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PROJECT PERFORMANCE ASSESSMENT REPORT

MEXICO

FIRST AND SECOND COMMUNITY FORESTRY PROJECTS
(LOAN NUMBERS 4137 AND 7207)

June 28, 2010

Sector Evaluations (IEGSE)
Independent Evaluation Group (World Bank)

Currency Equivalents (annual averages)

Currency Unit =Mexican Peso
(Exchange Rate Effective July 11, 2008)

Pesos 1.00 = US$0.097
US$ 1.00 = Pesos 10.307

Abbreviations and Acronyms

Conabio	National Biodiversity Commission
Conafor	National Forestry Commission
ICR	Implementation Completion Report
IEG	Independent Evaluation Group
IEGWB	Independent Evaluation Group (World Bank)
PPAR	Project Performance Assessment Report
Procymaf	Mexican Community Forestry Program
Profepa	Environmental Protection Program
Semarnap	Environment and Fisheries Secretariat
Semarnat	Environment Secretariat
SHCP	Finance Secretariat

Fiscal Year

Government: January 1 – December 31

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IEGWB Mission: Enhancing development effectiveness through excellence and independence 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, IEGWB annually assesses about 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), IEGWB staff examine project files and other documents, interview operational staff, 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 IEGWB peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. IEGWB incorporates the comments as relevant. The completed PPAR is then sent to the borrower for review; 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 IEGWB Rating System

IEGWB'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. IEGWB 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 IEGWB 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.

Contents

This report was prepared by John R. Heath, who conducted an assessment mission to Mexico in February 2010. Marie Charles provided administrative support.

Tables

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Principal Ratings

Community Forestry Project (P007700)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Moderately Satisfactory	Moderately Satisfactory
Institutional Development Impact**	High	Substantial	———
Risk to Development Outcome	———	———	Moderate
Sustainability***	Highly Likely	Likely	———
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.
**As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.
***As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

Second Community Forestry Project (P035751)

	*ICR**	*ICR Review**	*PPAR*
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to Development Outcome	Moderate	Moderate	Moderate
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEGWB product that seeks to independently verify the findings of the ICR.
**As of July 1, 2006, Institutional Development Impact is assessed as part of the Outcome rating.
***As of July 1, 2006, Sustainability has been replaced by Risk to Development Outcome. As the scales are different, the ratings are not directly comparable.

Key Staff Responsible

Community Forestry Project (P007700)

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Gisu Mohadjer	Michael Baxter	Olivier Lafourcade
Completion	Daniel R. Gross	Shelton H. Davis	Isabel M. Guerrero

Second Community Forestry Project (P035751)

Project	*Task Manager/Leader*	*Division Chief/ Sector Director*	*Country Director*
Appraisal	Daniel R. Gross	Mark E. Cackler	Isabel M. Guerrero
Completion	Robert Ragland Davis	Ethel Sennhauser	Axel van Trotsenburg

Preface

This Project Performance Assessment Report (PPAR) examines two back-to-back community forestry projects in Mexico. The Community Forestry Project (total cost US$18.4 million) was supported by an IBRD Loan (No. 4137) of US$15 million. The loan was approved on February 18, 1997 and closed on December 31, 2003, 18 months behind schedule. The Second Community Forestry Project (total cost US$26.2 million) was supported by an IBRD loan (No. 7207) of US$21.3 million. The loan was approved on December 9, 2003 and closed on December 31, 2008, about six months later than expected.

The PPAR was prepared by the Independent Evaluation Group (IEG). It was based on review of the project appraisal and completion reports, the Loan Agreements, background studies and academic literature, as well as discussions with beneficiaries, government officials, representatives of non-governmental organizations, academic researchers and Bank staff. John R. Heath conducted the assessment mission in Mexico in February 2010, visiting various project sites in the states of Jalisco and Oaxaca. He was assisted by Arturo Puente Gonzalez (IEG Consultant), who prepared a report on the competitiveness of community forest enterprises assisted by the two projects. A list of all those interviewed by IEG is attached at Annex C of this report. The cooperation and assistance of all stakeholders, particularly the National Forestry Commission (Conafor) and the staff of its Community Forestry Program (Procymaf), is gratefully acknowledged; as is the support of the World Bank Country Office in Mexico.

Following standard IEG procedures, copies of the draft PPAR were sent to relevant government officials for their review and comments. Comments from the Borrower were taken into account and included in Annex D.

Summary

This report assesses the performance of the First and Second Community Forestry Projects in Mexico, which supported a government sector strategy based on decentralizing the management of forests through the promotion of indigenous communities and *ejidos* (communal properties created through land reform) that own forestland. About 10,000 communities own over two-thirds of Mexico's forestland. Between 0.5 to 2.0 percent of the forest stock is subject to deforestation each year, emphasizing the importance of improved strategies of management and conservation that involve the owners of forestland. The design of the two projects was based on lessons learned from an unsuccessful Bank-supported forestry operation in the early 1990s. The failure of this operation drew attention to the following issues: the need for a more decentralized approach to project preparation, including participation by state governments; the advisability of starting out with a small-scale, pilot operation; and the requirement to communicate more effectively with non-governmental organizations, which had criticized the Bank for failing to give a more central role to the indigenous communities that occupied much of the land in the project area.

The objectives of the two projects were essentially the same:

- Objective (A) sought to improve natural resource management and conservation by community/ejido forestry resource owners;
- Objective (B) aimed to increase the range of forestry-based income generating options available to community/ejido forestry resource owners.

The projects supported the work of the National Forestry Commission (Conafor) and its community forestry program (Procymaf). The first project covered the states of Guerrero, Jalisco, Michoacán, Oaxaca, and (partially) Chihuahua and Durango. The second project covered six states: Durango, Guerrero, Jalisco, Michoacán, Oaxaca and Quintana Roo.

The components for the two projects can be sorted into the following categories: (i) *community strengthening*, which involved training and technical assistance activities, with a strong emphasis on sharing experiences between communities; (ii) *diversification into non-timber forest products*, which involved diagnostic studies, subproject investments and the design of payment schemes for environmental services (carbon sequestration, groundwater recharge, soil erosion control); (iii) development of a *roster of proven private sector forestry professionals* providing services to the communities; and (iv) *project management*, comprising a central implementation unit in Mexico City and affiliated units in the participating states.

Outcome is rated moderately satisfactory for the first project and satisfactory for the second project. Although output targets related to community capacity building were exceeded by both projects, the evidence of outcomes is less complete for the first project than for the second project. The first project specified few outcome indicators. With respect to Objective (A), the area target for bringing forest under sustainable management was only half-met. In the case of Objective (B), there is no indication how the "success" of forest enterprises was measured and it is not clear how many of these enterprises were still operating at the time of the assessment mission. By contrast, for the second project,

outcome targets were more clearly defined and, in most cases, exceeded. In particular, over two-thirds of forest enterprises supported by subproject investments approved five years ago were still operating in early 2010. The single most important category of subproject was ecotourism, consistent with the objective of diversifying forest-based incomes away from timber harvesting. Objectives were substantially relevant for both projects. Also, for both projects, the financial rates of return were generally higher than expected at appraisal. The final cost of the first and the second project was respectively 78 percent and 91 percent of the appraisal projection; given that output targets for both projects were generally exceeded this is further evidence that resource use was substantially efficient.

Both projects faced the same **risk to development outcome** and in both cases this is rated moderate. Positive indications that the project results will be sustained include: the creation of a dedicated community forestry unit in the National Forestry Commission; the hefty contribution that communities have made to subproject costs; and the high survival rate of timber and non-timber forest enterprises sponsored through subproject investments. On the other hand, there is still a need to strengthen the business model in order to build long-term competitiveness. Also, there is a concern that outmigration may potentially sap the foundations laid by the two projects. In addition, near closing of the second project there were substantial cuts in the pay of Procymaf promoters, which may limit prospects for program consolidation in the twelve states now covered by the program.

Bank performance is rated satisfactory for both projects. In general, the design of both projects was solidly based on lessons learned from a previous (less successful) forestry operation. For both projects, the level of consultation and collaboration with Mexican counterparts was exceptionally high.

Borrower performance is rated moderately satisfactory for the first project and satisfactory for the second project, the difference being based on the substantial delay in the release of counterpart funding during the first project. During the course of the two projects, the federal government remained committed to project objectives. This was reflected in the passage of a new Forestry Law, creation of a National Forestry Strategy, and set up of the National Forestry Commission (Conafor), which included creation of a specialized community forestry unit. State governments were also generally supportive of project objectives. The Procymaf leadership and the team of promoters have alike been distinguished by their professional excellence and their dedication.

This assessment identifies three major lessons:

- ***Improved stewardship of natural resources is probably the main contribution of community forestry in Mexico.*** Community forestry will not wipe out rural poverty in Mexico because the program is necessarily limited to communities with abundant forests and no land conflicts; and even in these communities incomes from forest activities will always make up only a small share of total incomes. Nor by itself will community forestry reverse the declining supply and lack of competitiveness of timber in Mexico. But it is an important part of the broader effort to protect the natural resource base. The community zoning plans

successfully sponsored by Procymaf offer a platform for developing synergies with the (well-funded, high-profile) schemes that are now paying for environmental services.

- ***There are no quick fixes for building community capacity and institutional arrangements to manage and conserve forests***. Plugging technical and infrastructure gaps is easy compared to the work of building trust in communities that have been ill served by Mexican governments for decades. The hefty contribution made by Procymaf communities to training and investment initiatives, the broad-based participation in land zoning exercises and the significant survival rate of the forest enterprises established by Procymaf is the best evidence yet that the programs are building capacity and sustainable institutional arrangements. But there is still a long way to go in fostering the business acumen that communities need to develop and exploit the niche markets for timber and non-timber goods and services.

- ***It is important to embed support to individual communities within a broader framework that strengthens cooperation between communities and municipal and state governments and develops a network of professional expertise on forest-centered activities***. Although Procymaf has so far made little headway with supply chain development with respect to timber processing, from the beginning, it emphasized the creation of regional forums which brought communities and state governments together to set priorities and discuss the allocation of investment resources. This framework supports the development of the complementary infrastructure (roads, schools) that will help to make forest communities more viable. Equally important is the assistance that Procymaf has given to building up networks of accredited private sector professionals able to provide technical assistance to communities across the full spectrum of forest-centered activities (not confined to harvesting timber).

Vinod Thomas
Director-General
Evaluation

1. Background

1.1 The First and Second Community Forestry Projects supported a government sector strategy based on decentralizing the management of forests through the promotion of communities that own forestland. [1] Indigenous communities and land reform communities (*ejidos*) control between them over two-thirds of Mexico's forestland.[2] Since the 1980s, government strategy has focused on increasing the capacity of these two types of community to manage their forest resources. The approach assumes that that production and conservation are best tackled jointly. The strategy was first set out in the 1986 Forestry Law and has been reinforced by subsequent forest policy legislation, which has deregulated the forestry industry, liberalized forest technical services and promoted producer associations in the communities.[3]

1.2 Up until the 1980s, Mexico's forests were managed as concessions granted by the government to private firms. Communities had no rights to manage their forests or harvest timber. They received a stumpage fee from the concessionaires, but the process for calculating the amount paid and who in the community received it was not transparent. The concession model encouraged overexploitation by firms and illegal logging by communities. The model sharply discounted the future because, after timber has been harvested, some forest systems need 70 years or more to regenerate. The short-term bias of the concession system undermined both forestry and forest conservation.[4]

1.3 Mexico's forests are a major natural resource and a significant source of livelihood, but they make up only a small part of the economy. Mexico ranks 12th worldwide in forest cover, with more than 65.6 million hectares of forests, accounting for about one-third of the national territory. The pine forests of Mexico are ecologically significant. Mexico contains about one-half of the 96 globally-registered species of pine, with 21 species that are endemic.[5] About 10,000 communities own over two-thirds of forestland.[6] Roughly one-third of the area under forest (around 20 million hectares) is commercially viable. Only 9 million hectares are managed for production.

