated	38,000	38,000	-	-
	Total	**7,500,000**	**0**	**7,500,000**	**19,861**

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

(including whether lessons of earlier operations were taken into account, risks and their mitigations identified, and adequacy of participatory processes, as applicable)

Project Preparation[3]. Oaxaca, Guerrero and Michoacán have a significant concentration of globally important biodiversity that Mexico harbors, with almost all ecosystems of the country represented in these states. The priority areas were identified during project preparation (Block B) through technical analyses and consultations, and according to CONABIO's national priority setting and WWF-Mexico studies. The priority areas identified in the biological assessment included 1,300 communities within the priority biological zones of the three states, all with relatively equivalent biodiversity values. Participating communities were identified through a participatory social assessment process using criteria for measuring interest and capacity for conservation (Annex 11 PAD) and over the life of the project approximately 300 communities and ejidos were expected to come forward to participate in project activities, either capacity-building or investment.

Within the 1,300 communities, social assessments helped categorize a subset of communities according to their capacity, organization, and commitment to conservation. A typology of four categories, ranging from the least organized for conservation (Category 1) to the most organized (Category 4) has been developed and activities tailored to these different levels of organization (Annex 12 PAD). All of the 1,300 communities were eligible to present proposals for project financing. Other communities not included in the social assessment, could also present proposals, but were required to undergo a social assessment and capacity analysis first.

Lessons learned and incorporated. Based on experience from the PROCYMAF I Project, the design was based on a strategy to provide communities with adequate information and with financial incentives to carryout conservation activities. Information was to be disseminated and shared among communities through the inter-community networks promoted by the project.

[3] The preparation was initiated under a Block A grant from the GEF for a Medium-sized Project (MSP). However, as the concept generated through the initial preparation grant proved promising as a larger operation, it was scaled up under a Block B and implemented as a full-size project.

Financial incentives were not to be based on unsustainable subsidies, but rather facilitate the adoption of sustainable alternatives for natural resource use that maintain or enhance conservation. Where communities have timber and non-timber forest enterprises, conservation becomes a natural extension of their resource management. For other high biodiversity areas, sustainable livelihoods linked to landscape management are key incentives. Therefore, activities for encouraging community-driven conservation were included to promote sustainable activities in areas adjacent to lands under protection. This would help to broaden economic benefits from conservation. In a number of cases, sustainable use activities were to build on traditional indigenous practices, which offer a host of management strategies that allow for biodiversity-friendly land uses to complement strict conservation in neighboring forests (e.g., mesophilous forests in Sierra Juarez in Oaxaca).

Initially, it was expected that about 150 communities would be eligible for financing – about 100 for land use planning and capacity-building activities and about 50 for conservation and sustainable use investments related to community conservation areas. As local capacity would increased, an additional 150 communities were expected to request land use planning and training support, and conservation investments would be financed in another 70 communities and ejidos, with about twenty of these demonstrating the capacity and interest to manage their own conservation-related ventures over the longer-term.

Rationale for Bank and GEF Involvement. As one of the most biologically diverse of all Mexican states, Oaxaca is recognized to be of exceptional importance for biodiversity conservation. Within Oaxaca, the Sierra Juarez stands out as an especially high conservation priority. The World Bank-World Wildlife Fund Conservation of the Terrestrial Ecoregions of Latin America and the Caribbean (1995) assigns a "Highest" conservation priority rating to two of the four Sierra Juarez ecoregions (Tehuantepec Moist Forests and Oaxacan Dry Forests) receive a "High" rating. Among many animal and plant species endemic to the Sierra Juarez are the endangered Dwarf Jay *Cyanolyca nana*, the cloud forest tree *Oremunia Mexicana*, and several showy butterly species, including the threatened *Papilio esperanza.* The Sierra Juarez is also notable as perhaps the largest remaining extent of mid-montane cloud forest in Mexico, with an unbroken forest corridor extending from the high ridges (3,200m) all the way to the Gulf lowlands (200m).

The project also proposed to work with indigenous communities located in the Chinantla and Costa regions of Oaxaca. The Chinantla region includes a diverse set of ecosystems, including moist forest on karst limestone hills, which harbors highly localized endemic species such as the globally threatened Sumichrast's Wren (*Hylorchilus sumichasti*). The Costa region encompasses the coastal Sierra de Miahuatlan, which also supports species found nowhere else and encompasses the Oaxacan Moist Forests ecoregion (rated "Highest" as a conservation priority).

The proposed project areas in the states of Michoacán and Guerrero are also globally significant for biodiversity conservation. For example, in Michoacán, the Meseta Purepeche (Tancitaro) area contains an important sample of the Mexican Transvolcanic Pine-Oak Forests ("Highest" priority) Ecoregion. In Guerrero, the Sierra Madre del Sur (also known as Sierra de Atoyac) encompasses a substantial portion of the ("Highest" priority) Sierra Madre del Sur Pine-Oak Forests Ecoregion. It is also recognized as an Endemic Bird Area by Birdlife International due to its concentration of range-restricted birds, including the Short-crested Coquette (*Lophornis brachylopha*), a hummingbird found only in this mountain range.

Project Design. A major aspect of the project design was to emphasize inter-community capacity-building. Recognizing that *leader communities* played an important role in fostering forest management in the PROCYMAF project, the COINBIO project would work through the

communities with more experience in collective forest conservation and management, helping them to implement biodiversity conservation on their own lands, as well as to build alliances and transfer knowledge to other communities. About thirty-five Oaxaca communities were identified as potential leaders for this "*campesino-a-campesino*" arrangement. Another premise was that there were traditional community practices and knowledge that were already encouraging conservation in Oaxaca, Michoacán and Guerrero, and the project would help to promote these.

Risk Assessment. The initial risk assessment included the following:

(i) That many communities had not incorporated by-laws for establishment of community natural protected areas, and therefore would not be able or willing to participate in the project. This however did not become an impediment to the project as community organization and capacity building was included as an important element in the project design. In some cases, community participation in conservation projects became a catalyst for overall community organization, as it helped to rally communities around an issue that was perceived as non- or less-divisive.

(ii) That the absence of existing coordination mechanisms between national and state governments and indigenous communities for elaborating management plans might prove an obstacle to implementation. To mitigate the risk, significant resources were dedicated (US$2.7M or 14% or project resources), establishing a platform for increased coordination at all levels of government and with communities. The focus of component 1 was primarily to achieve the establishment of these coordination mechanisms and state committees. At closure it was determined that though a strong sense of ownership and participation generated through the state committees, the project was carried to completion and mainstreamed into national and state governmental institutions. (The Inspection Panel noted the strong sense of ownership and support for the project by stakeholders and acknowledged that mechanisms were in place to resolve issues arising regarding implementation.)

Borrower Commitment. Borrower commitment evolved over the course of the project and was considered strong by closure. Initial implementation was slow due to the change in government administrations in 2001, and the establishment of CONAFOR that same year, resulting in an overlap of some responsibilities with SEMARNAT relative to project management. While the bureaucratic arrangements were being sorted out, NAFIN stepped in as both executing and financing agency, and maintained that role throughout the project. NAFIN provided office space and administrative support to the project implementation unit in Mexico City and maintained routine contact with the Bank team.

2.2 Implementation
(including any project changes/restructuring, mid-term review, Project at Risk status, and actions taken, as applicable)

The project became effective in 2001. However, given the changes at the federal and state governments associated with recent elections, and a relatively complex decentralized project structure, disbursements were low through year two (see section 2.1). Time was also needed to help make in-roads with the beneficiary communities and gain their trust. By 2003, the project reached expected levels of implementation and disbursements, and by 2005 the disbursement lag had been corrected. In 2008, the project closed on schedule with a near full disbursement of funds. (US$ 19 thousand were not disbursed.)

Project Administration. The State Committees decided which community initiatives to support, while the administrative, social and environmental safeguards were managed by NAFIN, SEMARNAT, and CONAFOR.

MTR. The project Mid-Term Review (MTR) was conducted in early 2006. The MTR exercise evaluated project progress as satisfactory except for the delay with the M&E component and uncertainty with the Type D (green ventures) subproject investments. The beneficiary survey indicated a high level of satisfaction with the project and confirmed the pertinence of the activities. The MTR also verified that conservation areas formally established by communities participating in the project increased from around 8% to 51%. Sustainably managed areas (with certification or other formal recognition) increased by 12% during the first years of the project.

Changes. The composition of the National Committee and State Committee from each of three participating states was modified based on changes in the institutional landscape and to improve stakeholder representation. In 2003 and 2004, CONAFOR, State Representatives, NAFIN, and CDI joined the Committees. These additions were reflected in the 3rd modification to the Grant Agreement (August 18, 2006).

Expansion of geographic coverage. The project did not have any significant change in the scope of its implementation. However, two minor expansions within the principal project area were made to include conservation activities in Chinantla Alta and the Costa Chica of Guerrero.

Inspection Panel (IP) . In early 2004, representatives from the Oaxaca State Committee sent a complaint to the Inspection Panel. Representatives of the Committee contended that they should have been consulted regarding the conversion of *State Coordinators* to *Technical Coordinators*, and therefore violated Bank policies concerning supervision and indigenous peoples. However, the Bank's Management Response stated that the complaint actually stemmed from a labor dispute between an individual and the government, and that the indigenous policy had not been violated. It noted that, in fact, indigenous peoples' participation in the project was very high.

The IP eligibility review, likewise, found a high level of indigenous participation and "*widespread enthusiasm about the COINBIO* Project" and concluded that an investigation was not warranted. In addition, it found that "*…the people of these communities repeatedly stressed to the Panel that the Project was of great importance to them because it was driven by their needs and priorities and their definition of conservation. Thus, the Panel notes the importance of continuing the Project and finding a way to overcome the present difficulties*." While an investigation was not undertaken, an independent evaluation was carried out to review the project, and a workshop held to address concerns relative to the structure and management of the project (see details below). In November 2005, a Management Status Report on the action plan (agreed in advance with the Inspection Panel) showed that the Bank and Project had completed all the required actions.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

The project design included the requisite indicators for outcomes and intermediate outcomes. The project personnel updated the indicator measurements regularly and supplied the information to the Bank for input into the corporate reporting system (PSR and ISR). The indicators were simple and straightforward. No major difficulties were encountered. Indicator information at this level is considered to be satisfactory overall. Variables for the M&E included both social and environmental parameters needed to assess the project's progress and impact (see Data Sheet for

complete M&E results and indicators.)

