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PROJECT PERFORMANCE ASSESSMENT REPORT

MEXICO

**INDIGENOUS AND COMMUNITY BIODIVERSITY CONSERVATION
PROJECT**

TF-24372

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IEG Public Sector Evaluation
Independent Evaluation Group

Currency Equivalents (annual averages)

Currency Unit = Mexican Peso (MXN)

2008	US\$1.00	MXN13.46
2009	US\$1.00	MXN13.09
2010	US\$1.00	MXN12.40
2011	US\$1.00	MXN13.97

Abbreviations and Acronyms

CAS	Country Assistance Strategy
CONABIO	National Commission for Information and Use of Biodiversity (Comision Nacional para el Conocimiento y Uso de la Biodiverisdad)
COINBIO	Indigenous and Community Biodiversity Conservation Project (Proyecto de Conservación de la Biodiversidad en Comunidades Indigenas)
CONAFOR	National Forestry Commission (Comisión Nacional Forestal)
CONANP	National Council for Natural Protected Areas (Consejo Nacional de Areas Naturales Protegidas)
GIS	Geographic Information System
GEF	Global Environment Facility
GEO	Global Environment Objective
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion and Results Report
IEG	Independent Evaluation Group
IEGPS	IEG Public Sector Evaluation
INE	National Ecology Institute (Instituto Nacional de Ecologia)
NAFIN	National Financial Agency (Nacional Financiera)
PROCYMAF	Community Forestry Project (Proyecto de Conservación y Manejo Sustentable de los Recursos Forestales)
PPAR	Project Performance Assessment Report
SEMARNAP	Ministry of Environment, Natural Resources and Fisheries (Secretaria de Medio Ambiente, Recursos Naturales y Pesca) (1994-2000)
SEMARNAT	Ministry of Environment and Natural Resources (Secretaria de Medio Ambiente y Recursos Naturales) (2001 to date)
SHCP	Ministry of Finance (Secretaria de Hacienda y Credito Público)
SII	Integrated Information System
SINAP	National System of Protected Areas (Sistema Nacional de Areas Protegidas)

Fiscal Year

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Contents

Principal Ratings.....	v
Key Staff Responsible.....	v
Preface.....	vii
Summary.....	ix
1. Background and Context.....	1
2. Objectives, Design, and their Relevance	3
Objectives	3
Relevance of Objectives	4
Design.....	5
Relevance of Design.....	7
Monitoring and evaluation.....	8
Implementation arrangements.....	8
3. Implementation	10
Approval, effectiveness, mid-term review, and closing dates	10
Planned vs. actual disbursements.....	10
Amendments to the Grant Agreement	11
Factors that affected implementation.....	11
Implementation of Monitoring and Evaluation.....	13
Use of Data	15
Safeguards compliance	15
Fiduciary issues.....	16
4. Achievement of the Objective: Conserve High Biodiversity by Strengthening and Promoting Community Conservation Initiatives on Communally-Owned Lands.....	16
Institutional Model.....	16
Community Level Outputs and Outcomes.....	17
5. Efficiency	20
6. Ratings	22
Outcome.....	22
Risk to Development Outcome.....	23
Bank Performance.....	24

This report was prepared by April Connelly, who assessed the project in November 2011. The report was peer reviewed by Kenneth Chomitz and panel reviewed by Denise Vaillancourt. Jacqueline Andrieu provided research support and Marie Charles provided administrative support.

Quality at Entry.....	24
Supervision	25
Borrower Performance.....	25
Government Performance	25
Implementing Agency Performance	25
Monitoring and Evaluation	26
7. Lessons.....	27
References.....	29
Annex A. Basic Data Sheet.....	31
Annex B. List of Persons Met.....	34

Boxes

Box 1: Community eligibility criteria and organizational categories.....	6
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Tables

Table 1: Related Forest and Biodiversity Projects Ongoing During Project Implementation	2
Table 2: Estimated and Actual Cost by Component.....	11
Table 3: Project-financed subprojects by investment type	17
Table 4: Budget allocation from State and Federal Government to the COINBIO program in Oaxaca and Michoacán (millions of pesos).....	23

Figures

Figure 1: Project Organizational Chart.....	10
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Principal Ratings

	<i>ICR*</i>	<i>ICR Review*</i>	<i>PPAR</i>
Outcome	Satisfactory	Satisfactory	Moderately Unsatisfactory
Risk to Development Outcome	Negligible to Low	Negligible to Low	Moderate
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

* The Implementation Completion and Results Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEG product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

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IEG Mission: Improving World Bank Group development results through excellence in evaluation.
About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System for Public Sector Evaluations

IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: <http://worldbank.org/ieg>).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This is a Project Performance Assessment Report (PPAR) of the Mexico Indigenous and Community Biodiversity Conservation Project (COINBIO). The total cost of the project at appraisal was US\$19.05 million; actual cost was US\$ 24.52 million. The project was financed through a Global Environment Facility (GEF) grant of US\$7.85 million, of which actual disbursements were US\$7.83 million and US \$19,860 was cancelled. The project was approved by the Board of Executive Directors on November 28, 2000, became effective on June 21, 2001, and closed as planned on April 30, 2008.

This PPAR was prepared by April Connelly, IEG Evaluation Analyst, as an input to IEG's evaluation of the World Bank Group's support for Managing Forest Resources for Sustainable Development.

The report is based on a review of project documents, including Implementation Completion and Results Report, Project Appraisal Document, legal document and project files, background studies, and academic literature. Discussions were held with: Bank staff in both Washington, D.C., and in Mexico, project beneficiaries, government officials, representatives of non- governmental organizations. An IEG mission visited Mexico in October 2011. IEG held meetings in Mexico City, Morelia, and Oaxaca. A list of all those interviewed is attached in Annex B. The cooperation and assistance provided by all stakeholders, particularly the National Forestry Commission and their dedicated staff, as well as the support of the World Bank Country Office in Mexico are greatly appreciated.

Following standard IEG procedures, copies of the draft PPAR were sent to the relevant Government officials and agencies for their review and comment. No comments have been received from the Borrower.

Summary

This is a project performance assessment of the Mexico Indigenous and Community Biodiversity Conservation Project (COINBIO). The Project's Global Environmental Objective was to conserve high biodiversity in the states of Oaxaca, Michoacán, and Guerrero by strengthening and promoting community conservation initiatives on communally-owned lands, building on the cultural values and traditional management practices that such communities have developed in relationship to the resources in these areas.

The project's objective was in line with the Bank's assistance strategy at the time of project appraisal and continues to be relevant to the current assistance strategy. It is also relevant to Global Environment Facility priorities of in-situ conservation of globally unique biodiversity; sustainable use of biodiversity; and local participation in the benefits of conservation activities. The project's objective is consistent with national goals and strategies for biodiversity conservation. Mexico is a signatory to the Convention on Biological Diversity and the National Biodiversity Strategy promotes the development of programs to strengthen indigenous and community conservation practices. The project's decentralized implementation structure is also in line with the Secretary of Environment's strategic shift toward the decentralization of environmental and natural resource management towards the states and municipalities while increasing local community participation. Relevance of project design, however, was only modest. The project used an innovative approach, the first attempt by the Bank and the Global Environment Facility to involve communities in biodiversity conservation. It included several relevant design features: it was attuned to the prevailing tenure status, responded to community sensitivities by employing a demand-driven approach, and took into account variation in community capacity. However, the program logic was vague, lacking a clear articulation of how individual activities would ensure conservation over the long term.

The project succeeded in establishing institutional arrangements at the State level that support communities in conservation planning and sustainable land use activities and lent legitimacy to community conservation efforts as a conservation model. At the time of the IEG assessment mission, more than three years after the project's closure, this mechanism continues to function in two of the three states where it was piloted and efforts are ongoing to expand the model to a third state. However, there is insufficient evidence to demonstrate the contribution of these efforts to biodiversity outcomes.

Project implementation was challenged by three factors. First, a significant disbursement lag occurred during the first few years of implementation as a result of changes in government administration at the national and state levels and a learning curve associated with the decentralized and demand driven nature of the project. Second, delays in hiring a national coordinator and in convening the national committee deprived the project of clear central leadership, contributing to a void in the project's strategic decision making and reduced the space for the resolution of internal conflicts, resulting in implementation bottlenecks. Third, an inspection panel investigation was requested by the state coordination committee in Oaxaca in response to the firing of two State Coordinators.

Sustainability of the institutional mechanism is contingent on the will of the government to allocate budget resources each year. Three years after the pilot project closed, the program continues to function with both state and federal government budget support. The threats to biodiversity and the measures to address them vary by community. Some communities have organized committees to carry out vigilance patrols against fires, unauthorized extraction of wood and hunting. Others lack such arrangements and reported a lack of interest in project goals within the broader community, beyond those who directly participated in the project. Some communities have voluntarily registered their conservation areas with the National Council for Natural Protected Areas and are subject to independent monitoring. The land management tools provided by the project have allowed some communities to leverage funds from other government programs, such as environmental service contracts, providing additional incentives to maintain their community conservation areas. The sustainability of productive subprojects, however, is less certain. At project closure most of the productive investments supported by the project had not yet reached full cost recovery and there was no data to indicate how many of these activities remained viable at the time of the assessment mission.

On balance this assessment rates overall project outcome as moderately unsatisfactory, based on the high relevance of the objectives, but modest relevance of design, modest efficiency, and modest achievement of the objective of conserving biodiversity. The risk to development outcome is moderate. The Bank's performance was moderately satisfactory at entry. Project preparation built on lessons from previous operations. Selection of project areas was based on a sound analysis of their priority for biodiversity conservation as well as the capacity and interest of communities in conservation. A shortcoming in ensuring quality at entry was the decision to waive the hiring of a National Coordinator as a condition of effectiveness, which led in turn to implementation challenges in the initial years of operation. The Bank's performance during supervision was also moderately satisfactory. The Bank increased supervision efforts to correct quality at entry weaknesses and brought the project back on track when a request for the inspection panel threatened implementation. However, a shortcoming, reflecting on both Bank and Borrower performance, was the delay in the implementation of a critical component of the project's monitoring and evaluation system until the final year of the project.

