

MEXICO
Consolidation of the Protected Areas System Project (GEF)

Project Appraisal Document

Latin America and Caribbean Region
LCSEN

Date: December 12, 2001 Country Manager/Director: Olivier Lafourcade Project ID: P065988 Focal Area: B - Biodiversity	Team Leader: Claudia Sobrevila Sector Manager/Director: John Redwood Sector(s): VM - Natural Resources Management Theme(s): Poverty Targeted Intervention: N
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Program Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Amount (US\$m):

Financing Plan (US\$m):	Source	Local	Foreign	Total
BORROWER/RECIPIENT		24.92	2.00	26.92
GLOBAL ENVIRONMENT FACILITY		5.50	10.60	16.10
BORROWING COUNTRY'S FIN. INTERMEDIARY/IES		0.57	0.30	0.87
NON-GOVERNMENT ORGANIZATION (NGO) OF BORROWING COUNTRY		0.50	0.50	1.00
FOREIGN PRIVATE COMMERCIAL SOURCES (UNIDENTIFIED)		4.00	11.23	15.23
Total:		35.49	24.63	60.12

Borrower/Recipient: FMCN, A.C. & CONANP

Responsible agency: SEMARNAT THROUGH THE CONANP

Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT) through the Comisión Nacional de Áreas Naturales Protegidas

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Estimated disbursements (Bank FY/US\$m):

FY	2002	2003	2004	2005	2006	2007	2008	2009
Annual	8.00	2.10	2.00	2.00	2.00	0.00	0.00	0.00
Cumulative	8.00	10.10	12.10	14.10	16.10	16.10	16.10	16.10

Project implementation period: 2001-2008 (eight years)

A. Project Development Objective

1. Project development objective: (see Annex 1)

The project's global objective is to promote the conservation and sustainable use of biodiversity in Mexico through the consolidation of the National System of Protected Areas (SINAP). Project development objectives are to:

1. Conserve globally important biodiversity in selected areas of SINAP;
2. Promote the economic, social and environmental sustainability of productive activities in selected protected areas;
3. Promote social co-responsibility for conservation; and
4. Promote the inclusion of biodiversity conservation and sustainable use criteria in development projects and other practices affecting selected PAs

The project will institutionalize significant advances made over the past five years in the policy framework, institutional arrangements, and sustainable flows of financial resources directed toward the conservation of Protected Areas (PAs) in Mexico, and increase the number of PAs, as well as the representativeness of ecosystems, coming under improved management. The project will extend the PAs program initiated with GEF funding in 1992 and restructured in 1997 (project SINAP1), by adding 4 new PAs to the program, with 8 more areas to be incrementally included to the current project (see Annex 14 for details). It will support new activities of social participation and biodiversity mainstreaming for sustainable use, addressing not only the immediate causes of biodiversity loss, but also some of the root causes.

2. Key performance indicators: (see Annex 1)

The following are project-level categories of indicators. For each of them, actual baseline and target values are protected-area specific, and are therefore defined in logical frameworks at the protected area level (these are available in the project files).

- A.1 Frequency of observations of selected indicator species
- A.2 Rate of habitat conversion in each area
- B.1 Proportion of area under sustainable management relative to the total area with potential for sustainable use
- B.2 Proportion of land users applying sustainable practices relative to total land users in the PAs
- C.1 Number of participatory forums functioning effectively
- C.2 Number of conservation initiatives where local communities participate in the design and/or execution
- C.3 Number of NGOs, universities, research centers and social sector organizations participating in PA management
- D.1 Amount of funds from non-environmental agencies directed to conservation and/or sustainable use initiatives
- D.2 Number of PAs with development projects or intersectorial initiatives that incorporate biodiversity-friendly criteria

B. Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project: (see Annex 1) **Document number:** R99-92, IFC/R99-82 **Date of latest CAS discussion:** 06/08/99

The joint IBRD/IFC Mexico Country Assistance Strategy identifies three core themes for World Bank Group assistance to Mexico: social sustainability, removing obstacles to sustainable growth, and effective public governance. Within this broad framework, the CAS identifies priority areas for Bank involvement in the environment sector. The proposed project supports all of the environment sector goals. In particular, it is expected that the project will contribute to the improved management of biodiversity resources, and institutional development directed towards improved environmental management.

The CAS also emphasizes opportunities for pursuing sector objectives through access to GEF financing, particularly to assist Mexico in mainstreaming global environmental concerns into regular development programs. A pipeline of projects is currently under development to implement those CAS provisions. Different approaches are being tested, including support to conservation efforts by indigenous communities, development of mechanisms for conservation in private lands, and establishment of a network of biological corridors in the productive landscape (see section D).

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

Estimates suggest that Mexico harbors more than 10% of the biological diversity of the planet. Technical reports indicate that Mexico is the country with the highest diversity of ecosystems for a country in the Americas, and that it is a key center of origin of agricultural crops. Yet Mexico has already lost more than 95% of its humid tropical forests and more than half of its temperate forests, as well as more than half of the original cover of arid areas.

The proposed project addresses the Biodiversity focal area, Operational Policy (OP) 3, forest ecosystems, a good representation of arid and semi-arid ecosystems (OP 1), coastal, marine, and freshwater ecosystems (OP 2), and mountain ecosystems (OP 4). The objectives of all four of these Operational Programs are the conservation and sustainable use of biological resources, specifically:

- Conservation, or in-situ protection, through protections of systems of conservation areas; and
- Sustainable use management attained by combining production, socioeconomic, and biodiversity goals. The Operational Strategies call for a range of uses from strict protection on reserves through various forms of multiple use and full-scale sustainable use.

The project supports these objectives by including in the protected area system representative examples of globally significant ecosystems of all four types; assuring active in-situ protection of those areas; and promotion of appropriate sustainable productive uses in buffer zones and surrounding areas.

2. Main sector issues and Government strategy:

The high biodiversity of Mexico is constantly been threatened by deforestation, over-exploitation, uncontrolled tourism, accelerated economic development and arbitrary settlement policies. In response to threats to biodiversity, the Government of Mexico (GOM) developed a strategy for protecting critical habitats in the late 1980s. The main policy goals included: (a) integration of protection and sustainable development of natural resources with social, economic, and modernization processes needed for development; (b) making ecosystems conservation compatible with the need for rational natural resources use to support sustained community development; and (c) ensuring the recovery, protection

and conservation of natural resources and the equilibrium of ecosystems.

As one instrument to meet these objectives, the GOM created the National System of Protected Natural Areas (SINAP) (1986) comprising parks, reserves, and monuments. SINAP was designed to (a) preserve natural settings; (b) safeguard genetic diversity; (c) ensure rational utilization of ecosystems, (d) provide areas conducive to scientific research; (e) promote rational and sustained resource utilization and preservation; (f) establish forest zones to protect human activities in mountainous flood zone regions; and (g) protect cultural heritage. SINAP is a key element of Mexico's strategy for conservation of biological diversity. There are currently 127 PAs, totaling 17,056,606 hectares (12,949,170 ha terrestrial, 4,107,435 ha marine).

In the early 1990s, GOM and the World Bank began to explore ways in which Bank financing support could assist GOM in achieving its environmental objectives. In 1992, GEF granted US\$ 25 million to GOM to ensure the conservation of ten priority protected areas (PAs) in Mexico. Project implementation did not start until 1994. Further delays were caused by institutional rearrangements, since the institution responsible for the project, the Ministry for Urban Development and Ecology (SEDUE) was modified into the Ministry for Social Development (SEDESOL). This again was restructured giving rise to the Ministry for the Environment, Natural Resources and Fisheries (SEMARNAP), which assumed the project implementation. From 1994 to 1996 the project funds flowed with difficulty and delay to the PAs due to complicated disbursement arrangements. Both the World Bank and SEMARNAP decided in 1996 to restructure the project to address the problems encountered.

In 1996 SEMARNAP invited the civil society to participate in the restructuring process of the GEF PA project. Two NGOs (Pronatura and The Nature Conservancy) conducted a thorough analysis of the project. This analysis was further complemented with an extensive consultation process that included approximately 80 people and organizations with experience in PA management. The result from this process indicated the need to transfer the remaining funds to a *private organization* to ensure efficiency in the disbursement and continuity through different public Administrations. Further, the consulted groups agreed that an endowment fund should be established with the remnant of the funds (US\$ 16.48 million). An endowment would ensure long-term support to the ten priority PAs, as well as slowly build the planning and spending capacity of the personnel at the PAs.

One key group that participated in the restructuring process of the GEF project was the National Council for Natural Protected Areas (CNANP). The CNANP was created in 1996 as part of the efforts by SEMARNAP to include the different sectors of society in the management of the environment. CNANP is an advisory body composed of members of all sectors of society (social, private, academic, NGOs) with proven experience in PA management. It is independent from SEMARNAT (SEMARNAP changed to SEMARNAT under the current Administration), and has become the highest advising authority in PAs. After reviewing the results from the analysis and consultation on the GEF project, CNANP decided not to create a new organization to receive the remnant of the funds. Instead, CNANP considered the already existing organizations that could house a PAs endowment and selected the Mexican Nature Conservation Fund (FMCN). FMCN was established in 1994 as the first environmental fund in Mexico. In 1996 it managed US\$ 20 million from USAID and US\$ 10 million from the GOM as an endowment. The interest of these contributions is yearly channeled to projects selected after a call for proposals. Today FMCN supports 380 conservation projects all over the country.

The restructuring of the first GEF project in PA in Mexico (termed SINAP 1 for being the first GEF project to support the National System of PAs) resulted in the creation of the Fund for Protected Areas (FANP) within FMCN. CNANP, SEMARNAP and FMCN worked in the institutional arrangements

and project cycle, which are described in detail in an Operational Manual that rules the everyday SINAP 1 project operation. The yearly interest is channeled to the PAs via NGOs that are in charge of accounting and hiring personnel according to Annual Operating Plans designed by the reserve personnel. The latter consult the local Advisory Committees (CAs) of the PAs while drafting the Plans. These CA include local representatives from all stakeholders in a given PA. FANP personnel oversee the administration and application of the funds. A central coordination (CC) unit within SEMARNAT serves as a link between the GOM and FMCN, providing oversight of the technical implementation with the support of GOM personnel. FANP personnel report to the Technical Committee for the Fund for Protected Areas (CTFANP), which is composed of seven members named by CONANP, which represent the different sectors from society. CTFANP obtains the support from another committee within FMCN, the Administration and Finances Committee (CAF) for management decisions on the endowment.

SINAP 1 project began its operation in 1998. Shortly after the start of operations, GEF conducted a study on environmental funds in the world. FMCN was one of the institutions included in the analysis. The results indicated that FMCN and its newly created FANP were models to follow. Endowments, in the case of PAs, address the immediate need to provide basic support for the operation of a PA. They work in synergy with traditional funds provided by GOM and other donors, and they attract additional funds. Continuity in time allows PA personnel to plan and develop systematic management schemes for conservation. An independent evaluation of SINAP 1 project in 2000 revealed also that it was a model to follow. Both studies identified the mixed public-partnership nature of the project as a key component of its success. For a full description of the lessons learned from this first project refer to Section D.3.

Along SINAP 1 project, positive developments have taken place in the GOM and the conservation community. The public funds channeled to the federal PA System increased 15-fold from 1994 to 2000. Today, 56 PA have dedicated staff paid by the GOM out of a total of 127 PA, and 27 PA have a published Management Program. Ten years ago, no PA had permanent official staff. Under SEMARNAP, the administration of PAs was under the Coordinating Unit for PAs (UCANP) within the National Institute of Ecology. In June 2000, the National Commission for Natural Protected Areas (CONANP) replaced UCANP, acquiring independence from the National Institute of Ecology and increasing its status. National Regulations for PAs have been published and CONANP is now working on turning these regulations into law. Within the conservation community, FMCN has increased its endowment from US\$ 30 million when it was chosen by CONANP to house FANP, to US\$ 57 million. Aside from the initiatives in PAs that are explained in Annex 14, FMCN has recently created the Mexican Conservation Learning Network, which will provide technical assistance to develop capacities in the conservation community. FMCN leads today the Network on Environmental Funds of Latin America and the Caribbean. NGOs in conservation in Mexico have succeeded in the recognition of the establishment of private natural lands, in the development of local fundraising mechanisms, in the design of regional approaches to conservation and in the innovation of new conservation schemes with community groups.

Continuity in time has been tested for SINAP 1 project and corresponding support for PAs during the recent change of public Administration. The new officials in charge have embraced the protection of the National System of Protected Areas (SINAP) as a national priority. The extraordinary increase in CONANP's budget granted in 2000 (US\$ 9 million) was integrated into CONANP's regular budget for 2001. Additionally, the Regional Sustainable Development Program (PRODESA) within SEMARNAP was transferred to CONANP under the new Administration. This initiative will ensure added support to sustainable practices within and around PAs. CONANP has added a new director-level unit to develop a monitoring system for the PA system. This unit is also working on the development of performance indicators and evaluation methods for PA personnel. Mechanisms to increase local funds in PAs are

being tested, working in synergy with FANP. Entrance fees in one marine PA are being charged as a pilot project. If this mechanism to capture local funds succeeds, it will be expanded to additional PAs in the near future. CNANP has continued meeting regularly, and its membership has been enriched to ensure adequate representation of all sectors of society. CNANP has provided continued oversight on the development of SINAP 1 project. (see Section D.4 for additional information on the new Administration commitment to the project)

The new Administration recognizes that the work in the last decade has succeeded in the establishment of a System of Protected Areas in the country. The challenge it identifies for the present and future is the consolidation of this system. This consolidation requires the full coverage of PAs with competent personnel and minimal infrastructure, the development of fundraising mechanisms, the implementation of innovative conservation mechanisms (purchase of land, co-management schemes with NGOs and academia, institutional synergy with programs from other public sectors), a communication strategy to the different sectors in society, adaptive management ensured through regular evaluation of performance and impact in the field, and the development of local capacity and co-responsibility in communities and state governments to join in the conservation of PAs. The GEF contribution to these efforts through the SINAP 2 project is essential. The expansion of FANP endowment included in SINAP 2 will aid in increasing the number of PAs that have a minimum coverage for conservation, while the support to mainstreaming conservation will aid CONANP in its efforts leading to institutional synergy with programs from ministries other than SEMARNAT, improve CONANP's communication to strengthen its constituency, evaluate its impact in the field, while strengthening social participation leading to local co-responsibility in PAs.

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

The project will address three priorities for action identified by the national biodiversity strategy and action plan, namely protection of biodiverse ecosystem, sustainable use of biodiversity and improvement of the knowledge base on biodiversity. It will promote protection by supporting implementation of management plans in PAs. These are designed to control illegal activities, to implement emergency measures to combat fires, and respond to other immediate threats to biodiversity. It will support sustainable use by means of community participation and promotion of adequate technologies in the buffer zone of the protected areas. Finally, it will improve the knowledge base by means of targeted analysis (biodiversity assessment, threat analysis, root-cause analysis, social assessment, etc.) at CONANP's central level and as an integrated element in the preparation and execution of management plans.

The project would also support all elements of the SINAP strategy, by:

- Complementing fiscal funding of PAs with permanent GEF endowment-based support for basic operation, conservation, equipment, community activities, and training.
- Supporting public-private - social partnerships in each of the PAs.
- Enhancing social participation and social sustainability.
- Developing institutional capacity for PA management, including institutional strengthening of the agency in charge at the national level and of Civil Society Organizations – CSOs (grassroots organizations, NGOs, communities, producers associations, etc.) participating in co-management arrangements.
- Improving the PAs' ability to address the root causes of biodiversity loss, by fostering inter-institutional coordination to identify and mitigate potential threats arising from development projects in other sectors, and by mobilizing support from other sectors for sustainable productive activities.
- Channeling additional international support to the PAs and creating conditions for further financial

leveraging at the protected area, regional, and national levels.

To address the issues referred to above, the following strategic choices were made:

First, it was decided to retain the key elements of restructured original project, namely the public-private institutional framework and the trust fund mechanism. These choices have been validated by experience demonstrating that the steady, reliable flow of resources for permanent staff, basic operating, conservation, and community activities have built a reliable “platform” and developed investor confidence sufficiently that all areas have been able to increasingly generate additional resources from other sources as well.

Second, it was decided to add biodiversity mainstreaming (promotion of social-institutional partnerships) to the “menu” of support provided to the PAs. This is due to the long-term nature of the program and the fact that many of the root causes of biodiversity loss are not adequately addressed by traditional conservation projects. The mainstreaming component will promote partnerships between stakeholders and institutions at the protected area level to improve local access to sources of financial and technical assistance for alternative sustainable livelihoods.

Third, it was decided to prioritize the protected areas to be included in the project. Mexico’s 127 PAs span the impressive diversity of Mexico’s natural environment, at the levels of ecosystems, landscapes, species and genetic diversity. During preparation, criteria were established for guiding consolidation of the protected area system, and a detailed priority setting exercise was undertaken by leading Mexican scientists and conservationists under the auspices of the National Institute of Ecology (INE), the National Commission for the Knowledge and Use of Biodiversity (CONABIO) and FMCN to establish relative rankings among existing and planned PAs. As a result of this exercise, 24 PAs were identified as the highest priorities for protection to ensure adequate coverage of Mexico’s arid, forest, mountain and coastal marine ecosystems (these 24 are in addition to the 10 reserves included in the GEF Pilot Phase SINAP 1 project). This priority group includes 12 reserves that will receive direct financial support from GEF (4 reserves initially and 8 more that will be added incrementally to the project). The methodology used for the prioritization exercise is summarized in Annex 13. The expansion of FANP endowment to cover the 12 reserves of the project is included in Annex 14.

C. Project Description Summary

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

The project costs are presented below. In addition, the costs for the expansion of the Endowment that will follow through incremental tranches is presented in Annex 3 and 14.

Component	Sector	Indicative Costs (US\$M)	% of Total	Bank financing (US\$M)	% of Bank financing	GEF financing (US\$M)	% of GEF financing
1. Expansion of the Fund for Natural Protected Areas			0.0		0.0		0.0
1.1 Endowment capital	Other Environment	18.80	31.3	0.00	0.0	9.40	58.4
1.2 Fund-raising	Environmental Institutions	2.40	4.0	0.00	0.0	1.20	7.5
2. Protected area conservation programs			0.0		0.0		0.0
2.1 Implementation of Mgmt Programs	Other Environment	13.87	23.1	0.00	0.0	0.00	0.0

3. System-wide Institutional strengthening		0.00	0.0	0.00	0.0	0.00	0.0
3.1 Central Coordination	Environmental Institutions	1.93	3.2	0.00	0.0	0.20	1.2
3.2 CONANP Strengthening	Environmental Institutions	0.17	0.3	0.00	0.0	0.00	0.0
3.3 CSOs and NGOs Strengthening	Environmental Institutions	2.00	3.3	0.00	0.0	0.00	0.0
4. Mainstreaming Conservation and Sustainable Use Policies	Natural Resources Management	20.95	34.8	0.00	0.0	5.30	32.9
Total Project Costs		60.12	100.0	0.00	0.0	16.10	100.0
		0.00	0.0	0.00	0.0	0.00	0.0
Total Financing Required		60.12	100.0	0.00	0.0	16.10	100.0

[Note: The present budget reflects funding already approved by the GEF council, which would provide permanent endowment income to four protected areas. However, the project has been conceived and designed to be incrementally scaled up and extended to eight additional areas by means of a "supplemental grant" mechanism, described, along with the budget for the entire set of 12 areas, in Annex 14].

Component 1: Expansion of the Fund for Natural Protected Areas (Total \$21.20m, GEF \$10.6m)

This component will support the capitalization of the endowment fund (FANP/Fund for Protected Areas). GEF funds deposited in the endowment fund will be matched on 1:1 basis. For the first phase \$9.4 m will be deposited in the endowment fund. The rules to deposit the GEF contribution in the Endowment Fund are spelled out in Annex 14. The investment income of the endowment fund will support basic conservation operating costs of 4 new priority protected areas not covered in the GEF I, as well as incremental FANP administrative expenses. Through additional GEF support in future phases, the FANP endowment fund is expected to be further expanded, so as to generate investment income for 8 additional new protected areas (see Annex 14 for detailed description). The process of selection of the 4 initial reserves as well as the 8 subsequent ones is presented in Component 2. Detailed procedures to manage the endowment fund are spelled out in the Operational Manual (condition of effectiveness) and in Annex 5 and 14. To cover the first year of operation in each of the 12 reserves, while endowment funds accrue interests, a reserve of \$1.9m has been set aside for the start up costs of the reserves. The rules are spelled out in the Operational Manual. This component will also support the optimal operation of the endowment fund and will include a fundraising program. The fund-raising plan will involve the GOM, the FMCN, and alliances with other national and international NGOs. The fundraising program will be executed jointly by FMCN and by CONANP. GEF will contribute \$1.2m and FMCN and CONANP will contribute \$1.2m. The targeted groups of the fundraising activities will include major government/ private firms as well as foundations.

Component 2: Protected Area Conservation Programs (Total \$13.87m; income from GEF)

This component will finance the implementation of management at the PA level. Eligible basic conservation activities in the four PAs included in the project will be supported through a mix of FANP-generated income, fiscal funds and other sources of financing. Annex 13 contains further information on these areas, as well as on the entire group of 12 areas that are expected to receive funding from additional GEF support. At the reserve level, activities to be covered by the income derived from the endowment will include: basic operation costs, equipment, conservation activities, community activities, and capacity-building activities. The GOM has committed to maintain the basic staff and recurrent costs for all 12 areas throughout the project's life and beyond, and to begin to extend basic funding to the next tier of priority areas as well. In

terms of expenditure categories, this component will finance equipment, materials, supplies, consultants, training, salaries and operating costs.

Component 3: System-wide Institutional Strengthening. (Total \$4.10m ; GEF \$0.2m).

This component will include three sub-components: 1) Central coordination sub-component will support activities involving the endowment-supported PAs as a group, including capacity building and technical assistance to the PAs; monitoring and evaluation systems and; social participation in the protected areas program; 2) Government Institutional Strengthening sub-component will support CONANP's transition to an effective conservation agency, and the related adoption and execution of strategies for performance, strategic planning, environmental information, marketing, interaction with donor and NGO sectors, information technology and systems, human resources, physical resources, communications, and adaptive management; and 3) NGOs and CSOs Strengthening sub-component will help establish and consolidate a Mexican Conservation Learning Network (MCLN) for the sharing and adoption of knowledge on protected areas management, benefitting non-governmental organizations (NGOs) and civil society organizations (CSOs). All NGOs involved in management activities of the GEF-supported PAs will be eligible to participate. They will receive direct assistance from program staff, scholarships for courses and workshops, access to information and databases, and regular assistance with assessment of organizational development in competencies such as planning, management, leadership, administration, monitoring and evaluation, and finance. Activities to be financed under this component include: staff, consultancies, workshops, training, and publications.

Component 4: Mainstreaming Conservation and Sustainable Use Policies. (Total \$20.95m; GEF \$5.30m)

This component would promote the inclusion of criteria of biodiversity conservation and sustainable use in the development programs and initiatives affecting the selected PAs. Details on the activities and budget for this component are presented in Annex 2. More specifically, it will: 1) Establish and strengthen legal, normative and operational tools to mainstream biodiversity conservation criteria in sectoral policies and programs (e.g., inter-institutional agreements, technical manuals for civil servants); 2) Establish and promote planning tools and mechanisms to promote sustainable development in PAs (e.g. communication and education campaigns, community-level sustainable development plans and micro-regional councils; capacity building for sustainable development initiatives); and 3) Mobilize funding from sources other than CONANP for investments in the conservation and sustainable use of biodiversity in PAs (through for example fiscal incentives, establishment of a group of "business leaders for conservation). This component will finance activities aimed at producing results at two levels: a) at the central level; b) at the PAs level. Activities eligible under this component include studies and consultancies, workshops and capacity building courses; publications, audio-visuals, television/radio broadcasts and other communication material; and incremental operating expenses.

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

Key policy and institutional reforms to be supported by the project include:

1) Strengthening of CONANP with increased autonomy and capacity to develop and implement a long-term national strategy for SINAP, closely keyed into national development plans; 2) Continued progress on decentralization of management and decision-making for PAs; 3) Increased participation of local communities and other stakeholders in protected area management and sustainable use of resources oriented toward conservation in their zones of influence. Special attention will be paid to the participation and equitable sharing of benefits by indigenous peoples and vulnerable groups; 4) Establishment of strategic partnerships with civil society and the private sector; 5) Development of sustainable financial

mechanisms, including innovative public/private/social sector partnerships. A key contribution to this outcome will be the project's institutional strengthening of local organizations which can institutionalize funding mechanisms at the PA level; 6) Strengthening of inter-institutional coordination mechanisms at national and state level; and 7) Adoption of policies and regulation of public use of the PAs.

3. Benefits and target population:

Benefits

The benefits of the project consist in the continued maintenance of the flow of goods and services provided by the target protected areas. These include availability of flora and fauna for direct consumption, amenity values for tourism and recreation, provision of ecological services such as watershed regulation and protection, micro-climate stabilization, maintenance of air quality and water supplies, generation of biomass and nutrients, control of erosion and sedimentation, coastal protection, carbon sequestration, storage of information to enhance knowledge on ecosystem properties, genetic diversity, etc.

Target Population

A rough estimate of the population living in the four initial PAs and surrounding zones amounts to almost 400,000 people. Most of them are small agricultural producers in their own or community land or are engaged in cattle rearing, fishing or forestry. The use of natural resources is important for direct consumption, medical purposes, or handicrafts production. Productivity is low and commercialization is inefficient and not sustainable. Most communities are marginalized and live in extreme poverty. The project aims to benefit this population by promoting sustainable alternatives for better use of their resources combining conservation and poverty reductions efforts. Through promotion and strengthening of community organizations the project will help poorer stakeholders to obtain support from other government agencies. In general, the project will ensure that this population share the benefits of PAs conservation.

Target Population: Ethnicity and the Project approach.

Around 16% of the total population in protected areas and buffer zones are indigenous people comprising eleven ethnic groups. In some of the protected areas, like Tehuacán- Cuicatlán, indigenous population represents almost 50% of the total. Eight different ethnic groups, each one with their own traditions, languages and cultures coexist in extreme poverty conditions. In Chichinautzin-Zempoala the presence of indigenous peoples of Nahuatl descent is also predominant. In spite of outside pressures, they have a strong organization that has helped them to maintain their culture. In the northern protected areas the situation is the opposite, indigenous population has almost disappeared. In Cuatrociénegas, there is no ethnic group established. Though the Kickapoo have part of their territory there, they use it only for ceremonial purposes, because they live in Eagle Pass. In the Golfo-Rio Colorado area, only few indigenous Cucapá remain. Nevertheless, indigenous people play an important role in conservation because they maintain a close dependence on natural resources and they own many of the lands in protected areas.

The approach of the project towards indigenous groups fully respects the Mexican legal framework protecting their rights, and is consistent with Bank's OD 4.20. An indigenous peoples strategy has been prepared to ensure that indigenous communities participate and benefit from the project. In PAs where indigenous population resides, Indigenous Peoples Development Plans (IPDPs) have been prepared. Modifications in the structure and procedures of Consejos Asesores (CA) in protected areas will ensure that indigenous organizations are fully represented and play a role in the management of the areas. Annex 11 provides additional information on the approach proposed by this project, to ensure that stakeholders (especially indigenous people and other vulnerable groups) share into the project benefits and are not negatively affected by the implementation of biodiversity conservation regimes in the areas.

