REQUEST FOR CEO ENDORSEMENT/APPROVAL

PROJECT TYPE: Full-sized Project
THE GEF TRUST FUND

Submission Date: 05/24/2010

PART I: PROJECT INFORMATION

GEFSEC PROJECT ID: 3816
GEF AGENCY PROJECT ID: 396
COUNTRY(IES): Mexico
PROJECT TITLE: Mexico: Mainstreaming the Conservation of Ecosystem Services and Biodiversity at the Sub-watershed Scale in Chiapas
GEF AGENCY(IES): UNEP, (select), (select)
OTHER EXECUTING PARTNER(S): Conservation International-Mexico, COFOSECH, CONANP, IHN, CONAGUA
GEF FOCAL AREA(s): Biodiversity
GEF-4 STRATEGIC PROGRAM(s): SP4, SP5 (see preparation guidelines section on exactly what to write)
NAME OF PARENT PROGRAM/UMBRELLA PROJECT: N/A

Expected Calendar (mm/dd/yy)	
Milestones	**Dates**
Work Program (for FSPs only)	January 2009
Agency Approval date	July 2010
Implementation Start	August 2010
Mid-term Evaluation (if planned)	April 2012
Project Closing Date	July 2013

A. PROJECT FRAMEWORK (EXPAND TABLE AS NECESSARY)

Project Objective: Biodiversity conservation is mainstreamed into natural resources management at the sub-watershed level through the integration of ecosystem services considerations in future decision-making in the Sierra-Costa region of Chiapas, Mexico

Project Components	**Investment, TA, or STA[2]**	**Expected Outcomes**	**Expected Outputs**	**GEF Financing[1]**		**Co-Financing[1]**		**Total ($)** c=a+ b
				($) a	%	($) b	%	
Component 1: Development of the knowledge base for ES appraisal and their interaction with land uses among key stakeholders at the sub-watershed level	STA	**Outcome of component 1:** Increased understanding (by monitoring institutions) of the relationships between land uses and BD/ES as a result of sub-watershed scale monitoring of: a) the status of important ES and BD components and their indicators in the project area; b) the interdependence of land use patterns & policies and ES/BD status; c) ES benefits provided by different land use systems under varying levels of intensity;	**Output 1.1:** Methods, tools and protocols for assessment and monitoring of ES, BD, and land use data and policies, for use by watershed committees, other key government agencies, NGO partners and universities **Output 1.2:** Baseline gaps addressed and project baseline information (database, maps) on key indicators completed **Output 1.3:** Increased local research and publications on status, dynamics and benefits of ecosystem services and interrelationships between land use, ES (especially water quality), biodiversity and livelihoods (including gender aspects) across sub-watersheds **Output 1.4:** Identification of factors influencing individual and	327,997	64.6	179,917	35.4	507,914

		d) factors influencing land use decisions by land users.	collective land use decisions by land owners, *ejidatarios* and *comuneros* **Output 1.5:** Lessons learned about the impact of hurricanes Mitch (1998) and Stan (2005) on land use and water balances					
Component 2: Mainstreaming ecosystem services and biodiversity into land use policies, planning and promotion by watershed committees and policy coordination with other key government agencies	TA	**Outcome of component 2:** Ecosystem services and biodiversity considerations are mainstreamed into land use policies, planning and promotion by WSC and policies are coordinated with other key government agencies, resulting in improved status of key BD & ES indicators in target sub-watersheds (as measured under output 1.3)	**Output 2.1:** Training programmes for key WSC members, other policy-makers, extensionists and land users on mainstreaming ES & BD considerations into natural resources management policies and plans at the sub-watershed level (coordinated by a watershed committee capacity building officer) **Output 2.2:** Sustainable production practices (SPP) in agriculture, livestock farming and forestry that conserve ES and BD are introduced and/or strengthened in at least seven sub-watersheds, improving the conservation status of key BD and ES indicators (as measured under output 1.3) **Output 2.3:** Restoration and soil conservation pilot activities (RSCA) demonstrating approaches that conserve ES and BD are implemented in at least eight sub-watersheds, improving the conservation status of key biodiversity and ecosystem service indicators (as measured under output 1.3) **Output 2.4:** Recommendations developed, communicated and monitored to incorporate ES and BD into sectoral development and restoration policies and regulations of key public and private agencies and to improve coordination among these agencies with regard to the promotion of sustainable	628,809	15.4	3,622,425	84.6	4,251,234

			land uses at the sub-watershed level **Output 2.5:** Increased coverage of actively working watershed committees in the Sierra-Costa region **Output 2.6:** Improved coordination of capacity building activities for watershed committees, land users and other stakeholders in the project region					
Component 3: Increasing access by land users to public & private PES mechanisms (carbon, watershed services, biodiversity) to provide funding & incentives for implementation of land use practices and strategies that conserve ES & BD and improve local livelihoods (targeting land users and non-government stakeholders)	TA	**Outcome of component 3:** Land users have increased access to public and private PES mechanisms (carbon, watershed services, biodiversity) to provide funding and incentives to implement land use practices and strategies that conserve ES and BD and improve local livelihoods (targeting land users and non-government stakeholders) in the Sierra-Costa region of Chiapas	**Output 3.1:** Training and technical assistance on preparing projects that qualify for government PES programs that conserve globally significant biodiversity **Output 3.2:** CONAFOR PES program strengthened by: providing data for the selection of high-risk areas in terms of ES and BD conservation; and adding elements for the development of market-based schemes, an incentive-based mechanism for technicians' certification and an integrated approach to sub-watershed management at the community level, thereby enhancing its effectiveness in conserving biodiversity and ecosystem services **Output 3.3:** Market feasibility studies and marketing plans for market-based PES mechanisms and sustainable products (premium markets) that, by definition, conserve BD and ES **Output 3.4:** Increased capacity to implement marketing plans for different market-based PES mechanisms and sustainable products is built among land users and their organizations, as well as among actors supporting them (NGOs, extension agents, technical advisors), and the area under certified production increases, with	392,325	50.7	311,389	49.3	703,714

			improvements in BD/ES indicator status					
4. Project management				134,913	7.0	1,788,544	93.0	1,923,457
Total Project Costs				1,484,044	20.1	5,902,275	79.9	7,386,319

[1] List the $ by project components. The percentage is the share of GEF and Co-financing respectively of the total amount for the component.

[2] TA = Technical Assistance; STA = Scientific & Technical Analysis.

B. SOURCES OF CONFIRMED CO-FINANCING FOR THE PROJECT (expand the table line items as necessary)

Name of Co-financier (source)	*Classification*	*Type*		*Project total*	*%**
		Grant	In-kind		
Conservation International Mexico	NGO	1,741,299	0	1,741,299	29.5
CONANP	National Government	1,564,812	885,000	2,449,812	41.5
COFOSECH	Local Government	256,644	1,304,520	1,561,164	26.4
IHN	Local Government	15,000	135,000	150,000	2.6
Total Co-financing		**3,577,755**	**2,324,520**	**5,902,275**	**100.0**

* Percentage of each co-financier's contribution at CEO endorsement to total co-financing.

C. FINANCING PLAN SUMMARY FOR THE PROJECT ($)

	Project Preparation a	*Project b*	*Total c = a + b*	*Agency Fee*	*For comparison: GEF and Co-financing at PIF*
GEF financing	70,000	1,484,044	1,554,044	148,404	*1,485,000
Co-financing	105,129	5,902,275	6,007,404		4,900,000
Total	**175,129**	**7,386,319**	**7,561,448**	148,404	**6,385,000**

* GEF PIF clearance letter, December 02, 2008

D. GEF RESOURCES REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES)[1]

GEF Agency	*Focal Area*	*Country Name/ Global*	*(in $)*		
			Project (a)	*Agency Fee (b)[2]*	*Total c=a+b*
(select)	(select)				
(select)	(select)				
(select)	(select)				
(select)	(select)				
(select)	(select)				
(select)	(select)				
(select)	(select)				
(select)	(select)				
Total GEF Resources					

[1] No need to provide information for this table if it is a single focal area, single country and single GEF Agency project.

[2] Relates to the project and any previous project preparation funding that have been provided and for which no Agency fee has been requested from Trustee.

E. CONSULTANTS WORKING FOR TECHNICAL ASSISTANCE COMPONENTS:

Component	*Estimated person weeks GEF*	*GEF amount ($)*	*Co-financing ($)*	*Project total ($)*
Local consultants*	922.2	811,261	1,586,887	2,398,148
International consultants*	0	0	0	0
Total	922.2	811,261	1,586,887	2,398,148

* Details to be provided in Annex C.

F. PROJECT MANAGEMENT BUDGET/COST

Cost Items	*Total Estimated person weeks/months*	*GEF amount ($)*	*Co-financing ($)*	*Project total ($)*
Local consultants*	0	0	0	0
International consultants*	0	0	0	0
Office facilities, equipment, vehicles and communications*		0	0	0
Travel*		0	0	0
Others**		0	0	0
Project staff		0	0	0
Support for project management		0	830,177	830,177
Project operation		134,913	958,367	1,093,280
External evaluations and audits				
Total		**134,913**	**1,788,544**	**1,923,457**

* Details to be provided in Annex C. ** For others, it has to clearly specify what type of expenses here in a footnote.

G. DOES THE PROJECT INCLUDE A "NON-GRANT" INSTRUMENT? yes ☐ no X

(If non-grant instruments are used, provide in Annex E an indicative calendar of expected reflows to your agency and to the GEF Trust Fund).

H. DESCRIBE THE BUDGETED M &E PLAN:

The project M&E plan is consistent with the GEF Monitoring and Evaluation policy. The Project Results Framework presented in Annex A includes SMART indicators for each expected outcome as well as mid-term and end-of-project targets. These indicators, along with the key deliverables and benchmarks included in Appendix 6 of the project document, will be the main tools for assessing project implementation progress and whether project results are being achieved. The means of verification are summarized in Appendix 7 of the project document.

Overall project impact will be measured, at the Objective level, as follows:

Indicator	**Target** (by end of project)
The degree to which policies and regulations governing sectoral activities in- and outside the environment sector include measures to conserve and sustainably use biodiversity, in particular:	
Percentage of target watershed committees (WSC) in the Sierra-Costa region that have systematically integrated ecosystem service and biodiversity considerations into their sub-watershed management plans and activities at end of project	80% of WSC have systematically integrated ES and BD considerations into their sub-watershed management plans and activities.

Number of municipalities in the project area that have systematically integrated ecosystem service and biodiversity considerations into their development plans and policies	At least five municipalities in the project area have systematically integrated ES and BD considerations into their development plans and policies.
Number of state and federal key stakeholder institutions outside the environment sector with high potential impact on sub-watershed development in the Sierra-Costa region that are implementing policies, programs and projects that have systematically integrated ES and BD considerations	At least six state and federal key stakeholder institutions outside the environment sector with high potential impact on sub-watershed development in the Sierra-Costa region are implementing policies, programs and projects that have systematically integrated ES and BD considerations.
Percentage of target sub-watersheds where NGOs implement projects and activities that have systematically integrated ES and BD considerations and are aligned with management plans of watershed committees	In at least 70% of target sub-watersheds NGOs implement projects and activities that have systematically integrated ES and BD considerations and are aligned with management plans of WSC.
Other impact indicators are:	
The status of a selected group of key biodiversity and ecosystem service indicators is improved in target sub-watersheds by expanded implementation of PES schemes, sustainable production practices (SPP) and restoration/soil conservation activities (RSCA)	The status of key indicator species and improvements in the health of aquatic and terrestrial ecosystems in pilot sub-watersheds reaches target levels (see output 1.2 footnote) as a result of expanded implementation of PES schemes, sustainable production practices (SPP) and restoration/soil conservation activities
Forest cover stabilized or slightly increased in areas of deforestation risk within project area by expanded implementation of PES schemes, sustainable production practices (SPP) and restoration/soil conservation activities (RSCA)	Net change in forest cover in areas of deforestation risk within project area is 0% or slightly positive.
N° of land users (including female land users) that perceive improvement of livelihoods through ES benefits provided by ES and BD-friendly land use systems and through payments from public and private PES mechanisms	At least 2,500 land users in target sub-watersheds, including at least 20% female land users, perceive improvement in livelihood through ES benefits provided by ES and BD-friendly land use systems and through payments from public and private PES mechanisms.

At the time of project approval 65 percent of baseline data is available. Baseline data gaps will be addressed during the first year of project implementation. The main aspects for which the project has gathered some information but for which additional details are needed, particularly for the pilot sub-watersheds, are:

- Current levels of ES and BD integration into development plans and activities of watershed committees (WSC), municipalities, other key institutions and NGOs in the Sierra-Costa region.
- Existing levels of coordination of WSC plans with the plans of other key stakeholders to introduce or reinforce sustainable production and restoration and soil conservation practices in pilot sub-watersheds.
- Identification of personnel at stakeholder institutions with authority to mainstream ecosystem services and biodiversity considerations into natural resources management policies and plans at the sub-watershed level.
- Quantity and coverage (in hectares) of existing individual and organized initiatives to introduce sustainable production and restoration and soil conservation practices in pilot sub-watersheds.