The assessment rates Borrower performance as moderately satisfactory. The government's commitment to the project during preparation was demonstrated by its request to expand the preparation of a medium sized project to be implemented in one state into full sized project piloted in three states. The government has continued to support the model, devoting budget to its continued implementation three years following project completion. The implementing agency adequately administered the grant and complied with Bank fiduciary and safeguards procedures. However, along with the Bank, the implementing agency is accountable for the delays in hiring a National Coordinator for the project and in the establishment of a critical component of the projects M&E system. In addition, the manner in which the implementing agency handled the termination of the State Coordinators contributed to the conflict with some of the State Committees culminating in the project being referred to the inspection panel. Following this crisis however, the implementing agency and project management team adequately

addressed implementation challenges, so that the project finished on time, meeting most of its output targets.

The project experience points the following lessons:

- **The lack of a common understanding of the respective roles and level of autonomy of all parties in a decentralized management structure can undermine implementation.** In this case differences in interpretation of the level of autonomy delegated to state level actors contributed to an impasse between some of the state coordination units and the national implementing agency, a situation that threatened to bring project implementation to a halt and that contributed to an inspection panel request. Eventually these issues were resolved, but the experience highlights the importance of taking explicit measures during project implementation to ensure that all parties are on the same page.
- **The project's experience reveals the challenges associated with developing monitoring tools that are adequate for both conservation and capacity building objectives.** Participatory monitoring is important for enhancing community capacity to monitor and make decisions over the management of their natural resources. Measuring conservation outcomes may require ecosystem-level analysis. One tool or approach may not be adequate for both objectives.
- **The project's experience in carrying out participatory monitoring illustrates the need to employ methods that are useful to communities and can be continued beyond the project's closure.** While community participation was included in the monitoring exercise, the methods used were out of step with the communities' capacity to continue monitoring over the long term. The experience points to the need to ensure that communities are provided with adequate incentives and support over long run.
- **A recurring shortcoming in the implementation of small grant type projects is the failure to monitor subproject outcomes.** Since the demand-driven nature of participatory operations like this one limits the ability to specify objectives of sub-projects up-front extra effort is required in the course of implementation to document the goals communities for themselves, their plan for achieving these goals, and to monitor resulting outcomes.

Caroline Heider
Director-General
Evaluation

1. Background and Context

1.1 Mexico is one of 17 mega-diverse countries¹ in the world and ranks fourth among them in overall species richness (Martin and others 2010). Although the country covers only one percent of the earth's land area, it contains one tenth of the terrestrial vertebrates and plants known to science (Bray and Merino 2002, Merino and Martinez 2009). Mexico is also notable for its high number of endemic species (species that are not naturally found elsewhere). Between 50 and 60 percent of the known plants of Mexico are endemic.²

1.2 Mexico's forests harbor a significant portion of its biodiversity: 80 percent of vascular plants and 75 percent of vertebrates occurs in forest areas (Bray and Merino-Perez 2002). Biodiversity in forest areas is under threat from the expansion of the agriculture frontier, overexploitation for timber and firewood collection, and urban growth. Fire, pests, disease and exotic species also play a role. Underlying the pressures on Mexico's forests are inadequate incentives to protect and manage them (World Bank 2000).

1.3 Over 70 percent of Mexico's forests lands are under collective tenure, as a consequence of an extended Agrarian Reform implemented from the 1930's to the 1980's³ (Ortiz, Gabriela; Merino, Leticia 2011). Further reforms in 1992 strengthened community rights to exploit their forests (Bray and others 2005). Mexico's Agrarian Law recognizes two groups of collective property owners: ejidos and agrarian communities. Ejidos are land reform communities created following the Mexican revolution, when the state granted lands to groups of solicitors. Agrarian communities are indigenous communities that predate Spanish colonization. The state recognizes historical property rights over the territories these communities claimed as their own (Merino and Martinez 2009).⁴

1.4 Self-governance of communities is based on a traditional system of participation and shared responsibilities (Martin and others 2010). The highest authority in the community is the assembly of agrarian land owners who meet regularly (typically once a month) to discuss matters of common interest, including decisions over common assets such as communal forests. Leadership is provided by a body of commissioned officials who are elected on a rotating basis to a three year term. The communal governance framework also includes a tradition of non paid labor obligations for the maintenance of the communities' infrastructure, provision of public services and in some cases forest protection and restoration activities (Merino 2011).

1.5 At the time of project appraisal, there were several programs in support of productive forest management by communities, including the Bank-funded Community Forestry Project,

¹ Mega diverse countries possess nearly 70 percent of global species diversity. According to some authors there are 12 mega diverse countries: Mexico, Colombia, Ecuador, Peru, Brazil, Democratic Republic of Congo, Madagascar, China, India, Malaysia, Indonesia and Australia. Others increase the list to more than 17, adding Papua New Guinea, South Africa, USA, Philippines and Venezuela.

² Endemic species can easily become endangered or extinct because of their restricted distribution.

³ Mexico was the first country in the world where collective property was recognized by the state and is only surpassed by Papua New Guinea in terms of the percent of natural forests owned by communities (Merino et al, USAID Mexico. 2009).

⁴ In this report the term "community" will refer to both indigenous communities and ejidos.

but there was no government-supported program for the sustainable management of forests of limited commercial timber potential and there was no instrument for the decentralized implementation of the National Biodiversity Strategy. 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 markets/valuation of biological resources. The main instrument for biodiversity protection was the System of Protected Natural Areas (SINAP).

1.6 In 2000, as the project was being prepared, the SINAP system covered only three percent of national territory, it was administratively cumbersome and the government faced difficulty in expanding the system. Much of the areas prioritized for conservation fell outside of the existing protected areas. National protected areas are created by presidential decree and do not allow community use of resources and efforts to convert communal land to government, private or co-managed areas are often met with resistance (Martin and others 2010). For these reasons many researchers active in biodiversity protection concluded that while the national strategy of establishing national protected areas was important, it was not sufficient for meeting the country's biodiversity needs on its own, and identified the need to develop biodiversity conservation on community-held lands as a complementary strategy.

1.7 The project provided a complement to the SINAP approach by focusing on conservation through the indigenous and community sectors, and protecting biodiversity through non-federal conservation regimes. It also complemented other forestry and biodiversity programs under implementation at the time of its preparation, such as the Bank-financed Community Forestry Project (PROCYMAF) and the UNDP executed GEF-implemented forest project (PRODERS, Table 1). The former focused on production forestry rather than conservation and the latter focused on tropical forests, while COINBIO focused on temperate forests. Moreover, PRODERS concentrated more on reducing pressures on forest and protected areas through building the sustainable production capacity of rural producers, as opposed to establishing community conservation areas.

Table 1: Related Forest and Biodiversity Projects Ongoing During Project Implementation

<i>Project</i>	<i>Approval Year</i>	<i>Completion Year</i>
IBRD First Community Forestry Project	1997	2003
IBRD Second Community Forestry Project	2003	2008
UNDP/GEF Biodiversity Conservation in 3 Priority Regions Project (PRODERS)	2001	2010

2. Objectives, Design, and their Relevance

OBJECTIVES

2.1 The articulation of the Global Environment Objective (GEO)⁵ differs between the grant agreement and the project appraisal document, and within the project appraisal document.

2.2 According to the grant agreement, “(t)he objective of the Project is to conserve high biodiversity in the states of Oaxaca, Michoacán and Guerrero by strengthening and promoting community conservation initiatives on communally-owned lands, building on the cultural values and traditional management practices that such communities have developed in relationship to the resources in these areas” (schedule 2).

2.3 Three additional versions of the GEO are presented in the project appraisal document. The first is substantively similar to the version found in the grant agreement: “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, Michoacán , 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” (World Bank 2002. pp. 2 and 47).

2.4 The second version of the GEO includes a distinct pilot objective: “(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” (pg. 2).⁶ This version of the GEO was also referenced in the borrower’s completion report on the project.

2.5 The third version of the GEO is found in the hierarchy of objectives table in an annex to the project appraisal document: “(t)o 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” (pg. 36, Hierarchy of Objectives Table). This version was

⁵ Freestanding GEF projects executed by the Bank are assessed in relation to their Global Environment Objective, rather than the standard project development objective in World Bank projects.

⁶ The intention of the project to serve as a pilot is also alluded to in the discussion of institutional reforms supported by the project, “State-level committees are being created as a pilot institutional mechanism to support community-level” (PAD, pg. 12); The description of component 3: “Grants would finance sustainable pilot subprojects proposed by the communities to preserve their biodiversity values”(PAD, pg. 54); “(The project) will provide resources for piloting income generating activities in adjacent areas and disseminating knowledge of these experiences throughout the project area”(PAD, pg. 49); “(The project 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”(PAD, pg. 91); “The proposed project is expected to provide models that can be disseminated and adapted for use elsewhere in Mexico and in other countries” (PAD, pg. 21).

used in project supervision documents throughout implementation as well as in the project completion report. It sets the bar for achievement higher than the other versions by aiming for “more effective biodiversity conservation”.

2.6 The objective stated in the grant agreement will be used as the basis of assessment, as this is the legally binding document.

2.7 The project was to be carried out in the states of Oaxaca, Michoacán, and Guerrero. These states contain a high concentration of the globally significant biodiversity in Mexico and almost all of Mexico’s ecosystems are represented among them. In spite of the fact that the natural habitat within these states is rich in biodiversity, at appraisal little was under official protection. In the state of Oaxaca, for example, a study conducted by the Ministry of Environment and Natural Resources found that approximately 26 percent of the state’s territory merited permanent conservation to ensure adequate biodiversity protection, yet only 3.8 percent was within the National Protected Area System. The percent of areas under official protection at the time of appraisal was similar in Guerrero and Michoacán.