4. Institutional and implementation arrangements:

The restructured project (SINAP 1) has resulted in a public-private arrangement, which has become an internationally recognized best practice and an example to follow at international levels. The GEF assessment on environmental funds published in its “Lessons Notes No. 7” (1999) some of the elements from the current project, which have led to its success. In 2000, an independent evaluation of the project concluded that it sets an example to follow in both administrative and technical areas. Furthermore, recent achievements in funds raised (US\$ 10.3 million in non-endowment funds, US\$ 5 million in endowment funds as match to the current project, US\$ 7.5 million as match to SINAP 2 project) indicate high expansion capacity. Specifically, this expansion is resulting in interesting new developments in protected areas (PAs), such as innovative compensation mechanisms and the creation of local funds with direct stakeholder participation. The next step in the consolidation of the National Protected Areas System (SINAP) is to expand the endowment to cover additional high priority areas, strengthen capacities at the newly created CONANP and explore new avenues for inter-institutional synergies with other public sectors. SINAP 2 project will address these three objectives using the present institutional arrangements with some additions.

Institutional Arrangements

The project will be executed by two agencies, the National Commission for Protected Areas (CONANP) and Fondo Mexicano para la Conservación de la Naturaleza (FMCN). The legal agreement will spell out detailed obligations and responsibilities of each of the two agencies for the administration of GEF funds. The table below summarizes the distribution of execution and administration responsibilities among the different institutions for each component and sub-component of the project. Two operational manuals will be guiding project implementation and administration. One to execute CONANP portion of the project and one for the FMCN (this latest Manual will be an up-dated copy of the current SINAP I manual). Outlines of the draft Operational Manual for CONANP and a list of revised items for the FANP Manual will be agreed during negotiations. The table below summarizes the distribution of execution and administration responsibilities among the different institutions.

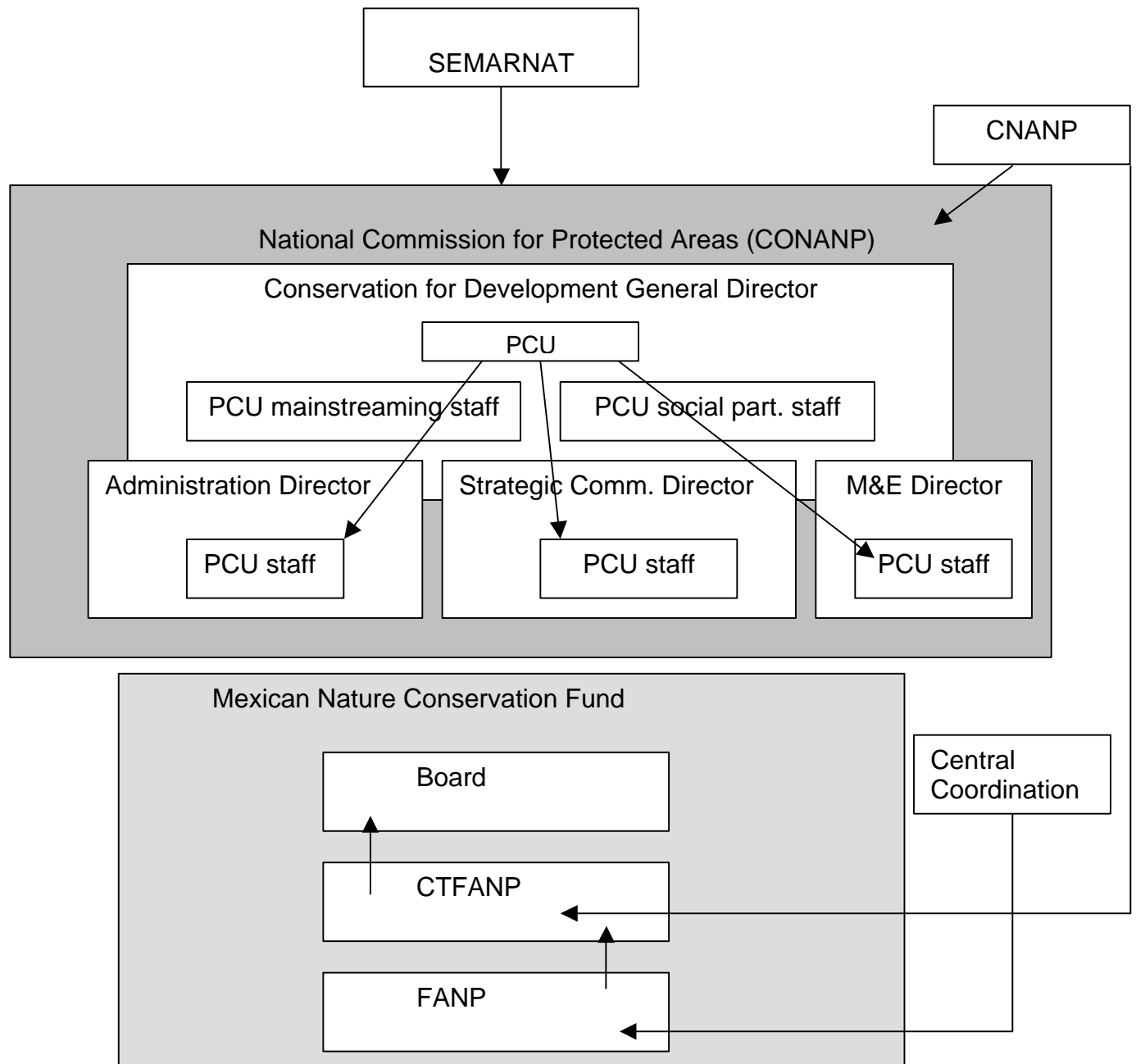
	CONANP	NAFIN	FMCN/FANP
1. Expansion of the Fund for Protected Areas			
1.1 Endowment Capital			Execution and Administration
1.2 Fundraising	Execution (30% of the funds)	Administration (30% of the funds)	Execution and administration (70% of the funds)
2. Protected Areas Conservation Program			
2.1 Implementation of Mgmt. Programs	Execution		Administration (POA financing through FANP income): contracting to be procured to NGOs or UNDP
3. System-wide Institutional			

Strengthening			
3.1 Central Coordination	Execution	Administration of M&E funds	Administration up to 9% FANP income
3.2 CONANP Strengthening	Execution and Administration		
3.3 CSO and NGOs strengthening			Execution and Administration
4. Mainstreaming Conservation and Sustainable Use Policies.	Execution	Administration	

1. Mainstreaming (GEF \$5.3m), fundraising (GEF \$0.4m) and M&E components (GEF \$0.2m)

CONANP

In order to execute the components and sub-components administered by NAFIN for CONANP, a small Project Coordinating Unit (PCU) will be fully integrated within CONANP. The Unit will be headed by a coordinator at the assistant director level, who will be reporting to the Regional Sustainable Development Program (PRODERS), General Director of Conservation for Development. The PCU coordinator will have one staff member devoted to mainstreaming and another one to the implementation of the social participation strategy in the project. Additionally, to allow for better integration with the new CONANP organizational arrangements, the PCU coordinator will have three staff members located within the Administrative, Strategic Communication, and Monitoring and Evaluation areas of CONANP (see CONANP's organizational chart, below). The PCU will be technically responsible for the design, execution and monitoring of activities to be executed by the Commission and administered by NAFIN. They include the mainstreaming component, one third of the fundraising GEF funds (US\$400,000 to raise US\$3m) and US\$200,000 for monitoring and evaluation. Implementation at the protected area level is the responsibility of the Protected Area Director, in collaboration with local stakeholders through bilateral agreements, ACs and other mechanisms. The PA Director reports to the President of CONANP, to whom s/he is responsible for plans and objectives. Each Director is assisted by a core group of permanent staff responsible for coordination, operations, project supervision, and administration. Typically, the core team is complemented by project managers and seasonal labor hired on a contractual basis. Each year, the Director prepares annual operating plans (POAs) based on the Management Programs that provide the framework for the conservation program, including, where applicable, implementation of an Indigenous Peoples Development Plan.



2. Endowment Fund

FMCN will manage SINAP 2 endowment fund and will oversee the administration and application of its investment income based on SINAP 1 arrangements. The administrative cost for FMCN's role (FANP costs) will amount to 12% from the investment income. This percentage will allow FANP to gradually become independent from the present financial support it receives from other programs within FMCN, as well as maintain FANP costs at 12% in SINAP 1. FANP will strengthen the present team (one additional staff member for every four PAs added) to adequately address the additional work load. FANP will

continue reporting to the Technical Committee for the Fund for Protected Areas (CTFANP), which will in turn report to FMCN's board. Members of CTFANP will continue to be named by the National Council on Protected Areas (CNANP), which serves as an independent advisory organism to CONANP. The costs assigned to the central coordination in SINAP 2 (which amount to 9% from the investment incomes in SINAP 2) will be channeled exclusively to studies, workshops or consultancies that pertain to more than one PA and aid in the strengthening process of CONANP. Such activities will be defined by CONANP, included in the central coordination POA and subject to approval by CTFANP. The technical oversight of the income derived from the endowment in both SINAP 1 and 2 (supervision of technical reports, field visits and activities required to verify the correct application of the funds) will be covered with the percentage assigned to the central coordination in SINAP 1 (9 to 12% of the investment income of SINAP 1 endowment according to the Operational Manual). The costs and activities will be included in the central coordination POA and subject to CTFANP approval. The exact annual percentage will be determined by CTFANP and will depend on the level of technical support required in a given year and the demands from the donor (both GEF and World Bank in this case).

3. Other non-endowment activities

FANP will manage non-endowment activities as well. These include fundraising activities for up to USD\$ 0.8 mi. These funds will be channeled to FMCN through a special account. FMCN will be responsible for raising USD\$ 6 mi as a match to the endowment. The fundraising activities by CONANP and FMCN are described in annex 14.

Project cycle management (for the operation of Endowment Interest)

SINAP 2 will build on the project cycle developed for SINAP 1, which is the result of four years of experience and has incorporated feedback from all its actors. This cycle starts each June, when the Committee on Administration and Finances at FMCN informs the Technical Committee for the Fund for Protected Areas (CTFANP) on the availability of funds to cover the project for the following year. CTFANP then applies a methodology that considers variables such as size, population, performance and number of communities to assign the budget for each protected area (PA) included in the project. In early July CTFANP informs CONANP via the central coordination (CC) on the funds available for each PA included in the project. The CC, in turn, notifies the director of each PA, so that s/he prepares the corresponding Annual Operating Plan (POA) with the participation of the PA Advisory Committee (CA). The PAs send the first drafts of POAs by August 15 to the CC. After a quick review, CC sends copies of these first drafts to other departments within CONANP, to CTFANP and to the World Bank (WB). CC and FANP also send their respective POAs to WB. CONANP, CTFANP and WB review the drafts and send their comments to CC. The CC, in consultation with CONANP, reviews the comments and sends them to the PAs when considered necessary for POA approval. The PA directors incorporate the comments into a final version submitted to CC by September 15.

POA approval, under SINAP 1, depends on three conditions: a) evidence that CAs participated in POA formulation; b) incorporation of IPDPs into the POA of those PA with indigenous peoples; c) a letter from CONANP stating that counterpart funds for core personnel and basic operation will be available for the PAs included in the project for the following year. With the expansion of the project under SINAP 2, three requirements will be added: a) a description of activities within the POA that support the social participation strategy of the PA; b) the identification of activities within the POA that require a sustainable development action plan (SDAP) to mitigate possible social impacts due to restrictions or changes in the use of natural resources; c) the inclusion of activities within the POA that address the communication strategy of the PA. Draft POAs for the year 2002 (both from the 10 PAs included in SINAP 1 and the four

PAs included in the first tranche of SINAP 2) already address these new requirements. According to the project cycle followed in SINAP 1, the final version of POAs is reviewed by CC and CONANP from September 15 to September 25. The CC integrates the PAs POAs and its own into a Consolidated Budget. It then submits the POAs from the PAs and its own, as well as the Consolidated Budget to FANP. FANP adds its own POA to produce an Annual Spending Plan and Consolidated Budget (PAGyPC), which is reviewed by CTFANP by the end of each October. CTFANP makes sure that the PAGyPC complies with the guidelines contained in the Operational Manual approved by the WB. It then submits the PAGyPC for WB approval. Once the non-objection from the WB has been obtained (by November 12), the PAGyPC is submitted to FMCN's board for approval in mid-December. Once this authorization is granted, both CONANP and WB are informed. The funds necessary to cover the PAGyPC for the following year are transferred from the endowment account to a local account.

The funds necessary to operate the activities planned for the first four months in the PAs are transferred to the PAs in the first days of January. The PAs and the CC send monthly expense reports (via NGOs or PNUD) to FANP, which reviews them and makes corresponding observations. The first four-monthly report from each PA is submitted in early May. The technical section is sent to CC, while the administrative report is sent to FANP. The technical report describes the advances made with respect to the goals and indicators included in each POA. Once the technical report is approved by the CC, and FANP considers that all administrative observations have been addressed, FANP releases the disbursement for the next four months. This process is repeated in September. In the following January, the PAs send their annual reports to CC and FANP. Once CC and FANP approve these reports, the first four-four monthly disbursement of that new year is authorized. Under SINAP 2, the disbursement and reporting procedures will be every six months to coincide with GOM reporting frequency. Every six months, FANP will send the reports from the PAs, CC and FANP to the WB. These will be reviewed by CTFANP. FANP administrative personnel will conduct on-site "audits" of PA accounts every six months. CONANP staff, CC and FANP visit an average of two PAs per year to observe project implementation (most visits are part of WB missions). An additional PA will be visited per year under SINAP 2. As in SINAP 1, independent auditors acceptable to the WB will review every year the management and use of project funds by FMCN.

Flow of funds

Fund will flow to the project through the following disbursement mechanisms.

a) Special Account: Regular disbursement with CONANP (Total US\$ 5.9 million): The Funds to be executed by CONANP will be administered by NAFINSA, the chosen Government's financial agent, through a Special Account established by Nafinsa. The GEF funds assigned to CONANP include the following funds: \$ 0.4 million for fund-raising corresponding to CONANP (component 1.2); \$0.2 million for monitoring and evaluation under component 3; \$5.3 million for component 4 (mainstreaming). CONANP will be responsible for the contracting process, from contract preparation and to payment instructions for payments. CONANP through the financial agent, will receive funds from the special account to finance its own eligible expenditures, including consultants and incremental operating costs.

b) Special Account: Regular disbursement with FMCN (Total US\$ 0.8 million): FMCN will establish a special account in a commercial Bank satisfactory to the World Bank. The reasons this Special Account is separate from a) is because CONANP special account will be opened within NAFINSA, which is a government agency, while FMCN is a private organization. Also, the funds from the Special Account with FMCN will be used to raise USD\$ 6 mi funds for the endowment from private donors. The fundraising activities by FMCN are described in Annex 14.

c) Asset Manager's account. Endowment fund: (Total US\$9.4m): FANP was legally established within

FMCN in 1997 and has not changed since then. At that time, the Bank had assessed the legal structure of FANP and, finding it satisfactory, deposited US\$ 16.5 million dollar in an asset manager's account whose investment income has been used to support the Parks of the first SINAP I project. For this new GEF project, US\$ 9.4 mi will be deposited to the FANP endowment that will be administered by FMCN on the basis of investment guidelines satisfactory to the Bank and a renewed asset manager's contract (for details, see section E and Annex 14). US\$ 9.4 mi (portion of GEF grant assigned to FMCN) will be deposited in the Asset Manager's account as the matching requirements of 1 to 1 for the endowment have been fulfilled. Minimum amounts for deposit will be US\$150,000. FANP investment income will be channeled to the PAs for financing POAs eligible activities. The administration of the related contracts and purchases will be handled in one of the following ways. Via competitive bidding for the administration services required by qualified NGOs that can service a given PA. This is the system used by the existing project and features an average administrative cost of 8.5%. During SINAP II, a sourcing via the UNDP Mexico offices will be explored to allow a lower administrative fee of 3.5%. Withdrawal out the capital will only be allowed to finance POA eligible activities in the first year of project implementation (for the PAs added to the project). The reason for this is that not enough revenue would have been generated to pay for the first year activities. The rules for this one-time capital invasion will be described in the Operational Manual.

Accounting, financial reporting, and auditing arrangements:

- a) FMCN/FANP will transmit to the Bank progress reports on financial management/accounting for the endowment component during project implementation and outcomes every six months, using the already agreed format. Audits will be provided on an annual basis.
- b) CONANP: The internal audit of the Commission is currently carried out by an external auditing firm, while the internal review of the unit is carried out by National Ecology Institute internal controlling unit. Project audits would follow the agreement between SECODAM and World Bank. Audit reports would be prepared based on the standard TOR utilized by Bank Projects. CONANP will prepare reports required by the project administration as well as other agencies (i.e. SECODAM, SHCP, etc.). In addition, CONANP will prepare project management reports in Bank standard form (PMRs), such reports will not be used for disbursements.

CONANP and FMCN/FANP will submit to the Bank bi-annual progress reports tracking physical and financial performance targets by February 15 and August 15 of each year. Once or twice a year after receipt of the progress reports, the Bank, assisted by independent consultants, would conduct a mission to jointly review progress made against objectives and monitoring targets.

Monitoring and evaluation arrangements:

The monitoring and evaluation (M&E) system for this project will be an updating and extension of M&E framework adopted under the existing protected areas project. Based on the ZOPP methodology, the current M&E protocol uses four general impact indicators, as well as specific indicators for each of the 10 protected area in the project. The baseline was established in 1999. In extending this protocol to the project proposed here, care is being taken to integrate within the CONANP monitoring requirements of the GEF project, as SINAP implements a system-wide M&E program. This with the purpose to avoid creating two "tiers" of information management for PA level staff. Data collected for monitoring of supported areas will be consistent and compatible with information management systems being developed in CONANP and CONABIO, and will be shared with the Clearinghouse Mechanism. Both for monitoring and financial reporting, the Project Management Information System already designed for the on-going project will be expanded to operate in CONANP, while continuing to operate the financial management/accounting for the endowment component in FMCN/FANP. The Monitoring and Evaluation indicators for the project will be part of the implementation letter that will be an integral part of the negotiations minutes. The indicators at

the protected area level are included in the logical frameworks prepared for the 4 PAs included in the first phase of SINAP2.

Implementation Period

The grant is expected to be implemented over an eight year period, with the possibility to extend it further for the endowment fund component. Additional phases would have their own duration to be negotiated in due course. The US\$ 16.1 million project will be disbursed in three manners. One is through the regular disbursement to NAFIN to be supervised by the Government for the mainstreaming component over a period of 5 years. The total amount for this part of the project is US\$5.9 million. The second modality is the disbursement to FMCN for the Protected Areas Endowment Fund component. The amount of this part of the project is US\$ 9.4 million to support 4 protected areas. During submission of the Project Brief to GEF, the US\$16.1 million for the project were approved, but it was also agreed that additional funds from GEF (up to US\$ 15 million additional) would be made available in the Protected Areas Endowment Fund in tranches over an 8 years period to support 8 additional Protected Areas. The third modality is a regular disbursement of non-endowment funds to FMCN to support fundraising activities. The amount of this part of the project is US\$ 0.8 million.

D. Project Rationale

1. Project alternatives considered and reasons for rejection:

Throughout the preparation process, the following design alternatives were considered but subsequently rejected:

- a) Adding 24 PAs to the 10 supported by the original FANP endowment, with a related request to GEF for \$40 - \$50 million. As the design progressed, the team realized that this was overly ambitious. Although the SINAP has made substantial advances in recent years in terms of staffing and preparing management plans for an increasing number of areas, 12 is a more reasonable estimate of the number that can be ready to join the program throughout the proposed project duration. The intention is still to go beyond the initial 12 supported with GEF funds, adding more PAs to the program as funds are raised, but the project also leaves room for matching funds to extend conservation programs in the original 34 areas beyond basics and toward more comprehensive programs addressing intermediate and root causes of biodiversity threats.
- b) Funding the mainstreaming activities from the permanent endowment. It was instead decided to propose financing via normal project disbursements. This is more cost-effective: \$5.3 million via regular disbursement, vs. \$13 million in permanent endowment funds. Also, it is expected that given adequate funding over a medium-term period (8 years), mainstreaming activities will reach critical mass and become self-sustaining on their own momentum.
- c) Meeting the 1 to 1 capital funds match requirement in different ways. A scenario in which other donors would match GEF money dollar-for-dollar in basic conservation activities was rejected as unfeasible, given that few if any other donors are as willing as GEF to support basic conservation operation activities. The option to request \$22.5 million in GEF endowment funds and dedicate that portion of the endowment to basic conservation in the first tier of 12 “urgent priority” areas was selected as the most favorable in terms of investment markets and coherence of the future fund-raising strategy as well as program clarity and continuity. The \$22.5 in matching funds will be used to extend basic conservation support to more areas (adding an area to the program in order of priority as there are sufficient funds to support it) or to go beyond basics in any of the areas, giving special priority to conservation programs that test and demonstrate new instruments and approaches, or programs that help PAs build financial

sustainability at the local level or local level endowment funds. These programs will serve as learning experiences for other PAs within and outside of Mexico. Generally it is expected that government and unrestricted funds would be used to extend basic conservation to additional areas, and that private and bilateral donors would tend to have policies favoring donations for activities additional to basic conservation (referred to as “restricted” funds).

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

The Government of Mexico is developing with the assistance of a short terms response measure grant from the GEF Secretariat a Programmatic Framework for GEF support of biodiversity conservation initiatives in Mexico over the next 5-10 years. The Framework consists of a comprehensive approach that commits to measurable progress in conservation and sustainable use, while incorporating biodiversity objectives into the country’s national development plan. The Mexican biodiversity strategy has four principal areas (conservation, sustainable use, biodiversity knowledge and natural resource valuation). Each of the projects in the funding pipeline supports different aspects of the national strategy. The present proposal is the centerpiece of the SINAP under the *conservation* component, and focuses on the federal government decreed natural protected areas administration. The Indigenous and Community Conservation project in Oaxaca, Michoacán and Guerrero also focuses on conservation but through the indigenous and community sectors, and protects biodiversity through nonfederal conservation regimes. The federal protected area approach is complemented by projects such as Biodiversity Conservation and Sustainable Use in Three Priority ECO-Regions, which focuses on a participatory approach of communities to natural resource management, the Mesoamerican Biological Corridor project which focuses on re-orienting rural development investments in the southern states-and the Conservation and Sustainable Use project in the Biosphere Reserve of Sierra Gorda.

Three medium-sized GEF projects complement the strategy by promoting green label markets for biodiversity friendly shade coffee produced in the vicinity of El Triunfo biosphere reserve (one of the pilot phase areas); by developing legal and financial instruments for Private Land Conservation, which will be relevant even for the areas protected by a federal decree since most of the land is privately owned by individual proprietors, *ejidos* and indigenous communities; and Hillside Management which is a relevant contribution not only to biodiversity conservation but to prevention of desertification and carbon sequestration.

The proposed project fits well within the World Bank’s lending. Consistent with its commitment to mainstream the environment, the Bank’s portfolio in Mexico emphasizes a balance between direct support to the environment sector, and the integration of biodiversity considerations into development activities not primarily designed to address environmental concerns.

Sector Issue	Project	Latest Supervision (PSR) Ratings (Bank-financed projects only)	
		Implementation Progress (IP)	Development Objective (DO)
Bank-financed			
Conservation and Sustainable Use of Biodiversity	Protected Areas Program	HS	S
Conservation and Sustainable Use of Biodiversity	Mesoamerican Barrier Reef (regional project) (Recently signed)		
Conservation and Sustainable Use of Biodiversity	Mexico-Mesoamerican Biological Corridor		

Conservation and Sustainable Use of Biodiversity	(Recently signed) Gulf of California (Under preparation)		
Conservation and Sustainable Use of Biodiversity	Indigenous Biodiversity Conservation (Recently signed)		
Conservation and Sustainable Use of Biodiversity	El Triunfo Biodiversity Conservation through shade-grown coffee (MSP)	S	S
Conservation and Sustainable Use of Biodiversity	PROCYMAF strengthening local communities for effective management of natural forestry resources (Oaxaca, Guerrero, Michoacán, Chihuahua, Durango, Jalisco)	S	S
Environment Management and Decentralization	PROMAD (under preparation)		
Rural Development	Marginal Areas	S	S
Conservation and Sustainable Use of Biodiversity	Private Lands Management (Under preparation)		
Other development agencies			
Loss of Biodiversity and Environmental Degradation, biodiversity conservation	Sierra Gorda Conservation Project (UNDP)		
Conservation and Sustainable Use of Biodiversity	Integrated Ecosystem Management in Three Priority Ecoregions (UNDP)		

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. Lessons learned and reflected in the project design:

The main lessons learned that have shaped the design of this project come from (a) the Independent Evaluation of the current FANP project (February 2000) and subsequent mid-term review (November 2000), (b) the Implementation Completion Report of the Mexico Environmental Project, dated February 8, 1999; and (c) the GEF Secretariat's Evaluation Report No. 1-99, *Experience with Conservation Trust Funds*.

Findings and Lessons from the Independent Evaluation (2000)

The evaluation team found that the restructuring of the Project in 1997 resulted in a highly effective design, and that the three participating institutions are implementing the Project in an efficient manner, with an expectation that the objectives will be achieved and, in some cases, even surpassed. The evaluation concluded that the Project achievements are a remarkable success, not only at the national level, but at the international level as well.

Key strengths contributing to the success of the Project include:

- A creative design that includes core personnel in every natural protected area paid by the GOM; a seed capital administered by the FMCN, which generates income to cover basic costs of operation for the long-term management of the areas;
- Vision, quality, dedication, creativity and technical capacity (know-how) of the staff involved in the project, both the central level, and the natural PAs level, especially their Directors;
- Diverse and creative processes of local interaction that have improved of social participation and promoted interinstitutional cooperation;

- An attitude of solidarity of the PAs personnel towards the communities within and around the reserves to search together for long-term solutions to their basic needs that have to yet be satisfied; and
- Excellent systems to use and control the budget of the Project.

The evaluation also identified aspects that can be improved, and that could be transformed into best practice with additional attention. They are:

- Norms, criteria and national standards could be increased to define with greater precision the good management of a protected area, and to identify indicators that can be verified for these norms;
- Procedures in financial management could achieve greater stability in the long term with a more realistic planning of costs, investment diversification, and better local mechanisms to raise and administer funds;
- The labor situation of the personnel in the PAs, which is hired under different schemes (GOM, NGOs, donors, etc) could improve through a process of homogenization and definition of career paths;
- Incipient common learning processes on management of PAs could be strengthened and improved;
- The perception of the public visit as a threat could be transformed to be seen as an opportunity;
- A segmented vision of the natural and human systems of the natural PAs, as well as sporadic use of the ecosystem focus and social analysis applied to management, could be changed;
- Rudimentary infrastructure that does not provide sufficient support to field work should be improved;
- Diversified mechanisms to certify compliance with World Bank social safeguard requirements in terms of social participation and indigenous peoples should be explored; and,
- Economic and fiscal alternatives for the owners of the land (*ejidos*, community and private owners) should be developed to serve as an incentive to conserve natural ecosystems, especially the core areas of the natural PAs.

All of these aspects have been taken into consideration in the design of the present project and are being incorporated in the current project.

Findings and lessons from the Mid-term Review (November 2000)

Key aspects that can be improved in the design of the existing project:

- Consolidation and improvement of the project's social strategy through alliances with vulnerable population in protected areas in order to build a social consensus towards conservation and sustainable use of natural resources. This process should include seeking financing sources.
- Improvement of Advisory Councils (TACs) in protected areas to promote dialogue and stakeholders' participation in priority definition, and in protected areas management.
- IPDPs should be integrated within the PA's overall strategy to ensure consistency in programming and budgeting as well as in institutional responsibilities.
- To incorporate social strategy performance and outcomes in the project's monitoring and evaluation system.

Lessons identified in the ICR and Evaluation of Trust Funds

Supervision and monitoring. Very clear, tangible and quantifiable development objectives and indicators are needed to avoid dispersing the project into activities with little overall impact on the status of the environment. FANP and CONANP have applied this lesson in the current proposal and have made significant advances in identifying planned impacts and monitoring according to consistent program-wide indicators. Staffing and training at the CONANP central level and PA levels will take into account the need for increased attention to management practices and outcomes in overall supervision.

