



## Global Environment Facility

**MOHAMED T. EL-ASHRY**  
CHIEF EXECUTIVE OFFICER  
AND CHAIRMAN

October 27, 2000

Dear Council Member:

The World Bank, as the Implementing Agency for the project, *Mexico: Indigenous and Community Biodiversity Conservation (COINBIO)*, has submitted the attached proposed project document for CEO endorsement prior to final approval of the project document in accordance with World Bank procedures.

The Secretariat has reviewed the project document. It is consistent with the proposal approved by the Council in May 2000 and the proposed project remains consistent with the Instrument and GEF policies and procedures. The attached explanation prepared by the World Bank satisfactorily details how Council's comments and those of the STAP reviewer have been addressed. I am, therefore, endorsing the project document.

We have today posted the proposed project document on the GEF website at [www.gefweb.org](http://www.gefweb.org). If you do not have access to the Web, you may request the local field office of UNDP or the World Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,

cc: Alternates, Implementing Agencies, STAP

# OFFICE MEMORANDUM

DATE: October 27, 2000

TO: Mr. Mohamed El-Ashry, CEO/Chairman, GEF

FROM: Lars Vidaeus, WB/GEF Executive Coordinator



EXTENSION: 3-4188

SUBJECT: ***MEXICO: Indigenous and Community Biodiversity Project***  
**Final GEF CEO Endorsement**

1. Please find attached the electronic file of the Project Appraisal Document (PAD) for the above-mentioned project for your final review and endorsement. This project was approved for Work Program entry at the May 2000 Council meeting, under streamlined CEO endorsement procedures.
2. The PAD is fully consistent with the objectives, scope, and overall cost of the proposal approved at the May 2000 Council meeting. Minor adjustments have been made during final preparation concerning project phasing, clustering of components, and component costing. GEFSEC, STAP, and Council comments have also been addressed. Modifications to the PAD and how comments have been addressed are detailed below.

### *Project Phasing*

3. At the time of work program approval, the project had a two-phase design, with an initial two-year pilot and second full implementation phase of five years. During final preparation and appraisal, it was agreed that a fluid arrangement was more appropriate, whereby detailed evaluations would be carried out at the end of the second and fourth years, to make adjustments in the selection of communities and the rules of the operational manual, as needed. This modification responds to the recommendations of the stakeholder validation workshop held during appraisal; at that time, communities and technical NGOs strongly recommended a flexible pace, and devolution of authority to state committees to adjust the operational manual in accordance with the learning curve of the communities and state and national committees and to fit regional needs and opportunities. In parallel, performance monitoring indicators have been adjusted to provide clearer milestones for implementation decision-making.

### *Clustering of Components*

4. At the time of Work Program entry, the project had five components. During final preparation and appraisal, it was proposed to simplify the design of the project by consolidating the first two components (“Land Use Planning and Training for the Establishment of Conservation Areas” and “Community Investments for Conservation Activities and Sustainable Use”) into a single component, now referred to as “Community Conservation and Sustainable Use Subprojects”. In addition, the previous Project Management component (Component 5) was renamed National Coordination (now Component 4) to reflect the importance of the national committee’s role in giving legitimacy to the community conservation model at the level of the national environment strategy and to provide assistance to the states to solve issues which arise during implementation.
5. The substance of the components has not changed since Work Program entry, as they were merely reorganized or renamed for clarification purposes based on the validation workshops and the recommendation of the Mexico team and the state delegates of SEMARNAP. The previous and current project components and adjustments are diagrammed below in Table 1:

**Table 1**  
**Reclustering of Project Components**

Work Program Entry		Final PAD
1. Land Use Planning and Training for the Establishment of Conservation Areas		1. Local Capacity Building
2. Community Investments for Conservation Activities and Sustainable Use		2. Community Conservation and Sustainable Use Subprojects
3. Local Capacity Building		3. Biological Monitoring and Evaluation
4. Biological Monitoring and Evaluation		4. National Coordination
5. Project Management		

*Project Component Costs*

6. Since Work Program entry, total component costs have been slightly adjusted to reflect findings and agreements reached during final preparation and appraisal. The total cost of "Local Capacity Building" (Component 1, formerly Component 3), has been slightly increased to reflect greater counterpart funding for the establishment of state committees; however, the GEF contribution has not changed. The total cost of "National Coordination" (Component 4, formerly "Project Management"), has decreased as a result of more efficient allocation of resources, such as the combining of the coordinator position in Oaxaca and at national level to a single, more professional position; the GEF contribution for this component remains unchanged. The previous and current total and GEF costs for each component are shown in Table 2 below, with the modifications shaded.

**Table 2**  
**Project Component Costs**

<b>Work Program Entry</b>			<b>Final PAD</b>		
<b>Component</b>	<b>Total Cost (US\$M)</b>	<b>GEF (US\$M)</b>	<b>Component</b>	<b>Total Cost (US\$M)</b>	<b>GEF (US\$M)</b>
1. Land Use Planning and Training for the Establishment of Conservation Areas	5.90	1.40	2. Community Conservation & Sustainable Use Sub-projects	12.90	4.58
2. Community Investments for Conservation Activities and Sustainable Use	7.00	3.18			
3. Local Capacity Building	2.50	1.70	1. Local Capacity Building	2.70	1.70
4. Biological Monitoring and Evaluation	1.50	0.42	3. Biological Monitoring and Evaluation	1.50	0.42
5. Project Management	1.80	0.80	4. National Coordination	1.60	0.80
<b>TOTAL</b>	<b>18.70</b>	<b>7.50</b>	<b>TOTAL</b>	<b>18.70</b>	<b>7.50</b>

7. Within Component 2, "Community Conservation and Sustainable Use Subprojects", the costs of the four subproject types (A-D) have been modified to reflect a more realistic estimate of demand in the three states, based on the results of the validation workshops during appraisal. The total cost of this component (\$12.90 million; GEF \$4.58 million) has not changed. Table 3 below compares the expected allocation of expenditures between Type A-D subprojects (as specified in the final PAD) to the expected expenditures of the first two components at the time of Work Program entry.

**Table 3**  
**Comparison Between Subproject Costs**

Work Program Entry			Final PAD		
Activity (previously Components 1 and 2)	Total Cost (US\$M)	GEF (US\$M)	Activity (A-D)	Total Cost (US\$M)	GEF (US\$M)
1. Land Use Planning and Training for the Establishment of Conservation Areas	5.90	1.40	A. Land Use Planning and Training for the Establishment of Conservation Areas	4.80	1.70
			B. Training and Capacity Building	1.70	0.60
			Subtotal:	6.50	2.30
2. Community Investments for Conservation Activities and Sustainable Use	7.00	3.08	C. Community Investments for Conservation Activities and Sustainable Use	4.60	1.65
			D. Community Green Venture Funds	1.80	0.63
			Subtotal:	6.40	2.28
<b>TOTAL</b>	<b>12.90</b>	<b>4.58</b>	<b>TOTAL</b>	<b>6.40</b>	<b>9.16</b>

*Comments from GEFSEC*

8. No specific comments were received from GEFSEC at the time of Work Program entry related to issues requiring attention prior to CEO endorsement. Therefore the project team has concentrated on satisfying the standard project review criteria for the CEO endorsement stage.

*Comments from STAP Reviewer*

9. *Training:* In response to the STAP reviewer's concern that the project did not incorporate sufficient training for the participating communities, the final PAD reflects the project's commitment to training and capacity-building for participating communities. Specifically, sufficient resources have now been allocated to (i) participatory planning, preparation, implementation and maintenance of biodiversity conservation activities, and (ii) development of community-based human resources, including legal, financial, technical, administrative, institutional and entrepreneurial capacity. Some training activities will be designed and implemented by the communities themselves in order to promote stronger community organization for natural resource decision-making.

*Comments from Council*

10. *Threats to biodiversity.* The Swiss Council member requested further information concerning threats to biodiversity in order to assess whether the project's conservation strategy is sound. Since work program approval, the project's environmental and biological assessments have been completed, identifying 1,300 communities in the selected biological corridor in the three states which are of clear priority for biodiversity conservation. Annexes 11 and 13 of the final PAD provide more detail on characteristics of these areas and their sources of threats to biodiversity.
11. *Project scope.* Another concern voiced by the Council member from Switzerland was the broad scope of project activities and the need for a more detailed justification of the range of project activities. The range of activities in the community conservation and sustainable use subproject component (Component 2) are based on experiences in community capacity and development that were gained from PROCYMAF and other models pioneered by NGOs in the region. The relative weight of different types of activities is correlated with and sequenced to fit expected community capacity. In addition, project phasing, as discussed above in paragraph 3, is designed to allow for flexibility in the selection and eligibility of communities to participate in the range of activities supported by Component 2. A more detailed description of project activities can be found in the Project Description section and Annex 2 of the final PAD.
12. *Performance monitoring indicators.* The project performance monitoring indicators were revised and discussed at length during appraisal, as requested by the Council member from Switzerland. The final indicators more clearly dimension the expected

impact of the program (see Section A and Annex 1 of the final PAD). Institutional indicators have also been adjusted to clearly specify i) the state level goal of an institutional framework to channel resources to communities for their conservation initiatives, and to support inter-community networking and collaboration on shared conservation goals, and ii) the national goal of gaining policy recognition of community statutes as a legal framework for permanent community conservation areas within the national conservation strategy.

13. *Associated project financing.* A question raised by the Council member from France related to the key role of PROCYMAF in developing capacity of community members and the concern that the project continue throughout the seven-year COINBIO project period. It was clarified in the final PAD that the Government of Mexico has two programs for capacity-building: the pilot PROCYMAF in the three states with World Bank financing, and a more permanent complementary program in all forest-rich states, PRODEFOR. The piloting of these two programs is expected to result in design of a single follow-on capacity building mechanism which combines the best of the two models. It is the stated intention of the Government to prepare a request for a phase II loan for PROCYMAF/PRODEFOR when first phase project financing ends in 2002. Government and non-government stakeholders stated at appraisal that COINBIO was seen as a very positive initiative to consolidate PROCYMAF and PRODEFOR, and raise awareness at the state and federal levels of the importance of integrating productive uses of the forest with equally serious conservation initiatives.
14. We look forward to receiving your final endorsement of the Project Appraisal Document so that we may proceed to Board approval.

Cc : Messrs./Mmes. Rees, Kumari (GEF); Lafourcade, Brizzi (LCC1C); Redwood, Serra, Kimes, Bradley, Berelowitz (LCSES); Castro, Aryal (ENVGC); Molnar (LEGLA); ENVGC ISC Files; IRIS1.

Document of  
The World Bank

Report No: 21150-ME

PROJECT APPRAISAL DOCUMENT  
ON A  
PROPOSED GLOBAL ENVIRONMENT FACILITY GRANT  
IN THE AMOUNT OF US\$7.5 MILLION  
TO THE  
UNITED MEXICAN STATES  
FOR AN  
INDIGENOUS AND COMMUNITY BIODIVERSITY CONSERVATION PROJECT  
October 24, 2000

**Environmentally and Socially Sustainable Development Sector Management Unit  
Colombia, Mexico and Venezuela Country Management Unit  
Latin America and Caribbean Region**

## CURRENCY EQUIVALENTS

(Exchange Rate Effective May 10, 2000)

Currency Unit = Mexican Pesos  
1 Mexican Peso = US\$0.1056  
US\$1 = 9.468 Mexican Pesos

## FISCAL YEAR

January 1 - December 31

## ABBREVIATIONS AND ACRONYMS

CAS	Country Assistance Strategy
CBD	Convention on Biological Diversity
CE/UNAM	Centro de Ecología/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 Indígenas (Indigenous and Community Biodiversity Conservation)
CONABIO	Comisión Nacional para el Conocimiento y Uso de la Biodiversidad (National Commission for Information and Use of Biodiversity)
CONAF	Consejo Nacional Forestal (National Forestry Advisory Group)
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 für Technische Zusammenarbeit (German Technical Assistance Agency)
IBRD	International Bank for Reconstruction and Development
INE	Instituto Nacional de Ecología (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
PMR	Project Management Report
PMU	Project Management Unit
POA	Programa Operativo Anual (Annual Operational Plan)
PROCYMAF	Proyecto de Conservación y Manejo Sustentable de los Recursos Forestales en Mexico (Community Forestry Conservation 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	Secretaría de Agricultura, Ganadería y Desarrollo Rural (Ministry of Agriculture, Livestock and Rural Development)
SEMARNAP	Secretaría de Medio Ambiente, Recursos Naturales y Pesca (Ministry of Environment, Natural Resources and Fishery)
SHCP	Secretaría de Hacienda y Crédito 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:	David de Ferranti
Country Director:	Olivier Lafourcade
Sector Manager:	John Redwood
Task Team Leader:	Augusta Molnar

**MEXICO**  
**INDIGENOUS AND COMMUNITY BIODIVERSITY CONSERVATION PROJECT**

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#### MAP(S)

- Map of Mexico, with Project Areas in Oaxaca, Michoacan and Guerrero
- COINBIO Project Areas in the State of Oaxaca
- COINBIO Project Areas in the State of Michoacan
- COINBIO Project Areas in the State of Guerrero

MEXICO

Indigenous and Community Biodiversity Conservation Project

**Project Appraisal Document**

Latin America and Caribbean Region  
LCSES

<b>Date:</b> October 24, 2000	<b>Team Leader:</b> Augusta Molnar
<b>Country Manager/Director:</b> Olivier Lafourcade	<b>Sector Manager/Director:</b> John Redwood
<b>Project ID:</b> P066674	<b>Sector(s):</b> VM - Natural Resources Management
	<b>Theme(s):</b>
<b>Focal Area:</b> B - Biodiversity	<b>Poverty Targeted Intervention:</b> N

**Project Financing Data**  
 Loan       Credit       Grant       Guarantee       Other (Specify)  
 IBRD counterpart of this project is a restructured on-going Community Forestry project (Ln.4137-ME) which is expanding the technical assistance component to two states (Michoacán and Guerrero) in addition to Oaxaca. "Other" refers to planned future IBRD assistance.  
**For Loans/Credits/Others:**  
**Amount (US\$m):**  
**Proposed Terms:**  
**Grace period (years):** \_\_\_\_\_ **Years to maturity:** \_\_\_\_\_  
**Commitment fee:** \_\_\_\_\_

Financing Plan:	Source	Local	Foreign	Total
	GOVERNMENT	3.90	0.00	3.90
	IBRD	2.60	0.00	2.60
	GLOBAL ENVIRONMENT FACILITY	7.50	0.00	7.50
	LOCAL CONTRIBUTION	3.00	0.00	3.00
	OTHER	1.70	0.00	1.70
<b>Total:</b>		18.70	0.00	18.70

**Borrower/Recipient:** GOVERNMENT (PROCYMAF, PRODEFOR, ST.GOV.)  
**Responsible agency:** SEMARNAP  
  
**Contact Person:** Salvador Anta, Delegate of Oaxaca, SEMARNAP  
**Tel:** 529-515-0019      **Fax:** \_\_\_\_\_      **Email:** \_\_\_\_\_  
**Other Agency(ies):**  
 SEMARNAP, Coordination Unit, PROCYMAF  
**Contact Person:** Gerardo Segura, Coordinator of Community Forestry Project  
**Tel:** 525-554-3952      **Fax:** \_\_\_\_\_      **Email:** segura@servidor.unam.mx

**Estimated disbursements ( Bank FY/US\$M):**

FY	2001	2002	2003	2004	2005	2006	2007	
<b>Annual</b>	950.0	900.0	1000.0	1100.0	1100.0	1200.0	1250.0	
<b>Cumulative</b>	950.0	1850.0	2850.0	3950.0	5050.0	6250.0	7500.0	

**Project implementation period:** Seven years (2001-2007)  
**Expected effectiveness date:** 01/30/2001      **Expected closing date:** 06/30/2008

## **A. Project Development Objective**

### **1. Project development objective:** (see Annex 1)

The objective of the project is to conserve areas of high biodiversity by strengthening and promoting community conservation initiatives on communally owned lands in areas of high biodiversity in a priority set of ecological zones in the states of Oaxaca, Michoacan and Guerrero, building on the positive cultural values and traditional management practices that these communities have developed over a long period in relationship to the resources in these ecological zones. The project would build upon the WWF-Oaxaca pilot program for community conservation initiatives and the technical assistance offered in the on-going Community Forestry Project (Ln. 4137-ME; PROCYMAF) in the states of Oaxaca, Michoacan and Guerrero by initiating a parallel, demand-driven program for financing the creation of community biodiversity conservation areas and complementary biodiversity-friendly sustainable land use activities.

Project objectives would be achieved by: (a) supporting the on-going efforts of indigenous communities and ejidos to establish permanent conservation areas, and establishing cooperative networks linking communities with significant conservation areas within a larger region of high biodiversity; (b) building capacity for community conservation and sustainable natural resource management among communities in areas of high biodiversity but with weak organizations and a poor economic base; and (c) supporting the creation of state and regional institutions that can promote and help finance community conservation initiatives over the medium to long-term with strong ownership by the communities themselves.

The project was originally planned to have two distinct phases of implementation: an initial pilot phase in Oaxaca, with an expansion into the remaining two states, once the institutional mechanisms and community demand had been tested. At appraisal, it was decided to have a more fluid implementation process—initiating activities in Oaxaca, incorporating Michoacan during the same year, and incorporating Guerrero six months after that, adding a larger number of eligible communities as capacity and interest developed. To reflect on-going learning, two evaluation events have been included: an initial evaluation within the first two years to review implementation mechanisms and adjust the criteria and procedures in the operational manual, and a second mid-term evaluation in the fourth year which allows adjustments in targets and distribution of subgrant activities among the different types of participating communities and ejidos. In the first two years activities will focus on the needs of individual communities, while expanding to multi-community capacity-building and networking in later years, and consolidating a legal framework for community conservation.

### **Project Global Objectives:** (see Annex 1)

The global objective of the project is to conserve some of the most unique and biologically diverse areas of Mexico, along with testing a model that may be applicable to indigenous reserves and other communally-owned land in other parts of Latin America.

### **2. Key performance indicators:** (see Annex 1)

#### Performance Indicators (Objectives):

1. Total area under legally recognized community conservation in different ecozones in the project area, and total adjacent area under sustainable use.

2. Number of organizationally advanced communities (Categories 3 and 4) with active conservation (and integrated resource use) on legally recognized communally owned land of high biodiversity in Oaxaca, Michoacán and Guerrero.
3. Number of incipient communities (Categories 1 and 2) with increased capacity and willingness to engage in conservation activities.
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.

Performance Indicators (Outputs):

1. Community-demand driven institutions in three states support initiatives of indigenous communities and ejidos for community conservation over the long-term.
2. Successful elaboration of land use plans with complementary investments in community conservation areas, in sustainable use in adjacent areas, and in organizational development for medium to long-term sustainability.
3. A socio-economic and bio-physical integrated information system (SII) which maintains and disseminates key information on community conservation resources to communities, government, and academic stakeholders.
4. Recognition of community statutes as a legal framework for permanent community conservation areas and recognition of the legal validity of the community model within the national conservation strategy.

## **B. Strategic Context**

**1. Sector-related Country Assistance Strategy (CAS) goal supported by the project:** (see Annex 1)  
**Document number:** 19289-MX      **Date of latest CAS discussion:** 05/13/99

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 Indigenous and Community Biodiversity Conservation (COINBIO) project simultaneously promotes the various strategies in the CAS. Poverty reduction in communities and ejidos would result from creating economic benefits from sustainable use of natural resources, including biodiversity. The CAS strategy of working within the scope of and reinforcing local and indigenous cultures in Mexico is one of the main objectives of this project, as it seeks to reinforce indigenous community and ejido structures to promote the creation and maintenance of community protected areas. Environmentally, the project reflects the CAS environmental strategy in working to enhance biodiversity conservation and strengthen institutional frameworks.

### **1a. Global Operational strategy/Program objective addressed by the project:**

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. This 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 is fully consistent with Mexico's first report to COP IV. The project is also fully consistent 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 SBSTTA Recommendation I/3.

As one of the most biologically diverse of all Mexican states, Oaxaca is internationally 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 (Mexican Transvolcanic Pine-Oak Forests and Balsas Dry Forests); the Sierra's other two 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 butterfly 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 (3,200 m) all the way to the Gulf lowlands (200 m). Besides the Sierra Juarez, the project also proposes 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 sumichrasti*). 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 Michoacan and Guerrero are also globally significant for biodiversity conservation. For example, in Michoacan, 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.

## **2. Main sector issues and Government strategy:**

In Mexico, deforestation and land degradation due to population growth, past agricultural policies, expansion of the agricultural frontier, over-exploitation, poorly regulated tourism, accelerated economic development, and arbitrary settlement policies are having a serious impact on terrestrial biodiversity.

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 or diversification and that were not responsive to the needs or interests of indigenous communities or *ejidos*, despite their legal ownership of much of the country's forest lands as a result of land reform. Past 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 1990's a series of policy reforms in the agricultural sector eliminated the past distortions in prices, livestock and input subsidies, and trade policies, and reformed the land administration system to strengthen land markets, while preserving ejido and indigenous community tenure. As part of this sectoral reform, 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 requiring 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*. In addition, small-scale NGO-supported initiatives in promising regions were carried out, particularly in Oaxaca.

During the current six-year administrative term in Mexico, the Ministry of Environment, Natural Resources and Fisheries (SEMARNAP), working with the National Commission for Biodiversity (CONABIO), has worked with civil society to develop a comprehensive approach to sustainable natural resource use and conservation of Mexico's unique biodiversity. Under the guidance of the Convention on Biological Diversity, Mexico (the Mexican government, academia, private sector and relevant stakeholders) has developed a Country Strategy based on a participatory process over a six month period. The National Biodiversity Strategy identifies 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, dryforest 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 National Strategy 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.

In keeping with these recommendations, SEMARNAP's own programs have been reoriented to be consistent with this framework, and SEMARNAP 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 the Conservation, Use and Equitable Distribution of Benefits from Biodiversity. The first five/ten year strategy is expected to be completed by early 2001.

In parallel with the efforts to develop an effective strategy for conservation and sustainable use of 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.

The key sustainable forestry programs currently underway include: (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 test 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 present, there are no government-supported programs for community-based conservation areas and sustainable use of biodiversity.

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. Based on a widely disseminated typology of industrial specialization and internal organization, PROCYMAF targets technical assistance subsidies to Oaxaca communities and *ejidos* on a demand-driven basis. Horizontal information exchanges and regional organizational capacity are promoted through six regional, monthly fora. Private service providers are required to take a core course in integrated forest management and are encouraged to participate in continuing education courses on cutting edge forestry and natural resource management issues.

Despite its newness, PROCYMAF is already demonstrating positive outcomes. It has built upon NGO community resource management initiatives, including a decade of WWF-Oaxaca efforts to foster community conservation initiatives based on better knowledge of biodiversity values. With less than US\$2 million in project expenditures at Oaxaca state level, by the end of 1999 55,000 new hectares of forest had come under sustainable forestry management plans, generating 1,300 permanent jobs, at least eighty million pesos in earnings to the communities, and one million pesos in fiscal revenue; in addition, the program resulted in the establishment of 12,000 hectares of new conservation areas. Participatory planning is now incorporating less organized communities into the project.

Building on this positive experience in Oaxaca, the GOM has restructured the on-going project to take advantage of budget savings and expand to states where the national forestry management program (PRODEFOR) has been operating without the advantage of capacity-building and training activities (Michoacan and Guerrero). Assuming success with this three-state program experience, the plan is to expand the program to the remaining three forest-rich pine-oak states (Chihuahua, Durango, and Jalisco) and possibly linking to additional states where PRODEFOR is active.

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.

### **3. Sector issues to be addressed by the project and strategic choices:**

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 decree and/or later land reform legislation. In the case of indigenous communities, two national constitutional articles (Nos. 4 and 27), and a state decree, in the case of Oaxaca, legitimate the right to establish land as individual parcels or as areas of restricted use, in recognition of traditional indigenous customs and practices (*usos y costumbres*). These can be recorded as customary laws (such as Communal By-laws, *Estatutos Comunales*) 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.

Based on lessons from experience, the project design is based on a strategic choice to provide communities with adequate information and with financial incentives for conservation. Information will be disseminated and shared amongst communities through the inter-community networks promoted by the project. Financial incentives will not be based on unsustainable subsidies, but will 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, a key component for encouraging community-driven conservation would be to promote sustainable activities in areas adjacent to lands under protection to broaden economic benefits from conservation. In a number of cases, sustainable use activities may well 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).