2.8 A biological assessment was conducted during project preparation to identify potential project areas within each State, building on the National Commission for Biodiversity’s criteria for the selection of priority areas for biodiversity conservation. A participatory social assessment process, measuring community interest and capacity for conservation, identified 1,300 communities that were eligible to present proposals for project funding within the priority biological zones. The communities were further classified by their level of absorptive and organizational capacity into four subsets, which determined their eligibility for specific types of project activities.

RELEVANCE OF OBJECTIVES

2.9 The relevance of the project’s objectives is rated high. The Project’s objective of conserving biodiversity by strengthening and promoting community conservation initiatives on communally owned lands has a high degree of relevance to World Bank, Global Environment Facility (GEF), and National strategies. It is consistent with the 1999 Country Assistance Strategy’s (CAS) emphasis on reinforcing local and indigenous communities and the goal of working to enhance biodiversity conservation and strengthen institutional frameworks. The objective remains relevant to the 2008 CAS’s emphasis on environmental sustainability, promoting social inclusion and strengthening institutions. The project’s objective is also in line with the GEF Operational Programs 4 (Montane Ecosystems) and 3 (Forest Ecosystems), and three GEF priorities: in situ conservation of globally unique biodiversity; sustainable use of biodiversity; and local participation in the benefits of conservation activities.

2.10 Biodiversity conservation is also consistent with national priorities and policies. Mexico is a signatory to the Convention on Biological Diversity, which promotes the sustainable use of natural resources in accordance with the rights and traditional knowledge of indigenous communities. The project’s objective is in line with national priorities identified in the Mexican biodiversity strategy: (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. The strategy also recognizes the importance of indigenous and community conservation practices and supports development of innovative programs to strengthen such approaches to natural resource management. Finally, the project is consistent with the Secretary of Environment and Natural Resources' shift toward the decentralization of environmental and natural resource management towards the states and municipalities while increasing local community participation.

DESIGN

2.11 The project had four components:

2.12 **Component 1. Local Capacity Building** (US\$2.7 million Appraisal Estimate; US\$7.75 million Actual Costs). This component financed the costs of three State Committees and the coordinating units, which were the decision-making and oversight bodies for activities at the state level. Activities financed included coordinating unit consultant fees, funds for technical assistance to communities and ejidos, training of the coordinating unit in financial and technical monitoring, operational expenses, and costs of consultation and regional meetings.

2.13 **Component 2: Community Conservation and Sustainable Use Sub-projects** (US\$ 12.9 million Appraisal Estimate; US\$15.13 million Actual Costs). This component channeled grant resources to communities to finance a progressive series of community conservation and sustainable land use subprojects tailored to the level of organization and willingness of participating communities to undertake long-term conservation (Box 1). Incipient communities with interest in conservation activities but limited organizational skills and insufficient experience with conservation investment (Category 1) were 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) were also 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 the sustainable use of natural resources in adjacent resource areas to generate income while reducing pressure on conservation areas.

2.14 Four types of conservation and sustainable land use activities (Types A-D) were eligible for grant allocation, each with a different community counterpart requirement, and each with a progressively larger grant size:

2.15 **Type A: Land Use Planning for the Establishment of Biodiversity Conservation Areas:** includes 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 the counterpart contribution would be at least 10% of total costs, costs, presented as in kind contributions of local labor, travel, participation in workshops and evaluations, and community meetings.

Box 1: Community eligibility criteria and organizational categories

Eligibility Criteria

All communities eligible for participation in the project must: (a) be located in priority biodiversity zones; (b) contain a minimum area of biodiversity in their land boundaries; (c) express a willingness to conserve areas of biodiversity; (d) have communal or ejido ownership with legal property rights; (e) be free of community and border conflicts; and (f) submit proposals that have been agreed upon by communal assemblies.

Community Organizational Categories

Category 1: Communities with established rules of access to their natural resources but no formal community statute, management plan, and/or assembly agreement about the use of and access to community natural resources; and the absence of conservation and sustainable use projects.

Category 2: Communities with established land use plans but 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, and restricted areas of natural vegetation for socio-cultural or environmental reasons.

Category 4: Communities with enterprises with separate administrative structure. These communities comply with characteristics of Category 3 communities, plus have enterprises with administrative structure for the use of community resources, coordinated by but independent of the community's political entity).

Category 1 and 2 communities were expected to apply for capacity-building grants before progressing to investment activities. Category 3 and 4 communities were eligible for the project's full range of capacity building and investment activities.

- **Type B: Training and Capacity-Building, including Horizontal Exchanges⁷:** provides finance for capacity building for conservation activities, including training for communities provided by third parties and by more advanced communities to less advanced ones and for feasibility studies (for Type C activities). Grant amounts would range from \$2,000 to \$8,000 per community with a matching contribution of at least 20%.
- **Type C: Community Investments for Conservation Areas and Sustainable Use:** provides finance for investment in conservation areas or in complementary sustainable land uses, including investments to protect or improve the administration of conservation areas, as well as investments and feasibility studies that generate sustainable alternatives for communities. Activities may include forest certification studies, market studies, seed capital for eco-tourism projects, and non-timber forest product enterprises, infrastructure and management of conservation areas. Grant amounts would range in size from \$15,000 to \$20,000. All Type C proposals would be based on a matching formula, with a community counterpart of at least 25% for sustainable use projects and at least 20% for conservation activities.

⁷ "Horizontal exchanges" are community to community workshops, often led by more advanced communities, with the goal of developing capacity through the exchange of experiences.

- **Type D: Community Green Venture Funds:** Applicable to communities that had developed the capacity to invest in more substantial projects of sustainable land use and which have a longer term commitment to conservation of their permanent areas and were to be eligible for a fourth type of grant investment, which would be a payment into a revolving fund established at the community level as a separate conservation account. Grant amounts were expected to be between \$20,000 and \$50,000, with at least an equivalent amount of community counterpart.

2.16 **Component 3: Biological Monitoring and Evaluation** (US\$1.5 million Appraisal Estimate; US\$0.22 million Actual Costs): Project monitoring was to include both physical execution and biodiversity changes over time, including information related to the viability of the conservation sites being established. Participatory evaluation studies would be designed and carried out to document social organizational processes. The component also envisaged supporting an interactive geo-referenced database referred to as an Integrated Information System (SII). Evaluation activities would include an initial review at the end of the second year and a mid-term review at the end of the fourth year. Biodiversity data were to be forwarded into the Clearing House Mechanism managed by the Government of Mexico.

2.17 **Component 4: National Coordination** (US\$1.6 million Appraisal Estimate; US\$1.07 Actual Costs) This component supported 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 area model, and reporting to the Government and Bank. It also financed evaluation and dissemination activities, including documenting project lessons and sharing these findings with other community and indigenous groups in Mexico and Latin American region, to facilitate cross-fertilization of experiences with innovative programs across states and elsewhere in Latin America.

RELEVANCE OF DESIGN

2.18 *Relevance of design is rated modest.* The project employed an innovative approach. This was the first attempt by GEF and the World Bank to involve local communities in biodiversity conservation. The project's institutional design was in line with the prevailing communal tenure status of forestland and the demand-driven approach responded to communities' resistance to externally imposed conservation policies. Other relevant design features were: the tailoring of project activities to different communities based on their level of organization, experience and capacity; and the establishment of a national committee to ensure that relevant national institutions were involved in project implementation and recognize the approach as a valid conservation model.

2.19 However, the principal shortcoming in project design was the lack of a clear results chain. The theory of change was not well articulated and not monitored. The project does not clearly identify the specific threats to biodiversity that its activities will address and how project activities will do so. Some threats noted in the background discussion are clearly beyond the scope of a small grants program. Others are within the scope of the project's activities but the theory of change (i.e. generation of sufficient income to avoid unsustainable land use alternatives) is not monitored. The link between subprojects and the projects

objectives also vague. On the face of it the different subproject categories could potentially contribute to enhanced biodiversity. But it is unclear if the activities within each subproject category are sufficient on their own to lead to the projects biodiversity objective.

MONITORING AND EVALUATION

2.20 The project was designed with several monitoring and evaluation (M&E) elements. Key performance indicators⁸ and numerical targets were identified at appraisal and provisions for monitoring project implementation were provided under the National Coordination component. State coordination units were responsible for collecting data on performance indicators in their respective states. However, most were output rather than outcome indicators and they are insufficient for monitoring changes in biodiversity or community capacity as a result of project activities. Some of the indicators were not clearly defined. There were also disconnects between some indicators and the final outcome. For example, there is an indicator for the number of land use plans developed by communities but no indicator to monitor their implementation.

2.21 The project also included a separate dedicated M&E component that aimed to develop an interactive geo-referenced database, referred to as an Integrated Information System that would establish baseline data and monitor changes in biodiversity over time. The M&E component also provided resources to carry out participatory evaluation studies to document social organizational processes. Biodiversity data collected for the project was to be incorporated into a biodiversity clearing house mechanism managed by the Government of Mexico. An initial evaluation was planned for the end of the second year of implementation to review implementation mechanisms and if needed adjust the criteria and procedures in the operational manual. A midterm review was planned for the end of the fourth year to allow for adjustments in targets and the distribution of sub-grant activities among the different types of participating communities. The national coordination unit would provide oversight of the Integrated Information System and other evaluations.