Finances and Fund-Raising. One lesson that emerged from the GEF trust fund evaluation as a challenge was the possibility that government funding of conservation would actually decrease (by substituting trust fund financing). SINAP 1 program was cited as a premier example of a government/fund partnership that has actually leveraged increased government funding to PAs. The GEF evaluation concluded that endowment funds are an appropriate response to conservation threats and needs that require sustained, relatively low level inputs. Where the problem is immediate and the need for resources to address it in the short term is large, other mechanisms, such as a traditional project approach, are often preferable. The Mexican experience has confirmed the need to combine both traditional project and endowment funds. While endowment funds are essential to provide the basis for permanent management in the areas, funding mechanisms (including sinking funds) are also important to address specific short and medium term needs. The GEF trust fund evaluation recommended that GEF support should be structured to provide incentives to encourage raising additional capital and developing innovative capitalization approaches. “Ultimately, a trust fund’s best fund-raising tool is a record of success with its initial project cycles” (GEF 1999). These lessons have been taken into account by a structured approach to endowment building as described in Annex 14.

4. Indications of borrower and recipient commitment and ownership:

Government : institutional, policy and regulatory framework

- Over the last decade, legislation has been put in place to formally regulate the protected areas system, including the LGEEPA (1996) and the Protected Areas By-laws (2000);
- For the first time, PAs are a national priority, and have received more than a tenfold budgetary increase during the past Zedillo administration, which has been respected by the Fox administration .
- The Institutional set-up of the protected area system has been upgraded with the creation of CONANP.
- Over the last decade or so, a team of committed and professional protected area managers has been built , constituting a new generation of leadership for the system.
- The GOM’s “Program for Natural Protected Areas in Mexico 1995-2000” was the first coherent strategy for protecting Mexico’s rich biological resources in consultation with the national community of scientists, conservationists, and indigenous peoples. A Program 2001-2006 is under current elaboration.
- Inter-institutional agreements and coordinating bodies have been established to identify common goals and rationalize investments in and around PAs. These include the Technical Council for CONANP and project-specific agreements, such as for the Mesoamerican Biological Corridor.

Government : Financial Commitment

- The Government has increased annual fiscal support to the SINAP system from US\$360,000 in 1994 to US\$5 million in 1999. The approved budget for 2001 is \$13.4 million. Nearly two million hectares have been added to the system since 1994.
- The Government made, as a result of high-level negotiations related to this proposal, an “extraordinary” appropriation of US\$9 million to the SINAP system in 2000. The continuation of this level of support, above and beyond the baseline, will significantly accelerate the rate at which PAs are integrated to the system and receive in-situ protection. Negotiations in 2000 and 2001 resulted in an institutionalized increased baseline for fiscal support.
- SEMARNAT has already contributed with \$2.5 million to the program endowment and will continue with annual contributions of US\$1 million to FMCN throughout the next six years (the \$1 million for 2001 is already included in the budget). During the past Administration, FMCN received a total of \$10 million in a similar arrangement as a match to a USAID endowment fund.

FMCN commitment and ownership

- FMCN has raised more than US\$10 million in non-endowment funds for natural PAs since 1998.
- From its conservation grants program, FMCN has channelled 78 out of 323 projects to support PAs, for a total of US\$2.63 million, or 30 percent of the total funds granted.
- During 2000 and 2001 FMCN raised \$14.6 million in endowment funds for protected areas, \$9.4 million have been deposited already (including \$2.5 million from SEMARNAT considered matching funds to the SINAP 2 project). This unprecedented fund-raising effort is the result of a close partnership between NGOs and SEMARNAT.
- FMCN's strategic plan identifies the protection of PAs as one of the institutional pillars of conservation in parallel to the country strategy and SEMARNAT strategy.

SEMARNAT-FMCN commitment to the public-private partnership

- In the context of the Programmatic Framework for GEF support to Mexico, the Government of Mexico's commitment to designate between a quarter and a third of the total resources available to a privately managed fund, when it could have programmed all funds for public programs, must be seen as a major financial commitment to the public-private partnership and the proposed project.
- SEMARNAT has deposited 1.5 million into FANP to permanently guarantee the payment of taxes of the SINAP 1 project.

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

The following are some of the key aspects of the World Bank's value added:

- i. The Bank contributed significantly to the restructuring of the project to its current form/set-up and provided close, extensive supervision in the initial years of implementation to ensure a successful turn around. In so doing, the Bank drew on extensive institutional, financial and technical expertise related to designing, launching, and managing trust funds with similar objectives around the world. This expertise remains largely intact, albeit dispersed throughout Bank Operations units (rather than centralized in a specialized unit), and can be drawn upon as needed.
- ii. The Bank is in a position to use its influence in other sectors (social development, agriculture, etc.) to support the "biodiversity mainstreaming" component by assuring that projects and agencies receiving funding in those sectors include biodiversity conservation criteria and actions.
- iii. The Bank is well positioned to catalyze additional support over the long term given its role in aid to Mexico, and to convince donors to support trust funds;
- iv. The Bank has several years of experience in supervising similar projects in many other Latin American countries with similar ecological and political realities;

The value added to the GEF relates to:

- (i) Its ability to commit permanent endowment fund resources;
- (ii) Its ability to act as catalyst for the mobilization of additional resources and to disseminate lessons learned.

Without GEF involvement, it would not be possible to consolidate the SINAP system within the proposed time frame.

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

1. Economic (see Annex 4):

Cost benefit NPV=US\$ million; ERR = % (see Annex 4)

Cost effectiveness

Incremental Cost

Other (specify)

The proposed project has been evaluated using GEF incremental cost methodology.

[Section to be updated]

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

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

2. *Financial*

The GEF Evaluation of Experience with Conservation Trust Funds documented the difficulties that most funds have encountered in raising additional endowment capital: To date, governments have been unwilling or unable to appropriate funds to private endowments; bilateral donors generally have policies favoring short to medium-term projects and sinking funds; private donors have to date contributed only small amounts of funding, and generally these, too are for specific programs and activities rather than endowment capital. Only one fund (Bhutan) succeeded in raising substantial endowment capital, due to its special relationship with several European donors and Peru through debt for nature swaps.

Some funds have developed innovative approaches to capital fundraising, including special management agreements with donors of sinking funds that allow interest to be captured and converted to endowment, substitution of short-term funding for regularly programmed expenditures, thus allowing endowment earnings to be “plowed back,” recurrent income from various sources (fees and levies, voluntary surcharges and contributions), and other sources. Mexico has, in fact, been a leader among countries with environmental funds in meeting institutional challenges (FMCN is the only fund to have received a governmental endowment contribution from appropriated funds) and welcomes the challenge of the ambitious match set forth in this proposal. As a first step, \$ 5 million have been committed already as matching endowment funds to the current project (\$ 1.5 million already deposited), and \$ 7.5 million have already been deposited in FMCN as an endowment match to the proposed project (see Tables below, for further details).

The level of additional capital funds foreseen in this project, together with FMCN’s overall capital fundraising goals (both USAID and GEF-supported endowments) represents almost an order of magnitude increase in challenge. Capital fundraising is a specialized field. It must be recognized that the proven techniques and approaches – including but not limited to planned giving, solicitation of unrestricted contributions (usually private individual donations), and establishment of mechanisms for collecting recurrent income (fees, surcharges, memberships, cause-related marketing, event-based fundraising) – all have significant costs up front, and often require several years to achieve their goals. (The normal time frame for a “capital campaign” in the US is three to five years.) FMCN has secured the assistance of both WWF and The Nature Conservancy, organizations with a successful track record in capital fundraising, and launched the beginning of a campaign in 2000 with unprecedented success. To aid in this endeavor, FMCN has already allocated \$300,000 given by the MacArthur Foundation. Fundraising goals and plans are included in Annex 14. The following sections present the detailed present and future financial

contribution to the endowment fund. In order to approve the first endowment contribution for four priority protected areas (PAs), GEF requested that USD\$ 7.5 million in endowment matching funds be deposited before the November 2000 Council meeting. These deposited matching funds are the following:

Project	Donor	Amount	Status
The Monarch Butterfly Conservation Fund	Packard Foundation	US\$ 5.0 mi	Deposited in FMCN since May 2000
The Monarch Butterfly Conservation Fund	GOM	US\$ 1.0 mi	Deposited in FMCN since November 2000
Contribution to SINAP 1 (interest will pay project taxes)	GOM	US\$ 1.5 mi	Deposited in FMCN since November 2000
Total		US\$ 7.5 mi	

In order to proceed to the first disbursement in SINAP 2, GEF requested that US\$ 5 million be secured through formal commitments, as matching funds to SINAP 1 project. The secured matching funds include the following:

Project	Donor	Amount	Status
The El Triunfo Conservation Fund	Packard Foundation	US\$ 1.0 mi	Deposited in FMCN since January 2001
Strategic Support to two Priority Watersheds: El Triunfo and Manantlán	Fundación Gonzalo Río Arronte	US\$ 3.0 mi	Commitment letter from October 2000, disbursement contingent upon GEF disbursement
The San Pedro Initiative	Ford Foundation	US\$ 0.5 mi	Deposited in FMCN since January 2001
The San Pedro Initiative	Packard Foundation	US\$ 0.5 mi	Deposited in NFWF since October 2000, to be transferred to FMCN after PA decree
Total		US\$ 5.0 mi	

The following endowment contributions have been identified as a match to future GEF disbursements:

Project	Donor	Amount	Status
Banco Chinchorro Biosphere Reserve-Xcalak Marine Protected Area Fund	The Summit Foundation	US\$1.60m	Annual disbursements of US\$ 0.2m per year for eight years, US\$ 0.2m deposited in FMCN in April 2001
The San Pedro Initiative	Two individual donors	US\$0.20m	Commitment letters dated May 9, 2000 and

			August 31, 2000, first US\$10,000 contribution deposited in FMCN January 2001
The San Pedro Initiative	The Summit Foundation	US\$0.20m	Deposited in FMCN since January 2001
The San Pedro Initiative	National Fish and Wildlife Foundation (NFWF)	US\$0.05m	Commitment letter dated August 30, 2000, transfer to FMCN depends on PA decree
The San Pedro Initiative	Richard & Rhoda Goldman Fund	US\$0.05m	Commitment letter dated May 24, 2000, transfer to FMCN depends on PA decree
Contribution to SINAP 2 taxes	SEMARNAT	US\$1.00m	Deposit to FMCN before December 2001 to be transferred to FMCN after PA decree
Total		US\$3.10m	

Financial projections were developed during preparation to estimate the flow of FANP investment income that would be available to finance activities in components 2.1 and 3.1. As detailed in Annex 5, to minimize volatility and still ensure an annual investment return of 8.5 percent, up to 90 percent of endowment capital would be allocated to dollar-based investment grade fixed income securities. The remaining 10 percent would be allocated to high quality equity securities or similar instruments. In addition, more scrutiny of investment management costs is anticipated, with projected investment consulting and management fees estimated at 0.3 percent (or nearly half the costs under SINAP1 first three years of operation).

Taking into account GOM contributions (to finance tax expenditures) and local interest income, it is projected that total FANP income available to the project (derived from GEF and matching endowment funds) would be approximately US\$1.3M per year for the first phase of SINAP2. This will be sufficient to cover costs to be financed by FANP under components 2.1 and 3.1 of the project. GOM will contribute with endowment contributions (US\$ 1 mi per year from 2001 to 2006), part of the interest derived from this appropriation will cover tax expenditures.

Fiscal Impact:

3. Technical:

Coordination of basic conservation activities. While the independent evaluation counted effective administrative oversight as one of the original FANP project's notable achievements, it also cited a "missing level" in the supervision and evaluation of protected area conservation, between the very specific objectives and indicators established at each protected area, and the very broad general objective of conservation of the system's biodiversity. The evaluation recommends attention to developing consistent norms, standards, and best practices for defining good management of a protected area. As noted above, these issues are addressed in the design of the M&E framework for this project and CONANP's performance evaluation model being installed for their personnel.

4. Institutional:

4.1 Executing agencies:

The Fund/Government partnership. The partnership has been extremely successful in making possible a level of protected area management and conservation not achievable before, and validates the emphasis on the government/civil society relationship in the management of the program. Nevertheless, the “mixed management” structure leaves certain key questions unanswered, including (i) who is responsible for fomenting sustainability at the protected area level rather than perpetual dependence on FANP; (ii) career development of the protected area staff – some of whom work for the CONANP, some for NGOs or others, with corresponding differences in salaries, benefits, opportunities for training and promotion, and (iii) concerns about the value added at each level of participation. Human resources being the greatest asset of the system, the partnership needs to focus on developing the field team and making sure that career opportunities are equitably available. These issues will be addressed in ongoing negotiations and updating of the subsidiary agreement for implementation of the project.

4.2 Project management:

In order to help reporting and monitoring procedures, a consulting company designed a Project Management Information System. It is expected that the product from the consultancy will be ready by effectiveness. The system allows the parties involved in the project to access a web page to update budget, field data, and expenses. Annual Operating Plans, monthly and six-monthly reports will be contained and enable easier access by all users to all stages of the project cycle. The system includes four modules: a communication module that connects the different project components and sends messages of steps to follow at different points in the project cycle, a monitoring module that includes data on technical advances, a financial module with budgets and expenses per component, and a historical database. FANP staff, the central coordination and one protected area will test the system for a year (a full project cycle) before training reserve personnel in the ten protected areas in SINAP 1 and the four reserves in SINAP 2. It is expected that this system will be adopted by the 14 reserves in July 2002, when the project cycle starts with the elaboration of Annual Operating Plans.

4.3 Procurement issues:

A procurement capacity assessment of the project executing agencies has been undertaken. The bulk of procurement is related to selection of consultants for technical assistance, studies and training. Selection of consulting firms will follow QCBS procedures. For goods, in view of the small value of the contracts that will be financed under the reserves' POAs, neither ICB nor NCB is expected. Subgrants will follow to the extent possible for local shopping procedures.

Both FANP and CONANP have expressed their commitment to adhere to competitive selection and transparency in all activities. The Federal Government Secretariat Control and Administration (SECODAM) has an office in CONANP that performs internal audit and FANP is subject to external auditing and Bank's supervision. A General Procurement Plan for the project was prepared, and a detailed procurement plan for the first year of execution is being finalized.

During the implementation of the first project, FANP maintained a satisfactory record system of all procurement documentation of the eligible reserves. It has been agreed that FANP will maintain the same system for the proposed project. CONANP through its Procurement Unit will keep all procurement documentation of the components to be implemented by them. A covenant in the Legal Documents will require that audit reports, to be submitted annually to the Bank, should include the review of the record system.

The overall risk assessment is considered AVERAGE. The assessment has taken into consideration that a) FANP will carry out very little procurement and that its staff has experience with World Bank requirements; b) that the Natural Protected Areas will manage small contracts for their operations under the supervision of FANP; and c)

CONANP counts with experienced staff that although they lack specific experience in World Bank procurement, they will receive training and will manage mainly consultant contracts with no particular complexity. The risk is also mitigated with the fact that NAFIN will play an oversight role.

The monitoring and control system is currently been designed and will be ready by effectiveness. A report based on Annex 4-B to the LACI handbook will be issued. Consequently, the project will be eligible for PMR disbursements only after implementing a satisfactory monitoring and reporting system.

Procurement supervision should be carried out by a PAS once a year, and include a review of: a) FANP's and CONANP's capacity; b) procurement plan; c) contract monitoring system; and d) complete records for one in every ten contracts for works, goods, consulting services and subprojects.

4.4 Financial management issues:

5. Environmental: Environmental Category: B (Partial Assessment)

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

The project is not expected to have any significant negative impacts on the environment. However, there may be low level impacts related to productive activities and rural development in the buffer zones, in-park infrastructure, and sustainable development initiatives promoted through the mainstreaming component. To ensure that the impacts of these activities are fully mitigated, protected area personnel will be responsible for implementation of the Management Program of the specific protected area and the application of the protected areas law and its zoning rules. Appropriate impact assessments will be prepared and reviewed in accordance with LGEEPA and the Protected Areas by-laws supervised by SEMARNAT. Other legislation of importance include: The protection of threatened flora and fauna (NOM-059-ECOL-1994) and Forestry legislation on use of land (NOM-062-ECOL-1994).

Project activities that may have some significant environmental impacts are alternative livelihoods initiatives that reserve directors may include in their annual operating plans (POAs) under components 2 or 4. These activities would typically be geared towards promoting community and indigenous development. In terms of their nature, they are of three main types: a) maintenance of ecosystem quality, b) restoration and c) sustainable use of biodiversity. Different procedures for screening and assessing the impacts of sub-projects are established in the operational manual and are described in Annex 15, Environmental Analysis.

Projects promoting maintenance and/or restoration of ecosystem quality (Types a and b) are expected to have very low environmental impacts. They would be screened and assessed against a checklist which contains a set of criteria to be used for identifying possible negative impacts and their mitigation measures where possible. This Checklist is being finalized by expert staff from Environmental Impact Assessment, the Wildlife section of INE, and from the headquarters of CONANP.

Workshops will be held with Directors and staff of the PAs of the project to improve their capacity to evaluate environmental impacts, implement the legislation and design mitigation measures. They will also be given an opportunity to improve on the check list of activities that will require environmental assessments and activities that should not be permitted and the methods for implementing the checklists to ensure that the rules reflect the practical need in the field.

Environmental impacts of projects of sustainable use (Type c) will be subject to more in-depth scrutiny. They will receive a preliminary screening by CONANP to verify eligibility and a first environmental assessment, that will be prepared as a brief summary on environmental impacts, and mitigation measures for technical review. In addition, CONANP will review all the safeguard policies to see if any of them are triggered by the project. If that is the case,

full documentation covering all pertinent aspects will need to be presented to the responsible agencies (INE or SEMARNAT). A condition for project financing will be the written approval from: CONANP, INE or SEMARNAT.

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

Since this is a GEF project that is environmentally beneficial by its design the entire project can be interpreted as an environmental management program. The key features of the Annex 15, Environmental Analysis, focuses on the mechanism for screening the mainstreaming activities to provide livelihoods for people living inside the protected areas. A flowchart has been produced describing the different steps of screening for three types of sub-projects.

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

Date of receipt of final draft:

This is a category B project. A freestanding environmental assessment was not produced for this project. The key features are described in the freestanding Environmental Analysis Annex 15.

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

A number of consultations with the people living in the reserves have been conducted through the social assessment undertaken during the preparation of the project. Stakeholders have manifested their demands for sustainable development initiatives to be financed in the protected areas' buffer zone as a way to provide them with sustainable livelihoods alternatives. Project design addresses such a demand and assures that this can be met without harmful environmental impact.

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

A detailed monitoring and evaluation program has been developed during the first protected areas project based on the Methods and Tools Objectives-Oriented Project Planning (ZOPP) methodology. This M&E program includes detailed indicators on changes in land uses and ecosystem health as well as indicator species and social indicators. The M&E system is designed to give early warning to managers of protected areas to permit mitigating actions. The indicators for the first four protected areas under SINAP 2 have been prepared and fully reflect the project and the EMP.

6. Social:

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

A social assessment was carried out during preparation to identify social issues that can hinder the project's objective and to ensure that poor and vulnerable population participate and benefit from the project. Main results are presented below. (See annex 11 for a more detailed analysis).

Land Ownership. Most lands in protected areas are communal lands (95%), belonging to indigenous communities or ejidos, and to a lesser extent, to private owners. Only a small part (5%) belongs to the government. In accordance with Mexican Government's policy, ownership status in PA will not change under the project, and conservation strategy should involve actual owners. Therefore, no impacts are foreseen from PA conservation strategy regarding land tenure. However, there are other factors, alien to conservation, such as increasing demand for cultivation land, and unplanned urban growth, that are threatening PA sustainability and spurring social problems. This situation varies in the four protected areas. In Alto Golfo - Rio Colorado there are few land conflicts and in Cuatrociénegas, have been solved in a 100%. An opposite situation prevails in Tehuacan Cuicatlan, where disputes over boundaries between communities are widespread. Chichinautzin-Zempoala is under the pressure from unregulated -and sometimes illegal- urban growth of Mexico City and Cuernavaca.

Pressures on natural resources. Disputes over the use of some natural resources are also a serious issue affecting conservation in the four PA. In Alto Golfo, illegal practices and an increasing demand for fishing are both a conservation and a social problem. In Cuatrociénegas, the collection of candelilla and mesquite should change to preserve the resource. In Chichinautzin-Zempoala restrictions to the use of medical herbs has raised disagreements among indigenous communities. In Tehuacan – Cuicatlan, illegal and no sustainable use of woods is resulting in deforestation and soil erosion. To offer sustainable alternatives to poor population involved in these activities is critical to achieve the project’s objectives.

Socioeconomic Situation. Nearly 400,000 persons live in PA or buffer zones; 16% of them are indigenous peoples comprising eleven ethnic groups with a variety of languages and culture presently at risk. Most communities are marginalized and live in extreme poverty conditions. Social indicators such as illiteracy, and infant mortality are higher than the national average. Indigenous peoples’s cultural identity and traditions are at risk because of external pressures and lack of respect for their rights and cultures.

Subsistence agriculture, cattle-rearing, forestry, and natural resources collection for several purposes, are the main source of income for population in protected areas. Candelilla and mesquite in Cuatrociénegas; fishing resources in Alto Golfo; woods and other materials in Chichinautzin and Tehuacan. Handicrafts are a complementary source of income for the latter. Low productivity and poor commercialization affect all productive activities in PA. Migration of young men seeking jobs has resulted in poor households headed only by women without formal occupation. Lack of basic services and infrastructure aggravates poverty conditions.

Social Strategy

The project’s social strategy has been designed to address identified social issues under two principles: (i) the promotion of sustainable development alternatives; and (ii) sharing conservation benefits with the owners of land in PA. Its main objectives are:

- To promote and support sustainable development projects of population within PA to incorporate their demands into the project’s conservation strategy.
- To develop partnerships with private sector and NGO’s and to mainstream conservation into public sector programs, on order to optimize conservation and sustainability in PAs.
- To strengthen the project’s participation mechanisms to ensure social commitment to, and benefits sharing from biodiversity conservation.

The design of this strategy takes into account results from the social assessment carried out during preparation and consultation with grass-root organizations, indigenous communities, ejidatarios, comuneros, and other vulnerable groups identified. NGOs, academic institutions and local authorities points of view have been also taken into account. Accordingly, the social strategy’s action lines have been structured around four main areas:

a. Indigenous peoples development strategy. Under this strategy indigenous population and vulnerable groups have been identified and specific actions have been defined to ensure that they participate and benefit from the project. Accordingly four IPDP have been prepared to guide the social strategy regarding indigenous peoples in the four PA in the project. (See Annex 11-Attachment A);

b. Sustainable development action plans. To avoid or mitigate possible social impacts that can arise from restrictions in the access to, or use, of natural resources, a process framework to prepare sustainable development action plans (SDAP) has been designed. SDAP’s will comprise training, technical assistance and support to implement sustainable productive initiatives to replace damaging practices, upon agreements with communities involved. (See Annex 11-Attachment B);

c. Participation Strategy. The project’s participation strategy intends to build consensus among population in

PA towards biodiversity conservation, offering alternatives for their informed involvement. Moreover, it will promote alliances and partnerships with civil society organizations, NGOs and the private sector to support conservation efforts. It also aims to mainstream conservation programs in federal public entities, and local government authorities.

d. Public Awareness Campaign. A public awareness campaign has been designed to promote commitment to conservation practices, the importance of biodiversity and to disseminate good practices. This campaign will support social strategy implementation in PA

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

The project has been prepared under a participatory approach that included an extensive consultation process of main stakeholders in each one of the four protected areas. Several workshops and interviews involving comuneros, ejidatarios, indigenous representatives, and community organizations were carried out. Main outcomes and recommendations were incorporated into the social strategy, including IPDP and SDAP, and further consulted to reach agreements and define priorities that are now integrated into the project design. Social Strategy action lines were presented and agreed in each PA Consejo Asesor. (See Annex 12, Consultation Summary).

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

NGOs and civil society participate in the project through different organizations and programs established to manage the SINAP. On the basis of last years experience, and mid-term evaluation results, the project's, institutional framework has evolved to enhance civil society and NGOs collaboration in conservation efforts in PA. Presently, the Fondo Mexicano para la Conservacion de la Naturaleza, co-manages the project, and NGOs and civil society collaborate in institutions governing SINAP as follows:

Consejo Nacional de Areas Nacionales Protegidas (CNANP). CNANP has been established as a consultative body of national competence to incorporate and build partnerships with civil society and NGOs. CNANP integrates representatives from NGOs, social and private organizations to advise on conservation strategy and PA management.

Comite Tecnico del Fondo de Areas Naturales Protegidas (CTFANP): this is the body responsible for overseeing the operation of the FANP endowment. It comprises representatives of the main sectors of society, including one to two representatives each from academic institutions, NGOs, social organizations and public and private sectors.

Consejos Asesores (CAs). CA are the units for social participation in PA. Presently, 36 PAs have established a CA comprising a total of 803 counselors. On the basis of the assessment of this instrument a revised model will be put in place to better respond to the needs of community organizations. Under the new model Regional and Sector Sub-consejos will be established to ensure participation of vulnerable groups and facilitate reaching agreements among stakeholders. This new model is already established in Tehuacán – Cuicatlán and is currently being implemented in the other three PA in the project.

Below is a list of organizations that participated in the consultation process during the process to select the Protected Areas for the project.

Academia:	NGOs:	Private sector:	International:	Grassroots organizations:
UNAM; ITESM; Instituto de Ecología, A. C.;	Conservation International; WWF; CIPAMEX; TNC; Pronatura Península de	CONDUMEX; Comercializadora Veracruzana	Mexico-Germany Agreement; UK Department for	Yum Balam, A. C.; Los Talleres de Solaris, S. C.; Instituto

Centro de Invest. Cient. De Yucatán (CICY); CECARENA ITESM-Guaymas;	Yucatán, A. C.; FMCN; Espacios Naturales y Desarrollo Sustentable, A. C.; Naturalia; Pronatura; PROFAUNA		International Development	de la Naturaleza y la Sociedad de Oaxaca, S.C.; Ecosta 5
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A Public Communication Campaign will support these efforts to outreach civil society, by informing about biodiversity values, disseminating good-practices, and promoting commitment and participation towards conservation. Resources from the Mainstreaming component will finance this campaign.

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

CONANP will be overall responsible for the project's social strategy implementation comprising four main areas: (i) Indigenous peoples strategy; (ii) Sustainable development initiatives; (iii) Participation strategy; and (iv) Communication strategy. CONANP will seek collaboration from NGOs and government agencies, within the framework of their institutional responsibilities, and will build partnerships with the private sectors to achieve its goals. To support these efforts the following institutional arrangements have been set up::

1. *Improved Consejos Asesores.* Re-structuring and strengthening of Consejos Asesores in Protected Areas to improve representation of local communities and vulnerable groups through the establishment Regional and Sector Sub-Consejos according with each PA requirements. Counselors will receive training to better perform their functions.
2. *Strengthening PA Directorates.* Social promoters will incorporate into PA Directorates to be responsible to manage relationships with communities, promoting participation, and implementing social strategy action lines.
3. *Training.* PA's staff will receive training in matters such as community development techniques, participation, conflict resolution and groups management, to better perform;
4. *Strengthening Central Units.* Establishment in CONANP of the Direccion General de Desarrollo para la Conservacion to be responsible through its three units of the following actions: (i) promoting sustainable alternatives; (ii) support to mainstreaming; and (ii) support and overlooking participation strategy. Moreover this Directorate has recently incorporated into its functions implementation of the Regional Sustainable Program (PRODER) that will support social strategy by funding sustainable development initiatives.
5. *Funding.* Social strategy will be a regular activity of PA therefore PA' annual programs (POA) will include resources to specifically carrying out the social strategy's action lines.
6. *CONANP.* CONANP has requested the establishment within CNANP of a special committee to overlook social strategy implementation.