Another strategic choice reflected in project design is the decision to rely on horizontal information and capacity-building transfer between communities. Recognizing that leader communities have played an important role in fostering forest management in these indigenous regions before and during PROCYMAF, the project would work through the communities with a longer 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 have been identified as potential leaders for this "campesino-a-campesino" arrangement.

The last major strategic choice reflected in project design is the decision to channel GEF resources through a financial administrator with experience in grant making and community development. The role of the financial administrator is to ensure timely and transparent allocation of project resources, as well as to transfer learning to the state-level committees and participating communities on project development and implementation, responsible management of investments, and environmental markets and green products. This design feature helps build community organizational skills and ensures access to conservation financing and environmental markets over the long-term.

## **C. Project Description Summary**

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The project would be implemented in highly biodiverse priority areas of Oaxaca, Michoacán and Guerrero. The priority areas have been identified based on project preparation (Block B) supported

analyses and consultations as well as CONABIO national priority setting and WWF-Mexico studies. The priority areas delimited in the biological assessment include 1,300 communities within the priority biological zones of the three states, all with relatively equivalent biodiversity values. Participating communities have been identified through a participatory social assessment process using criteria for measuring interest and capacity for conservation (see Annex 11) and over the life of the project approximately 300 communities and *ejidos* are expected to come forward to participate in project activities, either capacity-building or investment.

Within the 1,300 community universe, social assessments have categorized a subset of communities by their level of absorptive capacity and organizational 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 (see Annex 12). Any community within the 1,300 is eligible to present proposals to the project, although communities not included in the social assessment wishing to present proposals must first be categorized by their level of absorptive capacity using this typology. Communities evaluated through the social assessment, along with their location, are presented in Annex 11.

Initially, it is 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 increases, an additional 150 communities are 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.

Transparent criteria for selecting proposals have been developed in the state-level social and environmental assessments and would provide a basis for decision-making by state-level committees to select proposals for financing. The project strategy would be to channel project proposals appropriate for financing by PROCYMAF or PRODEFOR to those projects while targeting GEF funding to areas not receiving financing from other sources. The eligible set of activities has been analyzed in detail by type of activity and type of financier and is presented in Annex 12.

Communities will hire their own PSPs or NGOs for land use planning and other studies, and technical assistance related to investment proposals, but should ensure that these are entered in the project registry of eligible providers which would build on the existing PROCYMAF and PRODEFOR registers developed earlier.

The project would be implemented over a period of seven years, to allow adequate time for capacity-building in the incipient communities and for phased learning in the more advanced communities.

### Component 1. Local Capacity Building

This component would finance the costs of the three state committees and the coordinating units, which would be the decision-making and oversight bodies for activities at state level. Activities to be financed would include salaries of coordinating unit staff, 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 term, these committees would be expected to 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.

### Component 2: Community Conservation and Sustainable Use Sub-projects

The project 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 (see Annex 12). Incipient communities with interest in conservation activities but limited organizational skills and insufficient experience with conservation investment (Category 1) would be eligible for grants to help finance land use planning, community conservation action plans, diagnostic studies and inventories, and training events that build their capacity for conservation. The more advanced and experienced communities (Categories 2-4) would be eligible for grants to help finance activities that assist them to actively manage and protect areas designated for conservation, including fire control, demarcation, delimitation, or restoration, and activities that promote sustainable use in adjacent resource areas which generates income while reducing pressure on conservation areas. As a member of the state committees and in its role as enforcer of the 1997 Forest Law, SEMARNAP would ensure that environmental standards are 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. There are four types of activities (Types A-D) which would be 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. Grant amounts for these activities would range in size from \$5,000 to \$15,000, and counterpart contribution would be at least 10% of total costs, presented as in kind contributions of local labor, travel, participation in workshops and evaluations, and community meetings. For pine-oak forest areas, PROCYMAF would be the lead financier, while GEF funds would be targeted to all other forest types. While all communities (Categories 1-4) would be eligible for Type A grants, Category 3 and 4 communities would not require Type A assistance before proceeding to Type C and D activities.

#### 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 necessary for communities to develop the information base and institutional framework to establish conservation areas. Type B activities include capacity-building for conservation activities, including training for communities provided by third parties and by more advanced communities to less advanced ones, and strengthening of community networks. Proposals can be made by individual communities or networks of communities, with grants in the order of \$2,000 to \$8,000 per community with a matching contribution of at least 20%. For pine-oak forest areas, PROCYMAF would be the lead financier, while GEF funds would be targeted to all other forest types. While all

communities (Categories 1-4) would be eligible for Type B grants, Category 3 and 4 communities would not require Type B assistance before proceeding to Type C and D 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) for productive activities that generate sustainable alternatives for communities. The potential scope of activities could include forest certification studies, market studies, seed capital for eco-tourism projects, water bottling plants, nature paths, guide training, mushroom cultivation, resin collection, carbon sequestration and other non-timber forest product enterprises. Investments for protection could include guard towers, identification markers, fencing, fire control mechanisms and rehabilitation of forest fringes. All Type C proposals would be based on a matching formula to apply the incremental cost principle, with a community counterpart of at least 25% for sustainable use projects and at least 20% for conservation activities, and would range in size from \$15,000 to \$20,000. PROCYMAF would be the lead financier for pilot scale non-timber forest product based investments and both PROCYMAF and PRODEFOR for technical assistance/study components of these investments in eligible forest types. Only Category 3 and 4 communities are eligible to participate in Type C activities.

Type D: Community Green Venture Funds (Total: \$1.8 million; GEF: \$0.63 million)

Category 4 communities that have 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 would become 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). Under this latter modality, communities that are ready to create a permanent fund for continued financing of sustainable use activities and conservation areas would be eligible for a larger size grant and would agree to reimburse both the amount of the grant and their own matching investment into a community account specifically established for conservation investments. This financing modality would be accessed on a voluntary, self-selecting basis, and would be targeted to the more advanced communities (Category 4) which have reached a point of recognizing the value of long-term conservation initiatives and are willing and able to dedicate resources to this purpose. The scheme would provide a learning experience to the community which should make them eligible for future support from other local and international conservation donors or from green venture capital sources. The size of this grant is expected to be between \$20,000 and \$30,000, with at least an equivalent amount of community counterpart. Specific technical assistance would also be provided to those communities that agree to establish permanent revolving funds for conservation-related investments to help them establish the rules of such funds and transfer best practices on accounting and management practices.

Component 3. Biological Monitoring and Evaluation

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 midterm 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.

#### Component 4: National Coordination

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

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank financing (US\$M)	% of Bank financing	GEF financing (US\$M)	% of GEF financing
1. Local Capacity Building		2.70	14.4	0.65	25.0	1.70	22.7
2. Community Conservation and Sustainable Use Subprojects*		12.90	69.0	1.70	65.4	4.58	61.1
a) Land Use Planning							
b) Training for the Establishment of Conservation Areas;							
c) Community Investments for Conservation Activities;							
d) Sustainable Use							
3. Biological Monitoring and Evaluation		1.50	8.0	0.25	9.6	0.42	5.6
4. National Coordination		1.60	8.6	0.00	0.0	0.80	10.7
			0.0		0.0		0.0
			0.0		0.0		0.0
<b>Total Project Costs</b>		18.70	100.0	2.60	100.0	7.50	100.0
<b>Total Financing Required</b>		18.70	100.0	2.60	100.0	7.50	100.0

\* See text above under Component 2 or Annex 2 for total and GEF costs of subprojects A-D.

## 2. Key policy and institutional reforms supported by the project:

The project seeks to increase the role of indigenous communities and *ejidos* in biodiversity conservation efforts and to better complement initiatives for community forest management and sustainable agroforestry with landscape conservation objectives. The project would support activities at the state level in Oaxaca, Michoacan and Guerrero to integrate community conservation statutes as a basis for permanent conservation in line with the 1997 Oaxaca law for the Rights of the Indigenous Peoples and Communities of the State of Oaxaca, which includes ratification of customary land-use designations. The project would assist communities to establish their communal statutes and to register these in the National Agrarian Registry, consistent with the national Agrarian Law for all three states and the Oaxaca law. The project would also create sustainable institutional mechanisms in the form of state committees for promoting conservation agreements and legitimate these in the eyes of government. The committees allow communities to take the lead on their own biodiversity conservation decisions. The GOM would seek to replicate the model at the national level as a complement to the current SINAP strategy.

State-level committees are being created as a pilot institutional mechanism to support community-level and multi-community conservation initiatives, including technical assistance, training and community investment. Should these prove an effective structure, it is hoped that they would develop a permanence after the project as a civil association with strong community ownership. To ensure that the community-driven model is legitimated at national level, the national committee is being created to ensure that the relevant national institutions are involved in project implementation and recognize this as a valid conservation model.

### **3. Benefits and target population:**

The primary beneficiaries and target population would be the 150-200 indigenous communities and *ejidos* and their members in the states of Oaxaca, Michoacan and Guerrero who could be expected to establish conservation areas and the other 100 indigenous communities and *ejidos* who would participate in training and capacity-building.

Domestic benefits would include enhanced resource and livelihood security due to fire control, improved recharging of water systems, and long-term stability of the ecological system in traditional territories. Project activities would contribute to broadening the livelihood strategies of participating communities and to enhancing cultural heritage, by preserving traditional knowledge and practices for biodiversity conservation and management. Conservation activities would raise local awareness of the value of Forestry Management Plan information on species diversity and help improve community decision-making on resource use in the adjacent productive forest areas.

Local and national government agencies would benefit from strengthened organizational capacity, better relationships with indigenous communities and *ejidos* for other goals, as well as actualized and replicable policies and programs promoting biodiversity conservation with sustainable natural resource use. The experience in PROCYMAF has been that natural resource management initiatives have helped some communities to solve related problems hindering their development, such as resolving boundary disputes or internal conflict over land-use decisions.

Mexico would benefit from conservation efforts on the part of indigenous communities and *ejidos*, both the individual conservation areas and the clustering of conservation areas where alliances would permit the linking of some areas for management purposes. It would also benefit from the clarification of legal standards established for these activities in states such as Michoacan and Guerrero.

The global benefits include: (a) demarcation and conservation of critical forest ecosystems and enhancing probability of achieving long-term conservation; (b) sustainable management of critical habitats in the long-term; (c) development of incentives to maintain protected areas and forest habitats in the long-term; (d) established capacity to ensure adequate management of community protected areas sustainably; and (e) new knowledge concerning the feasibility of community conservation approaches and the factors associated with success.

### **4. Institutional and implementation arrangements:**

#### **Institutional Arrangements: (see Annex 14)**

As a result of a participatory process of project design involving community, NGO, academic and government stakeholders, it was decided that the project should have (i) a high level of community decision-making and a flexible role in modifying the criteria for project operation; (ii) administration of funds by a private financial administrator with experience in community grant-making; and (iii) a minimum technical and strategic oversight by government to ensure institutionalization of the community conservation model.

**Project Coordination and Management.** The project will be implemented (under the general direction of SEMARNAP) by state committees and coordinators which represent the participating communities and *ejidos* (see Annex 14). Each state committee would establish small state coordination units with a coordinator responsible for carrying out the project. Implementation is therefore decentralized to the three states. The state committees will have six members; three representing the communities, one representing

the SEMARNAP delegation in the state, one representing the state government, and one representing the NGO/academic environment sector. Each representative will be selected by its sector with a term in office to be agreed by the committee. Each sector will be responsible for deciding the selection rules for their representative(s). In Oaxaca, the communities and ejidos have tentatively decided that one representative will be selected by the communities from each of three regions included in the project area. In Michoacan, there is likely to be a similar regionalization of the representatives from ejidos and communities. There will be no prior decision on the chair of the committee. These internal rules of order will be determined by the committees. Each state coordinator will have responsibility for procurement and expenditures related to consultants, promotion and packaging of the community subproject proposals to be submitted to the committees for review. The state coordinator will also be accountable for supervision and monitoring of the subprojects that have been approved and that are under implementation, as well as reporting requirements for M&E, evaluation, and financial reporting. The coordination units at state level will liaise closely with the PROCYMAF coordination units and promotional staff to ensure consistency in technical information and to avoid duplication of resources for activities that PROCYMAF or PRODEFOR can finance under the loan and government resources.

Overall implementation programming and progress will be assigned to a national oversight committee, supported by a national coordinator. The national coordinator will assist in establishing the three state committees and in identifying the coordinators who will support the state committees. The national coordinator will have resources assigned for monitoring and evaluation, financial reporting, and special studies, as well as operational expenses for travel in the three states. The national committee will include community representatives of the three state-level committees, PROCYMAF (SEMARNAP), the National Council for Natural Protected Areas (CONANP), the National Biodiversity Institute (CONABIO), the National Forestry Advisory Group (CONAF), with additional observers including NAFIN, the academic sector and other personnel from SEMARNAP. Civil society representatives will be selected by their sector, and will have a rotational appointment as agreed by the committee.

The four coordinators will be recruited by the financial administrator in consultation with SEMARNAP and state-level stakeholders. Terms of reference for these and the administrator positions will be included in the operational manual. In addition, the financial administrator will recruit full or part-time financial accountants at the national and state level to generate financial and progress reports and records and prepare project financial management reports (PMRs). The financial administrator would recruit and hire the coordination staff on the basis of job profiles developed in the operational manual and in consultation with SEMARNAP and state stakeholders. A government resolution at federal level will be needed to establish the national and state level committees and mandate their authority over their respective coordinators. In the event of disagreements, the national coordinator will resolve disputes at state level. The oversight committee, through the national coordinator, will resolve disputes between the financial administrator and state committees, and formal supervisions by SEMARNAP and the World Bank will address disputes between the financial administrator and the national oversight committee.

SEMARNAP will have representation on the four committees, which will be the PROCYMAF project coordinator or their equivalent at both national and state levels. SEMARNAP will also be responsible for ensuring that proposed subprojects are in compliance with the Bank's environmental assessment requirements. Where activities are similar to those in PROCYMAF, standard TORs with environmental criteria will be provided to the beneficiaries and the committee. Where extraction of products is contemplated, SEMARNAP has responsibility by law to ensure that communities are managing the resource according to an agreed action plan. The underlying rationale of the project is that communities will have the incentive to undertake conservation initiatives in the hope of an international certification, which automatically implies that the World Bank's EA requirements would be met, should this rationale be

correct.

**Financial Administrator.** NAFIN will be the recipient of the grant resources for administrative purposes, and provide oversight as well as technical assistance on financial management to the four coordination units (three state and one national). The financial administrator will house the national coordination unit and disburse resources from a special account to be set up for administration of the grant money. The financial administrator will be in charge of procurement and payments related to the coordination staff at both levels (coordinators and administrators). Based on an annual operation plan (POA), coordinators at the different levels will procure goods and services under agreed procedures and arrangements, but NAFIN will process payments and transfers (including resources for the necessary operational expenses and hiring of consultants and technical assistance).

In order to be in full compliance with Bank requirements per OP/BP 10.02, a certified specialist carried out a financial management assessment of NAFIN-executing agency. The conclusion of this review is that NAFIN, the financial administrator of the funds, would be certified as 4-b in the case of this project, since the financial management system of NAFIN is compliant with the Bank's requirements, but the specific system that will be established under the project at national and state levels has not yet been put in place, nor the staff (administrators) hired. The administrators would, however, follow modified NAFIN standards. NAFIN has considerable experience with execution of this type of project; it is currently implementing two Bank projects (an IDF grant and a GEF project) and is the financial agency for 14 existing WB-financed projects. The project implementing unit in NAFIN (NAFIN-executing agency) will be satisfactorily integrated into the Bank regarding staffing as well as MIS, internal controls, procedures and financial management, as was done for the above mentioned Bank projects. NAFIN standards are adequate at this stage for Board presentation.

The specific LACI compliant reporting products will be agreed upon prior to effectiveness as well as the Action Plan for putting the full Financial Management System in place. NAFIN-executing agency is taking actions to have an MIS which will produce quarterly PMRs and eventually allow for PMRs-based disbursements. Traditional disbursement methods (SOEs, special commitments and direct payments) will be used until NAFIN is ready to adopt the Financial Management Initiative (FMI) to disburse based on PMRs.

**Disbursement and Flow of Funds.** A Special Account in US dollars with an initial deposit of US\$0.4 million would be established at the Banco de México. This special account will be replenished and will be used for all transactions with a value of less than 20% of the amount advanced to the Special Account. Traditional documentation requirements apply for direct payments, special commitments and statements of expenditures (SOEs). If project is converted to PMR-based disbursement methodology, disbursement procedures should be in line with the Financial Management Initiative (FMI). NAFIN-executing agency, in coordination with NAFIN-financial agency, would prepare the necessary documentation for prompt disbursements.

The financial administrator will establish, as above mentioned, a Special Account in a project-specific trust fund account created for the purpose of the community conservation initiative. State-level operating accounts would be established in local currency (MXN - Mexican pesos) for channeling GEF resources to the state level units. Four accounts would therefore be established: (i) the first account would cover coordinating and management costs at the regional and state level, including direct expenditures incurred by the coordination units, such as salaries, travel and subsistence of staff and consultants, M&E studies, and training and capacity-building activities contracted for more than one state; (ii) the three other accounts would be established at the state level by the trust fund to cover the

costs in the annual operating plan for community subprojects, including studies and investments in conservation areas, sustainable use activities, consultant technical assistance, and training and capacity-building, as authorized by the state committees. The financial administrator would release funds upon authorization of the respective committee, on the signature of the coordinator, who would have legal authority derived from the financial administrator's legal authority.

The above-mentioned operating accounts will be used for project transactions, and will be replenished on a monthly basis. The amount to be transferred from the Special Account to these accounts must be only the estimated amount necessary to cover one month of eligible expenditures. It is important to indicate that NAFIN will be in charge of all payments regarding project operations.

**Auditing.** NAFIN-executing agency will maintain records, accounts, files and project documentation, and will produce standard financial statements (including those for the Special Account) according to International Accounting Standards. As required by the Bank, project operations will be audited annually in accordance with generally accepted auditing standards and procedures consistently applied, by an independent and qualified auditor (based on Bank guidelines and TOR for auditing). The audit report (including financial statements, auditor's opinions, and information on internal controls and compliance with laws, regulations and agreements) will be sent to the Bank within six months after each audited fiscal year.

**Initial and Midterm Review.** An initial review would be carried out toward the end of the second year to evaluate needed adjustments in the project implementation arrangements and design including: (a) project scope; (b) selection criteria for communities, particularly to ensure that communities most in need of resources are selected if there is excess demand for project funds; (c) responsibilities of the state and regional committees and role of communities in project decision-making; and (d) viability of clusters of conservation areas and alliances across communities. Government staff of the associated PROCYMAF and PRODEFOR projects along with state protected areas and conservation agency authorities would participate. There would be a participatory evaluation mechanism for consultation with communities at the local level and to design the evaluation framework. Indicators would be revised at this time as well, if needed. A midterm review would be carried out at the end of the fourth year for a full assessment of the model and any adjustments needed in project design.

## **D. Project Rationale**

### **1. Project alternatives considered and reasons for rejection:**

SEMARNAP has become increasingly aware of the need to complement a biodiversity conservation strategy based on the federal protected area system (SINAP) with sustainable management initiatives that recognize the strong conservation ethic of indigenous communities in specific regions of Mexico, such as the Zapoteco, Chinanteco, and Mixteco of Oaxaca, which combine indigenous production systems with cultural concern for preserving their resource base. A number of alternatives have been evaluated for this project and are summarized below:

An Adaptable Program Grant was considered as a way to address the need for phasing, but it was rejected because of the small size of the project and the additional transaction costs that would be entailed. Instead, a midterm review mechanism has been adopted which should achieve the same goal, providing an opportunity for taking stock of project performance and institutional arrangements after the fourth year of the project.

Another alternative considered was to focus initial conservation investments exclusively on community and *ejido* lands in the state of Oaxaca. This was rejected because centers of community conservation initiatives exist in both Michoacan and Guerrero, and because the restructuring of PROCYMAF offers a strong opportunity to complement PROCYMAF technical assistance with the project's conservation capacity-building initiatives.

The option to delay project preparation until the change of administration in 2001 was considered, but was rejected because of the momentum developed under the Block A/B process and the current phase of PROCYMAF. Also, while the federal administration will change in 2001, the state administrations will continue in place, as they are on a separate electoral cycle. Therefore, continuity of support is expected at the state level, which is a critical consideration, given the decentralized management framework proposed for the project.

**2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).**

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<b>Bank-financed</b>			
1. Decentralization – Institutional Development	1.1 Environmental Management and Decentralization Project (PROMAD)(PE-P036005)(under preparation) 1.2 Institutional Coordination For Regional Sustainable Development ESW(EW-P66935)		
2. Natural Resource Management	2.1 Rural Development in Marginal Areas (PE-P60908) 2.2 Community Forestry (Ln-4137 MX) (PROCYMAF)	S	S
3. Social Development	3.1 Indigenous Country Profiles (EW-P60278)	S	S
4. GEF – Biodiversity	4.1 Protected Areas Program (GE-P52209) 4.2 El Triunfo Biodiversity Conservation in Coffee Landscape MSP (GM-P60558) 4.3 Mesoamerican Barrier Reef (regional project, under preparation) (GE-60908) 4.4 Northern Border (Ln 3750-MX) 4.5 Land Conservation Mechanisms in Mexico (GM-65923)(Under preparation)	S	S



The conservation projects are complemented by sustainable use projects such as Biodiversity Conservation and Sustainable Use in Three Priority Regions (see below), the Mesoamerican Biological Corridor project (which will complement mainstreaming as well as conservation activities), and Conservation and Sustainable Use in the Biosphere Reserve of Sierra Gorda. These initiatives will contribute to identifying innovative and decentralized conservation and sustainable use mechanisms that can serve as models for long-term, replicable conservation, as well as promoting the integration of civil society in decentralized PA management, consistent with long-term government strategies.

#### (b) Project Level Coordination

The UNDP/GEF Biodiversity Conservation in 3 Priority Regions Project (PRODERS) focuses on the promotion of sustainable development in 3 high priority regions around natural protected areas (decreed or to be decreed under federal protection), to reduce the threats to conservation of biodiversity of global relevance. The 3 priority areas where the regional programs will be developed are: i) La Chinantla, Oaxaca; ii) Los Tuxtlas-Santa Marta, Veracruz (both sites are classified as Rain Forest (Bosques humedos de Tehuantepec) ecoregion); and iii) La Montana, Guerrero (classified as Tropical Subhumid (Bosque tropical subhumedo del Balsas) ecoregion type). The PRODERS project will support (a) Natural Resources assessment to develop conservation and sustainable use plans (NRM); (b) Training and organizational strengthening; (c) Pilot projects for the development/validation of biodiversity friendly productive practices; (d) Technical assistance to develop technology and markets for organic/biodiversity friendly certified products; (e) Conservation/restoration programs in coordination with the Natural Protected Areas management programs. The Project will work through a participatory process consisting of (i) Integration of Regional Councils by the producers sharing a common ecosystem and/or microregion; (ii) Community planning/assessment of natural resources, productive projects at local levels, organization, training; public services and infrastructure needs; and (iii) Representation of the Regional Councils within the State Planning Committees (Coplade), where the State and Federal officials manage public investment for works and services.

The UNDP/GEF PRODERS and proposed WB/GEF COINBIO projects, although operating in two common states (Oaxaca and Guerrero) are complementary, rather than duplicative. First, the geographic location of project areas has been carefully coordinated to avoid overlap of intervention sites. The PRODERS project sites are exclusively focused on tropical forests, while COINBIO activities have a heavy emphasis on temperate forest lands, ranging from montane pine-oak through to mesophilous forests. Secondly, the focus of project activities and project objectives are distinct: PRODERS is based on the thesis that the promotion of sustainable use and conservation of natural resources around natural protected areas of global relevance can be attained through the promotion of a participatory process, creating Regional Councils which enable the rural producers to organize, evaluate their resources and receive technical assistance to develop better NRM practices and secure a representation in the State planning bodies to re-orient and access the relevant programs in support of the sustainable development alternative of their own design. The principle is to develop local capacities to adopt sustainable use practices and reduce the pressure on highly threatened natural protected areas. In the case of the COINBIO project, the underlying assumption is that at least partially, the positive state of conservation of extensive areas of forest and mountain ecosystems in the states of Oaxaca, Guerrero and Michoacan, where PROCYMAF is working, can be explained through the land tenure/social organization structure of the indigenous and mestizo communities at three levels: a) the community institutions (Community Statute, Assembly, Customary Law) which determine a wiser, probably more conservative collective decision-making process, b) the planning instruments that allow a minimum of conflict on internal management of the natural resources owned collectively, and c) specific productive practices that involve a biodiversity-friendly management of the fauna, flora and soil in communal lands.