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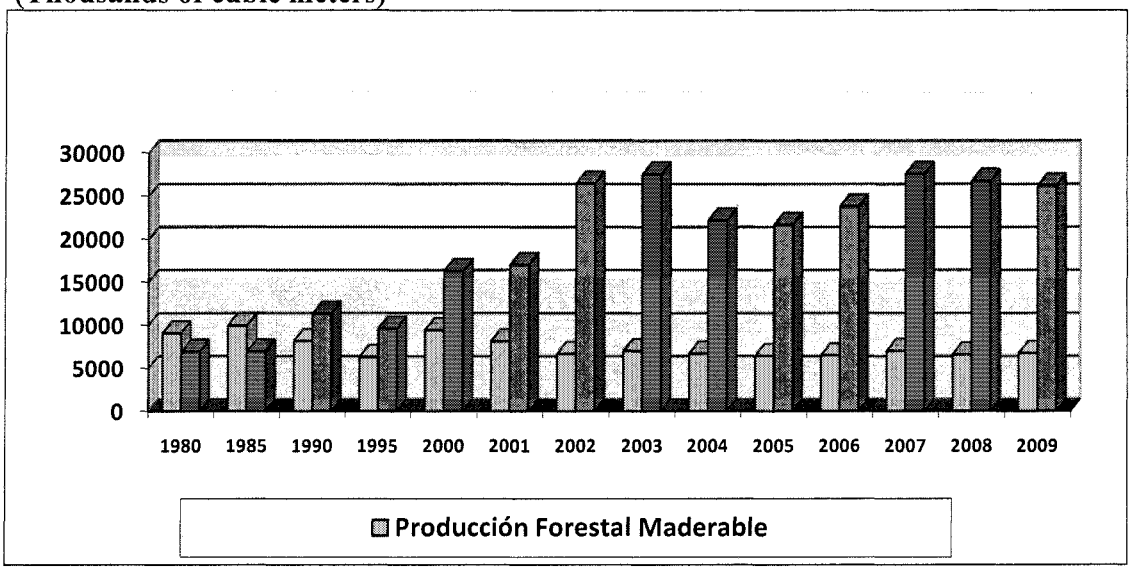
1. In this report, unless otherwise indicated, "community" refers both to the indigenous communities, which predate the Spanish colonization, and to the land reform communities set up following the Mexican Revolution of 1910-1920 (*ejidos*). Members of both types of community have rights, stipulated under law, to an individual family plot allocated by the community as well as access to the communally-owned land (typically, forest, pastures, and waterways).
2. Leticia Merino and Gerardo Segura, in Leff, Escurra, Pisanty and Romero-Lankao (2002), p. 240, say that the area of forestland owned by ejidos and indigenous communities is 80 percent of the total; but the completion report for the second project gives a figure of 65 percent (World Bank (2009), p. 1). As a result of the radical land redistribution that followed the 1910-20 Revolution, 53 percent of Mexico's territory is classified as "social sector" land, meaning that it belongs either to indigenous or land reform communities.
3. World Bank (2004), p. 4.
4. World Bank (2009), p. 1.
5. Styles (1993).
6. Klooster (2003).

1.4 Estimates of the rate of deforestation range from 300,000 to 1.2 million hectares per year (0.5 to 2.0 percent of the forest stock)—moderately high by international standards, although the trend appears to be downwards. [7]

1.5 Officially, 300,000 people are employed in forestry, but this does not take account of informal sector activity. Of the 13 million or so persons living in the forests, 55 percent are extremely poor. Forestry generates 1.8 percent of GDP and the country is a net importer of wood products (including paper), most imports coming from the United States, Chile and Uruguay (Figure 1).[8]

Figure 1: Mexico—Decline in Timber Consumption Supplied from National Output (Thousands of cubic meters)



Glossary
"Produccion Forestal Maderable": National output of timber; "
"Consumo Nacional Aparente": Output plus imports less exports (timber).

Source: Conafor (2010b).

1.6 Between 1997 and 2006 the national output of timber fell by 16 percent: pine (which accounts for about three-quarters of total output) contracted by 23 percent and was offset by an increase of 113 percent in the output of timber from tropical species. The decline in timber output was particularly marked in the states of Michoacán (-54 percent) and Guerrero (-46 percent). [9] Following the signing of the free trade agreement with Chile, sawn wood imports rose from 11,751 m^3 in 1999 to 862,573 m^3 in 2005, before falling back to 383,775 m^3 in 2009 as a result of the Mexican economic recession.[10] The decline in national output of sawn

7. Estimates quoted by Conafor staff at meeting with IEG on February 8, 2010; the "official" (Conafor) rate of deforestation is 300,000 ha/year. This is consistent with the figure cited in the current Country Partnership Strategy, which gives a figure of 314,000 ha/year (World Bank, 2008, p. 28). The rate appears to have dropped since the turn of the century. Merino and Segura (in Leff, Escurra, Pisanty and Romero-Lankao 2002, p. 239) quote a 1995 FAO estimate of 678,000 ha per year.
8. World Bank (2009), p. 1.
9. Puente Gonzalez (2010), p. 8.
10. Puente Gonzalez (2010), p. 34.

wood goes hand-in-hand with underuse of sawmill capacity (although many of these plants are obsolete).

1.7 The National Forestry Commission (Conafor) is candid about Mexico's lack of competitiveness relative to its main supplier of imported wood, Chile. In 2010 it estimated that the f.o.b parity price of kiln-dried sawnwood in the sawmill yard was US$7.00 per board foot in Chile, compared to US$8.30 per board foot in Mexico.[11] Procymaf recognized this challenge early on: "Prices of forest products from commercial plantations in South America and Southeast Asia are around 30 percent lower than similar products from the most efficient of Mexico's community forest enterprises".[12]

1.8 Sawnwood from Chilean commercial plantations is more competitive than the output from equivalent plantations in Mexico: there is less wastage in the cut, dimensions are more even, drying is more thorough and there are fewer variations in production costs. This explains the upsurge of imports from Chile (facilitated by the free trade agreement with Mexico that was signed in 1999). The Mexican product is able to compete to the extent that markets are segmented and infrastructure deficiencies (particularly roads) raise the cost of delivering the imported product to local markets. This source of protection will probably diminish over time.

The World Bank and the Mexican Forest Sector

1.9 The community forestry projects assessed aimed to incorporate lessons from the unsuccessful Forestry Development Project, the Bank's first Mexican operation in this sector, which was approved in August 1989 and closed in July 1994. The project focused on the states of Chihuahua and Durango and sought to revitalize the forestry sector of those states by improving road access, upgrading timber harvesting and processing, and strengthening sector institutions. The project was shut down prematurely. The lessons drawn by the Bank included: the need for a more decentralized approach to project preparation, including participation by state governments; the advisability of starting out with a small-scale, pilot operation; and the requirement to communicate more effectively with non-governmental organizations, which had criticized the Bank for failing to give a more central role to the indigenous communities that occupied much of the land in the project area.[13]

1.10 Partially in response to the problems of the project, the Bank and the Mexican government jointly carried out a wide-ranging review of the forest sector and natural resource conservation.[14] The review identified three major problems: deforestation and the lack of a sustainable management strategy for forest resources; the declining competitiveness of a sector severely challenged by the removal of trade barriers in the 1980s; and the lack of alignment between the ownership of forestland (most of which belongs to indigenous and agrarian reform communities) and the distribution of the rents obtained from forestry.[15]

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11. Conafor (2010b).
12. Merino and Segura, in Leff, Escurra, Pisanty and Romero-Lankao (2002), p. 245.
13. World Bank (1995b), pp. iv-v.
14. World Bank (1995a).
15. See also Merino, Rodriguez, Ortiz and Garcia (2008), pp. 191-192.

1.11 The design of community forestry projects was informed by this critique and was based on the following guiding principles:

- Respect for the customs and administrative structures of communities that control the bulk of forestland;
- Support for decentralized, demand-driven community development, based on a strategy that takes into account variations in the development level of forestry in the various communities (stratification into four groups);
- Development of a cadre of private-sector forestry professionals capable of providing long-term technical assistance to the communities.[16]

1.12 The 1993 Bank forestry policy emphasized conservation of tropical moist forest rather than timber harvesting. This helped steer Bank intervention in Mexico away from the tropics toward areas of pine oak; and (in the case of the first community forestry project at least) removed the option of including investment projects involving timber harvesting. Oaxaca was selected as the starting point for the new forestry project because it had a long history of community mobilization and community development. Oaxaca became the "laboratory" of Mexico's community forest program (Procymaf).

2. Project Overview

Objectives

2.1 In terms of the formal statement of objectives there was little difference between the two projects. For the *first* project, the Loan Agreement stated that: "The objectives of the Project are to: (a) improve natural resource management and conservation by Community and Ejido forestry resource owners in Mexico; and (b) increase the range of forestry-based income generating options available to such owners". For the *second* project, the Loan Agreement stated that: "The objective of the Project is to assist Communities and Ejidos who own forests in Priority Regions in the Participating States to improve the management and conservation of their forest resources and to generate alternative sources of income in a sustainable manner". Statements in the appraisal documents provide more detail on project objectives.[17]

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16. Merino, Rodriguez, Ortiz and Garcia (2008), pp. 192-193.

17. The full statements are as follows. **Community Forestry Project**: "The *overall objective* of the project is to support the implementation of the key elements in the government's refined natural resource management strategy. *Specific objectives* of the project are to: (a) improve natural resource management and conservation by community and ejido forestry resource owners; and (b) increase the range of forestry-based income generating activities available to them. To this end, the project would (a) strengthen the capacity of communities and ejidos to manage their forestry resource base; (b) strengthen the capacity of the private sector to provide forestry services to communities and ejidos; (c) design strategies to promote timber, non-timber, and non-traditional products from community and ejido forests; and (d) strengthen the federal and state institutions working in forestry conservation and development" (World Bank, 1997, p. 13). **Second Community Forestry Project**: "The *general objective*...is to assist indigenous communities and ejidos that own forests in priority regions of Durango, Guerrero, Jalisco, Michoacán, Oaxaca and Quintana Roo to improve the management and

2.2 This assessment considers how each project performed in responding to the two objectives common to both:

> (A) Improve natural resource management and conservation by community/ejido forestry resource owners; and
> (B) Increase the range of forestry-based income generating options available to community/ejido forest resource owners.

The outputs and outcomes bearing on these objectives are shown in Table 1.

Table 1: The Objectives of the Two Projects and their Associated Outputs and Outcomes

OBJECTIVES	OUTPUTS	OUTCOMES
(A) Improve natural resource management and conservation by community/ejido forestry resource owners	• Community members trained • Professionals trained • Inter- and intra-community seminars held • Regional participatory committees launched or strengthened • Forest management & conservation plans completed or updated • Zoning plans completed • Payment for environmental service schemes in place	• Community statues adopted by community or ejido assembly • Forest area receiving independent, performance-based certification • Pool of professional expertise permanently enhanced • Communities passing inspection under environmental service schemes
(B) Increase the range of forestry-based income generating options available to community/ejido forestry resource owners	• Feasibility studies completed • Community forestry enterprises launched or strengthened • Investment in non-timber forest products	• Increase in net value of forest goods and services produced • Increase in jobs available • Community enterprises functioning three or more years after launch •

conservation of their forest resources and to generate alternative sources of income in sustainable manner. The project's *specific objectives* are (i) to strengthen community institutions by means of the consolidation of social capital and management capacity to improve the benefits flowing from the use of forest resources; (ii) to strengthen technical and administrative capacity of ejidos and communities for the development of local regional and productive processes; (iii) to identify and develop investment alternatives and productive diversification for communities and ejidos, and to promote local and regional arrangements to facilitate access by these communities to schemes for payment for environmental services" (World Bank, 2003, p. 2).

Components

2.3 The components for the two projects (Table 2) may be sorted into four categories. First, *Community Strengthening* involved training and technical assistance activities intended to support: preparation of management plans for timber harvesting, reforestation, and resource conservation; forestry research; control of fire and insects; boundary demarcation and land use zoning; conflict management; and access to credit, markets and technologies. There was a strong emphasis on sharing experiences between communities, including joint training exercises. Also, consultants assisted communities in drafting by-laws for community governance.

2.4 Second, *Diversification* covered diagnostic studies, subproject investments and the design of payment schemes for environmental services (such as carbon sequestration, groundwater recharge, soil conservation). Under the first project (1997-2003), subproject investments were limited to non-timber forest products, reflecting the Bank's 1993 forestry policy, which discouraged timber harvesting generally (even though it was aimed at humid tropical forests of the sort not included in the first community forest operation). The second project (2003-2008) financed timber subprojects as well as those devoted to non-timber forest products.

Table 2: Project Costs by Component

(A) COMMUNITY FORESTRY PROJECT (1997-2003)

	(1) Costs Estimated at Appraisal *US$ million*	(2) Actual Costs at Closing *US$ million*	(2)/(1) % of Appraisal
(A) Assistance to Communities and Ejidos	10.3	12.2	119
(B) Strengthening of Private Service Providers	1.6	0.6	37
(C) Promotion of Non-Timber Forest Products	3.2	1.5	45
(D) Institutional Strengthening	8.5	4.2	49
TOTAL	**23.6**	**18.4**	**78**

Source: World Bank (2004), p. 24.

(B) SECOND COMMUNITY FORESTRY PROJECT (2003-2008)

	(1) Costs Estimated at Appraisal *US$ million*	(2) Actual Costs at Closing *US$ million*	(2)/(1) % of Appraisal
(A) Strengthening of Social Capital	4.8	5.4	112
(B) Forest Resource Management Technical Assistance	12.4	12.3	99
(C) Diversification and Investment	3.6	6.4	177
(D) Institutional Strengthening	2.7	1.6	60
(E) Project Implementation Unit	3.1	2.6	2.6
TOTAL*	**28.9**	**26.2**	**91**

Source: World Bank (2009), p. 33. *Including contingencies and front-end fees.

2.5 Third, although not included as a discrete component under the second project, both operations financed the *Training of Private Service Providers*. Through a process of training and accreditation the aim was to consolidate the roster of forestry professionals providing services to the communities. These private consultants helped communities to develop forest production and conservation strategies. Particular emphasis was given to broadening the training of professionals, adding environmental management capacity to the existing (dominant) repertoire of production forestry skills.

2.6 Fourth, various *Project Management Activities* were financed, including a central implementation unit in Mexico City and affiliated units in the participating states. These units were responsible for procurement, auditing and monitoring and evaluation. In the first project this component financed studies, conducted in Oaxaca, of deforestation and forestry-related community income.