One of the activities of the project was to develop a system for biological monitoring (Component 3). Though implemented by closure, this additional technical monitoring was slow in its development and start up. Delays were incurred initially as communities resisted external monitoring. This was overcome by including them in the monitoring process, training community data collectors, and carrying out information collection with the communities. Another delay was encountered in finding and procuring qualified technical contractors that could also manage the work with communities.

The final system emphasis was on establishing a participatory process for information capture and the integration of both natural (bio-physical) data and social (socio-economic) information. The system includes a wide range of both alphanumeric and spatial (GIS) data and is resident on the internet at http://coinbio.iacatas.org.mx/ . The information is classed by themes and geographic locales and includes thousands of detailed entries, which are well organized and integrated into a user-friendly interface. Despite delays, the system has proven to be an excellent tool and will be considered for mainstreaming into the next phases of the PROCYMAF project for M&E. It also provided the needed information to determine impacts at project completion. However, it was less useful in providing real-time feedback for the project during implementation, given the delays in start up.

2.4 Safeguard and Fiduciary Compliance
(focusing on issues and their resolution, as applicable)

Fiduciary Compliance

Procurement: Three *ex-post* reviews were conducted by the LC1 procurement team, the first one in June 2006 covered CY2005, the second one in June 2007 covered CY2006 and the third one carried out in January 2008 included the period January 2007 to the end of the procurement transactions of the Project in 2008. In addition the procurement team participated in supervision missions in February 2007 and April 2008. The results of these reviews were satisfactory and confirmed that procurement in the Project was being handled in accordance with the agreed procedures. Before 2005 all procurement transactions were subject to prior review and were handled by a procurement specialist based in HQ. The Mexico Office procurement team took over responsibility of the Project in early 2007. The Project had no cases of misprocurement.

Financial Management. Financial management supervision missions were carried out in 2007 (2), 2008 (1) and at mid-term. Based on the supervision work, it was concluded that *Nacional Financiera* (NAFIN) complied with the Bank's FM requirements and provided adequate implementation support and oversight, contributing to the overall satisfactory financial management of the project. The Bank determined that FM arrangements were adequate to provide reasonable assurance that the grant proceeds were being used for the intended purposes.

NAFIN, as financial agent, maintained records and accounts adequate to reflect project's operations and financial condition. (This included records and separate accounts for the Bank-financed projects under implementation.) Internal control arrangements for the project fulfilled Bank's requirements. The project was audited by an external private firm on an annual basis. Neither the auditors nor the Bank identified any major FM-related issues. The Bank FM team reviewed and commented on the grant audit reports each year.

Through 2006, NAFIN prepared and submitted semiannual project Progress Reports, including an FM section that was considered acceptable to the Bank. However, beginning in financial year 2007, the project submitted PMRs, based on the general framework for audits agreed between the GOM and the Bank. The successive reports were submitted on time and were considered acceptable by the Bank.

Based on the results of the final FM mission (April 2008), the FM team concluded that at the end of the project, the FM risk was *modest* and although minor shortcomings in financial management existed, they were negligible and did not prevent the timely and reliable provision of information required to manage and monitor the implementation of the project. The main identified weakness is the lack of an integrated system for the operation of NAFIN as financial agent and implementing entity.

Safeguards Compliance

The Bank team included foresters, biologists, and sociologists/anthropologists trained and qualified to review the environmental and social safeguards compliance during the project. Compliance overall was considered fully satisfactory (see details for each safeguard below).

Environmental Assessment (OP 4.01, BP 4.01, GP 4.01). The project was assessed as a Category B project as its impacts were to be largely positive given its focus on globally important biodiversity. The investments planned were relatively small, and focused on conservation or sustainable use of natural resources, among other activities. SEMARNAT screened proposals for activities, which helped to ensure negative impacts were avoided. The Bank supervision team included biologists, sociologists and foresters trained in the applicable Bank safeguards policies. The team participated in field visits and reviewed safeguard compliance with beneficiaries and counterparts.

The overall experience in the application of the EA safeguard was positive. The project's focus on strengthening social capital in indigenous communities and their natural resources significantly enhanced beneficiary awareness and their capacity to protect natural habitats and forests. The participation of SEMARNAT and state environmental authorities in the project steering committees provided a value-added to safeguard compliance, as well as with compliance with national standards (country systems), which are considered good in Mexico. The overall impact of the technical assistance provided, land use planning, participatory evaluation has been recognized as a contribution to conserving the common resources of the communities and there were no reports, or evidence, of negative environmental impacts as a result of the project. An additional measure of environmental protection was the active involvement of the National Commission of Natural Protected Areas (CONANP) which certified a number of community areas, which provides additional support to them through the conservation community and the Federal Government.

Natural Habitats (OP 4.04, BP 4.04, GP 4.04). The protection of natural habitats was a major focus of the project, as it was designed to have positive impacts on the environment. During the project, over 166,000 hectares of natural habitats were put under community conservation management. In addition, over 156,000 hectares of additional adjacent lands were subject to improved natural resources planning and management.

Forestry (OP 4.36, GP 4.36). The project design included forest utilization through sustainable forest management subprojects, small-scale agroforestry, or non-timber forest products. However, few sub-projects were supported with forestry activities as the semi-blended PROCYMAF carried

out the bulk of these activities. Field reviews verified compliance with the safeguard, when applicable. A Bank forester trained in safeguards participated in the project and most field missions.

Indigenous Peoples (OD 4.20). The project was conceived as an indigenous peoples project given the high level of representation of these communities in the target areas. In this regard, it was designed to have a positive effect on indigenous people and indigenous communities. A Bank sociologist or anthropologist participated in the project and in most field missions.

The project's core strategy was to incorporate indigenous people in the establishment and management of five new protected areas, following a participatory approach under the principle of informed decision making. During project design extensive consultations were carried out as part of the social assessment implemented in the three states to include safeguard previsions for indigenous peoples as indicated in OP 4.20. One of the main mandates of the social assessment was to identify the principle socio-cultural and socio-economic background of indigenous peoples including; degrees of social organization; typology of communities; traditional knowledge for biodiversity conservation; and land tenure issues to ensure sustainability of both cultural and natural patrimony. The principle of free, prior, and informed consultation was one of the main factors included in the project for any activity project-financed activity.

Socio-cultural values: The project respected and included socio-cultural values and traditional forms of organization of ejidos and communities in the project design, thereby strengthening their social capital and enhancing the prospects for success. The project also worked to ensure that sacred sites, which frequently correlate positively with high biodiversity and environmental services, were protected.

2.5 Post-completion Operation/Next Phase
(including transition arrangement to post-completion operation of investments financed by present operation, Operation & Maintenance arrangements, sustaining reforms and institutional capacity, and next phase/follow-up operation, if applicable)

Institutions and Sustainability. In January 2008, CONAFOR assumed the operation of COINBIO-type activities and integrated them into its community forestry program. Most of the field staff that participated in the COINBIO project were hired or retained by CONAFOR to ensure continuity. In June 2008, CONAFOR announced that they had approved 6 million Mexican Pesos for 2008. The state governments of Michoacán and Oaxaca also allocated 2 million Mexican Pesos as counterpart funds. The budgetary commitment demonstrated by both federal and states governments in this transition phase represents significant potentials for sustaining project advances and expanding on outcomes. Moreover, the state governments have agreed to: (i) create a specific budget line for 2009; (ii) allocate a designated amount that should not be fungible in CONAFOR or SEMARNAT's budget, but clearly in separated allocation; and (iii) discuss the adequate allocation of counterpart funding by the participating states. The level of commitments by the policymakers reflects their confidence in the COINBIO model and its effectiveness in promoting biodiversity conservation and its sustainable use. The national and state committees also endorsed the participatory and transparent decision-making processes put in place by COINBIO.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

(to current country and global priorities, and Bank assistance strategy)

The project objectives and activities continue to have a *high degree of relevance* to the country and development priorities. This is reflected in the current (2008) CAS, which emphasizes *environmental sustainability and promoting social inclusion*, and *strengthening institutions*. In July 2008, Mexico requested assistance from the Bank for a new forestry project that will *inter alia* mainstream biodiversity conservation into community development in 12 states with high forest cover, thereby scaling up community conservation efforts to 70% of all forested areas of the country.

In 2008, COINBIO's activities (and staff) were incorporated into CONAFOR, which allocated $6 million in pesos to support community conservation in calendar year 2008. In addition, the States of Oaxaca and Michoacán allocated $2 million pesos each. As the world's fourth most bio-diverse country, the country currently receives the second highest allocation of GEF resources (US$55 million) to conserve globally important biodiversity (next only to Brazil with US$66 million). In November 2008, Mexico had apx. US$24 million in projects in the GEF pipeline that focus on global biodiversity concerns[4].

3.2 Achievement of Global Environmental Objectives
(including brief discussion of causal linkages between outputs and outcomes, with details on outputs in Annex 2)

The GEO to achieve more effective biodiversity conservation in the states of Oaxaca, Michoacán, and Guerrero by strengthening the capacity of indigenous and *ejido* communities to manage and protect their biological and cultural resources based on traditional values and practices was fully achieved. The project planned 98 community and ejido conservation areas, establishing 78 of these over 167,776 ha (111% of target) in the globally important ecosystems of the Tehuantepec Moist Forests, Oaxaca Dry Forests, the Costa and Chinantla eco-regions, the Oaxacan Montane Forests, Sierra Madre de Oaxaca Pine-Oak Forests, Trans Mexican Volcanic Belt Pine-Oak Forests, Sierra Madre del Sur Pine-Oak Forests, Mexican South Pacific Coast Mangroves, Tehuacan Valley Matorral, Jalisco Dry Forests, Balsas Dry Forests, Bajio Dry Forests, and Southern Pacific Dry Forests. The project placed another 156,206 ha under sustainable community management (104% of target), developed community land use plans with 95 agricultural ejidos for 871,101 hectares, and demarcated 120,443 ha for protected areas. These actions furthered protection of biodiversity through community efforts. Some 77 communities with low capacity and organization skills increased their capacity to carry out conservation activities through the project (110% of target).