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

The project's monitoring and evaluation system will incorporate specific process and outcome indicators to assess progress in implementation of the social strategy and monitor its impacts, particularly regarding IPDP and SPAPs. Logical frameworks prepared for each of the four PAs already incorporate results from social assessment to monitor outcomes.

7. Safeguard Policies:

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

Policy	Applicability
Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP 4.04, BP 4.04, GP 4.04)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Forestry (OP 4.36, GP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Cultural Property (OPN 11.03)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Indigenous Peoples (OD 4.20)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Safety of Dams (OP 4.37, BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*	<input type="radio"/> Yes <input checked="" type="radio"/> No

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

Procedures to ensure project compliances with applicable social and environmental safeguard policies are described in Annex 11, Annex 12, and in Annex 15.

F. Sustainability and Risks

1. Sustainability:

Sustainability will be achieved through:

- (i) The independent and accountable private trust fund (FANP, within the institutional context of FMCN) will manage capital funds in such a way as to provide assured, long-term flows of resources to the PAs, in accordance with Bank-approved investment guidelines;
- (ii) At the protected area level, identification of cost recovery and financing mechanisms which will be used to augment FANP support and government budgetary allocations; creation of local endowment funds will be explored;
- (iv) The adoption of participatory planning mechanisms and strategic partnerships with stakeholders, as well as social assessments and monitoring of conditions affecting social sustainability;
- (v) Building a strong management capacity in the CONANP;
- (vi) Specific project components addressing biodiversity mainstreaming, building partnerships with other public programs and civil society, together with other national and international institutions, to assure a more comprehensive approach to the root causes of biodiversity loss.

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

Risk	Risk Rating	Risk Mitigation Measure
From Outputs to Objective Insufficient government support (financial and incentives).	N	The new Administration is further building on the existing SINAP strategy, the budgetary baseline has been increased substantially

Obstacles to mainstreaming (re-subsidies and sectoral programs incompatible with protected areas)	M	incorporating the extraordinary appropriation from 2000. The new Administration continues relying on the advice of CNANP and a strong participatory approach from society. A Technical Committee within the National Commission will promote political and policy dialogue between the relevant government agencies at the federal level.
Social conflicts (poverty, migration) affects project performance	S	The social participation strategy is designed to take into account the legitimate interests of the owners and users of the lands and resources protected under the federal decree, strengthening their organizations and institutions to empower them in the process of developing contractual arrangements and partnerships with the reserves management.
Constraints to sustainable use (options, capacity, markets, support)	M	The sustainable use component is complemented by mainstreaming efforts. The institutional support at the central and reserve level where social and productive expertise will be integrated into the reserve team, is designed with the participation of the beneficiaries in order to guarantee that their knowledge is taken into account in the selection of technologies, products and market strategies. Additional efforts by both executing agencies will be complement with support from international agencies assistance in the field.
Fiscal crisis affects project execution	N	Impacts of fiscal crisis should be limited as the endowment is a long-term instrument and could bridge periods of occasional financial shortfalls.
Instability in financial markets could limit endowment earnings	M	Diversified, risk-management investment portfolio according to prevailing market conditions (current project has 90% in fixed income instruments).
From Components to Outputs		
Overall Risk Rating	M	

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

Risks refer to the possibility that assumptions defined in the logical framework may not hold. For reading convenience, these (and the corresponding risk minimization measures) have been clustered in five main groups in the table above.

3. Possible Controversial Aspects:

G. Main Conditions

1. Effectiveness Condition

Conditions for Negotiations:

1. Official Government Letter with the Social Strategy/IPDPs and SDAP.
2. Official Government Letter with the performance indicators and monitoring system.
3. Draft Operational Manuals.
4. TORs for audit services satisfactory to the Bank.

For GEF CEO Endorsement

Demonstrated fundraising targets for SINANP I and II.

Effectiveness Conditions:

1. Operational Manual for the project (FMCN) issued and put into effect.
2. The CCU is established and operational in CONANP (including staff training)
3. Agreement between CONANP and FMNC has been signed
4. The asset manager agreement has been entered into between FMCN and the Asset Manger.
5. Legal opinion of the contracts' signature has been issued

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

H. Readiness for Implementation

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

I. Compliance with Bank Policies

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

Claudia Sobrevila
Team Leader

John Redwood
Sector Manager/Director

Olivier Lafourcade
Country Manager/Director

Annex 1: Project Design Summary

MEXICO: Consolidation of the Protected Areas System Project (GEF)

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Sector-related CAS Goal:</p> <ul style="list-style-type: none"> *institutional development and decentralization of environmental management *improved management of natural resources *assistance in the design of sector policies 	<p>Sector Indicators:</p>	<p>Sector/ country reports:</p>	<p>(from Goal to Bank Mission)</p>
<p>GEF Operational Program:</p> <ul style="list-style-type: none"> OP1, arid and semi-arid zone ecosystems OP2, coastal, marine, and freshwater ecosystems OP3, forest ecosystems OP4, mountain ecosystems 			
<p>Global Objective:</p> <p>Consolidate the conservation and sustainable use of biodiversity in Mexico's natural protected areas</p> <p>1. Conserve globally important biodiversity in selected areas of the National System of Protected Natural Areas (SINAP)</p> <p>2. Promote sustainability of productive activities in the selected areas (economically, socially, and environmentally).</p>	<p>Outcome / Impact Indicators:</p> <p>Trends in the rate of habitat conversion in protected areas included in the project; (Hectares/year in year 5); (Hectares/year in Year 0) ; Trends in the frequency of observations of indicator species selected for each area.</p> <p>- No significant decrease in selected indicator species</p> <p>- Zero habitat conversion in core area (or equivalent);</p> <p>- Gradual decrease in rate of habitat conversion in each area.</p> <p>-Proportion of area under sustainable management from the total area of non sustainable use increased at least doubled</p> <p>-Proportion of land users applying sustainable practices from the total land users in the PA is at least doubled</p>	<p>Project reports:</p> <p>Baseline data; M&E periodic reports; Midterm evaluation 2004; Final evaluation 2009</p> <p>- Reports of protected area directors</p> <p>- Analysis results by CONANP</p> <p>-Reports from protected area (PA) directors</p> <p>-Selected socio-economic surveys</p>	<p>(from Objective to Goal)</p> <p>-Continuation of governmental support for conservation and sustainable use of natural resources in the new and subsequent administrations;</p> <p>- Responsible agencies and organizations address problems having negative effects in protected areas;</p> <p>- Elimination of government programs that generate or promote migration into protected areas.</p> <p>-There will not be extreme climate conditions (El Niño years).</p> <p>-Government programs do not generate or promote migration into protected areas.</p> <p>-Government support to the project is maintained or increased.</p> <p>-Sustainable productive practices generate equal or greater economic value in comparison with unsustainable practices</p> <p>-National and international demand for products generated by environmentally sustainable projects is stable or increasing.</p> <p>-There are no major subsidies for practices not compatible with</p>

<p>3. Promote social co-responsibility for conservation.</p> <p>4. Promote the inclusion of biodiversity conservation and sustainable use criteria in development projects and other practices affecting the selected protected areas.</p>	<ul style="list-style-type: none"> - At least 80% conservation initiatives are the results of the participatory process promoted by the project (including design and execution of the initiatives) -At least 20% of the funds invested at the PA level by non-environmental agencies is compatible with conservation and/or sustainable use of biodiversity - At least 80% of the development initiatives financed by non-environmental agencies have no negative impacts on biodiversity, or include mitigation measures 	<ul style="list-style-type: none"> -Selected PA-level studies on social participation - Reports from PA Directors -Reports from PA directors -Development project documents - Agreements and minutes of intersectorial meetings 	<p>conservation.</p> <ul style="list-style-type: none"> -Government support to social participation for biodiversity conservation and sustainable use is maintained or increased -No negative fiscal incentives for unsustainable production exist -International aid supports sustainable uses of biodiversity -The macro-economic context is favorable and does not cause increases in poverty levels
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Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Output from each Component:</p> <p>1.1 The selected protected areas show progress in the results of their Annual Operating Plans.</p> <p>1.2 Resources available at local levels for management of selected protected areas are increased</p> <p>1.3 Capital resources for biodiversity conservation and sustainable use increase</p> <p>2.1 Knowledge on sustainable use in the PAs is increased</p> <p>2.2 Protected areas, public and private institutions, and social organizations have more personnel trained in planning, design and implementation of sustainable projects</p> <p>3.1 Opportunities for social participation in conservation and sustainable use and biodiversity are increased</p> <p>3.2 Principles and objectives of conservation and sustainable use of biodiversity are gradually adopted by PA stakeholders.</p>	<p>Output Indicators:</p> <p>-Percentage of planned results at the PA-level that show at least 80% progress in their indicators</p> <p>-Percentage of resources for conservation mobilized at the PA-level</p> <p>-Actual rate of increase in resources per PA, per year</p> <p>-National: Amount of funds raised for the project</p> <p>-Local level: Amount of funds raised for local endowments for PAs</p> <p>-Proportion of PAs where the percentage of the population that knows what a PA is, has increased</p> <p>-Number of persons involved in sustainable use projects</p> <p>-Number of projects successfully implemented</p> <p>-Number of PAs where traditional sustainable practices are maintained</p> <p>-At least one participatory forum functioning effectively</p> <p>-Number of conservation initiatives where local communities participate in the design and/or execution</p> <p>- Number of NGOs, universities, research centers and social sectors participating in PA management</p> <p>-Number of people attending participatory forums on sustainable use and conservation</p> <p>-Number of NGOs, universities, research centers and social sectors participating in conservation and management of the PA</p> <p>-Proportion of Management Program components where stakeholders participate</p> <p>-Number of agreements between stakeholders and CONANP</p> <p>-Number of conservation</p>	<p>Project reports:</p> <p>- Annual reports of PA directors</p> <p>- Annual Operating Plans</p> <p>- Annual reports of PA directors</p> <p>- CONANP and FANP annual reports</p> <p>-Financial records of protected areas</p> <p>-Annual reports of PA directors</p> <p>- Annual reports from CC</p> <p>-Reports of PA directors</p> <p>- Selected socio-economic surveys</p> <p>- Selected socio-economic surveys</p> <p>-Meeting minutes from participatory forums</p> <p>- Annual reports from PA directors</p> <p>-Annual reports from PA directors</p> <p>-CONANP agreements records</p>	<p>(from Outputs to Objective)</p> <p>-Conditions at the PA-level do not require drastic changes in the conservation strategy.</p> <p>-Increase in the private sector's interest in conservation is observed</p> <p>-Fiscal incentives for the private sector to promote permanent participation are approved</p> <p>-Information on local contribution to protected areas is readily available</p> <p>- GEF match to funds raised is available.</p> <p>- Donor's interest in endowment funds increases.</p> <p>-Support for outreach activities by actors other than the PAs is readily available.</p> <p>-Economic conditions in Mexico are maintained or improved</p> <p>- Income generated by sustainable practices is used in socially and environmentally acceptable ways</p> <p>The government does not increase its support to unsustainable practices.</p> <p>Political conditions in the region permit social participation in conservation and sustainable use</p> <p>No major social conflicts prevent dialogue and agreement with stakeholders</p>

<p>4.1 Legal bases have been established between agencies strengthening the inclusion of conservation criteria in sectorial policies</p>	<p>initiatives where stakeholders participate in the design and/or execution</p> <ul style="list-style-type: none"> -Number of legal bases for intersectorial coordination, signed and under operation - Five inter-institutional agreements to implement sectorial programs at the PA level 	<ul style="list-style-type: none"> -Annual reports from CONANP - CONANP agreements records 	<ul style="list-style-type: none"> -Government agencies not responsible for the environment have political willingness to increase their knowledge and support of environmental protection needs. -Government commitment to biodiversity conservation and sustainable development is maintained or increased -No major social conflict in the PA exists.
<p>4.2 Planning mechanisms for increasing sustainable development in PAs have been established</p>	<ul style="list-style-type: none"> -Number of PAs with development projects or intersectorial initiatives that incorporate biodiversity-friendly criteria 	<ul style="list-style-type: none"> -Reports from PA directors -Development project documents 	<ul style="list-style-type: none"> -Government agencies not responsible for the environment have political willingness to increase their knowledge and support of environmental protection needs.
<p>4.3 Financing from institutions other than CONANP directed toward conservation and sustainable use in the protected areas is increased</p>	<ul style="list-style-type: none"> - Percentage of annual increase in additional support, in cash or in kind, coming from institutions other than CONANP - Number of agencies not focused on environment that provide support relevant to the project 	<ul style="list-style-type: none"> -Annual reports of PA directors -Annual reports of CONANP 	<ul style="list-style-type: none"> -Government commitment to biodiversity conservation and sustainable development is maintained or increased -No major social conflict in the PA exists. -The allocation of additional fiscal resources to sustainable development and conservation is maintained or increased

Hierarchy of Objectives	Key Performance Indicators	Data Collection Strategy	Critical Assumptions
<p>Project Components / Sub-components: (Component 1, 2, 3 contribute to objectives 1, 2 and 3; Component 3 contributes to all objectives; Component 4 contributes to objective 4)</p> <p><u>1: Expansion of FANP</u></p> <p>1.1 Endowment of capital Permanent endowment for protected areas</p> <p>1.2 Fund-raising Consultancies, studies on the donor markets, travel, membership campaigns, dissemination and outreach</p> <p><u>2: Protected Areas Conservation Management</u></p> <p>2.1 Implementation of Protected Areas Management Plans -Staffing, development of management programs, and provision of basic infrastructure and recurrent costs to protected areas</p> <p>2.2 Increased knowledge of protected areas -Targeted, applied research, including inventories, for M&E purposes</p> <p><u>3: System-wide strengthening</u></p> <p>3.1 Central Coordination –Capacity building and technical assistance to the PAs –Strengthening and operation of the monitoring and evaluation system –Social participation in the protected areas program: studies and consultations to evaluate relationship local stakeholders and protected areas –Training in conflict resolution for staff of Central Offices and protected areas</p> <p>3.2 Government institutional strengthening: - studies to define detailed functions of the National Commission's departments, human resources, staffing plans, etc. -Consolidation of CNANP</p>	<p>Inputs: (budget for each component)</p>	<p>Project reports:</p> <p>-Financial report (asset manager report, reports documenting fund-raising campaign)</p> <p>-FANP and PA bi-annual reports, fiscal budget report, disbursement reports, supervision reports</p> <p>-CONANP reports, CC reports, disbursement reports, supervision reports</p>	<p>(from Components to Outputs)</p> <p>-Matching funds available according to predetermined schedule</p> <p>-Fiscal counterparts funds available.</p>

<p>(consultations with protected areas participatory forums; travel expenses for visits to protected areas)</p> <p>3.3 CSOs/NGOs institutional strengthening:</p> <ul style="list-style-type: none"> - Web sites, workshops, training, publications to establish the Mexican conservation learning network <p><u>4: Mainstreaming Conservation and Sustainable Use Policies</u></p> <p>4.1 Central level:</p> <ul style="list-style-type: none"> - Consultancies and workshops to promote inter-institutional cooperation agreement; - Studies to develop technical manual to promote coordination initiatives; - Publications, audiovisuals, etc. to implement a communication campaign; - Meeting and studies to promote a group of "business leaders" for conservation - Meeting and studies to promote economic incentives <p>4.2 Protected Areas level</p> <ul style="list-style-type: none"> - Capacity building for sustainable use initiatives; - Studies, training and workshops in support of community level sustainable development plans; - Meetings and workshop of micro-regional sustainable development councils; - Publications, audiovisuals, etc. to implement a local level communication campaign; - Studies, training and workshops in support of a program of agro-ecological reconversion; 		<p>-CONANP reports, disbursement reports, supervision reports</p>	
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Annex 2: Detailed Project Description
MEXICO: Consolidation of the Protected Areas System Project (GEF)

By Component:

Project Component 1 - US\$ million

Component 1: Expansion of the Fund for Natural Protected Areas (Total \$21.20 mi).

1.1 **Endowment capital. (Total \$18.8 mi).** This sub-component will add a total of \$15mi to the existing FANP endowment fund. The GEF portion of this endowment (US\$9.4 mi) will generate income necessary to support basic conservation operating costs in 4 priority protected areas, as well as incremental FANP administration expenses. A corresponding match of \$7.5 mi has already been deposited: US\$5 million from Packard Foundation and \$2.5 mi from the Government. Through subsequent tranches of GEF and matching funds, the fund is expected to increase by a total of US\$45 mi, thereby providing GEF interest income for a total of 12 new areas, as described in Annex 14. At the reserve level, activities to be covered by the income derived from the endowment, under component 2.1, will include: basic operation costs, basic equipment, basic conservation activities, basic community activities, and basic capacity-building activities included in the Annual Operating Plan. Under the supervision of CTFANP (see section on implementation arrangements below), the FANP Director will provide oversight of the endowment program according to the project cycle and guidelines contained in the Operational Manual. Detailed costing and financial assumptions for this subcomponent can be found in Annexes 5 and 14. US\$1.9 mi will be used for first year PA expenses while endowment generates income. These funds will be matched with funds directed to any of the 34 priority protected areas as described in Annex 14.

1.2 **Fund-raising. (Total \$2.4 mi).** This subcomponent will support the major government/ private campaign required to match the GEF endowment donation on a one-to-one basis, for the expansion of the FANP fund to the capital level (US \$45 mi in total) required to provide recurrent financing for basic conservation in a total of 12 new areas (i.e., 8 more than those covered under component 2.1). It is calculated that this campaign will cost US\$2.4 mi during a five-year period. The costs of this sub-component have been compared with professional norms and are at the lower end of the range (between \$.20 - \$.50 per dollar raised is the norm). The fund-raising activity proposed here is equivalent to \$.26 per dollar raised, of which GEF is requested to provide half (\$.13 per dollar). The other half will be obtained from foundations that have assisted and are currently providing support to the FMCN. The fund-raising plan will involve the GOM, the FMCN, and alliances with other NGOs nationally and internationally. This sub-component will finance consultancies, studies on the donor markets, dissemination and outreach, and will be executed jointly by FMCN (which will administer 2/3 of the funds) and by CONANP (which will administer 1/3 of the funds as a way to cover the expenses incurred by its field and central personnel). CONANP will raise US\$3 mi and FMCN will raise US\$6 mi as result of this fund-raising campaign. The detailed description of this fund-raising plan can be found in Annex 14.

Component 2: Protected Area Conservation Programs (Total \$13.87 mi)

This component will finance conservation costs in the four protected areas included in the project with a mix of FANP-generated income, fiscal funds and other sources of financing. The basic characteristics of the areas are summarized in the table below. Annex 13 contains further information on these areas, as well as on the entire group of 12 areas that are expected to receive funding from the supplemental grant mechanism described in Annex 14.

Protected area	State	Surface (ha)	Population	Indigenous	Ecosystems
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				peoples	
Tehuacán-Cuicatlán	Puebla, Oaxaca	490,186	626,814	Mixteco, mazateco, cuicateco and popoluca	Deciduous forest, pine-oak forest, cloud forest, arid scrub
Alto Golfo y Delta del Río Colorado	Baja California, Sonora	934,756	4,464	Cucapás and Tohono O'odham	Arid scrub, marine and estuarine, coastal dunes
Cuatrociénegas	Coahuila	84,347	1,329		Dry scrub, oak-pine forest
Corredor Chichinautzin-Zempoala	Morelos, México, Federal District	65,971	50,000	Nahua	Pine-oak forest, arid scrub, deciduous forest

Income generated by the expansion of the FANP endowment will complement the annual GOM fiscal expenditures, private NGO, and bilateral donor funding to support the implementation of protected area management programs. The 12 areas selected for incremental support by the GEF endowment in this project have been staffed with the standard “core team” over the past two years (director, administrator, coordinator and two project chiefs), and several have completed management programs with fiscal funds. The GOM has committed to maintain the basic staff and recurrent costs for all 12 areas throughout the project life and beyond, and to begin to extend basic funding to the next tier of priority areas as well. GOM funds for this component will finance basic personnel (the “core team”) required for implementation of the management programs, as well as support in basic operation, equipment, and conservation activities complementary to the activities covered with the income derived from the endowment. The Government contribution over the eight year period for the 4 PAs is expected to be US\$ 4.04 million.

Specific activities to be undertaken under this component include: Protection (regular patrols for surveillance, biodiversity monitoring, signs/postings/trails), Fire Prevention and Control, Habitat Rehabilitation, Control of Exotic Species, Rustic Infrastructure, Environmental Awareness Training, Local Community Capacity Building and Pilot Income-Generating Activities, Community Activities, Institutional Development and Strengthening of Reserve Management Capacities (such as training of the reserve management team), support for the reserve's Advisory Councils. In terms of expenditure categories, this subcomponent will finance Small Civil Works, Equipment, Materials, Supplies, Consultants, Training, Salaries and operating costs.

Component 3: System-wide Institutional Strengthening. (Total US\$4.10 mi). This component will provide support (with a mix of fiscal, FANP interest income, and GEF non-capital resources) to activities involving the endowment-supported PAs as a group, including coordination of project planning, monitoring, technical assistance, support for general social participation processes, contracting, procurement, and independent evaluation. The project will also support strengthening of CONANP as it further develops and implements its strategic and operational plans. It will further the consolidation of CSOs and NGOs, as co-responsible agents in the PAs program, and as participants in the “biodiversity mainstreaming” agenda.

3.1 Central Coordination In the existing project (SINAP1), the Central Coordination operates as liaison between FMCN and the relevant sectors of SEMARNAT/CONANP (as well as the individual PAs) in activities such as as developing a monitoring and evaluation system, establishing reporting protocols, and providing technical assistance and training to groups of PAs staff. In SINAP1, one staff person paid from FANP interests with support by another person paid by SEMARNAT has overseen the central coordination component. In the project proposed here (SINAP2), the Central Coordination unit will execute a budget of up to 9% of the interest from the SINAP2 endowment. It is estimated that CONANP will channel US\$1.73 mi to central coordination activities over eight years. These funds will be channeled exclusively to studies,

workshops or consultancies that pertain to more than one protected area and aid in the strengthening process of CONANP. Such activities will be defined and monitored by CONANP, included in the Central Coordination POA and subject to approval by CTFANP. The administration of these funds derived from SINAP 2 endowment will be the responsibility of FMCN. The technical oversight of the project in both SINAP1 and SINAP2 (supervision of technical reports, field visits and activities required to verify the correct application of the funds) will be covered with the percentage assigned to the Central Coordination in FANP1 (9 to 12% of the interests of FANP 1 endowment according to the legal agreement). The activities included in this sub-component in SINAP2 include:

- (a) **Capacity building and technical assistance to the PAs.** This item includes training courses, workshops, and seminars, both for protected area personnel and stakeholders. Priority capacity building areas include, among others, environmental impacts, ecotourism, strategic communication.
- (b) **Monitoring and evaluation system:** This item covers the extension to the new areas of the M&E protocol established under SINAP1, as well as its operation and upgrading during project implementation. Monitoring and evaluation will be adequate to the requirements of the GEF program as well as the needs of the broader SINAP system. New elements will include enhanced monitoring of social participation (including IPDPs where applicable) and biodiversity mainstreaming objectives. The establishment of the system (including the collection of baseline information) would be financed by a mix of fiscal (US\$1.73 mi) and GEF non-endowment funds (US\$0.2 mi), with the latter being administered by CONANP via NAFIN, additional to FANP interest and included in the Central Coordination Annual Operating Plans.
- (c) **Social participation in the protected areas program.** Activities under this item will include technical assistance, training and consultancies to selected protected areas (individually or as a group).

These would have the following purposes:

- strengthen the PAs' ability to promote partnerships between protected areas management and reserve stakeholders for the implementation of the reserves' management plans,
- provide technical assistance for the identification and design of sustainable use and alternative livelihoods projects in the reserves' buffer zones
- assist in the gathering, systematization and dissemination of good social participation and partnership building practices.

The inclusion of this type of activities in the annual budget of the Central Coordination would be undertaken in close coordination with CONANP's social participation direction.

3.2 Government Institutional Strengthening: This sub-component will support CONANP's transition to an effective executive agency, and the related adoption and execution of strategies for performance, strategic planning, environmental information, marketing, interaction with donor and NGO sectors, information technology and systems, human resources, physical resources, communications, and adaptive management. Fiscal resources available for this sub-component include CONANP's budget allocation for institutional strengthening (US\$0.17 mi over eight years). In addition, the recent inclusion into CONANP's organigram of the Regional Sustainable Development Program (PRODERS) will enhance the ability of CONANP to coordinate activities with other governmental agencies, thereby further contributing to its broader institutional agencies. The institutional strengthening budget also covers the cost of operating the National Council for Protected Areas (CNANP), including consultations with protected areas participatory forums, travel expenses for visits to protected areas and meetings. CNANP will have a very important role in the process of institutional strengthening. This is due to its nature of independent external advisor to the PAs system, making recommendations on laws and policies, overseeing development of general regulations, following up on co-financing agreements, advising on the categorization of PAs and registry of new areas, and coordinating international funding.

3.3 CSOs/ NGO institutional strengthening: this is sub-component will help establish and consolidate a Mexican Conservation Learning Network (MCLN) for the sharing and adoption of knowledge on protected

areas management, benefiting non-governmental organizations (NGOs) and civil society organizations (CSOs). The MCLN is being promoted through an agreement between FMCN, The Nature Conservancy and PACT. The latter two are international organizations experienced in NGO development. During its first three years, the network will focus on two cohorts of NGOs --29 in the Gulf of California region and 8 currently or potentially carrying out management activities in the GEF-supported PAs. MCLN activities include regular capacity assessment, training and technical assistance, "knowledge networks" of exchanges and electronically accessible information, and developing the capacity of Mexican providers to deliver capacity-building services. All NGOs involved in management activities of the GEF-supported PAs will be eligible to participate. They will receive direct assistance from program staff, scholarships for courses and workshops, access to information and databases, and regular assistance with assessment of organizational development in competencies such as planning, management, leadership, administration, monitoring and evaluation, and finance. A detailed three-year plan and budget is available. At a minimum this initiative is expected to channel US\$2 million dollars to NGO strengthening in protected areas over the eight-year period of the present project. Activities to be financed include web sites, workshops, training, and publications to promote the Mexican conservation learning network. Initial funding has been obtained from the Packard Foundation and FMCN. The project staff is already working at FMCN.