The PROCYMAF, PRODERS and COINBIO teams are working together to ensure common approaches to what should be considered sustainable use activities and to avoid duplication of preparation work on the feasibility of sustainable use activities, where they are applicable to both project areas.

### **3. Lessons learned and reflected in the project design:**

The recent lessons from the 1999 GEF portfolio review coincide well with the lessons learned in Mexico related to community-based conservation:

The first lesson is the need for full community involvement in all stages of project design, implementation and monitoring and evaluation. The Community Forestry Project, PROCYMAF, is in its third year of implementation and is proving that full community involvement is an effective strategy for improving natural resource management and conservation by communities and *ejidos*. The proposed COINBIO project is continuing this approach in both the preparation and implementation phases.

The second lesson is that conservation efforts need to be combined with activities aimed at meeting socio-economic needs. This is fully consistent with the project design approach of providing incentives for community-based conservation by complementing protection with sustainable use in adjacent landscapes.

The third lesson (from the GEF PIR FY99 report) is that effective biodiversity conservation requires flexible, long-term approaches that build in adaptive management based on feedback from experience. The project design reflects this lesson in two ways: (a) first, by targeting project activities to the organizational capacity of the communities concerned and selecting communities for conservation actions on the basis of their level of capacity and interest; and (b) second, by including progressive grant financing tailored to the long-term commitment and capacity of the communities and providing experience that enables more advanced communities and the state committees to capture matching resources from local and international conservation donors and from venture capital sources after the project ends.

The last lesson is the need to give attention to the broader political and socio-economic environment within which activities take place. This is consistent with PROCYMAF experience as to: (a) the value of choosing communities where incentives for natural resource management are embodied in cultural and social authority structures; and (b) the importance of tailoring the program to the individual state level, with strong ownership and implementation by the state authorities, rather than designing a federal program using a more generic approach. The proposed COINBIO project purposely builds on the traditional authority structures and *estatutos comunales* at the local level, and supports the reform framework established for the forestry and conservation sectors at the federal levels.

#### **4. Indications of borrower and recipient commitment and ownership:**

The project originated at the local level with a request for Block A grant financing to prepare a medium-size project proposal from the communities of the Sierra Juarez in Oaxaca state. SEMARNAP strongly supported the initiative, since it fits with the decentralized policy framework and the increased emphasis on community-based conservation in SEMARNAP and GoM's current strategies. Based on the positive response to the participatory preparation activities in Oaxaca, SEMARNAP subsequently proposed that the project concept be expanded to include other states and regions within the PROCYMAF project. This resulted in a PDF Block B request for a full size project, which was approved by the GEF Secretariat in June 1999.

As indicated above, there is strong support at the federal level for decentralization of conservation initiatives to the state and community level. Throughout the preparation process, the PROCYMAF project team has provided assistance in coordinating project preparation activities, workshops, and preparation logistics between states and at the federal level. The national GEF Focal Point (Ministry of Finance) has sent a letter endorsing the project and expressing its priority for GEF financing.

At the state government level, the Governors of Oaxaca, Michoacan and Guerrero have endorsed the importance of supporting conservation initiatives by communities with forestry resources, as well of expanding the scope of PROCYMAF technical assistance to their respective states.

The strongest support comes from the communities themselves. The Block A grant awardees in Oaxaca have made significant progress in identifying areas for conservation and potential alliances among communities in contiguous blocks of biodiversity. The decision to expand investment activities to more regions of Oaxaca and the more advanced regions of Michoacan and Guerrero was taken in response to the strong demand expressed by these communities in the planning workshops and consultation events supported under the PDF Block B.

#### **5. Value added of Bank and Global support in this project:**

The Bank has been involved for the past six years in community forestry and protected areas/biodiversity conservation in Mexico. PROCYMAF is the outcome of a long policy dialogue with the Government, beginning with an analysis of the difficulties encountered in *ejido* forestry in Chihuahua and Durango (under the earlier Mexico Forestry Project which concluded in 1993) and culminating in the discussion of the 1995 Resource Conservation and Forest Sector Review (Gray Cover Report No. 13114-ME). This proposed new project has drawn upon experiences gained in Mexico and elsewhere in the LAC Region and in other Bank-financed projects for community resource management and joint partnerships between government and local level institutions. For example, the Bank's Indigenous Peoples Initiative in LAC is building parallel experiences in Peru and Bolivia on community biodiversity conservation, which will generate valuable lessons in the future.

The GEF supports the conservation of globally significant ecosystems and local participation in the economic benefits from biodiversity conservation programs. GEF involvement in this project will enable the participating communities and states to draw upon GEF world-wide experience in complementary protection and sustainable use activities in biosphere reserve management, and in recently approved projects which support indigenous peoples' involvement in biodiversity conservation. GEF involvement has catalyzed federal support for locally-based conservation initiatives, which otherwise might not have received adequate operational and financial support. The proposed project is expected to provide models that can be disseminated and adapted for use elsewhere in Mexico and in other countries.

## **E. Summary Project Analysis** (Detailed assessments are in the project file, see Annex 8)

### **1. Economic (see Annex 4):**

- Cost benefit      NPV=US\$7.4 million; ERR = % (see Annex 4)
- Cost effectiveness
- Incremental Cost
- Other (specify)

An incremental cost analysis has been prepared and is attached as Annex 3.

### **2. Financial (see Annex 4 and Annex 5):**

NPV=US\$ million; FRR = % (see Annex 4)

(1) Project preparation includes studies of financial sustainability mechanisms for state protected areas and conservation activities, including conservation funds. These studies will help states identify viable models for such funds. GEF funds may be channeled through such mechanisms based on midterm evaluation recommendations.

(2) Other financial issues relate to the viability of biodiversity-friendly subproject enterprises and the cost-effectiveness of the community green venture capital funding (Component 2, Type D). Business plans would be developed for such activities prior to their funding under the project to help ensure that these subprojects are economically and financially sustainable. Technical notes on productive projects would be disseminated based on project experience within Mexico and outside the region. In order for communities to become eligible for Type D revolving fund investments, there must be evidence of a separate account and of community matching investment. For appraisal of this component, a number of green venture and community capital funds were evaluated and lessons applied to the design of Type D. The main rationale for this component is the learning opportunity, whereby committed communities would have a chance to establish such an account with project technical assistance and thereby gain experience to enable them to directly seek other sources of venture capital as well as to learn about the dynamics of markets for environmental products. (See Annex 15).

### **Fiscal Impact:**

SEMARNAP has evaluated the overall proposed GEF package and analyzed the fiscal impacts in terms of staff and counterpart expenditure, and has found that proposed expenditure levels are consistent with long-term programs planned for the sector. There is little new fiscal impact from the project in the short or long-term. The counterpart of the project consists of existing commitments under PROCYMAF (Ln. 4137-ME) and the PRODEFOR (which has GOM funds in the trust fund currently that have not yet been matched by the State) and which is a commitment to the State governments which remains effective across the change of administration. PRODEFOR is a program which substitutes for the earlier provision of government-hired extension agents to provide services to forest communities. Its equivalent is expected to exist regardless of whether PRODEFOR itself is still in existence at the end of the project. In addition, Oaxaca has already created a conservation fund with state, federal and other resources that will be a future source of financing to communities and ejidos that have strong proposals, while Michoacan and Guerrero are expected to establish similar funds during the life of the project.

### **3. Technical:**

The project would seek to document successful conservation strategies currently employed by communities and *ejidos* and to promote incentives for establishing and maintaining biodiversity corridors on private lands. Many of these strategies and methodologies are applicable not only within the areas where they are currently being practiced but in other areas facing similar situations and

circumstances. Therefore, the project seeks not only to provide external technical assistance to specific, participating communities, but also to facilitate the flow and exchange of information between communities and *ejidos*, helping them to share both successes and failures.

Some strategies and practices that were sustainable and successful in the past may no longer be so as a result of increasing pressure on the land. In this case, the project would provide technical assistance to help mitigate and revise unsustainable practices. The challenge will be to provide sustainable alternatives to existing unsustainable practices that also provide economic benefits.

Proposals will be evaluated by the state committee which include at least two representatives (NGO and SEMARNAP) with environmental assessment professional capacity. Where the activities to be financed are similar to those already financed by PROCYMAF and PRODEFOR, the standard TORs, which include environmental standards and criteria, will be applied in the evaluation of proposals. Otherwise, new TORs will be developed. During implementation, the coordinators are responsible for monitoring the technical soundness of the subprojects, and making recommended adjustments as needed in the standard TORs.

#### **4. Institutional:**

##### **4.1 Executing agencies:**

There are no outstanding issues regarding the executing agencies and implementation arrangements. One issue for review during the implementation of the project is the relative roles of the state versus federal conservation and forestry agencies, since the current policy framework in Mexico is one in which all regulatory functions in this sector rest with federal agencies. Should this policy framework change with decentralization, a stronger role of the state agencies would emerge in the project.

Another implementation issue is the long-term role of the communities in the state committees and project decision-making. The project is designed on the premise that, with capacity-building and training, communities with significant resources for conservation will begin to take the lead in coordination and planning of community-based conservation, and that project responsibilities will be increasingly led by communities. This needs monitoring during the implementation phase. The project also builds on the idea of regional networks of communities, established in PROCYMAF in Oaxaca, that meet as a block to exchange experiences, learn of development opportunities, and present their natural resource management needs to policy-makers. Nascent networks would be strengthened in Michoacan and Guerrero along the lines of this model.

##### **4.2 Project management:**

Project operational manuals will provide: (a) detailed terms of reference for implementing agencies and project coordinators, (b) M&E studies and plans, (c) standard contracts for community subprojects where applicable, (d) criteria for selection of participating communities and project activities, (e) financial and performance reporting and record-keeping, (f) environmental standards applicable to all conservation investments and pilot projects, and (g) rosters of eligible service-providers. The manual has been drafted and will be discussed during negotiations, with final refinements possible until project effectiveness. The roster of eligible service-providers would be developed by the committees in each state prior to requesting proposals for financing. PROCYMAF documents will initially be used as a baseline for terms of reference and service-provider rosters, and modified as necessary.

#### 4.3 Procurement issues:

The bulk of funds would be executed by the beneficiary communities and contracts are expected to be very small; thus, procurement methods identified are simple and there are no particular issues to be addressed. A detailed Procurement Assessment and Action Plan are provided in Annex 6.

#### 4.4 Financial management issues:

GEF funds would be disbursed through a private financial administrator, NAFIN. The criteria used to select the financial administrator to manage GEF funds were:

- Transparency and reputation of the institution's structure
- Quality of the physical and human infrastructure
- Quality of the internal administrative and accounting system
- Ability to produce financial and technical reports acceptable to the World Bank
- Regional presence in the three states
- Experience with similar types of responsibilities with international agencies
- Positive experience with indigenous communities
- Interest in entering as a partner in the project
- Amount of resources managed

The functions of the financial administrator in the project include:

- Administer the GEF resources and release funds upon instruction of coordinating committees;
- Generate the reports and information databases required by the World Bank, providing information on an as requested basis to the World Bank;
- Audit the use of the funds, using World Bank norms;
- Train the national and state-level administrators in the coordination units;
- Transfer lessons of experience to the coordinators and their clients as appropriate;
- Maintain information regarding the subgrants;
- Supervise the work of the coordinators and accountants;
- Assure that the Operational Manual is being applied;
- Promote and strengthen community initiatives to manage community conservation funds;
- Provide a legal authority to the state level coordination units to approve grants, transfer funds, and procure goods and services needed by the coordination units for carrying out their duties.

The financial administrator would provide an accounting and administrative home to the project and act as Recipient of the GEF grant for purposes of the grant legal agreement. Either through the agreement with the financial administrator or as a separate means of support to the State Committees, specialists would be contracted to train the coordination units in financial management and administration and transfer expertise regarding foundation grant-making requirements and procedures.

## 5. Environmental:

### Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

In preparing the EA (Annex 13), information, maps and data available from previous assessments conducted for the PROCYMAF project were analyzed. TORs were prepared for the consultant responsible for developing the set of criteria to be used for identifying project sites in the three states. Secondary statistical and biological information was collected from CONABIO to complement data collected in the

site identification study. This information was analyzed in conjunction with data generated through the social assessment for this project in order to produce a set of socio-economic information about potential project sites that overlapped with biological data developed during the environmental assessment. This data was used to identify priority sites for project implementation. Standard TORs from PROCYMAF that can be used when appropriate, already include environmental assessment criteria for most types of activities, and there is a procedure that was followed with pilot non-timber forest product projects for environmental assessment and monitoring. The project structure would follow established SEMARNAP (PROFEPA-environmental controller) and PROCYMAF procedures in that regard.

#### 5.2 What are the main features of the EMP and are they adequate?

N/A

#### 5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: April 28, 2000

#### 5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

Participatory mechanisms for stakeholder consultation were adapted from those developed for PROCYMAF, including regional consultative forums with indigenous communities and organizations and consultation workshops held as part of the studies conducted with project preparation funding. Environmental criteria were crossed with socio-economic criteria to ensure both measures were taken into account.

#### 5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

The project is expected to have an overall positive impact on the biodiversity and environment and there are no major environmental risks. Therefore it has been given a rating of "B". There are no negative impacts expected from the sustainable use and forest conservation activities included in the project, and the selection of subprojects will be based on the existence of adequate feasibility studies and will require monitoring of subproject impacts and outcomes. As in the case of PROCYMAF, the strategy is to provide communities with the needed information to understand the environmental and biodiversity values found in their resource base and to support training in the use of environmental standards applied by the SEMARNAP regulatory bodies for evaluating sustainability of forest and landscape use.

Project preparation has included examination of the norms and standards that should be applied in the case of sustainable use in the areas around conservation areas, and the off-take levels that can be applied to conservation areas with multiple use status for hunting, medicinal plant collection, mushroom collection, or related activities. In the case of ex-situ cultivation or reproduction of species which are included in Mexican norms or the Biodiversity Convention as threatened or endangered, the project would follow the standards developed in PROCYMAF for non-timber forest product enterprises in which ex-situ reproduction would rely upon stock obtained from captivity, not from natural areas.

Project-supported natural resource uses would be chosen and monitored carefully to avoid over-harvesting or other environmental risks. Specific protocols will be developed with inputs from knowledge specialists and project experience will be compiled in an interactive Integrated Information System, known as SII. In addition, 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 committees reviewing the proposals will contain environmental specialists (NGO and SEMARNAP) who will review the proposals for environmental criteria and there are standard TORs for many of the optional proposals. In principle, as this is a private/corporate land management project, the incentive will not be normative EAs, but information dissemination to communities who wish to be "certified" over the long-term for their biodiversity sound management. Some of the communities in the project area have their Smartwood certification consistent with Forestry Stewardship Council certification practices, and this information will be available to other participating communities.

## **6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

With respect to the Bank's Indigenous Peoples' Policy, O.D. 4.20, the entire project is regarded as an Indigenous Peoples Development Plan since the majority of the project beneficiaries (80%) are indigenous peoples. There have been extensive social assessments carried out in the three states as part of the preparation of (i) PROCYMAF, (ii) the 1995 Resource Conservation and Forestry Development Sector Review, (iii) preparation of the restructured PROCYMAF (for which there is a PHRD grant), (iv) the indigenous peoples country profiles underway in Michoacan and Guerrero, and (v) the PDF Block A/B social assessment for this project. A list of communities and *ejidos* in each priority biodiversity area has been developed for all three states. This categorizes the communities by organizational sophistication, technical skills and experience in forestry and conservation, and whether they have a government-approved forest management plan. Criteria used to identify eligibility were: (a) high priority biodiversity areas of sufficient size within community boundaries; (b) organizational capacity for conservation activities; (c) communal statutes or interest in establishing communal statutes for conservation purposes; (d) on-going projects or programs of communities for sustainable use or conservation activities; (e) community experience with alternative livelihood activities that contribute to sustainable resource use; and (f) participation in networks of communities for resource management purposes.

(See Annex 11 for further information on the social assessment/participation strategy).

The following table references the ways in which the overall project design incorporates the elements of a formal IPDP.

<b>Element of the Strategy</b>	<b>Action</b>	<b>Reference in the PAD</b>
Legal Framework (i) legal status; (ii) access to legal system; (iii) natural resource rights	<p>Project based on community and ejido rights to resources and use of communal statutes for exerting control. New Forestry Law passed in 1986 and revised in 1992 provides the legal framework for indigenous community and ejido management of forests, based on a Forest Management Plan requiring government approval.</p> <p><u>Constitution</u>            Article 4: The Mexican nation has a multicultural composition based on its original inhabitants. The law protects the development of indigenous languages, cultures, customs, resources and specific forms of social organization, and will guarantee its citizens effective access to the state jurisdiction. Legal decisions and agrarian related processes that are part of their special practices and legal norms will be taken into account in terms established by the law.</p> <p>Article 27, section VII, para 2: The law protects the integrity of indigenous lands.</p>	Sector issues section (B.2) and Social Assessment (Annex 12).
Baseline data	Social assessment includes detailed land tenure, physical location, relation to resource base, and social data.	Social summary (above) and Social Assessment (Annex 11).
Land Tenure	Supports existing traditional land tenure embodied in the Agrarian Law, whereby the National Property Registry (RAN) legally registers customary statutes including land use allocation and set-asides.	Annex 11 and project description
Strategy for Local Participation	Project is demand-driven by communities and was developed based on the participatory preparation activities funded by GEF grants and the extensive community participation in workshops and consultations. State and national committees responsible for implementing project and decision-making regarding community subprojects are made up of representatives of participating communities. Funds will flow directly to decentralized state committees.	Institutional arrangements (C.4); borrower commitment (D.4); participatory approach (E.6.2)

Technical Identification of Development Actions	Subprojects identified by communities through project preparation. Preparation included analysis of traditional land use and agricultural practices, indigenous knowledge of resource use, and adaptations of traditional systems by target beneficiaries. The Monitoring and Evaluation system includes participatory monitoring indicators that will be measured with beneficiary involvement during implementation.	Background (B); project description (C); Eligibility Criteria for Subprojects (Annex 12).
Institutional Capacity	Capacity assessment done of financial administrator and communities themselves; local capacity building in project's training/support activities.	Project description (C); Social Assessment (Annex 11); Institutional Arrangements (Annex 14).
Implementation Schedule	Committees (which include community representatives) have flexibility to plan schedule.	
Monitoring and Evaluation	Communities will be trained in the use and maintenance of biological monitoring data linked to SII. Participatory self evaluations built into project M&E.	Project description (C); Annex 2, component 3.
Cost Estimates and Financing Plan	Financing of the subprojects relate to the institutional capacity (typology) of communities and are under the decision-making responsibility of of the state committees.	Logframe (Annex 1); procurement (Annex 6); Eligibility Criteria for Subprojects (Annex 12).

## 6.2 Participatory Approach: How are key stakeholders participating in the project?

This is a participatory project in which indigenous communities and *ejidos* are among the implementing organizations and the main beneficiaries. There are mainly indigenous populations who are the target of the project, including Purepechas, Mixtecos, Zapotecos, Chatinos, Chinantecos, Nahuatl, and Mazatecos. A number of communities participate in second and third-tier indigenous organizations linked to forestry resource management or marketing and policy interests, (e.g. San Juan Nuevo in Michoacan which is a lead community for training of other communities in the southwestern region of Mexico; Ixtlan, Uzachi, and Pueblos Mancomunados in Oaxaca, all of whom participate in regional fora and in horizontal training). These have been consulted and will continue to be consulted during preparation, and some of these include leader communities that will have additional responsibilities during implementation.

## 6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

There are a variety of other stakeholders concerned with conservation in the area of the project. These include: communities organizations in Guerrero, environmental NGOs, such as WWF-Oaxaca, PAIR, SERBO in Oaxaca, academic NGOs involved in ecological and biodiversity studies, such as the Center of Ecology of the Autonomous University of Mexico and Michoacan and the Oaxaca Forestry school, the state environment and protected areas authorities in each state, and a variety of forest product buyers from the private sector, both Mexican-based and exporters.

## 6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

The entire project is structured around the ongoing participation and monitoring by the project beneficiaries themselves, through state and national level coordinating committees, ongoing evaluations and local-level decision making for sub-projects by participating communities and *ejidos*. There is a check and balance in the composition of the committees, the national level and state level.

## 6.5 How will the project monitor performance in terms of social development outcomes?

Social risks are recognized in project design, and will be addressed through the participatory and demand-driven structure of the project, along with the targeting of activities according to the capacity of each participating community or *ejido*. To date, identified social risks have not been problematic in PROCYMAF. No involuntary resettlement is expected under this project.

## 7. Safeguard Policies:

7.1 Do any of the following safeguard policies apply to the project?

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural habitats (OP 4.04, BP 4.04, GP 4.04)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OD 4.30)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

The project design has been developed in compliance with the applicable safeguard policies, so no additional mechanisms will be necessary.

## F. Sustainability and Risks

### 1. Sustainability:

The project is based upon community-driven approaches to biodiversity conservation that would be sustainable over time because it implements demand-driven activities and participating communities are self-selecting. The project also is based on experience that training and capacity building has more long-term impacts when the communities themselves are the catalysts to transfer knowledge and skills. Leader communities will play a training role which can be sustained after project completion.

The project will test a number of institutional mechanisms for ensuring sustainability of the conservation areas and clusters of contiguous areas, and also mechanisms to generate funds for conservation activities through the sustainable use of biodiversity. The communal statutes are legal documents when recorded in the National Property Registry (RAN) in accordance with Agrarian Law and the current National Constitution. State law in Oaxaca also endorses the customary uses and practices of communities as embodied in the communal statutes.

The sustainable use component will implement subprojects that can be certified for green marketing purposes, thereby increasing the economic return and market scope of these activities for communities. The diversification of sustainable use activities and strengthening of management planning should provide access of communities to donor and foundation resources for conservation, as well as provide long-term economic incentives to communities to preserve their resource and biodiversity values, thereby promoting their continued investment in this conservation. Financial sustainability of community conservation should be reasonable, since much of the investment required is in the form of community labor, not cash, and this is input is consistent with long-standing, traditional indigenous systems of labor exchange for community maintenance.

The project includes two mechanisms to guarantee the institutional and financial sustainability of the

community conservation initiatives. First it is expected that the state level committees and their coordinating units will develop the capacity to be converted to civil associations or non-governmental organizations by the end of the project. Technical assistance has been built in to the terms of reference of the financial agent so that coordination units can develop this capacity. Second, the grant reimbursement modality included in the community investments component enables communities to endow permanent conservation funds. The Oaxaca fund has been created and similar funds are expected to be established in Michoacan and Guerrero during the life of the project, which would channel state and federal funds to conservation activities as well as build the financial credibility of communities for relations with national and international donors involved in green funds and conservation issues both within and outside of Mexico, thereby promoting long-term sustainability. Ongoing financing is not expected to be a difficulty as long as communities have the capacity to present viable proposals.