[4] COINBIO's community conservation approach was highlighted in the 2003 World Conservation Congress. Key elements to reaching global conservation goals (a GEF priority) from the Durban Congress included developing a "new deal…for protected areas, local communities, and indigenous people" as well as the need for "new and innovative approaches need to be applied to protected areas, linked to broader agendas".

Priority Terrestrial Eco-region Coverage by COINBIO (hectares)

State	COINBIO Community Areas Overlapping Priority Ecoregions	Total Priority Ecoregions Present	Percent Coverage
Guerrero	416,944	1,562,743	27
Michoacan	723,977	1,113,261	65
Oaxaca	1,312,113	4,440,462	30
Total	2,453,034	7,116,466	34

One positive impact of the project was highlighted in a legislative reform proposal which used COINBIO as a best practice for demonstrating the value and effectiveness of community-driven conservation. The now approved measure (Article 59 of the General Law on Ecological Equilibrium and Environmental Protection of July 2007) includes legal recognition for voluntary conservation areas within the national protected areas system. Since the approval of the new legislation, 6000 hectares of community protected areas have since been certified by CONANP, while another 100 thousand hectares have been formally recognized in community by-laws.

To strengthen the capacity of communities to implement the community-conservation work, 152 communities actively participated in, *inter alia*, community-to-community seminars, workshops, and training courses. By closure, a total of 64 of 78 beneficiary communities (91% of target) had active conservation and integrated resource use programs on communally-owned lands with high biodiversity. An institutional framework was successfully established at the state level to channel resources to communities for their conservation initiatives and to support inter-community networking and collaboration on shared conservation goals through committees established in each of the three target states (100%). The state committees, which have been maintained beyond closure, include state government representatives, representatives of participating communities (or ejidos), and federal-government representatives (CONABIO, CONAFOR, CDI, SEMARNAT, CONAF and NAFIN). Oaxaca and Michoacán provide ongoing funding for community conservation work as does CONAFOR.

The project carried out 489 sub-projects, which helped to strengthen community capacities, develop markets for sustainable-use products and increase income in communities in high-biodiversity areas without contributing to environmental loss. Specific initiatives included, among others, (i) the production of organic coffee in Oaxaca, (ii) development of a collective brand of mescal in Guerrero, (iii) promotion of a community-collective brand of mescal in Oaxaca, (iv) consolidation of the organic production of anil (indigo) and jamaica in Tierra Caliente of Michoacán, (v) consolidation of ecotourism network in Sierra of Guerrero (Costa Grande), (vi) formation of an ecotourism network in the region norte of Guerrero, (vii) consolidation of the ecotourism network in Sierra Norte in Oaxaca, (viii) consolidation of ecotourism regional network in Michoacán, (ix) development of productive capacity of UMAS (wildlife mgt. areas) in three states, (x) promotion of water-bottling enterprises in three states, and (xi) payment of environmental services (water/watersheds) in three states.

Number of Sub-projects by Typology[5]

Subproject Types	Guerrero	Michoacán	Oaxaca	total no.	% of total
Land use Planning for the Establishment of Biodiversity Conservation Areas	74	76	64	214	47%
Training and Capacity-Building, including Horizontal Exchanges	27	22	10	59	5%
Sustainable Use Sub-projects (certified products and environmental services)	33	55	41	129	25%
Productive Conservation Sub-projects	16	39	32	87	22%
Total Subprojects	150	192	147	**489**	100%

Economic analyses of representative subproject investments show moderate to excellent financial rates of returns of 12.5% to 23.4% (see sec. 3.3 on *Efficiency* for details), reflecting the subprojects' good potential for sustainability over the long term. Because of the project's focus on conservation (and application of the Bank's safeguards), the subproject investments were designed and implemented to be highly compatible with the objective of ensuring productivity without environmental loss.

3.3 Efficiency
(Net Present Value/Economic Rate of Return, cost effectiveness, e.g., unit rate norms, least cost, and comparisons; and Financial Rate of Return)

Due to the nature of the project (biodiversity conservation), economic and financial analyses were not carried out during preparation. However, such analyses were deemed important to be undertaken at project closure given the innovative character of the project and to shed some light on the financial and economic benefits associated with community conservation.

Economic analysis: COINBIO supported a total of 205 communities or *ejidos* to place a total of 166,776 ha of natural areas under strict protection for conservation. As the project supported the

[5] "Type D" subprojects for "green ventures" was formally dropped by mutual agreement between the Bank and Grant Recipient. Considering the good performance of the other sub-project ventures, the impact of dropping the activity on the project is considered to be negligible.

building of social capital in communities to reach agreement on the use of their natural resources and develop territorial as well as natural resource management plans, it appeared opportune to estimate an economic value of the asset 'social capital' as major outcome of the project.

Given the fact that communities could only agree jointly on the use of their commonly owned land and, its natural resource, the approach taken is the following: social capital built through COINBIO = total incremental net benefits per ha under conservation (estimated as total ha under conservation times amounts of payments for environmental service US$ 34.23/ha).

The overall Project's NPV is estimated at US$ 4.3 million with an EER of 26.9% (assuming that all 166,776 ha declared as protected areas by COINBIO would receive environmental service payments). The social capital increment per year would be for year 1 (US$ 1.14 million), for year 2 (US$ 2.3 million), for year 3 (US$ 3.4 million) for year 4 (US$ 4.5 million) and for year 5 (US$ 5.7 million). The switching value of the NPV tends towards 0, if 65-66% of the project's total protected areas would receive payments for environmental services.

Cost effectiveness: During the evaluation, an exercise was carried out to estimate costs and time needed for the development of a community based sustainable management plan guided by COINBIO technicians. The cost per ha identified was approx US$ 49 ha with the effective time of 50 days and during a time period of 165- 175 days[6].

Financial analysis: To assess possible future financial impacts, four productive sub-projects were selected to estimate their income generation. They were (i) an ecotourism subproject, (ii) a community water bottling enterprise, (iii) the production and harvesting of medicinal plants, and (iv) the sustainable raising of deer. Basic data for the calculations were collected through direct consultation with local authorities and service providers during the ex-post evaluation.

Table 1: Summary of Financial Analysis

Example/ Community	**Investment in US$**	**Investment period**	**average incremental net benefits in US$**	**NPV in US$**	**FRR**
Projects in Guerrero/Oaxaca- AVERAGE SCENARIO					
(i) Ecotourism project of San Pedro y San Felipe Chichila, Guerrero	184,900	15	37,405	49,440	17.80%
(ii) Water bottling in the community of Tlahuitoltepec, Oaxaca	256,270	5	9,895	7,773	23.40%
Projects in Guerrero- MINIMUM SCENARIO					

[6] US$ 34.23/ha is currently paid in Mexico by CONAFOR via the programme PROARBOL and represents the opportunity cost to plant 1 ha of maize in the area of Mexico City. The calculation is an estimate of the factor 6.5 times the daily rate of a minimum salary of $ 52.59= US$ 5.3. US$ 34.23/ha is taken as an economic price as it represents the cost to society/opportunity cost to maintain the hectare under conservation.

(iii) Production and harvesting of medicinal plant 'Flor de Manita' in Yextla and Carrizal de Bravo (Chiranthodendron)	10,000	20	2,700	611	12.70%
(iv) Development of a Sustainable Production of a intensive scheme for raising deer in Tlaxcalixtlahuaca	14,500	5	4,000	160	12.50%

3.4 Justification of Overall Outcome Rating
(combining relevance, achievement of GEOs, and efficiency)
Rating: Satisfactory

COINBIO was highly successful at achieving conservation of globally important biodiversity at the landscape level, site, and species levels. Over 323 thousand hectares were placed under community conservation and sustainable forms of land use in Oaxaca, Guerrero, and Michoacan States. Prior to COINBIO less than (apx.) 8% of community and ejido lands in the target area were under some kind of conservation, compared to 20% at closure, with about half engaged in land-use planning (*ordenamiento territorial comunitario*) for sustainable management. Forty-six communities established conservation areas, 24 integrated sustainable land-use plans, while 16 communities included both sustainable land-use plans and conservation areas within their holdings.

The community model requires investments of about US$49/ha to place an area under conservation, which includes community investments and strengthening social capital to achieve effective conservation and mainstreaming into the community's legal framework[7]. Community conservation efforts cover both core and buffer management activities simultaneously with higher levels of participation and commitment than traditional park management models. The model can also be self-replicating through the community-to-community promotion mechanisms pioneered by COINBIO.

Biological monitoring sub-projects and research projects conducted independently have verified the important biodiversity harbored by the conservation areas established by the project at the species level. Among the species found are *Heteroflorum sclerocarpum*, a new species discovered in the Balsas Dry Forests region in the ejidos of Palmita de Cayaco and Guadalupe Oropeo during COINBIO-financed studies; and 15 endemic species of reptiles, including the threatened *Ctenosaura pectinata* and *C. clarki*. The monitoring and evaluation system determined that of 22% of the surface area of ejidos of the COINBIO project were found to fall

[7] In 2008, a GEF-financed project in Argentina for developing traditional national parks found that investment costs for bring areas under conservation in that country were about US$43/ha. (Although Mexico's National Protected Area system invests only US$3/ha for bringing an area under conservation, it is not a good comparator to the community model, as most of Mexico's parks are private holdings with land-use restrictions, and many of them are not managed.)

within *Important Bird Areas* considered the key for global bird conservation by BirdLife International, underscoring the role of community conservation for maintaining globally-important biodiversity.

The project met or exceeded the indicator targets with over 200 communities participating in capacity building and sub-projects of different types. The communities increased their organization capacities for conservation and sustainable development and the areas they established were an important reference for the Senate to launch the initiative to modify the General Law of Ecological Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecologico y Proteccion al Ambiente*). This modification incorporates and recognizes a protected area category *Voluntary Conservation Areas* within community conservation schemes, as part of the National Protected Areas System – the national conservation strategy of Mexico. One of the ejidos participating in COINBIO (Santiago Lachiguiri) was specifically mentioned in the presentation of the November 2007 proposal to Congress.