- Number of land users in pilot sub-watersheds with access to government-funded and market-based PES programs.
- Products in pilot sub-watersheds with access to premium markets.
- Number of land users and land users' organizations with access to premium markets of sustainable products.
- Number of sub-watershed extensionists enabled to give technical assistance to land users for introducing or strengthening sustainable production practices.
- Identification of priority areas in pilot sub-watersheds for application of CONAFOR's PES mechanism.
- Existing market feasibility studies and marketing plans for market-based PES mechanisms and sustainable products.
- Existing partnerships (contracts) with buyers of ES or sustainable products.
- Land and producer coverage of certified production in pilot sub-watersheds.

The cost of acquisition of essential baseline data during the first year of project is included in the budget for output 1.2: Baseline gaps addressed and project baseline information on key indicators completed ($163,371, including GEF funds and co-financing). Other ongoing monitoring costs are included in the budget for output 1.3: Regular updating of data base and maps about status and dynamics of key indicators and their correlations ($200,046, including GEF funds and co-financing). The estimated cost of the project inception workshop – to be carried out in Tuxtla Gutiérrez (Chiapas); with some 30-40 participants will be $ 1,500. Cost of Mid-Term Review/Evaluation: $ 15,000; cost of Terminal Evaluation: $ 15,000.

A mid-term management review or evaluation will take place at the second quarter of year 2 as indicated in the project milestones. The review will include all parameters recommended by the GEF Evaluation Office for terminal evaluations and will verify information gathered through the GEF tracking tools, as relevant. The review will be carried out using a participatory approach whereby parties that may benefit or be affected by the project will be consulted. Such parties were identified during the stakeholder analysis (see section 2.5 of the project document). The project Steering Committee will participate in the mid-term review and develop a management response to the evaluation recommendations along with an implementation plan. It is the responsibility of the UNEP Task Manager to monitor whether the agreed recommendations are being implemented.

An independent terminal evaluation will take place at the end of project implementation. The Evaluation and Oversight Unit (EOU) of UNEP will manage the terminal evaluation process. A review of the quality of the evaluation report will be done by EOU and submitted along with the report to the GEF Evaluation Office not later than 6 months after the completion of the evaluation. The table below summarizes the M&E plan.

M&E activity	Responsible Parties	**Budget US$**	Period
Inception Workshop	▪ Project Management Unit ▪ UNEP	1.500	Within 2 months of project start-up
Inception Report	▪ Project Management Unit ▪ UNEP	None	Immediately after Inception Workshop
Measurement of progress and performance indicators	▪ Project Management Unit ▪ Executing agencies and consultants	None (Costs are included in management budget)	Annually, before the APR/PIR and preparation of AWPs
Quarterly Progress Reports	▪ Project Management Unit	None	Quarterly
Annual Report/Project Implementation Report (APR/PIR)	▪ Project Management Unit ▪ UNEP	None	Annually
Steering Committee Meetings	▪ Project Management Unit ▪ UNEP ▪ National Counterparts	None	Following Inception Workshop and subsequently at least quarterly
Mid-term Evaluation	▪ Project Management Unit ▪ UNEP ▪ External Consultants	15.000	Project mid-term (october 2nd year)
Terminal Evaluation	▪ Project Management Unit ▪ UNEP ▪ External Consultants	15.000	End of project implementation
Terminal Report	▪ Project Management Unit ▪ UNEP	None	At least one month before end of project
Audit	▪ UNEP ▪ Project Management Unit	48.287	Annually
Lessons learned	▪ UNEP ▪ Project Management Unit	None	Annually
Field visits	▪ Project Management Unit ▪ UNEP ▪ National counterparts	None 1500	Permanently
TOTAL INDICATIVE COST		79,787	

PART II: PROJECT JUSTIFICATION: In addition to the following questions, please ensure that the project design incorporates key GEF operational principles, including sustainability of global environmental benefits, institutional continuity and replicability, keeping in mind that these principles will be monitored rigorously in the annual Project Implementation Review and other Review stages.

A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:

In the Sierra-Costa region of Chiapas, land use change is a critical factor in the conservation of biodiversity and ecosystem services. The relationships between land use systems and practices, on the one hand, and biodiversity conservation and ecosystem service provisioning, on the other, are particularly evident. Important land use threats to biodiversity and ecosystem services include: abandonment of shade coffee and cocoa cultivation in favor of land uses with lower biodiversity values, such as cattle grazing and more-intensive coffee production; conversion from traditional production systems that combine maize, food crops and grazing to open pasture systems; cultivation and grazing on steep slopes; cattle grazing in riparian zones without protective forests; livestock grazing within forests; poorly managed application of agro-chemicals; uncontrolled fire as an agricultural and range management tool; unsustainable logging and wood harvesting for timber and domestic uses; and unsustainable hunting and collecting of animals and plants.

Root causes of these threats relate to the factors affecting land use decisions by land users, such as the existence and awareness of incentives for environmentally friendly practices; community rules for natural resource use and management; government plans and regulations affecting land use, including enforcement mechanisms; and awareness by land users, watershed commissions and other policy makers of the impacts of land use practices on ecosystem service and biodiversity benefits.

Barriers to addressing these threats relate to: knowledge gaps on the linkages between land use practices, on the one hand, and biodiversity and ecosystem service provisioning, on the other; lack of tools for decision-makers to integrate such knowledge into land use planning; absence or weakness of public and market-based economic incentives for environmentally friendly practices and limited capacity to access them; and understanding of the growing interactions of climate change impacts with land use practices.

Natural disasters such as hurricanes have helped to raise awareness by land users and policymakers of the adverse impacts land use practices can have on important ecological functions of forests and other vegetation. As part of its effort to address these problems, the government is establishing watershed committees to coordinate watershed protection and management among a range of stakeholders through locally driven, integrated resource management. Watershed committees constitute an appropriate institutional framework for mainstreaming biodiversity and ecosystem services considerations into land use policies and planning.

In order to design and implement adequate land use policies and management, more knowledge about land use-ES/BD linkages under varying conditions, crops and land use practices is needed. The project will increase the knowledge base and understanding of relationships between land uses and environmental service provisioning, specifically for the Sierra-Costa region, and develop and pilot tools, methodologies and protocols with which watershed committees and other governmental and non-governmental actors in the region can integrate this type of information and thinking into their environmental decision-making and land management activities. It will implement capacity-building activities for watershed committees, land users and other decision-makers and promote systematic application of ecosystem service considerations in public and private decision-making through the watershed management approach.

The project will also pilot strategies to increase access by land users to environmental service payments from both government programs and private sector markets in return for adopting sustainable production practices and making land use decisions that benefit biodiversity and maintain environmental services at levels that ensure sustainable livelihoods and a healthy environment. Under component 3, the project will prepare market studies and marketing plans for market-based PES mechanisms and environmentally friendly products that are currently or potentially viable at different sub-watershed levels in the Sierra-Costa region; it will also build capacity among land users and supporting organizations to implement these plans. The project will promote incorporation of ecosystem service and biodiversity considerations in reforestation and restoration activities, particularly in riparian zones and pastures. By piloting, institutionalizing and monitoring these mechanisms under a range of crops, land use intensities and ecological and socioeconomic conditions from the Sierra Madre to the Pacific coast, the project will increase our

understanding of the relationships between land uses and ecosystem service provisioning and provide a basis for replication of these mechanisms across landscapes in Mexico and globally.

The region of project intervention encompasses two important areas for biodiversity within the Mesoamerican Hotspot: the Sierra Madre, with four contiguous biosphere reserves, and the coastal wetlands where another biosphere reserve is situated. Home to many globally threatened species, the entire region is considered a Nationally Important Bird Area, with nearly four hundred species of avifauna found here. The region is also considered a centre of endemism for both salamanders and butterflies. Along the coast it hosts the largest mangrove forest in Mexico, an area which is an important breeding site for migratory and resident birds and for a number of endemic and threatened marine fish species. In addition, the coastal area is an important migratory route for dolphins and whale sharks. By integrating biodiversity and ecosystem service considerations into land use planning in the Sierra-Costa region, the project will help to conserve many species of global concern and preserve or restore essential ecosystem functions in critical habitat areas.

Global benefits	Domestic benefits
Biodiversity in the Sierra Madre Conservation of charismatic species that are of global conservation significance and endangered: e.g. jaguar, tapir, anteater, quetzal, emerald toucanet, azure-rumped tanager, ocellated quail, pink-headed warbler, green-throated mountain gem and horned guan, an endangered cracid found only in the upper elevation cloud forests of Chiapas and adjacent Guatemala. 2,500 to 3,000 species of plants, some 10 to 12 per cent of all plant species in Mexico. El Triunfo's cloud forest hosts one of the most diverse arrays of tree species in North and Central America, including giant tree ferns, and is covered by an enormous diversity of epiphytes. Some 55 species of reptiles and 82 of mammals have been recorded throughout the biosphere reserve.	Ecosystem services of the Sierra Madre Water catchment area for lowland communities and towns, as well as agricultural plains; water quality for human and animal consumption. Channels a considerable amount of water to the Grijalva River which feeds the most important complex of hydroelectric power plants in the country. Conservation of soil quality, fertility, nutrient cycles. Prevention of flooding in lowland and urban areas/avoidance of disaster reduction costs. Important potential for carbon sequestration and storage; its scenic beauty has a vast potential for tourism.
Biodiversity in the Coastal Wetlands Lagoon systems host the largest and densest mangrove forest in Mexico and one of the largest in Mesoamerica. La Encrucijada is habitat for abundant wildlife, including 73 mammal, 11 amphibian, 34 reptile, and 294 bird species. Endangered and threatened species: jaguar, ocelot, jaguarundi, spider monkey, Mexican anteater, river crocodile, boa constrictor, olive ridley and leatherback turtle seek. Nesting grounds for threatened bird species such as the roseate spoonbill, American wood stork, chestnut-bellied heron, and the giant wren - which is found only in Chiapas - as well as 94 species of migratory shore and songbirds.	Ecosystem services of Coastal Wetlands Mangroves and extensive reed areas help filter polluted waters pouring in from the Sierra and the coastal plains, thus maintaining levels of water quality tolerable for the rich aquatic fauna of the lagoon and for the provision of ecosystem services and goods, like fish, shrimp and other marine species, to its inhabitants.
Global knowledge The project will contribute to the global knowledge base on the relationship between biodiversity, ecosystem services and human well-being, as well as to the development of tools for mainstreaming ecosystem services into development and economic decision-making.	Payments for Ecosystem Services Improved access to incentives for land users thereby creating additional opportunities for better livelihoods.

B. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH NATIONAL AND/OR REGIONAL PRIORITIES/PLANS:

Mexico's National Development Plan 2007-2012 defines environmental sustainability as one of its five guiding principles[1]. Environmental sustainability should be a transversal element of all public policies, improving inter-institutional coordination and sector integration. Environmental sustainability criteria must be mainstreamed in policy decision-making, particularly in the productive and in the rural sector[2]. The proposed project is fully consistent with these orientations, as mainstreaming environmental sustainability considerations, particularly biodiversity and ecosystem service conservation, into public development policies at the local and sub-watershed level is at the centre of its objectives.

[1] In the Spanish original: "Ejes Rectores". See: Plan Nacional de Desarrollo 2007-2012. http://pnd.calderon.presidencia.gob.mx/
[2] Plan Nacional de Desarrollo 2007-2012. http://pnd.calderon.presidencia.gob.mx/sustentabilidad-ambiental.html

The proposed project is also consistent with state policies. The State Development Plan of Chiapas 2007-2013 includes Environmental Management and Sustainable Development as one of its four main components. One of the objectives of this plan is conservation of priority ecosystems which host the state's biodiversity. Other objectives which coincide with expected results of the present project are: Biological monitoring in priority areas for conservation; integrated management of hydrological watersheds, as well as participation of users and society in water management; strengthening capacities for accessing markets of sustainable products[3].

The strategic goal of the present project is "to contribute to the conservation of biodiversity (BD) and ecosystem services (ES) in Mexico". BD conservation became established as a priority in Mexican national policies, since the country signed in June 1992, and ratified in March 1993 the Convention on Biological Diversity (CBD). The intersecretarial Commission for the Knowledge and Use of Biodiversity CONABIO was created in 1992 by presidential decree, with the President of the Republic as its first authority, and the Minister of Environment as its secretary. CONABIO coordinated in 2000 the elaboration of the National Biodiversity Strategy of Mexico (NBSM) and its Action Plan. In 2002, CONABIO began, in collaboration with state governments and different sectors from society, the preparation of two strategic planning documents for each state of the country: a State Study (SS): Diagnosis on the biodiversity of the state and preparation of a document counterpart to the Country Study; and a State Biodiversity Strategy (SBS): Long term public policy planning tool which establishes actions, actors and the necessary resources for the conservation and sustainable use of biodiversity. In March 2006 the south-southeastern states of Chiapas, Oaxaca, Yucatán, Campeche and Quintana Roo signed the "Merida Declaration", where they agreed to prepare State Biodiversity Strategies for this region, placing conservation of biodiversity at high levels of the political agendas of the state governments.

Furthermore, the ecosystem focus of the project, emphasizing sustainable use and conservation of key ecosystems such as the Sierra Madre and the coastal wetlands, are fully in line with Mexico's priorities at recent Conferences of the Parties to the CBD. The project will contribute to address the needs identified by the National Capacity Self-Assessment (NCSA, 2005/6) especially by monitoring of natural resources, forest cover and the state of ecosystems in the critically important Sierra-Costa region and by building the capacity of local institutions in biodiversity and ecosystem monitoring.