**2. Critical Risks** (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

<b>Risk</b>	<b>Risk Rating</b>	<b>Risk Mitigation Measure</b>
<p><b>From Outputs to Objective</b></p> <p>Lack of adequate control measures for verifying compliance with natural resource norms in indigenous communities.</p> <p>Lack of participation from communities and government in natural resource management.</p> <p>Lack of financial resources to initiate regional participatory planning and development.</p> <p>Economy continues to create incentives to convert forest to other land uses.</p> <p>Government programs in other sectors promote activities incompatible w/ project goals (eg roads, energy, etc.</p> <p>Government provides inadequate budget resources for the project</p> <p>Lack of adequate level of community organization to sustain conservation activities and inter-organizational processes</p>	<p>M</p> <p>M</p> <p>M</p> <p>M</p> <p>M</p> <p>M</p> <p>M</p>	<p>Use participatory methods for identifying appropriate and operational measures for compliance with natural resource norms.</p> <p>Regular stakeholder reviewer meetings as well as the need to assume ownership of project in order to begin implementation.</p> <p>Adequate allocation of funds to allow for regional participatory planning and development.</p> <p>Ensure that adequate economic information is available in the context of long-term community viability.</p> <p>Steering committee members at state and federal level transmit concerns on development plans and policies to GOM</p> <p>SEMARNAP and state governments confirm Ministry of Finance agreement with planned categories of expenditure.</p> <p>Targeting of communities will include clear criteria on organizational level and training will be targeted to organizational capacity-building.</p>
<p><b>From Components to Outputs</b></p> <p>Lack of grassroots promoters with experience in teaching and elaborating conservation plans.</p> <p>Lack of systematization of communities' experiences as well as lack of a dissemination strategy.</p> <p>Many communities have not yet developed By-laws for Community Natural Protected Areas.</p> <p>Lack of mechanisms for coordination between national and state governments and indigenous communities for elaborating management plans.</p> <p>Technologies for biodiversity friendly activities are not effective or do not provide a sufficient economic incentive to community members.</p>	<p>M</p> <p>M</p> <p>S</p> <p>S</p> <p>M</p>	<p>Utilize promoters from the Community Forestry Project to work with and train other promoters.</p> <p>Make project funds and resources available to document indigenous communities' experiences with NR management.</p> <p>Technical assistance will be provided to foster the development of community by-laws.</p> <p>Provide funds to facilitate coordination between regional governments and indigenous communities; create multi-state steering committee.</p> <p>Disseminate through project viable models of communities whose practices are exemplary of sustainable natural resource use.</p>

Lack of economic resources and willingness to share information.	M	Provide ample resources and promote cooperative exchange of information.
<b>Overall Risk Rating</b>	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

### 3. Possible Controversial Aspects:

## G. Main Conditions

### 1. Effectiveness Conditions

- 1) Project Implementation Plan (PIP) is accepted, including the following:
- Standard Terms of Reference (TORs) for the main activities to be financed under the subprojects;
  - Eligible participating communities and criteria to qualify as private service providers/NGOs;
  - Agreed financing percentage for the granting of subprojects;
  - TORs of the coordination unit staff positions (Coordinator and Accountant Administrators).

- 2) National Coordinator and National Administrator hired.

### 2. Other [classify according to covenant types used in the Legal Agreements.]

Persistence of legal framework for communal statutes determining land use zoning in communities and ejidos;

Complementary financing continues to be available in PRODEFOR and PROCYMAF for the respective implementation periods of these programs;

Due diligence by GOM, including assumption of responsibility for taxes incurred under the project;

Financial and performance monitoring and reporting, including audits and periodic progress and evaluation reports;

SEMARNAP participates in the national and state-level committees.

## H. Readiness for Implementation

- 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
- 1. b) Not applicable.
- 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- 4. The following items are lacking and are discussed under loan conditions (Section G):

## I. Compliance with Bank Policies

- 1. This project complies with all applicable Bank policies.
- 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

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Augusta Molnar  
**Team Leader**

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John Redwood  
**Sector Manager**

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Olivier Lafourcade  
**Country Manager**

## Annex 1: Project Design Summary

### MEXICO: Indigenous and Community Biodiversity Conservation Project

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Sector-related CAS Goal:</b> Sustainable natural resource management.</p> <p>Poverty alleviation.</p>	<p><b>Sector Indicators:</b> Land and other natural resources to balance conservation, economic needs and development. Increased income in marginal rural areas.</p>	<p><b>Sector/ country reports:</b> Evaluation reports.</p> <p>Baseline and socio-economic studies.</p>	<p><b>(from Goal to Bank Mission)</b> Stability of government natural resource management policies.</p> <p>Adequate targeting to local population and ejidos.</p>
<p><b>GEF Operational Program:</b> Support to protect montane ecosystems and forest ecosystems at the three levels of ecosystems, species, and genes.</p>	<p>Establishment of conservation areas (both areas of strict protection and sustainable use) of significant parts of the Mexican forest ecosystems in communities in three states.</p>	<p>Random samples of areas under conservation; project monitoring reports on areas established; self-evaluation by eligible communities.</p>	<p>Major perverse incentives do not exist outside the sector to induce communities to change land use despite the program.</p>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Global Objective:</b></p> <p>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.</p>	<p><b>Outcome / Impact Indicators:</b></p> <ol style="list-style-type: none"> <li>150,000 hectares under community conservation in different ecozones in the project area, and 150,000 hectares of complementary area under sustainable use.</li> <li>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.</li> <li>Number of incipient communities (Category 1 and 2) with increased capacity and willingness to engage in conservation activities.</li> <li>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.</li> <li>Positive market for sustainable use products generated and income increased in communities in high biodiversity areas without environmental loss.</li> </ol>	<p><b>Project reports:</b></p> <ol style="list-style-type: none"> <li>Analysis of forest cover in aerial maps and satellite imagery.</li> <li>Analysis of forest cover in aerial maps and satellite imagery.</li> <li>Project monitoring reports, community registries, evaluation workshops.</li> <li>Project monitoring reports and consultations with state and federal government.</li> <li>Project implementation monitoring and socio-economic study compared to baseline.</li> </ol> <p>Registry of community reserves.</p> <p>Registry of community reserves.</p> <p>Dissemination of technical notes on cost-benefit of productive projects.</p>	<p><b>(from Objective to Goal)</b></p> <ol style="list-style-type: none"> <li>Communities interested in conservation.</li> <li>Communities interested in setting aside significant areas for conservation purposes.</li> <li>Installed organizational capacity of communities is transferable to other communities.</li> <li>Government commitment to strategy over two federal administrations and at state level.</li> <li>Markets for sustainable use products are favorable.</li> </ol> <p>Communal statutes are respected by government.</p> <p>No environmental disasters strike project area.</p> <p>Communities interested in engaging in conservation activities.</p>

Hierarchy of Objectives	Key Performance Indicators	Monitoring & Evaluation	Critical Assumptions
<p><b>Output from each Component:</b></p> <p>(1) Community-driven framework developed in each state to channel conservation resources to participating communities.</p> <p>(2) Matching investments in land use planning and organizational development, followed by investments in community conservation areas and adjoining landscapes.</p> <p>(3) Studies and information base generated to measure biodiversity protected, community capacity and viability of government/NGO/community coordination structure.</p> <p>(4) Institutionalization of community models and legal framework at national level</p>	<p><b>Output Indicators:</b></p> <p>(1.1) Community-driven committees trained and operating in three states and transferring knowledge and resources to communities.</p> <p>(2.1) Land use plans developed in 300 communities.</p> <p>(2.2) 150 incipient communities develop conservation skills through capacity-building initiatives led by more advanced communities.</p> <p>(2.3) 70 community conservation areas demarcated and put under improved protection.</p> <p>(2.4) Establishment of sustainable practices and green ventures in 150,000 hectares of complementary lands.</p> <p>(3) Implementation of SII with internet and local connections and access of information at community level.</p> <p>(4) National oversight operational and legal and community model frameworks incorporated into national strategy.</p>	<p><b>Project reports:</b></p> <p>Archives and minutes prepared by participating institutions; monitoring reports.</p> <p>Economic and biological evaluation reports; participatory evaluation.</p> <p>Formal minutes of the Community or Ejido Assembly.</p> <p>Registry of community reserves.</p> <p>Formal minutes of national committee; evaluation reports.</p> <p>Evaluation workshops and project monitoring.</p> <p>Registry of areas in the Integrated Information System (IIS) and National Registry.</p>	<p><b>(from Outputs to Objective)</b></p> <p>Community and Government participation in natural resource management.</p> <p>Adequate control measures for verifying compliance of natural resource use norms in communities.</p> <p>Communities overcome conflicts to form alliances.</p> <p>Training is adequate to promote independent operation.</p> <p>Technologies are appropriate to produce economically attractive activities and markets are favorable to activities.</p> <p>Government supports program through administrative transition.</p> <p>Companion programs (PROCYMAF and PRODEFOR) provide complementary financing.</p>

<b>Project Components / Sub-components:</b>	<b>Inputs: (budget for each component)</b>	<b>Project reports:</b>	<b>(from Components to Outputs)</b>
(1) Local Capacity Building	US \$2.7 Million	Financial and audit reports; National Registry; community statutes.	
(2) Community Conservation and Sustainable Use Subprojects a) Land Use Planning for the Establishment of Biodiversity Conservation Areas b) Training and Capacity Building c) Community Investments for Conservation Areas and Sustainable Use d) Community Green Capital Funds	(US \$12.9 Million): a) US\$4.8 Million b) US\$1.7 Million c) US\$4.6 Million d) US\$1.8 Million	Monitoring reports; self-evaluation; participatory M&E reports from participating communities; economic and biological evaluation reports; audits of community funds; field evaluation of community conservation areas.	
(3) Biological Monitoring and Evaluation	US\$1.5 Million	Internet access accounts; project and field monitoring reports; self-evaluation.	
(4) National Coordination	US\$1.60 Million	Financial and audit reports.	

## **Annex 2: Detailed Project Description**

### **MEXICO: Indigenous and Community Biodiversity Conservation Project**

#### **By Component:**

**Project Component 1 - US\$2.70 million**  
**- GEF \$1.70 million**

#### Local Capacity Building

To facilitate coordination within and between participating communities, committees would be established in each state, comprising government, NGO and community representatives. (Three community or ejido representatives from the participating sub-regions, a representative of the SEMARNAP state delegation, and representatives of environmental NGOs or academic institutions would constitute each State Committee.) The State Committees would be responsible for decision-making and oversight of state-level activities, including the selection of conservation areas to be supported and the activities to be financed in each state. Each Committee would develop its own set of guidelines defining the criteria to be used when deciding which community proposals to fund. Each State Committee would also select a State Coordinator and Administrator to support their task of eliciting, reviewing, selecting and evaluating community and ejido project proposals. Each Coordinator would promote the project in the state, elicit and review proposals before submitting them to the Committee, oversee monitoring and evaluation and financial reporting, and prepare the state annual budget proposal and the quarterly reports to be submitted to the National Coordinator (see Component 4). Over time, the State Committees would be expected to evolve as independent entities capable of sustaining conservation activities in the state beyond the life of the project, and 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. During the project, the State committees and coordination units would be established as civil associations at state level to provide them legitimacy for the channelling of resources, although channeling of funds will be on the basis of NAFIN's authority, as financial administrator.

This component would also finance the costs of the Project Coordinating Units, which would transfer knowledge and experience during project implementation both to participating communities and to the State Committees on fund-raising, investment practices and grant management. Activities to be financed under this component would include salaries of coordinating unit staff, funds for technical assistance to communities and ejidos, training of the coordinating unit in financial and technical monitoring, operational expenses, and costs of regional and consultation meetings.

**Project Component 2 - US\$12.90 million**  
**- GEF \$4.58 million**

#### Community Conservation and Sustainable Use Sub-projects

The project 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 (see Annex 12). Incipient communities with interest in conservation activities but limited organizational skills and insufficient experience with conservation investment (Category 1) would be eligible for grants to help finance land use planning, community conservation action plans, diagnostic studies and inventories, and training

events that build their capacity for conservation. The more advanced and experienced communities (Categories 2-4) would be eligible for grants to help finance activities that assist them to actively manage and protect areas designated for conservation, including fire control, demarcation, delimitation, or restoration, and activities that promote sustainable use in adjacent resource areas which generates income while reducing pressure on conservation areas. As a member of the state committees and in its role as enforcer of the 1997 Forest Law, SEMARNAP would ensure that environmental standards are 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. There are four types of activities (Types A-D) which would be 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. Grant amounts for these activities would range in size from \$5,000 to \$15,000, and counterpart contribution would be at least 10% of total costs, presented as in kind contributions of local labor, travel, participation in workshops and evaluations, and community meetings. For pine-oak forest areas, PROCYMAF would be the lead financier, while GEF funds would be targeted to all other forest types. While all communities (Categories 1-4) would be eligible for Type A grants, Category 3 and 4 communities would not require Type A assistance before proceeding to Type C and D activities.

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 necessary for communities to develop the information base and institutional framework to establish conservation areas. Type B activities include capacity-building for conservation activities, including training for communities provided by third parties and by more advanced communities to less advanced ones, and strengthening of community networks. Proposals can be made by individual communities or networks of communities, with grants in the order of \$2,000 to \$8,000 per community with a matching contribution of at least 20%. For pine-oak forest areas, PROCYMAF would be the lead financier, while GEF funds would be targeted to all other forest types. While all communities (Categories 1-4) would be eligible for Type B grants, Category 3 and 4 communities would not require Type B assistance before proceeding to Type C and D 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) for productive activities that generate sustainable alternatives for communities. The potential scope of activities could include forest certification studies, market studies, seed capital for eco-tourism projects, water bottling plants, nature paths, guide training, mushroom cultivation, resin collection, carbon

sequestration and other non-timber forest product enterprises. Investments for protection could include guard towers, identification markers, fencing, fire control mechanisms and rehabilitation of forest fringes. All Type C proposals would be based on a matching formula to apply the incremental cost principle, with a community counterpart of at least 25% for sustainable use projects and at least 20% for conservation activities, and would range in size from \$15,000 to \$20,000. PROCYMAF would be the lead financier for pilot scale non-timber forest product based investments and both PROCYMAF and PRODEFOR for technical assistance/study components of these investments in eligible forest types. Only Category 3 and 4 communities are eligible to participate in Type C activities.

Type D: Community Green Venture Funds (Total: \$1.8 million; GEF: \$0.63 million)

Category 4 communities that have 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 would become 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). Under this latter modality, communities that are ready to create a permanent fund for continued financing of sustainable use activities and conservation areas would be eligible for a larger size grant and would agree to reimburse both the amount of the grant and their own matching investment into a community account specifically established for conservation investments. This financing modality would be accessed on a voluntary, self-selecting basis, and would be targeted to the more advanced communities (Category 4) which have reached a point of recognizing the value of long-term conservation initiatives and are willing and able to dedicate resources to this purpose. The scheme would provide a learning experience to the community which should make them eligible for future support from other local and international conservation donors or from green venture capital sources. The size of this grant is expected to be between \$20,000 and \$30,000, with at least an equivalent amount of community counterpart. Only GEF funding would be channeled to this component. Specific technical assistance would also be provided to those communities that agree to establish permanent revolving funds for conservation-related investments to help them establish the rules of such funds and transfer best practices on accounting and management practices.

The background study completed under the Block B will establish the basic database for setting priorities and refining high priority areas selected for conservation. This information will be placed in the database established under the Biological Monitoring and Evaluation component (Component 3). Communities will draw upon this basic information for the preparation of management plans and complement this with additional operational information and community consensus-building consultations to identify areas to be set aside for complementary land-use. To the extent that there is interest, management plans for specific conservation areas in particular communities would take into account similar initiatives in adjacent communities within the same region.

The basic principles to be used in the identification of areas and elaboration of management plans would be a highly participatory process analyzing potential areas on the basis of both socio-economic and biophysical data and taking a landscape/land-use approach to conservation and sustainable use. WWF is involved in a complementary set of studies identifying priority pine-oak, cloud forest, and tropical dry forests along the entire Pacific coast of Mexico to help GoM address the issue of current under-representation of this ecological zone in conservation areas. WWF and the communities participating in the Block A have developed solid models for participation of community members in the identification of potential conservation areas and possible land use practices. These would be used in

addition to the data generated by the Block B study to inform management plans, complement the predictive data base, and help to identify priority areas and clusters of areas both within the project zone and in areas for future replication.

In communities in which areas for conservation have been identified, this component would finance activities for the establishment and delimitation of permanent conservation areas, including preparation of by-laws or communal statutes (where appropriate). Depending on the number of proposals submitted for financing, selection criteria would include the respective financial needs of the communities to balance investment between more and less active communities. More active communities are expected to contribute a greater portion of the total investment costs and to provide more of their own technical assistance from professionals residing in their own communities.

Some activities financed by this component include capacity-building for conservation activities and training for communities and community networks. This includes training for the development of community-based human resources, such as legal, financial, technical, administrative, institutional and entrepreneurial capacity. Some training activities would be directly contracted and developed by the state and regional coordinating committees and delivered by universities, NGOs, and other non-governmental or governmental institutions. However, the bulk of the training activities will be designed and implemented by the communities themselves in order to promote stronger community organization for natural resource decision-making. In such cases, the communities would present the activities as subproject proposals.

Another aspect of training would consist of activities to foster alliances and networks among participating communities and to disseminate experiences and lessons learned throughout the project area. This would include study tours within Mexico. This includes studies and applied research to promote the creation of clusters of conservation areas in contiguous lands of various communities.

Adaptation of traditional agricultural practices would be promoted where fitting eligibility criteria, fostering systems that provide alternatives to current slash and burn rotational agriculture practices. Sustainable hunting would also be promoted, so that communities can integrate harvesting of subsistence plant and animal products with landscape management and conservation. The feasibility studies of sustainable use projects would address the impact of harvesting and off-take activities on the resource base and biodiversity, and would include activities to monitor biodiversity trends.

This component would also support development of the legal and institutional framework for environmental services produced on community lands, such as water and carbon sequestration; this could include feasibility studies for particular communities. The component would expand on some of the current certification initiatives underway through NGO or donor support complementing such initiatives in the planned private lands GEF (MSP).

**Project Component 3 - US\$ 1.50 million**  
**- GEF \$0.42 million**

#### Biological Monitoring and Evaluation

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 aspect of this component would be generating the information to assess viability of the biodiversity conservation areas being established and to monitor biodiversity changes over time. To accomplish this, an Integrated Information System (SII) would be established - an interactive and dynamic geo-referenced data base that will include information about biodiversity in the priority areas, predicted species distribution, relationship of biodiversity within clusters of community areas, and movement of species among areas. This would be overlaid with the socio-economic information which provides the criteria for selection of eligible communities. The database would be made accessible to communities, particularly leader communities, so that the information can be added to by community members and so that communities can make increasingly independent decisions about conservation choices. The SII would also be linked to the National Forestry Information System (SNIF) that has been established by SEMARNAP under the PROCYMAF project. In addition, 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.

**Project Component 4 - US\$1.60 million  
- GEF \$0.80 million**

National Coordination

To ensure that activities in the three states are linked, a National Committee would be established for the project as a whole, with representatives of the three state-level committees, PROCYMAF (SEMARNAP), the National Council for Natural Protected Areas (CONANP), the National Biodiversity Institute (CONABIO), the National Forestry Advisory Group (CONAF). Non-voting invitees to committee meetings would include state coordinators, PROCYMAF, PRODEFOR, the financial agent, environmental NGOs, and academic institutions. The National Committee would be in charge of selecting, supervising and evaluating a national coordinator and a financial administrator who would be responsible for overseeing the project as a whole, coordinating activities in the three states, and reporting to the World Bank and GOM.

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 GEF implementing agency.

For evaluating project design, two in-depth reviews would be carried out, one in the second year and one in the fourth year, to look at the appropriateness of project implementation arrangements and design including: (a) project scope; (b) selection criteria for communities, particularly to ensure that communities most in need of resources are selected if there is over demand for project funds; (c) responsibilities of the state and regional committees and role of communities in project decision-making; and (d) viability of biodiversity clusters and alliances across communities.

NAFIN would be responsible for compiling information collected at the state level, providing monitoring and evaluation reports, coordinating studies requested by the National Committee and supervising mid-term reviews and periodic performance evaluations.

Participatory evaluation studies would be designed and carried out to document social organizational processes. It is expected that lead communities will take a significant role in participatory monitoring and evaluation, maintaining monitoring information for communities in their region and helping

to identify indicators for measuring performance and impacts.

Lastly, this component would also include activities to document the lessons from the project and to disseminate the experience to other parts of Mexico and the Latin American region, allowing cross-fertilization of experiences with innovative programs elsewhere in Latin America (e.g., Argentina, Peru, Bolivia, Brazil, Central America, Colombia, etc.) Some activities would be in the form of dissemination notes and study tours involving participating communities outside of Mexico to foster exchanges on community conservation-based experiences.

**Table 1. Activities to be Financed**

	COINBIO		PROCYMAF		PRODEFOR	
	Pine-Oak	Other Forests	Pine-Oak	Other Forests	Pine-Oak	Other Forests
<b>Type A</b>						
ERPs		x	x			
Workshops		x	x			
Land use plans		x	x			
Inventories		x	x		x	x
Areas set aside	x	x	x		x	x
Delimitation of areas	x	x	x			
Resource management plans			x		x	x
Conservation plans			x		x	x
TA to develop community statutes		x	x			
<b>Type B</b>						
Training			x	x	x	x
Community to community seminars			x	x		
Study tours			x	x		
Creation of networks			x	x		
<b>Type C</b>						
Sustainable-use projects	x	x	x	x		
Eco-tourism	x	x	x	x		
Fire control investment projects	x	x			x	x
Certification studies		x	x			
Business plans		x	x			
Eco-tourism feasibility studies		x	x			
Market research		x	x			
Development of carbon sequestration deals		x	x			
Start-up capital	x	x	x	x		
Investments for non-timber forest enterprises						
<b>Type D</b>						
Community trust funds to finance conservation and sustainable use activities		x				

**Annex 3: Estimated Project Costs**  
**MEXICO: Indigenous and Community Biodiversity Conservation Project**

**Table 1. Detailed Project Costs**

<b>Component</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Total</b>
<b>1. Local Capacity Building</b>			
Implementation Units			
State Coordination Units	Staff per yr/state	50,000	1,000,000
Procedures Manual	Consultancy	10,000	40,000
Software/Vehicle	Equipment	22,000	66,000
Operational Costs	Year	22,000	462,000
Publications		5,000	115,000
Evaluation Studies		3,000	120,000
Proposal Peer Reviewers	Per state/year	2,000	48,000
Promotional consultants	Consultancy	4,000	84,000
Community to community	Course	6,000	750,000
	<b>SUBTOTAL</b>		<b>2,685,000</b>
<b>2. Community Conservation and Sustainable Use Subprojects</b>			
Type A: Land Use Plans			
Land Use Plans	Study	15,000	2,490,000
Participatory Appraisals			1,000,000
Delimitation and Inventory			400,000
Legal Framework			400,000
Type B: Training for the Establishment of Conservation Areas			
Training	Course/materials	2,050	1,400,000
Fora/exchanges/study tours among communities	Transportation/ Materials	300	210,000
Type C: Community Investments for Conservation Activities			
Demarcation/area identification	Per Km	200	1,600,000
Infrastructure	Equipment/ Expertise	3,000	480,000
Sustainable Use Investments			
Feasibility studies	Consultancies		520,600
Pilot Projects	Project		3,929,000
Technical Audits	Consultancies		470,400
Type D: Green Venture Capital Matching Investments			
	<b>SUBTOTAL</b>		<b>12,900,000</b>
<b>3. Monitoring and Evaluation</b>			
Integrated Biodiversity database			920,000
Training of Community Users	Course		445,000
Software Workstations for Communities	Workstation	8,000	136,000
	<b>SUBTOTAL</b>		<b>1,501,000</b>
<b>4. National Coordination</b>			
National Coordination Unit	per year	40,000	280,000
Project Management System		40,000	320,000
Dissemination of Lessons Learned		30,000	390,000
Technical Assistance to Coord. Units	per year	62,000	434,000
Office Supplies/Equipment		10,000	190,000
	<b>SUBTOTAL</b>		<b>1,614,000</b>
<b>TOTAL</b>			<b>18,700,000</b>

## Annex 4

### MEXICO: Indigenous and Community Biodiversity Conservation Project

#### INCREMENTAL COST AND GLOBAL ENVIRONMENTAL BENEFITS

##### Overview

1. The objective of the project is to strengthen or promote community conservation initiatives on communally owned lands in areas of high biodiversity in a priority set of ecological zones in the states of Oaxaca, Michoacan and Guerrero, building on the positive cultural values and traditional management practices that these communities have developed over a long period in relationship to the resources in these ecological zones. Project objectives would be achieved by: (a) supporting the on-going efforts of indigenous communities and ejidos to establish permanent conservation areas, and establishing cooperative networks linking communities with significant conservation areas within a larger region of high biodiversity; (b) building capacity for community conservation and sustainable natural resource management among communities in areas of high biodiversity but with weak organizations and a poor economic base; and (c) supporting the creation of state and regional institutions that can promote and help finance community conservation initiatives over the medium to long-term with strong ownership by the communities themselves. The GEF alternative intends to achieve these outputs at a total incremental cost of approximately US\$7.5 million.

##### Context and Broad Development Goals

2. As one of the most biologically diverse of all Mexican states, Oaxaca is internationally 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 (Mexican Transvolcanic Pine-Oak Forests and Balsas Dry Forests); the Sierra's other two 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 *Oreumia mexicana*, and several showy butterfly 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 (3,200 m) all the way to the Gulf lowlands (200 m). Besides the Sierra Juarez, the project also proposes 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 sumichrasti*). 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).