The degree of appropriation of the project at the state level was high, indicating a real potential for the project activities to evolve and be sustained at the state level, which greatly influences the likelihood of long-term sustainability of community biodiversity conservation and natural resources management. Moreover, two of the three states have co-financed (with equivalent levels of resources) the 2008 call for community conservation proposals of COINBIO with over US$2 million in financing. CONAFOR has incorporated the regional coordinators into their full-time staff that continue to support the state committees and contributed $6 million pesos for continued funding of the project activities.

From a social standpoint the project helped to establish a new focus for community development and cohesion (ie. community conservation). This enabled beneficiary communities to access knowledge and helps them gain an understanding of their own natural resources, as well as support to carryout sustainable productive subprojects. Incorporation of environmental issues in the community assemblies helped bring communities together, introducing a new and positive process of searching for alternatives for breaking vicious cycles of poverty and violence.

The community conservation model developed with the communities of Oaxaca, Guerrero, and Michoacan has been highlighted internationally as a best practice.[8] The community conservation model developed with the communities of Oaxaca, Guerrero, and Michoacan has been highlighted and reviewed internationally as a best practice. Further evidence of this is that the project has been visited by representatives of forestry agencies and community leaders from the Govt. of India in 2007. The most recent IUCN World Conservation Congress has called for greater use worldwide of community-based conservation models advanced through COINBIO to achieve global biodiversity conservation goals.

3.5 Overarching Themes, Other Outcomes and Impacts
(if any, where not previously covered or to amplify discussion above)
(a) Poverty Impacts, Gender Aspects, and Social Development

[8] See also:
http://cms.iucn.org/about/union/commissions/ceesp/topics/governance/icca/regional_reviews/index.cfm

The strengthening of the existing "social capital[9]" as the basis for community conservation and development is one of the most important outcomes of the project. Methods developed and applied in the project included consensus building with community members for community action, transparency in decision making and community approval of conservation activities financed through the project, community-to-community seminars, community monitoring and evaluation and others.

The project contributed to building social capital through the development and application of instruments which stimulated and encouraged community action for biodiversity conservation with 46 communities establishing conservation areas, 24 implementing integrated sustainable land-use plans, resulting in 166 thousand hectares of conservation areas and another 156 thousand hectares of sustainable-use areas around globally important ecosystems.

Given the fact that communities could only agree jointly on the use of their commonly owned land and, its natural resource, social capital built through COINBIO is considered to be the total incremental net benefits per ha under conservation (estimated as total ha under conservation times amounts of payments for environmental service US$ 34.23/ha)[10]11. Therefore, the overall Project's NPV is estimated at US$ 4.3 million with an EER of 26.9% (assuming that all 166,776 ha declared as protected areas by COINBIO would receive environmental service payments).

The project approach was at the forefront of developing Community Conservation Areas and focused on community capacities and governance several years before they were highlighted in the 2003 World Conservation Congress. Key elements to reaching global conservation goals (a GEF priority) from the 2003 Durban Congress included developing a "new deal…for protected areas, local communities, and indigenous people" as well as the need for "new and innovative approaches need to be applied to protected areas, linked to broader agendas" all of this also highlighted in the article 8 (j) of the CBD. In this regard the COINBIO project has been fully consistent, innovative, and successful in piloting these approaches, also this is one of the first Bank projects prepared under the framework of the article 8(j) of the CBD.

(b) Institutional Change/Strengthening
(particularly with reference to impacts on longer-term capacity and institutional development)

COINBIO was a laboratory for developing innovative ways to implement conservation. The State Committees, by helping to establish and support COINBIO, helped to promote decentralized operations and local community ownership of projects. Community representatives, academics, NGOs, service providers, and the state governments cooperated in the selection of subprojects.

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[9] "The social capital of a society includes the institutions, relationships, attitudes and values that govern interactions among people and contribute to economic and social development. It includes the shared values and rules for social conduct expressed in personal relationships, trust and a common sense of "civic" responsibility, that makes a society more than a collection of individuals" (The World Bank 2008).

[10] US$ 34.23/ha is currently paid in Mexico by CONAFOR via the programme PROARBOL and represents the opportunity cost to plant 1 ha of maize in the area of Mexico City. The calculation is an estimate of the factor 6.5 times the daily rate of a minimum salary of $ 52.59= US$ 5.3. US$ 34.23/ha is taken as an economic price as it represents the cost to society/opportunity cost to maintain the hectare under conservation.

This cooperation laid the foundations of trust and collaboration that is helping to sustain project activities after closure and strengthen associated institutions. Increased transparency in decision making has also helped to establish means for conflict resolution and improved governance. The state committees continued beyond closure and the state governments are now allocating financial resources for project activities.

Institutions, including CONABIO (Comision Nacional para el Conocimiento y Uso de la Biodiversidad) or CONANP (Comision Nacional de Areas Naturales Protegidas) were originally considered as the main institutions to foster COINBIO. However, they were unable to sserve as executor for COINBIO[12] which opened the door for CONAFOR to play a greater role in addressing biodiversity issues in forested lands.

Initially, with NAFIN acting as the financial and executing agency, environment and forestry sector institutions were skeptical. However, the final evaluation determined that COINBIO benefited from NAFIN's relatively independent role as administrator of the project. The agency also benefitted from the experience in project management and operations, and this may have made NAFIN more aware of other areas for involvement in regard to conservation and community-level investments.

COINBIO had significant influence in the academic sector as well. The project's concept became a topic of seminars, research projects, and theses. In addition, several books on use of biological resources and community land-use planning have been published. The publications produced over the seven years of the project implementation period provide rich and diverse information to further promote efforts on community biodiversity conservation and sustainable natural resources management.

(c) Other Unintended Outcomes and Impacts (*positive or negative, if any***)**

Communities/Ejidos

- The demand for subprojects came mostly from areas of dry forests y *mesofilos* forests, ranging from dry, sub-humid or very humid climates. At the launching of the project, there was an expectation that most of the demand would come from communities located in areas of high commercial potential, since it was anticipated that such communities would have greater capacity to manage and make use of opportunities offered by COINBIO. However, the communities less attended by other programs were the ones most interested in working with COINBIO.
- One positive impact of the project was highlighted in a legislative reform proposal which used COINBIO as a best practice for demonstrating the value and effectiveness of community-driven conservation. The now approved measure (Article 59 of the General Law on Ecological Equilibrium and Environmental Protection of July 2007) includes legal recognition for voluntary conservation areas within the national protected areas system. Since the approval of the new legislation, 6000 hectares of community protected areas have since been certified by CONANP, while another 100 thousand hectares have been formally recognized in community by-laws.

[12] CONABIO was undergoing internal administrative changes at the time of the project preparation and launch, and did not have time or resources to assume the project.

Civil Society Organizations

- Civil society organizations were expected to play more of a leadership role in the subproject execution and access financial and technical resources, and infrastructure in tandem with the producers' organizations in high biodiversity areas. However, CSOs functioned more as technical service providers in subproject implementation.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops.

(optional for Core ICR, required for ILI, details in annexes)

4. Assessment of Risk to Development Outcome

Rating: Low

The project strengthened and supported the concept of community conservation through community capacity building and organization that has been mainstreamed into the GoM natural resource management institutions including SEMARNAT, CONANP, and CONAFOR. The method was validated and promoted by academic and NGO groups throughout the country and region. CONAFOR incorporated COINBIO personnel into their institution and now provides financial resources for the program. The semi-blended PROCYMAF project has internalized community conservation and environmental services in its next phase of activities that will be expanded from 6 to 12 states.

5. Assessment of Bank and Borrower Performance

(relating to design, implementation and outcome issues)

5.1 Bank

(a) Bank Performance in Ensuring Quality at Entry

(i.e., performance through lending phase)

Rating: Satisfactory

The quality of the preparation from a technical standpoint was demonstrably high and based on a significant body of conservation work in the region of Oaxaca. Preparation included a social assessment of ejidos and community management models, which helped to establish a roadmap for community conservation. Because the PROCYMAF project started before COINBIO, COINBIO was able to benefit early lessons learned in implementation. The risks were adequately assessed including the potentially substantial risk resulting from the use of a decentralized approach taken and the lack of mechanisms for coordination between the government and indigenous communities.

(b) Quality of Supervision

(including of fiduciary and safeguards policies)

Rating: Satisfactory

The Bank supervision team included foresters, biologists, sociologists/anthropologists, economists, and fiduciary specialists. The project had four Task Managers during the life of the project. On average, supervision missions were carried-out 2 to 3 times per year and most included substantial field visits. The project was highly decentralized, which demanded additional supervision efforts by the Bank team.

While Bank management supervision was indicated as deficient in the Inspection Panel complaint, the Bank considered the issues raised to be result of a project-management dispute unrelated to Bank oversight. The supervision team demonstrated a high degree of professional

integrity and was pro-active in helping to resolve the complaint and bring it to successful closure – without advancing to a full inspection panel investigation. In fact, the project is one of the few that was referred to, but did not advance to full inspection panel review. After the dispute was resolved and a National Coordinator recruited, project implementation and disbursements improved demonstrably. Moreover, the Panel found the project to have a high level of ownership by the communities and that the Bank had made satisfactory efforts to resolve the issues and therefore, it did not merit a full IP investigation.

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The operation is considered highly successful in the rural development and conservation community in Mexico, by the State Governments of Oaxaca, Guerrero and Michoacan, in SEMARNAT, CONANP, NAFIN, CONAFOR and the role of the Bank has been widely recognized for its commitment and flexibility, which contributed in consolidating an innovative and highly participatory approach now widely accepted by indigenous communities and ejidos.

(c) Justification of Rating for Overall Bank Performance

Rating: Satisfactory

The Bank fostered and supported a project that was innovative in its approach to conservation through community participation, organization, and empowerment (especially indigenous groups). The project was implemented in a highly decentralized way. The Bank team managed the risks and challenges and was able to guide the project to a successful closure in concert with a wide range of stakeholders (communities, federal and state governments, and beneficiaries) and meet or exceed most of the targets.

5.2 Borrower

(a) Government Performance

Rating: Satisfactory

The Government of Mexico generated a successful model and platform for community conservation that is an example for Latin America and the global environmental community. Participation in the processes and sub-projects was high and resulting capacity-building generated important conservation impacts in globally important ecosystems found within Mexico. Sustainability is high given the fact that the project is on-going beyond closure and receives both federal and state level funding for continuing the process in 2008 and beyond.