Objectives, expected project outcomes and planned activities fit into the strategies of several key stakeholders for biodiversity and ecosystem conservation in the region:

- CONANP's strategic objective of conserving the country's most representative ecosystems and their biodiversity, with the participation of all social and institutional sectors.
- CONAGUA's policy of establishing watershed committees as management entities for natural resources development and conservation.
- CONAFOR's program of Payments for Environmental Services (PSA) that includes payments for hydrological services, biodiversity conservation, agro-forestry practices and development of projects for carbon fixation by forests.
- CONABIO's efforts under the Mesoamerican Biological Corridor, which are also supported by GEF, to restore degraded ecosystems and promote the sustainable use of natural resources, in particular in the Sierra Madre of Chiapas.
- IHN's strategic objective of conservation and sustainable use of the natural patrimony of Chiapas, by monitoring of endangered and conservation dependent species, research and technical assistance for restoration and management of (agro-) ecosystems, including watershed management and climate change mitigation.
- COFOSECH's reforestation and soil conservation policies which include an explicit watershed management approach.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:

[3] Plan de Desarrollo Chiapas Solidario 2007-2012. Eje 4. Gestión Ambiental y Desarrollo Sustentable. http://www.chiapas.gob.mx/media/plan/EJE4.pdf

The project is consistent with one of the primary goals of the Biodiversity Focal Area: to maintain ecosystem goods and services that biodiversity provides to society. In particular, it supports Strategic Programs 4 and 5 of Strategic Objective 2 (SO2), whose focus is supporting integration of biodiversity considerations into sectors outside the environment. Consistent with the objective of SP4, which emphasizes the importance of providing information on the value of biodiversity for economic development at local and national levels, the project will build the knowledge base on the value of biodiversity and ecosystem services for specific production practices, land uses and livelihoods in the Sierra-Costa region. It will develop tools and methodologies for, and build the capacity of, policymakers, planners, land users and extensionists to monitor and assess the status of biodiversity and ecosystem service indicators in relation to land use practices and to mainstream the findings into land management decision-making with a focus on the sub-watershed scale. Consistent with SP5, which supports the fostering of markets for biodiversity goods and services, the project will pilot and demonstrate market-based instruments that reward the protection of ecosystem services and biodiversity and sustainable production practices under different land uses. It will support activities to expand access to specialty markets and certification systems for a number of sustainable commodities such as beef and dairy products, organic coffee and cocoa, and timber and non-timber products. It will also strengthen initiatives to enhance access to voluntary markets for carbon, biodiversity and water services. In implementing these activities, the project will partner with a number of public and private sector actors on the demand side, and develop or improve conservation best practice guidelines to support voluntary certification mechanisms for different land uses, consistent with SP5 objectives related to supply chain initiatives.

D. JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES:

Financing support from GEF will be directed basically to capacity-building activities, according to its objective of creating added value to the business-as-usual scenario. Thus, about 55% of GEF funds are assigned to direct technical assistance (consultancies) for land users and institutional stakeholders; another 20% is dedicated to training activities (workshops, training materials). The GEF-financed Capacity Building Advisor project coordinator (8% of GEF contribution) will devote significant attention to the watershed committees, ensuring and supporting their active participation and the effectiveness of activities to build their capacity. Thus, more than 80% of GEF resources are directly related to capacity-building activities.

E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

The proposed project will coordinate with other related initiatives at two levels: (1) international and (2) national/regional.[4] At the international level, the proposed Chiapas initiative will be linked to a series of ecosystem services projects undertaken by UNEP in the context of its Ecosystem Management Program and thus benefit from their cumulative knowledge base and lessons learned. Their focus is the development of analytical work aimed at understanding variations of the different ecosystem services targeted, thus helping policy makers to incorporate trade-offs in development policy. This cluster of initiatives will contribute to a critical mass of knowledge management in support of this program's strategy in different settings. The Ecosystem Management Program will take advantage of opportunities for collaboration and cross fertilization among the initiatives, with programmatic coordination carried out at UNEP's headquarters at a global level. The initiatives include:

- UNEP's GEF-funded Project for Ecosystem Services (ProEcoServ), which will take the lead in developing and applying appropriate ecosystem management tools within sectoral planning frameworks and macroeconomic planning models in close coordination with its Division of Environmental Policy Implementation (DEPI).
- The GEF-funded UNEP-CONANP initiative in preparation in the state of Oaxaca; its objective is "to mainstream biodiversity conservation into natural resource use and development planning in the Mixteca region, integrating ES tools and sustainable livelihood options".
- UNEP and UNDP are developing a GEF project to test PES schemes in Argentina that includes strengthening access to government supported schemes and, to some extent, free market initiatives. Hence it represents an excellent opportunity for exchange of experiences and lessons with the present project.

[4] A summary of this is given in the coordination plan included in the project document, chapter 2.7.

- UNEP's Uganda PES project, which is experimental in approach, will provide valuable lessons in how a PES scheme can provide social benefits and meet environmental objectives, in particular through empirical evidence generated by the project regarding the effectiveness of the PES schemes. During implementation, cross fertilization will be fostered through contact between task managers and at the steering committee level.

For these and other related initiatives UNEP will ensure that this collaboration continues during the implementation phase at the PSC level. The UNEP Task Manager is in a position to promote such interaction mainly with other relevant UNEP and GEF projects in geographic or thematic overlap. These can take place on a virtual level among specific projects or at the corporate/programmatic level as detailed elsewhere. Experience shows that the proactive planning to make exchange-fostering activities coincide may even allow for real time events to take place amongst projects with little or no extra budgetary burden.

At the national & regional level, the project will complement and reinforce several other PES programs that are presently being implemented in Chiapas. These include the ProArbol program of CONAFOR, which is partially supported by GEF and provides payments for carbon, watershed services and biodiversity. The goal of ProArbol is to provide economic incentives to forest owners to avoid deforestation as well as to build capacities to develop environmental services markets in Mexico. The current proposed project will strengthen capacities of watershed committees and other local stakeholders to access these payments as a funding mechanism for the implementation of their watershed management strategies. It will also promote research and monitoring to develop the methods, tools and protocols to better target critical ecosystem services through such payments.

Since 2006 and until 2011, CONAFOR is implementing the GEF and World Bank-funded Environmental Services Project. The core objectives of this project are to: a) develop efficient and practical models for expanding and sustaining market-based PES programs; and b) improve the existing payment for environmental services program of CONAFOR to better define and focus its support to strategic mountain and forest ecosystems. The project also includes the documentation of links between land use and conservation of biodiversity, carbon and hydrological services. The current proposed project will undertake dialogue with CONAFOR about lessons learned from this experience and will take them into account in its strategy to strengthen access of land users in the Sierra-Costa region to market-based and user-funded PES mechanisms. It will also work with CONAFOR to strengthen its PES program in several ways: by providing data to allow selection of high-risk areas for ES and BD conservation; improving its capacity to link its PES beneficiaries in high-BD & ES value areas with other ES buyers at the end of their participation in the CONAFOR program; and developing a proposal to improve the integration of CONAFOR's program with other sustainable production and conservation initiatives at the sub-watershed scale.

Some existing NGO initiatives are providing land users in the Sierra Madre with access to voluntary carbon markets. The most advanced model is the Solel'Te project. Ambio, in collaboration with the University of Edinburgh and ECOSUR, has designed and implemented this project, which uses the Plan Vivo system (see project document, paragraph 40) to certify carbon projects with farmers in communities in Chiapas and Oaxaca. Since 1998, Ambio has managed the BioClimate Fund, a marketplace for voluntary sellers and buyers of carbon credits. From 1997 to 2006, the fund sold over 77,000 credits, but it still faces the challenge of identifying buyers, and could possibly garner a higher price per credit if it were to target buyers who particularly value the multiple benefits of Plan Vivo certificates (climate change mitigation, poverty alleviation, and biodiversity conservation). With support from CI, Ambio and Aires de Cambio (another local NGO) expanded the Scolel'Te project into ten communities in the Sierra Madre with a model combining conservation coffee and carbon credits. Ambio has plans to expand the model to 23 additional communities in the Sierra Madre.

The development of the above-mentioned GEF-funded UNEP-CONANP initiative in Oaxaca offers opportunities for exchange of experiences and mutual learning, specifically regarding ES monitoring tools and best practices for improving sustainable livelihoods in communities in high priority areas for ES and BD. Collaboration is already ongoing through exchanges between project teams during project preparation activities.

TNC and ECOSUR are working on a carbon baseline for possible carbon projects in El Triunfo; this will be a valuable baseline against which the present project can measure its progress in ecosystem restoration at this site. Since 2008, PRONATURA is implementing a GEF-funded project aimed at reducing community pressure upon non-timber forest species, like orchids and palms (especially Chamaedorea quezalteca). The current project will reinforce this project by providing support to its marketing efforts (marketing plan, certification of sustainable products).

Currently, CONANP is implementing with GEF funds the fourth tranche of the project "Consolidation of the Protected Area System (SINAP II)", which includes La Sepultura Biosphere Reserve in the Sierra Madre and the nearby El Ocote Biosphere Reserve. This project is focused on strengthening sustainable financing of natural protected areas and will contribute to higher sustainability of ES and BD conservation measures in the Sepultura Biosphere Reserve.

The proposal budget includes funds for a number of activities to support the coordination and interaction described above, including workshops with land users, local authorities and officials at the regional and federal level for the exchange of experiences, presentation of lessons learned, mainstreaming of ES and BD considerations into natural resources management policies and other subjects (further details on specific activities budgeted are presented in section 2.7 of the project document).

The proposal has included tasks within the project personnel TORs (project document Appendix 11) to implement such coordination, as outlined in section 4 of the project document. In addition, the Project Steering Committee will provide a forum for institutional level coordination. The interaction in the PSC of key actors representing the most relevant institutions at this level provides an excellent opportunity for dynamic planning and coordination of activities, exchanges and cooperation/coordination of this project with other existing and emerging initiatives throughout the life of the project. As noted above, the UNEP Task Manager is in a position to promote such interaction with other relevant UNEP and GEF projects in geographic or thematic overlap at a global level. On the other hand, the other institutions participating in the PSC, such as CI, CONANP and CONAFOR who carry out other related GEF initiatives as well within Mexico, will have the opportunity for the systematic promotion of project synergies and exchanges of experience within their portfolios at the institutional level. As mentioned above, section 2.7 of the project document includes a table presenting the main areas of coordination and the associated institutional partners.

F. DISCUSS THE VALUE-ADDED OF GEF INVOLVEMENT IN THE PROJECT DEMONSTRATED THROUGH INCREMENTAL REASONING :

In the absence of the project, decision-makers and land users in the Sierra-Costa region of Chiapas will continue to undervalue the environmental services provided by the region's ecosystems, including its biosphere and forest reserves, which also host much of the region's globally significant biodiversity. This undervaluation of ES will be due in part to an insufficient knowledge base on: the status and dynamics of important ES and BD components in the project area; links between land use and ES/BD; and on factors influencing individual and collective land use decisions. It will also derive from limited and unfocused diffusion of existing knowledge to decision-makers and land users.

While the watershed management approach would slowly expand under existing federal legislation as a result of CONAGUA's efforts to promote new watershed committees in some sub-watersheds, with priority for flood prevention in highly populated lowlands, the lack of information and tools to encourage and allow local stakeholders to recognize and value ecosystem services will impede them from including BD and ES considerations systematically in land use planning and decision-making processes. This will be true in particular in the context of watershed management, but also at the level of key municipal, state and federal stakeholder institutions with high potential impact on sub-watershed development in the Sierra-Costa region. Policies and programs governing sectoral activities in and outside the environment sector will continue to include few, if any, measures to conserve and sustainably use biodiversity; for example, municipal development plans and projects will continue to prioritize 'end-of-the-pipe' infrastructure works, without considering causes and effects of land use decisions in the higher parts of the Sierra. Institutional obstacles that discourage watershed committees from developing coordinated plans for introducing sustainable production practices and restoration activities will remain high, and initiatives in this area will be few and scattered.

Under the business-as-usual scenario, access by land users in sub-watersheds to government-funded, market-based and user-funded PES programs, as well as to premium markets for sustainable products, would continue to have a weak focus on ES and BD priority areas. These programs and markets would also benefit relatively low numbers of land users and generate a lower corresponding value of payments, thus creating insufficient incentives for land users to take ES and BD- friendly land use decisions.

The limited knowledge and information about ES and BD and their links with land use patterns, a low degree of integration of ES and BD considerations into land use policies at the sub-watershed level and low levels of land user access to public and private reward systems for ES and BD conservation would lead to a continued loss of forest cover and related ecosystem services, a failure to re-establish forest in critical areas such as riparian buffer zones, and associated deterioration in the status of globally significant species that depend on such forest habitats. Furthermore, agricultural land users would continue to use inappropriate production methods that contaminate water courses with sediment and pesticides and degrade critical aquatic habitats for globally threatened species, including in the region's biosphere reserves.

The project will provide watershed committees and associated institutions with the knowledge and tools to take ecosystem services, including biodiversity conservation, into account in their decision-making and to improve access to incentives mechanisms by land users who conserve ecosystem services, both through government and private sector funded payment mechanisms and through increased marketing of sustainable products. The project will take an ecosystem-based approach and therefore focus its support on sustainable production, restoration and conservation initiatives located in areas of high biodiversity value, such as protected area buffer zones, corridors, and remnants of native forests, especially riparian forests. The value added of GEF resources lies in supporting the expanded implementation of public and private incentive mechanisms and markets that are now difficult to access or perceived as risky or of unknown benefit by land users, but which have significant potential for growth and delivery of global environmental benefits. The ecosystem conservation reward mechanisms and watershed-scale resources management framework promoted and strengthened by the project will be of general enough applicability to be widely scaled up throughout Mexico and into other countries.