2.7 Under the first project, Component C funded forty-three Non-Timber Forest Product subprojects (NTFPs), including bottled water, pine resin, mushrooms, medicinal plants and ecotourism. Under the second project, the Component C diversification investments included the design of schemes for paying for environmental services.

2.8 Table 3 aims to facilitate comparison of the two projects, showing differences in the cost breakdown. The administrative overhead was lower in the second project (but still significant) and the share of total project costs devoted to investment subprojects was higher.

Table 3: How the Distribution of Project Costs Varied between the Two Projects (US$ million)

ACTIVITY	FIRST PROJECT	SECOND PROJECT
(A) Investment Subprojects	0.7 (4%)	6.1 (23%)
• Timber Products*	-	3.7 (14%)
• Non-Timber Forest Products	0.7 (4%)	2.4 (9%)
(B) Capacity Building	13.5 (73%)	17.5 (67%)
(C) Project Administration	4.2 (23%)	2.6 (10%)
Total Costs =(A)+B)+(C)	**18.4 (100%)**	**26.2 (100%)**

Source: Conafor data; World Bank (2004); World Bank (2009).
*In the first project, only non-timber forest products were eligible for investment. **Note.** These data do not include the (substantial) counterpart that communities provided in cash and in kind (see Table 12 below).

Timing and Geographic Scope

2.9 The loan for the first project became effective in November 1997 and closed in December 2003. The loan for the second project became effective in July 2004 and closed in December 2008. The first project covered the states of Guerrero, Jalisco, Michoacán, Oaxaca, and (partially) Chihuahua and Durango. The second project covered six states: Durango, Guerrero, Jalisco, Michoacán, Oaxaca and Quintana Roo. Project implementation began in Oaxaca (on a pilot basis) in 1998, gradually spreading to Guerrero and Michoacán (where work began in 2001), and followed by Jalisco (2003). Durango and Chihuahua entered towards the end of the first project; and Quintana Roo entered during the second

project. A third project (which is presently financed solely by the government but may eventually attract fresh Bank funding) adds a further six states to the six covered by the second project. Thus, 12 of the 32 states in Mexico now fall within the remit of the community forestry program.

2.10 Each project targeted selected communities in areas of pine oak forest.[18] The projects deliberately excluded communities with forest resources of limited commercial value, as well as those embroiled in boundary conflicts. In the six states it covered, the second project carried out activities in two-thirds of all communities, and 91 percent of communities where the majority of inhabitants take part in forest-related activities. This still only provided coverage of 17 percent of the total forest area in these states; given that, nationwide, communities control over two-thirds of forest area, this is some indication of the large share of forestland that is not of prime commercial value—and therefore did not qualify for inclusion in the project.[19]

Institutional Framework

2.11 Until 2000, oversight of the forestry sector lay with the Environment Secretariat (Semarnap; subsequently renamed Semarnat) and its enforcement arm, Profepa. Responsibility for the Community Forestry Development Program (Procymaf)—which embraces the two projects assessed in this report—was initially vested in Semarnap but shifted to the National Forestry Commission (Conafor) following that agency's launch in April 2001. Conafor has a mandate to promote sustainable forestry and forest resource conservation. According to its charter, the functions of Conafor include: (a) stimulating the organization of forest producers; and (b) promoting production forestry through projects intended to create jobs and incomes in forest communities. Semarnat and Profepa remain responsible for promoting and enforcing environmental legislation while the National Biodiversity Council (Conabio) promotes natural resource conservation. The Forestry Law, passed by Congress in December 2002, provided a long-term planning framework and aimed to strengthen and decentralize institutions charged with protecting and managing forests.[20]

2.12 The Procymaf projects had a two-tier management structure consisting of a central coordinating unit (UCP) based in Mexico City and decentralized project implementing units (UIPs) based in the participating states. The Oaxaca UIP was the first to be set up (in 1998), followed by other units in the states of Guerrero and Michoacán (established in 2002), and in the state of Jalisco (created in 2003). UCP's responsibilities included coordination of the state programs, collation and dissemination of project performance data received from the state offices, liaison with other departments of government and with the World Bank, and conduct of monitoring and evaluation studies. The UIPs were responsible for statewide promotion of the program and for the preparation and implementation of annual operating plans (including monitoring and evaluation) in their respective states.

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18. Puente Gonzalez (2010), p. 6. In five of the six states covered by the second project, pine represents 80 percent or more of tree species; the exception is Quintana Roo, where the tropical climate favors other species.
19. Conafor (2008).
20. World Bank (2003), pp. 3-4; World Bank (2009), p. 2.

2.13 In 2006 a Community Forestry Unit (GSC) was established in Conafor. Thus, Procymaf is no longer hostage to the project-driven funding cycle but has become a regular part of the government's forestry program. The staff hired by the project implementing units was, for the most part, absorbed by GSC.

2.14 The community capacity building that the project sought to promote was predicated on the previous existence of enabling institutions. For both indigenous and land reform communities the right to forestland is communal and enshrined in Article 27 of the constitution that was prepared following the 1910 Mexican Revolution. The constitution underpins a legal framework that guarantees members of these communities access to land. Some academics have argued that, in terms of securing access to the forest resource, this land rights legal framework is more fundamental than any of the subsequent forest-specific legislation that was passed.[21] Thus, the concession system that prevailed before the 1980s did not formally revoke communities' rights to the forest although it ceded management responsibility (and part of the revenue from timber extraction) to private operators. Under the current legislation, management as well as ownership is vested in the communities and the revenues from timber and non-timber forest products accrue to the community at large (under the aegis of the elected general assembly), not to individual community members. In addition, a number of nationwide schemes offering payments for environmental services have been introduced in recent years. The revenue from these schemes—estimated on a per-hectare basis—also flows to the community as a whole.

3. Relevance

Relevance of Objectives

3.1 The objectives were essentially the same for both projects and the discussion in this section covers both operations.

3.2 Given that communities control over two-thirds of forestland in Mexico, no strategy can afford to ignore the communities' potential contribution to the development of the forest sector.[22] The community forest program (Procymaf) was founded on this premise. Previous forestry development initiatives had centered on private sector concessions, a system that offered no incentive for sustainable harvesting or conservation, denying communities the opportunity to manage the forests that legally belonged to them. But in the 1980s, driven mainly by a push from the communities themselves, there was a radical shift in Mexican policy. The concessions were replaced by a new approach which gave the communities the authority to manage their forest resources. Procymaf was part and parcel of this reorientation. Since the program's launch in 1996 there have been some ups and downs in the level of federal government support (2004-2006 was a low point; see "Borrower Performance" section below). But throughout the span of the two projects the community forestry initiative has continued to feature in the contemporaneous statements of strategy that the Bank and the

21. Bray, Antinori, Torrres Rojo (2006).
22. Klooster (2003).

government have committed to (Table). The recurring themes of community development, decentralization and targeting of indigenous communities strike a chord with the development objectives of the two projects. Also, project objectives are consonant with the government's sector initiatives, building on the Forest Laws of 1986 and 1992 which deregulated forestry activity, promoted competition between providers of forest technical services and supported the development of producer associations in communities.

Table 4: Consistency of Community Forestry Project Objectives with the Bank's Country Assistance Strategy (CAS)

	FIRST PROJECT		SECOND PROJECT	
Project Phase	Approval, Feb 18, 1997	Closing, Dec 31 2003	Approval, Dec 9, 2003	Closing, Dec 31, 2008
Issue Date of Applicable CAS	Oct 15, 1996	Apr 23, 2002		Mar 4, 2008
CAS Period	FY1997-1999	FY2003-2005		FY2008-2013
Relevant CAS Commitments (1) • Aim • Progress benchmark	**Aim:** "Rural development--Promote income-generating programs" **Benchmark:** "Non-timber forest products fund established to pilot income-generating activities for communities with forest resources"	**Aim:** "Establish an adequate incentive framework for environmental protection and for the decentralization of environmental management" **Benchmark:** "Better and more decentralized management of...forest resources"		**Aim:** "Assure environmental sustainability" **Benchmark:** "Number of hectares of areas under sustainable forest management increased by 33 percent"
Relevant CAS Commitments (2) • Aim • Progress benchmark	**Aim:** "Improve targeting of rural development programs that affect the poor, especially indigenous communities and women. Encourage increased community participation in development" **Benchmark:** "Targeting/effectiveness of programs such as...PROFORESTAL improved/monitored"			

Source: World Bank, 1996, 2002 and 2008 (CAS Matrices).

3.3 The discussion of relevance of objectives needs to take into account the plausible objectives that were omitted as well as the ones that were included because it is important to ask whether the omission was justified. The plausible objectives include three obvious

candidates—poverty reduction, forestry sector growth and improved stewardship of the environment. The first two are not cited in the statement of development objectives for the two projects but are higher-order goals that could have been referred to as such. The potential of Procymaf to reduce poverty was limited because forestry accounts for only about 10 percent of the income of Procymaf communities.[23] More substantial than earnings from the various forest activities are the incomes from farming and—sometimes more important—money remitted to Mexico by those who have moved to the United States. No matter how much of the forest potential is developed (and there is not a large unused resource left to tap), this will not by itself remove these communities from poverty.

3.4 Also, Procymaf is not particularly relevant to tackling the weak growth and competitiveness performance of the sector (Figure 1 above), and it is therefore valid that this was not identified as an explicit objective. The project covers on average only 17 percent of forestland in the six states (see paragraph 2.11 above), partly because much of the rest has limited commercial potential or is subject to disputes over land rights (criteria for excluding these lands from project coverage). In the areas that were covered by the project, the forestry stands are generally small and scattered, making it hard to mobilize the timber volumes needed to compete with imports. These limitations help to explain why Procymaf accounts for only 7 percent of the 2010 budget of Conafor; in contrast, support to commercial forest plantations accounts for 17 percent.[24] Moreover, a big part of the problem of Mexico's lack of competitiveness in forestry falls outside the remit of the relevant sector agencies, including Procymaf. The inadequate infrastructure of access roads and highways is an important obstacle to competitiveness, but this is a matter for the transport strategy of federal and state governments to address.

3.5 It is with respect to the plausible objective of sustainable management and conservation that Procymaf is most relevant. Payments for environmental services are now the single largest item in the Conafor budget, accounting for 58 percent of the total. This program (which includes substantial support from the Bank) aims to provide five years' worth of payments (in the first instance) to communities that can be shown, through regular, independent inspection, to have complied with the requirement to set aside and protect blocks of forestland earmarked for conservation. The approach, unlike Procymaf, does not invest in community capacity building, but relies on incentive payments that, in principle, need to be extended indefinitely in order to guarantee that the forest is conserved. This is an important experiment, for Mexico and for the world. Procymaf includes a small component promoting the affiliation of communities to these payment schemes. Some years from now it will be possible to compare Procymaf communities with non-Procymaf communities to see whether the former have a better record of stewardship based on the patient and prolonged investment in building social capital.

Relevance of Design

3.6 The essentials of the capacity building process were the same for both projects. The Procymaf approach was to build slowly, starting with a pilot initiative in three states,

23. Merino, Rodriguez, Ortiz and Garcia (2008), p. 30.
24. Conafor (2010b).

consolidating the project model, and gradually expanding to include other states. Implementation at first centered on Oaxaca, which made sense because: (a) it had strong and well organized forest communities; (b) the forests under community management had a high level of biodiversity that required protection; (c) the communities were experienced in working with private providers of forestry services; and (d) the State Governor strongly supported the first project.[25]

FIRST PROJECT

3.7 There was an iterative design that evolved in the course of the first project and was generally well thought out.[26] The thoroughness of this process meant that much of the first project was devoted to identifying the communities and designing how best to build community capacity; investment subprojects took a back seat. From 1997 to 2002 the implementation team identified the indigenous communities and ejidos possessing a large enough forest resource to potentially qualify for inclusion in the first project. Eligibility criteria also excluded communities involved in land rights disputes and boundary conflicts, thereby helping to ensure that the trust building and community organization efforts would succeed. This work involved preparing detailed diagnostic reports on the environmental, social and economic characteristics of each community. The technical assistance, training and investment needs of each of the potential beneficiary communities were spelled out in detail.

3.8 In the final year of the first project (2003) the potential beneficiary communities were invited to participate in a competitive bidding process for the selection of subprojects. Private sector forestry professionals helped communities prepare subprojects. These professionals received no upfront payment; they were only paid if the subproject was selected. Each of the subprojects submitted was evaluated technically and the selection of successful projects was made through a transparent process involving Conafor, Semarnat, the state governments and the prospective project beneficiaries themselves.

3.9 To be eligible to participate in the competition, communities needed to agree to undergo training in environmental impacts. Also, only professionals on the Procymaf-approved list of forestry service providers were eligible to work with the communities. Finally, the general assembly of each community needed to approve the community's participation.

3.10 Communities preparing subproject bids were divided into four types according to their level of development:

Type I: Owners of commercially viable forest stocks but lacking authorized Forest Management Plans;
Type II: Owners of forest stocks practicing forestry through concessions to third parties without participating in management;
Type III: Owners of forest stocks with authorized Forest Management Plans involved in one or more phases of forest management; and

25. World Bank (2004), p. 22.
26. Conafor (2010), pp. 14-16.

Type IV: Owners of forest resources who add value to forest products and market them directly.[27]

3.11 According to their level of development, communities paid a certain share of the costs of technical assistance and training: the least developed (Type I) communities paid nothing; and the most developed (Type IV) communities paid 40 percent.