(b) Implementing Agency or Agencies Performance

Rating: Satisfactory

The project was implemented successfully and with a high sense of ownership from the State Committees. Projects with substantive social inclusion elements frequently experience a learning curve during the first year, which is reflected in the initial low disbursements and slow climb in progress against indicators. The first year of implementation was slow due to the change in government administrations in 2001, and the establishment of CONAFOR, which resulted in an overlap of responsibilities with SEMARNAT relative to project management. (The project also needed time to develop relationships with the communities for implementing the work.) While the bureaucratic responsibilities were being sorted out, NAFIN stepped in as both executing and financing agency, and maintained that role through project closure. NAFIN provided office space and administrative support to the project implementation unit in Mexico City and maintained routine contact with the Bank team, and participated in supervision missions.

(c) Justification of Rating for Overall Borrower Performance

Rating: Satisfactory

This was the first project financed by the Bank/GEF which focused on indigenous peoples and biodiversity conservation, and was also a new theme for the Mexican Government. Institutional

arrangements were complex due to the nature of the effort and involved indigenous communities, local authorities, civil society, state and local actors in the development of operational plans, approval of subprojects, and implementation. While this increased the ownership and transparency of the work with a range of stakeholders, the burden of implementation was carried by the grant recipient to orchestrate the participation and simultaneously keep it focused on the project objectives.

From the bio-physical perspective the substantial conservation impact of establishing over 166 thousand hectares of conservation areas and another 150 thousand hectares of sustainable-use areas around globally important ecosystems is justification for the highly satisfactory rating for borrower performance. The efficiency of the model is comparable to traditional top-down conservation management models and was applied effectively by the GoM agencies.

6. Lessons Learned
(both project-specific and of wide general application)

Wide Application

Decentralized management models including multiple levels of governance are difficult to implement in the short-term, however they generate large gains from a governance point of view over the long-term. While decentralized management and a strong focus on participation from stakeholders creates the best long-term impacts, they are complex and difficult to control from an administrative perspective. Participation in decision making during execution also increases the likelihood that activities will be sustainable following project closure, as ownership by stakeholders is increased. At the same time, participatory mechanisms are frequently viewed with skepticism by institutions, due to perceived risks that participation processes will overtake the focus on development objectives.

Participatory monitoring and evaluation processes cannot be a "catch-all" process and should be utilized primarily as a means to provide feedback and understanding to communities and their natural resource management processes. Monitoring and evaluation can be used for several purposes related to project development, management, and oversight. However, the information to be gathered for reporting to a global entity such as the GEF may not necessarily be the same as that which is needed for decision-making in an ejido. Defining how M&E data will be gathered and used is important from the design stage.

Social capital is an important result of investments but difficult to quantify under traditional economic and financial analysis methods. Proxies or models must be found to highlight the value of the gains. Traditional economic valuation methods of internal rate of return and net present value do not always capture the value of generating social capital. Investments that do not generate directly measureable financial returns must be measured indirectly. New tools are needed to help analysts cope with these demands, which are of increasing importance.

Community conservation projects can serve as a focal-point for organization and breaking cycles of conflict within communities. Many communities face internal conflicts related to land disputes, politics, financial management, and leadership while others may suffer from a breakdown in social cohesion and focus for development. The conservation model and approach promoted by the project generated a relatively non-controversial theme for communities to focus on, and helped to reinvigorate their dialogue and cooperation in other community matters.

Project Specific

Typologies and categories facilitate implementation however community capacities exist along a continuum and provisions must be made to attend differentiated capacities not encompassed in typologies. The COINBIO generated four typologies regarding investments. However, the needs of a community may be multiple and some capacities may be more advanced than others. The structure that mandates a single annual call-for-proposals may not be the most adequate to address community technical, social, economic and environmental needs. Alternatives in project design should be generated to tailor capacity building based on a more complete profile of community needs.

Demand-driven approaches are more effective when community organizational capacities are relatively high. Demand-driven approaches to implementing projects place much of the burden on communities to prepare their presentations, paperwork, legal documents, while also requiring specialized technical assessments and assistance. However, when target communities have very limited capacity, the learning curve can be quite high, and can delay implementation. This is especially problematic, when short implementation periods are required or expected.

Market-based programs within conservation projects require specialized skills and service providers as well as adequate financial vehicles for these investments to be effective conservation tools. Highly specialized knowledge and skills are required to adequately advise beneficiaries on access to markets. However, they are frequently difficult to find in marginalized areas of the country. Studies to analyze markets can and should be carried out during preparation, and during implementation, but must be included in the design and budget for both.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners
(a) Borrower/implementing agencies

General Comment on the Report (16 December 2008): The report clearly demonstrates the project's success in the conservation of natural resources and the development of protected areas in indigenous communities, which is helping to safeguard the country's valuable biodiversity and ecosystems. NAFIN is grateful for having the opportunity to serve as administrator for this successful project, and for the assistance of both SEMARNAT and CONAFOR in providing technical support during its implementation.

Specific Comments: On page 33, sub index 17, the correct executing agency is the NACIONAL FINANCIERA (instead of Nacional financiero); please note the correct spelling of GUERRERO and correct as needed, for example pages 33, 34 and 37; and in the participants list omit the last names.

Bank Response: The corrections have been made as requested above.

(See Annex 7 for the borrower letter and a summary of the Borrower's report.)

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
1. LOCAL CAPACITY BUILDING	**2.70**	**7.75**	**287**

2. COMMUNITY CONSERVATION AND SUSTAINABLE USE SUBPROJECTS	**12.90**	**15.13**	**117**
3. BIOLOGICAL MONITORING AND EVALUATION	**1.50**	**.22**	**15**
4. NATIONAL COORDINATION	**1.60**	**1.07**	**66**
Total Baseline Cost	**7.50**		
Project Preparation Facility (PPF)	0.35	0.35	
Total Financing Required	**7.85**	**7.83**	
Total Project Costs	**19.05**	**24.52**	**129**

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower	Cash/In-kind	3.90	2.61[13]	67
GLOBAL ENVIRONMENT - Associated IBRD Fund	Cash	2.60	7.98[14]	307
Global Environment Facility (GEF) (includes Block B)	Cash	7.85	7.83	100
Local Govts. (Prov., District, City) of Borrowing Country	Cash	3.00	2.61[15]	87
FOREIGN SOURCES (UNIDENTIFIED)	Cash	1.70	5.00[16]	294
Total		**19.05**	**24.52**	**129**

[13] Amount includes 2008 federal support, beneficiary sub-project counterpart, as well as COINBIO and PROCYMAF II eligible federal counterpart contributions for Michoacan, Oaxaca, and Guerrero states.

[14] IBRD investments under PROCYMAF II blended operation in three COINBIO states.

[15] Amount includes 2008 state support.

[16] Amount indicated includes additional resources mobilised through mid-term. Source: *GEF-reporte Co-financiamento, provided by Ing. Jorge E. Nieto Cater, Project Administrator, Nacional Financiera, S.N.C.*

Annex 2. Outputs

Components 1 and 2

Investment Type	Number of Sub-projects	Activities
Land use Planning for the Establishment of Biodiversity Conservation Areas	214	• Delineating conservation areas • Flora and fauna inventories • Resource inventories • Forest management and conservation plans • Management plan for conser. areas • Community statutes • Tourism feasibility study • PES studies for hydrological services • Participatory land-use planning • Studies for sustainable use and management of flora and fauna • Participatory Rural Appraisal • Seed production
Training and Capacity-Building, including Horizontal Exchanges	59	• Hydrological environmental services • Aquaculture training • Capacity-building in conservation and management of protected areas • Sustainable firewood production • Development of science based tourism plan and community implementation • Training in sustainable management (iguanas, birds, deer, mushrooms) • Woodworking • Management plans for wildlife management areas and conservation areas • Community to community visits and exchanges on tourism
Sustainable Use Sub-projects (certified products and environmental services)	129	• Community agroforestry • Participatory rural appraisal • Soil conservation training • Restoration of dry forests • Design and training for conservation areas and wildlife

		management areas • Technical assistance for wildlife management and sustainable-use projects (bat guano, white-tailed deer, bromeliads) • Ecotourism training and feasibility studies • Feasibility for PES • Feasibility studies for spring water bottling • Studies on regional ecotourism marketing and product diversification • Protection of recreational areas, springs and aquifers
Productive Conservation Sub-projects	87	• Pine resin production • Water conservation and management projects • Ecotourism center • Conservation area fencing • Turtle conservation • Cabin construction for ecotourism • Water capture infrastructure • Breadnut coffee production (café de mojo) • Spring-water bottling facility • Iguana management area • Community radio station • Coastal lagoon cleanup • Management and protection of conservation areas • Solid waste management training • Conservation area management training and equipment • Community museum

Component 3

Under component 3 a biological monitoring system was competed. The system includes a wide range of both alphanumeric and spatial (GIS) data integrated into a user-friendly interface and is resident on the internet at http://coinbio.iacatas.org.mx/ .

Component 4

The component financed the national coordination unit, the supervision and administrative fiduciary/progress monitoring, and the establishment of the legal and conceptual framework for

community conservation model, and handled the reporting to the Government and the Bank over the 7 years implementation period.

Annex 3. Economic and Financial Analysis
(including assumptions in the analysis)

During project formulation no economic and financial analysis for the GEF project was carried out. However, such analysis was seen as important to be undertaken at project closure given the innovative character of the project and to shed some light on the financial and economic returns of community conservation forestry projects. The following approaches were taken to derive quantitative assessment of the project's outputs:

a) Estimation of the overall project's NPV and ERR based on the potential incremental benefit of environmental service payments/ha of total protected areas facilitated by COINBIO and the validation of social capital built in the communities;
b) Financial analysis of individual illustrative case studies of productive activities stimulated through COINBIO.

It should be recalled that the principal outcomes expected from COINBIO were: (i) to establish permanent conservation areas; (ii) building capacity among communities; and (iii) to support the creation of state and regional institutions that promote community conservation initiatives. In the PAD there was no economic indicator included. During early stages of the project, no baseline was developed on economic data which made it difficult to assess the incremental benefits achieved during project implementation. Furthermore, the M&E system was only established towards the end of the project.