G. INDICATE RISKS, INCLUDING CLIMATE CHANGE RISKS, THAT MIGHT PREVENT THE PROJECT OBJECTIVE(S) FROM BEING ACHIEVED AND OUTLINE RISK MANAGEMENT MEASURES:

Different types of risk are identified for each of the project components: (1) Risks related to knowledge building and monitoring of BD/ES key indicators; (2) Risks related to enhancing access of land users to economic incentives for taking ES/BD-friendly land use decisions; (3) Risks concerning effective operation of watershed committees (WSC) and effective coordination with other key actors for sustainable development in the Sierra-Costa region; and (4) climate change risks specific to the project goal of conservation of biodiversity. These risks are presented in the table below.

Risk	**Probability of occurrence**	Mitigation strategy
Scientific knowledge basis is inadequate to justify and rationalize deals between buyers and sellers of ES	M/L	The project will strengthen the knowledge basis by monitoring and analyzing relationships between land use and ES provision (particularly water quality). For carbon payments, the science for measuring and monitoring changes in carbon stocks is relatively straightforward; CI is applying it and communicating it to buyers of voluntary carbon offsets in many projects outside Mexico, so no major difficulties are anticipated. Payments for biodiversity under CONAFOR are based on the presence of endangered species, and CI has significant experience in supporting local stakeholders in developing successful proposals for such payments.
Certain key actors (communities, watershed committees, government agencies, universities) might not be willing to participate actively, and in a coordinated manner, in the process of monitoring BD/ES indicators.	L	While participation and coordination among key stakeholders in the knowledge-building and monitoring process can be influenced only partially by the project, the project will benefit from and take advantage of the long experience and interest in this field of key project partners such as CONANP, IHN, CI, and ECOSUR. With their support, the project will promote regular involvement of other actors in the monitoring process, particularly municipalities and selected communities.

Risk	**Probability of occurrence**	Mitigation strategy
Regular monitoring and assessment of key indicators and BD/ES-land use links in the Sierra-Costa region might not be sustainable and may not be continued after the end of the project because no institution with sufficient technical and financial capacities will have assumed the responsibility to coordinate the monitoring process.	M	The sustainability of monitoring key ES and BD indicators in the Sierra-Costa region will be enhanced through early allocation of coordination responsibilities to actors with permanent presence in the region, particularly IHN and ECOSUR. The State Working Group of Ecosystem Services (GESE) will support the process; this group includes actors from the governmental, non-governmental and academic sectors that will participate in the project (CONANP, COFOSECH, CONAFOR, SEMAVI, ECOSUR, MBC, IHN, Ambio, CI, PRONATURA, FONCET, Chapingo Postgraduate College). Its mandate is to promote and strengthen initiatives for compensating ecosystem services in the state of Chiapas, in particular by ES research and monitoring.
Government-supported PES programs or sub-programs could be suspended	L/M	This risk is considered to be low in the short term, given that Mexico has an established PES system for carbon, watershed services and biodiversity (with pilot payment programs in place in the Sierra Madre de Chiapas) and has also made commitments under other initiatives such as the GEF/WB-funded Environmental Services Project 2007-2010. On the other hand, the risk that funds for governmental PES programs or sub-programs could be reduced in the medium-longer term might be considered as medium level, given the current budget problems of the Mexican government caused by the international economic crisis and severely reduced revenues from oil sales. Consequences could include restrictions in the coverage of the PES program in Chiapas. Although it would be difficult for the project to reduce this risk, it can help to mitigate possible impacts by vigorously promoting access to user-funded and market-based PES programs under component 3.
CONAFOR may have limited willingness to implement innovative proposals to strengthen its PES programs (e.g. better targeting risk areas; developing market-based schemes; and improving performance of technical advisors to land users, among other aspects).	L	In the past, CONAFOR has demonstrated its willingness and capacity to adapt its PES programs for water quality and regulation, biodiversity conservation, and carbon sequestration. Recommendations by earlier evaluations have been integrated into the design of these programs and their operative rules. Recommendations by this project for strengthening CONAFOR's PES programs will build on findings of former evaluations and on current discussions within CONAFOR, so as to offer realistic and well-adapted alternatives.
The demand potential of willing buyers of ES and BD credits in regional, national and international markets might be too limited to incentivize improved land use practices.	L	The main bottleneck for successfully selling carbon, water services and biodiversity credits on voluntary markets relates to the limited marketing capacities of sellers and actors supporting them (for example, the case of Ambio helping land users to sell Scolel'Te carbon credits), and not to the lack of willing buyers. So the project focus on building the marketing capacities of sellers of ES/BD credits will expand their access to markets. No major problems in finding willing buyers are anticipated.

Risk	**Probability of occurrence**	Mitigation strategy
Markets may not be interested in paying environmental premiums for certified products such as coffee, cocoa and cattle.	L/M	This risk is expected to vary from low to medium across the project sites, depending on the products in question. The risk is relatively small for coffee, where environmental premium markets are well established and where CI has 10 years of experience in the Sierra Madre promoting conservation coffee. The risk is also limited for cocoa, given that Soconusco is a "charismatic" cocoa source region and an origin of *criollo* cocoa varieties. However, the risk may be significant for beef from cattle raised in environmentally friendly production systems; the project will therefore invest effort in identifying appropriate markets, such as those promoted by SECAM, which provides marketing support for sustainable beef and dairy products, including the annual organic products fair, ExpoOrganico.[5] It should also be noted that the bundling of environmental market premiums with other forms of PES (e.g., payments for carbon services within silvo-pastoral systems) reduces the risk of not being able to obtain rewards for the ES land users provide.
Community conflicts and low social cohesion could undermine initiatives to access PES programs or premium markets for sustainable products that require organized action by land users, such as producing sustainable and reliable quantities of environmentally friendly coffee or xate palm leaves.	M	This risk should not be underestimated. Frequently, organized activities by land users fail because of low social cohesion in the community and/or lack of organizational capacities. The project will mitigate this risk by carrying out organizational viability assessments before committing its support to organized PES and sustainable production initiatives in selected communities.
Low levels of effectiveness by watershed committees in decision making and management of natural resources might persist due to insufficient human and material resources, lack of continuity of WSC management staff beyond the three-year period of municipal administrations, irregular participation by key stakeholders (especially land users and key government agency representatives) in WSC sessions, and political partisanship.[6]	L	In spite of the fact that watershed committees have only recently been introduced in Chiapas, they have so far been relatively successful as a local institutional framework for natural resource conservation and management in the Sierra Madre, where watershed management has a substantial history. Although watershed committees in the Sierra Madre are not yet fully functional, there is every reason to assume that, with increased support through the project interventions in partnership with CONAGUA, they will become increasingly effective over the lifetime of the project.

[5] Gurr, 2009: 9

[6] See paragraph 62; findings based on studies prepared during the PPG phase: Santillán & Pineda, 2009 (Appendix 20); Guillén, 2009 (Appendix 18)

Risk	**Probability of occurrence**	Mitigation strategy
Some key actors, especially in the economic and public infrastructure sector (such as SAGARPA, SECAM or the state Ministry of Infrastructure), could show little disposition to implement and co-finance WSC-coordinated projects to introduce or reinforce sustainable production practices and conservation/restoration activities.	M	The project strategy to reduce this risk is to enter into an active dialogue with these actors, based on the environmental and sustainability principles to which all have subscribed in programmatic documents. This dialogue will be led by key project stakeholder institutions, such as CONANP, IHN, COFOSECH, CI, and CONAGUA.
Major climate change risks for the region include hurricanes, the impacts of higher temperatures on land use patterns and wildfires.	M	Higher frequencies of hurricanes with prolonged rainfalls lead to landslides, loss of forest cover and increased sedimentation in coastal lagoons, aggravating threats for biodiversity and ecosystem services. Consequently, the project will concentrate its threat mitigation activities in high risk areas of sub-watersheds. A hotter climate with more irregular rainfall will be less favourable to the production of quality coffee in the region, and lower profitability may compel farmers to abandon shade coffee and expand other land uses of less biodiversity value, probably at the expense of forest. To reduce this serious risk, the project will promote BD-friendly coffee growing and processing practices, including: complex shade, which can offer some hurricane protection; payments for forest conservation and restoration from existing government programs and private initiatives; diversification of income sources to mitigate risks associated with unstable environmental conditions and coffee markets; access to markets that reward sustainable land use practices and forest conservation; and strengthening of local capacity, especially of watershed committees, for adaptive resource management. Higher temperatures and more irregular rainfalls increase also the risk of wildfires, especially in the dryer north-western parts of the Sierra Madre. While significant areas of forest are still destroyed every year by wildfire, fire management programs implemented by governmental and non-governmental organizations in the Sierra Madre have contributed to controlling somewhat this risk. The project will not participate directly in these programs but they should help to mitigate this risk.

H. EXPLAIN HOW COST-EFFECTIVENESS IS REFLECTED IN THE PROJECT DESIGN:

The basic assumption of the project design is that the sustainable management and conservation of natural resources, including biodiversity, is achieved in a most cost-effective manner 1) through local management at the sub-watershed scale, 2) through an incentive-driven approach based on environmental service rewards, and 3) building on existing institutional structures in the government, NGO and academic sectors for supporting capacity building processes.

Strengthening the local management of natural resources at the sub-watershed scale is particularly cost-effective under the conditions in Mexico, where the federal government and the municipalities provide basic funding for watershed committees; this project will focus on building the capacity and developing the necessary tools and protocols that these committees can use for planning and monitoring the state of the environment. Experience in the existing watershed committees has shown that the sub-watershed is the appropriate scale for coordinating the efforts of different governmental and non-governmental institutions, thereby achieving programmatic and funding synergies.

One alternative would be to plan and coordinate natural resource conservation exclusively at higher scales (e.g., the state level) where it is difficult to integrate site-specific information, especially in such heterogeneous regions such as the Sierra Madre de Chiapas and its adjacent sub-watersheds. Another alternative would be to perform these tasks at a smaller scale but not linked to sub-watersheds (e.g., exclusively at the municipal level), which would be less effective in a region where sub-watershed processes are of such predominant importance for the functioning of ecosystems as in the "Sierra-Costa" region of Chiapas.

This project also favors a reward-and-incentive approach to the management of natural resources rather than an approach based exclusively on rules and policing (which are both necessary as well) for numerous reasons, including cost effectiveness. In an area of difficult access such as the Sierra Madre, which is dominated by small landholders, it is very difficult to enforce land use regulations if these are not also in the interests of the land users. The project's approach is therefore to facilitate access to incentives and rewards for communities for land use practices and activities that benefit the environment and help ensure the delivery of environmental services to downstream users. Through this approach, the interests of upstream and downstream land users will often coincide and better results can be expected in terms of resource conservation than with a traditional approach based solely on the (often unsuccessful) enforcement of rules.

An important factor in the current design's cost efficiency is the implementation and sustainability strategy that builds on existing institutional structures in the government, NGO and academic sectors. The project strategy involves an increasing use of local resources from public institutions and civil society actors to reduce the (cash) costs of activities that contribute to BD and ES conservation. Participating institutions will build costs of project implementation into their normal business practices. The strategy also involves co-financing not only between GEF and non-GEF funds but also among local stakeholders in order to minimize duplication or overlap of activities and rationalize conservation-based policy and planning, thus enhancing sustainability. These principles will be put into practice in each one of the three project components.

PART III: INSTITUTIONAL COORDINATION AND SUPPORT

A. INSTITUTIONAL ARRANGEMENT:

The present project is the product of a partnership between UNEP, CONANP, IHN and CI, based on their common interest and experience in the development of ecosystem service approaches to biodiversity conservation. As executing agencies of this project, the partnership of the latter three is strengthened by the inclusion of COFOSECH and CONAGUA and their competencies in forest restoration and watershed management, which has contributed to the definition of project results and activities. The institutional framework of the project includes other actors from the government, NGO, academic and civil society sectors (see following section III.B) who will be involved in implementing the project strategy for mainstreaming biodiversity and ecosystem service considerations in the decision-making in the Sierra-Costa region of Chiapas.

The partnership is complemented by UNEP, providing a solid background on the understanding of the linkages between ecosystem services and human wellbeing. The Ecosystem Management Program and Mid Term Strategy provide the programmatic framework for UNEP to fulfill its role as GEF implementing agency supported by a long standing program of work linking science and policy. Thus overall backstopping to support decision making in Chiapas based on a better understanding and scientific assessment of ecosystem services and their relationship with natural resource based livelihoods in rural settings is guaranteed.

UNEP/DEPI's Ecosystem Services Economics Unit will provide technical backstopping as needed, in particular with regard to strengthening the scientific understanding of ecosystems functions, including assessment and review as well as policy and law development in relation to ecosystem management that takes socio-economic aspects into account.

Please refer to the project document, section IV, page 53.