IMPLEMENTATION ARRANGEMENTS

2.22 The project had a multi-tiered management structure (Figure 1). The National Financial Agency (NAFIN) served as both the Executing Agency and financial administrator

⁸ The project appraisal document specifies the following key performance indicators:

1. 150,000 hectares under community conservation in different ecozones in the project area, and 150,000 hectares of complementary area under sustainable use.
2. 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 Michoacan.
3. Number of incipient communities (Category 1 and 2) with increased capacity and willingness to engage in conservation activities.
4. Institutional frame work at state level to channel resources to communities for their conservation initiatives, and to support inter-community networking and collaboration on shared conservation goals.
5. Postive market for sustainable use products generated and income increased in communities in high biodiversity areas without environmental loss.

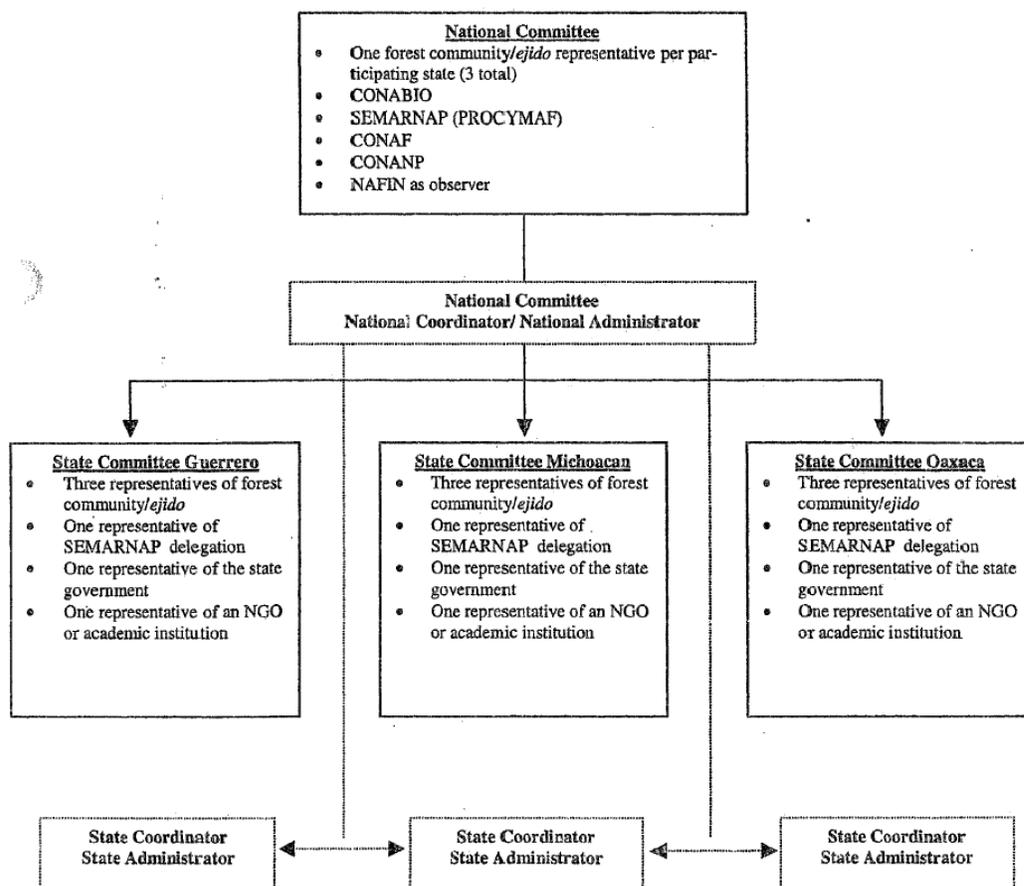
of the project.⁹ In its capacity as the financial administrator, the National Financial Agency, provided an accounting and administrative home to the project and acted as Recipient of the GEF grant for purposes of the grant legal agreement.

2.23 Project implementation was decentralized to State Committees operating under the general direction of the National Environment Secretariat (SEMARNAP; subsequently renamed SEMARNAT). The State Committee comprised three representatives of participating communities and ejidos, a state representative of the National Environment Secretariat, a state government representative and civil society representatives. Each State Committee established a small State Coordination Unit, headed by a State Coordinator responsible for carrying out the project. The State Committee was responsible for issuing calls for proposals, evaluating sub-project concepts and approving subproject funding according to criteria established during Project preparation. The State Committees and the State Coordination Units initially received technical assistance from the National Environment Secretariat until 2003, when the National Forestry Commission (CONAFOR), a semi-autonomous agency under the Secretariat's mandate, assumed this role.

2.24 Responsibility for implementation, programming, and progress was assigned to a National Oversight Committee, supported by a national coordinator. The National Committee was to provide oversight of the entire Project, authorize project level annual work programs, review and authorize the criteria used for selection of sub-projects in each state and authorize the contracting of consultants for national-level tasks. The National Coordinator was to assist in establishing the three State Committees and in identifying the State Coordinators. The National Coordinator was also responsible for monitoring and evaluation, financial reporting, and carrying out special studies. The National Committee was initially designed to comprise: (i) three representatives of the communities/ejidos (one from each State Committee); (ii) one representative of the Environmental Secretariat (SEMARNAT); (iii) one representative of the National Biodiversity Institute (CONABIO); (iv) one representative of the National Council for Natural Protected Areas (CONANP); and (v) one representative of the National Forestry Advisory Group (CONAF). As of 2003, a representative of the National Forestry Commission (CONAFOR) was included. In 2004 the Committee was expanded to include representatives of the Commission for the Development of Indigenous Peoples, a representative of the government of each State participating in the project, and of the National Financial Agency.

⁹ Initially the National Environmental Secretariat (SEMARNAT) was the technical agency responsible for the project, responsible for forestry issues in Mexico until April 2001, when the National Forestry Commission (CONAFOR), a semi-autonomous agency under the Secretariat's mandate, was created. This resulted in a lack of clarity and potential overlap of some responsibilities between the two agencies relative to project management. Rather than delay project implementation until the institutional responsibilities were clarified, both executing and financing agency responsibilities were assigned to National Financial Agency (NAFIN).

Figure 1: Project Organizational Chart



3. Implementation

APPROVAL, EFFECTIVENESS, MID-TERM REVIEW, AND CLOSING DATES

3.1 The World Bank's Board of Executive Directors approved the project on November 28, 2000, it became effective on June 21, 2001, the mid-term review was carried out on January 23, 2006, and the operation closed as planned on April 30, 2008.

PLANNED VS. ACTUAL DISBURSEMENTS

3.3 The total cost of the project at appraisal was US\$19.05 million; the actual cost was US\$ 24.52 million (28 percent above appraisal, Table 2). It was financed through a GEF grant of US\$ 7.85 million, of which US\$7.83 million was disbursed and US \$19,860 was cancelled. The borrower and local government contributed slightly less than the estimate at appraisal (US\$3.9 million and US\$3 million respectively at appraisal versus US\$2.61 million each actual), additional funds were provided by foreign sources and through a blended World

Bank community forest project (The Second Community Forestry Project) funded through IBRD.¹⁰

Table 2: Estimated and Actual Cost by Component

<i>Components</i>	<i>Appraisal Estimate (USD millions)</i>	<i>Actual (USD millions)</i>	<i>Percentage of Appraisal</i>
1. LOCAL CAPACITY BUILDING	2.70	7.75	287
2. COMMUNITY CONSERVATION AND SUSTAINABLE USE SUBPROJECTS	12.90	15.13	117
3. BIOLOGICAL MONITORING AND EVALUATION	1.50	.22	15
4. NATIONAL COORDINATION	1.60	1.07	66
Project Preparation Facility (PPF)	0.35	0.35	
Total Project Costs	19.05	24.52	129

AMENDMENTS TO THE GRANT AGREEMENT

3.4 The Grant Agreement (originally dated February 1, 2001) was modified three times but the project's objective was not modified. The first amendment, signed March 2002, increased the Special Account Allocation to 10% of the value of the grant.¹¹ The second amendment, signed in March 2005, redenominated the grant amount from Special Drawing Rights to United States Dollars, equivalent to the amount originally approved by the GEF. The agreement was amended for the third time in August 2006 to reflect revisions in the composition of the National and State Committees and the transfer of technical oversight responsibilities from Ministry of Environment and Natural Resources (SEMARNAT) to the National Forestry Commission (CONAFOR); reallocate funds among categories (and increase their respective disbursement percentage in accordance with country financing parameters); reflect the mutual agreement by the Bank and Borrower to drop community venture fund subprojects (Type D investment), as no successful examples had been developed; and, modify the M&E component to focus on participatory and local monitoring of natural resource and biodiversity impacts.

FACTORS THAT AFFECTED IMPLEMENTATION

3.5 Project implementation was challenged by three factors: an initial learning curve and associated disbursement lag, delays in hiring a national coordinator and a request for an

¹⁰ The reasons for the discrepancy between planned vs. actual contributions from the borrower and local government is not explained in the project's files. The category "foreign sources" represents monies leveraged by NAFIN from other donor funded programs to contribute to the overcommitted amounts for community subprojects. The specific source of these contributions was not identified.

¹¹ The special account allocation was increased because the allocation specified in the grant agreement was not large enough to generate sufficient interest to cover the VAT on already programmed expenditures and the allocation was not considered to be sufficient for the level of disbursements planned for FY02.

Inspection Panel investigation.¹² In the first few years of implementation, disbursements were low due to changes at the federal and state governments following the December 2000 elections. There was also a learning curve associated with the decentralized project structure and demand-driven nature of the small grants-scheme, resulting in a 7 to 12 month lag time between the approval of the subprojects and the release of the first payment to communities. Time was also needed to help make inroads with the beneficiary communities and gain their trust. Implementation picked up following the second call for sub-project proposals in 2004 and by 2005 the disbursement lag had been corrected.