3.12 The sequence of project activities was as follows:

- Promotion of the program in potential participating communities;
- Expression of interest by communities wanting to participate;
- First filter: subproject proposals vetted in regional fora;
- Second filter: technical evaluation of proposals;
- Selection and signing of subproject proposals;
- Delivery of training and technical assistance needed to conduct subproject; and
- Implementation of subproject.[28]

3.13 There is one significant flaw in the design of the first project. This was essentially a pilot and as such the investment in monitoring and evaluation was inadequate: this limited the scope for learning lessons about what it was realistic to expect from Procymaf with respect to the scope for generating employment, reducing poverty and conserving the forest. A legacy of this—particularly the neglect of a baseline survey—is a continuing lack of hard evidence about outcomes (a gap that applies to all the states now covered by the program).

SECOND PROJECT

3.14 The design of the second project was essentially the same as the first project. The process developed during the first operation was extended to the second. Three features were different. First, now that the process had been satisfactorily worked out, a larger share of project resources could be devoted to investment subprojects. Second, there was a stronger results framework, specifying a wider range of indicators and setting clear targets. There was a bigger effort made to collect data on project outcomes, with targets set for the increase in area subject to sustainable management and conservation, jobs created by subproject enterprises and the incremental incomes generated from goods and services delivered under the project. (The nature of these indicators is spelled out in the next section.) Third, the formula for estimating community co-payments for technical assistance and training were modified slightly: Type I communities were required to pay 10 percent of the cost; the most developed (Type IV) communities paid 30 percent.

27. World Bank (2004), p. 6.
28. Conafor (2010a), pp. 69-73.

4. Achievement of Objectives

4.1 Because the overriding objectives were the same for both projects the approach taken here is to examine progress toward each objective separately, presenting the output and outcome evidence for each project.

Objective (A): Improve natural resource management and conservation by community/ejido forestry resource owners

FIRST PROJECT

Outputs

4.2 There was only limited specification of output targets. The two that were specified (Table 4) were both exceeded. Irrespective of the absence of targets there is plenty of evidence that the project generated a high volume of outputs. The technical assistance that was provided to help improve forest management and conservation generated 472 studies, 113 participatory rural appraisals, 593 training courses for community members and 49 inter-community seminars.[29] Figure 2 shows the wide range of technical assistance studies produced and the particular emphasis given to development of forest management and zoning plans. A total of 13,045 community forestry workers were trained.[30] A program of continuing education provided refresher training for 253 private sector forestry professionals.[31]

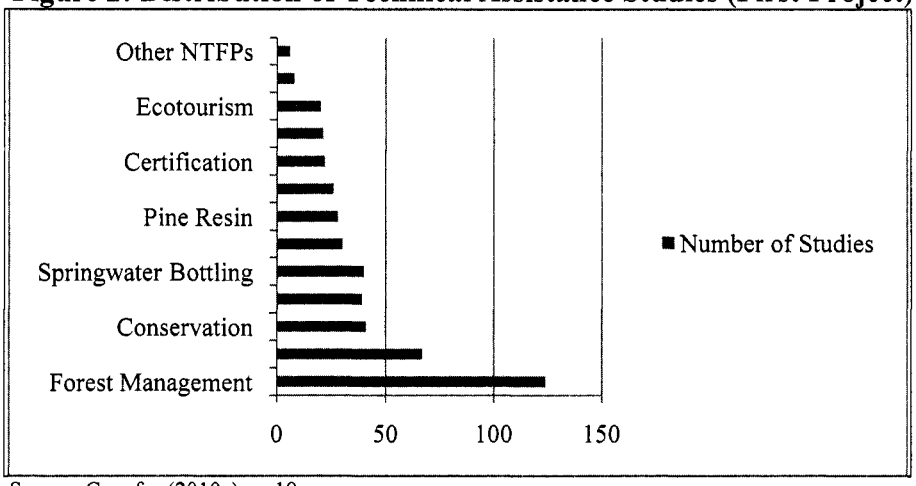
Table 5: Objective (A) Output Targets--Progress by Loan Closing (First Project)

Indicators	*(A) Target*	*(B) Achieved*	*(C) (B)/(A)%*
Number of communities participating	200	275	138%
Number of private forestry professionals trained	190	254	134%

Source: World Bank (2004), p. 23.

29 Conafor (2010a), p. 17.
30 Conafor (2010a), p. 20.
31 Conafor (2010a), p. 25.

Figure 2: Distribution of Technical Assistance Studies (First Project)



Source: Conafor (2010a), p. 19

4.3 A critical ingredient of capacity building was the development of a roster of private-sector forestry professionals capable of helping communities to develop and implement resource use plans and subproject investments. This target was exceeded (Table 4). The roster was regularly refreshed. New names were added but also, in response to negative reports by communities on the quality of service delivered, some names were dropped. The roster was not limited to "old-school foresters" (focused on extracting timber) but included a wide range of professionals (e.g. biologists) with a broader vision of the services provided by forests (particularly, their role in protecting the environment).

Outcomes

4.4 The area of forestland brought under improved management (including sustainable harvesting) is a valid indicator of outcome because these areas are not simply plans on paper but are subject to regular surveillance and enforcement by the community. During the first project this target was half-achieved (Table 5). On the other hand, the area brought under conservation (which is also subject to community surveillance) was four times greater than the target. Although no targets were specified, significant areas were also made subject respectively to land use zoning ordinances (536,000 hectare), and independent, performance based certification conducted by an international body, the Forestry Stewardship Council (147,000hectare).

Table 6: Objective (A) Outcome Targets—Progress by Loan Closing (First Project)

Indicators	*(A) Target*	*(B) Achieved*	*(C) (B)/(A)(%)*
Total addition to forest area under improved management ('000 hectare)	515	272	53%
Forest area conserved by communities ('000 hectare)	13	52	400%

Source: World Bank (2004), p. 23. NS Not specified

Although this was not an explicit objective of the project, some communities were "promoted" from lower to higher development classifications (see paragraph 3.10 above for explanation of community types). Ten percent of communities were reclassified upwards in Oaxaca, 19 percent in Guerrero and 17 percent in Michoacán.[32]

SECOND PROJECT

Outputs

4.5 Compared to the first project, a wider range of output targets were specified; all seven targets listed in Table 6 were exceeded.

Table 7: Objective (A) Output Targets--Progress by Loan Closing (Second Project)

INDICATORS	*(A) TARGET*	*(B) ACHIEVED*	*(C) (B)/(A)%*
Number of participatory planning exercises completed	150	243	162%
Number of regional participatory committees launched or strengthened	25	30	120%
Number of inter- and intra-community seminars held	48	225	469%
Number of land use zoning plans completed	118	274	232%
Number of communities with forest management and conservation plans	160	203	127%
Number of private forestry professionals trained and added to provider roster	150	448	299%
Number of payment for environmental service schemes launched	12	51	425%

Source: World Bank (2009), pp. iii-vii.

Outcomes

4.6 The second project exceeded all three of the specified outcome targets (Table 7). Targets for the area under improved management and, more specifically, the area certified as sustainably managed by the Forestry Stewardship Council (FSC), were both surpassed. Also, the number of community statutes adopted was more than seven times the target. These statutes have the force of law and were passed by the general assembly of the community, an elected and representative institution. But the passage of statutes is only properly regarded as an outcome if statutes are enforced, and sustainable management and conservation are consequently achieved. There are three sets of evidence that suggest that enforcement is the norm: first, the evidence of sound management and conservation gleaned by IEG during the field trips; second, the certification by a credible international body (FSC) that a significant area is being sustainably harvested; and third, the consideration that communities entering

32. World Bank (2004), p. 6.

environmental service payment schemes have for the most part passed the independent, annual inspections and have not been dropped from the scheme.

Table 8: Objective (A) Outcome Targets--Progress by Loan Closing (Second Project)

INDICATORS	(A) TARGET	(B) ACHIEVED	(C) (B)/(A)
Total addition to forest area under improved management ('000 hectare)	800	913	114%
Area receiving independent, performance-based certification ('000 hectare)	75	91	121%
Number of community statutes adopted by community assembly	48	353	735%

Source: World Bank (2009), pp. iii-vii.

4.7 Although not covered by an indicator, another noteworthy outcome was the institutionalization of the process for updating the roster of accredited professionals providing fee-based forestry services to the communities. The roster is a living record that is updated based on the comments receiver from service users: professionals that do not perform well may be dropped from the roster. This is a form of institutional development that has permanently enhanced the pool of forest product expertise.

Effect on Rate of Deforestation

4.8 Reducing the rate of deforestation was not an explicit objective of either the first or the second projects; but it is valid to ask whether the projects have made a contribution in this respect. For obvious reasons there are no data on the amount of illicit timber extraction in the project area; but, for Mexico as a whole, it is estimated that 30 percent of the timber from forests is illegally logged.[33] IEG investigated the possibility of using remote sensing data to assess if there had been any slowing in the recession of the forest margin. Nationwide, the data sets are very incomplete and do not allow for comparisons to be made over a period of years. Also, there are no images specific to the project areas and the forest stands in these areas are typically small and scattered, complicating the task of "adding up" the impact on net deforestation. Nevertheless, outside the project, some recent studies of land use cover change based on satellite imagery argue that community forest management in Maya areas of Mexico and Guatemala tends to reduce deforestation.[34]

4.9 The community forest enterprises that were promoted through subproject investments related to Objective B probably helped to check the unregulated harvesting of timber (thereby slowing deforestation) because they created alternative income sources centered on non-timber forest products. The extent of this diversification is explored in the following section.

33. This estimate was given to IEG by a former staff member of CONAFOR.
34. Bray, D.B. et al (2008); Ellis & Porter-Bolland (2008).

Objective (B): Increase the range of forestry-based income generating options available to community resource owners

4.10 This objective could be achieved by altering the timber product mix (typically, by moving upstream from supplying logs, first to producing sawn wood and then further progressing to more highly-processed products, such as furniture and flat-pack kits); by introducing new lines of non-timber forest business; and by signing up for schemes that pay communities to set aside areas of forest to conserve soils, regulate runoff and trap carbon. These three options were promoted by both Procymaf operations (although the first project did not finance subproject investments in timber production).

FIRST PROJECT

Outputs

4.11 The first project did not contain any output targets bearing on Objective (B). Several of the technical assistance studies (Fig. 2 above) were geared to promoting enterprise development, including diversification into non-timber forest products (NTFPs). The first project financed the launch of 43 NTFP enterprises.

Outcomes

4.12 In the first project, the target for "successful" NTFP subprojects was succeeded (Table 8), although it is not clear how success was measured. One measure of success is whether or not enterprises are still operating three or so years after launch (this indicator was adopted in the second project). All of the subprojects financed by the first operation were for non-timber forest products. Owing to monitoring deficiencies it is not clear how many of these subprojects (financed between 1998 and 2003) are still operating today.

Table 9: Objective (B) Outcome Targets-- Progress by Loan Closing (First Project)

INDICATORS	(A) TARGET	(B) ACHIEVED	(C) (B)/(A)(%)
Number of successful projects involving Non-Timber Forest Products	15	43	287%

Source: World Bank (2004), p. 23.

SECOND PROJECT

Outputs

4.13 Output targets for the second project were exceeded, with the investment in NTFPs more than double what was expected (Table 9). Ecotourism was the largest single category of subproject overall, making up 61 of the 198 subprojects funded since 2004 and one-fifth of the total volume of investment (see Annex B). The other main NFTPs were spring water bottling and production of resin (which is used in paint thinners, glues and pitch). Within the

class of timber subprojects, sawmills was the most frequent type of enterprise (37 percent of all timber enterprises).

Table 10: Objective (B) Output Targets-- Progress by Loan Closing (Second Project)

Indicators	(A) Target	(B) Achieved	(C) (B)/(A (%))
Number of feasibility studies completed	80	176	220%
Investment in Non-Timber Forest Products (US$ million)	2.3	5.6	243%

Source: World Bank (2009), pp. iii-vii.

4.14 The monitoring framework for the second project was more thorough in specifying and tracking progress toward outcome targets. In early 2009, an external evaluation surveyed a stratified random sample of 67 communities drawn from the six participating states.[35] The evaluation estimated the increase in the net value of goods and services from these communities by taking into account the ex-ante projections of net benefits from approved timber and non-timber forest subprojects, and adding to this the value of benefits from land set aside for conservation. The value of the set asides was based on what Conafor pays farmers under the Proarbol program; this payment for environmental services was equivalent to US$34/ha, which is a measure of opportunity cost, reflecting what must paid to plant 1 hectare of maize in central Mexico. Incremental net values exceeded appraisal targets.[36] Based on results from the same 2009 survey, the increase in number of jobs generated relative to control communities fell just short of the target (Table 10).

Table 11: Objective (B) Outcome Targets-- Progress by Loan Closing (Second Project)

Indicators	(A) Target	(B) Achieved	(C) (B)/(A)(%)
Increase in net value of forest goods and services produced by communities (%)	20	36	180%
Increase in jobs available in project communities, relative to control communities (%)	30	27	90%
Number of enterprises functioning three or more years after launch	65	39	60%

Source: World Bank (2009), pp. iii-vii.