B. PROJECT IMPLEMENTATION ARRANGEMENT:

The project will establish a Steering Committee (PSC) composed of CONANP, CI, IHN, COFOSECH and CONAGUA as executing partners, and UNEP as GEF implementing agency[7]. The formal representative of each executing partner will be the institution's general director in the state of Chiapas or corresponding region, although they may nominate a representative to attend PSC meetings. The steering committee will be chaired by CI and meet quarterly. Its principal functions will be to approve regular work plans, provide strategic guidance and oversight to project implementing organizations, review progress and evaluation reports, discuss problems or strategic issues that might arise during implementation and provide support for the necessary inter-institutional coordination and contributions to project activities. The PSC will maintain continuous exchange of information among its members by electronic means, and additional ad hoc steering committee meetings can be convened via telephone conference or other means, if necessary.

Project implementing partners and executing agency: CONANP, IHN, COFOSECH, CONAGUA as implementing partners and CI as executing agency have initiated and led the development of the project and, as members of its Steering Committee, will play the lead role in implementing and monitoring the project and maintaining its strategic focus. They will contribute most of the co-financing for the project and will also implement specific activities under the three project components. For example, CONANP will co-finance and carry out BD monitoring activities as well as sustainable production and ecosystem restoration pilot projects, including the provision of training and technical assistance. IHN will participate mainly in ES and BD monitoring and research, but also in promoting and supporting eco-friendly production activities and in strengthening the land use planning and policy coordination activities of the watershed committees. COFOSECH will play a strong role in pilot reforestation, soil conservation and ecosystem restoration activities, as well as in activities to improve land users' access to PES and support for sustainable production practices. CONAGUA will engage in strengthening the planning and implementing capacities of watershed committees, monitoring water quality, providing training in ES and BD friendly production practices and supporting reforestation, soil conservation and ecosystem restoration pilot projects. CI, in addition to its role as Executing Agency, will participate in implementing the following activities: baseline studies on land use patterns and factors influencing land-use decisions; training and technical assistance in ES and BD friendly

[7] See for details and graphical representation of implementation arrangements Appendix 10 of the ProDoc: Decision-making flowchart and organigram.

production and restoration practices; training to improve land users' access to government-funded and market-based PES programs, including strengthening of marketing capacities; and other technical and management support.

UNEP/DGEF, as GEF implementing agency, will participate in the PSC and supervise the overall project, including overseeing the mid-term and final evaluations, review and approval of semi-annual and annual reports, technical review of project outputs and providing inputs to the PMU as needed. UNEP will provide guidance on relating the GEF-financed activities of the project to global, regional and national environmental assessments, scientific and technical analysis of ES and BD, policy frameworks and plans, and international environmental agreements.

A Technical Advisory Committee (TAC) will provide technical, scientific and policy advice to the project, both to the Steering Committee and the Project Management Unit (see paragraph 194). It will meet as necessary (at least quarterly) and will be composed of key stakeholder institutions, principally: CONANP, CI, IHN, COFOSECH, CONAGUA, CONAFOR, IEA and SEMAVI. The Project Steering Committee will also try to engage SAGARPA, SECAM, SEDESOL and SEDESO in the near future. Recognized experts with both scientific knowledge and practical experience in the fields of biodiversity conservation, ecosystem service payments, sustainable production and watershed management can be invited to participate in this committee. The Technical Committee will be an important communication platform for facilitating coordination between governmental and non-governmental actors in the project area.

The Project Management Unit (PMU) will be responsible for day-to-day implementation of all project activities, either directly or through management of sub-grants, and for coordinating all activities among the project implementing partners and other institutions. It will support PSC meetings and other activities and manage project finances. CI's Mexico office, located in Tuxtla Gutierrez, Chiapas, will host the PMU, which will be composed of a Capacity Building Advisor/ Project Director, a Project Administrative and Technical Assistant and, during the first months of implementation, an Institutional Advisor. The PMU will receive occasional, targeted technical support from other CI personnel[8].

The Capacity Building Advisor/ Project Director will provide overall technical leadership of the project and will also lead activities related to capacity building of the watershed committees targeted by the project. The Advisor will devote significant attention to the watershed committees, ensuring and supporting their active participation and the effectiveness of activities to build their capacity. S/he will provide overall technical guidance related to the project theme of integrating ecosystem services and biodiversity into land use planning at sub-watershed scale. S/he will ensure ongoing coordination and exchange of information with the related initiatives identified in Section E above (and section 2.7 of the project document) and, in particular, oversee implementation of the workshops with the CONAFOR project, the Mixteca project in Oaxaca, and the other identified initiatives that will focus on capacity-building and other activities.

The Project Administrative and Technical Assistant will carry out day-to-day operational and administrative functions, particularly with regard to procurement, contracting of consultants, budget management, reporting and routine communications with partners and other stakeholders, support for PSC, TAC and coordination meetings with the Mixteca and CONAFOR PES projects and other relative initiatives, and travel and logistical arrangements for field missions and other meetings with local and regional actors. In addition, this position will provide some technical support to the Project Director and other technical staff, as well as consultants, including routine communications and follow-up with consultants, project partners, watershed committee staff, and other stakeholders. S/he will be responsible also for preliminary review of technical reports and documents; and other related support as appropriate.

The Institutional Advisor will provide strategic advisory and technical support to the Capacity Building Advisor/ Project Director with regard to institutional capacity building and coordination, particularly focusing on the watershed committees and municipalities targeted by the project and all relevant agencies. S/he will particularly support the Capacity Building Advisor/ Project Director in selecting (preparing criteria and terms of reference), supervising and evaluating the institutions and specialists that will execute (as contracted consultants or as partners in cooperation agreements) the various training and technical assistance activities for capacity-building of watershed committees, municipalities and other relevant institutional actors for watershed policies and planning. S/he will also support the Project Director in promoting inter-institutional coordination between key stakeholders,

[8] For detailed description of PMU personnel profiles see Appendix 11of ProDoc: Terms of Reference

and with other related initiatives in Chiapas and other regions of the country, preparing concept papers and meetings.

CI personnel in Chiapas and Washington will provide additional, targeted technical and administrative support to the PMU as part of its match contribution, including in particular a project supervisor, based in Chiapas, who will monitor progress and results of project activities, and determine if any strategic or management corrective actions are needed. CI's PES Advisor, also based in Chiapas, will support project activities to increase access by land users to public and private PES mechanisms. In addition, a staff member of CI's Biodiversity Assessments & Ecosystem Health team will provide technical input related to freshwater aspects of BD and ES monitoring and research activities, and CI's Land Use Advisor will provide occasional support for activities designed to integrate ES and BD considerations into land use policies and planning. CI administrative and finance staff will also provide some additional support to the Project Administrative and Technical Assistant in certain aspects of budget administration, development and administration of sub-grants and consulting agreements, project accounting, and support for audits.

These formal implementation arrangements will ensure a constant exchange of information and experiences among the project implementing agencies and other key partners and organizations. The project will utilize a proactive communication strategy to maintain effective operational and policy coordination and to disseminate key results to target audiences.

PART IV: EXPLAIN THE ALIGNMENT OF PROJECT DESIGN WITH THE ORIGINAL PIF:

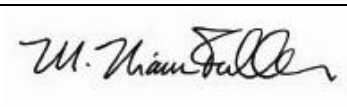
The project design is consistent with the original PIF in its intervention logic. The project goal, objective, components and their outcomes are essentially as originally envisioned, with some slight re-arrangements to the project strategy based on the findings of the detailed PPG phase studies and stakeholder consultations.

As intended, the PPG phase conducted a detailed analysis and planning exercise with input from a wide range of stakeholders representing the key federal, state and municipal agencies, universities & researchers, NGOs, watershed committees, and others who have an up-to-date understanding of conditions and needs in Chiapas related to biodiversity conservation, ecosystem services & PES mechanisms, land use planning, research, monitoring and training in these areas, and other themes that are central to the project. The PPG phase conducted five studies of existing efforts and institutional capacities in Chiapas for: BD/ES monitoring; watershed policy & governance; public and private PES programs; opportunities for expansion of premium markets for environmentally friendly products; environmental criteria for agricultural and forestry certification programs; and areas for improvement in NRM and PES-related training & capacity-building programs. The information gathered was presented to and discussed with stakeholders at two workshops, including review and confirmation of the original project outcomes and main activities; it has provided the basis for the detailed design of the activities, institutional roles and deliverables. In particular, the information provided further details than were available at the PIF stage regarding existing institutional capacities, programs and gaps related to the project components, allowing the project partners to design the proposed activities and outputs so that they build on ongoing initiatives and address the barriers identified in a targeted and efficient manner. Based on the results of the detailed design work, the project implementing partners agreed that a 3-year project duration is appropriate.

In addition, during the PPG phase, project partners committed to higher co-financing commitments than originally anticipated, increasing match-funding from $ 4,850,000 stipulated originally to $ 5,902,275. Reflecting these commitments, the project was adjusted to give greater weight to component 2, particularly for strengthening support to sustainable production practices and restoration and soil conservation pilot activities in target sub-watersheds. The final GEF budget for the project is $ 956 below the amount at PIF.

PART V: AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for CEO Endorsement.

Agency Coordinator, Agency name	Signature	Date *(Month, day, year)*	Project Contact Person	Telephone	Email Address
Maryam Niamir-Fuller, Director, Division of GEF Coordination, UNEP		January 26, 2010	Robert Erath Task Manager LAC Biodiversity and Land Degradation UNEP/GEF	+507 305 3171	robert.erath@unep.org

ANNEX A: PROJECT RESULTS FRAMEWORK

Project strategy	Objectively verifiable indicators	Sources of verification	Assumptions
STRATEGIC OBJECTIVE: To contribute to the conservation of biodiversity (BD) and ecosystem services (ES) in Mexico			
PROJECT OBJECTIVE: Biodiversity conservation is mainstreamed into natural resources management at the sub-watershed level through the integration of ecosystem services considerations in future decision-making in the Sierra-Costa region of Chiapas, Mexico	The degree to which policies and regulations governing sectoral activities in- and outside the environment sector include measures to conserve and sustainably use biodiversity, in particular: 80% of target watershed committees in the Sierra-Costa region have systematically integrated ecosystem service and biodiversity considerations into their sub-watershed management plans and activities at end of project At least five municipalities in the project area have systematically integrated ecosystem service and biodiversity considerations into their development plans and policies At least six state and federal key stakeholder institutions outside the environment sector with high potential impact on sub-watershed development in the Sierra-Costa region are implementing policies, programs and projects that have systematically integrated ES and biodiversity considerations In at least 70% of target sub-watersheds, NGOs implement projects and activities that have systematically integrated ES and biodiversity considerations and are aligned with management plans of watershed committees The status of key indicator species and improvements in the health of aquatic and terrestrial ecosystems in pilot sub-watersheds reaches target levels (see output 1.2 footnote) as a result of expanded implementation of PES schemes, sustainable production practices (SPP) and restoration/soil conservation activities (RSCA) Net change in forest cover in areas of deforestation risk within project area is 0% or slightly positive as a result of expanded implementation of PES schemes, sustainable production practices (SPP) and restoration/soil conservation activities (RSCA) At least 2,500 land users in target sub-watersheds, including at least 20% female land users, perceive livelihood improvements from new or increased payments from public & private PES mechanisms and the ecosystem service benefits provided by ES and BD-friendly land use systems.	• Project management information system • Annual project implementation reports • Sub-watershed management plans • Municipal Development Plans (strategic and triennial) • Annual project implementation reports System (established by project) to monitor improvements in: a) mainstreaming ES and BD considerations in sector policies; b) institutional coordination of sub-watershed management policies and planning • Annual project implementation reports • Cooperation agreements between committees and NGOs Baseline studies and monitoring of key indicators of biodiversity and ecosystem health carried out in outputs 1.2 and 1.3 Fine scale deforestation risk map developed by project under output 3.1 Survey of representative samples of land users in target sub-watersheds about perceived livelihood improvements resulting from new/expanded access to public and private PES incentives payments	**Project objective to strategic objective:** Market-generated incentives for unsustainable land use and production practices decrease or increase less than economic incentives created or strengthened by project Overall government support for unsustainable land use and production practices is decreasing Impact of hurricanes, rainfalls and wildfires on forest cover remains on post-2005 levels

Project strategy	Objectively verifiable indicators				Sources of verification	Assumptions
	Indicators	**Baseline**	**Mid-term-target at end of 1st or 2nd year (accumulated)**	**End of project target (accumulated)**		
Component 1: Development of the knowledge base for ES appraisal and their interaction with land uses among key stakeholders at the sub-watershed level						
Outcome of component 1: Increased understanding (by monitoring institutions) of the relationships between land uses and BD/ES as a result of sub-watershed scale monitoring of: a) the status of important ES and BD components and their indicators in the project area; b) the interdependence of land use patterns & policies and ES/BD status; c) ES benefits provided by different land use systems under varying levels of intensity; d) factors influencing land use decisions by land users.	1. Information coverage on status & dynamics of key components of globally significant BD and ES in project area, as measured through status of following indicators: - biodiversity and biological integrity* - water quality** & other ecosystem health indicators - land use patterns and changes - other key indicators for outcomes 2 and 3 as noted below */**(see footnotes for output 1.2) 2.Information coverage on links between local land use patterns and policies, on the one hand, and ES/BD status (including their benefits), on the other, by representative studies for the project area 3.Factors influencing individual &	1. Information needed by monitoring institutions on status and dynamics of important ES and BD components is only partially covered (measured by amount of data collected on status indicators for terrestrial and aquatic species and ecosystem health – see footnotes in output 1.2) 2. Documentation on links between specific land use practices and ES/BD indicator status in the project area is sporadic and unsystematic 3.Documentation about factors influencing land use decisions is sporadic	1.Information needs on key indicators of ES and BD status in the project area are covered at 70% by project year 2 2. Documentation on links between land use and ES/BD status in the project area covers about 50% of strategic links identified during baseline by project year 2	1.Information needs on key indicators of ES and BD status in the project area covered at 90% by project year 3 2.Documentation on links between land use and ES/BD status in the project area covers about 80% of strategic links identified during baseline by project year 3 3.Factors influencing land use decisions are documented in comparative studies	1.Reports and published studies about key indicators of ES and BD status in the project area 2. Reports and published studies about links between land use and ES/BD status in the project area 3.Report on factors influencing land use decisions by land owners,	**Outcomes to project objective:** Key actors (communities, watershed committees, government agencies, universities) are willing to participate in monitoring process Regular coordination of actors involved in monitoring processes can be ensured. Levels of protocol compliance of actors involved in monitoring process are high. Continuity of monitoring and assessment of key indicators and BD/ES-land use links by involved actors can be ensured beyond project lifetime.

	collective land use decisions by land users (including understanding of interactions between land use and ES) are documented by comparative studies across sub-watersheds, land uses and land owner types				*ejidatarios* and *comuneros*	

Output 1.1:

Methods, tools and protocols for assessment and monitoring of ES, BD, and land use data and policies, for use by watershed committees, other key government agencies, NGO partners and universities

Output 1.2:

Baseline gaps addressed and project baseline information (database, maps) on key indicators completed

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FOOTNOTES:
*Biodiversity and biological integrity indicators representing global environmental benefits will be selected according to presence of globally significant species in each sub-watershed and their ecological functions.
**Water quality indicators will include freshwater fish, amphibians & macro-invertebrates. Exact indicators will be selected according to their functions within each sub-watershed, and indicators for upper sub-watershed zones will differ from those for lower sub-watersheds.