Component 4: Mainstreaming Conservation and Sustainable Use Policies. (Total US\$20.95 mi; 15.65 mi GOM and 5.3 mi GEF)

4.1 Central level (US\$717,800 from GEF)

- a) Preparation of a law for Protected Areas which will include measures to promote the adoption of biodiversity criteria by Federal and State development agencies operating in and around protected areas (all funding from the government)
- b) Development of five inter-institutional agreements ("bases de coordinacion inter-institucional") to include biodiversity criteria into the sectorial programs of five federal agencies (SAGARPA, SRA, SEDESOL, SCT, SSA). The project will finance 5 specialized consultancies for developing criteria and environment components from the Federal Agencies that will be developing sectorial programs in PAs (including studies and workshops): US\$ 64,200
- c) Development of a technical manual on policies and regulations of public investments, targeted at protected area staff, to increase their capacity to design and execute initiatives of coordination with other sectors' agencies. The project will finance one specialized consultancy: US\$ 17,400
- d) Implementation of a program of communication, awareness raising and education on biodiversity conservation in protected areas, targeted at the decision-making level of the federal government, at member of the national congress, and at other leaders in the different sectors of civil society (see Annex 16 for details on the project's communication strategy). The project will finance 4 consultancy contracts for the development of contents and evaluation of the campaign; 7 workshops, several TV announcements and one lot per year of printed material. (US\$ 494,800)
- e) In coordination with the broader program "Conservemos Mexico", promotion of private investments in sustainable development in the buffer and influence zones of protected areas, to be monitored and certified by CONANP for consistency with the objectives of the reserves' management plans. This would be achieved by means of 10 pre-feasibility studies of business opportunities, and five visits of business leaders in protected areas (US\$ 105,700)
- f) Promotion of economic incentives of fiscal or other nature to promote investments in sustainable development activities in the reserves or neighboring areas, as well as cost-recovery mechanisms related to services provided by protected areas (e.g., entrance fees). This would be accomplished by means of 4 studies/ consultancies (US\$ 35,700)

4.2 Protected Areas level (US\$4,582,300 from GEF)

a) Development and execution of a program of capacity building to enhance the entrepreneurial skills of local communities and other protected areas stakeholders in initiatives of sustainable use of biodiversity. The program would include modules for horizontal exchanges of knowledge and experiences (i.e., among reserves), as well as cross-fertilization between reserve level staff and stake-holders, and central level staff. The project will finance 16 training courses for 30 people, and 8 study tours. (US\$ 331,400).

b) Establishment, in selected reserves, of sustainable development councils on a micro-regional basis. These councils would operate under the framework of, or in coordination with, the protected areas advisory councils (Consejos Asesores), to promote the design and adoption of consensus-based community level sustainable development plans. These plans would help communities prioritize their needs and provide a sustainable development framework to coordinate the activities of the various development agencies involved in the areas. The project will finance 96 community workshops for the operation of the “micro-councils” and the development of sustainable development plans (US\$ 590,400)

c) Implementation of small community-level grants for the sustainable use of biodiversity in the buffer zones of selected protected areas. Sub-projects to be financed will be consistent with the community level sustainable development plans described above; and will be screened for environmental impacts with procedures described in Annex 17. The project will finance 56 sub-projects (US\$ 973,300)

d) Design and execution, in selected protected areas, of a program for agro-ecological "re-conversion", in coordination with SAGARPA and the state governments, to re-orient, in directions compatible with the conservation and sustainable use of biodiversity, relevant activities and practices, including the following:

- agricultural and cattle development;
- fisheries and aquaculture;
- reforestation and other forms of habitat restoration;
- sustainable use of wildlife

The project would finance 12 studies or consultancies, and 24 pilot sub-projects to demonstrate the viability of the proposed alternatives for re-conversion (US\$ 466,800)

e) Technical assistance for the implementation of the social strategy. The project will finance hiring, at the reserve level and on a term basis, of specialized consultants with skills including social participation, conflict resolution, indigenous issues, sustainable use of biodiversity, public sector management for the coordination with federal and state development agencies. These expert would provide technical support to the PA’s core staff to design, execute and supervise actions consistent with the four main lines of each reserve’s social strategy (participation, communication, indigenous issues, sustainable development action plans). The project will finance up to 816 months/ consultant (US\$ 1,505,100).

f) The Project Coordination Unit (PCU), will be fully integrated within CONANP. For the implementation and reporting of the different components of the project, the Coordinator within the Conservation for Development General Direction, will be assisted by two staff focussing on mainstreaming and social participation. The Coordinator will also work closely with three staff members that will be under the direction of three Departments (Administration, Monitoring and Evaluation and Strategic Communication), but working for the PCU. The Project will finance a total of 6 staff members integrating the PCU and the office equipment they will require. (US\$ 715,300).

Summary of component financing:

Source	US\$	%	Notes
GOM	15.65 mi	74.7%	Includes annual fiscal funds from: PRODERS (both investment in the program's areas and estimated cost of Mexico City staff): Contributions from public funds other than SEMARNAT according to study by Perez Gil and Jaramillo (1999)
GEF	5.3 mi	25.3	Regular disbursements via special account in NAFIN
Total	20.95 mi	100%	

Annex 3: Estimated Project Costs
MEXICO: Consolidation of the Protected Areas System Project (GEF)

Project Cost By Component	Local US \$million	Foreign US \$million	Total US \$million
A. Expansion of the Fund for Natural Protected Areas	0.00	0.00	0.00
1. Endowment Capital	5.70	13.10	18.80
2. Fundraising	0.80	1.60	2.40
B. Protected Areas Conservation Programs	0.00	0.00	0.00
1. Implementation of Management Programs	10.97	2.90	13.87
C. System-wide Institutional Strengthening	0.00	0.00	0.00
1. Central Coordination	1.83	0.10	1.93
2. CONANP Strengthening	0.17	0.00	0.17
3. CSOs and NGOs Strengthening	0.00	2.00	2.00
D. Mainstreaming Conservation and Sustainable Use Policies	15.45	5.50	20.95
Total Baseline Cost	34.92	25.20	60.12
Physical Contingencies			0.00
Price Contingencies			0.00
Total Project Costs¹	34.92	25.20	60.12
Total Financing Required	34.92	25.20	60.12

1. SINAP 2 Phase 1 Budget

Project Components by Financier (US\$ million) (2002 to 2009)

Component	GOM	GEF	Private	Bilateral	Total
	Amount	Amount	Amount	Amount	Amount
1. Expansion of the Fund					
1.1 Endowment capital	2.5	9.4(1)	6.9		18.8
1.2 Fundraising	0.4	1.2	0.8		2.4
2. PA conservation programs					
2.1 Implementation of Management Programs	6.47		6.53	0.87	13.87
3. Institutional Strengthening					
3.1 Commission Coordination Program	1.73	0.2			1.93
3.2 Institutional strengthening	0.17		2.0		2.17
4. Mainstreaming conservation and	15.65 (2)	5.3			20.95

sustainable use policies					
Total	26.92	16.1	16.23	0.87	60.12

- (1) Includes endowment for four PAs and start-up funds for 12 PA
- (2) Includes counterpart funds by GOM other than SEMARNAT as calculated by Pérez Gil and Jaramillo (1999) (12.0 mi for 12 PAs), as well as the contribution by PRODERS (3.654 mi)

2. SINAP 2 Additional Phases Budget

Project Components by Financier (US\$ million) (2002 to 2009)

Component	GOM	GEF	Private	Bilateral	Total
	Amount	Amount	Amount	Amount	Amount
1. Expansion of the Fund					
1.1 Endowment capital	9.0	15.0	6.0		30.0
1.2 Fundraising					
2. PA conservation programs					
2.1 Implementation of Management Programs	12.93		6.61	1.74	21.28
3. Institutional Strengthening					
3.1 Commission Coordination Program	3.47				3.47
3.2 Institutional strengthening	0.33				0.33
4. Mainstreaming conservation and sustainable use policies					0
Total	25.73	15.0	12.61	1.74	55.08

¹ Identifiable taxes and duties are 0.01 (US\$m) and the total project cost, net of taxes, is 60.11 (US\$m). Therefore, the project cost sharing ratio is 26.78% of total project cost net of taxes.

Annex 4 - Incremental Cost Analysis

MEXICO: Consolidation of the Protected Areas System Project (GEF)

Overview

The project's general objective is to increase the permanent protection of the globally significant biodiversity of a mega-diversity country. The project would contribute to the conservation of Mexico's highly diverse biota by establishing a reliable basis for sustainability of its protected area system. The GEF alternative would achieve these outputs at a total incremental cost of US\$48.90 million, of which GEF would contribute US\$31.1 million and the Government of Mexico and others would contribute US\$17.80 million. Total project costs are US\$115.2 million, of which US\$ 52.65million is to be provided by the Government of Mexico, US\$ 31.45 million by private and bilateral donors, and US\$ 31.1 million by GEF.

Context and Broad Development Goals

Estimates suggest that Mexico harbors more than 10% of the biological diversity of the planet (Toledo and Ordóñez 1993), making it one of the 12 megadiverse countries in the world. Mexico is the country with the highest ecological diversity in the Americas (Dinerstein *et al* 1995), and a key center of origin of agricultural crops (Ramamoorthy *et al* 1993). Mexico has already lost more than 95% of its humid tropical forests and more than half of its temperate forests (Dirzo 1992). The percentage of arid regions lost is difficult to quantify, but it certainly amounts to more than half of the original cover (CONABIO 1998). Conversion of natural habitats has been dramatic in this century. Although decrees on protected areas date back to 1876, it has only been in the last two decades that both GOM and broad sectors of society have become involved in their protection. Until 1994, most of the protected areas lacked management programs, personnel and a basic operating budget (SEMARNAP 1996). Significant changes have occurred in the last five years, thanks to the mobilization of Mexican civil society and of the international community in support of conservation. However, this still does not guarantee the long-term global biodiversity benefits from conservation of Mexico's ecosystems and habitats.

Over the past five years, the Government of Mexico has dramatically increased its support for protected areas, increasing the total number of protected areas from 99 in 1994 to 129 in 2001 and the total budget from less than half a million dollars in 1994 to \$14 million in 2001. As of early 2000, 52 areas have a "core team" of basic personnel -- director, administrator, and two project directors, as well as some level of basic recurrent costs (office, equipment, coordination and administration). Ten of these also have assured basic "resource security" for operating, conservation, and community activities via the FANP program endowed by a \$16.48 million contribution in the 1996 restructuring of the pilot phase GEF Mexico Environmental Project.

Most of the protected areas have additional support from a variety of academic, NGO, and private sector sources, as well as international public and private sources. A study of 24 priority areas (beyond the 10 covered by the FANP endowment) commissioned for the preparation of this project shows that they depend on public sources for nearly 80 percent of their income (of which one-third comes from international sources and two-thirds from national sources). Another 10 percent is provided by national and international NGOs, 4 percent comes from the academic sector, and the remainder from others. (Perez

Gil 2000) The figures must be regarded as approximate because they do not take into account the value of in-kind services provided by various organizations and because complete financial data was not available in all cases. On average, however, the level of investment per year in each of the 12 areas selected as priority for this project was slightly less than US\$ 106,000 and less than \$20,000 from other sources (national, bilateral and private) over the past three years. Perhaps not surprisingly, assistance from international sources is concentrated in the northern part of the country, and assistance from the private sector is concentrated in two areas: Cuatrociénegas and Banco Chinchorro. These funds all contribute to a baseline of protection for Mexico's biodiversity but more resources are needed to assure the long-term protection of these globally significant resources.

The broad development goals of this project are to extend the concept of basic "resource security" achieved in the 10 areas supported by the first GEF project, to an additional 12 protected areas over an eight-year period, and as additional capital is raised, to still more of the areas identified as of highest priority for conservation. These development goals also include the long-term certainty of global biodiversity protection in the SINAP. The project would:

- a. Conserve globally important biodiversity in selected areas of the National System of Protected Natural Areas (SINAP).
- b. Promote and implement sustainable productive processes in the protected areas' buffer zones, to achieve conservation in collaboration with the communities and stakeholders,
- c. Consolidate social support for conservation by enhancing opportunities and local capacities for participation.
- d. Promote the inclusion of biodiversity conservation criteria in development projects and other practices affecting the selected protected areas.

Baseline

Under the *Baseline* scenario, Mexico will be able to manage a sub-set of its protected areas, (including those that received support through the restructured GEF Pilot Phase Project that enabled the creation of FANP) as well as to maintain an adequate level of central support to the system. The 12 additional priority areas would continue to receive basic level of operational funding. SEMARNAT would provide funds for supervision, management planning, and some monitoring as well as coordination from the central office. However, the baseline scenario resources are not adequate to assure permanent conservation of the global biodiversity benefits of the SINAP. The estimated detailed baseline by component is as follows.

1. Expansion of the Fund for Natural Protected Areas

Fund raising for the FANP endowment would be constrained by the dearth of donors willing to fund basic conservation and/or to contribute resources to a capital endowment, and would concentrate on meeting the US\$ 5m target established under the existing project. Considering that in addition to that target, other funds are being raised to support conservation at the reserve level (e.g. San Pedro reserve), the baseline is set here at US \$ 7m. Resources to aid fund raising would be limited to the \$0.8m obtained by FMCN from private foundations. Total component cost under the baseline scenario would amount to US\$ 7.8 million.

2. Protected area conservation programs

Reserve managers would engage in some level of public-private partnerships but would be extremely limited in what they could accomplish in conservation because of the pressures of assuring a minimal level of external support for basic operations, equipment, and community activities. Implementation of this

scenario would result in:

- a. Development of basic management programs for each area and some protection of biodiversity of global significance
- b. Some level of basic conservation programs and community outreach
- c. Some level of inter-institutional coordination to identify alternate sources of support for productive sustainable development projects in buffer zones
- d. Limited generation of revenue from additional sources to cover other recurrent costs

Under the baseline scenario, fiscal resources for basic personnel in the 12 priority areas (estimated here at US\$ 19.40 million over eight years) would be made available, but their conservation effectiveness would be limited by the lack of additional resources to finance additional conservation costs (community participation, training, etc.). Contributions by private and bilateral donors are expected to amount to US\$15.75 million over eight years based on studies of the pattern and level of contributions in the past, and taking into account a US\$ 3.25 fundraising target by the recently launched campaign “Let’s Conserve Mexico”. Total component cost under the baseline scenario would be US\$35.15 million.

3. System-wide institutional strengthening

Central Coordination Program

Under the baseline scenario, CONANP would support system-wide conservation activities benefiting 12 priority reserves, but it would not be able to finance improvements at the reserve level of its M&E system. Taking 2000 as the reference point, the baseline is estimated as the pro-rated costs of central support to 12 reserves: this is an appropriation of US\$ 5.2 million over eight years.

Institutional strengthening

The National Commission would pursue its objective of consolidating itself from the institutional standpoint, and to implement its strategic and operational plans. In addition, FMCN would continue its partnership with PACT and TNC to support the Mexican Conservation Learning Network (MCLN). Total estimate for the baseline is US\$2.5million.

4. Mainstreaming Conservation and Sustainable Use Policies

Data from the study of financial support to the PAs proposed for inclusion in this project indicate that the 12 priority areas received some \$1.5 million per year from Mexican agencies (municipal, state, national) other than INE in 1999 (Perez Gil and Jaramillo 1999). On this basis, it is expected that baseline counterpart funds for the 12 reserves in eight years will reach at least US\$12 million. However, it is unlikely that in the absence of efforts to re-orient, prioritize, and up-scale them, these activities would make a lasting difference on biodiversity conservation and sustainable use.

The incorporation of the Regional Sustainable Development Program (PRODERS) into CONANP will allow to allocate an estimate of US\$3.65 million into mainstreaming activities considering support in central offices and at the protected area level. Hence, the total estimate for the baseline cost of this component are calculated at US\$15.65 million.

The total estimated cost of the **Baseline scenario** is **US\$ 66.30 million**. Budget tables with additional information on the sources of these figures are presented in Annex 14.

Global Environmental Objectives

A consolidated and sustainable protected area system will help conserve a large proportion of Mexico's rich and unique biodiversity and to maintain ecological and evolutionary processes of unique global importance. The global objective of this project is to consolidate the conservation of globally significant biodiversity in protected areas in Mexico, guaranteeing conservation and maintenance of global biodiversity benefits over the long term. Without the GEF contribution, these benefits would not be realized.

GEF Alternative

Under the *GEF Alternative* scenario, Mexico will be able to set the basis for sustainability of its SINAP and maximization of the global benefits of a mega-biodiversity country based on long-term planning, comprehensive social participation programs, inter-institutional coordination at local, intermediate and national levels to "mainstream" biodiversity concerns with state and national government and development agencies and to direct appropriate sustainable social development to zones around the protected areas. In addition to basic personnel, the protected areas will be able to count on adequate basic funding for conservation and community outreach programs, enhanced biological and social monitoring, pilot funding for programs to address the root causes of biodiversity loss, and effectively combat threats to globally critical habitat. Specific components of the GEF alternative include:

1. Expansion of the Fund for Natural Protected Areas

US\$48.8 million (US\$46.9 million for direct investment into the endowment and US\$1.9 million for start-up costs, to support conservation of the 12 protected areas while endowment contributions accrue interests) would be provided in equal parts by the GEF and other donors for increased capitalization of the endowment, thereby promoting long-term conservation of protected areas and permanent protection of globally significant biodiversity.

In addition, fund-raising activities would be up-scaled and expanded to a total of US\$ 2.4 million to meet the challenge of increasing FANP endowment (with contributions from GEF; GOM and FMCN).

The total alternative cost for this component is US\$51.2 million.

2. Protected area conservation programs

The GEF alternative would permit full implementation of management programs, including more effective social participation mechanisms, via the additional resources obtained from FANP interest, which would complement the fiscal allocation of GOM, and contributions from private and bilateral sources, including the funds raised by the campaign "Let's Conserve Mexico". Total cost for this component under the GEF Alternative is estimated at \$35.15 million.

3. Institutional strengthening

In addition to regular central coordination activities, the alternative would finance comprehensive monitoring of biological and social indicators in the 12 priority reserves, which will serve as a model for protected areas presently lacking a monitoring system. Costs are estimated at a total of US\$ 5.4 million.

The alternative for government and civil society strengthening encompasses the same activities of CONANP, NGO and CONANP described in the baseline. However it is plausible that the same resources of \$2.5m would have larger biodiversity benefits than in the baseline because of synergies with the GEF-financed activities.

The total GEF Alternative for this component would be US\$ 7.9 million.

4. Mainstreaming Conservation and Sustainable Use Policies

The alternative entails promoting a coordinated approach to regional development that would minimize impacts of development on protected areas and maximize benefits of development in ways that address root causes of biodiversity loss . The GEF alternative would complement baseline resources by financing protected area-level mainstreaming strategies, sub-grants to mainstreaming activities, and inter-agency coordination at the national level for a total of US\$20.95 million.

Total expenditures under the **GEF Alternative** scenario are estimated at **US\$ 115.2 million**.

Incremental Costs

Total expenditures under the Baseline scenario are estimated at US\$66.30 million, while the total estimated costs of the GEF Alternative are estimated at \$115.2 million. The difference between the cost of the Baseline Scenario and the cost of the GEF Alternative is **US\$ 48.90 million**. This represents the incremental cost for achieving global environmental benefits. US\$ 31.1 million is requested from the GEF, and the balance of US\$17.80 will come from other sources, representing a significant leveraging of GEF resources.

Process of Negotiation: The agreed incremental cost of the project and GEF contribution have been the subject of intensive discussion between the project team, WB staff, and the GEF Secretariat during project preparation. The proposed contribution to incremental costs from non-GEF sources is viewed as ambitious, but the national focal point and responsible ministry (SEMARNAT) have agreed to this cost-sharing ratio in view of the significant commitment of scarce GEF resources.

Incremental Cost Matrix

Component	Cost Category	Cost (US\$ million)	Domestic Benefit	Global Ben
1. Expansion of the Fund for Natural Protected Areas				
1.1 Endowment capital	Baseline	\$7.00 M	Basic level of ecosystem services maintained	Some protection of biodiversity importance
	GEF Alternative	\$48.80 M	Enhanced level of ecosystem services maintained	Fully representative selection of ecosystems and biodiversity long term protection
	Increment	\$41.80 M		
1.2 Fundraising	Baseline	\$0.80 M	Endowment funds for some areas/activities	Some protection of biodiversity significance
	GEF Alternative	\$2.40 M	Endowment funds for highest priority areas/activities	Protection of priority ecosystems effective long-term management
	Increment	\$1.60 M		
2. Protected area conservation				

programs				
2.1 Implementation of Management Programs	Baseline	\$35.15 M	Basic level of ecosystem services maintained	Some protection of biodiversity importance in the short term
	GEF Alternative	\$35.15 M	Basic level of ecosystem services maintained	Effective implementation of programs resulting in protection of biodiversity of global significance in protected areas.
	Increment	\$0.00 M		
3. System-wide institutional strengthening				
3.1 Central coordination program	Baseline	\$5.20 M	Coordination of PA program in 12 priority areas	
	GEF Alternative	\$5.40 M		Effective coordination of donor objectives, including strengthened monitoring and evaluation systems
	Increment	\$0.20 M		
3.2 Institutional strengthening	Baseline	\$2.50 M	Improved capacity to carry out programs	
	GEF Alternative	\$2.50 M		Synergy with expanded FAO activities may result in increased effectiveness.
	Increment	\$0.00 M		
4. Mainstreaming Conservation and Sustainable Use Policies	Baseline	\$15.65 M	Some economic alternatives developed for marginalized populations	Some potential for threat reduction in short term
	GEF Alternative	\$20.95 M	Improved access to alternatives of sustainable use of biodiversity	Economic alternatives developed selected in accordance with criteria linked to reduction of threats. Sustainable finance available through mainstreaming/reorientation of development programs
	Increment	\$5.30 M		
Total	Baseline	\$66.30 M		
	GEF Alternative	\$115.20 M		
	Incremental Cost	\$48.90 M		
	Financing Plan:			
	GEF	\$31.10 M		
	GOM, other sources	\$17.80 M		

Annex 5: Financial Summary
MEXICO: Consolidation of the Protected Areas System Project (GEF)

		Implementation Period							
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Investment Costs		18.43	5.83	4.85	4.75	4.91	2.30	3.14	3.14
Recurrent Costs	3.53	0.53	1.51	1.61	1.64	1.88	1.03	1.04	
Total Project Costs		21.96	6.36	6.36	6.36	6.55	4.18	4.17	4.18

Financial Projections for Component 1.1: Endowment capital

The following financial projection pertains both to the GEF endowment contribution and to the matching contributions from other donors. Donors (GOM and Packard Foundation) that have contributed to the endowment have requested separate accounts and specific investment strategies (as well as different disbursement schedules and amounts), so that the actual projection differs from the one presented here. The current proposal assumes that the initial GEF capital contribution will occur at the end of 2001 in the amount of 7.5 million dollars, which will generate income to cover the basic costs of four protected areas from the beginning of the year 2003 on.

Given current market conditions, a reassessment of the financial strategy of FANP was conducted with World Bank staff, SEMARNAT and FMCN financial advisors in August 2000 as part of the mid-term review of the program. This analysis resulted in changes in the investment strategy to try to ensure 8.5% return per year derived from up to 90% of the endowment invested in fixed income securities (Eurobonds, Sovereign Debt). This strategy avoids market fluctuations that can affect the availability of the required annual cash flow. At least 10% of the endowment will be invested in equities or protected capital products. This investment should help partially offset the erosion of the real value of FANP capital with the oversight of a financial consultant and the Committee of Administration and Finances of the FMCN under the current investment guidelines approved by the World Bank.

Based on the experience of the FANP, the Emergency Fund to cover natural disaster and labor contingencies is not expected to go beyond 0.3% of the capital per year (in 1998, when fires in Mexico reached a historical record, US\$64,327 were required for ten reserves). Hence, an average 0.2% of the capital per year is expected to cover emergencies. While the emergency funds will not be withdrawn from the investment on a yearly basis (if not needed they will be reinvested), they will be invested in instruments that allow immediate withdrawal.

SINAP II: Example of a Financial Projection (amounts in thousands of US dollars)

Year	2002	2003	2004	2005	2006	2007	2008	2009
GEF contributions	7,500							
Matching funds contributions	7,500							
Balance of investments	15,000	15,007	15,014	15,021	15,029	15,038	15,048	15,059
Investment in Fixed Income (90%)	13,500	13,506	13,512	13,519	13,526	13,535	13,543	13,553
Investment in Equities (10%)	1,500	1,501	1,501	1,502	1,503	1,504	1,505	1,506

Growth from Fixed Income (8.5%)	1,148	1,148	1,149	1,149	1,150	1,150	1,151	1,152
Growth from Equities (12%)	0,180	0,180	0,180	0,180	0,180	0,180	0,181	0,181
Total Growth	1,328	1,328	1,329	1,329	1,330	1,331	1,332	1,333
Emergency Fund (0.2%)	0,030	0,030	0,030	0,030	0,030	0,030	0,030	0,030
Consultant & management fees (0.3%)	0,045	0,045	0,045	0,045	0,045	0,045	0,045	0,045
Annual program requirement for next year	1,246	1,246	1,246	1,246	1,246	1,246	1,246	1,246
Total annual withdrawal at the end of year	1,321	1,321	1,321	1,321	1,321	1,321	1,321	1,321
Excess (shortfall)	0,007	0,007	0,008	0,008	0,009	0,010	0,011	0,011
End of year balance	15,007	15,014	15,021	15,029	15,038	15,048	15,059	15,070

(1) Fees have been negotiated between a low fixed fee plus a portion according to performance. 0.3% reflects the average cost per year.

Total annual requirements of the project will consider offshore income derived from the endowment (except for the year 2002), a 9.7% contribution from the Mexican Government to cover the taxes in the program (including the taxes of the fund-raising component) and a 3% income from local management. The return from the matching endowment does not consider a contribution from GOM to cover taxes. To cover taxes required for the operation of GEF Funds, the GOM will deposit US\$ 1 mi in FANP every year for the period 2001 to 2006. Part of the interest derived from this US\$ 6 mi contribution will be channeled to cover the taxes for the project activities under FMCN administration. The 3% from local management can be obtained since disbursements to the project components will occur at six-month intervals (in the GEF case). Hence, the total income available to the FANP program for the portion of the GEF endowment and the matching funds will be the following (the costs for 2003 will be financed with non-endowment funds):

Total income available to FANP program

GEF	2003	2004	2005	2006	2007	2008	2009	2010
Total Offshore Income	623	623	623	623	623	623	623	623
GOM contributions to FANP	60	60	60	60	60	60	60	60
Local Interest Income	21	21	21	21	21	21	21	21
Total GEF	704	704	704	704	704	704	704	704
Other sources								
Total Offshore income	623	623	623	623	623	623	623	623
Local Interest Income	19	19	19	19	19	19	19	19
Total other sources	642	642	642	642	642	642	642	642
Total available to FANP	1,346	1,346	1,346	1,346	1,346	1,346	1,346	1,346

Annex 6: Procurement and Disbursement Arrangements

MEXICO: Consolidation of the Protected Areas System Project (GEF)

Procurement

All procurement of goods and works under the Project would be carried out in accordance with the "Guidelines, Procurement under IBRD Loans and IDA Credits" dated January 1995 and revised in January and August 1996, September 1997, and January 1999. Consultants would be employed in accordance with the *Guidelines, Selection and Employment of Consultants by World Bank Borrowers*, dated January 1997 and revised in September 1997 and January 1999.

Summary of the Assessment of the Agency's Capacity

Procurement under the proposed project will be done by Fondo para Areas Naturales Protegidas (FANP) within *Fondo Mexicano para la Conservación de la Naturaleza* and by Comisión Nacional de Áreas Naturales Protegidas (CONANP). A procurement assessment of the executing agencies has been carried out during pre-appraisal. The report was cleared by the RPA's office.

The assessment revealed that FANP has an adequate organization and procedures for carrying out the component of the endowment capital and the conservation program of protected areas. FANP will continue performing the same activities of previous SINAP project. On the other hand, CONANP has just started implementation of a new organization structure that will be completed in 2003. Procurement for this project will be carried out by the procurement unit of its Administrative Directorate. This unit is staffed with an experienced procurement officer but not familiar with World Bank procurement procedures. Therefore, it is recommended that CONANP's capacity be re-evaluated in one year while the unit is trained in World Bank procedures.

An action plan to be agreed at negotiations with the Borrower to strengthen its procurement management capacity includes recruiting of additional staff with expertise in accounting and financial management for FANP, and staff with expertise in procurement for CONANP, and specific procurement training to CONANP staff.

Procurement methods (Table A)

Works

The loan would not finance civil works.

Goods

The project includes computer and office equipment in the amount of US\$300,000 that will be financed with counterpart funds. The only goods to be financed by GEF are publications. In view of the small amount expected, US\$16,000, these publications would be purchased following shopping procedures in accordance with paragraphs 3.5 and 3.6 of the Guidelines.

Consultant Services

The Project would finance technical assistance, studies and capacity building activities to strengthen CONANP and to support fund raising activities to increase the endowment capital of FANP through joint GOM and FMCN efforts. Consulting services would be required, among others, to strengthen existing institutions,

revising the legal framework and operation plans, studies to increase knowledge on protected areas, dissemination of best practices, social participation on protected areas, and training.

Consulting firms would be selected following a Quality and Cost-Based Selection process, in accordance with Section II of the Consultant Guidelines.