4.15 The CONAFOR data for 2004-2009 shows that the number of jobs created in subproject enterprises was small in relation to the total subproject cost (Table 11); although this does not take into account the indirect job creation associated with these investments (the multiplier effect of the incremental incomes on the demand for local services). The mean

35. Universidad Autónoma Chapingo (2009), Evaluación externa del PROCYMAF II, March, p. 51.

36. The target was set in World Bank (2003), p. 26. The result achieved was reported in Universidad Autónoma Chapingo (2009), p. 51.

investment cost per job *directly created* was around US$9,000 for timber subprojects and US$6,000 for non-timber subprojects.

Table 12: Characteristics of Subproject Investments (2004-2009)

	TIMBER SUBPROJECTS (N=106)	NON-TIMBER FOREST SUBPROJECTS (N=92)
Financing, US$ millions/(%)		
• Project	3.7 (28)	3.1 (47)
• Community	9.6 (72)	3.5 (53)
• Total	13.3 (100)	6.6 (100)
Number of jobs created within subproject enterprises	1,441	1,174
Mean cost per project, US$'000	126	72
Mean jobs created per project	11	13
Mean cost per job created, US$	9,254	5,633

Source: Annex B; Conafor database (as of December 2009), elaborated by Puente (2010). Note: these data include investments made in 2009, after the second project closed.

4.16 The high cost of the subprojects is obviously less relevant than whether or not they are turning a profit and surviving. Data on profits (or ex-post estimates of financial rates of return) are hard to come by because the communities are generally reluctant to open their books (even to trusted Procymaf promoters). One way around this is simply to observe whether subproject enterprises continue to operate. According to the completion report the "subproject survival" target was not met (see Table 10 above). The report noted that the data were still incomplete because when the loan closed most of the approved subprojects had not yet had three years to run.

4.17 IEG's review of the Conafor database found that over three-quarters of 198 subprojects approved between 2004 and 2009 were still in operation at the time of the assessment mission. Significantly, 58 of the 198 subprojects were approved over five years ago. These subprojects have had "more time to fail", but the proportion that are still operating today is not significantly less than the total survival rate for all 198 subprojects (Table 12). Of the six states covered by the second project, the one with the highest subproject survival rate since 2004 was Oaxaca (92 percent); this may be because Procymaf started off in Oaxaca—with almost fifteen years of experience the level of community capacity is probably significantly higher than elsewhere, creating a more supportive environment for forestry enterprises. The state with the lowest survival rate (Quintana Roo, 52 percent) is a relative newcomer to the program.

Table 13: "Survival Rate" of Subprojects Approved between 2004 and 2009

	TIMBER SUBPROJECTS (N=106)	NON-TIMBER FOREST SUBPROJECTS (N=92)
All Subprojects (N=198) % of all subprojects approved since 2004 that were still operating in December 2009	76%	89%
Oldest Subprojects (N=58) % of subprojects approved in 2004-2005 that were still operating in December 2009	68%	80%

Source: Annex B; Conafor database (as of December 2009), elaborated by Puente (2010). Note: these data include investments made in 2009, after the second project closed.

4.18 Various Conafor and Bank staff interviewed by IEG said that non-timber subprojects were less likely to be viable than timber sub-projects but, in terms of survival rates at least, they have performed somewhat better than timber subprojects. Also, the non-timber subprojects have generated more direct jobs per unit of investment (and, given the less physically taxing nature of the work, a larger share of these jobs probably went to women—but the exact proportion has not been calculated by Conafor).

4.19 Under the second project, income from forest enterprises was successfully used to leverage counterpart funding from state and municipal governments for building and maintaining community infrastructure: schools, roads, health posts and electricity connections. There was significant spillover of these benefits to people living on the edge of the communities (who often outnumber community members and are typically worse off). Disaggregating the population census data by communities served by the second project shows that whereas 75 percent of these communities had no access to health services in 2000, by 2005 the proportion without service had fallen to 70 percent. Between 2000 and 2005 there was also an increase in the average number of years of schooling received by community members. Also worthy of note, there was a fall in the share of Procymaf communities affected by outmigration: from 87 percent in 2000 to 63 percent in 2005.[37] It is impossible to say how much of this positive trend is attributable to Procymaf intervention because Conafor has not obtained a special tabulation of the census data for non-Procymaf communities. For example, it is not clear to what extent these improvements are the effect of the nationwide cash transfer program that is targeted at the poor, delivering a transfer each month to mothers, based on evidence of their children's attendance at school and health clinics.

37. Conafor (2008; 2010a).

5. Efficiency

First Project

5.1 Economic or financial rates of return were not estimated for the first project at appraisal or completion; possibly because the 43 non-timber forest subprojects it supported were small enterprises accounting for only 4 percent of total project costs. However, a 2003 external evaluation of the first project surveyed four communities in Oaxaca, finding that timber harvesting and processing yielded rates of return well above the cost of funds.[38]

5.2 The investment subprojects accounted for only 4 percent of the total cost of the first project. (Table 3 above). Therefore, the rates of return on these subprojects are an insufficient guide to the overall efficiency of the first operation. More to the point, the final cost of the first project was only 78 percent of the appraisal projection (Table 2). While the specification of output and outcome targets was incomplete, 4 of the 5 targets that were set were exceeded (Tables 4, 5 and 8 above).

5.3 It could be objected that project administration absorbed too high a share of total costs in the first project (23 percent). Some criticism of the administrative burden of Procymaf has been voiced within Conafor and by the Finance Ministry. Other Conafor programs have an administrative overhead of about 5 percent. But allowance must be made for the intense supervision that was needed for Procymaf promoters to win the confidence of the communities and to build capacity.

Second Project

5.4 At appraisal, no rate of return analysis was conducted for the project as a whole. Given that the investment subprojects were demand driven and could not be known in advance the absence of an ex ante estimate was reasonable. On the basis of results from the first project, however, the appraisal document includes a forecast that the financial rate of return for the most common types of investment subproject would exceed 20 percent.[39] For the completion report, a stratified sample of 22 subprojects was randomly selected, representing 11 percent of all subprojects. The financial rate of return varied between 14 percent and 150 percent. The 15 timber subprojects achieved an average financial rate of return of 20 percent and the 7 non-timber subprojects reached a mean financial return of 22 percent.[40]

5.5 The completion report also estimates the rate of return for the whole project at 20 percent. Two categories of benefit were considered. First, the benefits from forestland conserved (set aside) by the communities was estimated based on the fee paid by environmental service schemes. Second, timber and non-timber forest products were valued based on returns to the sample of investment subprojects that was surveyed (see previous

38. CIFOR-IRAM study, quoted in Puente Gonzalez (2010), p. 64.
39. World Bank (2003), p. 15.
40. World Bank (2009), p. 39. The completion report analysis was derived from the 2008 external evaluation conducted by the postgraduate college at Chapingo, quoted in Puente Gonzalez (2010), p. 69.

paragraph); the value of incremental goods and services produced *outside* these subprojects was valued using nationwide aggregate prices contained in annual forestry reports. This estimate excluded other benefits that have may flowed from the project: improved stewardship resulting from training, reduced pressure on existing native forests, the employment multiplier, improved land-use, improved soil quality and decreased erosion.

5.6 There is also some case study evidence that bears out the overall estimated rates of return. For example, a 2007 study of a community forestry enterprise in Durango that produces sawnwood estimated the financial rate of return at 97 percent.[41]

5.7 The total cost of the second operation amounted to 91 percent of the appraisal estimate. The project exceeded 13 of the 15 output and outcome targets set at appraisal (Tables 6, 7 9 and 10 above). The share of total project costs accounted for by project administration was 10 percent (under half the percentage recorded by the first project but, as operations go, still on the high side).

Caveats

5.8 While the mean financial rates of return estimates for both projects were well above the cost of funds, it should be noted that these are ex ante projections (made at the time the subprojects were prepared). It is not clear how good a guide they are to actual financial results. These results are hard to come by. Communities are leery about sharing their accounts with outsiders (including Procymaf staff), raising doubts about how close to reality the modeling exercises are. Also, most of the subprojects studied involved expanding existing enterprises rather than launching startups making it harder to estimate the "without project" scenario.[42]

5.9 Set against these reservations are two positive considerations: the survival rate of subproject enterprises; and the likely benign influence of Procymaf on other sector programs. Most of the enterprises set up five or so years ago are continuing to operate—despite the competition from foreign imports. Although imported wood is cheaper at the port of entry, the distances to local markets and the poor quality of infrastructure (high freight costs) helps to protect the Mexican product. Despite the rise in imports, the average rural price of pinewood actually rose, in real terms, by 210 percent between 1997 and 2006.[43]

5.10 Survival of the enterprises is partly based on the existence of sheltered markets. IEG visited one of the more advanced community sawmill enterprises (in Oaxaca) and was told that 80 percent of the output of furniture is earmarked for state and federal government contracts to supply schools and hostels. The existence of this guaranteed outlet lessens the urgency for finding private buyers (reflected in the weak marketing strategy of the two furniture stores operated by the community in the capital of Oaxaca).

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41. Fira (2007); quoted in Puente Gonzalez (2010), p. 46.
42. Puente Gonzalez (2010), p. 71.
43. Puente Gonzalez (2010), p. 19. The nominal average rural price in 2006 was equivalent to US$120 per cubic meter of sawnwood.

5.11 Also, even if Procymaf administration costs were higher than other programs it is possible that the capacity built by Procymaf helped to make those other programs (notably, Prodefor) more viable and less costly to implement, and not just in the communities common to Procymaf and the other programs (there was spillover to regions not covered by the project). As noted in paragraph 3.4 above, Procymaf has been incorporated within the large, high- profile "payment for environmental services" initiatives, which probably gives added leverage to the resources invested in the Procymaf projects.

6. Risk to Development Outcome

6.1 This discussion applies to both the first and the second project because the risk to development outcome was the same for both.

Positive Indications

6.2 There are four main respects in which Procymaf's results are likely to be consolidated. First, establishing community forestry as a dedicated unit in the environment ministry was a major step toward ensuring the continuity of Procymaf. The link between Procymaf and the large schemes paying for environmental services may also enhance the program's prospects of sustainability. Since implementation of the second project ended in December 2008, the government has continued to fund the program with its own resources and the budget for the program is higher now than it was in the middle of the decade.

6.3 Second, the hefty contribution that communities made to the total cost of project activities—72 percent for timber subprojects and 53 percent for non-timber sub-projects—is a sure sign of community endorsement of the program, making it more likely that the initiative will survive.[44]

6.4 Third, the sustainability of the community forest enterprises is an important test of the community forest program's viability. IEG sought but was unable to obtain information about the fate of investment subprojects financed under the first operation. It is not clear how many of these subprojects (financed between 1998 and 2003) are still operating today. But, under the second project, the survival rate of community forest enterprises is high enough to suggest that an enabling culture has been developed: over two-thirds of the enterprises set up in 2004-2005 were still operating in 2010 (Table 12 above). Moreover, of all the subproject investments made between 2004 and 2009, the survival rate was 92 percent in the state with the longest history of Procymaf intervention (Oaxaca), suggesting that sustained commitment pays off.

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44. World Bank toolkits on the design of community-driven development recommend that communities contribute to subprojects costs, but do not say what share of the cost they should pay. Based on evaluations of completed projects, the average share tends to be under 20 percent (e.g. "analysis of qualitative data from Benin and Uttar Pradesh found that villagers see participation in a Bank project primarily as a requirement for them to meet part of the subproject cost, and they see the advantage of meeting the 10 to 15 percent community contribution requirement, if that amount can leverage a much larger sum of money", OED, 2005, p. 22).

6.5 Fourth, whereas many projects and programs work with subsets of the community (for example, the Ministry of Agriculture targets farmers; safety net programs target women), Procymaf is distinctive because it works through the general assembly to build support for forest resource activities throughout the community. The merit of this approach is that it is transparent and helps to strengthen local democracy. It could be argued that, because most community leaders are men, the needs of women are less likely to be served than they would be through a targeted program. But, increasingly, it is the younger and more educated members of community who assume leadership posts and they may perhaps be more responsive to women's needs.

6.6 There are several other factors which bode well for Procymaf's continuing influence. The design of the program has already influenced other operations in Mexico; and a recent workshop in the Bank presented the Procymaf approach to forestry practitioners from countries all round the world. The skills of private forestry professionals nurtured by Procymaf are likely to continue to be put to good effect. The roster of accredited professionals continues to be updated—a vital development in a country without a public sector extension staff. Even if the building of trust *between* communities has not progressed as far as trust within communities, the projects invested in an approach that will plausibly bear fruit in the longer term: a system of state-wide forums that set priorities for Procymaf investments across a wide range of communities; and the use of community-to-community seminars to compare progress and share lessons.

Areas of Concern

6.7 Now that the externally-funded projects have ended it is harder to maintain the previous level of payments accorded to contract staff. The government has recently cut the pay of promoters (who are hired on one-year renewable contracts, unlike Conafor staff) by up to 40 percent. The promoters are the life blood of Procymaf because they are the people in whom the communities vest their trust. Even if the number of promoters has remained stable (5 per state), some of the best people have left and there is a concern about further attrition of the program's human capital.