2. Execution of Sub-projects under component II

Under component II the project implemented three types of sub-projects:

- Type A: Land use Planning for the Establishment of Biodiversity Conservation Areas
- Type B: Training and Capacity-Building, including Horizontal Exchanges
- Type C: Community Investments for Conservation Areas and Sustainable Use
  Ca: Sustainable Use Sub-projects (certified products and environmental services)
  Cb: Productive Conservation Sub-projects

At project evaluation, COINBIO supported a total of 205 communities/*ejidos* and 498 sub-project activities with a total of US$ 4.96 million. The project had conducted three 'call for proposals' (*convocatorias*) in 2002, 2004, 2005, respectively and in all three participating States: Guerrero, Michoacán and Oaxaca[17].

Table 2.2: Types and number of sub-projects supported by region

[17] Financial amounts stated were provided by the executing agency *Nacional Financiera* of COINBIO and were calculated at exchange rate US$ 1= Mexican $ 10, as average currency exchange rate between 2002-2007.

Typ.	Guerrero	% of total funded	Michoacán	% of total funded	Oaxaca	% of total funded	total no.	Amount (US$)	% of total
A	74	55%	76	44%	64	44%	214	2,341,874	47%
B	27	8%	22	6%	10	2%	59	260,166	5%
Ca	33	23%	55	23%	41	28%	129	1,233,193	25%
Cb	16	14%	39	27%	32	26%	87	1,110977	22%
Total activities	150		192		147		**489**		
Total amounts		**100**		**100**		**100**		**4,946,210**	**100**

Source: numbers provided by *Nacional Financiera, 2008*

Most sub-projects were conducted in Michoacán (192 sub-projects); secondly ranked was Guerrero (150 subprojects) and third came Oaxaca (147 subprojects). COINBIO supported, in Guerrero and Oaxaca, a total of 70 communities/ejidos each, whereas in Michoacán only 65. The difference between number of communities and project activities supported can be explained by the fact that many communities received funding for more than one sub-project over the five years of project implementation.

Forestry communities willing to participate in COINBIO usually received assistance by local service providers for the write- up and the development of technical proposals. Upon sub-project approval by COINBIO it was often the very same service providers who would assist in the implementation of the project. For most forestry communities participating in COINBIO it was the first time to: (i) get direct community financial support by the public sector; and (ii) manage project funds at the community authority level.

Regional distribution of funds and types of sub-projects

In terms of regional distribution of funds to sub-projects activities, the largest part was allocated to Michoacán with 37%, second was Oaxaca with 33% and third Guerrero with 30% (of total budget of component II):

Table 2.1: Executed US$ per Pilot Region

Pilot regions	amouts in US$	% of total
Michoacán	1,820,574	37%
Guerrero	1,512,204	30%
Oaxaca	1,637,281	33%
	4,970,059	100%

Source: data from *Nacional Financiera*

Grants given for sub-projects were relatively small amounts and widely distributed between communities. The table below indicates the range of funding provided to communities per typology of sub-project.

Table 2.3: Amounts funded as per type of sub-project

Sub-projects	Minimum	Maximum
Type A	US$ 2,000	US$ 15,000

Type B	US$ 2,000	US$ 13,600
Type Ca	US$ 3,400	US$ 13,500
Type Cb	US$ 1,800	US$ 15,000

Summarizing, the nature of the activities funded under Component II, and in particular under the category Cb, "productive conservation sub-projects" were mainly capacity-building workshops, studies, development of plans (sustainable management, territorial development plans, among others), delimitation of territories, some were infrastructural projects such as: protection of water sheds, ecotourism, etc. During project evaluation, it was highlighted by technicians that most communities supported by COINBIO had no forest community enterprises such as logging companies, and thus no regular cash income. Therefore, it should be noted that most of the sub-projects were just on the brink of commercial activities and were not covering recurrent expenditures of the activities at project closure. Finally, communities depend largely on remittances sent by migrated family members.

Leveraged Resources

Despite the relatively small financial contribution which COINBIO made to the communities, the amounts allocated had a considerable impact on natural resource management. In many cases, COINBIO was financing one of or the first community-based workshop of capacity building and development of territorial/natural resource management plans. Based on COINBIO's innovative character it could leverage an elevated amount of additional resources. A considerable number of government, donor and NGO projects and programs financed additional and complementary activities such as marketing studies on non-timber forest products, construction of eco-tourism cottages and environmental learning centres, among others.

These projects and programmes were for example the Community Forestry Project (PROCYMAF II), the Commission on Indigenous Issues (CDI- in e.g. Oaxaca), community financial contributions through the payments of environmental service through the program ProArbol with CONAFOR.

The executing Agency National Financiera reported that between 2001 and 2007 at least a total of US$ 6.18 million (US$ 5 million by international agencies , US$ 57,036 by the national counterpart and US$ 1.12 million of local contributions) were mobilized as additionally resources by COINBIO . There were no records available for amount of leveraged additional resources from international agencies after the mid-term review. In 2008, the PROCYMAF II project reported US$7.98 million (IBRD), US$1.04 million (National counterpart) and US$1.51 million (local/state counterpart) for eligible co-financing expenditures for the COINBIO Project. (see Annex 1)

Quantitative Evaluation

Economic analysis of the project's NPV and ERR

COINBIO supported a total of 205 communities or *ejidos* and managed to put under conservation a total of 166,776 ha. As the project supported the building of social capital in communities to reach agreement on the use of their natural resources and develop territorial as well as natural resource management plans, it appeared opportune to estimate an economic value of the asset 'social capital' as major outcome of the project.

Given the fact that communities could only agree jointly on the use of their commonly owned land and, its natural resource, the approach taken is the following: social capital built through COINBIO = total incremental net benefits per ha under conservation (estimated as total ha under conservation times amounts of payments for environmental service US$ 34.23/ha)[18].

For the calculation, the following assumptions were taken:

- Number of ha under conservation facilitated by COINBIO (excluding ha under sustainable use)
- Implementation schedule: distribution of the number of ha over 5 years (20% in year 1, 20% in year 2 (+ ha of year 1) etc are considered as net incremental benefits
- Annual discount rate is taken at 12%[19]

Table 3.1 NPV and ERR of overall project

Investment COINBIO	Ha under conservation	% of ha receive payments	Years	NPV in US$	IRR
7.5 million	150,000 ha project's objective	100%	5	2,488,164	22.9%
7.5 million	166,776 ha reached at project closure	111%	5	3,515,368	26.9%
7.5 million	108,404 ha	66%	5	43,357	11.7%

The overall Project's NPV is estimated at US$ 4.255 million with an ERR of 26.9%, assuming that all 166,776 ha declared as protected areas by COINBIO would receive environmental service payments.

The social capital increment per year would be for year 1 US$ 1.14 million, for year 2 US$ 2.3 million, for year 3 US$ 3.4 million, for year 4 US$ 4.5 million and for year 5 US$ 5.7 million.

The switching value of the NPV tends towards 0, if 65-66% of the project's total protected areas would receive payments for environmental services.

Cost efficiency of a Community Forest Management Plan

During the evaluation, an exercise was carried out to estimate costs and time needed for the development of a community-based sustainable forest management plan guided by COINBIO

18 US$ 34.23/ha is currently paid in Mexico by CONAFOR via the programme PROARBOL and represents the opportunity cost to plant an ha of maize in the area of Mexico City. The calculation is an estimate of the factor 6.5 times the daily rate of a minimum salary of $ 52.59= US$ 5.3. US$ 34.23/ha is taken as an economic price as it represents the cost to society/opportunity cost to maintain the ha under conservation.

19 According to the *Secretaría de Hacienda y Crédito Público de México 2008* to for public financed investment programmes and projects.

technicians. The cost per ha was approx US$ 49 ha with the effective time of 50 days and during a time period of 165- 175 days.

Financial Projection of Productive Sub-projects

To assess possible future financial impacts, four productive sub-projects were selected to estimate income generation to be induced by the sub-projects. As already mentioned, only a few sub-projects at project closure (December 2007) had generated any income out of the investments made (and not yet at a cost recovery level), needed to conduct the analyses.

The illustrative models, which are presented below, were constructed based on the availability of data and local staff to collaborate in the exercise in order to quantify possible project results. Four illustrative productive sub-projects of COINBIO were selected: (i) ecotourism project; (ii) a community water bottling enterprise - both estimated with considerable investment and with average incremental net benefits and financial returns; (iii) production and harvesting of medicinal plants; (iv) sustainable rearing scheme of deer - both with modest investments and low incremental net benefits and financial returns on investments. Basic data for the calculations were collected through direct consultation with local authorities and service providers during the ex-post evaluation. The models assume the following hypothesis:

- Investments were not fully covered by COINBIO but co-financed by other institutions/programs and/or community counterpart funds
- Years of investment projection vary according to sub-project from 5-20 years.
- The discount rate is 12% according to the standard discount rate of public investments in Mexico (see footnote on page 4)

Summary of Financial Analysis

Example/ Community	Investment in US$	Investment period	average incremental net benefits in US$	NPV in US$	FRR
Projects in Guerrero/Oaxaca- AVERAGE SCENARIO					
(i) Ecotourism project of San Pedro y San Felipe Chichila, Guerrero	184,900	15	37,405	49,440	17.8%
(ii) Water bottling in the community of Tlahuitoltepec, Oaxaca	256,270	5	9,895	7,773	23.4%
Projects in Guerrero- MINIMUM SCENARIO					
(iii) Production and harvesting of medicinal plant 'Flor de Manita' in Yextla and Carrizal de Bravo (Chiranthodendron)	10,000	20	2,700	611	12.7%
(iv) Development of a Sustainable Production of a intensive rearing scheme of deer and in Tlaxcalixtlahuaca	14,500	5	4,000	160	12.5%