3.6 Project implementation was also affected by delays in appointing a National Coordinator and convening the National Committee. Implementation began in 2001 but the National Coordinator was not appointed until January 2003 and the National Committee was not convened until April 2003. The appointment of a National Coordinator was a Condition of Effectiveness of the Grant. However, as a means to reduce administrative costs, the Bank waived this condition in the Effectiveness Letter. The Bank team, the National Financial Agency (NAFIN) and the Ministry of Environment and Natural Resources (SEMARNAT) proposed as an alternative to distribute the National Coordinator's responsibilities among a newly created liaison for the Indigenous and Community Biodiversity Conservation Project (COINBIO) and the Mexico Community Forestry Project (PROCYMAF), other officers of the Ministry of Environment and Natural Resources (SEMARNAT), the State Coordinators, and other staff already working under the project. The Bank ultimately recognized that the decision not to hire a National Coordinator left the project without clear central leadership and the State Coordinators did not have guidance in shaping their respective programs nor a clear strategy for resource allocation.¹³ The process to fill the position was initiated in mid 2002.

3.7 A request for an Inspection Panel investigation into the project further disrupted implementation. Following the appointment of the National Coordinator, the State Coordinators in Oaxaca and Guerrero sought to establish the autonomy of their respective State Committees by advocating that they become independent of the National Financial Agency (NAFIN), the grant Recipient, and by refusing to communicate directly with the National Coordinator. At the same time some communities in the state of Oaxaca complained of a perceived bias against them on the part of the Oaxaca State Committee.¹⁴

¹² The Inspection Panel is an independent, "bottom-up" accountability and recourse mechanism that investigates World Bank financed projects to determine whether the Bank has complied with its operational policies and procedures (including social and environmental safeguards), and to address related issues of harm.

¹³ The initial investigation of the request for an inspection panel also noted that failure to hire a national coordinator created a void in the project's national and strategic decision making and reduced adequate space for the processing and resolution of internal conflicts in a legitimate manner.

¹⁴ "During the first round of sub-projects, ninety-one percent of communities in all three States which secured funding were those with low organizational capacity. This was surprising, as it was expected that the earliest beneficiaries of the Project would be the communities of the Sierra Norte of Oaxaca where the Project was conceived and where levels of community organization are high. Indeed, in December 2003, a letter from the communities of the Sierra Norte of Oaxaca to the Oaxaca State Committee, copied to the World Bank, complained of bias within the State Committee against their communities." (Inspection Panel 2004, pg. 6)

The National Financial Agency (NAFIN) subsequently terminated the contracts of the two coordinators.¹⁵

3.8 On January 26, 2004, representatives from the Oaxaca State Committee filed a request to investigate the project with the World Bank's Inspection Panel. The request contended that that by proposing to restructure the project and by giving its approval on a "no objection" basis to the removal of the State Coordinators for Oaxaca and Guerrero without involving the State Committees, the Bank violated its policies concerning supervision and indigenous peoples.¹⁶ The Bank Management Response stated that the complaint actually arose from a labor dispute between an individual and the government, and that the indigenous policy had not been violated. The project did not go to full inspection. The Inspection Panel eligibility review concluded that no comment could be made at the time on the request to investigate the project and encouraged the involved parties work out their differences and move the project forward. The Panel's eligibility report highlighted the high level of indigenous participation and stating that "...the people of these communities repeatedly stressed to the Panel that the Project was of great importance to them because it was driven by their needs and priorities and their definition of conservation. Thus, the Panel notes the importance of continuing the Project and finding a way to overcome the present difficulties." (Inspection Panel 2004) An independent project evaluation was carried out in 2004, and a workshop held to address concerns relative to the structure and management of the project. In November 2005, the Management Status Report on the action plan that had been agreed with the Inspection Panel showed that the project had completed all the required actions.¹⁷

IMPLEMENTATION OF MONITORING AND EVALUATION

3.9 The project's key performance indicators were monitored on a regular basis throughout implementation and incorporated into the Bank's corporate reporting system. An

¹⁵ "Management claims that the decision to remove the Coordinators for Oaxaca and Guerrero was based upon "a track record consisting of: (a) poor management of their responsibilities as State Coordinators, resulting in low project performance levels; (b) bias in the administration of Project resources with regards to individuals, communities and sub-regions; and (c) activities that were considered to be undermining and confrontational. The Response cites a number of examples as justifying the termination: retention by both Coordinators of individual members on the State Committees although their mandates as community representatives (which traditionally rotates) had expired, and inviting "'guests' of their choosing" to participate and vote in the Committee Meetings while excluding others, and, in Oaxaca, calling a large number of meetings that resulted in substantial operating costs." (Inspection Panel 2004, pg 9)

¹⁶ "The Requesters (also) state that they requested the removal of the National Coordinator, because they view him as "persona non grata" among the people, and the reinstatement of the State Coordinators because, in their opinion, the removal of the two State Coordinators had violated the legal agreements." (Inspection Panel 2004, pg. 6)

¹⁷ The items in the action plan were: Issue a statement to recognize the efforts of the ex-State project Coordinator in Oaxaca (the ex coordinator was also retained as a consultant for 4 months to provide recommendations relating to community participation methodologies for the project in Oaxaca); hire a new State Coordinator of Oaxaca; Re-initiate Project Activities in Oaxaca State; select Community Subprojects and carry out process of Notification to the Communities of the selection; conduct Supervision mission; issue a call for proposals 2005 for Multi-annual community driven subprojects related to the conservation and sustainable use of biodiversity.

independent evaluation of the project's progress was carried out in the second year of implementation (2003-2004) and the mid-term review was also carried out in January 2006.

3.10 Construction of the Integrated Information System (SII) was repeatedly delayed and was only put in place in the project's final year of implementation. Its late establishment was due to several factors, including the delayed hiring of a National Coordinator,¹⁸ and conflicts between government and Bank procurement rules. The project's completion report also indicates that communities initially resisted monitoring on their lands by outsiders. The project team eventually overcame this hurdle by including community participation in development of the system. An additional delay was caused by the difficulty in finding qualified technical contractors that were also skilled at working with communities.

3.11 The Integrated Information System was ultimately established with a sample of 12 participating communities (four in each participating state). Community monitors were selected from each sample community. The community monitors participated in design of the system and gathered information from their respective community. A control group was not included among the sample communities because it was difficult to find communities willing to devote the time to participating in data collection when they were not receiving project benefits. In the State of Guerrero there were difficulties in carrying out M&E in some communities to due security risks.

3.12 The system comprises contextual data on each community and their involvement with the project as well as socioeconomic information and data on natural capital found within the communities territory. Socioeconomic information included official population statistics, indices on the level of migration, and presence of conflicts and insecurity. Natural capital data included information on the types of vegetation in the community, a qualitative assessment of its condition (good, fragmented, or transformed), number of species of flora and fauna observed in sample plots, and hydrological conditions. The system comprised both alphanumeric and spatial (GIS) data that was initially posted on a publically accessible internet page, in accordance with the intermediate indicator specified at project appraisal for "implementation of SII with internet and local connections and access of information at the community level information."¹⁹

3.13 Internal documents raised two data quality issues. The data collected on fauna was limited by not taking into account the optimal time of day to observe various species and the failure to select key species to monitor based on their importance to the local ecosystem or special legal status (i.e. threatened status). The resolution of the digital images was too coarse to detect changes in vegetation coverage.

3.14 The project also held stakeholder workshops with representatives of the three State Committees and conducted extensive interviews and field visits with a sample of 15

¹⁸ Bank Management's Response to the Inspection Panel request contends that once the National Coordinator was hired, he was initially prevented from implementing certain project activities, including development of the biodiversity monitoring scheme, as two of the State Coordinators refused to communicate with him directly.

¹⁹ The website was active until January 2012.

communities (5 in each state)²⁰, between March and May 2008, to provide input to project completion report.

USE OF DATA

3.15 The key performance indicators were used to gauge implementation progress and report on final outputs. The initial independent evaluation and the mid-term review provided the Bank and the Implementing Agency with information that was used to inform changes made to improve project implementation.²¹ The Integrated Information System and the stakeholder workshops provided input to the final completion report.

3.16 Due to the late establishment of the Integrated Information System, the information it generated could not be used to provide feedback during implementation or to demonstrate changes in biodiversity by project closure.²² The project's completion report argues that the system provides a baseline that can be utilized in the future. However, as of the IEG assessment mission in November 2011, the system had not been used by the National Forestry Commission (CONAFOR) or the State Agencies, which continue to implement the program in Oaxaca and Michoacán. The use of the Information System by participating communities also appears to have been limited. Internal documents note that community use of the monitoring and evaluation system was limited by the lack of infrastructure in most communities to access the system and migration of some community monitors in search of economic opportunities.

SAFEGUARDS COMPLIANCE

3.17 The project was assessed as environmental Category B and triggered four safeguard policies: Environmental Assessment (4.01), Natural Habitats (4.04), Forestry (4.36) and Indigenous Peoples (4.20). Application of the safeguards appears to have been adequate. With respect to Environmental Assessment (OP 4.01), the project's investments were relatively small, and focused on conservation or sustainable use of natural resources. Ministry of Environment and Natural Resources (SEMARNAT) and state environmental authorities participated in the project steering committees and screened proposed activities, which helped to ensure compliance with World Bank safeguards as well as national standards. In regard to Natural Habitats (OP 4.04), the protection of natural habitats was a

²⁰ The communities were selected on the basis of their ability to inform the assessment of productive subprojects. The selection criteria included: productive subprojects that had been in operation for at least a year; representation of diverse ecosystems (dry forests, temperate forests, and humid forests); and the physical accessibility and disposition of the community provide information.