6.8 The jury is still out with respect to the long-term competitiveness of Procymaf-sponsored businesses. "Certainly, the viability of the community forestry enterprises will depend on their capacity to compete in the new context of global markets that are increasingly more demanding and more specialized".[45] There are major challenges ahead with respect to developing market niches and holding on to them. It remains to be seen how many small bottlers of water can compete with Coca Cola's recent ventures in this direction; and how much demand there is for stays in cabins in remote spots of the woods. IEG visits to subprojects suggested that market intelligence and awareness of the power of branding is still limited (with striking exceptions—one being a project that successfully markets zip-wire ravine traverses, mule rides and tequila tasting to cruise passengers docking at Puerto Vallarta). But these are still early days.

45. Procymaf (2003), p. 105.

6.9 Profit-driven initiatives may not flourish if they are beholden to community-wide approval, expressed through the general assembly. The consensual approach favored by Procymaf is often protracted, potentially obstructing business initiatives by the most entrepreneurial members of the community. For example, the leadership may prefer to maximize job creation even if this undercuts the efficiency of forestry enterprises. There are still not enough communities prepared to hire and pay attractive salaries to managers to run investment projects, rather than relying on the enterprise of community leaders (who are for the most part unpaid and are only elected to their posts for a year or so).

6.10 Ultimately, an important test of capacity is whether communities engage in supply chain development. In this regard, the communities have a long way to go. Although communities in Oaxaca have been nurtured by Procymaf for more than a decade (and probably have more capacity than communities in other states) there are only two cases so far of Oaxacan communities working together to harvest, process and market timber products. The scope for cooperation along these lines is limited by the frequent, deep-rooted boundary disputes between neighboring communities. Also, one of the Bank task managers observed that communities often prefer to invest in new sawmills with which to process their own timber rather than work with neighboring communities who already have mills, but don't have the timber supply to operate them at full capacity. The potential for forward linkages is also limited. The exploitation of the communities that took place under the earlier concession system reduces the willingness of communities to enter into contracts with paper mills, furniture manufacturers and other private sector operators. For equally sound reasons, the private sector is skeptical about the capacity of obtaining a timely supply of timber of sufficient volume and quality from the communities. It is more attractive for them to use imported supplies (or the output from Mexican plantations), rather than to buy timber from a large number of small, scattered suppliers.

6.11 Although both projects added to the area of forest subject to external certification (paragraph 4.3 and Table 7 above), communities are not offered a strong incentive to remain in certification schemes: entry into these schemes involves a cost that is not recouped because there is no price premium for timber extracted from certified areas. (Buyers in Mexico do not care about the origin of the timber they use and buyers overseas do not find Mexican timber to be competitive with timber from other countries.) However, green labeling is now a force to be reckoned with in many countries and it is likely that this will spread to Mexico.

6.12 Procymaf's work may be partly undone by countervailing forces. First, there is the effect of government programs operating in the same communities as Procymaf, programs that target a subset of community members rather than building community-wide consensus. A particular example is the Ministry of Agriculture's provision of direct income support to maize farmers (Procampo). Originally designed as a temporary program intended to cushion the fall in producer incomes resulting from the freeing of trade in maize, there is presently no end in sight for Procampo. The program pays $1,200 pesos per year per hectare of maize (compared to the $350-400 pesos per hectare from environmental service payments). Even if the area covered by Procampo is capped (removing the incentive to convert forestland into arable), the existence of this support may encourage community members to devote their resources to farming rather forest-based activities.

6.13 Second, outmigration (mainly of young men) removes from 10 percent to 50 percent of the labor force of Procymaf communities, arguably draining the most enterprising elements of the community. Although there is some partial evidence that between 2000 and 2005 outmigration slowed in Procymaf communities relative to non-Procymaf communities,[46] there is a continuing concern that the net effect of outmigration may be to sap the commitment to forest-based livelihoods. (It is not clear to what extent the sizeable community contribution to investment subprojects was funded from money sent home by migrants; but anecdotal evidence suggests that these remittances are used primarily to meet the consumption needs of the migrants' families rather than applied to investments that benefit the community at large.)

7. Ratings

Outcome

Table 14: Derivation of Outcome Rating

RATINGS CRITERIA		FIRST PROJECT	SECOND PROJECT
A. Relevance	*Objectives	Substantial	Substantial
	*Design	Substantial	Substantial
B. Efficacy	*Objective (A)	Modest	Substantial
	*Objective (B)	Modest	Substantial
C. Efficiency		Substantial	Substantial
Outcome (=A+B+C)		Moderately Satisfactory	Satisfactory

7.1 Although the outcome of both projects falls in the satisfactory range, the second project performed better than the first one in terms of design of monitoring and evaluation and the stronger evidence of results.

7.2 *Relevance.* The *objectives* of both projects were substantially relevant, based on their solid grounding in analytic work (the major 1995 forestry sector review), the consistency of objectives with the three statements of country strategy corresponding to the implementation period (Table 4 above), and the way that the projects built on new laws passed by the government (see paragraph 3.2 above). The *design* of both projects is also rated substantially relevant. For the first project, contrary to expectations for a pilot project of this sort, insufficient attention was given to developing a monitoring and evaluation framework capable of assessing outcomes. But this failing was outweighed by the careful attention given to developing a participatory process in communities that responded to lessons learned from an earlier (unsuccessful) forestry project (see paragraph 1.9 above), the pragmatic methodology for establishing which communities were eligible to participate (paragraph 3.7), and the adjustment of the approach according to the development level of the community (paragraph 3.10). Each of these features was critical for building trust in communities

46. Data from a presentation by Conafor to IEG in February 2010.

subjected to years of neglect by government programs. The design of the second project built on that of the first, and differed from it in only significant respect: more effort was made to define outcome indicators and to strengthen monitoring and evaluation (see paragraphs 7.11-7.14 below).

7.3 *Efficacy.* The evidence of results is less complete for the first project than for the second project. Few outcome indicators were defined (see paragraphs 4.4 and 4.13 above). With respect to Objective (A), the area target for bringing forest under sustainable management was only half-met. Achievement of this objective is rated modest. In the case of Objective (B), there is no indication how the "success" of forest enterprises was measured and it is not clear how many of these enterprises were still operating at the time of the assessment mission. Achievement of this objective is also rated modest. However, with respect to both objectives, significant outputs—consistent with satisfactory outcomes—were produced, helping to explain why efficacy was rated modest and not negligible.

7.4 For the second project, achievement of the two objectives is rated substantial in each case. In relation to Objective (A), all three of the outcome targets were amply exceeded (see Table 8 above). With respect to Objective (B), over two-thirds of forest enterprises supported by subproject investments approved five years ago are still in operation (Table 13).

7.5 *Efficiency.* In addition to the evidence from both projects that ex ante financial rates of return exceeded the opportunity cost of funds, it is a compelling indication of efficiency that, although total costs were less than forecast, output targets were amply exceeded. Both projects are rated substantial on efficiency.

7.6 *Outcome.* According to IEG guidelines, the three components of outcome add up to outcome ratings of **moderately satisfactory** for the first project and **satisfactory** for the second project.

Risk to Development Outcome

7.7 The issues were the same for both projects. While there are several factors that bode well for the sustainability of project results (for example, the establishment of a dedicated community forestry unit in Conafor), these are offset by a several other concerns, including questions about the long-term competitiveness of subproject investments. To reflect the balance between these countervailing trends risk to development outcome is rated as **moderate**.

Monitoring and Evaluation

FIRST PROJECT

Design

7.8 The first project was a pilot and it was therefore reasonable to assume that particular attention would be given to monitoring and evaluation in order to assess the outcomes that might be expected from this type of project; and to identify the design modifications that

might be needed to support possible scaling up. While some provision was made for monitoring project outputs, the change in community incomes and livelihoods, and the change in the management of the forest resource were not quantified. There was no base line survey of communities conducted.

Implementation

7.9 Project outputs and their associated costs were fully quantified and a year-by-year breakdown was presented to IEG before the mission. In addition, an external evaluation of project results was commissioned towards the end of the first project, although its conclusiveness was limited by the lack of baseline data. In the course of implementation, project management was facilitated by the establishment of three sector monitoring tools (partly funded by Procymaf): an Automated System of Evaluation and Monitoring Forest Management Procedures, which specified indicators relevant to tracking compliance with forestry regulations; a Decision Support System which provided access to updated information about the environmental, socioeconomic and administrative situation of the forestry sector in Guerrero, Michoacán and Oaxaca; and the National Forest Information System (SNIF), a regularly updated compendium on forests and forestry in Mexico, including forest inventories, data on plantations, information on forest fire prevention, pest control, legislation, forest programs and literature.[47]

Use

7.10 The monitoring data collected under the first project were essential for day-to-day project management and helped to build a case for the launch of a second project by showing that the first operation was reasonably cost effective. Although significant outcomes were reported (e.g. the increased area under conservation), overall, the specification of targets and results was patchy.

7.11 Monitoring and evaluation is rated **modest**.

SECOND PROJECT

Design

7.12 The second project was more thorough in setting and tracking output targets and also made a bigger attempt to track outcomes (see Table 11 above).

Implementation

7.13 Some improvements were made during implementation of the second project. "The Bank requirements for project monitoring stimulated Conafor to develop a more comprehensive and robust database", with particular efforts to consolidate information from the participating states.[48] Procymaf developed a comprehensive information system (SISCO) with intranet connections to project implementing units in the states. SISCO is now linked to

47. World Bank (2004), p. 10.
48. World Bank (2009), p. 11.

the large and sophisticated databases operated by the National Institute of Statistics and the National Agrarian Registry. In principle, this should allow for comparison between Procymaf and non-Procymaf communities at various points in time, making up somewhat for the absence of a project-created baseline. However, the population census data presented at the time of the IEG mission did not make an attempt to construct a counterfactual.[49] Two external evaluations were commissioned after 2004.

Use

7.14 A potential has been created for future monitoring of the quality of resource management; a potential that is not yet being fully exploited. The various land use zoning plans developed under the project may be used as a baseline that can be revisited at regular intervals in the future to see whether sustainable harvesting practices have been pursued and how much land remains set aside for conservation purposes. Use of the cheap, hand-held GPS instruments that are now available may facilitate the process of regular resurvey by community members and forestry professionals trained under the project.

7.15 Monitoring and evaluation is rated **substantial.**

Bank Performance

FIRST PROJECT

Quality at Entry

7.16 The design of the first project reflected lessons learned from the failure of a previous Bank-supported forestry project (see paragraph 1.5 above) and was strengthened by the findings of a comprehensive review of forest and natural resources that was jointly sponsored by the Bank and the government.[50] Project design also benefited from previous experience with community-to-community training[51] and was enriched by social assessments and close dialogue with stakeholders.

7.17 Overall, the level of consultation and collaboration with Mexican counterparts was high. The guidance that the Bank provided extended beyond core forestry matters, including recommendations on business practices, market systems, environmental assessment, and participatory evaluation. For the first project, the Bank was careful to promote state government ownership by setting up an advisory committee in Oaxaca.[52] The design ensured that major decisions regarding project activities were ratified by community assemblies and validated at the regional level. The project sponsored regional inter-community forums to help communities create alliances needed for cooperative efforts. These regional forums promoted community engagement with state and federal governments, facilitating needs identification and priority setting.[53] The one flaw was the insufficient attention paid to design

49. Conafor (2008; 2010a).
50. World Bank (1995a).
51. This training was supported by an Institutional Development Fund Grant (TF28855).
52. World Bank (2004), p. 18.
53. World Bank (2009), p. 6.

of the monitoring and evaluation framework but this was offset by the quality of the project process that was developed with respect to gaining the trust of communities and building capacity.

7.18 Quality at entry is rated **satisfactory**.

Supervision

7.19 The completion report for the first project acknowledges that the Bank team was highly skilled in natural resource management, and environmental and social assessment; but would have benefited from "a stronger business orientation", including microenterprise experience.[54] Supervision was distinguished by the closeness and openness of dialogue with Conafor and the Environment Ministry, and the helpful guidance given on procurement and disbursement procedures. Supervision performance is rated **satisfactory**.

Overall Performance

7.20 The overall performance of the Bank is rated **satisfactory**.

SECOND PROJECT

Quality at Entry

7.21 The design of the project was essentially the same as the tried and tested model developed under the first project. The primary difference was the addition of more indicators and targets, with a bigger attempt to track outcomes as well as outputs. Procymaf was satisfactorily scaled up to six states. Quality at entry is rated **satisfactory**.

Supervision

7.22 There was an intense supervision effort, involving two to three missions each year, with lengthy periods spent visiting communities. When there was a temporary falling off of support for Procymaf within Conafor (see next section), the Bank redoubled its efforts in support of the community forestry model and these efforts probably contributed to the subsequent revival in the program's fortunes. Supervision is rated **satisfactory**.

Overall Performance

7.23 The overall performance of the Bank is rated **satisfactory**.

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54. World Bank (2004), p. 18.

Borrower Performance

FIRST PROJECT

Government Performance

7.24 The government showed a solid commitment to the community forestry program. The strongest support came from the Environment Ministry (initially, Semarnap; subsequently Semarnat). The federal government passed a new Forestry Law, created a National Forestry Strategy, and set up Conafor. The three state governments also contributed, providing office space, logistical support and supplementary funding for community investments. The state government of Oaxaca was particularly supportive.