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Augusta Molnar	Senior Natural Resources Specialist	LCSAR	TTL
Juan Martinez	Senior Social Specialist	LCSEO	TTL/Social Specialist
George Ledec	Lead Ecologist	LCSEN	Biodiversity
Ricardo Hernandez	Environmental Specialist	LCSEN	Environment
Mariangeles Sabell	Legal Counsel	LEGLA	Legal
Victor Ordoñez	Financial Mgt. Specialist	LCSFM	Finance
Carmen Nielsen	Procurement Specialist	LCOPR	Procurement
Michael Fowler	Sr. Disbursements Officer		Disbursements
Supervision/ICR			
Robert Davis	Senior Forestry Specialist	LCSAR	TTL / Forestry
Dmitri Gourfinkel	E T Consultant	LCSFM	Financial Management
Jim Smyle	Senior Natural Resource Mgt Specialist	LCSAR	TTL/Forestry/NRM
Daniel R. Gross	Lead Anthropologist	ENV	TTL/Lead Anthropologist
Ricardo Hernandez Murillo	Sr Environmental Spec.	LCSEN	Environmental Specialist
Juan Martinez	Sr Social Scientist	LCSSO	Indigenous Peoples Specialist
Takako Mochizuki	Consultant	LCSAR	Rural Development
Victor Manuel Ordonez Conde	Sr Financial Management Specia	LCSFM	Financial Management
Gabriel Penaloza	Procurement Analyst	LCSPT	Procurement
Teresa M. Roncal	Operations Analyst	LCSAR	Operations Analyst
Andrea Semaan	Consultant	LCSUW	Operations Support
Juan Carlos Serrano-Machorro	E T Consultant	LCSFM	Technical Specialist
Francis Fragano	S T Consultant	LCSAR	Biodiversity and ICR
Julia Wolf	FAO-TCIL		Economic Analysis
Jeannette Ramirez	Operations Analyst	LCSAR	Operations Analyst

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY00	14	113.66
FY01	21	29.39
FY02		0.00
FY03		0.00
FY04		0.00
FY05		0.00
FY06		0.00
FY07		0.00
FY08		0.00
Total:	35	143.05
Supervision/ICR		
FY00		0.00
FY01		45.78
FY02		89.50
FY03		35.50
FY04		124.12
FY05		88.78
FY06		74.87
FY07		72.94
FY08		34.65
Total:	48	566.14

Annex 5. Beneficiary Survey Results

Not applicable

Annex 6. Stakeholder Workshop Report and Results

During the end of March to early May 2008, evaluation workshops were carried out in the three COINBIO states as part of the final evaluation

Methodology

Interviews with the members of the State Committees, government staff (CONAFOR, SEMARNAT at state offices), and technical service providers with the objectives of: (i) learning the functions/roles of the State Committees from different members; (ii) validate the analytical instruments used in the focus group meetings; and (iii) to enrich the process with their relevant knowledge of the selected sample communities.

15 communities and ejidos in total were selected (5 from each state)

Selection criteria of the samples

- Executed subprojects
- Located in diverse ecosystems (dry forests, temperate forests, and humid forests) assuring representation
- Physical accessibility and disposition of the ejidos to provide information

The selection was done in accordance with the number and amount of the investment. The methodology developed by the M&E process was taken into account and that all the subprojects analyzed had at least one year of operation.

Field visits along with project staff to confirm the selection.

Sample Analysis. A series of interviews

The work methodology consisted in the first series of interviews in the capitals of each state to COINBIO state coordinators, members of State Committees, state staff of CONAFOR and SEMARNAT, technical service providers and academics. The workshops were developed in the beneficiaries' communities with COINBIO subprojects where authorities of community and ejidos as well as principal actors of the project participated.

The issues covered in the interviews were:

- Communities to visit
- Progress of subprojects in communities
- Performance of the State Committees
- Effectiveness e of annual calls for proposals to develop subprojects
- Achievements, errors and difficulties that developed throughout the project implementation
- Quality of service providers

- Recommendations

Workshops were developed with focus groups in communities and ejidos. Individual questionnaires were given to people involved in the subprojects and answered by authorities of ejidos and communities, project chief and staff and workers of the project, as well as different beneficiaries.

Summary of beneficiary surveys and workshops by state

	Achievements	Criticism	Recommendations
Guerrero	Financing inventory studies and community land use planning led to an awareness of their natural resources indispensable for development of sustainable projects and biodiversity conservation Strengthening of internal organization. When Technical Service Providers make a strong commitment to support communities, there is better progress toward organization with sustainability. Support for conservation and sustainable use projects is greater when there are traditional community structures. When fully integrated, the environmental aspects allow pathways to new forms of expression of community collective memory.	Impossible to know M&E of progress of each project. The results were heterogeneous and did not allow total integration to a database and information system for the entire project. Regarding the inventory and land-use plans. The operations manual did not specify the scope. The results of the inventory should not be at national or state level, but regional and local levels to be of greater use for the beneficiaries.	COINBIO should establish requirement clearer for the inventory of flora and fauna that should be of use for scientific purposes or educational objectives in the communities.
Michoacán	Development of conservation strategies for dry forests providing recognition of the important endemic species within these ecosystems. Strengthening community organization in ejidos and communities that had been abandoned by official governmental programs.	The project benefited the groups that developed them but benefits and knowledge were not widely disseminated and shared within the communities and were not linked to educational processes and gender issues.	

		Project results were not reviewed and discussed by the academic community which is strong in Michoacan. An opportunity was lost to deepen the conceptual and theoretical concepts advanced and a natural ally of the project was not fully incorporated. COINBIO did not develop an integrated strategy to link its activities to similar government initiatives.	
Oaxaca	The project took a proposal of the communities of Sierra Juarez and developed it into a program with national impacts including the broad recognition of environmental services that had not been considered previously within projects. The State Committee established by the project during the entire execution period gave the COINBIO credibility and greater relevance. Communities that had strong social capital were able to use COINBIO to rapidly consolidate their process of internal organization and cohesion that permitted greater access to regional organizations.	Differences in the project implementation from its original concept generated important levels of conflict that slowed project execution and limited the expansion of the model to the entire state of Oaxaca.	Implement training programs for technical service providers and for the communities so they can be more capable of selecting their own consultants and service providers. Generate greater synergy with other governmental programs. COINBIO started several initiatives that should be continued through other governmental programs. COINBIO on its own cannot break the poverty cycle and requires a connection to other programs.

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

Introduction
The COINBIO was designed to be consistent with the World Bank's Country Assistance Strategy seeking to reduce poverty and creation of economic benefits through conservation of biodiversity and sustainable management of natural resources. It was also consistent with the Global Environment Facility operational strategy in regard to its focus on ecosystems of global importance in particular the pine-oak forests, humid forests (*mesofilo*), and dry forests of southwest Mexico.

Within the national context COINBIO was consistent with the National Biodiversity Strategy developed by CONABIO and was important in integrating community and indigenous conservation as part of a national policy. The project was also consistent with the SEMARNAT strategies that sought to increase decentralization of environmental and natural resource management towards the states and municipalities while increasing local community participation. SEMARNAT played a key role in supporting the creation and implementation of COINBIO in its work as the primary entity for environmental policy and regulation of the country.

COINBIO and National Biodiversity Objectives
The project must be considered a pilot project oriented towards conservation of biodiversity and sustainable management of biological resources of Mexico. The project was designed to establish a model for community conservation replicable throughout the country and in a global context. It is unique in several Basedways including: (i) It was developed and promoted initially by Zapoteca indigenous communities of Oaxaca, later taking on a regional scale including other states. (ii) Its design was oriented to link community and ejido conservation areas with sustainable use areas within biodiverse regions of Mexico. The cultural aspects and traditional knowledge of communities was recognized within this context. (iii) Conservation action was achieved through community capacity-building and increasing information and economic incentives. (iv) It generated a decentralized model of conservation and a model of conservation replicable at national and global scale.

Results
Based on the indicators in the PAD the following results were obtained in the COINBIO: (i) 166,776 hectares conserved in community conservation areas, a 111% achievement of the 150 thousand hectare indicator established at the project outset. (ii) 156,206 hectares under sustainable use or 109% of the indicator of 150 thousand hectares established initially. In addition 95 agricultural ejidos developed land use plans (OTC) over 871,101 hectares and demarcated protected areas (120,443 ha) and sustainable extractive areas (156,206 ha). (iii) 64 communities of the 70 planned initially with advanced level of community organization integrating sustainable management and community conservation (91% of target). (iv) 77 incipient communities with increased conservation capacity (110% of target 70 communities). (v) Established a state-level institutional framework for channeling resources to communities for conservation and establishment of inter-community network. The project achieved investment of 2 million pesos from Oaxaca, 1 million in Guerrero and Michoacan committed 3 million (although not implemented in 2008 due to government change). CONAFOR has committed a similar amount in co-financing and integrated the state project personnel however the state administrative personnel have not been integrated nor has a National Coordinator been hired. (vi) positive markets from sustainable use of natural resources include organic coffee in Oaxaca, collective brand of mezcal in Guerrero and Oaxaca, organic production of hibiscus flower tea, ecotourism network in Guerrero Costa Grande and Michoacan, and bottled water facilities in the

three states among others. (vi)Increase in community income by 50% was an unreasonable indicator given the magnitude of the investment (vii) An integrated monitoring and evaluation system was to be implemented at the outset of the project but was not implemented until the final year. However the development of a participatory monitoring system was significant in this regard.

Lessons Regarding Design

1. During the development of the project and startup, a greater expectation was generated than the institutions were capable of delivering.

2. The idea of implementing the project through decentralized autonomous state committees was not achieved fully given that it conflicted somewhat with the contracting system and administration system of the GoM. Bank regulations also limited the autonomy possible in regard to execution.

3. The original M&E system focused heavily on biological monitoring and less so on social aspects and proved less interesting to the project participants.

4. Community green ventures were not implemented by mutual agreement between the Bank and the project participants.

5. The design did not permit support to regional organizations or networks for sustainable production or services.

Unexpected Impacts

1. NAFIN as project implementation agency permitted greater flexibility and decentralization. It did however generate some doubts from conservation and forestry institutions at the outset. CONAFOR taking on a lead role and integrating the project was also important given that the conservation aspect is secondary to the institutional mandate.

2. Participation was higher from communities that were located in ecosystems that were less oriented towards commercial forestry when the opposite was expected.

3. Participation from civil society organizations was lower than expected. Possibly this was due to the view as potential technical service providers rather than allies in the conservation efforts.

Results by Component

Component 1: Local Capacity Strengthening

The state committees functioned continuously during project implementation although some capacities were noted to be limited and require strengthening during the next phases.

Although community conservation is not fully recognized and mainstreamed into conservation policy and programs, there has been significant recognition at a national level through COINBIO. In particular it was important in the Senate initiative to modify the General Law on Ecological Balance and Environmental Protection to include voluntary conservation areas within the national protected areas system.