Information to be monitored for terrestrial and freshwater species and ecosystems will include: diversity and abundance of indicator species, population size and viability; and habitat quality and ecosystem health. Target levels for improvement in the status of ES and BD indicators and ecosystems will be determined by comparing data collected to that known for populations in healthy ecosystems and to target levels of known indices (e.g. the Index of Biotic Integrity). Improvements in the status of globally significant species will be assessed by measured improvements in their population sizes and habitat quality, which will be used to update the IUCN Red List of Threatened Species and regional threatened species assessments. For aquatic ecosystems, improvements in these indicators will reflect improved water quality & ecosystem health as a result of changes in oxygenation, pollutant and siltation levels resulting from improved land use practices. For terrestrial ecosystems: indicators of ecosystem health may include tree cover and diversity; visible soil erosion levels, and presence/status of conservation-dependent mammals, pollinators and birds.

Output 1.3:

Increased local research and publications on status, dynamics and benefits of ecosystem services and interrelationships between land use, ES (especially water quality), biodiversity and livelihoods (including gender aspects) across sub-watersheds

Output 1.4:

Identification of factors influencing individual and collective land use decisions by land owners, *ejidatarios* and *comuneros*

Output 1.5:

Lessons learned about the impact of hurricanes Mitch (1998) and Stan (2005) on land use and water balances

Project strategy	Objectively verifiable indicators				Sources of verification	Assumptions
	Indicators	**Baseline**	**Mid-term-target at end of 1st or 2nd year (accumulated)**	**End of project target (accumulated)**		
Component 2: Mainstreaming ecosystem services and biodiversity into land use policies, planning and promotion by watershed committees and policy coordination with other key government agencies						
Outcome of component 2: Ecosystem services and biodiversity considerations are mainstreamed into land use policies, planning and promotion by WSC and policies coordinated with other key government agencies, resulting in improved status of key BD & ES indicator in target sub-watersheds (as measured under output 1.3)	1.N° of target WSC that have systematically integrated ES and BD considerations into their land use policies and planning 2. N° of other key institutions that have adopted project recommendations for integrating ES and BD considerations into their policies 3. N° of WSC implementing coordinated plans with other institutions to introduce or reinforce sustainable production practices (SPP) and restoration & soil conservation activities (RSCA) 4. Improved status of key BD/ES indicators in these watersheds (as monitored by output 1.3)	1.ES/BD concerns are not systematically integrated into most WSC policies or projects. Detailed baseline information will be provided by output 1.2 2. None 3. Most WSC have no coordinated plans for introducing SPP or RSCA. Quantitative baseline information on no. of coordinated plans will be provided by output 1.2 4. Baseline information on status of key BD and ES indicators provided by output 1.2	1.At end of 1st year, 5 WSC; at end of 2nd year, 7 WSC have systematically integrated ES and BD considerations into their policies 2. Five key stakeholder institutions have validated & adopted recommendations for integrating ES& BD considerations into their policies by project year 2 3. At end of 1st year, 3 WSC; at end of 2nd year, 5 WSC have coordinated plans to introduce or reinforce each of SPP & RSCA 4. Initial improvements in status of key BD and ES indicators (as per output 1.2 footnote) by end of year 2	1. Nine WSC have explicitly integrated ES and BD considerations into their projects and activities 2. At least 8 key stakeholder institutions have validated& adopted recommendations for integrating ES& BD considerations into their policies 3. At least 7 & 8 WSC implement coordinated plans to introduce or reinforce SPP and RSCA, respectively 4. Status of key indicator species and improvements in health of aquatic and terrestrial ecosystems reach target levels (see output 1.2 footnote) by end of year 3	1.Minutes of WSC sessions Reports of WSC managers 2. Formal communication of stakeholder institutions to GESE (State Working Group of ES) validating recommendations 3. Inter-institutional plans to coordinate introduction and reinforcement of SPP and RSCA in sub-watersheds 4. Monitoring studies under output 1.3 (for indicator status)	CONAGUA and municipalities corroborate their willingness to strengthen WSC, increasing and stabilizing provision of WSC with human and material resources; giving more continuity to WSC management staff beyond 3-year period of municipal administrations, etc. Participation of key stakeholders, especially land users´ representatives, in WSC sessions becomes more regular. Key government agencies and NGOs are disposed to implement and co-finance coordinated projects with WSC to introduce or reinforce SPP and RSCA; they are also open for integrating ES and BD considerations of global and local significance into their policies.

Output 2.1 Training programmes for key WSC members, other policy-makers, extensionists and land users on mainstreaming ES & BD considerations into natural resources management policies and plans at the sub-watershed level (coordinated by a watershed committee capacity building officer)
Output 2.2: Sustainable production practices (SPP) in agriculture, livestock farming and forestry that conserve ES and BD are introduced and/or strengthened in at least seven sub-watersheds, improving the conservation status of key BD and ES indicators (as measured under output 1.3)
Output 2.3: Restoration and soil conservation pilot activities (RSCA) demonstrating approaches that conserve ES and BD are implemented in at least eight sub-watersheds, improving the conservation status of key biodiversity and ecosystem service indicators (as measured under output 1.3)
Output 2.4: Recommendations developed, communicated and monitored to incorporate ES and BD into sectoral development and restoration policies and regulations of key public and private agencies and to improve coordination among these agencies with regard to the promotion of sustainable land uses at the sub-watershed level
Output 2.5: Increased coverage of actively working watershed committees in the Sierra-Costa region
Output 2.6: Improved coordination of capacity building activities for watershed committees, land users and other stakeholders in the project region

Project strategy	Objectively verifiable indicators				Sources of verification	Assumptions
	Indicators	**Baseline**	**Mid-term-target at end of 1st or 2nd year (accumulated)**	**End of project target (accumulated)**		
Component 3: Increasing access by land users to public and private PES mechanisms (carbon, watershed services, biodiversity) to provide funding and incentives for the implementation of land use practices and strategies that conserve ES and BD and improve local livelihoods, (targeting land users and non-government stakeholders)						
Outcome of component 3: Land users have increased access to public and private PES mechanisms (carbon, watershed services, biodiversity) to provide funding and incentives to implement land use practices and strategies that conserve ES and BD and improve local livelihoods (targeting land users and non-government stakeholders) in the Chiapas region	1.Increase in area of land with high priority for ES and globally significant BD whose users access ES payments by a) government-funded and b) market-based programs and implement sustainable land use practices that contribute to improvements in the status of key biodiversity indicators of global significance* 2.Improvements in the status of key BD and ES indicators in areas with increased access to public and private PES mechanisms as a result of improved land use practices 3.N° of additional LU (**) in target sub-watersheds with access to government PES programs **men and women 4.N° of additional LU (**) in target sub-watersheds with access	1-5.Baseline information for all outcome indicators of component 3, including status of BD and ES indicators, will be provided by output 1.2	<u>1.Project year 2:</u> Land users on (a) 4,500 / (b) 2,250 hectares of land with high priority for ES and BD access ES payments by a) government-funded and b) market-based PES programs 2.Initial improvements in status of key BD and ES indicators in areas with increased access to PES by end of year 2, as measured under output 1.3 3.300 additional land users*** access government-funded PES programs *** with 15% increase above baseline among women land users 4. 150 additional	<u>1.End of project:</u> Land users on (a) 7,500 / (b) 3,750 hectares of land with high priority for ES and BD access ES payments by a) government-funded and b) market-based PES programs 2.Status of key indicator species and improvements in health of aquatic and terrestrial ecosystems reach target levels (see output 1.2 footnote) by end of year 3 in areas with increased access to PES 3.500 additional land users**** access government-funded PES programs, **** with 30% increase above baseline among women land users 4. 250 additional	1.CONAFOR data on annual results of PSA program Reports from actors marketing BD and ES (carbon and other) credits (Ambio, FONCET, CONAFOR, etc.) 2.Monitoring studies conducted under output 1.3 3.Information from land users' (LU) organizations and supporting actors (NGOs and others)	BD conservation criteria are incorporated explicitly and effectively in the strategies and operational rules of government-funded and market-based PES programs. Government PES programs and funds will be maintained on at least the same level. CONAFOR remains open to proposals to strengthen its PES programs by better targeting risk areas; developing market-based schemes, among other aspects. There is an unexploited potential of buyers on domestic and international markets for ES and SP of the Sierra-Costa region. Initiatives to access PES programs or premium markets for SP that require organized action of land users can build

	to market-based PES programs 5.N° of LU organizations in target sub-watersheds with access to premium markets of sustainable products (SP)		land users*** access market-based PES programs 5. Ten LU organizations have access to premium markets of SP	land users**** access market-based PES programs 5. Fifteen LU organizations have access to premium markets of SP	4-5. Aforementioned reports of CONAFOR, Ambio, FONCET LU organizations	on minimum levels of social cohesion in target watershed communities.
Output 3.1: Training and technical assistance on preparing projects that qualify for government PES programs that conserve globally significant biodiversity						
Output 3.2: CONAFOR PES program strengthened by: providing data for the selection of high-risk areas in terms of ES and BD conservation; and adding elements for the development of market-based schemes, an incentive-based mechanism for technicians' certification and an integrated approach to sub-watershed management at the community level, thereby enhancing its effectiveness in conserving biodiversity and ecosystem services.						
Output 3.3: Market feasibility studies and marketing plans for market-based PES mechanisms and sustainable products (premium markets) that, by definition, conserve BD and ES						
Output 3.4: Increased capacity to implement marketing plans for different market-based PES mechanisms and sustainable products is built among land users and their organizations, as well as among actors supporting them (NGOs, extensionists, technical advisors), and the area under certified production increases, with improvements in BD/ES indicator status						

ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF)

RESPONSE TO GEF SECRETARIAT REVIEW AT CEO ENDORSEMENT

Title: Mainstreaming the Conservation of Ecosystem Services and Biodiversity at the Micro-watershed Scale in Chiapas

GEFSEC Project ID: 3816

Issue #	Secretariat Comment at PIF/ Work Program Inclusion	UNEP Response at CEO endorsement
8. Is the project design sound, its framework consistent sufficiently clear (in particular for the outputs)?		
	November 3, 2008 Improve all outcome indicators by the time of CEO endorsement and in particular outcomes for component three (and other components) such that improved status of biodiversity is measured as an outcome of the PES schemes employed thus making the outcome measures consistent with the project objective. Please review and incorporate relevant recommendations from the recently published STAP note on PES and in particular clearly identifying the project's point of entry and the rationale for such.	The outcome indicators have been further detailed for all components, including component 3, and are presented in the Results Framework. Monitoring activities under Component 1 will provide information on the baseline and end-of-project status of specific indicators of biodiversity and ecosystem services in pilot watersheds. Component 3 indicators will measure increased capacity and access to PES mechanisms as well as increases in areas under certification. The proposal reflects key recommendations of the referenced STAP document. As noted in the "Response to STAP Review" below, the main entry point of the project will be to finance PES start-up costs by strengthening the environmental governance mechanisms and institutions that will ensure that PES mechanisms are employed strategically to improve watershed level conservation outcomes. The rationale is that, while some PES mechanisms already exist in the project region (such as the government-funded CONAFOR program and various market-related mechanisms, e.g. for conservation coffee), they are not effectively integrated and targeted to achieve conservation outcomes at the watershed scale. Furthermore, the project will support piloting of PES mechanisms in pasture areas on the lower slopes of the Sierra Madre, which have so far not benefited from such initiatives but are a critical area within the watersheds. The project's objective is to mainstream PES into watershed management, not to directly finance PES. The negotiation of PES agreements with land users will be a major focus.
10. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?		
	November 3, 2008 Please clearly indicate coordination measures with other UNEP ES projects.	Please refer to Section 2.7, paragraph 85, in the project document.