7.25 During the first project, the Finance Ministry (SHCP) criticized Procymaf for being slow to disburse project funds; but SHCP was implicated in the delay. "During the [first] project cycle, allocation of budget by the Finance Ministry was often lower than requested by the project coordinating unit, which resulted in slower progress and smaller disbursements than originally planned"; and delayed project closing. Also, the shift of project oversight from the Environment Ministry (Semarnap) to the newly-created Conafor in 2001 called for an amendment to the loan agreement; the delay in the signing of this agreement "resulted in a long disbursement lag for the project".[55] Overall, government performance is rated **moderately satisfactory**.

Implementing Agency Performance

7.26 The Procymaf leadership stood out for its professional excellence and the dedication shown to advancing the cause of community forestry. Commitment by the leaders was matched by the commitment shown by the teams of promoters in each state. The quality of their work is manifest in the high regard in which they are held in the communities, as expressed to IEG in the field visits. This is no small achievement given the legacy of ill will toward government generated by the concession system and the decades of discouraging communities from sustainably managing the land that belongs to them. On the other hand, the implementing agency shares responsibility with the Bank for failing to develop an adequate monitoring and evaluation framework (including the neglect of the baseline surveys needed to facilitate assessment of outcomes). Performance of the implementing agency is rated **satisfactory**.

Overall Performance

7.27 The overall performance of the Borrower is rated **moderately satisfactory**, following the harmonized OPCS/IEG guideline for aggregating Borrower Performance sub-ratings.

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55. World Bank (2004), p. 14 and 21 (includes Borrower comment from Nafin).

SECOND PROJECT

Government Performance

7.28 The government remained committed to project objectives during the second operation. The strongest expression of this was the decision to open a dedicated community forestry unit in Conafor in 2006. With some exceptions (Jalisco, for example, has been less engaged), the state governments also provided significant support to Procymaf, through supplying office space, logistical support and supplementary funding for community investments.

7.29 There were two shortfalls. First, the Conafor leadership came close to stifling Procymaf around 2005, possibly reflecting the temporary ascendancy of a management group that was primarily concerned with addressing Mexico's declining competitiveness as a timber producer. The management changed and support for Procymaf was restored before implementation of the second project ended. But, at the same time, there were deep cuts in promoters' pay, a problem still not redressed at the time of the mission. This could threaten the quality and sustainability of the program (see paragraph 6.7 above).

7.30 The most skeptical arm of government is the Finance Ministry (SHCP), which has tended to dismiss Procymaf as a "boutique" project with a high administrative overhead and limited scope for tackling the economic and environmental challenges linked to Mexico's forests. When the second project was near closing, SHCP turned down proposals for a third Procymaf-specific project, indicating that it was only interested in negotiating external funding for a much larger package of sector support (which would include funding of Procymaf). (SHCP did not participate in the evaluation mission).

7.31 But these reservations were not substantial enough to stop the project exceeding most of its targets. Therefore, government performance is rated **satisfactory**.

Implementing Agency Performance

7.32 The professional excellence and commitment manifested by the leadership of Procymaf and by the team of promoters during the first project was sustained throughout implementation of the second project. The implementing agency satisfactorily handled the transition from a small coordinating unit within the Environment Ministry to a permanent arm of Conafor, well equipped to defend the model it has developed but also capable of self-criticism and competent enough to make necessary adjustments such as the steps taken to develop a comprehensive information system and to expand its operation from three to twelve states. Performance of the implementing agency is rated **satisfactory**.

Overall Performance

7.33 The overall performance of the Borrower is rated **satisfactory**.

8. Lessons

8.1 ***Improved stewardship of natural resources is probably the main contribution of community forestry in Mexico.*** Community forestry will not wipe out rural poverty in Mexico because the program is necessarily limited to communities with abundant forests and no land conflicts; and even in these communities incomes from forest activities will always make up only a small share of total incomes. Nor does it promise to reverse the declining supply and lack of competitiveness of timber in Mexico, because communities have been slow to affiliate horizontally and vertically, restricting the scope for reaping scale economies. Nevertheless, it is an important part of the broader effort to protect the natural resource base, because communities own over two-thirds of Mexico's forestland. By promoting zoning and forest management and conservation plans, the Procymaf projects provided a solid platform for the expansion of conservation and sustainable land management in a globally important ecosystem. The community zoning plans successfully sponsored by Procymaf offer a platform for developing synergies with the (well-funded, high-profile) schemes that are now paying for environmental services (carbon sequestration, groundwater recharge, soil erosion control).

8.2 ***There are no quick fixes for building community capacity and institutional arrangements to manage and conserve forests.*** Plugging technical and infrastructure gaps is easy compared to the work of building trust in communities who have been ill served by Mexican governments for decades. The hefty contribution made by Procymaf communities to training and investment initiatives, the broad-based participation in land zoning exercises and the significant survival rate of the forest enterprises established by Procymaf is the best evidence yet that the programs are building capacity and sustainable institutional arrangements. But there is still a long way to go in developing the business acumen that communities need to develop and exploit the niche markets for timber and non-timber goods and services. One way to reward community initiative in this respect would be to develop better schemes for certifying that timber is sustainably produced: the lack of a price premium for certified timber in local and national markets limits the incentive for communities to harvest and process timber more sustainably.

8.3 ***It is important to embed support to individual communities within a broader framework that strengthens cooperation between communities and municipal and state governments and develops a network of professional expertise on forest-centered activities.*** Although Procymaf has so far made little headway in promoting supply chain development centered on timber processing, from the beginning it emphasized the creation of regional fora which brought communities and state governments together to set priorities and discuss the allocation of investment resources. This framework helps to promote the development of the complementary infrastructure (roads, schools) that will help to make forest communities more viable. Equally important is the support that Procymaf has given to building up networks of accredited private sector professionals able to provide technical assistance to communities across the full spectrum of forest-centered activities (not confined to harvesting timber).

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Annex A. Basic Data Sheet

I. MEXICO - COMMUNITY FORESTRY PROJECT (Loan Number 4137)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	23.57	18.44	78.23
Loan amount	15.00	13.12	87.46
Cofinancing	--	--	--
Cancellation	--	--	--

Cumulative Estimated and Actual Disbursements

	FY98	*FY99*	*FY00*	*FY01*	*FY02*	*FY03*	*FY04*	*FY05*	*FY06*	*FY07*	*FY08*
Appraisal estimate (US$M)	3.0	6.0	9.1	12.1	15.0						
Actual (US$M)	.5	3.1	7.2	8.4	9.8	13.1					
Actual as % of appraisal	16.7	51.7	79.1	69.4	65.3	100					
Date of final disbursement	05/07/2004										

Project Dates

	Original	*Actual*
Concept Review	12/22/1995	12/22/1995
Negotiations	11/13/1996	11/13/1996
Board approval	02/18/1997	02/18/1997
Signing	05/02/1997	05/02/1997
Effectiveness	08/01/1997	11/06/1997
Closing date	06/30/2002	12/31/2003

Staff Inputs (staff weeks)

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff Weeks	US$ ('000)
Identification/Preparation	156.3	568.2
Appraisal/ Negotiations	12.6	41.5
Supervision	116.7	481.8
Total	285.6	1,091.5

Mission Data

Mission

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation Oct. 4-14, 1994	1	NRM SPEC. (1)		
Feb. 26-Mar. 10, 1995	5	TTL (1); NRM SPEC. (1); FORESTER, (1); PROTECTED AREAS SPEC. (1); FAO/CP FORESTER (1)		
July 24-Aug. 3, 1995	4	TTL (1); NRM SPEC. (1); FORESTER (1); FAO/CP (1)		
Oct. 29-Nov. 15, 1995	3	TTL (1); NRM SPEC. (1); FORESTER (1)		
Feb. 12.23, 1996	5	TTL (1); NRM SPEC. (1); FORESTER (1); PROC. ANALYST (1); FAO/CP FORESTER (1)		
Mar. 5-9, 1996	3	TTL (1); FORESTER (1); CONSULTANT (1)		

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
Appraisal/Negotiation				
June 22-July 2, 1996	7	TTL (1) ; AGRIC. (1) ; ENV. SPEC. (1) ; ECON. (1); NRM SPEC. (1); PROC. ANALYST (1); CONS. (1)		
Supervision				
06/20/1997	5	TASK MGR. (1) ; NAT. RES. MGT. SPEC. (1); FORESTER (1) ; INDIGENEOUS PEOPLE SPEC. (1) ; FIN. SPEC. (1)	S	HS
06/19/1998	4	TTL (1) ; SOC. SCIENTIST (1) ; CONS. (1) ; FAO/CP FORESTER (1)	S	HS
09/25/1998	3	TTL (1) ; FIN. ANALYST (1) ; FORESTER (2) ; FAO/CP FORESTER (1)	S	S
10/01/1999	6	TTL (1) ; NAT. RES. SPEC. (1) ; SR. ECOLOGIST (1); SOC. SCIENTIST (1); INDIG. COMM. SPEC. (1); SECTOR LEADER (1)	S	S
11/13/2000	4	TTL MGR. (1) ; CONS-SOCIAL (1) ; SOC. SPEC. (1); FORESTRY SPEC. (1)	S	S

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
09/21/2001	7	TEAM LEADER (1) ; PROC. (1) ; FORESTRY SPEC. (1); FIN. MGT (1); ENV. (1); INDIG. PEOPLE SPEC. (1); SOC. DEV. (1);	S	S
05/31/2002	6	TEAM LEADER (1) ; FOREST. SPEC. (2) ; FIN. MGT (1); SOC. DEV. (1); PROJ. MGT. (1)	S	S
03/30/2003	3	TTL (1) ; TECH. ASST. (1) ; SOC. SCIENTIST (1)	S	S
08/02/2002	12	TTL (1) ; CONS. (1) ; TEAM ASST. (1) ; INDIG. PEOPLE SPEC. (1); OPER. ANALYST (1); LAWYER (1); FIN. MGT (1); PROC. SPEC. (1); SOC. SCIENTIST (1); CONFLICT MGT. SPEC. (1); FORESTRY SPEC. (1); ENV. SPEC. (1)	S	S
10/17/1997	1	NRM SPEC. (1)	S	HS
02/20/1999	4	TTL (1); INDIG. SPEC. (1) ; CONS. (1) ; FAO/CP (1)	S	S

Other Project Data

Borrower/Executing Agency:

FOLLOW-ON OPERATIONS

Operation	*Loan No.*	*Amount (US$ million)*	*Board date*
Second Community Forestry Project	7207	21.3	12/09/2003

II. MEXICO – SECOND COMMUNITY FORESTRY PROJECT (Loan Number 7207)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	28.69	28.16	98.15
Loan amount	21.30	21.30	100
Cofinancing	--	--	--
Cancellation	--	--	--

Cumulative Estimated and Actual Disbursements

	FY04	*FY05*	*FY06*	*FY07*	*FY08*	*FY09*
Appraisal estimate (US$M)	5.3	10.65	15.97	21.3		
Actual (US$M)		3.7	7.6	8.4	15.8	21.3
Actual as % of appraisal	16.7	51.7	79.1	69.4	65.3	100
Date of final disbursement:	04/30/2009					

Project Dates

	Original	*Actual*
Concept Review	10/12/1999	02/21/2003
Negotiations	08/15/2000	10/20/2003
Board approval	11/14/2000	12/09/2003
Signing		03/28/2004
Effectiveness	07/15/2004	07/15/2004
Closing date	06/30/2008	12/31/2008

Mission Data

a) Task Team members

Names	Title	Unit	Responsibility/Specialty
Lending			
Daniel R. Gross	Task Team Leader	LCSEO	Anthropologist and TTL
Francisco Jose Vtieri-Romano	Consultant	--	
James Smyle	Sr. Forestry Specialist	LCSAR	Forestry
Tania Carrasco	Indigenous Peoples Specialist	LCC1	Social
Andrea Seaman	Team Assistant	LCSEO	Operations
Esme Abedin	Operations Analyst	LCC1	Operations
Victor Ordoñez	Financial Management Spec.	LCC1	FM
Marta E. Molares-Halberg	Lawyer	LEGLA	Legal
Ricardo Hernandez	Sr. Environmental Specialist	LCC1	Environment
George Ledec	Lead Environmental Spec.	LCSEN	Environment
Rosita Valencia Estrada	Procurement	LCC1	`Procurement
Rees Waren	Consultant	--	
Edward Brenyan	Economist	LCSAR	Economics
Juan Martinez	Social Specialist	LCSEO	Social
Oliver Braedt	Forestry Specialist	LCSAR	Forestry
John Kellenberg	Sector Leader	LCSES	Sectoral Leadership
Carter Brandon	Env. Economist, Peer Reviewer	ESA	Peer Reviewing
David Cassels	Forestry Specialist, Peer Reviewer	ARD	Peer Reviewing
Supervision/ICR			
Robert Ragland Davis	Sr. Forestry Spec.	LCSAR	TTL/Forestry
Francis V. Fragano	Consultant	LCSEG	Biodiversity and ICR
Jim Smyle	Sr. Forestry Spec.	LCSAR	TTL and Forestry
Dmitri Gourfinkel	Consultant	LCSFM	Financial Management
Daniel R. Gross	Lead Anthropologist and Consultant	LCSUW	TTL/Lead Anthropologist
Ricardo Hernandez Murillo	Sr. Environmental Spec.	LCSEN	Environmental Specialist
Yurie Tanimichi Hoberg	Sr. Agriculture Economist	LCSAR	Agriculture Economist
Efraim Jimenez	Consultant	EAPCO	Procurement Specialist
Juan Martinez	Sr. Social Scientist	LCSSO	TTL/Social Specialist
Takako Mochizuki	Consultant	LCSAR	Rural Development
Victor Manuel Ordonez Conde	Financial Management Specialist	CTRLP	Financial Specialist
Gabriel Penaloza	Procurement Analyst	LCSPT	Procurement
Teresa M. Roncal	Operations Analyst	LCSAR	Operations
Andrea Semaan	Consultant	LCSEN	Operations Analyst
Jeannette Ramirez	Rural Development Specialist	LCSAR	Operations Officer/ICR
Gilbert Landart	Sr. Ag. Economist	FAO	Economics
Diana Rebolledo	Language Prog. Asst.	LCSAR	Operations

b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget only)	
	No. Staff Weeks	USD Thousands (including travel and consultant costs)
Lending		
FY99		27.72
FY00	4	4.88
FY01		165.26
FY02		55.80
FY03	34	0.52
FY04	12	0.00
FY05		0.00
FY06		0.00
Total:	50	254.18
Supervision/ICR		
FY99		0.00
FY00		0.00
FY01		0.00
FY02		0.00
FY03		78.77
FY04		98.93
FY05	14	122.65
FY06	23	163.01
FY07	26	109.44
FY08	22	102.65
FY09	18	104.71
Total:	103	780.16