3. The proposed project areas in the states of Michoacan and Guerrero are also globally significant for biodiversity conservation. For example, in Michoacan, 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.

4. In Mexico, deforestation and land degradation due to population growth, past agricultural policies, expansion of the agricultural frontier, over-exploitation, poorly regulated tourism, accelerated economic development, and arbitrary settlement policies are having a serious impact on terrestrial biodiversity. 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 or diversification and that were not responsive to the needs or interests of indigenous communities or ejidos, despite their legal ownership of much of the country's forest lands as a result of land reform. Past 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.

5. The broad development goals of Mexico focus on: enhancing social sustainability; promoting macro-economic stability with sustainable growth; and fostering effective public governance. The government of Mexico has taken important steps towards improved environmental management in recent years, and with World Bank assistance, has carried out 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.

### **Baseline Scenario**

6. Following an encouraging recovery from its 1995 banking crisis, Mexico's economy has been negatively affected by the simultaneous collapse in international oil prices and turmoil in global financial markets. Through a combination of conservative fiscal policy, monetary tightening, and a flexible exchange rate regime, however, the country has fared relatively well thus far compared with the rest of Latin America. Mexico responded to the global crisis with three consecutive fiscal adjustments during 1998. Monetary policy was tightened on several occasions during the year. Although the exchange rate depreciated substantially and inflation for the whole of 1998 may turn out to be higher than previously anticipated (18.6 percent p.a.), output still grew by 4.8 percent over the same year, with a balance of payments current account deficit of 3.9 percent of GDP. In rural areas, two thirds of the rural population in the southern states is considered poor (compared to one-third nation wide). Four out of every five indigenous people — who, as a group, account for a third of Mexico's poor — are considered poor. However, the environmental cost of economic growth has been high (estimated at 10 percent of the country's GDP); to address problems related to environmental degradation, the Government of Mexico is implementing a number of programs to improve environmental management, investing in both urban and rural areas to address national and international priorities.

7. Through SEMARNAP and state and municipal governments, the Government of Mexico is mobilizing a variety of resources directed toward natural resource management, forest development and protection, biodiversity conservation, and capacity building and public awareness. Over the next seven years, it is expected that the sum of activities related to natural resource management and biodiversity conservation is approximately US\$15 million.

8. In addition, the World Bank is supporting a variety of biodiversity conservation and natural

resource management projects including: (1) Environmental Management and Decentralization; and (2) Community Forestry (PROCYMAF). Complementary GEF biodiversity investments include: (1) The Mesoamerican Biological Corridor Project; (2) Private Lands Conservation Mechanisms; (3) El Triunfo Biodiversity Conservation Project; and (4) The Protected Areas Conservation Program. UNDP is supporting several biodiversity programs and the PRODERS, an integrated model of sustainable development.

9. There are a number of NGO supported initiatives for community forest management and local conservation including: (1) the WWF Oaxaca Community Reserves Program; (2) WWF-Mexico support for Dry Tropical Forests; and (3) the Quintana Roo Forestry Conservation and Management Initiative in the Yucatan.

10. *Costs.* Total expenditure under the Baseline Scenario are estimated at US\$21.2 million.

11. *Benefits.* Implementation of the Baseline Scenario will result in the generation of the following domestic benefits: (a) empowerment of communities to better manage forest resources, (b) maintenance of forest cover, (c) sustained production of environmental products and services in the long-term, (d) incipient development of non-timber forest products by some communities and diversification of rural income generating activities in poor areas of Mexico, and (e) development of knowledge concerning community forest management for community and environmental agency decision making. The following global benefits will also be generated: (a) maintenance of habitats that are important to conserve biodiversity of global significance, but on insufficient temporal and spatial scales, and (b) some incentives for long-term habitat maintenance.

### **Global Environmental Objective**

12. The planned forest management and development activities in community lands will improve the quality of the forest resource base and provide increased opportunities to communities to generate income from forests without resorting to clearing or degradation for agriculture or other uses. However, in the absence of additional resource communities will not have the capacity or incentives to keep those areas within their territory that are of high priority for biodiversity under adequate protection for their long-term conservation nor will they have the knowledge or access to sustainable use activities that enhance biodiversity in adjacent landscapes.

13. *Scope.* The GEF alternative will provide capacity building and investment resources to enable communities to identify areas of high priority biodiversity within their territories and develop land use plans for their protection and sustainable use. It will foster increased organizational capacity for conservation within individual communities and complement forest management activities by fostering alliances among clusters of communities with contiguous areas of high priority biodiversity. In addition, it will provide resources for piloting income generating activities in adjacent areas and disseminating knowledge of these experiences throughout the project area.

14. *Costs.* The total costs of the GEF alternative is estimated at US\$28.7 million, detailed as follows: (i) local capacity building – US\$2.7 million (GEF financing US\$1.7 million); (ii) community conservation and sustainable use subprojects (land use planning, training for the establishment of conservation areas, community investments for conservation activities, and sustainable use) – US\$12.9 million (GEF financing US\$4.58 million); (iii) biological monitoring and evaluation – US\$1.5 million (GEF financing US\$0.42 million); and (iv) national coordination – US\$1.6 million (GEF financing US\$0.80 million).

15. *Benefits.* Implementation of the GEF alternative would create community conservation areas in a region of high priority biodiversity and allow for replication of this community driven model. Global benefits generated from the project would include: increased public awareness of issues related to biodiversity conservation and meaningful participation of local stakeholders for sustainable community conservation; establishment of corridors and sustainable management of critical habitats; empowerment of communities to manage protected areas and form collaborative agreements with other communities; demarcation and conservation of critical forest ecosystems and enhancing the probability of achieving long-term conservation; incentives for communities to maintain conservation areas and complementary areas of sustainable use; increased collection and analysis of information vital for conserving endemic flora and fauna; development of methodologies and best practices for integrated socioeconomic and bio-physical information bases on high priority biodiversity resources in community lands.

### **Incremental Costs**

16. The difference between the cost of the Baseline Scenario (US\$21.2 million) and the cost of the GEF Alternative (US\$28.7 million) is estimated at US\$7.5 million. This represents the incremental cost for achieving global environmental benefits from biodiversity conservation through the establishment and sustainable use and management of protected areas within extensive indigenous community and ejido landholdings in the biodiversity-rich states of Oaxaca, Guerrero, and Michoacan.

## Incremental Cost Matrix

Component	Cost Category	US\$ Mn	Domestic Benefit	Global Benefit
Forest Management and Development	Baseline	10.0	Maintenance of forest cover and habitats in the short-term. Empowerment of communities to better manage forest resources.	
	With GEF Alternative	10.0		Maintenance of habitats that are important to conserve biodiversity of global significance
	Incremental	0.0		
1. Local Capacity Building	Baseline	3.0	Incipient level of enhanced capacity for sustainable community forestry at level of communities, private providers and government agencies.	
	With GEF Alternative	4.7		Increased public awareness of issues related to biodiversity conservation and participatory schemes for sustainable natural resource management.  Meaningful participation of local stakeholders and participatory schemes for sustainable community conservation.
	Incremental	1.7		
2. Community Conservation and Sustainable Use Subprojects a) Land Use Planning b) Training for the Establishment of Conservation Areas c) Community Investments for Conservation Activities d) Sustainable Use	Baseline	6.12	Maintenance of forest cover and habitats to conserve biodiversity of global significance.  Sustained production of environmental products and services in the long-term.  Incipient development of non-timber forest products by some communities. Diversification of rural income generating activities in poor areas of Mexico.	

	With GEF Alternative	10.7		<p>Establishment of conservation areas and long-term sustainable management of critical habitats.</p> <p>Demarcation and conservation of critical forest ecosystems and enhancing probability of achieving long-term conservation.</p> <p>Empowerment of communities to manage protected areas and form collaborative agreements with other communities.</p> <p>Established incentives for communities to maintain conservation areas and pursue complementary sustainable use in the long-term.</p>
	Incremental	4.58		
3. Biological Monitoring and Evaluation	Baseline	1.08	Develop knowledge concerning community forest management for community and environmental agency decision making.	
	With GEF Alternative	1.5		<p>Increased collection and analysis of information vital for conserving endemic flora and fauna.</p> <p>Development of methodologies and best practices for integrated socioeconomic and bio-physical information bases on high priority biodiversity resources in community lands.</p>
	Incremental	0.42		
4. National Coordination	Baseline	1.0	Effective management of forestry conservation activities.	
	With GEF Alternative	1.80		Dissemination of conservation strategies and lessons learned to other indigenous groups and communities throughout Latin America.
	Incremental	0.80		
<b>Totals</b>	<b>Baseline</b>	<b>21.2</b>		
	<b>With GEF Alternative</b>	<b>28.7</b>		
	<b>Increment</b>	<b>7.5</b>		

**Annex 5: Financial Summary**  
**MEXICO: Indigenous and Community Biodiversity Conservation Project**  
**Years Ending**

	<b>IMPLEMENTATION PERIOD</b>						
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>
<b>Total Financing Required</b>							
<b>Project Costs</b>							
<b>Investment Costs</b>	1.7	2.0	2.0	2.9	2.9	2.9	0.8
<b>Recurrent Costs</b>	0.3	0.6	0.6	0.6	0.6	0.6	0.2
<b>Total Project Costs</b>	2.0	2.6	2.6	3.5	3.5	3.5	1.0
<b>Total Financing</b>	2.0	2.6	2.6	3.5	3.5	3.5	1.0
<b>Financing</b>							
<b>IBRD/IDA</b>	0.8	1.0	1.0	1.4	1.4	1.4	0.5
<b>Government</b>	0.5	0.6	0.6	0.7	0.7	0.7	0.1
<b>Central</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Provincial</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Co-financiers</b>	0.5	0.7	0.7	0.8	0.8	0.8	0.0
<b>User Fees/Beneficiaries</b>	0.2	0.3	0.3	0.6	0.6	0.6	0.4
<b>Others</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Project Financing</b>	2.0	2.6	2.6	3.5	3.5	3.5	1.0

**Main assumptions:**

Please note "IBRD/IDA" above refers to GEF financing. "Co-financiers" refers to IBRD commitments under PROCYMAF.

**Annex 6: Procurement and Disbursement Arrangements**  
**MEXICO: Indigenous and Community Biodiversity Conservation Project**

**Procurement**

**Section I: Procurement of Goods**

Procurement of goods financed by the Grant- - shall be carried out in accordance with Bank's Guidelines: "*Guidelines, Procurement under IBRD Loans and IDA Credits*" dated January 1995 and revised in January and August 1996, September 1997, and January 1999.

The executing agency will be the National Development Bank (*Nacional Financiera*-NAFIN). NAFIN is one of the three financial intermediary institutions of the Mexican Government. In the latter role, NAFIN is responsible for reviewing all procurement activities of Bank-financed projects where they are the financial intermediary.

NAFIN will implement the Grant through its Multilateral Financing Unit. As this Unit is not experienced in procurement, it was agreed, and the Grant Agreement will reflect, that NAFIN's Unit of Special Financing (SFU), which has supervised many procurement activities, be in charge of the procurement under this Grant. About 70% of the procurement activities financed by the Bank in Mexico have been screened by SFU before the Bank's reviews; SFU also gives its "no objection" to these activities below the threshold for Bank prior review.

The first component of the proposed Grant (US\$2.7 million) will finance operating costs and training in financial and technical monitoring. The second component (US\$12.9 million) will finance sub-projects procured by the community; in some cases the community will provide own labor. The third (US\$1.5 million) and fourth (US\$1.6 million) components of the project will finance operating costs and non-consultant services. Because of the size of the project and the scattered locations of the communities, no foreign suppliers are expected to participate, and no ICB procedures will apply to procure goods and civil works under the Grant.

Goods estimated to cost more than US\$50,000 shall be procured under contracts awarded in accordance with the provisions of Paragraphs 3.3 and 3.4 of the Guidelines using Standard Bidding Documents satisfactory to the Bank. Goods estimated to cost less than US\$50,000 per contract up to an aggregated amount of US\$500,000 may be procured through National Shopping in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines. Goods also may be procured by direct contracting in accordance with the provisions of paragraphs 3.7 of the Guidelines up to an aggregated amount of US\$200,000 equivalent.

No civil works will be financed under the project.

**Grants for Community Subprojects**

Grants would finance sustainable pilot subprojects proposed by the communities to preserve their biodiversity values. Subprojects will be prepared and executed by the communities themselves.

The communities will do the contracting of services and procurement of goods and works. Less advanced communities will be assisted in managing preparation and execution of subprojects. The contracts are expected to be very small – the limit of individual grants is set at US\$25,000. Beneficiaries would be legally constituted community organizations eligible under criteria outlined in the Operative Manual. Standard grant agreements acceptable to the Bank and included in the Manual would be used to transfer grant funds to the beneficiaries under conditions that would ensure adequate implementation.

Procurement of goods, works and services under the subprojects would follow sound commercial practices which would include price comparison from at least three qualified suppliers. Request for quotations shall indicate the description and quantity of the goods, as well as desired delivery time and place. Quotations shall be submitted in writing. These procedures would be stated in the Operational Manual.

NAFIN will put together and maintain a roster of service providers which would include local NGOs, more advanced communities, private firms and individual consultants from which technical assistance would be contracted. The roster would be updated periodically (annually) by the Coordination Unit, through publications; only those qualified will be included. The Manual will also contain specific directives to guide the communities in the selection of consultants.

There will be four types of Grants, namely: (a) to finance technical assistance for land-use plans, participatory workshops, biodiversity inventories, activities to support creation of permanent conservation areas, and mapping services; (b) training activities to the communities and community networks; (c) a range of investment projects aimed at maintenance and improved forest management, studies related to green label certification, market studies, mushroom cultivation, eco-tourism, fire gaps, etc.; and (d) for more advanced communities, provision of capital to create community revolving funds to finance sustainable conservation subprojects.

### **Review by the Bank of Procurement Decisions**

No prior review of contracts would be required under the Grant. Rather, eligibility for GEF financing would be determined on the basis of ex-post review.

### **Section II: Employment of Consultants**

Consultants shall be employed in accordance with the *Guidelines, Selection and Employment of Consultants by World Bank Borrowers*, dated January 1997 and revised in September 1997 and January 1999.

#### **Part B: Quality-Cost Based Selection**

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality-and-cost-based selection of

consultants.

The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. To obtain expressions of interest, for each contract estimated to cost US\$200,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.5 of the Guidelines.

#### Part C: Other Procedures for the Selection of Consultants

Services of a straightforward nature that can be precisely defined and that are estimated to cost less than US\$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraph 3.6 of the Consultant Guidelines (Least-Cost Selection).

Services by individual consultants shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Guidelines.

#### Part D: Review by the Bank of the Selection of Consultants

Contracts for consultants firms estimated to cost US\$100,000 equivalent and individual consultants estimated to cost US\$50,000 equivalent or more shall be subject to prior review by the Bank following the provisions set forth in paragraphs 1 and 2 of the Appendix 1 of the Guidelines. Contracts below these threshold shall require Bank's prior approval of the Terms of Reference.

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of the Appendix 1 shall apply.

#### Section III: Operating Costs.

The Grant will finance operational costs such as operation, office equipment, insurance for equipment procured under the project, office materials and utilities and communication expenditures required for the implementation of the project.

#### Section IV: Procurement Monitoring.

SFU together with the Multilateral Financing Unit will prepare annually a Procurement Plan satisfactory to the GEF and establish procedures for monitoring project execution and impact, procurement implementation, including monitoring of contracts. The SFU will maintain detailed records of procurement activities financed under the Grant.

## Action Plan

An **Action Plan** is shown below:

- a) NAFIN shall agree to a Grant Agreement clause requesting that the Unit of "Financiamiento Especiales" will be responsible to the procurement under this Grant.
- b) NAFIN has prepared both the general procurement plan for the project and the detailed procurement plan for the first year of project implementation.
- c) By Grant Signing, NAFIN shall prepare an Operational Manual specifying procedures and requirements on, among other areas, procurement, contracting of consultants, contract monitoring and controls, and accounting-financial procedures.
- d) By Grant Signing, NAFIN shall review its staffing needs taking into account its new role in project implementation.
- e) If new staff is required, NAFIN shall carry out a procurement workshop for the additional staff.
- f) Prepare TORs for contracting a procurement auditor for Bank's review. Such TORs should require review of at least 30% of contracts under the Community Subprojects. Selection of the auditor to be done by 10th month of project

### Procurement methods (Table A)

The methods described below are based on the capacity assessment and are summarized in Table A.

**Table A: Project Costs by Procurement Arrangements**  
(US\$ million equivalent)

Expenditure Category	ICB	Procurement Method <sup>1</sup>		N.B.F.	Total Cost
		NCB	Other <sup>2</sup>		
<b>1. Works</b>	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
<b>2. Goods</b>	0.00 (0.00)	2.00 (1.20)	0.70 (0.42)	0.08 (0.00)	2.78 (1.62)
<b>3. Services Consultants &amp; Training 3/</b>	0.00 (0.00)	0.00 (0.00)	3.00 (2.64)	2.30 (0.00)	5.30 (2.64)
<b>4. Operating Expenditures</b>	0.00 (0.00)	0.00 (0.00)	0.35 (0.30)	0.00 (0.00)	0.35 (0.30)

<b>5. Subproject Grants</b>	0.00 (0.00)	0.00 (0.00)	5.00 (4.50)	7.90 (0.00)	12.90 (4.50)
<b>Total</b>	0.00 (0.00)	2.00 (1.20)	9.05 (7.86)	10.28 (0.00)	21.33 (9.06)

<sup>1/</sup> Figures in parenthesis are the amounts to be financed by the Bank Loan/Grant. All costs include contingencies

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

<sup>3/</sup> Include training materials, rentals, and transportation, accommodation & per diem for participants.

Prior review thresholds (Table B)

**Table B: Thresholds for Procurement Methods and Prior Review** <sup>1</sup>

<b>Expenditure Category</b>	<b>Contract Value Threshold (US\$ thousands)</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review (US\$ millions)</b>
<b>1. Works</b>	-	-	
<b>2. Goods</b>	>50 <50	NCB Shopping	None
<b>3. Services Firms</b>	>200  >100  <100	QCBS- SL international  QCBS- SL national  Least Cost	All  All  TORs
<b>Individuals</b>	>50  <50	Section V of Guidelines  Section V of Guidelines	All  TORs
<b>4.</b>			
<b>5.</b>			
<b>6.</b>			

**Total value of contracts subject to prior review:** US\$450,000

**Overall Procurement Risk Assessment**

**Average**

**Frequency of procurement supervision missions proposed:** One every 4 months (includes special procurement supervision for post-review/audits)

There would be two post review missions per year carried out by Bank's procurement staff after six months of Project initiation, and yearly procurement audits.

<sup>1</sup> Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.

## Disbursement

### **Allocation of loan/grant proceeds (Table C)**

Disbursement categories and amounts are indicated in Table C. The Grant is expected to be disbursed over a seven-year period. The Project will be completed by December 31, 2007 and the Closing date is June 30, 2008.

The financial management assessment was carried out by a certified specialist. This review was based on the Bank's guidelines for "Review of Financial Management System", and focused on the assessment of the project's accounting system, internal control, planning, budgeting and financial reporting system, and selection of auditor as well as the format and contents of the Project Management Report (PMR) to be submitted quarterly by the executing agency, Nacional Financiera (NAFIN). This assessment revealed that the project does not yet have in place an adequate project financial management system that can provide, with reasonable assurance, accurate and timely information as required by the Bank. NAFIN's current system satisfies the Bank's minimum financial management requirements, but this will not replace the project's own MIS in the PIU to be established (NAFIN-executing agency). This new project management system will include production of quarterly PMRs, which eventually will allow PMR-based disbursements. It is expected that traditional disbursement methods (SOEs, special commitments and direct payments) will be used until NAFIN central coordination unit and NAFIN regional units are ready to adopt the new methodology.

A Special Account in US dollars with an initial deposit of US \$0.4 million would be established at the Banco de México. This special account will be replenished and will be used for all transactions with a value of less than 20% of the amount advanced to the Special Account. Traditional documentation requirements apply for direct payments, special commitments and statements of expenditures (SOEs). If the project is converted to PMR-based disbursement methodology, disbursement procedures should be in line with the Financial Management Initiative (FMI). NAFIN-executing agency, with technical support from NAFIN-financial agency, would prepare the necessary documentation for prompt disbursements. Considering the size of the contracts, all goods, operating expenditures and subprojects, and most of the consultant services, are expected to be disbursed through SOEs (all contracts for goods, consultant firm contracts below US \$100,000.00, individual consultant contracts below US \$50,000.00, all expenditures for subprojects, training and operating costs).

NAFIN-executing agency will maintain separate project records. Such records will be maintained in order to reflect, in accordance with sound accounting practices, the operations, resources and expenditures of each project activity. The unit will be audited on annual basis by independent auditors. The audit report will be prepared based on (i) International Standards on Auditing (ii) existing Memorandum of Technical Understanding on auditing (MET) and (iii) the Bank's guidelines. The audit report will be submitted to the Bank within the six months after the end of each year.

### **Action Plan (critical activities)**

These activities (which will be reflected as effectiveness conditions) were agreed at negotiations:

- a) Satisfactory MIS implemented (considering the NAFIN's role as executing agency).
- b) External audit firm must be engaged (in coordination with the Secretaria de Contraloría y Desarrollo Administrativo/SECODAM, which is the Supreme Audit Institution).

c) Preparation of the Operational Manual, which will specify procedures and requirements on the project accounting system, internal control, planning, budgeting and financial reporting system (including format and contents of the Project Management Report to be submitted on quarterly basis).

**Table C: Allocation of Loan/Grant Proceeds**

<b>Expenditure Category</b>	<b>Amount in US\$million</b>	<b>Financing Percentage</b>
1. Goods	0.06	85%
2. Consultant Services and Training	2.50	85%
3. Operating Expenditures	0.30	85%
4. Subproject Grants	4.30	100% of amounts disbursed
5. Unallocated	0.34	
<b>Total Project Costs</b>	7.50	
<b>Total</b>	7.50	

## Annex 7: Project Processing Schedule

### MEXICO: Indigenous and Community Biodiversity Conservation Project

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	10	13
First Bank mission (identification)	04/05/99	04/05/99
Appraisal mission departure	02/08/2000	05/15/2000
Negotiations	05/08/2000	10/19/2000
Planned Date of Effectiveness	06/08/2000	01/30/2001

#### Prepared by:

SEMARNAP delegations in Oaxaca, Michoacan, and Guerrero and the Subsecretaria de Recursos Naturales, SEMARNAP, Mexico

#### Preparation assistance:

Jorge del Valle (Subsecretaria de Recursos Naturales), Gerardo Segura (PROCYMAF), Salvador Anta (SEMARNAP-Oaxaca), Adrian Flores (SEMARNAP-Guerrero, Francisco Pamplona (SEMARNAP-Michoacan), Rosendo Caro y Alberto Gomez Tagle (SEMARNAP-Michoacán delegation), Vinicio Meza (SEMARNAP-Oaxaca delegation), Octavio Klimek (SEMARNAP-Guerrero delegation), Alma Godoy (PROCYMAF), Juan Manuel Barrera (PROCYMAF-Oaxaca), Luis Bojorquez (Ecological Institute, Universidad Autonoma de Mexico), Gustavo Ramirez (Sierra Juarez), Francisco Chapela (Estudios Rurales y Asesoría - ERA), Juan Rodriguez (consultant).