²¹ These evaluations pointed to several structural issues including tensions between participatory nature of the project and the administrative operation centralized under the responsibility of a grant recipient organization. They also noted the void in strategic direction due to the lack of National Coordinator and recommended that the project strengthen management and accountability role of the National Coordinator; define more clearly the functions of the State Coordinator and place this position within a chain of command subordinate to the national Coordinator; and expand membership of the state committee to include other institutionally important players. The lack of progress in building a database to measure protected biodiversity and enhanced community capacity was also noted. The structural recommendations were reflected in the 2006 amendment to the grant agreement.

²² The system was to generate both baseline data and follow up data over the course of project implementation.

major focus of the project. Over 166,000 hectares of natural habitats were put under community conservation management. In addition, over 156,000 hectares of additional adjacent lands were subject to improved natural resources planning and management. The Forestry safeguard (O.P. 4.46), was triggered due to the fact that project design included forest utilization through sustainable forest management subprojects, small-scale agro forestry, or non-timber forest products. However, few sub-projects were supported with forestry activities and all were in compliance with the safeguard. The project itself was designed as an indigenous people's project; its core strategy was to incorporate indigenous peoples in the establishment and management of new protected areas. In addition, the Bank incorporated provisions of the Indigenous Peoples Policy (4.20) into the project's social assessment during design.

FIDUCIARY ISSUES

3.18 The project had no significant fiduciary or procurement issues. An external private firm audited the project annually. The National Financial Agency (NAFIN) submitted semiannual project Progress Reports to the Bank, which included a financial management section. The final fiduciary management mission concluded that financial management risk was modest. A minor weakness identified in financial management was the lack of an integrated system to facilitate NAFIN's operation as both financial agent and executing agency, but this was deemed negligible and did not prevent the timely and reliable provision of information required to manage and monitor the implementation of the project. Three ex-post procurement reviews were conducted, confirming that procurement in the Project was being handled in accordance with the agreed procedures, and no cases of mis-procurement occurred.

4. Achievement of the Objective: Conserve High Biodiversity by Strengthening and Promoting Community Conservation Initiatives on Communally-Owned Lands

4.1 Achievement of the project objective of conserving biodiversity is reviewed from two aspects: achievements in terms establishing an institutional model to support community conservation, and the outputs and outcomes from the community subprojects.

Institutional Model

4.2 The project established an institutional mechanism at the State level that provides communities with tools and resources to facilitate land use decisions in favor of biodiversity conservation. At the time of the assessment mission, over three years after completion of the pilot, the COINBIO program continues to finance a community-driven small grants program with funding secured from federal and state government in two of the three pilot states.²³

²³ The state of Guerrero did not invest in the program beyond the pilot phase due to a change of government administration, coupled with increased insecurity in the state.

The State Committees have been retained with the same composition of actors and continue to meet on a monthly basis to provide oversight. The state coordination units established under the project have been absorbed into state government agencies: in the State of Michoacán the COINBIO program is now administered through the State Secretary of Urban and Environment and in the state of Oaxaca the program is administered by the State Institute of Ecology. The National Forestry Commission (CONAFOR) continues to provide technical supervision. At the time of the assessment mission, CONAFOR officials reported to IEG that discussions were ongoing with state government officials to establish a new COINBIO program in the state of Puebla.

4.3 At the national level, the National Forestry Commission has incorporated the provision of support for the establishment of community conservation into its community forestry program, which is national in scope. The project also contributed to legitimizing community conservation initiatives through its role in the modification of national environmental legislation. The project experience (along with a UNDP-implemented GEF project and the Bank-supported Meso-American Biological Corridor Project) is credited with contributing to the government's decision to revise the General Law on Ecological Balance and Environmental Protection to formally recognize Community Conservation Areas as category of protection within the national protected areas system.

Community Level Outputs and Outcomes

4.4 Over the course of project implementation, the project implemented three subproject cycles, funding 489 subprojects in 205 communities. The breakdown of subprojects by investment type is presented in Table 3.

Table 3: Project-financed subprojects by investment type

<i>INVESTMENT TYPE</i>	<i>Number of Sub-projects financed</i>	<i>Percent of total costs of subprojects</i>
A. Land Use Planning For the Establishment of Biodiversity Conservation Areas	214	45
B. Training and Capacity Building including Horizontal Exchanges between Communities	59	5
C(a). Sustainable Use Sub-projects	129	25
C(b). Productive Conservation Sub-projects	87	22
TOTAL	489	100

4.5 Most of the subprojects financed capacity building and planning activities such as training, feasibility studies, inventories, and mapping. A smaller portion financed physical or productive investments. Category A subprojects financed participatory planning and mapping exercises, scientific studies, and flora and fauna inventories. Category B subprojects supported training and capacity building workshops, including community to community "horizontal exchanges" led by more advanced communities. The breakdown between planning / preparation and investment activities financed through Categories C(a) and C(b) is not clear. According to the information in the SII system, Category C(a) Sustainable Use

Sub-projects included studies that generate technical knowledge to help communities make decisions about the sustainable use of their natural resources. Category C(b) Productive Conservation Sub-projects included investments in conservation or sustainable uses, and investments in roads, vigilance towers, and fire control, implying that C(a) solely funded studies and planning and only category C(b)-funded actual investment activities. However, the project's completion report states that "the nature of the activities funded under Component II, and in particular under the category C(b), "productive conservation sub-projects" were mainly capacity-building workshops, studies, development of plans (sustainable management, territorial development plans, among others), delimitation of territories, some were infrastructural projects such as: protection of water sheds, ecotourism, etc."

4.6 Capacity outputs/outcomes. The project completion report notes that a total of 152 communities were reached through community-to-community seminars, workshops, training courses, and other activities (against a target of 150) and that 77 incipient communities (categories 1 and 2) participated in capacity building and conservation related themes, increasing their capacity and interest to carry out conservation activities (surpassing the target of 70 communities), Incipient communities contributed 10 to 20% of the financing for the beneficiary training and the project team reports that participation was considered good overall. However, the extent to which that capacity was enhanced is unclear, as both indicators measure participation but not the extent to which capacity was increased as a result. Sixty-four organizationally advanced communities (category 3 and 4) were reported to have active conservation (and integrated resources use) on communally owned land of high biodiversity (short of the target of 70 communities), defined as having an organization in place, trained, or with approved management plans.

4.7 Land use plan outputs/outcomes. A key output of the community subprojects was to increase the number of hectares officially designated by the community as a conservation area or sustainable land use areas. Project documents and interviews with beneficiaries during the assessment mission indicate that the studies, inventories and land use planning exercises contributed to communities' decision to designate conservation and sustainable land use areas in at least two ways. In some communities the information raised awareness of the conservation value of the natural resources harbored on in their territory. In others there was interest in maintaining a portion of their territory with minimum human impact even prior to the project (for example, reservoirs of medicinal plants and seeds, protection of water sources, and sacred sites), but the inventories and land use plans allowed communities to decide where to place conservation areas based on scientific knowledge.

4.8 A total of 78 community conservation areas²⁴ were established and are estimated to cover 166,776 hectares, surpassing the project target of 150,000 hectares by 11 percent. This estimate was based on the assumption that on average of 20 percent of communities that developed community zoning plans would fall under the conservation area. An additional

²⁴ Community Conservation Areas are sites of intact or recovering vegetation on private communally owned lands, which are designated by the community for long term conservation. The decision to establish a conservation area is endorsed by the communal assembly and codified within formal community by-laws, statutes, or other legally binding community documents, and is enforceable by the community government.

156,206 hectares²⁵ of community land were estimated to have been designated for sustainable land use²⁶ (surpassing the 150,000 hectare target by 9 percent).

4.9 Land use plans were developed in 248 communities (falling short of the 300 target). It is not clear whether this number includes the 78 communities in which conservation areas were established. The project's completion report notes that prior to the project less than 8 percent of communal land in the target area was under some form of conservation against an assumed 20 percent at closing. However, the extent to which land use plans are being implemented and the extent to which these areas increased biodiversity conservation are unknown.

4.10 **Productive investment outputs/outcomes.** An expected intermediate outcome was the generation of “markets for green/sustainable use products and increased income in communities in high biodiversity areas without environmental loss.” Income was not measured because few productive subprojects that created commercial enterprises had generated returns by project closure. It is also unclear how many of the productive subproject investments resulted in a functioning enterprises. The COINBIO subproject grants were relatively small and were often used to co financed enterprises with funds leveraged from a variety of government programs. Some communities interviewed at project closure and by the IEG mission had obtained subproject funding for investments intended to contribute to the establishment of a productive enterprise but additional investments were required for the enterprise to become operational.

4.11 With respect to generating green product markets, the project completion report notes that that few subprojects had reached a stage of generating a market for their products in the short time that they had been operating. Project documents highlight a few communities that did open new markets. One example is the production of organic hibiscus flower. The technical service provider contracted by the project played a key role in identifying a niche market opportunity for a community engaged in hibiscus production by switching from conventional to organic production, eliminating intermediaries, and obtaining organic certification. Before the project sold a ton of hibiscus sold for 28,000 Mexican Pesos; after obtaining organic certification it sold for 55,000 Pesos per ton.

4.12 **Biodiversity outcomes.** There is no evidence on the extent to which the approach piloted by the project resulted in increased conservation of biodiversity. The monitoring of biodiversity was not carried out until the final year of the project and there has been no further monitoring in the three years since the project closed.

²⁵ The number of hectares under sustainable use was estimated based on the assumption that on average 25% of communities' territory would be under falls under sustainable use. The communities included in this estimate were: communities with agro forestry activities, those with functioning wildlife management areas, communities that five or more COINBIO subprojects that financed activities related to the sustainable use of their territory.

²⁶ The specific uses permitted and restrictions are determined by each individual community and incorporated in land use plans.