Issue #	Secretariat Comment at CEO Endorsement	UNEP Response at CEO endorsement
8. Is the global environmental benefit measurable?		
	February 16, 2010 No. The project document failed to formulate outcome statements and develop outcome indicators to measure the status of	The project will monitor changes in the status of biodiversity, biological integrity and ecosystem health indicators precisely in the pilot areas where the project intervenes to increase the number of land users (and land area) who are: successfully implementing sustainable production and restoration practices and CONAFOR PES projects; accessing market-based PES mechanisms; and receiving certification for sustainable and/or organic production practices under outcomes 2 and 3. The PES mechanisms promoted

	biodiversity as a result of the implementation of the PES schemes, hence the global benefits are not measurable. Please adjust the logframe to include these indicators and outcome statements.	by the project will, by definition, incentivize land management practices that conserve biodiversity, water quality, carbon and other ecosystem services and will specifically target sites with globally significant biodiversity. The project will select (under output 1.2) and monitor (under output 1.3) several categories of indicators in each pilot sub-watershed based on the globally significant species present and their ecological functions; these categories will include (a) species on the IUCN Red List and regional threatened species lists; and (b) species that are known indicators of ecosystem health. The project will specifically monitor, under output 1.3, the relationships between the status of these indicators and the specific land use practices promoted in each pilot sub-watersheds. The project has added and revised some of the language for the outcomes, indicators and targets in Appendix 4, Results Framework (including particularly the footnote for output 1.2) and in the project document (paragraphs 112-113 in particular) to more explicitly reflect the monitoring of conservation status in relation to expanded access to PES mechanisms and improved land use management.

9. Is the project design sound, its framework consistent & sufficiently clear (in particular for the outputs)?		
	February 16, 2010 The project document failed to formulate outcome statements and develop outcome indicators to measure the status of biodiversity as a result of the implementation of the PES schemes, hence the global benefits are not measurable. Please adjust the logframe to include these indicators and outcome statements.	See response to comment 8.

11. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?		
	February 16, 2010 The project document fails to clearly articulate the coordination as requested and does not asssess costs nor plan for this other than a one-sentence line. This is not sufficient and was first raised at the PIF stage given the potential for overlap between all of these initiatives, many of which are GEF-funded. Please revise and provide a detailed plan of coordination.	The project will coordinate with other related initiatives at two levels. At the international level, it will participate in UNEP-led exchanges among projects in the Ecosystem Management Program to increase the global knowledge base on ES and BD conservation, as indicated in paragraphs 84-85 of the project document. At the national and regional levels, it will coordinate and interact with the Mixteca and CONAFOR projects and other PES activities in Chiapas as described in paragraphs 86-91 in the project document; this is also reflected in Section E of the CEO Endorsement Request. The proposal budget includes specific resources for these activities, as now highlighted in section 2.7 (see new paragraph 92). The project has also added here a Coordination Table presenting the specific areas of coordination represented by these activities, the coordinating partners, and the responsible body. The TORs for three project personnel (Capacity Building Advisor/ Project Director, Project Administrative and Technical Assistant, and Institutional Advisor) also include tasks to support these coordination activities; additional details have been added to Section 4 of the project document (paragraphs 181-185), to the TORs (Appendix 11 of the project document), and to Section III.B of the CEO Request.

13. Has the cost-effectiveness sufficiently been demonstrated in project design?		
	February 16, 2010	**a) The first comment refers to post-project sustainability of project efforts**.

	Yes, through use of the in-situ organizations working within the watersheds. However, it is still not clear how this effort will be sustained post-project. Please clarify. In addition, although one of the project cooperators is listed in the cofinance table as CI/Mexico, the PPG stage was delayed because CI staff from Washington DC could not travel to Mexico to provide technical assistance. This does not appear particularly cost-effective. Please clarify if CI has a Mexico office or if the technical assistance will be provided by CI staff based in Washington and justify the cost-effectiveness of this assistance given the robust technical capacity in Mexico on all the technical issues related to this project.	As explained in section 7.3 of the project document (Project cost-effectiveness) and section H of the CEO Request, the strategy for sustaining outcomes and achievements after project completion is based principally on: (a) the expectation that local level natural resources management and land use planning will continue at the sub-watershed scale through the existing WSC structure that is a main focus of project activities; (b) the enhancement of and expanded access to both public and market-based incentive-based approaches to BD and ES conservation; and (c) the strategy of working through and reinforcing other existing institutional structures and processes in the government, NGO and academic sectors related to monitoring and capacity-building for conservation friendly land use planning at the sub-watershed scale. The federal government (particularly CONAGUA) and municipalities provide institutional support and basic funding for the operation of watershed committees; the project focus on developing the capacity and tools they need for planning, implementing and monitoring ES and BD conservation activities will help institutionalize the integration of global benefits into resource management at this scale. In addition, as described in section 3.8 of the project document (Sustainability), other project approaches that will contribute to long-term cost-effectiveness include: i) improvements to inter-institutional coordination and synergies in sustainable land use policies and planning; ii) the promotion of standardized methodologies and a permanent coordination mechanism for monitoring BD/ES indicators; iii) institutionalization of regular practices for knowledge transfer regarding BD/ES indicators to WSC, land users and other planners and policy-makers; and iv) increased cooperation among existing related PES initiatives in addressing capacity constraints and other bottlenecks affecting markets for sustainable products and other incentive-mechanisms. **b) The second comment refers to cost-effectiveness of supposed CI technical assistance from its Washington office.** The PMU, including the Capacity Building Advisor/ Project Director, the Project Administrative and Technical Assistant, the Institutional Advisor, will be based in CI's office in Tuxtla Gutiérrez (capital of Chiapas), as now indicated more clearly in Section 4 of the project document (paragraph 181, 185). In addition, as part of CI's match contribution, the PMU will be supported by CI technical personnel who are based in the Chiapas office (including the project supervisor, and a PES Advisor), and on occasion by other CI staff, for example from CI's Biodiversity Assessment and Ecosystem Health team, who will provide targeted technical input related to freshwater BD/ES monitoring and research. CI administrative and finance staff in Chiapas will provide additional support as outlined in Section 4. This additional technical and administrative support to the PMU is part of CI´s co-financing contribution and will be implemented in a cost-effective manner, as it can be accessed on a flexible, as-needed basis, and does not involve new fixed expenditures. The delay in the first PPG workshop was due to the H1N1 flu outbreak. The Mexican Government had already ordered a suspension of activities in the capital (including school and other closures), and a number of workshop participants (mostly Mexican) were scheduled to travel by air, through Mexico City, to Tuxtla from other parts of the country and from outside Mexico (in addition to CI staff from Washington). There was concern that they would not be able to do so.

14. Is the project structure sufficiently close to what was presented at PIF?		
	February 16, 2010 No. The project length has been reduced from 5 years to 3 years, but the same amount of activities are to be implemented. This strains credulity given project implementation experience of project's of similar complexity. Given that it took more than a year to design the project, we do not find the reasoning in the project document compelling in this regard (agencies are up and running and ready to go--if so why was a year necessary for the design phase alone?). Please clarify the project timeline reduction from 5 years to 3 years with the same budget expenditure and the same set of activities in a more credible manner.	Although the project will build on a broad existing base of institutions and initiatives in Chiapas, there are a number of gaps and barriers to achieving the identified outcomes. It was necessary to conduct the focused studies, broad stakeholder consultations & detailed analysis and planning exercise during the PPG phase in order to clearly identify the barriers and design an effective project strategy and associated timeframe. PPG studies examined existing efforts and institutional capacities in Chiapas for: • BD/ES monitoring; • watershed policy & governance; • public and private PES programs; • opportunities for expansion of premium markets for environmentally friendly products; • environmental criteria for agricultural and forestry certification programs; and • areas for improvement in NRM and PES-related training & capacity-building programs The study results were presented and discussed at two workshops with key federal, state and municipal agencies, universities & researchers, NGOs, watershed committees, and others with an up-to-date understanding of conditions and needs in Chiapas related to biodiversity conservation, ecosystem services & PES mechanisms, land use planning, research, monitoring and training. Through this process the project preparation team achieved consensus on the main strengths, weaknesses and gaps in existing initiatives and institutions, selected the target sub-watersheds and designed the activities, institutional roles and deliverables under each component. Given the thorough nature of the work performed during the PPG, the project partners are confident that the project can achieve its outcomes in the 3-year period. The process of holding the initial broad stakeholder consultation workshop (June), conducting the studies, presenting them at the second workshop to obtain focused feedback from key stakeholders and outline the project activities in more detail, and then the drafting of the various proposal documents took place over approximately 6 months. (GEF approved the PPG request in late March 2009, and CI immediately began the process of engaging consultants and preparing the initial workshop, while simultaneously working with UNEP to sign the funding agreement (SSFA) for the PPG phase. UNEP reviewed, cleared and submitted the proposal documents to GEF in early January 2010, so the effective design phase was approximately 8 months in total length.)

18. How would the proposed project outcomes and global environmental benefits be affected if GEF does not invest?		
	Actually, the project document does not make a very strong case for this given that most of the outcomes and benefits are not of a "global benefit" nature. Most of the measurable benefits that the project will track are of local and national benefit. The project has made no allowances for	As noted in the response to comments 8 & 9, the project will monitor changes in the status of biodiversity, biological integrity and ecosystem health indicators precisely in the pilot areas where the project will intervene, so allowances are made to measure the project's impacts on globally significant ecosystems. We have added and revised language in the results framework so that this is now clearer.

	measuring the impact of the project on globally significant ecosystems, species and "habitats", even though this is noted in the incremental costs analysis. All of this could be addressed through improvements to the logframe that measured these aspects of the project intervention.	

20. Is the GEF funding level of other cost items (consultants, travel, etc.) appropriate?		
	February 16, 2010 Project director position is listed as being for 138 weeks, much less than three years. Please explain.	CI´s policy is to use budget for 230 work days per year, with 30 holidays included in the fringe benefits. This equals 46 weeks per year, for a total of 138 weeks over 3 years.

23. Has the Tracking Tool3 been included with information for all relevant indicators?		
	February 16, 2010 Please complete tracking tool completely. Page one has a great deal of missing information.	We have filled in the missing information.

24. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		
	February 16, 2010 Logframe needs improved per many comments above and M&E plan adjusted accordingly.	1) See modified Results Framework in Project Document, Appendix 4 and in CEO Endorsement Request, Annex A 2) See modified Project Document Appendix 7: Costed M&E plan (modified outcomes, indicators and targets) 3) See modified Section H. of the CEO Endorsement Request: Describe the Budgeted M&E Plan, Table: Overall project impact measured at the Objective level

27. Is CEO Endorsement being recommended?		
	February 16, 2010 No. A number of issues have been raised that require clarification and in some instances modifications of the project document. Please address these issues and resubmit.	

RESPONSE TO COMMENTS FROM COUNCIL MEMBERS
Intersessional Work Program, April 2009

	Comments from Germany	**UNEP Response**
	Germany supports the further guidance from the STAP, especially regarding the risks resulting from climate change.	See response #4 to the STAP Review below; and Mitigation Strategy for risks resulting from climate change on page 17 above as well as in Section 3.5 page 43 in the project document.
	Please specify the larger in-kind contributions (COFOSECH 2 million US Dollar, Conservation International 1 million US Dollar) as well as the institutionalised relationship between the project and corporations such as Wal-Mart.	COFOSECH will provide co-financing in the amount of $1,561,164 (mostly in-kind), corresponding to the value of staff time in support of reforestation and soil conservation activities and training (2.2-2.4 and 3.1, in particular), and associated equipment use. CONANP will provide co-financing in the amount of $2,449,812 to support various sustainable production activities under all three components, but in particular under activities 2.1-2.3. IHN will provide co-financing in the amount of $150,000 (mostly in-kind) for research projects, including baseline studies of BD/biological integrity in the region (1.2) and the relationship between land uses and BD/ES (1.3). Conservation International will contribute co-financing in the amount of $1,741,299 to support activities under all components. With regard to relationships with corporations, the project includes targets for new partnerships with buyers of sustainable products and buyers of ecosystem services under component 3, which will be determined based on detailed market studies (see next response).
	Development of a marketing strategy for the products that are produced under environment friendly practices (which markets shall be addressed with which products, who could be a suitable partner)	The project will prepare market feasibility studies and marketing plans for sustainably-produced products of the pilot sub-watershed areas under activity 3.3. The project will also build capacity to implement these marketing plans (under activity 3.4).
	In order to avoid any duplications of work, we propose to closely cooperate with other programs for payments for ecosystem services in order to benefit from synergies that may arise.	Agreed.