#### Bank staff who worked on the project included:

Name	Speciality
Adolfo Brizzi	Sector Leader, ESSD
Augusta Molnar	Team Task Leader
Juan Martinez	Task Team Leader
George Ledec	Ecologist Specialist
Ricardo Hernandez	Environmental Specialist
Ferenc Molnar	Senior Legal Counsel
Mariangeles Sabella	Legal Counsel
Victor Ordonez	Financial Management Specialist
Carmen Nielsen	Procurement Specialist
Andy White	Consultant, Forestry Specialist
Tania Carrasco	Consultant, Anthropologist
Karen Berelowitz	Consultant, Operations
Maria Teresa Franco	Consultant, Operations
Lynn Ellsworth	Consultant, Institutional Specialist
Erica Felix-Castaneda	Project Assistant
Christine Kimes	Regional GEF Coordinator
Lea Braslavsky	Procurement Specialist
Michael Fowler	Senior Disbursement Officer

**Annex 8: Documents in the Project File\***  
**MEXICO: Indigenous and Community Biodiversity Conservation Project**

**A. Project Implementation Plan**

*Plan de Instrumentación del Proyecto*

**B. Bank Staff Assessments**

Staff Appraisal Report-Ln, 4137-ME Community Forestry Project  
Resource Conservation and Forestry Sector Review, Report No. 13114-ME (gray cover)

**C. Other**

Forestry Report - Michoacan  
Forestry Report - Guerrero  
State Diagnostic Report - Michoacan  
Indigenous State and Ethnic Group Profiles - Michoacan  
Indigenous State and Ethnic Group Profiles - Guerrero  
Indigenous State and Ethnic Group Profiles - Oaxaca  
Social Assessment: Oaxaca  
Social Assessment: Michoacan  
Social Assessment: Guerrero  
*Talleres de Diseño* (Minutes of Design Workshops with Stakeholders), August 1999, February and May 2000  
*Estudios para Definir Areas Prioritarias para la Conservacion de la Biodiversidad para el Proyecto COINBIO* (Studies for the Definition of Priority Areas for Biodiversity Conservation for the COINBIO Project)

\*Including electronic files

**Annex 9: Statement of Loans and Credits**  
**MEXICO: Indigenous and Community Biodiversity Conservation Project**

Project ID	FY	Borrower	Purpose	Original Amount in US\$ Millions			Difference between expected and actual disbursements <sup>a</sup>		
				IBRD	IDA	Cancel.	Undisb.	Orig	Frm Rev'd
P048505	1999	Mexico	AGRICULTURAL PRODUCT	444.45	0.00	0.00	266.35	11.30	0.00
P067491	2000	Mexico	Bank Restructuring Facility	505.06	0.00	0.00	150.00	144.94	0.00
P007700	1997	Mexico	COMMUNITY FORESTRY	15.00	0.00	0.00	7.81	2.66	0.00
P007610	1999	Mexico	FOVI RESTRUCTURING	505.05	0.00	0.00	462.00	282.00	0.00
P007723	1993	Mexico	HWY RHB & SAFETY	480.00	0.00	0.00	6.83	6.83	0.00
P044531	1998	Mexico	KNOWLEDGE & INNOV.	300.00	0.00	0.00	251.23	26.23	0.00
P007648	1993	Mexico	MEDIUM CITIES TRANSP	200.00	0.00	23.00	107.49	130.49	107.49
P066938	2000	Mexico	MX GENDER (LIL)	3.07	0.00	0.00	3.07	0.00	0.00
P007720	1998	Mexico	MX: HEALTH SYSTEM REFORM - SAL	700.00	0.00	0.00	350.00	350.00	0.00
P040199	1998	Mexico	MX: BASIC EDUC.DEVELOPMENT PHASE I	115.00	0.00	0.00	69.40	27.83	0.00
P007689	1996	Mexico	MX: BASIC HEALTH II	310.00	0.00	0.00	94.30	75.29	60.30
P055061	1998	Mexico	MX: HEALTH SYSTEM REFORM TA	25.00	0.00	0.00	15.39	9.59	0.00
P049895	1998	Mexico	MX: HIGHER ED. FINANCING	180.20	0.00	0.00	164.68	33.74	0.00
P007725	1994	Mexico	MX: PRIMARY EDUC.II	412.00	0.00	40.00	66.67	106.67	66.67
P034490	1995	Mexico	MX: TECHNICAL EDUC/TRAINING	265.00	0.00	30.00	124.11	154.11	9.08
P007710	1994	Mexico	N. BORDER I ENVIRONM	368.00	0.00	300.99	36.22	322.21	46.11
P007701	1994	Mexico	ON-FARM & MINOR IRRI	200.00	0.00	30.00	51.22	81.22	10.95
P007711	1998	Mexico	RURAL DEV. MARG.AREA	47.00	0.00	0.00	35.29	14.80	0.00
P057530	2000	Mexico	RURAL DEV.MARG.ARII	55.00	0.00	0.00	51.45	-0.55	0.00
P007612	1994	Mexico	SOLID WASTE II	200.00	0.00	193.06	1.48	-4.46	1.47
P007713	1996	Mexico	WATER RESOURCES MANA	186.50	0.00	0.00	133.86	65.22	12.07
<b>Total:</b>				<b>5516.33</b>	<b>0.00</b>	<b>617.05</b>	<b>2448.85</b>	<b>1840.12</b>	<b>314.14</b>

MEXICO  
STATEMENT OF IFC's  
Held and Disbursed Portfolio  
15-Oct-2000  
In Millions US Dollars

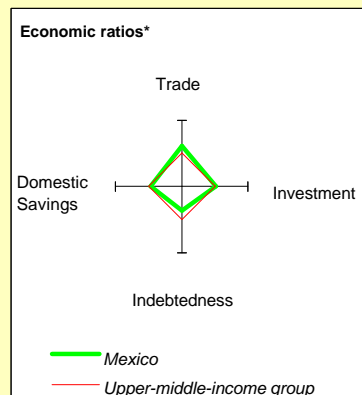
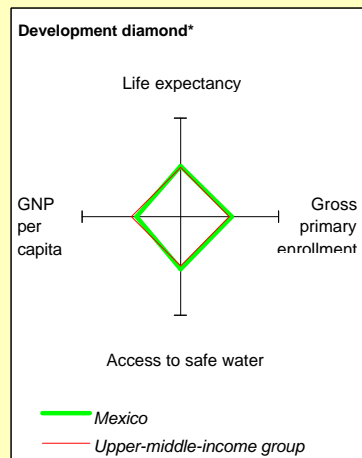
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1988/91/92/93/95	Apasco	12.60	0.00	0.00	50.40	12.60	0.00	0.00	50.40
1998	Ayvi	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
1990/92/96	BANAMEX	96.21	0.00	0.00	45.18	96.21	0.00	0.00	45.18
1997	Banco Bilbao MXC	70.59	0.00	30.00	0.00	70.59	0.00	30.00	0.00
1992	Banorte-SABROZA	3.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00
1995/96	Baring Mex. FMC	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1995/99	Baring Venture	0.00	2.73	0.00	0.00	0.00	0.00	0.00	0.00
1998	CIMA Mexico	0.00	4.80	0.00	0.00	0.00	4.80	0.00	0.00
1998	CIMA Puebla	7.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00
1994	CTAPV	3.73	0.00	2.32	0.00	3.73	0.00	2.32	0.00
0	Chiapas-Propalma	0.00	0.80	0.00	0.00	0.00	0.31	0.00	0.00
1997	Comercializadora	3.06	0.00	2.19	6.25	3.06	0.00	2.19	6.25
1999	Corsa	13.00	3.00	0.00	0.00	13.00	3.00	0.00	0.00
1993	Derivados	2.20	0.00	0.00	0.00	2.20	0.00	0.00	0.00
1997	Fondo Chiapas	0.00	4.20	0.00	0.00	0.00	0.43	0.00	0.00
1998	Forja Monterrey	13.00	3.00	0.00	13.00	13.00	3.00	0.00	13.00
1991/96	GIBSA	21.64	0.00	10.00	72.76	21.64	0.00	10.00	72.76
1993	GIDESIA	6.25	8.00	0.00	4.25	6.25	8.00	0.00	4.25
1996/00	GIRSA	45.00	0.00	0.00	60.00	22.71	0.00	0.00	30.29
1993	GOTM	0.82	0.00	0.00	0.22	0.82	0.00	0.00	0.22
1997/98	Gen. Hipotecaria	0.00	1.20	0.00	0.00	0.00	0.00	0.00	0.00
1998	Grupo Calidra	12.00	6.00	0.00	10.00	12.00	6.00	0.00	10.00
	Grupo FEMSA	0.00	9.43	0.00	0.00	0.00	9.43	0.00	0.00
1989	Grupo Minsa	18.00	10.00	0.00	27.00	18.00	10.00	0.00	27.00
1997	Grupo Posadas	25.00	0.00	10.00	10.00	25.00	0.00	10.00	10.00
1992/93/95/96/99	Grupo Probusa	0.00	1.32	0.00	0.00	0.00	1.32	0.00	0.00
1992/96/97/98	Grupo Sanfandila	9.58	0.00	0.00	4.70	6.25	0.00	0.00	3.03
1998	Heller Financial	0.00	0.32	0.00	0.00	0.00	0.32	0.00	0.00
1994/96/98/00	ITR	14.00	0.00	0.00	4.00	10.90	0.00	0.00	3.10
2000	Interceramic	8.00	0.00	6.00	3.50	8.00	0.00	6.00	3.50
1994	InverCap	0.00	1.00	0.00	0.00	0.00	1.00	0.00	0.00
2000	Masterpak	2.40	0.00	0.00	0.00	2.40	0.00	0.00	0.00
1993	Merida III	30.00	0.00	0.00	73.95	27.36	0.00	0.00	67.44
1998	Mexplus Puertos	0.00	1.41	0.00	0.00	0.00	1.41	0.00	0.00
1995/99	NEMAK	0.00	0.00	0.83	0.00	0.00	0.00	0.83	0.00
1996/99/00	Punta Langosta	2.63	1.00	0.00	4.55	2.63	1.00	0.00	4.55
1998	Rio Bravo	50.00	0.00	0.00	59.50	22.83	0.00	0.00	27.17
2000	Saltillo S.A.	35.00	0.00	0.00	43.00	0.00	0.00	0.00	0.00
2000	Sudamerica	0.00	15.00	0.00	0.00	0.00	15.00	0.00	0.00
1999	TMA	2.77	0.00	2.10	9.60	2.77	0.00	2.10	9.60
1997	Toluca Toll Road	7.16	0.00	0.00	0.00	7.16	0.00	0.00	0.00
1992	Vitro	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1991/92	Vitro Flotado	4.96	0.00	0.00	2.07	4.96	0.00	0.00	2.07
1991	ZN Mxc Eqty Fund	0.00	25.30	0.00	0.00	0.00	9.81	0.00	0.00
1998									
Total Portfolio:		529.60	98.53	63.44	503.93	432.57	74.85	63.44	389.81

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
1999	BANAMEX LRF II	50000.00	0.00	0.00	0.00
1999	Baring BMPEF FMC	0.00	0.00	60.00	0.00
1998	Cima Hermosillo	7000.00	0.00	0.00	0.00
2000	Educacion	9700.00	0.00	0.00	0.00
2000	FCCM	10500.00	0.00	2000.00	17700.00
2000	Hospital ABC	30000.00	0.00	0.00	14000.00
2000	Innopack	15000.00	0.00	15000.00	0.00
2000	Teksid Aluminio	25000.00	0.00	0.00	0.00
2000	Teksid Hierro	15000.00	0.00	0.00	30000.00
Total Pending Commitment:		162200.00	0.00	17060.00	61700.00

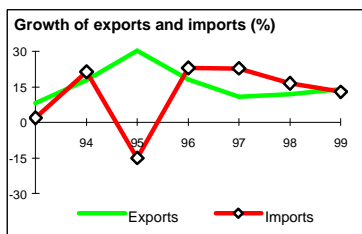
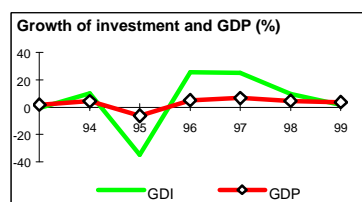
## Annex 10: Country at a Glance

### MEXICO: Indigenous and Community Biodiversity Conservation Project

POVERTY and SOCIAL	Mexico	Latin America & Carib.	Upper-middle-income		
<b>1999</b>					
Population, mid-year (millions)	97.4	509	573		
GNP per capita (Atlas method, US\$)	4,410	3,840	4,900		
GNP (Atlas method, US\$ billions)	429.6	1,955	2,811		
<b>Average annual growth, 1993-99</b>					
Population (%)	1.7	1.6	1.4		
Labor force (%)	3.0	2.5	2.1		
<b>Most recent estimate (latest year available, 1993-99)</b>					
Poverty (% of population below national poverty line)	..	..	..		
Urban population (% of total population)	74	75	76		
Life expectancy at birth (years)	72	70	70		
Infant mortality (per 1,000 live births)	30	31	27		
Child malnutrition (% of children under 5)	..	8	7		
Access to improved water source (% of population)	83	75	78		
Illiteracy (% of population age 15+)	9	12	10		
Gross primary enrollment (% of school-age population)	114	113	109		
Male	116	..	..		
Female	113	..	..		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	<b>1979</b>	<b>1989</b>	<b>1998</b>	<b>1999</b>	
GDP (US\$ billions)	134.5	223.0	416.3	483.7	
Gross domestic investment/GDP	26.0	22.9	24.3	23.2	
Exports of goods and services/GDP	11.2	19.0	30.8	30.8	
Gross domestic savings/GDP	24.7	22.9	22.3	21.9	
Gross national savings/GDP	21.7	20.3	20.5	20.6	
Current account balance/GDP	-4.1	-2.6	-3.9	-2.9	
Interest payments/GDP	2.5	3.5	2.4	1.7	
Total debt/GDP	31.8	42.1	38.4	34.0	
Total debt service/exports	72.4	32.9	19.2	24.6	
Present value of debt/GDP	..	..	37.4	33.0	
Present value of debt/exports	..	..	111.5	100.4	
	<b>1979-89</b>	<b>1989-99</b>	<b>1998</b>	<b>1999</b>	<b>1999-03</b>
<i>(average annual growth)</i>					
GDP	1.3	2.9	4.8	3.7	4.9
GNP per capita	-0.9	1.1	3.1	2.5	3.2
Exports of goods and services	8.4	13.6	12.0	13.9	7.4



STRUCTURE of the ECONOMY	1979	1989	1998	1999
<i>(% of GDP)</i>				
Agriculture	9.8	7.8	5.3	5.0
Industry	33.4	29.4	28.5	28.2
Manufacturing	22.7	21.9	21.3	21.1
Services	56.7	62.9	66.3	66.8
Private consumption	64.4	68.9	67.3	68.0
General government consumption	10.9	8.3	10.4	10.0
Imports of goods and services	12.5	19.1	32.8	32.0
<i>(average annual growth)</i>				
Agriculture	1.2	1.7	0.8	3.5
Industry	0.9	3.5	6.3	3.8
Manufacturing	1.1	4.0	7.3	4.1
Services	1.8	2.7	4.5	3.6
Private consumption	1.4	2.2	5.5	4.3
General government consumption	3.1	1.7	2.2	1.0
Gross domestic investment	-4.3	4.3	9.5	1.5
Imports of goods and services	-1.1	11.9	16.5	12.8
Gross national product	1.2	2.9	4.8	4.2

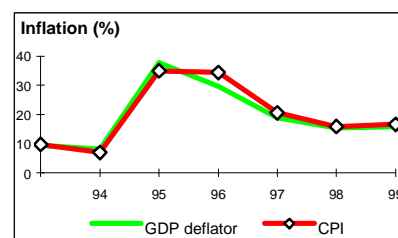


Note: 1999 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

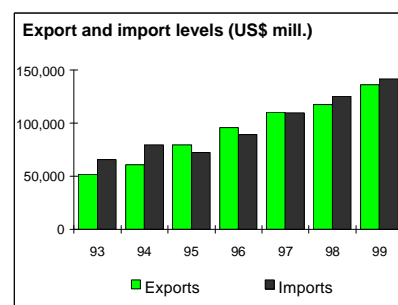
## PRICES and GOVERNMENT FINANCE

	1979	1989	1998	1999
<b>Domestic prices</b>				
(% change)				
Consumer prices	..	20.0	15.9	16.7
Implicit GDP deflator	19.6	26.5	15.4	15.9
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	..	25.8	20.4	20.7
Current budget balance	..	-1.8	2.1	1.7
Overall surplus/deficit	..	-4.6	-1.2	-1.1



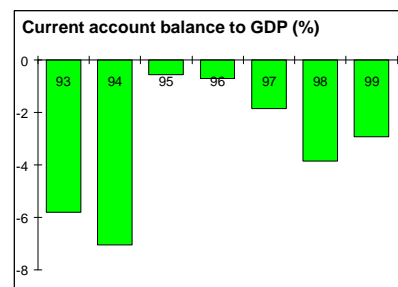
## TRADE

	1979	1989	1998	1999
(US\$ millions)				
Total exports (fob)	..	35,171	117,460	136,391
Oil	..	7,876	7,134	9,928
Agriculture	..	1,754	3,797	3,926
Manufactures	..	24,936	106,062	122,085
Total imports (cif)	..	34,766	125,373	141,975
Consumer goods	..	3,499	11,109	12,175
Intermediate goods	..	26,499	96,935	109,270
Capital goods	..	4,769	17,329	20,530
Export price index (1995=100)	..	96	95	98
Import price index (1995=100)	..	89	100	99
Terms of trade (1995=100)	..	108	94	99



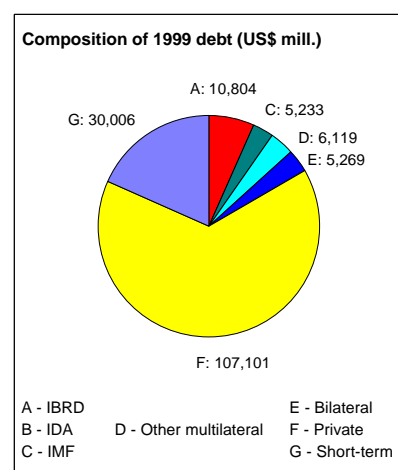
## BALANCE of PAYMENTS

	1979	1989	1998	1999
(US\$ millions)				
Exports of goods and services	15,131	42,362	128,982	148,083
Imports of goods and services	16,704	42,426	137,801	155,465
Resource balance	-1,573	-63	-8,818	-7,382
Net income	-4,111	-8,302	-13,284	-13,083
Net current transfers	131	2,544	6,012	6,313
Current account balance	-5,553	-5,821	-16,090	-14,153
Financing items (net)	5,868	6,093	18,227	14,746
Changes in net reserves	-315	-272	-2,137	-594
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	6,376	29,032	31,829
Conversion rate (DEC. local/US\$)	2.3E-02	2.5	9.2	9.6



## EXTERNAL DEBT and RESOURCE FLOWS

	1979	1989	1998	1999
(US\$ millions)				
Total debt outstanding and disbursed	42,765	93,826	159,962	164,532
IBRD	1,731	7,821	11,514	10,804
IDA	0	0	0	0
Total debt service	11,591	15,559	26,778	39,072
IBRD	221	1,245	2,024	2,171
IDA	0	0	0	0
Composition of net resource flows				
Official grants	27	37	32	..
Official creditors	284	936	-776	-1,262
Private creditors	3,798	-2,397	12,219	6,308
Foreign direct investment	1,332	3,037	10,238	11,568
Portfolio equity	0	0	730	3,769
World Bank program				
Commitments	527	2,325	2,212	1,616
Disbursements	326	1,297	1,283	839
Principal repayments	76	677	1,257	1,326
Net flows	250	620	26	-487
Interest payments	145	567	767	846
Net transfers	105	52	-741	-1,332



**Additional  
Annex No.: 11**

**SOCIAL ASSESSMENT**

**Introduction**

The project is an indigenous peoples community development project with indigenous peoples constituting over 80% of the project beneficiaries and therefore can itself be considered an Indigenous Peoples Development Plan. This social assessment is based on the findings of extensive participatory studies carried out in the states of Oaxaca, Michoacan and Guerrero. The studies were conducted to evaluate existing socio-economic data and to collect new qualitative and quantitative information through participatory appraisal and local consultations in order to assess the changing dynamics of land use, demographic pressure and the social, political, and cultural conditions that affect the sustainable use of natural resources.

The objectives of the assessments were to: (a) characterize the socio-economic and cultural situation of communities in the priority areas for biodiversity conservation, overlapping this information with bio-physical information from the environmental assessment; (b) identify key issues and opportunities related to land tenure and property rights regimes, as well as the history of agrarian conflicts in the project area; (c) identify the range of community governance structures, including their dynamism, level and form of decision-making, and effectiveness for resource management; (d) analyze the forms of community and inter-community association, including the vitality of these associations for purposes of conservation and resource management or productive activities, including revolving or other credit associations; (e) identify existing natural resource management practices, including resource management linked to agricultural and forestry activities, and (f) evaluate experiences with external assistance (NGOs, religious foundations, government programs, private sector) for natural resource management.

The intended outcomes of the social assessment are to present: (a) the development of salient categories and characterizations of the communities to be involved in conservation activities and capacity-building initiatives according to their organizational capacity for conservation initiatives, the presence of priority biodiverse resources within their community or *ejido* boundaries, the current and potential incentive structure for undertaking conservation activities given their resource base and current development of productive biodiversity-friendly economic activities, and presence of regional associations with potential to foster conservation initiatives; (b) the identification of the range of capacity building and information creation and dissemination activities needed to support community organization and conservation initiatives; (c) the identification of opportunities and constraints for the implementation of sustainable productive investments complementary to conservation efforts; and (d) the identification of legal or policy measures which would increase the legal recognition of community conservation decisions, as recorded in the communal statutes and made in alliances among communities, and which would support the sustained efforts of communities vis-à-vis federal and state administrative structures and sectoral agencies.

The methodology used for the social assessments included: (i) obtaining existing statistical and demographic information; (ii) conducting extensive household surveys and interviews; (iii) conducting interviews with local and institutional representatives to identify the predominant forms of land tenure and land use and to identify areas in which agrarian conflict is present that may negatively affect the viability of conservation activities; (iv) reviewing governmental and civil society institutions to create a list of organizations and communities with experience in conservation and the viability of these to manage the project; (v) holding participatory consultation workshops to assess beneficiaries' opinions on the components and management structure of the project; (vi) organizing focus groups, interviews and community consultation workshops to identify current and planned conservation practices; (vii) carrying out participatory evaluations to determine the

potential risks or possible negative impacts of the project, such as increased economic inequality, exacerbation of internal disputes and conflicts or disturbance of traditional cultural practices; (viii) mapping for identification of the different types of vegetation and degree of conservation and protection; and (ix) community consultations, surveys and interviews to determine existing levels of organization and social conditions. In each of the three states, social specialists were hired to carry out the interviews and hold participatory workshops at the community/ejido level (in Guerrero and Michoacan) and/or consultative workshops at the regional level with the participation of 20-30 community and ejido representatives (in Oaxaca and Michoacan).

## **Project Summary**

The COINBIO project aims to channel financial resources and information directly to indigenous communities and *ejidos* for conservation and sustainable management activities in areas of high biodiversity in the states of Oaxaca, Michoacan, and Guerrero. The project has five main components: (a) land use planning and training activities to develop the information base and institutional framework necessary to identify, delineate and establish biodiversity conservation and sustainable use areas; (b) financing for sustainable community investments in protection, conservation or sustainable use activities that provide alternatives to land-use and income-generating practices that deteriorate the local resource base; (c) capacity building activities for state level coordinating units and community conservation funds to allow communities to establish long-term conservation mechanisms and to participate in experience interchanges with other communities; (d) biological monitoring and evaluation to assess the viability of conservation areas being established, track changes over time, generate biological data to contribute to an on-going geographically referenced information system and engage communities in participatory evaluation of their progress with conservation; and (e) project management activities including evaluation and dissemination of relevant experiences to other parts of Mexico and Latin America.

## **Socio-economic Characteristics of Indigenous Communities and *Ejidos* in the Project Area**

There are a majority of distinct indigenous peoples groups residing in the area identified for project intervention. Oaxaca has the highest density of indigenous peoples, with Zapotecos, Chontales, Mixes, Amuzgo, Chinantecos, and Chatinos present in the priority areas. Michoacan indigenous groups in the project area include the Mazahuas of the Oriente region, the Purepeche of the Meseta Purepeche and the Nahuas of the coastal zone. The indigenous peoples in the Guerrero project area include Tlapaneco, Amuzgo, Nahuatl, and Mixteco. The attached map of Mexico shows the general distribution of these groups within the three states.

Indigenous communities in the project area have a relatively strong persistence of traditional internal governance systems in which communal decision-making is prevalent. In addition, there is a strong tradition of cooperation which fosters labor exchanges and mobilization for communal activities, including resource management activities and the building and maintenance of social infrastructure. While temporary and long-term migration of large numbers of community members in search of wage labor has decapitalized the community structure, the expansion of forestry and commercial perennial crops (coffee, cacao) in some communities has reversed this trend and/or led migrants to send substantial remittances for investment in their communities of origin. While population pressures have made many traditional agro-ecological practices unsustainable, cultivation according to traditional technologies using traditional crops and complementing cultivation with hunting and gathering activities is still widespread, and has been combined with adaptive technologies to stabilize soil and moisture regimes and increase fertility.