4.13 It is likely that the areas that were placed under conservation or sustainable land use harbor biodiversity of interest to the international conservation community as all eligible communities were located in zones that were categorized as high-priority areas for biodiversity conservation at project appraisal. The monitoring activities carried out in the final year of implementation found that 22 percent of the surface area of the participating communities total territory fell within areas considered by Bird Life International as important for global bird conservation, though it is not clear if the portion of the territory designated for conservation falls within this region. The project completion report also notes that, floristic inventories conducted through community subprojects and independent research projects carried out on beneficiaries territory reported 15 endemic species of reptiles and a new plant species, *Heteroflorum sclerocarpum*, was discovered in the Balsas Dry Forest region of two participating communities. Project documents highlight some cases of neighboring communities that have set aside contiguous areas for conservation, particularly areas with border conflicts. Six communities have agreements to a biological corridor in which Jaguars are reportedly protected.

4.14 However, the contribution of conservation areas and sustainable land use areas to biodiversity conservation depends upon enforcement of land use plans, and whether the actions within them are sufficient to mitigate against threats. Due to the demand nature of the project, the project did not identify upfront specific species intended to be conserved or indicate a plan for their recovery. It did not collate individual communities' conservation objectives for the full set of subprojects, and the implementation of land use plans was not measured. Finally, the extent to which productive enterprises are serving as an incentive to prevent communities from converting land to agriculture is unclear as few of the productive subprojects have resulted in a revenue generating enterprise.

4.15 The project completion report notes that the project is considered a good practice example. Similar approaches have been implemented in Mexico and elsewhere on the presumption that it is effective. But the evidence has not been gathered to demonstrate the extent to which this operation has resulted in better conservation of biodiversity by participating communities, and this was the objective.²⁷

5. Efficiency

5.1 *Economic rate of return analysis.* Economic and financial analysis was not carried out during project preparation due to the project's focus on biodiversity conservation. An incremental cost analysis was prepared at appraisal to satisfy the GEF requirement in place at the time. The difference between the cost of the Baseline Scenario (US\$21.2 million) and the cost of the GEF Alternative²⁸ (US\$28.7 million) was estimated at US\$7.5 million. The

²⁷ Studies conducted in Mexico and other countries have shown that community conservation can result in improved biodiversity outcomes but it is not clear if this was the case in the areas covered by this project.

²⁸ At the time of appraisal GEF project approval requirements included a calculation of incremental costs. The methodology for determining incremental costs depends on defining (i) a "baseline" which comprises national activities already being undertaken to achieve the aims of the project under development, and (ii) an

incremental cost analysis was not repeated at project closure because GEF had dropped this requirement by that time.

5.2 An ex post economic analysis was conducted as part of the project's completion report which estimated the overall project's net present value (NPV) at US\$ 4.255 million and an economic rate of return (ERR) at 26.9 percent based on the potential incremental benefit of environmental service payments/ha²⁹ for all 166,776 ha declared as conservation areas under the project. The ERR dropped to 11.7 percent if only 66 percent of the hectares within conservation areas received environmental service payments. The higher ERR calculation seems unlikely, as it assumes that the entire area placed under conservation by the project would receive environmental service payments. The project completion report does not specify the number of COINBIO communities that were receiving environmental services contracts at the time of project closure and IEG was not able to determine how many of the conservation areas supported by the project had received environmental service payments at the time of the assessment mission.³⁰

5.3 The project completion report also presented financial analysis of individual illustrative case studies of four of the 489 subprojects (productive activities were chosen). The financial rates of return of the chosen subprojects were calculated as (1) 17.8 percent for the ecotourism project; (2) 23.4 percent for the community water bottling enterprise; (3) 12.7 percent for the production and harvesting of medicinal plants and (4) 12.5 percent for the sustainable deer rearing scheme. It is not clear, however, how representative these examples are of the population of projects that attempted to create productive enterprises. The project completion report notes that the cases were selected on the basis of the few subproject investments that had generated income by project closure, and these subprojects had not yet reached full cost-recovery. It was not possible to determine how many of the productive subprojects resulted in the establishment of operational enterprises or how many remained financially viable at the time of the IEG assessment mission.

5.4 *Cost effectiveness analysis.* The project completion report attempted to provide a least-cost analysis of the COINBIO model as a means to establish conservation areas. The cost of creating a community conservation area under COINBIO was estimated to be US\$49/hectare. The time required for a community to establish conservation areas was 50 days spread over a total time period of 165-175 days. An appropriate comparator, however, could not be identified because the project was the first of its kind and few credible datasets

alternative" scenario which is the set of actions needed to achieve global environmental benefits. The alternative scenario is, essentially, the proposed project – of which the incremental costs will be funded by the GEF.

²⁹ The payment for environmental services program is a government program that provides five year's worth of payments to communities that can be shown, through regular, independent inspection, to have complied with the requirement to set aside and protect blocks of forestland for conservation. The program pays US\$34/hectare, which represents the opportunity cost of planting 1 hectare of maize in the area of Mexico City.

³⁰ The payment for environmental services program and COINBIO are two separate programs and a systematic analysis of the communities participating in both programs has not been done. Four of the eight communities visited by the IEG mission reported that they were receiving environmental service payments. Only two of the 15 communities that participated in stakeholder workshops at project closure reported that they had Environmental Service contract.

exist on the costs of establishing protected areas. The Mexico National Protected Area system invests US\$3/ha to bring an area under conservation. IEG agrees with the completion report's conclusion that this is not a good comparator to the community model, as most of Mexico's parks are private holdings with land-use restrictions, and many of them are not managed. The COINBIO model, in contrast, involves higher levels of participation and commitment than traditional park management models, and includes investments in strengthening social capital to achieve conservation and mainstreaming into the community's legal framework. Another potential comparator is Mexico's Payment for Environmental Service program which pays US\$34 per hectare per year for a contract of five years. However, the two programs are not mutually exclusive and some communities participate in both programs. The completion report also cited a GEF-financed project in Argentina which invested on average 43 US\$/ha to develop traditional national parks but it is not clear how comparable Argentina's conditions are to Mexico. IEG was also unable to encounter figures on establishing community conservation models in other countries. Despite the limitation a lack of comparator imposes on assessing the cost-effectiveness of this operation, the project team's attempt to analyze the cost of establishing community conservation areas under the COINBIO model, may be a useful baseline for future operations.

5.5 *Other important aspects taken into account when assessing the efficiency of any operation are efficiencies in the use of project resources, efficiencies in design, and in implementation.* A positive indication of project management efficiency is that the project disbursed in full and closed on schedule, meeting or exceeding its output targets, in spite of the initial disbursement lag and implementation disruptions in the initial years of the project. On the other hand, total project cost exceeded the appraisal estimate by 28 percent, due in part to the over-commitment of community subprojects. Finally, it is difficult to assess the efficiency of the investments without knowing whether they were in fact effective in conserving biodiversity.

5.6 On balance efficiency is rated as **modest**.

6. Ratings

Outcome

6.1 This was the first attempt by GEF and the Bank to engage local communities in biodiversity conservation. The project's objective was highly relevant to the Bank's assistance strategies in place at appraisal and project closure, as well as to the country's environmental priorities and its Biodiversity Strategy. Relevance of the project design, however, was modest. Its institutional design and participatory approach were in line with the prevailing tenure structure and the country's efforts to decentralization natural resources management but it lacked a clearly articulated results chain. The project met or exceeded most of its outputs and created a structure at the State level that continues to function in two states 3 years after project closure. However, due to weaknesses in the design and implementation of the M&E system, there is no baseline measurement of biodiversity at the

project's inception and no basis on which to assess changes in biodiversity. The resulting outcome rating is **moderately unsatisfactory**.

Risk to Development Outcome

6.2 Risk to development outcome is rated **moderate**.

6.3 The risk to sustainability of the institutional arrangement is contingent on the political will of the State Government to allocate state budget resources each year and solicit matching funds from the federal government. At the time of the IEG assessment mission, three years after project closure, the COINBIO program continues to receive budget allocations from both state and federal government in the two states in which the model has been institutionalized (Table 4). Representatives of State Government indicated to IEG that biodiversity conservation is a high priority for government in both states. Government representatives in Michoacán noted that the COINBIO program is considered an important instrument for operationalizing the state's recent Biodiversity Strategy.

Table 4: Budget allocation from State and Federal Government to the COINBIO program in Oaxaca and Michoacán (millions of pesos)

<i>Fiscal Year</i>	<i>Oaxaca</i>	<i>Michoacán</i>
2008	4	4
2009	10	5.5
2010	13	4.5
2011	0 ^a	15.5
2012	12 (budget proposal under preparation)	Budget proposal under preparation

a. Resources for the program were not obtained in 2011 due to bureaucratic bottlenecks associated with a change in government administration that year. However, the project continued to operate in 2011 with resources remaining from the previous year.

6.4 Data were not available to assess how many of the community conservation and sustainable use areas established under the project remained under protection at the time of the IEG assessment. However, some communities participate in other government programs that are subject to independent verification. One program is the National Commission of Natural Protected Areas (CONANP) voluntary registry of community conservation reserves. IEG's review of the CONANP database found 20 of the participating communities have certified their conservation areas through this program. In addition, some communities have obtained environmental service contracts under Mexico's Payment for Environmental Services Program. The payments received from this program provide an additional incentive for participating communities to maintain conservation areas. The IEG mission was unable to obtain an exact number of the COINBIO beneficiary communities that have obtained environmental service contracts.

6.5 Sustainability also depends on the interest and capacity of community to implement their land use plans and enforce land use restrictions, neither of which has been monitored. The specific threats to biodiversity and measures to mitigate them and level of enforcement vary by community. The beneficiary workshops carried out at the end of the project indicate that some communities had organized vigilance patrols or fire brigades to guard against fires,

unauthorized extraction of wood and hunting. Some also had agreements with neighboring communities as an added measure of enforcement. Others did not have such arrangements. The extent of community buy-in and interest in the project was also found to vary. With some communities reporting a sense of apathy among the broader population with respect to project supported activities, in some cases opposition of some community members was noted.