Individual consultants include technical staff for long-term assignments in the project implementing units and other short-term assignments up to an aggregate amount of US\$3.8 million.

Endowment Capital

GEF will finance US\$9.4 million of the endowment capital for four additional reserves (1.9 million will be used for start-up expenses in 12 PA's to cover the first year operation of PA's while the endowment accrues interest).

Area Implementation POAs

The project will finance through FANP-generated income the start-up operating costs of four additional natural protected areas, and implementation activities of its management programs. The "start up" funds needed for the first year are estimated at \$159,085 per reserve, and would be disbursed when the corresponding endowment (GEF and match from other sources) is deposited for that reserve. The specific activities to be financed include: Protection (regular patrols for surveillance, biodiversity monitoring, signs/postings/trails), Fire Prevention and Control, Habitat Rehabilitation, Control of Exotic Species, Rustic Infrastructure, Environmental Awareness Training, Institutional Development and Strengthening of Reserve Management Capacities (such as training of the reserve management team), support for the reserve's Advisory Councils. This category will finance equipment, materials, supplies, consultants, training, salaries and operating costs.

Subgrants

The project will also finance local community initiatives for sustainable use of biodiversity. The average size of individual subproject procurements is expected to be about US\$16,000, which may consist of procurement of works, goods, services or any combination of the three. Due to its small size, it is expected that the majority of subproject inputs would be procured under national shopping procedures. Eligibility criteria and the agreed procurement and payment procedures for subprojects will be included in the Operational Manual.

Operating Costs

Operating Costs comprise expenditures incurred for recurrent incremental costs associated with the implementation of the Project, as well as operating costs under the management programs of the four new natural protected areas, such as basic operation costs, incremental salaries of key staff of protected areas and FANP coordination.

Action Plan

<p>PLANNING</p> <p>a) Preparation of a detailed procurement plan for the first year of project implementation.</p>	For negotiations.
<p>STAFFING:</p> <p>b) CONANP to appoint procurement and disbursement specialists.</p>	For negotiations.
<p>Training:</p> <p>c) Specific procurement training to CONANP staff.</p>	During the life of the project
<p>Procedures:</p> <p>The Operations Manuals (OM) for FANP and CONANP should describe clearly the procedures, methodologies, coordinating arrangements, filing and records, and internal control mechanisms for all procurement and related disbursement activities to be carried out by FANP, CONANP, and the eligible reserves and beneficiaries.</p>	As a condition of effectiveness.
<p>Audit Services:</p> <p>e) FANP and CONANP will specify suitable Terms of Reference for annual Project audit services, including reviews of procurement responsibility and appropriateness of procurement administration practices.</p>	As a condition of effectiveness.

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

Expenditure Category	ICB	NCB	Other²	N.G.F.	Total Cost
1. Works	-	-	-	-	-
2. Goods	-	-	0.01	0.32	0.33
			(0.01)		(0.01)
3. Consultant Services and Training	-	-	6.90	27.44	34.34
			(5.06)		(5.06)
4. Endowment FANP	-	-	16.99		16.99
			(8.85)		(8.85)
5. Subgrants	-	-	13.21		13.21
			(1.29)		(1.29)
6. Area Implementation POAs	-	-	-	4.97	4.97
7. Operating Costs	-	-	3.49	16.77	20.26
			(0.90)		(0.90)
Total	-	-	40.60	49.50	90.10
			(16.10)		(16.10)

^{1/} Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

^{2/} Includes goods to be procured through national shopping, consulting services, services of individual consultants for the project management office, training, technical assistance services, and incremental operating costs.

Table A1: Consultant Selection Arrangements (optional)
(US\$ million equivalent)

Consultant Services Expenditure Category	Selection Method							Total Cost ¹
	QCBS	QBS	SFB	LCS	CQ	Other	N.B.F.	
A. Firms	3.16 (2.01)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	27.38 (0.00)	30.54 (2.01)
B. Individuals	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.74 (3.05)	0.06 (0.00)	3.80 (3.05)
Total	3.16 (2.01)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.74 (3.05)	27.44 (0.00)	34.34 (5.06)

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection
QBS = Quality-based Selection
SFB = Selection under a Fixed Budget
LCS = Least-Cost Selection
CQ = Selection Based on Consultants' Qualifications
Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.
N.B.F. = Not Bank-financed
Figures in parenthesis are the amounts to be financed by the Bank Grant.

Prior review thresholds (Table B)

Prior review procedures would apply to all contracts awarded following QCBS procedures estimated to cost more than US\$100,000 equivalent, and all contracts with individual consultants estimated to cost more than US\$50,000. For other consulting contracts, only the TOR would be reviewed by the Bank.

Any contract awarded on a single-source basis, assignments of key staff and of critical nature, and amendments raising contract values above the said thresholds would be subject to prior review.

Table B: Thresholds for Procurement Methods and Prior Review ¹

Expenditure Category	Contract Value Threshold (US\$ thousands)	Procurement Method	Contracts Subject to Prior Review (US\$ millions)
1. Works	N/A	N/A	N/A
2. Goods	N/A	Shopping	N/A
3. Services			
Firms	>200	QCBS International shortlist/Expressions of Interest	All
	>100	QCBS National Shortlist	All
Individuals	<100	QCBS	Only TORs
	>50	Chapter V of Consultant Guidelines	All
	<50	Chapter V of Consultant Guidelines	Only TORs
4. Subgrants	N/A	Shopping/Direct Purchasing	N/A
5. Miscellaneous			
6. Miscellaneous			

Total value of contracts subject to prior review:

Overall Procurement Risk Assessment

Average

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

Procurement supervision will be performed by a Procurement Specialist (PS) or Procurement Accredited Staff (PAS) and will include a review of: (i) the PCU's capacity; (ii) the procurement plan for the project, including a timetable for procurement actions anticipated during the next 12 months; (iii) the PCU's

monitoring system; and (iv) complete records for one in every five contracts (for goods, works, land regularization services, and consulting services, respectively). In addition the PS or PAS will perform selected physical inspections of the goods received or works performed, and meet with selected suppliers/contractors, whenever possible.

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

Disbursement

Allocation of grant proceeds (Table C)

Expenditure Category	Amount in US\$million	Financing Percentage
1. Goods	0.01	85%
2. Consultants and Training*		
a) For FANP	0.80	50%
b) For CONANP	4.60	50%
3. Endowment FANP	9.40	100%
4. Subgrants CONANP	0.30	100%
5. Operating Costs	0.80	50%
6. Unallocated	0.19	
Total Project Costs	16.10	

* Training includes: (i) fees of consultants employed as trainers; (ii) reasonable travel, room, board and *per diem* expenditures incurred by trainees in connection with their training; (iii) course fees charged by academic institutions; (iv) training facility rentals; and (v) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph.

Use of statements of expenditures (SOEs):

The Bank and NAFIN have agreed that the traditional disbursement mechanism (SOEs) will be used for at least six months after project effectiveness. Disbursements will be made on the basis of full documentation for all expenditures made under contracts requiring prior review by the Bank, and contracts whose value will be raised above the prior review limits as a result of amendments. For all other expenditures, disbursements will be made against SOEs: (a) goods (b) contracts for consulting firms, including NGOs costing less than \$100,000; (c) contracts for individual consultants costing less than \$50,000; (d) all training expenditures; (e) (f) subgrants; and (g) operating costs, including expenditures for implementation of POAs.

All consolidated SOEs documentation will be maintained by the PCUs for post-review and audit purposes. Reimbursement requests should be sent to the Bank on a monthly basis. Once the accounting and financial management system is deemed compliant with LACI requirements, and is certified as such by the Bank, a migration to a LACI type of disbursements may be implemented as described hereafter.

Special account:

Two Special Accounts will be open:

1. A Special Account in US dollar would be opened by NAFINSA on behalf of CONANP in Banco de Mexico.

The authorized allocation to the Special Account will be set at a level sufficient to cover about four months of estimated expenditures eligible for financing by the Bank, up to a maximum authorized allocation to be determined during negotiations. Monthly replenishment of funds will be made on evidence of satisfactory utilization of the previous advance(s) as evidenced by the documentation submitted in support of disbursement applications. Deposits into the Special Account and its replenishments, up to the Authorized Allocation(s) will be made initially on the basis of Applications for Withdrawals (Form 1903) accompanied with the supporting and other documentation specified in the Disbursement Handbook.

2. Second Special Account: Regular disbursement with FMCN (Total US\$ 0.8 million). FMCN will establish a special account in a commercial Bank satisfactory to the World Bank. The reasons this Special Account is separate is because CONANP special account will be opened within NAFINSA, which is a government agency, while FMCN is a private organization. Also, the funds from the Special Account with FMCN will be used to raise USD\$ 6 mi funds for the endowment from private donors. The fundraising activities by FMCN are described in Annex 14.

Annex 7: Project Processing Schedule
MEXICO: Consolidation of the Protected Areas System Project (GEF)

Project Schedule	Planned	Actual
Time taken to prepare the project (months)	24	
First Bank mission (identification)	06/14/1999	06/14/1999
Appraisal mission departure	04/16/2001	
Negotiations	05/07/2001	
Planned Date of Effectiveness	08/15/2001	

Prepared by:

Project preparation was carried out by a Design Committee, which included specialists from Secretaría de Medio Ambiente y Recursos Naturales (SEMARNAT), Comisión Nacional de Áreas Protegidas (CONANP), Fondo Mexicano para la Conservación de la Naturaleza (FMCN).

Coordinator at CONANP: Biol. Pia Gallina; Coordinator at FMCN: Dra. Renee González

Preparation assistance:

GEF PPG (TF023379)

German Consultant Trust Fund (TF038474)

Bank staff who worked on the project included:

Name	Speciality
Raffaello Cervigni	Task Team Leader, Sr. Natural Resources Economist (until, and including, appraisal)
Claudia Sobrevila	Task Team Leader, Sr. Biodiversity Specialist (from negotiations onwards)
Adolfo Brizzi	Sector Leader
Jorge Franco	Social Development Specialist
Gonzalo Castro	Biodiversity Specialist, Biologist (terrestrial ecosystem)
Lucia Grenna	Communications Specialist
Carl Lundin	Biologist (coastal, marine, freshwater ecosystem)
Ricardo Hernández	Environmental Specialist
Mark Austin	Project Management Specialist
Musa Asad	Financial Analyst
Teresa Roncal	Procurement Analyst (Cost Tables)
Victor Ordoñez	Financial Management Specialist
Maria Elena Castro Muñoz	Sr. Social Scientist
Claudia Sobrevila	Sr. Biodiversity Specialist
Rocio Sarmiento	Program Assistant (Cost Tables)
Karen Ravenelle	Language Team Assistant
Liliana Vendevre	Language Team Assistant

Annex 8: Documents in the Project File*
MEXICO: Consolidation of the Protected Areas System Project (GEF)

A. Project Implementation Plan

First Draft of PIP

B. Bank Staff Assessments

Environmental Analysis
Financial Management Assessment
Institutional Assessment
Procurement Assessment
Social Analysis
Communication Strategy

C. Other

Independent Evaluation (Natural Protected Areas Project)
Social Assessment Montes Azules and Ria Lagartos
Monitoring and Evaluation System of the Natural Protected Areas Fund Program
Project Information Document
Root Causes Analysis
Social Assessments Cuatrociénegas, Alto Golfo, Tehuacán, Chichinautzin
Memories of Tehuacan Workshop
Global Social Strategy
Indigenous People Development Plans for Cuatrociénegas, Alto Golfo, Tehuacán, Chichinautzin
Logical Frameworks for the first 4 PAs
**Including electronic files*

Annex 9: Statement of Loans and Credits
MEXICO: Consolidation of the Protected Areas System Project (GEF)

Project ID	FY	Purpose	Original Amount in US\$ Millions			Cancel.	Undisb.	Difference between expected and actual disbursements ^a	
			IBRD	IDA	GEF			Orig	Frm Rev'd
P060908	2001	MESO AMERICAN CORRIDOR	4.25	0.00	14.84	0.00	0.00	0.00	0.00
P064887	2001	DISASTER MANAGEMENT	404.05	0.00	0.00	0.00	404.05	0.00	0.00
P065779	2001	FEDERAL HIGHWAY MAINTENANCE PROJECT	218.00	0.00	0.00	0.00	218.00	0.00	0.00
P070479	2001	Edo de Mexico Structural Adjustment Loan	505.06	0.00	0.00	0.00	505.06	0.00	0.00
P066938	2000	MX GENDER (LIL)	3.07	0.00	0.00	0.00	3.07	0.10	0.00
P057530	2000	RURAL DEV. MARG. ARII	55.00	0.00	0.00	0.00	47.67	0.67	0.00
P060718	2000	ALTERNATIVE ENERGY	0.00	0.00	8.90	0.00	7.47	4.53	0.00
P007610	1999	FOVI RESTRUCTURING	505.50	0.00	0.00	0.00	364.76	264.76	0.00
P048505	1999	AGRICULTURAL PRODUCT	444.45	0.00	0.00	0.00	266.35	66.23	0.00
P049895	1998	MX: HIGHER ED. FINANCING	180.20	0.00	0.00	0.00	155.87	42.93	0.00
P055061	1998	MX: HEALTH SYSTEM REFORM TA	25.00	0.00	0.00	0.00	1.59	1.59	0.00
P040199	1998	MX: BASIC EDUC. DEVELOPMENT PHASE I	115.00	0.00	0.00	0.00	55.55	40.48	0.00
P044531	1998	KNOWLEDGE & INNOV.	300.00	0.00	0.00	0.00	231.97	40.97	0.00
P007720	1998	MX: HEALTH SYSTEM REFORM - SAL	700.00	0.00	0.00	0.00	150.00	150.00	0.00
P007711	1998	RURAL DEV. MARG. AREA	47.00	0.00	0.00	0.00	32.40	16.91	0.00
P007700	1997	COMMUNITY FORESTRY	15.00	0.00	0.00	0.00	7.32	3.67	0.00
P007689	1996	MX: BASIC HEALTH II	310.00	0.00	0.00	0.00	73.21	73.21	73.21
P007713	1996	WATER RESOURCES MANA	186.50	0.00	0.00	0.00	131.26	82.03	24.47
P034490	1995	MX: TECHNICAL EDUC/TRAINING	265.00	0.00	0.00	30.00	111.09	141.09	111.06
P007701	1994	ON-FARM & MINOR IRRI	200.00	0.00	0.00	30.00	39.34	69.34	25.91
P007710	1994	N. BORDER I ENVIRONM	368.00	0.00	0.00	300.99	36.22	330.41	51.61
P007725	1994	MX: PRIMARY EDUC.II	412.00	0.00	0.00	40.00	47.55	87.55	47.55
P007648	1993	MEDIUM CITIES TRANSP	200.00	0.00	0.00	23.00	99.85	122.85	99.85
Total:			5463.08	0.00	23.74	423.99	2989.65	1539.31	433.66

MEXICO
STATEMENT OF IFC's
Held and Disbursed Portfolio
Apr-2001
In Millions US Dollars

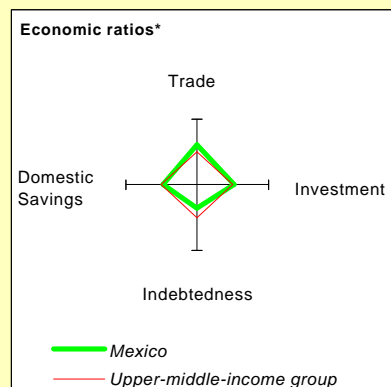
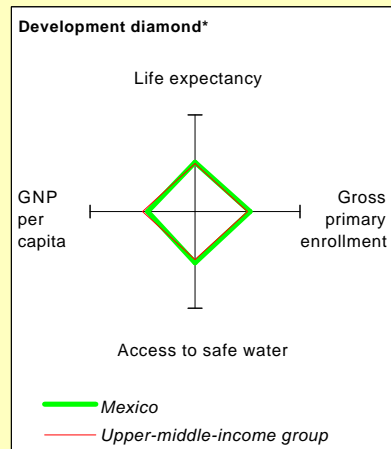
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1997	Grupo Minsa	16.00	10.00	0.00	24.00	16.00	10.00	0.00	24.00
1992/93/95/96/99	Grupo Posadas	25.00	0.00	10.00	10.00	25.00	0.00	10.00	10.00
1998	Grupo Sanfandila	9.17	0.00	0.00	4.40	7.17	0.00	0.00	3.40
1994/96/98/00	Heller Financial	0.00	0.32	0.00	0.00	0.00	0.32	0.00	0.00
2000	ITR	14.00	0.00	0.00	4.00	10.90	0.00	0.00	3.10
2000	Innopack	0.00	15.00	0.00	0.00	0.00	15.00	0.00	0.00
1994	Interceramic	7.00	0.00	6.00	1.75	7.00	0.00	6.00	1.75
2000/01	InverCap	0.00	0.07	0.00	0.00	0.00	0.06	0.00	0.00
1993	Masterpak	1.20	0.00	0.00	0.00	1.20	0.00	0.00	0.00
1998	Merida III	30.00	0.00	0.00	73.95	28.31	0.00	0.00	69.79
1995/99	Mexplus Puertos	0.00	1.41	0.00	0.00	0.00	1.41	0.00	0.00
1996/99/00	NEMAK	0.00	0.00	0.83	0.00	0.00	0.00	0.83	0.00
1998	Punta Langosta	2.50	1.00	0.00	4.27	2.50	1.00	0.00	4.27
2000	Rio Bravo	50.00	0.00	0.00	59.50	31.96	0.00	0.00	38.04
2000	Saltillo S.A.	35.00	0.00	0.00	43.00	13.46	0.00	0.00	16.54
1999	Sudamérica	0.00	15.00	0.00	0.00	0.00	15.00	0.00	0.00
1997	TMA	2.77	0.00	2.10	9.60	2.77	0.00	2.10	9.60
1992	Toluca Toll Road	6.85	0.00	0.00	0.00	6.85	0.00	0.00	0.00
1991/92	Vitro	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1991	Vitro Flotado	3.31	0.00	0.00	1.38	3.31	0.00	0.00	1.38
1998	ZN Mxc Eqty Fund	0.00	25.30	0.00	0.00	0.00	11.88	0.00	0.00
1988/91/92/93/95	Apasco	12.60	0.00	0.00	50.40	12.60	0.00	0.00	50.40
1998	Ayvi	10.00	0.00	0.00	0.00	10.00	0.00	0.00	0.00
1990/92/96	BANAMEX	88.21	0.00	0.00	27.04	88.21	0.00	0.00	27.04
1997	Banco Bilbao MXC	70.59	0.00	30.00	0.00	70.59	0.00	30.00	0.00
1992	Banorte-SABROZA	2.25	0.00	0.00	0.00	2.25	0.00	0.00	0.00
1995/96	Baring Mex. FMC	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1995/99	Baring Venture	0.00	2.73	0.00	0.00	0.00	1.00	0.00	0.00
1998	CIMA México	0.00	4.80	0.00	0.00	0.00	4.80	0.00	0.00
1998	CIMA Puebla	7.00	0.00	0.00	0.00	3.50	0.00	0.00	0.00
1994	CTAPV	3.73	0.00	2.32	0.00	3.73	0.00	2.32	0.00
0	Chiapas-Propalma	0.00	0.80	0.00	0.00	0.00	0.31	0.00	0.00
1997	Comercializadora	3.06	0.00	2.19	6.25	3.06	0.00	2.19	6.25
1999	Corsa	13.00	3.00	0.00	0.00	13.00	3.00	0.00	0.00
1993	Derivados	1.10	0.00	0.00	0.00	1.10	0.00	0.00	0.00
1997	Fondo Chiapas	0.00	4.20	0.00	0.00	0.00	0.43	0.00	0.00
1998	Forja Monterrey	13.00	3.00	0.00	13.00	13.00	3.00	0.00	13.00
1991/96	GIBSA	21.64	0.00	10.00	72.76	21.64	0.00	10.00	72.76
1993	GIDES A	6.25	8.00	0.00	4.25	6.25	8.00	0.00	4.25
1996/00	GIRSA	45.00	0.00	0.00	60.00	22.71	0.00	0.00	30.29
1993	GOTM	0.82	0.00	0.00	0.22	0.82	0.00	0.00	0.22
1997/98	Gen. Hipotecaria	0.00	1.20	0.00	0.00	0.00	1.29	0.00	0.00
0	Grupo BBVA	0.00	2.67	0.00	0.00	0.00	2.67	0.00	0.00
1998	Grupo Calidra	12.00	6.00	0.00	10.00	12.00	6.00	0.00	10.00
	Total Portfolio:	513.05	104.52	63.44	479.77	440.89	85.19	63.44	396.08

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic
2000	Servicios	10500.00	0.00	2000.00	17700.00
2000	Teksid Aluminio	25000.00	0.00	0.00	0.00
2000	Teksid Hierro	15000.00	0.00	0.00	30000.00
1999	BANAMEX LRF II	50000.00	0.00	0.00	0.00
1999	Baring BMPEF FMC	0.00	0.00	60.00	0.00
1998	Cima Hermosillo	7000.00	0.00	0.00	0.00
2000	Educación	9700.00	0.00	0.00	0.00
2000	Hospital ABC	30000.00	0.00	0.00	14000.00
2000	Innopak	15000.00	0.00	0.00	0.00
Total Pending Commitment:		162200.00	0.00	2060.00	61700.00

Annex 10: Country at a Glance

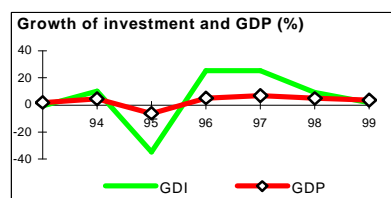
MEXICO: Consolidation of the Protected Areas System Project (GEF)

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

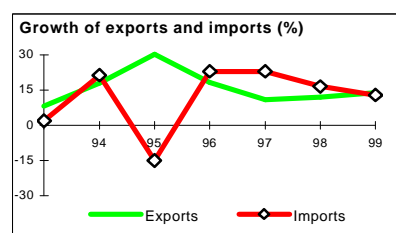


STRUCTURE of the ECONOMY

	1979	1989	1998	1999
(% of GDP)				
Agriculture	9.8	7.8	5.3	5.0
Industry	33.4	29.4	28.5	28.2
Manufacturing	22.7	21.9	21.3	21.1
Services	56.7	62.9	66.3	66.8
Private consumption	64.4	68.9	67.3	68.0
General government consumption	10.9	8.3	10.4	10.0
Imports of goods and services	12.5	19.1	32.8	32.0



	1979-89	1989-99	1998	1999
(average annual growth)				
Agriculture	1.2	1.7	0.8	3.5
Industry	0.9	3.5	6.3	3.8
Manufacturing	1.1	4.0	7.3	4.1
Services	1.8	2.7	4.5	3.6
Private consumption	1.4	2.2	5.5	4.3
General government consumption	3.1	1.7	2.2	1.0
Gross domestic investment	-4.3	4.3	9.5	1.5
Imports of goods and services	-1.1	11.9	16.5	12.8
Gross national product	1.2	2.9	4.8	4.2

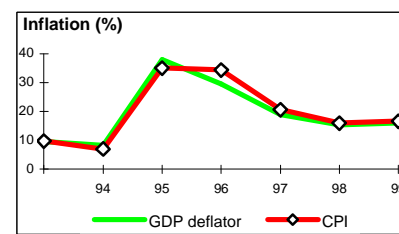


Note: 1999 data are preliminary estimates.

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

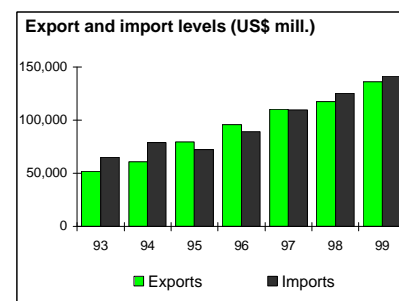
PRICES and GOVERNMENT FINANCE

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



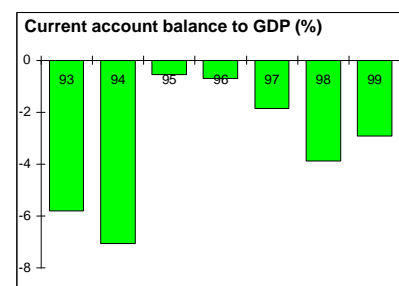
TRADE

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



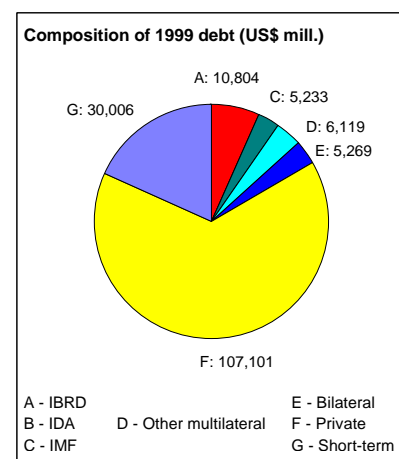
BALANCE of PAYMENTS

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



EXTERNAL DEBT and RESOURCE FLOWS

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



Additional Annex 11

Mexico: Consolidation of the Protected Areas System Social Assessment and Social Strategy

Introduction

The establishment of the National System of Protected Areas (SINAP) has been instrumental for biodiversity conservation under a long term vision. The system presently comprises 127 protected areas (PA) over 15.8 million hectares; 57 of them, have already essential staff, infrastructure, signs, and equipment; ten, receive additional support from GEF resources. However, the government owns only 5% of the land in the system while the remaining 95% belongs to communal owners, and to a lesser degree, to private owners. Therefore, for PA management to be effective, it is necessary to actively involve these owners in conservation and elicit public awareness about biodiversity heritage values. Because the majority of the population in protected areas lives under poor or extremely poor conditions, the challenge is to provide alternatives that also address poverty issues. The social assessment has analyzed this situation and consulted main stakeholders in order to identify socioeconomic factors threatening PA. As a result, a social strategy has been developed to harmonize conservation efforts and sustainable alternatives to deal with such social risks. This strategy is consistent with Bank's operational policies regarding social issues (OD 4.20, Indigenous Peoples, and, OD 4.30 Involuntary Resettlement).

1. General situation and social issues in four protected areas

a. Land Ownership. Most lands in PA are communal lands belonging either to indigenous communities or “*ejidos*” (80%); a small proportion is private (15%) while the government owns only 5%. In accord with Mexican Government's present policy, ownership status in PA will not change over the next years during the project's implementation. However, there is an increasing demand for cultivation land and tenure conflicts that are threatening sustainability in PA. Therefore, a social strategy is necessary to involve land owners in conservation practices and to mitigate social conflicts. Addressing land conflicts have proved successful in some PA such as the biosphere reserve (BR) Alto Golfo where land conflicts have been solved in a 100%. Pressures over land in PA also come from unregulated -and sometimes illegal- urban growth, as is the case of PA Chichinautzin-Zempoala nearby Mexico City and Cuernavaca.

b. Pressures on natural resources. Disputes over the use of some natural resources are also a serious issue affecting conservation in the four PAs. In Alto Golfo, illegal practices and an increasing demand for fishing are both, a conservation and a social problem. In Cuatro Ciénegas, the sustainable collection of *candelilla* and *mesquite* should change to preserve these resources. In Chichinautzin-Zempoala, restrictions to the use of medical herbs have raised disagreements among indigenous communities. In Tehuacán-Cuicatlán, illegal and no sustainable logging for commercial and domestic purposes and diminishing aquiferous layers are resulting in deforestation and accelerated soil erosion. To offer sustainable alternatives to poor population involved in these activities is critical to achieve the project's objectives.

c. Socioeconomic Situation. Subsistence agriculture and cattle-rearing, forestry and natural resources exploitation are the main source of income for population in protected areas (e.g. *candelilla* and *mesquite* in *Cuatro Ciénegas*; fishing resources in Alto Golfo). Handicrafts are a complementary source of income for some communities. Low productivity and poor commercialization affect these activities. In some cases, migration of young men seeking jobs has resulted on increased vulnerability of poor households headed only by women without formal occupation. Lack of basic services and infrastructure aggravate socioeconomic conditions.

d. *Poverty.* Almost 400,000 persons live in PA and their buffer zones; 16% of them, are indigenous peoples comprising eleven different ethnic groups with a variety of languages and cultures presently at risk. Most communities are marginalized, and live in extreme poverty conditions. Social indicators such as illiteracy, and infant mortality are higher than the national average. Moreover, indigenous peoples' cultural identity and traditions suffer from external pressures and lack of respect for their rights and values. See table 1.