In Michoacan, the social assessment confirmed that there are many active organizations (social, political, economic, religious, forestry, environmental) in the state, and that community decision-making practices center around general assemblies, with leaders nominated by the community assemblies and given substantial support

to represent the communities in any civil or agrarian matter. The communities also rely heavily on traditional leaders, whose roles center mostly around maintaining cultural traditions and festivals, transmission of indigenous knowledge and enforcement of community obligations. Community-led conservation activities were also an integral part of traditional communal obligations, but with the formation of governmental sectoral committees (i.e. health, education, fire control) whose members are paid, this is no longer the case and conservation initiatives are now discussed and agreed upon by community consensus. The study also found that women, as the caretakers of children, household resources and agricultural products, are seen as the main source of transmission of the use and conservation of natural resources. While women participate actively in community activities, they often do not have voting rights in community assemblies.

The studies carried out for the SA provide detailed information on the target communities in terms of land tenure, socio-economic indicators, level of community cohesion and internal governance, and forestry use and management. They also identify communities with Communal Statutes which address land use zoning. For example, of the 22 potential sites studied in Michoacan, half are indigenous communities, 41% are ejidos, and the remainder are comprised of both types of land tenancy. Twenty-eight percent of communities in the Oriente region had communal conservation areas established by official decree and 72% established by community decision, some by both. These have been carried out in community *asambleas* by verbal agreement or in some cases through *actas* signed by authorities. In cases where the conservation areas were established by official decree without uniform agreement from the community, the study found that over time, most members became convinced of the value of conserving the flora and fauna resources in established reserves (20 of the 22 areas in which surveys and interviews were conducted in Michoacan were found to agree with the value and benefits of conservation and therefore expressed interest in participating in this type of project.) In Oaxaca, 30 localities were included in the study, all but 8 of which had completed the land adjudication process under the national land tenure certification program, PROCEDE.

There is a wide range of variation in the extent to which communities and *ejidos* in the three states are actively managing their forest resources and the extent to which these provide important sources of income. The communities with sophisticated timber processing and harvesting enterprises are concentrated in the Sierra Juarez region of Oaxaca, a few communities of the Michoacan Meseta, and a few communities in Filo Mayor in Guerrero. In all three states, there are communities with substantially important and sizable biodiversity areas. These are at risk from expanding agricultural frontiers, but there is potential to create incentives for conservation and protection through ecotourism, controlled harvesting of non-timber forest products, and/or sustainable farming system practices in adjoining agricultural areas. Other communities fall in a middle range in terms of the sophistication of their forest use and management and their extent of biodiverse resources.

The studies found that many communities in the three states are involved in a wide range of conservation and protection activities. While some are ancestral traditions, transmitted through the generations, many of these have been lost to migration and cultural degradation, emphasizing the need to preserve these mechanisms and maintain them through younger generations. Some conservation activities are inspired by indigenous' communities respect for the water, air, plants and animals that are an integral part of their culture, while others have been encouraged by local NGOs and incorporated into local traditions. In addition, some Guerrero communities have organized a variety of courses concerning sustainable conservation, such as deer and trout breeding, organic forestry, natural resource management, participatory planning for men and women, crop rotation, and water source protection, as well as interchanges to disseminate successful experiences.

In Michoacan, communities fell within a wide range of proposed methods of participation in conservation activities, from unpaid voluntary fire control and vigilance brigades to hired work for reforestation, planting and ecotourism projects. Some communities are in the beginning stages of land use planning on established conservation areas, while others such as San Juan Nuevo and Villa Madero are ready to develop and begin

financing their sustainable conservation proposals. In Guerrero, the range of proposed sustainable use activities included organic coffee, reforestation of fruit trees, crop diversification, production of certified organic goods, ecotourism, rehabilitation of a tree nursery, alternative crops, planting of Christmas trees, mezcal bottling plant, water purification plant, mushroom cultivation, ornamental flower nursery, deer breeding, cultivation of medicinal plants, fruit production, wooden crafts, herb cultivation, etc.

Overall, the studies identify a dynamic target population, in which the changing economy and increasing awareness in Mexico of the value of natural resources is leading to new development perspectives for community and *ejido* members. While uneven, there is a revival of indigenous culture underway, in which community members are reasserting an indigenous identity and linking their future development to the permanence of their community of origin and its land and natural resource base. In addition, the negative social effects of cultivating illegal narcotic crops is leading some communities in these areas to opt for alternative sources of income which do not engender internal conflicts or increased regional violence.

### **Selection of Communities for Participation**

Preliminary work has been carried out during implementation of the Block A preparation grant in Oaxaca and in the activities carried out to date under the Block B preparation grant in all three states, which has identified the project areas and potential list of participating communities with the requisite organizational capacity, interest and biodiversity resources.

The characterization of communities (see list of communities by level of capacity and conservation opportunity at the end of this annex) combines the communities' socio-economic characteristics with biological and bio-physical criteria. Eligible communities for the full range of capacity-building and conservation activities are those with the greatest interest in and capacity for conservation located in priority areas of biodiversity. The criteria for eligibility are that the community concerned: (a) is in an area of high biodiversity; (b) has a Communal Statute; (c) has the organizational capacity for conservation; (d) has prior forest management experience; (e) has participated in past or on-going natural resource management, conservation or training projects funded by donor, NGO or government resources; (f) has active members of community networks for NRM; and/or (g) is involved in or planning any sustainable, multiple-use activities (such as marketing of non-timber forest products).

Communities eligible for capacity-building but not investment activities will be those with significant biodiversity resources, but which are at a preliminary stage of organization for conservation. It is expected that all communities will develop more capacity during project implementation and that, over time, a number of communities that were not eligible for conservation area activities and investments at the beginning of the project will be reclassified as eligible at a later stage. A mid-term review is planned which would evaluate the present capacity of all communities in the project area and evaluate the continued appropriateness of the selection criteria to determine the priority setting for financing activities under the project. In some cases, the more advanced communities may not be in need of continued financing for conservation areas because they will have the interest in and capacity for maintaining their own investments, for example, through rotating community funds. This would require priority setting in the that looks both at interest and capacity of all communities as well as providing a means for channeling scarce resources to those communities most in need of outside support, should the demand for conservation activities be greater than the available resources. If the networks and alliances within clusters of conservation areas prove effective, the criteria for selection could also provide an incentive for communities to identify multi-community investments or conservation activities that would increase the biodiversity conservation value of individual sites.

## Conclusion

The studies confirmed that in order to establish a solid concept of community conservation, the following activities should be supported by the project: productive products; normative processes; community organization for protection, vigilance, and fire control; natural resource use planning; and rehabilitation of forest areas.

Foreseen benefits of the project in addition to strict biodiversity conservation include employment generation, increased environmental awareness, increased community participation, eco-friendly agricultural practices, reduction in inter-community conflict over territory if they are jointly responsible for its protection, capacity-building, increased internal organization and natural resource management skills, reduced pressure on the land, increased community decision-making practices, reduced reliance on illicit crop production, improved quality of life through increased income, and decreased out-migration, especially among youth.<sup>80</sup>

**TABLE 1: TECHNICAL AND SOCIAL INFORMATION  
ON PRIORITY REGIONS OF BIODIVERSITY**

<b>Candidate Area</b>	<b>Technical Information</b>	<b>Social Information</b>
Sierra Juarez, Oaxaca	<p>Area: 700,000 has.            Ecoregion: southern Sierra Madre            Sierra Juarez is a diverse mountainous region containing dry tropical pine-oak forest (300,000 has. ) and subalpine grassland at higher altitudes and tropical broadleaf, (100,000 has. ) mesofilous forest (150,000), and thorny scrub in the lower altitudes. Indigenous communities have a long presence in the area and have developed agricultural systems with high plant diversity which complement the natural ecology of the intact forest areas.</p>	<p>There are two main indigenous groups in the region: Zapateco (33% of Oaxaca’s indigenous population; 4% of national population) and Mixteco (23% and 2% respectively. In response to unfavorable agricultural prices, land and soil degradation, and lack of irrigation and road infrastructure, communities in the Sierra Juarez have developed a complex system of sedentary and shifting agriculture, forestry, and temporary patterns of outmigration to generate cash income to sustain local livelihoods. These communities engaged in a decade long struggle in the 1970s and 1980s to cancel the logging concession granted to a state pulp parastatal, organizing themselves through the struggle, and subsequently developing their own groups of forestry enterprises. Successful communities have reduced the need for migration, and modified their agricultural strategies to conserve their forest estate. Traditional knowledge of ecosystems and biodiversity is very high, as are indigenous systems of communal governance and appointment of local authorities.</p>

<p>Chinantla, Oaxaca</p>	<p>Area: 170,000 has. Ecoregion: The region is divided in 11 subregions including one zone flooded by the Cerro de Oro dam, the most important being the high sierra, the mid-sierra with dwarf forest, and the alluvial plains.</p>	<p>The main indigenous inhabitants of this region are Chinanteco, an ethnic group which is 50% of the region's population and 9% of the indigenous population of the state. There is still substantial practice of shifting cultivation in this region, with varying impacts depending on population pressure. In some areas it is still benign, in other population density leads to conversion and degradation. Shade coffee is a common cultivation in the middle altitudes and this ethnic group has a long tradition of sophisticated resource use and agriculture adapted to foster plant and ecosystem diversity, with a single household maintaining plots at different elevations and different soil types. Communities have strong cultural traditions and mobilize traditional labor exchanges for building and maintaining infrastructure and financing local improvements.</p>
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Costa, Oaxaca	Area: 100,000 has. Ecoregion:	This region has three main indigenous groups, the Mixtecos and the Chatinos and some Zapotecos. Like the Sierra Juarez, the communities have organized for forestry enterprises, but not as intensively or for as long of a period of time. The main pressures on forested areas, as in the other regions, are clearing of forest for agriculture and livestock rearing, and illegal logging in those communities that are not organized.
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<p>Meseta Purepeche, Michoacan</p>	<p>Area: 57,085 Ecoregion: Tancitaro</p>	<p>The Meseta is the traditional territory of the Purepeche indigenous peoples who were able to maintain control over their community territories to a great extent during the colonial and post-colonial period. Some of the indigenous communities/ejidos have parcelled the rights to forests for timber and non-timber extraction and these function as private parcels within a common management plan. Other areas are managed as a community block. The most sophisticated community forestry enterprise in Mexico is found in San Juan Nuevo. There is a long tradition of woodworking and forest-based enterprises through the Meseta. The main pressures on the forest and environment are from illegal logging, deforestation to establish avocado and pesticide and herbicide contamination from such plantations, clearing for livestock;</p>
<p>Sierra Madre del Sur, Guerrero</p>	<p>Area: 1,074,424 Ecoregion: Sierra de Atoyac</p>	<p>This region encompasses of the Sierra Madre del Sur Pine-Oak forestry ecoregion and is an endemic bird area due to its concentration of range-restricted birds, including the Short-Crested Coquette hummingbird (<i>Lophornis brachylopha</i>). The main population are mestizo with some mixed indigenous origin such as Tlapaneco and Mixteco, but speaking mainly Spanish and having a less traditional community authority structure more like traditional Mexican <i>ejidos</i> elsewhere in the region.</p>

Meseta Purepeche, Michoacan	Area: 57,085 Ecoregion: Tancitaro	The Meseta is the traditional territory of the Purepeche indigenous peoples who were able to maintain control over their community territories to a great extent during the colonial and post-colonial period. Some of the indigenous communities/ejidos have parcelled the rights to forests for timber and non-timber extraction and these function as private parcels within a common management plan. Other areas are managed as a community block. The most sophisticated community forestry enterprise in Mexico is found in San Juan Nuevo. There is a long tradition of woodworking and forest-based enterprises through the Meseta. The main pressures on the forest and environment are from illegal logging, deforestation to establish avocado and pesticide and herbicide contamination from such plantations, clearing for livestock.
Sierra de Coalcoman, Michoacan	Area 687,010 Eco Region:	This region is inhabited by the coastal Nahuatl.
Sierra de Chincua, Michoacan	Area: 300,964 Eco-Region:	This includes populations of Mazahua and Otomis as well as mestizo ejidos. There are communities which have expressed interest in conservation and some with active forest management activities.
Infernillo, Michoacan/ Guerrero	Area: 108,287	No indigenous populations or overlap with forestry communities or ejidos.
Cerro Trompetero Cuitzeo, Guerrero	Area: 18,176	There are no communities in this region of biodiversity that have been identified so far for inclusion in the project.

Sierra Madre del Sur, Guerrero	Area: 1,074,424 Ecoregion: Sierra de Atoyac	This region encompasses of the Sierra Madre del Sur Pine-Oak forestry ecoregion and is an endemic bird area due to its concentration of range-restricted birds, including the Short-Crested Coquette hummingbird ( <i>Lophornis brachylopha</i> ). The main population are mestizo with some mixed indigenous origin such as Tlapaneco and Mixteco, but speaking mainly Spanish and having a less traditional community authority structure more like traditional Mexican <i>ejidos</i> elsewhere in the region.
Sierra de Taxco, Gro.	Area: 218,014	This is a region that is adjacent to the urban area of Taxco and which is the historical silver-mining and silver-working area. The higher elevations are traditional territory of the Nahuatl peoples and due to tourism and mining, there is a large non-indigenous population mixed in with smaller settlements and/or <i>ejidos</i> of Nahuatls. There has not been active forest management, and mining provides some conflicting interests to management. There are a few mainly mestizo communities likely to participate, but it is not known how many communities will eventually show interest in conservation.
Cañon de Zapote, Guerrero	Area: 84,844	This is an area of mixed indigenous settlement including communities of Nahuatl Tlapaneco, Mixtecos, and Amuzgos dispersed in a area of mestizo population.

**TABLE 2: PARTIAL LIST OF ELIGIBLE COMMUNITIES IN OAXACA AND MICHOACÁN, BY TYPOLOGY OF COMMUNITY INSTITUTIONAL CAPACITY\***

Regions	Category 1	Category 2	Category 3	Category 4
<b>OAXACA</b>				
<b>COSTA</b>	San Mateo Piñas Loma Limón El Naranjo Piedra Hueca Cerro Minas Cañada de Minas Ojo Venado Buena Vista San Isidro Loma Larga La Hamaca Loma Jícara Llano Grande Corral de Piedra	Agua Hedionda Arroyo Suchil Cerro Chino Hacienda Vieja Piedra de los Moros Pueblo Viejo Todo Santos El Zapote Paso Limón San Miguel del Puerto Santa María Xadani	Santa María Huatulco Petatengo	
<b>ISTMO</b>	Zimatán San Pedro Huamelula El Morro Mazatán			
<b>SIERRA NORTE</b>	San Pedro Yolox Santa María Totomoxtla San Francisco Yovego San Miguel Tiltepec Santa María La Luz San Juan Yagila Santa María Zoogochí	San Gaspar Yagalaxi Asunción Lachixila Santa Cruz Yagavila Santiago Teotlaxco San Miguel Yotao San Juan Taguí San Juan Yalahui San Juan Yatzona Santo Domingo Roayaga San Juan Juquila Vijanos	Santa Cruz Tepetotutla	San Juan Teponaxtla Santiago Comaltepec Santa María Nieves Ixtlán de Juárez Santa Catarina Ixtepeji Nuevo Zoquiapam Capulalpam de Méndez La Trinidad Ixtlán San Pablo Macuiltianguis Santa María Yavesía Santa Catarina Lachatao San Miguel Amatlán

<b>Regions</b>	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Category 4</b>
<b>Michoacan</b>				
<b>CENTRO</b>	Santa Clara del Cobre Zirahuen	Cheran Tingambato Pamatacuaro	Angahuan	San Miguel Charahuen Nuevo San Juan Parangaricutiro
<b>SUR</b>	Coire Pomaro			Santa Maria de Ostula
<b>SUR OCCIDENTAL</b>			Los Pozos	Varalaso
<b>ORIENTE</b>			Donaciano Ojeda	Cerro Prieto Chincua El Paso Carpinteros El Calabazo
<b>TIERRA CALIENTE</b>	Tamacuas Ichamio			

\* See Annex 12 for a description of community categories.

**Additional  
Annex No.: 12**

**Eligibility Criteria for Subprojects**

**Part I. Community Typology**

The project would channel grant resources to communities to finance a progressive series of community conservation subprojects tailored to the level of organization and willingness of participating communities to undertake long-term conservation. Incipient communities with interest in conservation activities but limited organizational skills and insufficient experience with conservation investment would be eligible for grants to help finance land use planning, community conservation action plans, diagnostic studies and inventories, and training events that build their capacity for conservation. The more advanced and experienced communities would be eligible for grants to help finance activities that assist them to actively manage and protect areas designated for conservation, including fire control, demarcation, delimitation, or restoration, and activities that promote sustainable use in adjacent resource areas which generates income while reducing pressure on conservation areas.

All communities eligible for participation in the project must:

- be located in priority biodiversity zones
- contain a minimum area of biodiversity in their land boundaries
- expresses a willingness to conserve areas of biodiversity
- have communal or ejido ownership with legal property rights
- be free of community and border conflicts
- submit proposals that have been agreed upon by communal assemblies

Eligible communities have been classified as one of four community “categories” for purposes of determining their eligibility for different levels of financing (see Table 1):

**Category 1: Communities with established rules of access to their natural resources**

- no formal community statute, management plan, and/or assembly agreement about the use of and access to community natural resources;
- absence of conservation and sustainable use projects.

**Category 2: Communities with established land use plans**

- incipient conservation and sustainable use projects;
- with or without restricted areas of natural vegetation for socio-cultural or environmental reasons.

**Category 3: Communities with established conservation areas**

- functioning conservation and sustainable use projects
- restricted areas of natural vegetation for socio-cultural or environmental reasons.

**Category 4: Communities with enterprises with separate administrative structure**

- comply with characteristics of Category 3 communities, plus
- enterprises with administrative structure for the use of community resources, coordinated by but independent of the community’s political entity.

## **Part II. Subproject Typology**

There are four types of activities which would be eligible for grant allocation, each with a different community counterpart requirement (see Table 2), and each with progressively larger grant sizes. In some cases, communities would provide their own labor and technical assistance; in others, the community would contract private service producers or purchase small goods and services. Grants would be given directly to communities.

### **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. Grant amounts for these activities would range in size from \$5,000 to \$15,000, and counterpart contribution would be at least 10% of total costs, presented as in kind contributions of local labor, travel, participation in workshops and evaluations, and community meetings. For pine-oak forest areas, PROCYMAF would be the lead financier, while GEF funds would be targeted to all other forest types. While all communities (Categories 1-4) would be eligible for Type A grants, Category 3 and 4 communities would not require Type A assistance before proceeding to Type C and D activities.

### **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 necessary for communities to develop the information base and institutional framework to establish conservation areas. Type B activities include capacity-building for conservation activities, including training for communities provided by third parties and by more advanced communities to less advanced ones, and strengthening of community networks. Proposals can be made by individual communities or networks of communities, with grants in the order of \$2,000 to \$8,000 per community with a minimum counterpart contribution of 20%. For pine-oak forest areas, PROCYMAF would be the lead financier, while GEF funds would be targeted to all other forest types. While all communities (Categories 1-4) would be eligible for Type B grants, Category 3 and 4 communities would not require Type B assistance before proceeding to Type C and D 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) for productive activities that generate sustainable alternatives for communities. The potential scope of activities could include forest certification studies, market studies, seed capital for eco-tourism projects, water bottling plants, nature paths, guide training, mushroom cultivation, resin collection, carbon sequestration and other non-timber forest product enterprises. Investments for protection could include guard towers, identification markers, fencing, fire control mechanisms and rehabilitation of forest fringes. It is expected, but not required, that a majority of communities would first apply for Type A and B projects and “graduate” to Type C investment proposals. All Type C proposals would be based on a matching formula to apply the incremental cost principle, with a community counterpart of at least 25%, and would range in size from \$15,000 to \$20,000. PROCYMAF would be the lead financier for pilot scale non-timber forest product based investments and both

PROCYMAF and PRODEFOR for technical assistance/ study components of these investments in eligible forest types. Only Category 3 and 4 communities are eligible to participate in Type C activities.

**Type D: Community Green Venture Funds (Total: \$1.8 million; GEF: \$0.63 million)**

Category 4 communities that have 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 would become 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. Under this latter modality, communities that are ready to create a permanent fund for continued financing of sustainable use activities and conservation areas would be eligible for a larger size grant and would agree to reimburse both the amount of the grant and their own matching investment into a community account specifically established for conservation investments. This financing modality would be accessed on a voluntary, self-selecting basis, and would be targeted to the more advanced communities (Category 4) which have reached a point of recognizing the value of long-term conservation initiatives and are willing and able to dedicate resources to this purpose. The scheme would provide a learning experience to the community which should make them eligible for future support from other local and international conservation donors or from green venture capital sources (see annex 16). The size of this grant is expected to be between \$20,000 and \$30,000, with at least an equivalent amount of community counterpart. Only GEF funding would be channeled to this component.

Additional criteria for state committees to use in evaluating and deciding between proposals presented by eligible communities include:

- feasibility - project has a high probability of success
- organization - sufficient community organization to guarantee operation of the project
- replicability - project provides replicable model of an innovative project, activity or strategy
- environmental concerns - proposed area of conservation is under direct and immediate threat
- level of need - community has extreme need for external financial resources

Table 1 below shows the types of proposals each type of community is expected to present. While the state committees will have the responsibility to decide which proposals to accept based on these criteria, they are expected to use great flexibility, since while the typology is useful for classification purposes, the lines between each “type” of community are not fixed.

**Table 1**  
**Expected Demand for Sub-projects**  
**by type of community and activity**

<b>TYPE OF ACTIVITY/ COMMUNITY</b>	<i><b>Category 1: with established rules of access to their natural resources</b></i>	<i><b>Category 2: with established land use plans</b></i>	<i><b>Category 3: with established conservation areas</b></i>	<i><b>Category 4: with enterprises with sep. organizational structure</b></i>
<i><b>Type A: Land Use Planning</b></i>	60 % (Year 1) 60 % (Year 7)	50% 50 %	20 % 20 %	20% 10 %

<b><i>Type B: Training and Capacity Building</i></b>	40 % 40 %	30 % 30 %	20 % 20 %	20 % 20 %
<b><i>Type C: Projects for Conservation and Sustainable Use</i></b>	0 % 0 %	0 % 0 %	60 % 55 %	55 % 30 %
<b><i>Type D: Community Green Venture Funds</i></b>	0 % 0 %	0 % 0 %	0 % 5 %	5 % 40 %

**Table 2**  
**Percentage of Community Contribution to Projects (in cash or kind)**  
**by type of community and activity**

<b>TYPE OF ACTIVITY/ COMMUNITY</b>	<i><b>Category 1: with established rules of access to their natural resources</b></i>	<i><b>Category 2: with established land use plans</b></i>	<i><b>Category 3: with established conservation areas</b></i>	<i><b>Category 4: with enterprises with sep. organizational structure</b></i>
<i><b>Type A: Land Use Planning</b></i>	Community participation or up to 10% of cost in kind.	Community participation or up to 10% of cost in kind.	At least 10% (in cash or kind).	At least 10% (in cash or kind).
<i><b>Type B: Training and Capacity Building</b></i>	Community participation or up to 20% of cost in kind.	Community participation or up to 20% of cost in kind.	At least 20% (in cash or kind).	At least 20% (in cash or kind).
<i><b>Type C(a): Sustainable Use Projects (certified products and environmental services)</b></i>	25% in cash	25% in cash	25% in cash	25% in cash
<i><b>Type C(b): Conservation Projects</b></i>	Community participation or up to 20% of cost in kind.	Community participation or up to 20% of cost in kind.	At least 20% (in cash or kind).	At least 20% (in cash or kind).
<i><b>Type D: Community Green Venture Funds</b></i>	The combination of resources will be a factor in the competitive proposal evaluation process.	The combination of resources will be a factor in the competitive proposal evaluation process.	The combination of resources will be a factor in the competitive proposal evaluation process.	The combination of resources will be a factor in the competitive proposal evaluation process.

**Additional  
Annex No.: 13**

**Environmental Analysis**

1. This Category B project is intended to be entirely positive from an environmental standpoint, particularly by promoting the conservation of globally significant biodiversity on selected indigenous and other community and *ejido* lands. The project would support community-level land use planning and training for the establishment of conservation areas; investments in conservation areas or in complementary sustainable uses of biodiversity; local capacity building to enable communities and *ejidos* to administer conservation activities and manage funds; biodiversity monitoring and evaluation; and project management (see Annex 2 for details). The project would be carried out in two phases, to facilitate making appropriate adjustments after the Mid-term Review.