6.6 The sustainability of productive subprojects financed under the project is less certain. The project's completion report notes that at project closure few productive enterprises had broken even and there has been no follow up monitoring to determine the number of enterprises that survive today.

Bank Performance

QUALITY AT ENTRY

6.7 Bank performance in ensuring quality at entry is rated moderately satisfactory. The project was designed through a phased approach, initially responding to a request from communities in Oaxaca with the use of Block A grant financing to prepare a medium-size GEF project³¹ in Oaxaca. After having gained strong support from the Ministry of Environment, Natural Resources, and Fishery, the government proposed that it be rolled out across other states, through the request of a Full Size project. In designing the project, the Bank team drew on lessons learned from the Bank's Community Forestry Project Management project, which was under implementation at time that the project was being designed. Also, based on lessons learned for GEF's 1999 Performance Implementation Review (PIR) that encouraged biodiversity conservation projects to build adaptive management into their design; COINBIO targeted project activities to the organizational capacity of the communities, introducing progressive grant financing and incentivizing matching resources. Finally, the project was designed to complement other programs such as the Bank-financed Community Forestry Project (PROCYMAF) and the UNDP executed GEF-implemented forest project (PRODERS). The former focused on production forestry rather than conservation and the latter focused on tropical forests, while COINBIO focused on temperate forests. Moreover, PRODERS concentrated more on reducing pressures on forest and protected areas through building the sustainable production capacity of rural producers, as opposed to establishing community conservation areas.

6.8 A shortcoming in quality at entry was the decision to waive hiring of National Coordinator as a condition of effectiveness. There was also a discrepancy between the Operational Manual and the loan agreement, which contributed to the crisis with State Coordinators. The disbursement plan was out of step with learning curve often associated with participatory approaches. The decentralized project structure and demand driven nature of the small grants-scheme, contributed to the 7 to 12 month lag time between the approval

³¹ GEF medium-sized projects are smaller in scale than full-sized projects and follow expedited procedures for their approval. By funding such projects GEF aims to increase flexibility in allocating its resources and encourages a wide range of stakeholders to propose and develop project concepts.

of the subprojects and the release of the first payment to communities. Finally, baseline data was not established until the final year of the project.

SUPERVISION

6.9 The Bank's performance during supervision was moderately satisfactory. Supervision missions were carried out 2-3 times per year and the information gathered from the M&E system was used to measure implementation progress. In the course of supervision the Bank recognized that the failure to hire a National Coordinator or convene a National Committee during the start up phase of the project was impeding implementation and took corrective measures to address it. A number of measures were taken to improve implementation. The investigation of the request for an inspection panel revealed that in the initial years of implementation there were some execution issues that the Bank had not addressed in a timely manner, such as a lack of essential supplies for Oaxaca's coordination unit to perform its duties, including a vehicle to reach indigenous communities, and other office materials. That said, through good supervision, Bank staff brought the project back on track, a factor that was responsible for the project not being recommended for full inspection. However, along with the Borrower, the Bank is faulted with the late establishment of the SII system to measure biodiversity outcomes, as a result of which the efficacy of the project's approach to conserving biodiversity remains unknown.

6.10 Overall Bank Performance is rated **moderately satisfactory**.

Borrower Performance

GOVERNMENT PERFORMANCE

6.11 Government Performance is rated satisfactory on balance. The Secretary of Environment was supportive of the project since its preparation, as the approach fit the Ministry of Environment and Natural Resources' (SEMARNAT's) strategies that sought to decentralize environmental management. While the project originated at the local level with a request from the communities in Oaxaca state, the Secretary of Environment ultimately requested that the effort be scaled up to a full sized project. Actual counterpart financing from the federal government was slightly less than what was anticipated at project appraisal. Following the change in technical oversight from the Ministry of Environment and Natural Resources (SEMARNAT) to the National Forestry Commission (CONAFOR), the latter financed the taxes on goods and services for the project from its own resources, since these expenditures could not be financed out of GEF Grant proceeds. The government has continued to make funds available for the program following project closure.

IMPLEMENTING AGENCY PERFORMANCE

6.12 Implementing Agency performance is rated moderately satisfactory. The National Financial Agency (NAFIN), the implementing agency, adequately administered the grant and complied with Bank fiduciary and safeguards procedures. However, the implementing agency shares responsibility with the Bank for the delay in hiring a National Coordinator and the failure to establish a critical component of the project's M&E system until the final year

of project implementation, as the result of which it remains uncertain as to whether the entire approach has been effective in conserving biodiversity. In addition, the inspection panel eligibility report noted that the manner in which NAFIN handled the termination of contracts of State Coordinators contributed to the conflict with some of the State Committees culminating in the project being referred for investigation. Following the inspection panel review, however, the implementing agency and project management team adequately addressed implementation challenges and ensured that the project finished on time meeting most of its output targets.

6.13 Overall Borrower Performance is rated **moderately satisfactory**.

Monitoring and Evaluation

2.20 **Design.** Key performance indicators and numerical targets were defined at appraisal, although most were output rather than outcome indicators. Project design also including a dedicated M&E component to monitor changes in biodiversity overtime, capture socio-economic data, and conduct participatory evaluation studies to document social organizational processes. Evaluations were planned for the end of the second and fourth years of implementation, to review implementation mechanisms and highlight any adjustments needed to the criteria and procedures in the operational manual, targets and the distribution of sub-grant activities among the different types of participating communities.

3.7 **Implementation.** The key performance indicators were monitored on a regular basis throughout implementation. The independent evaluation in the second year of implementation and the mid-term review were carried out as planned. However, construction of the Integrated Information System was repeatedly delayed and was only put in place in the project's final year of implementation and there were some limitations in the quality of its data.

6.14 **Utilization.** The key performance indicators were used to gauge implementation progress but because the Integrated Information System was only put in place in the final year of the project, it was not utilized to provide feedback during implementation nor was it able to capture changes in biodiversity by over the life of the project. The information generated by the system was intended to provide a baseline to measure changes in biodiversity and social capital moving forward but no provisions were made to ensure long term monitoring. As of the IEG assessment mission no follow up survey has been carried out to assess changes in biodiversity. The use of the system by participating communities was also limited.

6.15 Overall the quality of Monitoring and Evaluation is rated **modest**.

7. Lessons

7.1 **The lack of a common understanding of the respective roles and level of autonomy of all parties in a decentralized management structure can undermine implementation.** In this case differences in interpretation of the level of autonomy delegated to state level actors contributed to an impasse between some of the state coordination units and the national implementing agency that threatened to end project implementation and contributed to an inspection panel request. Eventually these issues were resolved, but the experience highlights the importance of taking explicit measures during implementation to ensure that all parties are on the same page.

7.2 **The project's experience reveals the challenges associated with developing monitoring tools that are adequate for both conservation and capacity building objectives.** Participatory monitoring is important for enhancing community capacity to monitor and make decisions over the management of their natural resources. Measuring conservation outcomes may require ecosystem-level analysis. One tool or approach may not be adequate for both objectives. .

7.3 **The project's experience in carrying out participatory monitoring demonstrates the need to employ methods that are useful to communities and can be continued beyond the project's closure.** While community participation was included in the monitoring exercise, the methods used were out of step with the communities' capacity to continue monitoring over the long term. This experience points to the need to ensure that communities are provided with adequate incentives and support for monitoring over the long run.

7.4 **A recurring shortcoming in the implementation of small grant type projects is the failure to monitor subproject outcomes.** Since the demand-driven nature of participatory operations like this one limits the ability to specify objectives of sub-projects, up-front extra effort is required in the course of implementation to document the goals communities for themselves, their plan for achieving these goals, and to monitor resulting outcomes.

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Annex A. Basic Data Sheet

INDIGENOUS AND COMMUNITY BIODIVERSITY CONSERVATION PROJECT (TF-24372)

Key Project Data (amounts in US\$ million)

	<i>Appraisal estimate</i>	<i>Actual or current estimate</i>	<i>Actual as % of appraisal estimate</i>
Total project costs	19.05	24.52	129
Grant amount	7.50	7.48	98
Cancellation	–	.019	–

Cumulative Estimated and Actual Disbursements

	<i>FY01</i>	<i>FY02</i>	<i>FY03</i>	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY08</i>	<i>FY09</i>
Appraisal estimate (US\$M)	.9	2.5	4.0	5.2	5.8	6.8	7.5	7.5	7.5
Actual (US\$M)	0.0	.8	1.4	2.3	3.4	4.9	6.9	7.5	7.5
Actual as % of appraisal	0.0	32	35	44.2	58.6	72.1	92	100	100
Date of final disbursement:	11/01/2008								

Project Dates

	<i>Original</i>	<i>Actual</i>
Concept Review	07/16/1999	01/15/1998
Negotiations	02/10/2000	10/19/2000
Board approval	03/14/2000	11/28/2000
Signing	01/31/2001	02/01/2001
Effectiveness	06/15/2001	06/21/2001
Closing date	06/30/2008	06/30/2008

Staff Inputs (staff weeks)

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

Task Team members		
Names	Title	Specialty
Lending		
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Carmen Nielsen	Procurement Specialist	Procurement
Michael Fowler	Sr. Disbursements Officer	Disbursements

Supervision/ICR		
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Ricardo Hernandez Murillo	Sr Environmental Spec.	Environmental Specialist
Juan Martinez	Sr Social Scientist	Indigenous Peoples Specialist
Takako Mochizuki	Consultant	Rural Development
Victor Manuel Ordonez Conde	Sr Financial Management Specia	Financial Management
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Andrea Semaan	Consultant	Operations Support
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 Comunidad Ixtlán de Juárez, Oaxaca
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 Comunidad Santiago Comaltepec, Oaxaca
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 Ejido Huatziran, Michoacán
 Ejido Ichamio, Michoacán