Component 2: Community Conservation and Sustainable Use

The M&E process and field evaluations verified the achievement of the target coverage in conservation areas and sustainable use areas. Regarding sustainable use, the projects in coffee-growing areas and wildlife management areas are more developed while the projects had too little time to establish clearly their economic viability and financial returns within the evaluation of the

ICR. Several initiatives seem to have potential to generate positive returns on investment while community strengthening activities have generated capacities to establish projects through other government programs and initiatives.

Component 3: Monitoring and Evaluation

The M&E generated an important tool for this type of project, allowing information to be accessed readily through the internet and with a related GIS system. In regard to community use of the monitoring and evaluation system, the results are more limited given the lack of infrastructure in communities to access the system while the participatory process of monitoring is difficult to sustain over the long-term and in absence of the project. The project also was limited in the dissemination and information aspects to maintain communities, academics, and government agencies informed of advances, best-practices, and lessons-learned.

Component 4: National Corodination

The project maintained its operations throughout the allotted period for implementation. The M&E system was established while the project achieved mainstreaming into institutional, legal, and community conservation and development strategies. Lack of National Coordinator was a problem at the outset while inconsistencies between the Operational Manual and the Grant Agreement caused some conflict. The National Committee and SEMARNAT were not able to intervene and resolve the conflict adequately and there were delays in implementation of the project and in establishing the M&E system as a result.

Assessment of Bank Performance

Satisfactory ("Good")

Bank maintained its supervisory presence throughout the project implementation with informal communication and specific missions on a regular basis. The Task Managers insisted on the adherence to financial norms and safeguards allowing fluid project execution. It should be noted however for consideration in future operations that the frequent change of task managers generates a lag period to reestablish fluid communication and understanding regarding implementation. Expectations created by the project were too high given the Bank and NAFIN capacities generating a somewhat negative environment during 2001-2003 resulting in lower disbursements for that period.

Assessment of Grantee Performance

Satisfactory ("Good")

The GoM maintained an operational framework that allowed the project to be implemented although there was an adjustment phase with the change of government in December 2000. CONAFOR was created in 2001 and changed the structure for supervision of the COINBIO. The change of oversight from SEMARNAT to CONAFOR was not formalized and created some misunderstandings regarding implementation.

Lessons Learned

1. Indigenous and small-farmer communities of Mexico are diverse in their nature and characteristics therefore there is no single conservation strategy that can be recommended but rather they must respond to this cultural and natural diversity of the country.

2. CONAFOR, CONABIO, CDI, CONANP, and SEMARNAT should all coordinate their programs and objectives with COINBIO. Projects with common conservation objectives should come together to improve the chances of breaking poverty cycles in communities.

3. Monitoring and evaluation systems should be based in community needs and allow them to become involved in the process while generating local capacities for self-regulation and oversight.

Borrower Letter

DIRECCIÓN INTERNACIONAL
"2008, Año de la Educación Física y el Deporte"

NE/ 368
16 de Diciembre, 2008

SR. GUSTAVO SALTIEL
Gerente Sectorial
Departamento de Desarrollo Sustentable
Banco Mundial
Insurgentes Sur 1605 Piso 24
San José Insurgentes
México, D.F. C.P. 03900

Estimado Sr. Gustavo Saltiel:

Me refiero a su comunicado del pasado 10 de diciembre, mediante el cual nos remitió en forma electrónica el Reporte de Terminación de Proyecto (Implementation Completion Report-ICR) correspondiente al Proyecto de Conservación de la Biodiversidad en Comunidades Indígenas (COINBIO), Cooperación Técnica No. TF-24372, solicitando nuestra revisión y comentarios.

El Informe de referencia refleja de manera clara, que el proyecto COINBIO mostró ser un instrumento exitoso para materializar las iniciativas de las comunidades indígenas, que mediante esquemas tradicionales de resguardo de los recursos naturales por las propias comunidades, lograron incorporar y consolidar nuevas áreas protegidas, resguardar ecosistemas de valor nacional y contribuir a salvaguardar la diversidad biológica y ambiental de nuestro país.

Sirva la presente, para agradecer al Banco Mundial, la oportunidad que se brindó a Nacional Financiera de participar en la administración del proyecto, el cual llevamos a feliz término gracias a la asistencia y supervisión técnica de la Secretaría del Medio Ambiente (SEMARNAT) a través de la Comisión Nacional Forestal (CONAFOR).

Reciba usted un cordial saludo,

A T E N T A M E N T E

ING. ENRIQUE A. NIETO ITUARTE
Director

Lic. Ricardo Ochoa Rodríguez, Titular de la Unidad de Asuntos Internacionales, SHCP.
Lic. Claudia Graweb. Directora General Adjunta de América del Norte, Asia-Pacífico y el Caribe, SHCP.
Lic. Raúl Delgado Aranda. Director de Organismos Financieros Internacionales, SHCP.
Lic. Silvia Rodríguez Díaz, Subdirectora de Estadísticas Y Proyectos Agropecuarios y Ambientales SHCP
Lic. Roberto B. Cabral. Director General Adjunto de Financiamiento Estratégico. SEMARNAT.
Lic. Víctor Sosa. Coordinador general de Producción y Productividad. CONAFOR.
Bio. Mario Aguilar. Gerente de Silvicultura Comunitaria. CONAFOR
Lic. Liliana Velazquez. Subdirector Agente Financiero NAFIN
Ing. Jorge Nieto. Administrador de Proyectos. NAFIN

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

Based on the interviews in the States (May 26, 28 and 29, 2008) and a workshop held in Mexico on May 30, 2008, comments were received and compiled from key partners and stakeholders regarding the COINBIO. Following is a summary of these comments:

Regarding Community Conservation

- Community conservation cannot be viewed as a project but rather as a process
- Some of the principles that must guide community conservation include that they must be community driven and respect their customs and uses of natural resources. The model must therefore focus on building community capacities for sustaining the efforts and not based on permanent external support systems.

Regarding the Principal Achievements of COINBIO

- A demonstration of success of the COINBIO was its contribution in establishing several legal reforms regarding community conservation.
- Greater understanding and appropriation by indigenous communities of conservation tools and legal mechanisms.
- COINBIO was a process developed over 7 years that supported awareness towards community conservation. Three different periods must be recognized: (i) Establishing formal paths for conservation (ii)Developing conservation strategies with the participants and (iii) Support conservation within the surroundings of communities.
- Advanced in citizenship, decentralization, and decision making thanks to the design having incorporated State Committees.
- An important achievement was financing projects that others were not financing and the first to support land-use planning and resource inventories.
- It allowed the training of technical service providers
- Improved relations between State governments and with people disenchanted with governmental projects

Regarding Difficulties or Mistakes of COINBIO

- Using the agrarian interpretation of ejidos and communities limited the support to those with “land rights” (derechosos). In addition there was no integrations of youth, women, children, and avecindados (those with no land rights) that are the ones that can help follow-up and generally do not make up part of the emigrating population of the communities. The issue of the weakening of the community assemblies (asambleas) because of emigration was also not considered.
- Lack of greater coordination with other projects like PROCYMAF and with other government institutions.
- The Operational Manual was inadequate from the outset.
- Lack of a link to the academic sector that did not permit greater incorporation of their views as well as those of NGOs and the Technical Service Providers especially in Michoacan.

Regarding a Second Phase of COINBIO

- COINBIO should be extended to other States although not necessarily a national level, rather it should advance in stages respecting different communities structures and approaches. Eliminating or simplifying the State Committee structure would not be recommended.
- State Committee structures should be strengthened and technical support models improved according to the social needs identified. CONAFOR should be careful how it mainstreams the project in following phases.

- COINBIO must be made into a public policy or a national program of sustainable and integrated development with the objective of collective understanding of this type of management. The COINBIO should not depend on donations but on the national budget resources.
- Support a municipal model to promote long-term projects with more local level access to the communities.
- Need to incorporate an educational component and information feedback to communities.
- Develop new impact indicators for a second phase, not only output indicators.
- Create synergy with other conservation projects.
- Strengthen and train local service providers.

Participant List

Francisco Chapela – COINBIO, NAFIN
Jose Luis Enriquez – COINBIO, NAFIN
Rocío Custodio – COINBIO, NAFIN
Jorge Nieto – NAFIN
Francis Fragano – FAO, BM
Ricardo Hernández – Especialista Ambiental, BM en México
Ariel Arias – COINBIO Oaxaca
Adan Santos – COINBIO Oaxaca
Rosendo Caro – COINBIO Michoacán
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Juan Bezaury Creel - Nature Conservancy, México
Liliana Mendoza – CDI
Armando de la Fuente Morales – CDI
Sergio Madrid - CCMSS
Jorge Odenthal - IACATAS
Mario Aguilar – CONAFOR
Salvador Anta - CONAFOR
Claudia Zambrano – CONANP
Patricia García – CONANP
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Juan Godínez - SEMARNAT
Ing. Esteban Rodea – delegado SEMARNAT (Oaxaca)
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Ing. Federico Gutiérrez - prestador de servicios.
Arturo García - gobierno del Estado de Guerrero
Profesora Isabel - representante académica comité estatal de Guerrero e investigadora de la Universidad de Guerrero
Profesor Alfredo Méndez - Universidad de Guerrero
Carlos Toledo - Gobierno del estado de Guerrero
Esperanza - prestadora de servicios
Luz del Carmen - asesora del Municipio de La Huacana

Annex 9. List of Supporting Documents

1. IBRD/IFC. Country Partnership Strategy for the United Mexican States for the period FY2008-2013. Mexico and Colombia Country Management Unit. LAC Region. Report No 42846-MX
2. IBRD. Project Appraisal Document on a Proposed Global Environmental Facility Grant in the Amount of SDR 5.8 Million (US$7.5 Million Equivalent) to Nacional Financiera, S.N.C. For An Indigenous and Community Biodiversity Conservation Project in Mexico. October 21, 2000. Report No. 21150-ME.
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Web Resources

1. World Wildlife Fund. Neotropcal Terrestrial Ecorregions http://www.worldwildlife.org/wildworld/profiles/terrestrial_nt.html

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NOVEMBER 2000

IBRD 31152