Annex B. Characteristics of Investment Subprojects, 2004-2009

TABLE: CHARACTERISTICS OF PROCYMAF INVESTMENT SUBPROJECTS, 2004-2009 (Part 1)

SUBPROJECTS	N	Total Investment	Project Investment	Community Investment	Direct Jobs Created	Indirect Jobs Created	"Surviving" subprojects*
TOTAL	**198**	**$219,424,672**	**$74,901,667**	**$144,523,005**	**2,615**	**7,037**	**155**
Durango	40	$35,786,211	$14,856,462	$20,929,748	807	2,020	32
Guerrero	31	$32,697,938	$13,589,164	$19,108,774	428	1,266	21
Jalisco	22	$17,572,325	$8,719,199	$8,853,125	397	926	15
Michoacán	23	$15,601,508	$7,479,333	$8,122,175	266	798	20
Oaxaca	61	$101,277,610	$22,762,399	$78,515,211	408	1,131	56
Quintana Roo	21	$16,489,081	$7,495,109	$8,993,971	309	896	11
TIMBER	**106**	**$146,680,288**	**$40,936,247**	**$105,744,041**	**1,441**	**3,801**	**81**
Durango	30	$27,728,883	$10,906,086	$16,822,797	720	1,744	24
Guerrero	20	$18,884,883	$8,301,936	$10,582,948	252	756	14
Jalisco	7	$4,756,333	$2,311,204	$2,445,130	128	278	5
Michoacán	1	$1,000,000	$500,000	$500,000	10	30	0
Oaxaca	38	$87,673,166	$16,308,908	$71,364,258	205	615	33
Quintana Roo	10	$6,637,023	$2,608,115	$4,028,908	126	378	5
NON-TIMBER	**92**	**$72,744,384**	**$33,965,420**	**$38,778,964**	**1,174**	**3,236**	**74**
Durango	10	$8,057,328	$3,950,377	$4,106,952	87	276	8
Guerrero	11	$13,813,054	$5,287,228	$8,525,826	176	510	7
Jalisco	15	$12,815,992	$6,407,996	$6,407,996	269	648	10
Michoacán	22	$14,601,508	$6,979,333	$7,622,175	256	768	20
Oaxaca	23	$13,604,444	$6,453,492	$7,150,952	203	516	23
Quintana Roo	11	$9,852,057	$4,886,994	$4,965,063	183	518	6

Source: Puente (2010), based on Conafor database. *Subprojects still operating in December 2009

TABLE: CHARACTERISTICS OF PROCYMAF INVESTMENT SUBPROJECTS, 2004-2009 (Part 2)

SUBPROJECTS	N	Total Investment	Project Investment	Community Investment	Direct Jobs Created	Indirect Jobs Created	"Surviving" subprojects*
TOTAL	**198**	**$219,424,672**	**$74,901,667**	**$144,523,005**	**2,615**	**7,037**	**155**
TIMBER	**106**	**$146,680,288**	**$40,936,247**	**$105,744,041**	**1,441**	**3,801**	**81**
Timber Harvesting	12	$9,675,969	$4,268,605	$5,407,365	30	90	10
Sawmills	39	$65,828,957	$15,839,818	$49,989,139	773	1,807	29
Wood-drying kilns	16	$25,604,609	$7,132,141	$18,472,469	94	282	12
Boards, Plywood, etc	5	$5,224,135	$2,205,556	$3,018,579	64	192	4
Furniture	6	$21,665,914	$3,017,770	$18,648,144	238	714	4
Other	28	$18,680,704	$8,472,358	$10,208,345	242	716	22
NON-TIMBER	**92**	**$72,744,384**	**$33,965,420**	**$38,778,964**	**1,174**	**3,236**	**74**
Ecotourism	61	$46,234,053	$22,529,015	$23,705,037	895	2,518	46
Spring Water Bottling	18	$13,283,353	$6,320,419	$6,962,935	152	339	16
Others	13	$13,226,978	$5,115,985	$8,110,992	127	379	12

Source: Puente (2010), based on Conafor database. *Subprojects still operating in December 2009.

Annex C. Persons Interviewed

Comisión Nacional Forestal
Aguilar Hernández, Mario
Anguiano Martínez, Arquimiro
Anta Fonseca, Salvador
Contreras Lira, Carlos
González Godoy, Carlos Edgar
González Vicente, Carlos Enrique
Luna, Benjamín
Martínez Bautista, Humberto
Martínez Cintora, Víctor Hugo
Mendoza B., Mauricio
Muñoz Galindo, Guillermo
Orozco Morales, Enrique
Ramírez, Ricardo
Rangel Piñón, J. Vicente
Rivera Antuna, María del Carmen
Sánchez Landero, Luz Amelia
Torres Rojo, Juan Manuel

Nacional Financiera
Alcaraz C., Verónica
Gonzales C., Lourdes
Govea Soria, Mario
Velázquez Correa, Liliana

Academic and NGO Community
Barrera, Juan Manuel
Chapela Mendoza, Francisco
Fuentes, Jaime Enrique
García López, Gustavo
Merino, Leticia
Navia A., Jaime
Pizana, José Carlos
Porras Lescas, María Ofelia
Zúñiga, Iván

Members of the Following Indigenous Communities and Ejidos
Santiago Comaltepec, Oaxaca
Llano de las Flores, Atepec, Oaxaca
San Juan Bautista, Atepec, Oaxaca
Capulalpam de Méndez, Oaxaca (UZACHI)
Ixtlan de Juárez, Oaxaca
San Miguel y San Gabriel Etla, Oaxaca
Santiago Tenango, Oaxaca
Ejido El Empedrado, Mascota, Jalisco
Ejido El Jorullo, Puerto Vallarta, Jalisco
Ejido Villa del Mar, Cabo Corrientes, Jalisco
Ejido Barranca del Calabozo, Pihuamo, Jalisco

TIP Muebles, Oaxaca
Belmonte, Alberto Jesús

World Bank
Davis, Robert Ragland
Gross, Daniel
Hernández, Ricardo
Segura Warnholtz, Gerardo
Smyle, James

Annex D. Borrower Comments

From:	"Maria de Lourdes Gonzalez Carmona" <lgonzalezc@nafin.gob.mx>
To:	<djimenezcruz@worldbank.org>
Cc:	<silvia_rodriguez@hacienda.gob.mx>, <maguilar@conafor.gob.mx>, "Danielle Pellat Thome" <dpellat@nafin. <lvelazquez@nafin.gob.mx>, "Veronica Gabriela Alcaraz Contreras" <valcaraz@nafin.gob.mx>, "Maria de Lou
Date:	06/25/2010 10:20 PM
Subject:	Comentarios al documento "Community Forestry Project (Loan No. 4137) (PROCYMAF I); MEXICO ? Second (PROCYMAF II) -Draft Project Performance Assessment Report"

Estimados colegas:

En relación al Informe de Evaluación preparado por el Grupo de Evaluación Independiente del Banco, y en nuestra calidad de Agente Financiero del Gobierno Federal, designado por la Secretaría de Hacienda y Crèdito Pùblico para la administración de los recursos de los prèstamos y la supervisión de los proyectos, me permito detallar unos breves comentarios respecto al mismo:

COMENTARIOS DE NACIONAL FINANCIERA

El Proyecto Forestal Comunitario I (prèstamo 4137-ME), se diseñó originalmente como un proyecto piloto para abordar un nuevo esquema de intervención para el manejo y conservación de los recursos forestales en México, partiendo de un aterrizaje a nivel de las comunidades y ejidos propietarios de estos recursos naturales.

Al ser diseñado bajo este contexto, es imprescindible señalar que en la elaboración de sus indicadores para evaluar el cumplimiento de objetivos de desarrollo, asì como el sistema de monitoreo y seguimiento del Programa, existía una alta posibilidad de carecer de elementos importantes para el seguimiento de estas actividades. Por lo tanto, en una justa dimensión de este laboratorio que representó el PROCYMAF I, resultan justificables las deficiencias que se pudieron presentar en la evaluación expost del Programa.

Las lecciones aprendidas de este primer proyecto, fueron rescatadas para el diseño integral de la segunda operación (préstamo 7207-ME). Tanto para el Banco como para el Ejecutor (CONAFOR), fue importante el aprendizaje obtenido.

La institucionalización de un Programa de esta naturaleza, resulta un tema relevante de resaltar a nivel de los Planes y Programas que un Gobierno ofrece a la sociedad. Al integrarse el PROCYMAF a la CONAFOR, inicialmente se visualizó como un proyecto piloto que debía demostrar sus virtudes e impactos. Sin embargo, al ser elogiado por el Banco y otros países en su modelo de intervención en la población objetivo, derivado de la combinación al fomentar y desarrollar capacidades locales, cohesión y capital social, aunado a la conservación de los recursos forestales; generó tal confianza que permitió que a la conclusión del PROCYMAF II, la CONAFOR adoptara como líneas de acción a financiar en sus programas tradicionales (PROÂRBOL), diversas modalidades de este Programa.

Efectivamente coincidimos con la percepción del Informe, en el sentido de fortalecer la información documental y de seguimiento financiero de los subproyectos de inversión; adicionalmente a generar capacidades de "management" y "competitividad" en las empresas forestales. Consideramos que éste será un reto para una próxima operación con el Banco, o bien para el Programa que hoy día se ha institucionalizado en la CONAFOR.

Proyectos de esta naturaleza, en donde se trabaja a nivel de la base más importante para generar los cambios, resultan relevantes para cualquier Estado-Nación.

Atentamente,

Lourdes González Carmona
Ejecutiva Sectorial
Agente Financiero
Nacional Financiera, S.N.C:
lgonzalezc@nafin.gob.mx
Tel. 55 5325 6487

Borrower's Comments – Mexico PPAR – English version

Unofficial translation: Comments from Nacional Financiera, June 25, 2010

With respect to the evaluation report prepared by the Bank's Independent Evaluation Group, and in our role as financial agent of the federal government, designated by the Ministry of Finance and Public Credit to administer loan proceeds and to supervise projects, allow me to comment briefly on the report:

The Community Forestry Project (Loan No. 4137-ME) was designed originally as a pilot project, launching a new approach to the management and conservation of forest resources in Mexico, grounded in participation of the communities and ejidos that own these natural resources.

Designed as it was in these circumstances, it is important to recognize that the development of indicators to evaluate the achievement of the development objective, as well as the system for monitoring and evaluating the program, was likely to lack critical elements needed to track project activities. Therefore, the deficiencies pointed out by this ex-post evaluation appear perfectly justifiable given the experimental nature of the project (Procymaf I).

The lessons learned from this first project were incorporated in the design of the follow-on operation (Loan No. 7207-ME). The learning thus obtained was important both for the Bank and for the executing agency (Conafor).

Institutionalizing a program of this type is an important theme for government to emphasize. When Procymaf was incorporated by Conafor, it was initially seen as a pilot project whose positive aspects and impacts remained to be demonstrated. However, the project's approach to the target population, based on promoting local capacity and building social cohesion, as well as conserving forest resources, was praised by the Bank and by other countries, so that when Procymaf 2 was completed its approach was applied throughout Conafor (applied to established programs such as Proarbol).

Indeed, we agree with the report's observation about the need to strengthen the documentation and financial monitoring of investment subprojects; as well as the need to develop the "management approach" and "competitiveness" of the forestry enterprises. We consider this is a challenge for a next operation with the Bank, as well as for the program that Conafor is now institutionalizing.

Projects of this nature, which involve working at the base where change takes place, are relevant for any nation-state.

Sincerely,

Lourdes González-Carmona, Sector Executive, Financial Agent, Nacional Financiera