Table 1. Population within protected areas and buffer zones

Protected area / State	Surface (ha)	Municipalities	Localities in ANP	Population in ANP	Population in buffer zone	Indigenous Population
Cuatro Ciénegas (Coahuila)	84,347	Cuatro Ciénegas	11	1,329	10,379	300
Alto Golfo de California - Delta del Río Colorado (Baja California - Sonora)	934,756	Mexicali, Puerto Peñasco, San Luis Río Colorado	8	2,971	38,120	257
Biological Corridor Chichinautzín-Zempoala (Morelos, México and Federal District)	65,722	11	109	47,429	146,976	2,207
Tehuacan-Cuicatlán (Puebla - Oaxaca)	490,187	51	199	35,223	92,933	57,480

Source: INEGI-CONANP: Social Annex

2. Social issues in protected areas

a. Cuatro Ciénegas

Overview. Cuatro Ciénegas comprises eleven communities of *ejidatarios* living of exploiting candelilla wax and mesquite, irrigation agriculture (mainly alfalfa), and the use of wild fauna and flora for self-consumption. Cuatro Ciénegas municipality had officially a population of 10,379 persons that, according to a preliminary survey carried out in 1995, it had diminished to 9,185 persons, of which 1,329 lived within the PA. At the time, 300 indigenous Kickapoo, tough living outside the PA, entered to it to collect tule. However, direct research carried out during project preparation indicates that actual population is only of 1,230 inhabitants and that most indigenous population now lives in USA. Extreme poverty, lack of services and jobs, have spurred migration; only between 1999-2000 around 700 young men leaved in search of better opportunities.

Indigenous people and vulnerable population. Around 300 indigenous Kickapoo have lands in *Nacimiento, Múzquiz* municipality in Coahuila far away from the PA. However, they are not formally established there because their main source of income comes from a casino they manage in Eagle Pass, Texas, in USA. Kickapoo's only relation with the PA is the tradition of *tule* collection that they use to build cottages for their religious practices. There is an agreement to grant them this right. Vulnerable population comprises poor *ejidatarios* living on *candelilla* and *mesquite* extraction, particularly women and young people without lands.

Main Social Issues. Lands are split between private property (59%) and ejido (41%). Titling process has been

concluded and there are no land tenure conflicts. However, *ejido* land selling or renting is common thus, aggravating poverty conditions and spurring migration. Main social issues arise from restrictions to collect mesquite and *candelilla* that are endangered by over-exploitation. Presently, only two *ejidos* have authorized management plans to collect these resources, though illegal exploitation is widespread. There is also an ongoing pressure over water because of increasing demand for lands surrounding the PA to cultivate watermelon, wheat, beans, and alfalfa.

Social Organization. Social organizations, though insufficient, are able to undertake conservation and sustainable use of resources if provided with adequate support. The Consejo Asesor has been able to build consensus around the management plan; most communities have collaborated in conservation activities such as reforestation, soil restoration, and habitat protection. Presently, PA's management lacks human and financial capacity to manage the whole area. It does not have any institutional support to address social issues and to strengthen local organizations.

b. Alto Golfo - Río Colorado

Overview. Alto Golfo - Río Colorado comprises a rich coastal ecosystem of world importance. It had 40,980 inhabitants in 1995; 27.6 % in San Felipe, Baja California; 65.4% in Puerto Peñasco and 6.9 % in San Luis Río Colorado, both Sonora's municipalities. Main conservation and social problems are the result of poor regulation enforcement over fishing activities of small and large scale. Unplanned and unregulated tourism and urban development in lands around this PA are also an issue.

Indigenous people and vulnerable population. There are only 2,971 persons within the reserve; the majority is located in *Golfo de Santa Clara* and five surrounding *ejidos*. There are around 257 Cucapáh indigenous scattered mostly in the arid lands between Mexicali and San Luis Río Colorado. This group survives on subsistence agriculture along the riverbed of the Colorado-Hardy river, fishing, mining, and manufacturing handicrafts. Cucapahs are the only group granted permission to use resources in the core area of this PA, which has created conflicts with *ejidatarios* and fishermen. Cucapáh's culture is rapidly disappearing under economic and cultural pressures. Presently, only a few speak their original language, and traditions and values are at risk.

Vulnerable population includes inhabitants of 18 coastal *ejidos* comprising 62% of the terrestrial part of the reserve. They are losing their lands under the pressure of growth of tourism resorts and urban development. For the majority 75%, fishing is the main source of income, followed by agriculture for the remaining 25%.

Main Social Issues. Main social issues are the result of increasing pressures and conflicts over the use of fishing resources. Fragmentation of fishing cooperatives, lack of organization, and disputes over fishing regulations, spur conflicts. As a result, some small cooperatives closed business in the last years. Presently, numerous fishermen are operating without legal permits, or have been waiting for more than two years to receive one. In 1995, the PA's management plan limited access to its core area and prohibited some damaging fishing practices. In spite of these restrictions, around 1,000 small vessels are illegally operating within the reserve. However, the biggest pressure over land comes from mega-tourism resorts, and large aquaculture projects. Illegal land occupation, and disputes over land rights between *ejidatarios* and colonists, are escalating.

Social Organization. There are numerous social organizations, mainly fishing cooperatives, though most of them are divided upon conflicting interests. The PA's Consejo Asesor has been operating with many difficulties. Coastal *Ejidatarios* are not represented in the Council and their needs are not fully reflected in the current management plan. Long distance, and logistic problems make it difficult for council members to regularly meet. Therefore, agreements have been reached to create micro-region committees; to increase the number of community representatives in the Consejo; and to integrate a sector fishing committee to address conflicts in this sector.

c. Chichinautzín-Zempoala

Overview. The Biological Corridor Chichinautzin-Zempoala comprises nine municipalities at the northeast part of Morelos state; two Federal District's delegations (Milpa Alta and Tlalpan); and one municipality in state of Mexico (Ocuilán de Arteaga). There are 1, 049 communities within the PA with a total population of 47 429 inhabitants of which, 2,207 are of Nahuatl descent. Its influence zone comprises 49 communities with 146 976 inhabitants INEGI 1995. Subsistence agriculture and logging to produce *ocote* and charcoal are their main source of income. Many have legal permits though there is also illegal logging affecting mainly Chichinautzín woods.

Indigenous peoples and vulnerable population. There are 2,207 indigenous Nahuatl in this PA. This is a very well organized group that maintains their values and traditions, and have a clear vision of alternatives to address problems affecting their communities. However, they lack any support to solve their problems and keep their cultural practices, language in particular. Restrictions to use some medical herbs have had an impact on traditional medicine; during preparation, alternatives to address this issue have been analyzed to be implemented under the project. Vulnerable population includes communal land owners (*comuneros*) mostly dependent on agriculture, cattle rear, and forestry. Some communities also manufacture furniture and handicrafts that offer better income. However, most communities are very poor and live in marginal areas without services.

Main social issues. Changes in cultivation patterns, influenced by market pressures from Mexico City and Cuernavaca, have displaced traditional food production (beans-maize-zuchini) to commercial crops such as oat, tomato, and *nopal*. This change has had a negative impact on consumption habits and the well being of indigenous, and rural communities in general. Moreover, it has created additional pressure to convert forestry lands to agriculture. Land tenure conflicts have increased within communities, and between *comuneros* and private owners. Deforestation, erosion, and loss of water sources -aggravated by an irregular urban growth- are seriously threatening this PA. Clandestine logging and urban land developers have become so powerful that it will be difficult to enforce the management plan without strong political support.

Social organization. A strong social organization has developed around this PA's Consejo Asesor, established in 1998. Four regional committees are presently operating: Lagunas de Zempoala; Poniente; El Tepozteco; and Altos de Morelos (East). An agreement with the University of Mexico State (UAEM) helped to complete its management plan that has been endorsed by municipal authorities, and communities.

d. Tehuacán-Cuicatlán

Overview. PA Tehuacán-Cuicatlán comprises 51 municipalities, 20 in Puebla and 31 in Oaxaca, though some of them are only partially incorporated into its jurisdiction. The PA and its buffer zone have an estimated population of 128, 156 inhabitants; 17% of it in Oaxaca, and 83% in Puebla. Main activity is seasonal agriculture that has low productivity because low quality soils and rain scarcity. Extensive cattle rearing accelerates destruction of herbs and bushes further contributing to soil erosion and desertification, and damaging wild animals habitats. These problems are particularly worrisome in Oaxaca. This situation has spurred migration of young men, leaving behind several municipalities with a majority of women-headed, very poor, vulnerable households.

Indigenous people and vulnerable population. This PA comprises a majority of indigenous population with a strong cultural feeling and a remarkable ethnic diversity including eight different ethnic groups: Chinanteco, Chocho, Ixcateco, Mazateco, Mixteco, Nahuatl, and Popoloca as well as a small group of afromezitizo and mestizo population. The majority is bilingual, though there is a small group, of monolingual population, mostly women. There is also a group of mestizo population who share indigenous culture, traditions, social networks, and political affiliation; this people considered, the total of indigenous population would be even bigger. Vulnerable population includes women-headed households and young people without lands.

Main social issues. In Oaxaca, indigenous and *mestizo* population, depend mainly on subsistence agriculture, and small cattle rear; wild plants collection and hunting complement those activities. In some communities, productive lands and water are so scarce that they survive by elaborating handicrafts using palm fiber. Erosion, deforestation, and wild flora and fauna, reduction are affecting living standards. In Puebla, people work in Tehuacán's industries, or trade business, while maintaining agriculture plots. Agriculture has low outcomes and forestry and other natural resources are poorly managed. Inefficient commercialization channels, both in Puebla and Oaxaca, aggravate this situation. Land ownership splits between communal land, 50%; ejidos, 30%; and private land, 20%. Internal conflicts, disputes among communities boundaries, and illegal occupation of lands, are a serious problem. Because many families depend on natural resources, possible restrictions in their use can have a negative impact in their economy. Sustainable alternatives to mitigate this impact are to be agreed with affected communities.

Social organization. The prevailing cultural diversity and a majority of vulnerable population are a challenge for the establishment of strong social organizations in this PA. Land conflicts, cultural differences, and migration, contribute to this situation making it difficult to negotiate and reach agreements. However, there are some well developed organizations playing an important role in the region namely: the Mixteca and Cañada Regional Committees, sponsored by SEDESOL; the Sustainable Development Council, promoted by SAGAR and Oaxaca government; Micro-regional Development Councils organized by the Oaxaca Government and SEDESOL; and CNA's Alto Papaloapan, as well as some independent civil society organizations such as the Fundacion Cuicatlan. The PA's Consejo Asesor is incorporating critical actors, promoting participation to ensure that all ethnic groups are represented, and seeking partnerships with those organizations previously established from which it can benefit.

3. Social Strategy

Promoting participation in sustainable development activities and sharing the benefits from biodiversity conservation with land owners in PA are the principles guiding the project's social strategy. Its objectives are:

- To address social issues affecting population within protected areas through sustainable development sub-projects consistent with the project's conservation strategy.
- To build partnerships with the private sector and mainstream conservation into public sector programs to optimize conservation efforts and sustainability in PA.
- To ensure social participation and commitment to conservation by consolidating the project's participation system including direct community involvement in *Consejos Asesores* and Sub-*Consejos* and strengthening community-based organizations such as local assemblies and committees.

The design of this strategy takes into account the results of the social assessment completed during preparation and consultation carried out with community organizations, indigenous communities, *ejidatarios*, *comuneros*, academic and research institutions, as well as NGOs. On this basis the social strategy comprises the following intervention areas:

a. *Indigenous peoples development strategy.* Under this strategy, indigenous population and vulnerable groups have been identified and specific actions have been defined to ensure that they participate and benefit from the project. Accordingly, Indigenous Peoples Development Plans (IPDPs) have been prepared for the four PAs in the project to be implemented during its life span through PA's annual programs.

b. *Sustainable development action plans.* Sustainable development action plans (SDAPs) will be implemented to mitigate a possible social impact occurring due to restrictions in the access to, or to use natural resources. SDAPs will be included in PA's annual programs and will comprise training, technical assistance, and support to implement sustainable productive sub-projects.

c. *Participation Strategy.* Participation strategy will ensure stakeholders' involvement in the project by consolidating SINAP's established participation instruments. It will promote alliances and partnerships with civil society organizations, NGOs, and the private sector to support conservation efforts and sustainable alternatives. It will also seek mainstreaming conservation criteria in public sector programs to be executed within PA. PA's annual programs will include specific actions towards this effort with funds from the mainstreaming component.

d. *Communication.* A communication campaign has been designed to promote public awareness about biodiversity values; commitment to conservation practices; and to disseminate good practices. This campaign will have a broad scope to reach all society and specific actions to support PA's conservation efforts.

4. Indigenous Peoples Strategy

More than ten different ethnic groups with strong traditions live in the four selected areas; their languages and culture are presently at risk. Though indigenous communities represent in average 16% of their total population (see table 2), they own a large proportion of lands in PA. Main sources of living for most of them are subsistence agriculture, cattle rearing, and/or forestry. In general, they are highly dependent on natural resources either for subsistence, medical, or ritual purposes. To harmonize these practices with conservation is critical for an effective management of PA.

Table 2. Indigenous Population in Protected Areas and Buffer Zones

Protected Area	Total Population	Indigenous Population	% of Indigenous	Ethnic Group
Alto California Golfo and Colorado River Delta	41 091	257	0.62	Cucapáh
Cuatro Ciénegas	11 708	300	2.56	Kickapoo
Chichinautzín Zempoala	194 405	2 207	1.13	Nahua
Tehuacan Cuicatlán	128 156	57 480	44.85	Chinanteco, Chocho, Cuicateco, Ixcateco, Mazateco, Mixteco, Nahua, Popoloca.
Total Population	375 360	60 244	16.04	11 ethnic groups

Source: CONANP, Pueblos Indígenas y Grupos Vulnerables en Áreas Naturales Protegidas

In general, indigenous communities are marginalized, live in extreme poverty conditions, and suffer from lack of

recognition and respect to their rights and cultures, though Oaxaca has an advanced legislation protecting its ethnic groups. Hence, the main objective of this indigenous peoples strategy is to allow these communities and other identified vulnerable groups, to benefit from the project. Wherever possible, conservation-oriented traditions will be re-established to improve living conditions and conservation goals. This strategy builds on the results of the social assessment and consultation carried out during preparation, and takes into account Mexican laws protecting indigenous peoples rights. This strategy is also consistent with Bank's Operational Policy 4.20, Indigenous Peoples. (See Attachment A). Accordingly, four IPDPs have been prepared, one for each PA under the project. The project's monitoring and evaluation system incorporates indicators to track its implementation and outcomes.

5. Conservation and sustainable development action plans in protected areas

The project's conservation strategy will not procure lands that can result on involuntary resettlement of population. Instead, the project will support a sustainable use of natural resources compatible with ongoing practices. However, it might be necessary to change some damaging activities in order to protect endangered resources. In the short term, this might result in restrictions to access or use natural resources. To avoid, or mitigate, a negative social impact, the project will develop Sustainable Development Actions Plans to design, systematize, and replicate sustainable productive sub-projects. This effort will also address some trends in buffer zones threatening PA's sustainability. Partnerships with NGOs and the private sector, inter-institutional coordination, and mainstreaming will complement this effort.

A process framework to identify impacts, consult affected communities, and reach agreements has been designed to guide the process of preparing SDAPs in accord to Bank's OD 4.30. SDAPs will be prepared in a participatory approach through the mechanisms established in PA's *Consejos Asesores*. PA's annual programs (POAs) will include specific actions to implement sustainable development alternatives to be carried out directly by the community under the guidance of the PA management. This process framework will be integrated in the GEF Grant Agreement. (See attachment B).

6. Participation Strategy

a. Participatory approach during preparation

Project preparation included a broad consultation process in each protected area with indigenous communities, small farmers (*comuneros, ejidatarios*), fishermen, and local authorities. Several NGO's, academic institutions, and PA's staff were also consulted (See table 3). Consultation was carried out in two phases: one to identify social issues and conservation priorities; and a second phase to present results, including IPDs and proposals to mitigate possible restrictions. Consultation process comprised workshops, interviews, and dissemination of results in local newspapers and radio programs. IPDPs and main agreements are available for consultation in CONANP, and locally, in each PA Directorate. (See Annex 12).

Table 3. Consultation Workshops

Protected Areas	Workshops	Participants
Alto Golfo	6	130
Cuatro Ciénegas	2	78
Chichinautzín-Zempoala	6	500
Tehuacan-Cuicatlán	21	567
Total	35	1275

Source: CNANP, Consultation and dissemination process

Dissemination of main results, and additional consultation, helped to reach agreements and to define priorities, particularly regarding IPDPs, and mechanisms to address restrictions in the use of natural resources. The main outcomes of this consultation process are the following:

- Identification of indigenous peoples and vulnerable population;
- Identification of social demands and agreement on priorities;
- Social strategy action lines definition;
- Agreement on a long term sustainable development and conservation vision, and inputs to complete IPDPs and SDAPs.

Social strategy, IPDPs, process framework to prepare SDAPs, and overall program and budget have already been discussed in PA's Consejos Asesores. Minutes of discussions and agreements are available in the project's files.

b. Participation instruments and process

The project will continue to be implemented under a participatory approach building on consultation results, pilot program's experiences, and recommendations from the first phase project's mid-term evaluation. Improved participation instruments and process will be in place for project implementation to better address social issues affecting conservation. Presently, SINAP comprises the following instruments for participation:

- *Consejo Nacional de Areas Naturales Protegidas (CNANP)*. CNANP has been established as a consultative body of national competence to incorporate and build partnerships with civil society and NGOs. It has incorporated two social sector representatives to monitor social issues and actions in PA. It is comprised by members of all sectors of society.
- *Comisión Nacional de Areas Naturales Protegidas (CONANP)*. CONANP, which is responsible for managing the PA, has recently established a high level unit (*Dirección General de Conservación para el Desarrollo*) that will be in charge of the project's social strategy including participation promotion, and overlooking implementation of Sustainable Development Program (PRODER) and social strategy in protected areas.
- *Comite Tecnico del Fondo para Areas Nacionales Protegidas*, oversees the management and execution of SINAP1. Its members are appointed by CNANP and represent all sectors of society.
- *Consejos Asesores (CA)*. CA are the core units for social participation in PA. Presently, CA are already operating in 38 PA comprising a total of 843 counselors. Under the project, an improved CA model will be put in place to better respond to the needs of community organizations including micro-region and sector Sub-Consejos. This new CA model is already operating in PA Tehuacán - Cuicatlán and will be established in the remaining PA.

For participation to be effective, particularly regarding IPDPs and SDAPs implementation, a bottom-up process will operate during project implementation as follows:

Community participation. Representatives from community organizations and community leaders, identified through consultation, will be able to participate in Regional and/or Sector Sub-Consejos. Through agreement mechanisms established in PA regulations, community organizations and/or their authorities, can directly execute actions under the project's social strategy, namely IPDPs, and SDAPs.

Regional and/or Sector Sub-consejos will integrate community organizations, and critical stakeholders to address specific social issues, facilitate participation, and ensure equity in decision-making. Social Development Sub-Consejos can also be established to advise upon social issues and reach agreements to carry out activities to this regard in PA.

Consejos Asesores (CA) will integrate such *Sub-Consejos*, according to their specific problems and needs, and be responsible for: (i) analyzing, discussing, and agreeing on work programs to prepare and/or implement PA management plans; (ii) advising in defining priorities and preparing PA's annual operational programs; (iii) organizing within Sub-Consejos specific sessions to discuss (involving communities if necessary) actions to implement IPDPs and SDAPs; and (iv) monitoring and evaluating annual program implementation. The project, through its Protected Area Conservation Programs component, will provide resources for CA's operation and empowerment including training of counselors and community leaders, and promoting community organizations.

PA Directorates will be responsible for integrating and disseminating PA management plans and promoting participation in its implementation. These units, in coordination with CA, will prepare annual programs and guide its implementation. Annual programs will include resources and support for communities directly implementing IPDPs and SDAPs sub-projects through specific agreements foreseen in PA regulations (*convenios de concertacion*). To enhance participation, the project will provide resources for staffing PA with social promoters, and training technical staff on social development, conflict resolution, and participation matters in general.

c. Institutional Arrangements

Institutional arrangements and strengthening of key units to support participation process and implementation of IPDPs and SDAPs include:

The establishment within CONANP of the *Direccion General de Conservacion para el Desarrollo* that, through its *Direccion de Participacion Social*, will promote adequate integration and operation of *Consejos Asesores*, *Regional and Sector Sub-Consejos*, as well as *Social Development Sub-Consejos*, as required. This area will closely supervise social strategy implementation and bottom-up participation process. Because, according to protected areas regulations, CONANP is responsible to promote stakeholder agreements (*concertacion*) for the establishment of *Consejos Asesores*, this area should be adequately staffed to accomplish the purpose of ensuring equity, and balancing stakeholder's representation. To this regard, one of the functions of this unit will be to provide support to grant legal recognition to social actors, particularly indigenous organizations, whose participation might be limited for lack of this legal recognition requested in PA regulations.

PA Directorates, responsible for protected areas management, will incorporate social promoters to directly deal with social issues and work with communities, and will be strengthened through training in relevant social matters, and better equipment. Annual programs will include resources to carry out these purposes. Financing will come from income generated by the endowment as well as the mainstreaming component and fiscal funds. Staffing and equipment provision should be completed during the first year of project implementation.

The project's Operational Manual (prepared by CONANP for the mainstreaming component) will describe in detail institutional arrangements, participation process description, and responsibilities allocation. *Consejos Asesores*, and their complementary *Sub-Consejos* in each protected area should be fully operational within the first year of implementation, including agreements on internal regulations ensuring a balanced stakeholders participation. Regulations governing FNANP, will also be reviewed to keep coherence with these institutional arrangements intended to support enhanced participation process. The Bank will approve annual programs that should include specific sections dealing with IPDPS, and SDAPs prepared in accordance with the agreed process framework.

7. Social Strategy Action Plan

Social Strategy Action Plan summarizes priorities to be implemented in each protected area in the project to achieve social strategy objectives, particularly regarding IPDPs, SDAPs, participation, and institutional strengthening. On the basis of social assessment results, and consultation process, priorities for each protected area are summarized below. (See Annex C)

(a) Cuatro Ciénegas

Social strategy comprises reaching agreements for the sustainable use of resources including mitigation programs to address restrictions in the use of candelilla, mesquite and gypsum dunes management plan. Temporary employment programs and ecotourism sub-projects will support vulnerable population. SDAP to address restrictions in the use of resources includes the following actions: (i) productive diversification programs to reduce pressure on endangered resources; (ii) alternative employment opportunities for candelilla and mesquite producers; (iii) introduction of sustainable agriculture techniques; and (iv) training programs and micro-credits to finance small productive initiatives for women and youth. A participatory evaluation system will be established to assess progress in implementation of these initiatives including identification of social impact indicators.

(b) Alto Golfo - Río Colorado

Social Strategy. The social strategy will promote social responsibility towards natural resources and active participation in conservation activities. This process will help to address conflicts among different groups particularly between fishermen and the Cucapáh community. It includes training and technical support programs for strengthening local organizations. SDAP to diversify resources sustainability comprises in support to the following sustainable sub-projects: (i) ecotourism; (ii) sport fishing; (iii) small aquaculture; and (iv) improvement of fishing activities. PA's Consejo Asesor will incorporate regional and sector committees. Resources will be allocated to support the council consolidation and operation. PA management unit will incorporate social promoters to carry out the social strategy. A public information campaign will help to disseminate good practices and results and get public support to conservation. Finally, through partnerships and agreements with government entities, universities, NGOs and civil society organization, the project will seek to mainstream its social and conservation strategy.

(c) Chichinautzín-Zempoala

The social strategy comprises specific actions to support and strengthen indigenous communities including: (i) a program to re-establish traditional use of natural resources keen to conservation; (ii) a management plan to regulate the use of medicinal herbs under conservation principles; (iii) strengthening indigenous organizations; and (iv) support to maintain and disseminate indigenous traditions and culture regarding natural resources conservation.

SDAP specifically targeting indigenous peoples and vulnerable population sub-projects comprises of: (i) pilot plots to re-establish traditional cultivation pattern for food production; (ii) municipal and community nurseries for reforestation and tourism purposes; (iii) promote an adequate model for cattle rearing; and (iv) participatory forestry projects.

A institutional strengthening program to improve participation in the Consejo Asesor comprises staff training and technical assistance to develop sustainable alternatives, promote community participation. The Consejo will promote to seek support from other organizations under the mainstream component. This effort will include participation in the Consejo Consultivo para la Protección de la Tenencia de la Tierra to address urban growth

pressures from Cuernavaca and Mexico City. The PA Directorate will incorporate a social development specialist and community promoters to carry out this social strategy.

(d) Tehuacán-Cuicatlán

Social Strategy. Social strategy comprises the following actions to improve participation: (i) the establishment of two *Consejos Asesores* and six micro-region committees; (ii) re-activation of the Technical and Scientific Committee; and (iii) the opening of an office in Oaxaca City to enhance relationships with other government agencies. In order to involve communities in conservation activities, environmental arrangements will be incorporated into municipal and *ejidos* regulations. Government agencies' investment programs will be integrated within the annual operation programs to benefit communities complying with management plan regulations and implementing sustainable alternatives. Training and a public dissemination campaign will complement these efforts. Attachment C presents budget allocation for protected areas and action lines.

8. Institutional arrangements

CONANP will be overall responsible for updating, managing, and implementing the project's social strategy through its central units and the PA Directorates. CONANP will seek collaboration from other government agencies, private sector, and NGOs to achieve these goals through the Mainstreaming Component. Institutional arrangements to implement the social strategy, comprising participation enhancement, IPDPs and SDAPs include:

Central Units. The establishment within CONANP of the *Direccion General de Conservacion para el Desarrollo* that, through its *Direccion de Consejos Asesores y Participacion Comunitaria*, will promote adequate integration and operation of *Consejos Asesores*, Regional and Sector Sub-*Consejos*, as well as Social Development Sub-*Consejos*, as required. This area will closely supervise social strategy implementation and bottom-up participation process. Because, according to protected areas regulations, CONANP is responsible for promoting stakeholder agreements (*concertacion*) for the establishment of *Consejos Asesores*, this area should be adequately staffed to accomplish the purpose of ensuring equity, and balancing stakeholder's representation. To this regard, one of the functions of this unit will be to provide support to grant legal recognition to social actors, particularly indigenous organizations, whose participation might be limited for lack of this legal recognition requested in PA regulations. *Direccion de Concertacion y Coordinacion Intragubernamental*, and *Direccion de Alternativas para el Desarrollo* will endorse the social strategy through the Mainstreaming component and promoting sustainable development initiatives, respectively.

PA Directorates, responsible for protected areas management, will incorporate social promoters to directly deal with social issues and work with communities and will be strengthened through training in relevant social matters, and better equipment. Annual programs will include resources to carry out these purposes. Staffing and equipment provision should be completed during the first year of project implementation.

PA annual programs will regularly include social strategy activities with special sections describing those regarding to IPDPs, SDAPs, and mainstreaming efforts.