2. **Project Location.** All project investments would take place within the States of Oaxaca, Guerrero, and Michoacan, on the communally-owned lands of indigenous and other communities (including *ejidos*) who voluntarily choose to participate. All of the potentially eligible communities (1,300 possible communities of which about 300 are expected to be interested or eligible to participate) are situated within zones which qualify as high-priority areas for biodiversity conservation, based on a re-analysis and a predictive modelling exercise using data from all existing biodiversity studies, including those by CONABIO. For participation in capacity-building and land use planning activities, communities within these zones would be selected according to the biological, social, and organizational typology outlined in Section E.6.1. and Annex 12 of this PAD. In addition, the Block B modelling study has provided improved data on biodiversity conservation priority sites, and the sources of threat, thus enabling further refinement of the biological criterion for high priority biodiversity areas of sufficient size during the period of project implementation. Section B and Annex 4 of this PAD highlight some of the globally significant biodiversity attributes of the overall project area.

3. **Community Conservation Areas.** The project would support the establishment and management of Community Conservation Areas (CCAs), a name used here to refer to the portions of indigenous and community (including *ejido*) lands which their owners collectively designate for long-term conservation. Some CCAs already exist within the project area (such as in the Sierra Juarez of Oaxaca and at San Juan Nuevo Parangaricutiro in Michoacan); the project would initially promote the establishment of about 100 additional CCAs and perhaps another 50 as local capacity increases. CCAs share many of the basic characteristics of typical, government-supported protected areas on public lands, including the key objective of long-term conservation of natural ecosystems and their biodiversity. However, CCAs differ in being situated on private, communally-owned (not public) lands, and their owners and managers are organized communities and *ejidos* (not government agencies).

4. Under the project, eligible CCAs would comprise sites of intact or recovering natural vegetation. In some cases, CCAs might include zones of biodiversity-friendly forestry or agroforestry systems adjacent to core areas of natural vegetation. CCAs would encompass areas of strict protection as well as areas which allow low-impact multiple uses. Which uses are permitted and not would be determined by the communities and *ejidos* in their land use plans; the State Committees would take into account the degree and adequacy of proposed protection and management in selecting CCA proposals for project funding and SEMARNAP would have ultimate responsibility for environmental screening of subprojects as part of its role on the state and national committees (SEMARNAP would issue a formal no objection for each approved subproject). CCAs would range in size from several hundred to tens of thousands of hectares;

selection criteria would favor proposals from communities with larger CCA sites, communities with greatest economic need, and communities in areas of significant threat. The largest conservation areas supported under the project are likely to be clusters of several contiguous CCAs in neighboring, collaborating communities.

5. Once they have been recorded in the By-Laws (*Estatutos Comunales*), Resolutions (*Actas*) or other legally binding documents of communities and *ejidos*, CCAs are likely to have long-term legal permanence; they appear to be no easier to de-gazette than most governmental protected areas. The project (Component 2, Type A) would assist participating communities in the codification of their CCAs within By-Laws and other legal documents. It would also promote the recognition of CCAs as legitimate protected areas by Federal and State agencies.

6. **Sustainable Use Investments.** This project would support various types of technical assistance, studies, planning, training, capacity building, project management, and monitoring and evaluation. Only Component 2, Type C, Community Investments for Conservation Activities and Sustainable Use, would support any (small) civil works or equipment for use within natural habitat areas. Type C activities would support investments to improve the on-the-ground protection and management of CCAs, such as physical demarcation, fire control, and equipment related to protection and administration functions. It would also finance complementary investments in sustainable uses of biodiversity, thereby strengthening the incentives to establish and maintain CCAs and providing environmentally-friendly alternatives for production and income generation.

7. Component 2, Type C would provide small grants (maximum US\$30,000) to eligible communities in support of sustainable use investments such as water bottling, resin collection, gathering of non-timber forest products (mushrooms, medicinal plants, and others), wildlife management, ecotourism, and bio-prospecting, along with environmentally friendly agricultural and agroforestry systems outside the core protected zones of CCAs. Most of these activities are inherently benign from an environmental standpoint. Based on the types of similar proposals considered to date under the Community Forestry (PROCYMAF) project, the environmental risks associated with such activities in the project area are most likely to involve potential over-harvesting, use of invasive non-native species (such as trout), or human disturbance to highly sensitive tourist sites (such as caves). These risks would be avoided or minimized through careful review of proposals by the State Committees, using criteria similar to those now in place for PROCYMAF and under the oversight of SEMARNAP. In any event, the sustainable use investments to be supported under Component 2, Type C are expected to be more environmentally friendly than the other types of activities which communities and *ejidos* might have pursued in the same areas without project assistance.

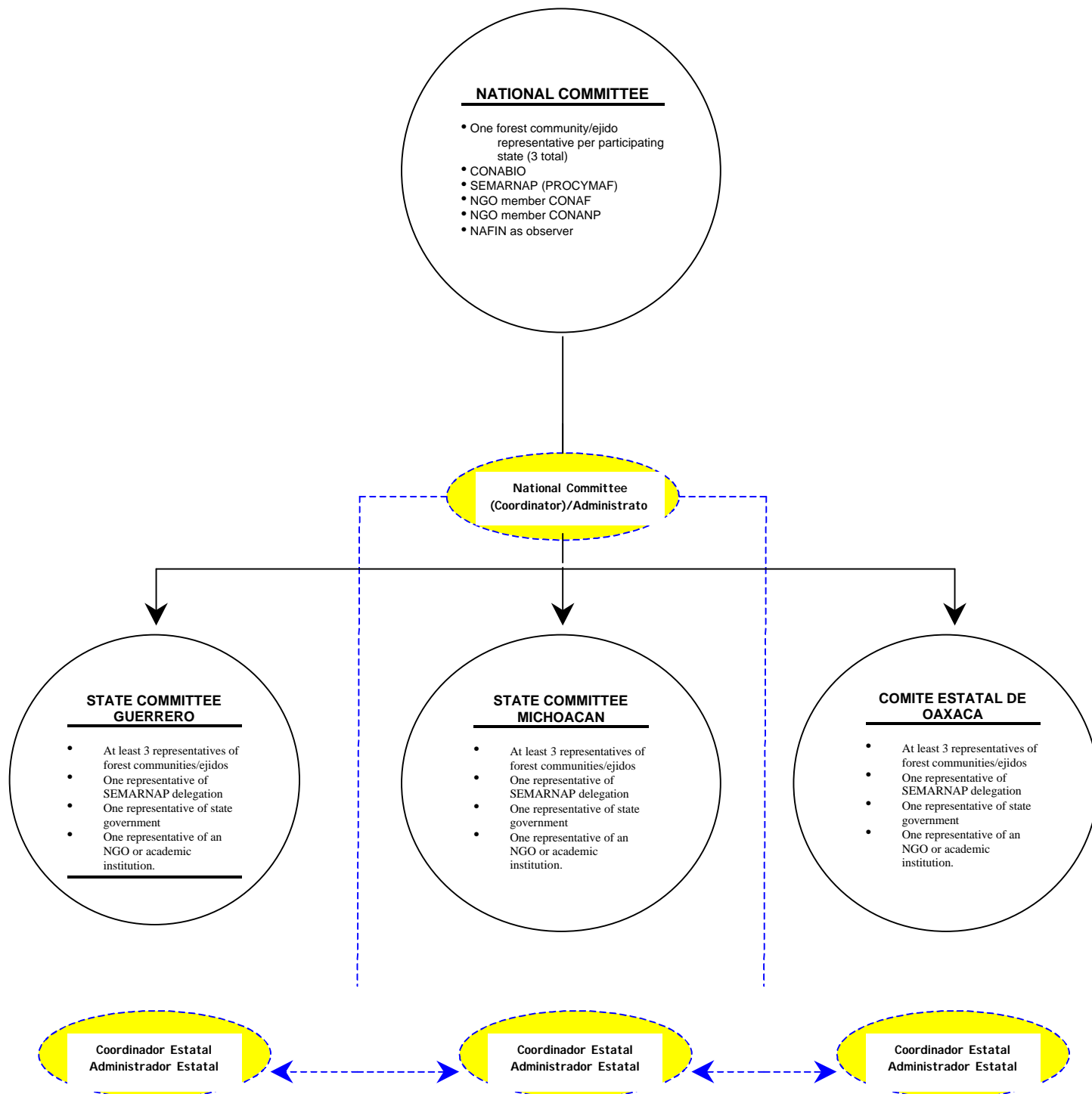
8. **Public and NGO Consultation.** Although the most important stakeholders from a conservation standpoint in this project are the community and ejido members who will decide whether and how to support CCAs or complementary investments, other stakeholders, including environmental NGOs, have been substantially involved in project design. Some of the NGOs and other outside stakeholders which were consulted in multiple workshops, meetings, and other occasions during project preparation are indicated in Section E.6.3. of the PAD. All of the stakeholders consulted have expressed broad support for this project.

**Additional  
Annex No.: 14**

**Institutional Arrangements and Financial Administrator**

**I. Project Coordination**

Project implementation will be decentralized to the three states through the formation of State Committees, each of which will be made up of at least three representatives of participating communities and ejidos, a state SEMARNAP representative, which will be the project coordinator of PROCYMAF in that state or their equivalent, and state government and civil society representatives. The GEF funds will be channeled to a trust fund established by Nacional Financiera (NAFIN), the financial administrator, with the GEF project budget governed by a national committee. The National Committee will both agree on annual expenditures and have oversight over the functioning of the three State Committees. It will be constituted by one community or ejido per participating state, one federal SEMARNAP representative--the PROCYMAF project coordinator or their equivalent--, two representatives of civil society (an NGO member of the National Protected Areas Council or one from the National Forestry Advisory Group), and the financial administrator (NAFIN). Both State and National Committees will have coordination staff, each with a Coordinator and an Administrator (accountant), although the Coordinator for Oaxaca state will also be the national coordinator, and be based in Oaxaca state. The national administrator will be based on Mexico City in NAFIN's offices. These staff will be the executors of the committee decisions and will be in charge of project implementation, monitoring and evaluation, and promotion of activities with participating communities. The organizational structure is presented below:



**National Committee.** The National Committee is the main supervision mechanism of COINBIO. The Committee will resolve issues and problems and establish the general norms that govern project implementation, in accordance with sectoral, national and donor policies. The National Committee will select and supervise the performance of the National Coordinator and Administrator.

**National Coordination Unit.** The National Coordination Unit reports directly to the National Committee and is responsible for coordinating the execution of the Annual Operating Plan, overseeing resource allocation, and supervising operations carried out in the three states.

**National Coordinator.** The National Coordinator is the executor of the national-level workprogram and reports to the National Committee. The Coordinator is responsible for general monitoring and evaluation of project progress, overseeing the process of preparing and approving the Annual Operational Plans for the project, providing information required by the national committee for decision-making, organizing field visits to the project area, and interacting with the Financial Administrator.

**National Administrator.** The National Administrator oversees administrative and accounting issues in the three states in close coordination with the State Coordinating Units and the financial agent. The Administrator will be responsible for compiling the operational plans, periodic monitoring reports and other information to be presented to the National Coordination Unit, and for backstopping the administrators in each state-level coordination unit.

**State Committees.** The State Committees are responsible for executing the project at state level. Each State Committee will establish policies, criterias and procedures for promoting the project in the state, selecting community proposals and ensuring the efficient operation of the project. The State Committees will also oversee and approve the operational plans, M&E reports and other documentation sent to the National Committee. Should it prove appropriate the committees and their coordination units may be constituted as civil associations early in the project, as a first step towards the institutionalization of these as more permanent entities for community conservation. NAFIN would provide full oversight of their administrative and financial management activities, regardless of the arrangement.

**State Coordination Units.** The three State Coordination Units will be in charge of the activities mentioned in the Annual Operational Plan and maintaining current financial and fiscal project information. They will report directly to the State Committeees and the National Coordinator. The State Coordination Units will also be responsible for promoting the project in the state, producing the Annual Operational Plan, collaborating with beneficiaries, conducting a preliminary review of community proposals to be presented to the State Committee, and coordinating state level activities.

**State Coordinator.** The State Coordinator is the executor of the project activities at state level according to the decisions and guidelines established by the state committees. The coordinator is hired by the Financial Adminstrator. The Coordinator is the main point of contact between the participating communities and the project, and the liaison between COINBIO with PROCYMAF and PRODEFOR and other project operating in the states. The Coordinator prepares the Annual Operating Plan for discussion with the Committee, promotes the project in the state, packages the proposals for Committee review, hiring peer reviewers as needed, ensures the flow of documents and information, and carries out the needed monitoring and evaluation studies, and organizes the needed training.

**State Administrator.** The State Administrator oversees the financial management of the state level operations, generates all needed reports and accounting requirements, and keeps all records related to procurement and monitoring of the approval and financial transfers for the subprojects.

## II. Financial Agent

GEF funds would be disbursed through a private financial administrator, NAFIN. The financial administrator would provide an accounting and administrative home to the project and act as Recipient of the GEF grant for purposes of the grant legal agreement. Either through the agreement with the financial administrator or as a separate means of support to the State Committees, specialists would be contracted to train the coordination units in financial management and administration and transfer expertise regarding foundation grant-making requirements and procedures.

The criteria used to select the financial administrator to manage GEF funds were:

- Transparency and reputation of the institution's structure
- Quality of the physical and human infrastructure
- Quality of the internal administrative and accounting system
- Ability to produce financial and technical reports acceptable to the World Bank and GEF
- Regional presence in the three states
- Experience with similar types of responsibilities with international agencies
- Positive experience with indigenous communities
- Interest in entering as a partner in the project
- Amount of resources managed

The functions of the financial administrator in the project include:

- Administer the GEF resources;
- Generate the reports and information data bases required by the World Bank, providing information on an as requested basis to the GEF and the World Bank;
- Audit the use of the funds, using World Bank norms;
- Train the national and state-level accountants in the coordination units;
- Transfer lessons of experience to the coordinators and their clients as appropriate;
- Maintain information regarding the subgrants;
- Supervise the work of the coordination units and the project accountants;
- Assure that the Operational Manual is being applied;
- Promote and strengthen community initiatives to manage community conservation funds;
- Provide a legal authority to the state level coordination units to approve grants, transfer funds, and procure goods and services needed by the coordination units for carrying out their duties.

**Additional  
Annex No.: 15**

**Community Conservation and Green Venture Funds  
Type D Subprojects**

There is a strong demand among communities with more advanced resource management initiatives in the project area for long-term mechanisms to finance conservation and management efforts and to invest in green ventures that generate income while effectively reducing threats to the natural resource base. There are a number of programs which could finance the kinds of green venture activities which communities would wish to undertake. Fondos Empresas de Solidaridad (FONAES), a program of SEDESOL, the social development secretariat, provides resources for small and medium enterprises including forest product-based industries, fisheries, eco-tourism, and cultural enterprises. The Multi-Investment Fund within the Inter-American Development Bank and Fomentos Sociales BANAMEX have launched a US\$ 8 million fund for rural and agri-business. The International Finance Corporation (IFC) within the World Bank group has launched an Ecofund for environmental enterprises. All of these options require demonstration of capacity to manage funds over the medium to long term and entail investments in the order of US\$ 100,000 or more. In parallel, there is a strong movement in the United States to promote sustainable enterprises in poor urban and peri-urban communities through community venture capital schemes, which is operating successfully in a large number of urban centers with clients with little or no previous business experience.

COINBIO will pilot a green venture scheme as one of the subproject options which would provide interested communities who are ready to manage their own long-term investments with a limited amount of venture capital to enable them to learn how to manage such funds for community ventures related to their natural resource base and existing conservation land use planning. It is expected that some of the communities who benefit from this scheme would then become eligible for the more substantial sources of green venture financing available in Mexico or through international environmental donors including those described above.

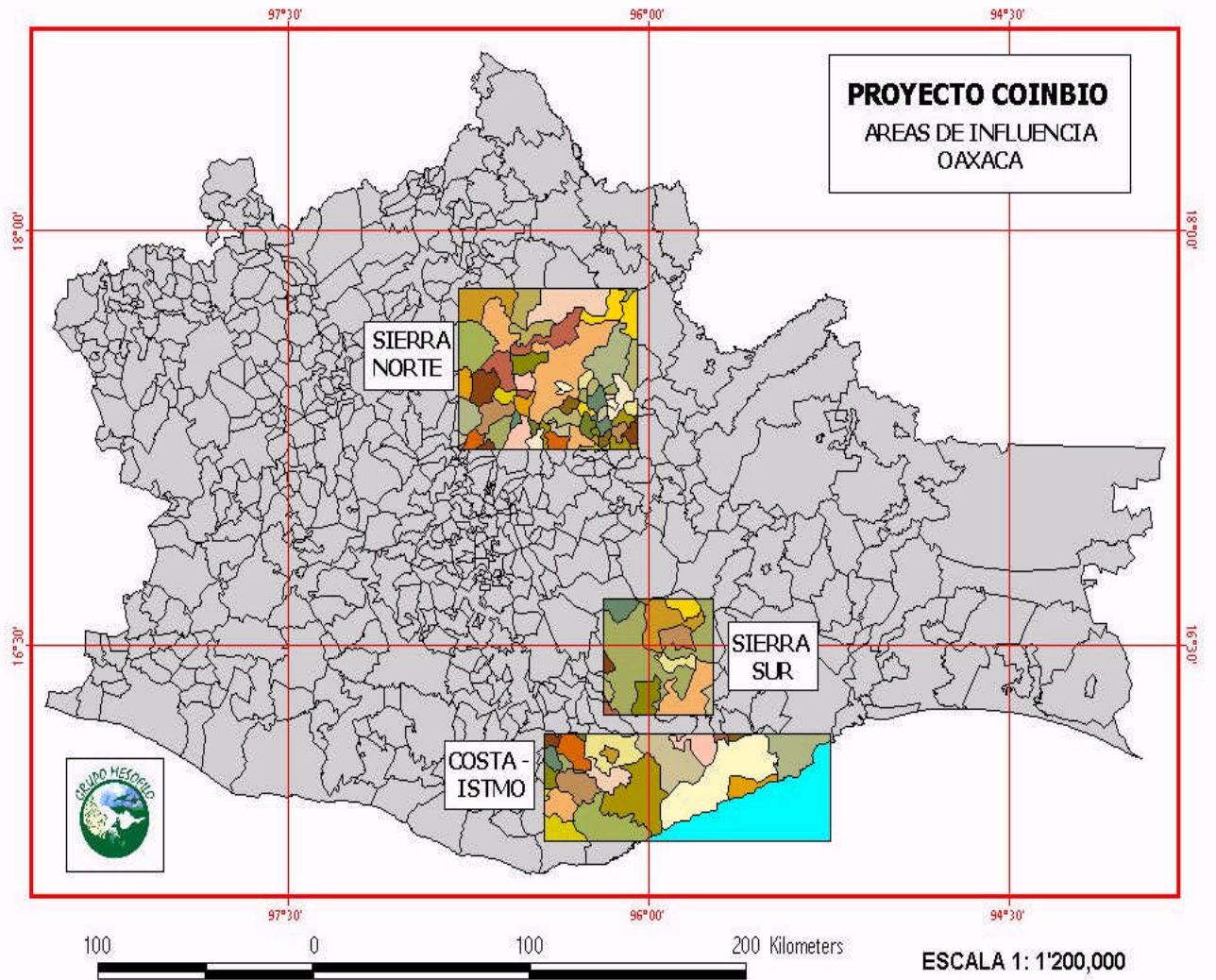
Under this latter modality, communities that are ready to create a permanent fund for continued financing of sustainable use activities and conservation areas would be eligible for a larger size grant -about US\$ 30,000- and would agree to reimburse both the amount of the grant and their own 100% matching investment into a community account specifically established for conservation investments. Only GEF funding would be channeled to this component.

Since this is an innovative component, and Mexico does not have experience applying this model to indigenous communities without prior investments of this type, it was agreed that the component would not be initiated until the second or third year of the project, and that the design would be agreed with the World Bank as a condition of disbursement and included in the operational manual. This would give the project coordinators a chance to evaluate possible models and select a modality appropriate to COINBIO.

**Additional  
Annex No.: 16**

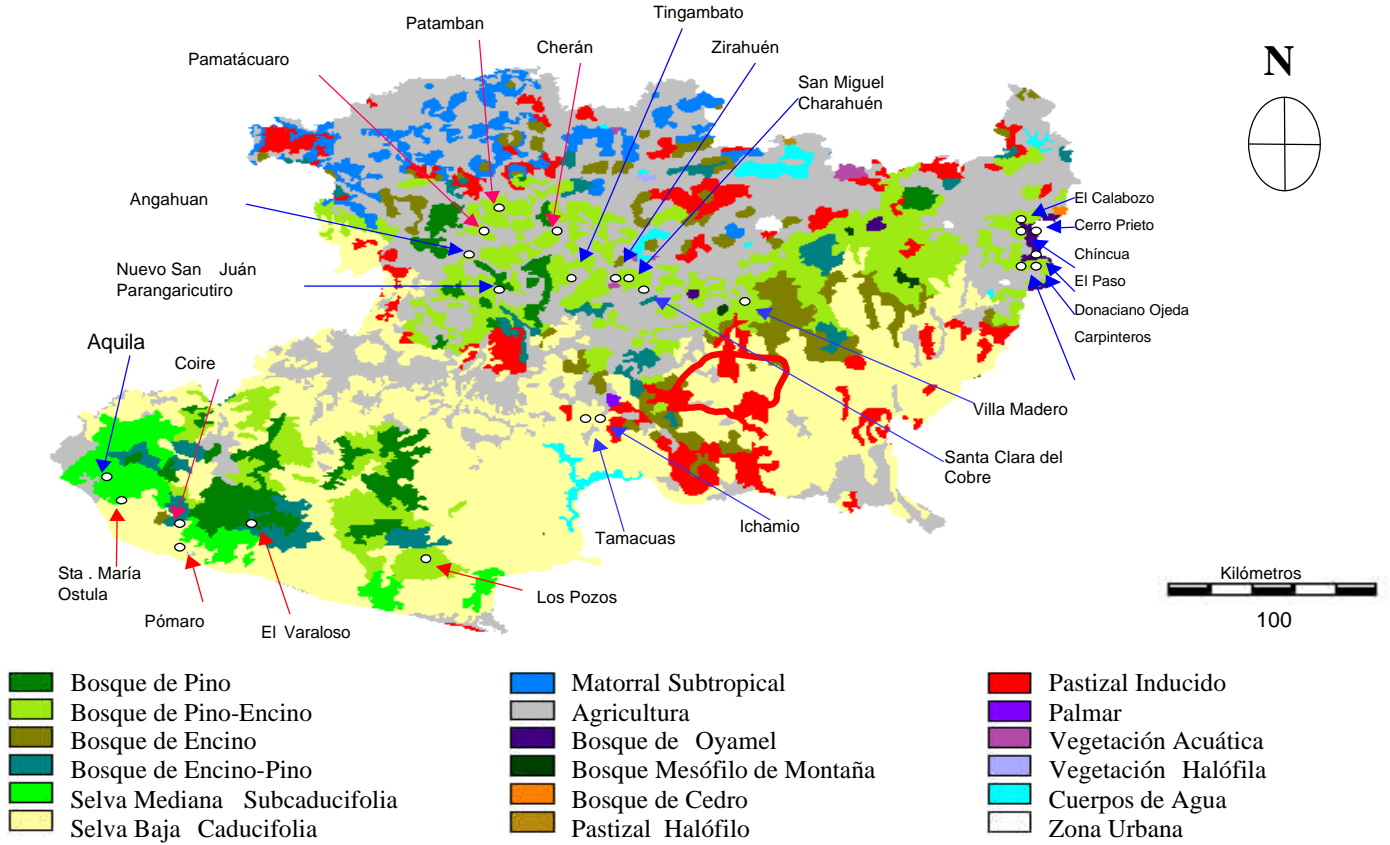
**MAPS**

**COINBIO Project Areas in the State of Oaxaca**



COINBIO Project Areas in the State of Michoacan

TIPOS DE VEGETACIÓN DEL ESTADO DE MICHOACÁN Y LOCALIDADES PROPUESTAS



## COINBIO Project Areas in the State of Guerrero

### COMUNIDADES SELECCIONADAS PARA EL ESTUDIO SOCIAL EN EL ESTADO DE GUERRERO DIVISION MUNICIPAL Y TIPO DE PROPIEDAD