RESPONSE TO STAP REVIEW

Title: Mainstreaming the Conservation of Ecosystem Services and Biodiversity at the Micro-watershed Scale in Chiapas

GEFSEC Project ID: 3816 **Date of screening:** 19 March 2009

Guidance from STAP	UNEP Response
2. STAP welcomes this proposal to support the further development of payments for environmental services (PES) in Mexico. The PIF is broadly in line with STAP's general advice on PES, however, we have identified 'Minor Revision Required' to emphasize that we ask that the 2008 guideline document on PES[1] continue to be referred to in developing the full project document for CEO endorsement.	The project development team is aware of the STAP document and will refer to and consider it in the full proposal. According to the document's classification of PES interventions, the main entry point of the project will be to finance PES start-up costs by strengthening the environmental governance mechanisms and institutions that will ensure that PES mechanisms are employed strategically to improve watershed level conservation outcomes. This is the most critical point because some PES mechanisms already exist in the project region (such as the government-funded CONAFOR program and various market-related mechanisms, e.g. for conservation coffee) while others are in development, but these are not effectively integrated to achieve conservation outcomes at the watershed scale. Furthermore, the project will contribute to piloting PES mechanisms in pasture areas on the lower slopes of the Sierra Madre, which have so far not benefited from such initiatives but are a critical area within the watersheds. The project's objective is to mainstream PES into watershed management, not to directly finance PES. The negotiation of PES agreements with land users will be a major focus.
3. STAP notes that this project may also contribute to the evidence base for a specific type of incentive payment system increasingly seen in GEF interventions, price premiums for environmental, geographic or other attributes associated with products from a particular region[2].	This is correct. For example, the project will help develop the business case for environmentally friendly pasture management, for which much preparatory work has already been done in the region but which has not yet been adopted at significant scale. However, while it is possible that land users assisted by the project will obtain price premiums for environmentally friendly products such as beef, coffee or xate, a main focus of the project will be to integrate environmentally friendly land use practices with the generation of carbon credits for voluntary markets; this has already been piloted in the Sierra Madre for coffee farmers at a small scale through a project funded by Conservation International.
4. Under part E on risks, including climate change risks, the PIF does not identify any climate change risks. The full project document should consider these risks in more detail and record what is known about the vulnerability of the target area to climate change and any risk mitigation strategies that should be put in place.	Climate risks in the Sierra Madre de Chiapas, their potential impacts on land users and ecosystems, and adaptation strategies to increase the resilience of land users and ecosystems have been extensively analyzed by Conservation International together with a wide range of local and international stakeholders. The strategy has been published as "Schroth et al_2009_Adaptation strategy for coffee communities Sierra Madre". The recommended adaptation measures are highly compatible with the project strategy and this will be pointed out in the full proposal.

[1] Payments for Environmental Services and the Global Environment Facility: A STAP guideline document http://stapgef.unep.org/resources/sq/PES

[2] In the current (April 2009 intersessional) work program, see project 2416 – Mainstreaming biodiversity in Lao PDR's agricultural and land management policies, plans and programmes.

ANNEX C: CONSULTANTS TO BE HIRED FOR THE PROJECT USING GEF RESOURCES

Position Titles	*$/ person week**	*Estimated Person weeks***	*Tasks to be performed*
For Project Management			
Local			
	$443	138	Capacity Building Advisor/Project Director
	1.300	20	Institutional advisor
International			
Justification for travel, if any:			
For Technical Assistance			
Local			
		Component 1	
1 consultant	550	30	Detail 1.1.1.1 Moderate participatory process of developing and designing standardized M&E methodology
1 consultant	550	15	Detail 1.2.1.4 Realize baseline studies of other key indicators
1 consultant	550	5	Detail 1.2.2.1 Contract services of specialized institution to produce maps based on baseline studies realized in activity 1.2.1
1 consultant	550	15,5	Detail 1.3.1.1 Give technical support and follow-up to watershed councils, other key government agencies, NGO partners and communities involved in monitoring processes
3 consultants	1.650	15	Detail 1.3.2.1 Design and coordinate participative process of identifying benefits from ES in pilot watersheds; synthesize findings and elaborate report and presentation of findings
2 consultants	1.100	30	Detail 1.3.3.1 Realize 6 research projects on the above mentioned and other aspects of interrelationships between land use and ES/BD, including methods of participative research; elaborate reports and presentations of findings
2 consultants	500	30	Detail 1.3.3.1 Realize 6 research projects on the above mentioned and other aspects of interrelationships between land use and ES/BD, including methods of participative research; elaborate reports and presentations of findings
1 consultancy	550	10	Detail 1.3.4.1 Edit and publish results of pilot monitoring activities
1 consultancy	550	15	Detail 1.3.4.2 Edit and publish report on benefits from ES in (pilot) Sierra Madre sub-watersheds, directed to a broader public
1 consultancy	550	15	Detail 1.3.4.3 Edit and publish reports of research projects on interrelationships between land use and ES/BD
1 consultant	550	10	Detail 1.4.1.1 Conduct a research project on factors that influence land use decisions
1 consultant	250	10	Detail 1.4.1.1 Conduct a research project on factors that influence land use decisions
		Component 2	
1 consultant	550	20	Detail 2.1.2.1 Develop specific training modules (including decision-making tools), methodologically adapted to knowledge gaps, needs and demand of different project stakeholders
1 consultant	550	25	Detail 2.2.1.1 Identify and select areas suitable for piloting ES and BD friendly production projects that can access premium markets, using existing studies and maps as instruments for assessment
2 consultants	1.100	75	Detail 2.2.2.1 Realize specialized training courses for staff of the watershed council extension services and other cooperating governmental and non-governmental agencies, to promote and provide technical assistance for ES and BD friendly production

			practices
2 consultants	1.100	75	Detail 2.2.2.1 Realize specialized training courses for staff of the watershed council extension services and other cooperating governmental and non-governmental agencies, to promote and provide technical assistance for ES and BD friendly production practices
Extension staff in at least 7 sub-watersheds	3.000	12	Detail 2.2.3.2 Extension staff realize in-the-field technical assistance to land users in adopting sustainable agricultural, livestock and forestry practices
1 consultant	550	20	Detail 2.3.1.1 Identify, select and plan pilot projects for reforestation, soil conservation and ecosystem restoration, including key stakeholders in identification and selection process
6 consultants	1.100	75	Detail 2.3.2.1 Realize specialized training courses for staff of the watershed council extension services and other cooperating governmental and non-governmental agencies, to promote and provide technical assistance for reforestation, soil conservation and ecosystem restoration
Extension staff in at least 8 sub-watersheds	3.000	9	Detail 2.3.3.2 Extension staff give in-the-field technical assistance to land users, local authorities and local organizations realizing reforestation, soil conservation and ecosystem restoration activities
2 consultants	1.300	14	Detail 2.4.1.1 Systematize pilot experiences in ES and BD friendly production practices and restoration activities (of project and elsewhere), describing lessons learned and best practices
2 consultants	1.100	20	Detail 2.4.3.1 Design system to monitor improvements in mainstreaming ES and BD considerations in sector policies and regulations; as well as monitor institutional coordination of watershed management policies and planning
2 consultants	1.100	9,8	Detail 2.4.3.2 Install system to monitor improvements in mainstreaming ES and BD considerations in sector policies and regulations managed by Technical Coordinator of State Working Group of Ecosystem Services - GESE; as well as monitor institutional coordination of watershed management policies and planning
2 consultants	1.100	5	Detail 2.5.1.1 Analyze best practices and benefits of watershed councils in the Sierra-Costa region and other regions with similar conditions
2 consultants	1.100	5	Detail 2.5.2.2 Design and implement, in coordination with CONAGUA, a training program for members and staff of new watershed councils
Component 3			
1 consultant	550	15	Detail 3.1.1.3 Realize workshops in 8-9 watersheds to comprehensively explain the importance of ES at the local, regional and global scale, the rationale behind PES and CONAFOR operational rules in PES priority areas
1 consultant	250	15	Detail 3.1.1.3 Realize workshops in 8-9 watersheds to comprehensively explain the importance of ES at the local, regional and global scale, the rationale behind PES and CONAFOR operational rules in PES priority areas
1 consultant	1.300	10	Detail 3.2.1.1 Develop a strategic plan to guide CONAFOR on how to link PES beneficiaries (for example shade coffee and xate producing communities, and others) to ES buyers (articulated with, and informed by, subcomponents 3.3, 3.4 and 3.5)
1 consultant	550	12,4	Detail 3.2.2.1 Carry out a study to develop an incentive-based scheme for the certification of ProArbol technical advisors where the quality of the projects developed by them is reflected on their certification by CONAFOR
1 consultant	550	7,6	Detail 3.2.3.1 Carry out a study to develop a more integrated

			approach of the CONAFOR PES program to watershed management at the community level
1 consultant	550	20	Detail 3.3.1.1 Carry out a study of the economic benefits of market-based PES mechanisms and new sustainable products to be promoted by the project
2 consultants	1.300	15	Detail 3.3.2.1 Carry out market feasibility studies for market-based PES mechanisms, like Scolel'Te Carbon Credits, carbon credits created by FONCET, the carbon trading platform of MercadosAmbientales.com and others
4 consultants	1.300	12	Detail 3.3.2.2 Carry out premium market feasibility studies for sustainable products, like xate seedlings and leaves, organic dairy and beef products, higher quality timber, organic cacao and coffee, honey and others
2 consultants	1.300	10	Detail 3.3.3.1 Develop marketing plans for the market-based PES mechanisms identified under 3.3.2.1 as most promising for the watersheds in the project region
3 consultants	1.300	22,5	Detail 3.3.3.2 Develop marketing plans for the sustainable products identified under 3.3.2.2 as most promising for the watersheds in the project region
1 consultant	1.300	14,4	Detail 3.4.1.1 Develop training modules for capacity building activities to support implementation of marketing plans
1 consultant	250	14,4	Detail 3.4.1.1 Develop training modules for capacity building activities to support implementation of marketing plans
2 consultants	1.300	21,8	Detail 3.4.1.2 Prepare and produce training manuals for capacity building activities to support implementation of marketing plans
2 consultants	250	21,8	Detail 3.4.1.2 Prepare and produce training manuals for capacity building activities to support implementation of marketing plans
2 consultants	550	12	Detail 3.4.2.4 Experts give technical assistance to land users in pilot projects for certification of sustainable (organic, eco-friendly and fair trade) products
4 consultants	550	8	Detail 3.4.2.4 Experts give technical assistance to land users in pilot projects for certification of sustainable (organic, eco-friendly and fair trade) products
2 consultants	550	35	Detail 3.4.3.1 Realize assessment of strengths and weaknesses of existing organizations of land users engaged in initiatives to access market-based PES mechanisms and premium markets
2 consultants	250	35	Detail 3.4.3.1 Realize assessment of strengths and weaknesses of existing organizations of land users engaged in initiatives to access market-based PES mechanisms and premium markets
2 consultants	550	35	Detail 3.4.4.1 Design strategy for capitalizing land users' organizations to finance collection and distribution (acopio) of sustainable products
Total Person weeks		***922,2***	
International			
Justification for travel, if any:			

* Provide dollar rate per person week. ** Person weeks co-financed by GEF (as part of total person weeks.

ANNEX D: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS

A. EXPLAIN IF THE PPG OBJECTIVE HAS BEEN ACHIEVED THROUGH THE PPG ACTIVITIES UNDERTAKEN.

The PPG objective has been achieved satisfactorily through the activities undertaken. Five studies were prepared and their results presented, providing useful information for designing the project proposal. Two workshops were carried out providing important inputs for the project preparation studies and for designing the project results framework. Ten project target sub-watersheds were identified and agreed upon among project partners. Project design and proposal preparation (ProDoc and CEO Endorsement Request) were concluded.

B. DESCRIBE FINDINGS THAT MIGHT AFFECT THE PROJECT DESIGN OR ANY CONCERNS ON PROJECT IMPLEMENTATION, IF ANY:

Several risks that might affect project implementation were identified during the PPG phase and presented in the project document. Probably the most relevant finding in this sense during the PPG phase is that, while CONAGUA and the municipal authorities support the project objectives, there is a need to strengthen the quality and consistency of support provided by municipalities to the watershed committees. The project will address this need by working with CONAGUA to raise awareness within municipal agencies of the importance of long-term perspectives in watershed management and involve them in planning and implementing adequate ES and BD protection policies within their jurisdictions. CONAGUA will play a key role in project activities related to strengthening the engagement of municipalities in supporting watershed management committees.

C. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES AND THEIR IMPLEMENTATION STATUS IN THE TABLE BELOW:

Project Preparation Activities Approved	*Implementation Status*	*GEF Amount ($)*				*Co-financing ($)***
		Amount Approved	*Amount Spent to date***	*Amount Committed*	*Uncommitted Amount**	
Synthesis and review of existing efforts and institutional capacity for monitoring ES and BD	Completed	6.183	6.183	0		13,811
Survey of micro-watershed councils and their planning methodologies and capacity-building needs	Completed	5.902	5.902	0		8,161
Review of existing PES programs in the region	Completed	224	224	0		23,439
Identification of opportunities for strengthening training programs in NRM and PES	Completed	6.255	6.255	0		6,772
Review agricultural and forestry certification programs using environmental criteria & identify market expansion opportunities	Completed	15.640	15.640	0		5,328
Identify candidate sites for demonstration restoration activities	Completed	149	149	0		8,216
Start-up workshop, mid-term workshop and 2-3 mini-workshops during the writing phase including associated	Completed	9.427	8.431	996		23,108

travel						
Project Design and Proposal Preparation	Completed	26.220	15.888	10.332		15,691
Total		70.000	58.673	11.327		104,526

* Any uncommitted amounts should be returned to the GEF Trust Fund. This is not a physical transfer of money, but achieved through reporting and netting out from disbursement request to Trustee. Please indicate expected date of refund transaction to Trustee.
** Estimated as of November 2009

ANNEX E: CALENDAR OF EXPECTED REFLOWS

Provide a calendar of expected reflows to the GEF Trust Fund or to your Agency (and/or revolving fund that will be set up).