Operational Manuals. The project's Operational Manual developed by CONANP will describe in detail institutional arrangements, participation process, and responsibilities allocation. *Consejos Asesores*, and their complementary *Sub-Consejos* in each protected area, should be fully operational within the first year of project implementation, including agreements on internal regulations ensuring a balanced stakeholders' participation. FANP's operational manual will be also reviewed to keep coherence with these institutional arrangements and to further support participation enhancement. The Bank will approve annual programs that should include specifics sections dealing with IPDPS, and SDAPs prepared in accordance with the agreed process framework.

9. Financing

Social strategy will be financed with resources from the GEF grant, public resources and other sources. Annual programs (POA) in each PA will incorporate a detailed budget allocation for each one of the social strategy action lines. During the appraisal mission specific sources for each action line were identified and agreed for the project's 8-year span. (See annex C).

10. Monitoring and Evaluation

The project's monitoring and evaluation system will incorporate specific process and outcome indicators to assess progress in implementation of the social strategy and monitor its impacts, particularly regarding IPDPs and SDAPs. Logical framework prepared for each PA incorporate such indicators.

Attachments to Annex 11

Attachment A

Mexico: Consolidation of Protected Areas Indigenous Peoples Development Plans (IPDPs)

Background

Indigenous peoples comprise 16% of total population in protected areas (PA) and buffer zones and they own an important portion of lands within. The majority lives in extreme poverty conditions and their culture and traditions are at risk. Though the project is not expected to have any negative impact on indigenous population, four Indigenous Peoples Development Plans (IPDPs) have been prepared for each one of the protected areas in the project, to ensure that indigenous peoples participate actively and benefit from conservation efforts, while fully respecting their rights and cultural diversity. These IPDP's are consistent with the principles contained in the Bank's Operational Policy 4.20, Indigenous Peoples. A two-phase consultation process took place during preparation, first to prepare, and second to approve these IPDPs. IPDPs are available for public consultation in CONANP and in the four PA Directorates. (See Indigenous Strategy Summary Matrix)

a. Legal Framework. Article 4th of the National Mexican Constitution recognizes the ethnic and cultural diversity of the country and indigenous peoples' rights. Hence, it claims to protect their languages, culture, traditions and social organizations and guarantees them a fair access to justice. The Mexican Government has ratified the International Labor Organization's 169 Agreement regarding indigenous peoples rights, and in 1992 signed the Biodiversity Agreement acknowledging the link between indigenous traditions and conservation of natural resources. Thus, it agrees to respect, preserve and maintain indigenous communities' knowledge, innovations and traditions in regards to conservation. The General Law of Ecological Equilibrium and Environmental Protection (article 15th fraction XIII) also guarantees community's rights for a sustainable use of natural resources. Regulations (Reglamento) to implement this Law include provisions for the establishment within PA of traditional use zones granting communities access to resources to satisfy basic needs and preserve their cultural heritage (article 55th). Though the Mexican Congress has recently approved the Indigenous Peoples Law, there is an intense mobilization still going - on both indigenous organizations and government - to improve the legal framework that is expected to result in a more comprehensive approach regarding indigenous peoples' rights.

b. Baseline Data. Socioeconomic conditions and main social issues affecting indigenous population have been

identified through the social assessment including social structure, income sources, cultural background, and organizations. These results have been the basis to prepare IPDP for each PA. There is a general description of this situation in the social assessment section (Project's files contain detailed information).

c. Land Tenure. The project does not include any restrictions toward indigenous peoples' rights over their communal lands, which are fully respected. There are no land tenure issues affecting indigenous peoples' lands in Cuatro Ciénegas or Alto Golfo. However, Chichinautzin and Tehuacan are under pressure from factors external to the project, such as increasing demand for land due to demographic pressures and unplanned growth in urban areas surrounding buffer zones. To address this issue, the project will promote and support, through its Mainstreaming component, ongoing programs to solve land conflicts in PA. Moreover, the project will develop sustainable development alternatives to reduce pressures over land in buffer zones directly and, through other government agencies

d. Participation. IPDPs were prepared and agreed under a participatory approach that included direct consultation with indigenous communities in the four protected areas and public dissemination in the press. This participatory approach will continue during implementation through improved participation instruments. Indigenous peoples organizations, or community leaders, will integrate within Sub-Consejos to specifically address social issues affecting them, and through these Sub-Consejos in decision-making in PA's Consejos Asesores. Moreover, indigenous organizations will be able to directly execute, through special agreements (*convenios de concertación*), the several actions included in IPDPs directly benefiting them. Mechanisms for indigenous peoples participation will be fully operational in each PA for implementation.

e. Ensuring that benefits reach indigenous peoples. IPDPs' include specific activities designed to ensure that the project benefits indigenous peoples, such as: (i) incorporating traditional knowledge in conservation and granting access to natural resources for subsistence purposes in PA management plans; (ii) training and technical assistance to strengthen indigenous organizations; (iii) sustainable development initiatives pilots harmonizing traditional practices and biodiversity conservation; and (iv) involvement of indigenous peoples in monitoring outcomes. Through the Mainstreaming component, additional support will be provided to protect and disseminate indigenous culture and traditions and promoting sustainable productive initiatives. (See summary matrix).

f. Respect to culture and traditions. The project recognizes the richness of indigenous culture and is committed to preserve it and respect traditional authorities and their organizations during implementation. Design of sub-projects, training activities, technical assistance, and consultation will take into account indigenous peoples cultural background, including the use of native languages if necessary. The project will establish -as a practice- the exchange and dissemination of indigenous conservation experiences to promote appreciation for cultural diversity within, and among PAs. Protected areas regulations offer several alternatives to support these efforts such as the definition of traditional use zones.

g. Institutional Arrangements. CONANP will be overall responsible for identifying and ensuring indigenous peoples participating and benefiting from conservation efforts. PA Directorates will be in charge of executing and guiding implementation of IPDPs. To this purpose, they will incorporate social promoters to deal with indigenous communities, promote their participation, and support IPDPs implementation. PAs' annual operational program's will target resources for IPDPs implementation. Moreover, through special agreements (*convenios de concertación*) indigenous organizations will be able to implement sustainable development sub-projects. Through the Mainstreaming component, PAs will reach agreements to preserve and disseminate indigenous peoples culture. At CONANP, Dirección de Consejos and Social Participation will promote, support, and overlook participation process and PA.

h. Action Plan. IPDP will be implemented during the span of the project through specific activities included in

the social strategy's action plan. Accordingly, annual programs will allocate budget to implement activities within IPDPs. Main activities and budget for IPDP in each protected area are summarized in attachment C.

- i. Monitoring and evaluation.* The project's monitoring and evaluation system will include process and outcome indicators to assess IPDPs' performance and impact.
- j. Borrower Commitment.* CONANP supported an intensive consultation process to prepare and agree IPDPs. These IPDPs have already been discussed and agreed at CA in each one of the four PA, including specific budget allocation for implementation. The project's loan agreement will include a covenant of the borrower's commitment to implement these IPDPs. The operational manual will include a detailed description of the above-mentioned process and institutional responsibilities.

Attachment B

Mexico: Consolidation of the Protected Areas Program

Process Framework for the Establishment of Sustainable Development Action Plans in Protected Areas

Introduction

The main objective of the project is to consolidate the conservation of biodiversity in protected areas (PA) in Mexico and promote sustainability of productive activities within these areas. The National Commission for Protected Areas (CONANP) has already made progress towards this objective. However, the majority of the land in SINAP is in the hands of communal owners or, to a lesser extent, of private owners, while the government owns only 5% of the lands. Therefore, additional efforts are necessary to ensure that these owners manage their land under sustainable practices. Though the project's conservation strategy does not include incorporating land, or changing ownership status, it will be necessary to change some ongoing negative practices. This can result in limiting access, and/or use of natural resources in fragile ecosystems, which might have a short term negative impact. The project will address this issue by implementing Sustainable Development Action Plans (SDAPs) harmonizing social strategy with conservation practices to offer sustainable alternatives to substitute damaging practices. SDAPs will be prepared yearly in accordance with this process framework that is consistent with OD 4.30 Involuntary Resettlement. Accordingly, PAs annual programs will allocate resources to implement SDAPs activities.

1. Principles

- a. Minimizing Social Impact.* The main principle guiding this effort is to avoid negative social impacts. Thus, conservation strategy will take into account actual practices of resident and/or user communities in each PA compatible with conservation. Limiting the access to natural resources and areas will be a last resource in the event that a specific fragile ecosystem is under threat, has limited capacity, or is particularly important for preservation purposes. This decision will be taken on the basis of technical and social analysis, and through consultation.
- b. Participation.* Extent, type, and characteristics of restrictions are to be defined through consultation with stakeholders. Alternatives to address possible social impacts should also be reached under a participatory approach seeking consensus building. PA's Directorates, with assistance of social promoters, will conduct this consultation process in order to agree with communities, and relevant organizations, about pace, and scope of the restrictions, and will jointly seek impact mitigation alternatives to complete SDAPs. SDAPs will be fully discussed in CA to be incorporated within the overall PA's conservation strategy and to agree on measures to enforce agreements, and

solve possible conflicts.

c. *Re-establishing Socioeconomic Conditions.* The main goal of mitigation alternatives will be to re-establish, or improve, wherever possible, previous socioeconomic conditions. To this regard, SDAPs will introduce sustainable productive alternatives to replace damaging practices, providing training, technical assistance and support to achieve this goal. Annual programs will allocate resources to these activities. Through the Mainstreaming component, additional resources from other public sector entities will complement this effort.

d. *Target Population.* This policy framework will apply to those persons and organizations that are directly affected by restrictive measures resulting from PA management plans, conservation strategy, or related programs in the four PA. Target population comprises those who:

- Are subject to limitations of resources needed for their subsistence;
- Suffer negative effects on the means of subsistence or productive activities; and
- Are isolated from their neighbors and/or disconnected from their social networks.

e. *Respect to national laws.* The policy applies regardless of the absence of legal title deeds. It does not apply to persons who carry out activities or actions classified as offenses under national law.

f. *Respect to Cultural Diversity.* The definition of restrictions to practices in PA will take into account the cultural diversity of the different groups involved in each one of them. Traditional practices and legal rights of indigenous groups established in national laws, and international agreements signed by the Mexican government will be fully respected in the process of defining SDAPs.

2. Guidelines to Prepare Sustainable Development Action Plans

PA Directorates, with specialized support if necessary, will prepare SDAP's, consistent with the above-mentioned principles, social impact definition, and target population, comprising the following aspects:

a. *Justification.* The reasons for limiting access to and/or use of resources should be explained, including a description of the restricted area and/or resources to be limited.

b. *Socioeconomic Analysis and Impact Assessment.* SDAPs should include a definition of PA's zoning restrictions to identify target population. A socioeconomic diagnosis of such population will be prepared including main economic activities, social characteristics, customs, behavior and existing organizations. Diagnosis should also include an estimate of the possible impacts including economic losses, changes in social organizations, restrictions to traditional practices, etc. This analysis will be prepared using available information and/or carrying out specific studies if necessary. Impact assessment should include consultation with target population and directly involved organizations.

c. *Alternatives Assessment and Agreements.* Seeking mitigation alternatives will be participatory effort. PA Directorates and target population will jointly analyze feasible alternatives, taking into account affected population's needs and conservation strategy goals to reach an agreement. This agreement should include commitments and responsibilities on both sides, as well as provisions to avoid other groups overlooking restrictions.

d. *Program and Budget.* SDAPs should include an implementation program and budget for each one of the activities to be carried out under the program. In any given year, preparation of the POA in accordance with the SDAP format for the following year will be financed through each PAs' current budget and supplemented with

funds from the mainstreaming component. Should ad-hoc additional studies, consultations, etc, be needed, the project will provide the required financing through components 3.1 and 4.

e. *SDAPs Format.* To facilitate the review and approval of SDAPs, it is recommended to use the following, format (within the Annual Operating Plan) that summarizes SDAPs' main elements:

- Location and description of the protected area;
- Specific location and description of the resources or areas where access to, or uses of, will be limited;
- Reasons for limiting access and/or use;
- Identification and diagnosis of target population;
- Impact assessment of restrictions;
- Alternative assessment and agreed solution with stakeholders;
- Applicable legal framework;
- Measures to prevent use of, or access to, restricted areas or resources by other groups;
- Summary of consultation process;
- Implementation schedule and budget

3. Financing.

SDAPs will be financed through PAs' current budget (derived from FANP income and from fiscal budget). Should ad-hoc additional studies, consultations, etc, be needed, the project will provide the required financing through components 3.1 and 4.

4. Monitoring and Evaluation.

The project's M&E system will include process and outcome indicators regarding SDAPs particularly to monitor re-establishment of socioeconomic conditions of target population, recovery of protected resources and areas, and effectiveness in enforcing restrictions.

5. Institutional Arrangements

CONANP will be overall responsible for establishing restrictions and consequently implementing mitigation measures in accordance with this process framework. PA Directorates will be directly responsible for preparing and implementing SDAPs under a participatory process and reaching agreements with identified target population. Special agreements (*convenios de concertacion*) can be signed to this purpose. *Direccion General de Conservacion para el Desarrollo*, in CONANP, through its *Direccion de Concertacion y Coordinacion Intragubernamental*, will seek and coordinate other government agencies, and NGOs contributing to SDAPs' objectives. Its *Direccion de Consejos and Participacion Social* will provide support during consultation and overlook SDAPs implementation. The first SDAPs will be presented for Bank's approval for the first year project implementation and subsequently, during its life span through the Annual Operating Plans.

6. Borrower Commitment.

Consultation process carried out during preparation addresses the issue of social impact that may arise from the above-mentioned restrictions. Possible alternatives were identified and incorporated in this proposal. There is a commitment in CONANP to address this issue and during appraisal, it was agreed to prepare SDAPs' according to this process framework beginning the first year of implementation. This process framework will be integrated within the project's grant agreement to ensure implementation of SDAPs intended to address social impact from restrictions in the access or use of natural resources under the project. SDAPs will be submitted yearly for the

Bank's no-objection in the proposed format incorporated into the Annual Operating Plans.

Attachment C

Mexico: Consolidation of the Protected Areas Program

Social Strategy Action Plan

The project's social strategy action line will become a regular activity in PA operations. Therefore, project and fiscal resources will be yearly allocated to finance its implementation. Accordingly, PA's annual programs (POA) will finance social strategy's action lines on the basis of consultations and agreements reached with communities, and discussions to defined year priorities within Consejos Asesores. Social strategy comprises the following action lines:

Action Lines

A. Participation Strategy

a. Strengthening PA Management. It comprises activities to strengthen PA's management units in order to systematically address social issues under a participatory approach namely: (i) including social promoters; (ii) staff training on social development, participation, and related matters; (iii) development of planning and monitoring tools; and (iv) technical assistance and equipment.

b. Participation Enhancement. It aims at improving the project's participation mechanisms namely: (i) creation of Regional, Sector and/or Social Development Sub-Consejos as required in each PA to better address social issues and facilitating participation; (ii) Promote and facilitate participation, particularly of poor land owners and indigenous, and operation of CA; (iii) training of counselors and involved social organizations; and (iv) participation tools development.

c. Social Capital Promotion. This action line will support reaching agreements among communities to jointly address social issues and conflict resolution on the basis of improved local capacities, through participatory planning, experience exchanges, and good practices dissemination.

d. Strengthening Community Organization. Strengthening community organization will help to implement the project's social and conservation objectives. Better organizations will be able to attract private NGO's support and government entities investments through the mainstreaming component. This action line comprises: (i) training in social development, legal rights, organization development and the like; (ii) leadership promotion; and (iii) support to promote partnerships and investments (*acompañamiento*).

B. Sustainable Development Initiatives

e. Sustainable Development Initiatives. This action line comprises sustainable productive initiatives sub-projects identified within SDAPs to offer alternatives to avoid or mitigate social impacts from restrictions in the access to, or the use of natural resources; it includes also complementary activities, such as training, technical assistance, etc. It will also promote long term sustainable alternatives to reduce pressures on natural resources through sustainable alternatives in buffer zones.

C. Communication

f. Communication. Comprises a (i) public awareness campaign about the value of biodiversity Conservation;

(ii) support of participation and conservation activities in protected areas; and (iii) dissemination of good practices combining social and conservation goals.

D. Indigenous Peoples Development Plans (IPDPs)

IPDPs are a specific section of the social strategy comprising all above-mentioned actions lines targeting indigenous peoples including: (i) organization strengthening; (ii) support to ensure their participation; (iii) culturally compatible sustainable development initiatives; and (iv) support to their values and traditions.

Financing

Social strategy will be financed with project's resources from Component 2, Protected Areas Conservation Programs; Component 3, System-wide institutional Strengthening; and Component 4, Mainstreaming, as well as from fiscal sources, to be allocated yearly in PAs' annual plans as a regular activity in their operations. Moreover, CONANP will seek inter-institutional agreements to complement these efforts to attract funds other from other public entities operating in protected areas.

Monitoring and Evaluation (M&E)

The project's M&E system will include process and outcome indicators to assess progress on social strategy implementation. Beneficiaries and communities will participate on this effort through the mechanisms established in this social strategy.

Budget

A consolidated Action Plan summarizing resources allocated to each action line for the 5-year project life in each protected area is presented in table 4. Project's files comprise detailed annual budget estimates that will be updated every year as part of each PA's programming process. This action plan has already been discussed and agreed in PA's Advisory Councils.

Table 4. Action Plan
(US dollars -Estimated)

Action Lines	ALTO GOLFO DE CALIFORNIA	CUATROCIENEGAS	CHICHINAUTZIN	TEHUACAN	TOTAL
A .Participation Strategy	67,424	81,522	88,995	42,198	280,139
B. Sustainable Development Initiatives	121,694	96,124	125,362	63,953	407,133
C. Communication	47,399	68,553	71,832	25,273	213,057
D. Indigenous Peoples Development Plans	54,537	n.a.	40,457	122,705	217,699
Contracting personnel for community activities, training and mainstreaming	232,091	150,251	262,486	327,572	972,400

TOTALS	523,145	396,450	589,132	581,701	2,090,428

Additional Annex 12

Consultation Process Summary

Introduction

The project has been prepared under a participatory approach that comprised two phases: (i) a first phase focused on eliciting stakeholders views about biodiversity conservation and sustainable development to prepare a social strategy proposal; and (ii) a second consultation phase to analyze results and build consensus around the proposal. The social strategy proposal aims to build stakeholders commitment and participation towards conservation efforts. It comprises four Indigenous Peoples Development Plans, one for each one of the PA in the project and to involve other vulnerable population, as well as alternatives to address restrictions on the access and/or use of natural resources that can be necessary to protect fragile biodiversity areas. Consultation documents, including IPDPs and agreements to address restrictions, are available for public consultation in CONANP's headquarters, and locally in PA Directorates in the four PA under the project.

Consultation Process

The first consultation phase took place in 2000 and culminated in a workshop in January 2001. The second phase, validation of social assessment results and main project proposals, was carried out between May-July 2001. Consultation involved indigenous communities, *ejidatarios*, *comuneros* and small farmers; fishermen; private sector representatives and municipal authorities. Local NGOs and research institutions also participated. Key-informant interviews and several workshops were carried in different locations in PA to facilitate broad access. Radio programs, and regional and local press, disseminated main results of the process. See table 1

Table 1. Community Participatory Workshops

Protected Area	Workshops	Participants
Alto Golfo	6	130
Cuatro Ciénegas	2	78
Chichinautzin-Zempoala	6	500
Tehuacan-Cuicatlán	21	567
Total	35	1,275

Source: CONANP, Social Assessment

a. *Alto Golfo-Rio Colorado*. Consultation focused on the three most vulnerable groups: (i) Cucapáh Indigenous community; (ii) Fishermen in Santa Clara; and (iii) ejidos in PA (Luis B. Sanchez, and Alberto Oviedo). Additional meetings took place in San Felipe, Baja California and Puerto Peñasco, Sonora. Agreements reached comprised granting fishing rights for Cucapáhs and support for the establishment of more sustainable fishing practices for all fishing organizations, and alternatives for sustainable

development initiatives among ejidatarios. Addressing conflicts upon the use of fishing resources was the most critical demand.

b. *Cuatro Ciénegas*. Seven meetings with ejido assemblies were carried out in poor communities to take into account their opinions. IPDP was discussed and a summary was published in local, and regional press. Key leaders were interviewed including majors, ejido presidents, and representatives of relevant organizations such as the Municipal Planning Committee, Agriculture Promotion (Agro-Fomento) and Consejo Asesor's members. These poor communities reacted with incredulity and skepticism towards consultation though recognized the importance of conservation.

c. *Chichinautzin-Zempoala*. Consultation was carried out through the four regional Sub-Consejos already operating in this PA: Oriente, Poniente, Tepozteco, and Zempoala. Main results were also discussed at the Consejo Asesor and then disseminated through the local press and radio stations. There was agreement in the establishment of the protected area and its management plan. However, indigenous organizations demanded full participation in the process and specifically requested support to protect their own conservation traditions, namely food production and traditional medicine, as well as support to preserve their cultural back-ground.

d. *Tehuacán-Cuicatlán*. Because of the extent (199 communities spread in 490, 000 ha) and complexity of this PA (eight different ethnic groups), consultation and dissemination took place in 10 communities to enable critical actors to participate. Additionally, main results and recommendations were discussed in the Regional Sub-Consejo Cañada and in PA's Technical Scientific Council. The communities agreed on the need to implement the PA's management plan through consultation and agreements, and requested training to this aim. They also agreed in the establishment of Regional Sub-consejos to facilitate participation. There was a general agreement that the main priority is to finance sustainable productive alternatives.

As a whole the initial reaction from poor communities was incredulity and skepticism towards consultation though most of them showed willingness to participate in conservation efforts. This willingness increased accordingly with community organizations levels, as in the case of indigenous organizations in Chichinautzin. These general results indicate the need to consolidate participation efforts, promote community organization, and respond to their expectations.

Main Results

The social assessment in the four PA helped to identify main social issues affecting biodiversity conservation, which have been incorporated into the project's design, particularly in its social strategy. Action lines comprised in the social strategy take into account stakeholders' priorities and aim to ensure they share the benefit from the project. Dissemination of main results, and additional consultation helped to reach agreements and define priorities already included in the eight year social action plan. The main outcomes of this consultation process are following:

- Identification of indigenous peoples and vulnerable population;
 - Identification of social demands and agreement on priorities;
 - Social strategy action lines definition;
 - Agreement on a long term sustainable development and conservation vision; and
- Inputs to prepare IPDP and SDAP.

Additional Consultation

During appraisal mission an agreement was reached about the project's social strategy, its areas of intervention (IPDP, SDAPs, Participation, and Communication), and its action lines (see annex 11). Sources of financing and budget to finance its implementation during the project's eight years life span was also agreed with CONANP. Subsequently, Consejos Asesores in the four PA, have discussed and agreed to carry out this social strategy. Participation will continue during implementation, through the participation system established within Consejos Asesores and Sub-Consejos established in PA. CA will be the forum to define yearly priorities and POAs. Special agreements, (Convenios de concertación) can be established with community organizations to implement sustainable development initiatives.

**Additional
Annex 13**

Criteria and Process for Selection and Information about the Areas

1. The selection of priority areas within SINAP is the result of an interactive process including academic groups, NGOs and official agencies as well as the direct participation of CONANP. The process began in December 1998 with an analysis of the entire system – 114 areas at that time – focusing on obtaining benefits for the protected area system as a whole and not on any isolated NPA. An initial selection process identified those areas meeting a threshold of ecological significance and management criteria. Subsequent phases of the process narrowed the list and developed an order of priority.

2. The four stages of the process are summarized below and described in detail in the project files.

I. From the total number of existing protected areas (114) an initial universe of 49 areas was determined to meet criteria of ecological significance, current conservation status, management priority and financial need.

II. In January 1999 a workshop, “Selection of criteria and NPA” gathered 34 experts from different sectors (NGO, academic, government, social) and regions of the country. The workshop began by defining 8 criteria and used those criteria to prioritize areas in the initial universe. The criteria were the following

Criteria	
1. Type, dimension and immediacy of threats.	
2. Number and type of ecosystems (gradient)	
3. Species richness	
4. Endemism	
5. Socioeconomic availability for a conservation project	
6. Services and environmental functions	
7. At risk species concentration	
8. Eco-region representativity	

III. The priority list developed by the workshop was further analyzed to take into account criteria of global significance (degree of relevance and degree of conservation according to Dinerstein and other studies) and criteria defined by UCANP/SEMARNAP related to the level of consolidation of a protected area. This led to a priority list of 23 protected areas, leaving space to add two areas to the list due to under-representation of key ecosystems, especially dry deciduous forest.

IV. The final step was to update information on each of the 23 protected areas and assign values (points) to each criteria used since stage II. At this point it had been decided that the proposal to the GEF would support an initial group of 12 areas, and those receiving the highest scores were selected for inclusion.

3. The methodology developed to identify selection criteria, the evaluation and the prioritization of the NPAs constitutes a great step in the development and establishment of policies focused to the country’s biodiversity conservation. The workshop organized by FMCN and UCANP/INE (entity responsible for PAs before CONANP), with the participation of 34 NPA experts, including academic, official agencies, NGOs and social groups representatives, allowed the identification to proceed objectively and quantitatively, based on 8 selection criteria.

4. The detailed selection of NPA with additional criteria suggested by the Global Environmental Facility

(GEF), with intense work by this consultancy with UCANP/INE, and with the reviewing and endorsing by CONANP, provided a list of the 12 priority NPAs to be included in the proposal. It is important to note that the sequence of the selected priority NPAs, must be susceptible to future changes. Due to a high rate of environmental changes, a high growth of the agrarian limits (Toledo *et al.*, 1989) and a fast modification of the rural and urban geography in Mexico, it is plausible that the given grades to the NPA in this selection exercise might be different in the short term. For example, the selected NPAs as priority due to their high grade of vulnerability and deforestation threats, might become in a few years, not suitable to establish conservation programs of its biota. At the same time, NPA that were not selected in this exercise due to their apparent low level of biodiversity might obtain higher scores as a result of increased knowledge in the future. These examples give us the idea of the possibility spectra in which, NPA that were not included at this time, might be included under the same methodology, when executed in a few years and vice versa.

5. In conclusion the 12 NPA selected for the WB-GEF proposal take into consideration the protected areas system (SINAP) focusing on how to obtain the most benefits for the system as a whole. With the 12 areas the SINAP benefits by:

- Increasing the number of protected areas under effective protection
- Increasing the number of hectares (by 3 million) under effective protection
- Increasing the representation of ecosystems under effective protection

6. Additionally the group of 12 protected areas represents every globally critical ecosystem, contributing substantially to long term global conservation. Progress within the project will contribute to the overarching SINAP strategy of Mexico where among other benefits are that the investments in these 12 areas will leverage additional activities and additional areas becoming a win-win situation for Mexico and its participation in global conservation. The 12 PA selected are described below.

Protected area	State	Surface (ha)	Population	Indigenous peoples	Ecosystems
Tehuacán-Cuicatlán	Puebla, Oaxaca	490,186	626,814	Mixteco, mazateco, cuicateco and popoluca	Deciduous forest, pine-oak forest, cloud forest, arid scrub
Alto Golfo y Delta del Río Colorado	Baja California, Sonora	934,756	4,464	Cucapás and Tohono O'odham	Arid scrub, marine and estuarine, coastal dunes
Cuatrociénegas	Coahuila	84,347	1,329		Dry scrub, oak-pine forest
Corredor Chichinautzin-Zempoala	Morelos, México, Federal District	65,971	50,000	Nahua	Pine-oak forest, arid scrub, deciduous forest
Sierra de Álamos	Sonora	92,889	432		Thorn forest, pine-oak forest
Sierra de Huautla	Morelos	59,030	3,300		Deciduous forest, pine-oak forest
La Encrucijada	Chiapas	144,868	29,000		Marine, estuarine, mangrove, deciduous forest, thorn forest, coastal dunes
Pantanos de Centla	Tabasco	302,707	16,293	Chontal	Mangroves and halophyte vegetation
Banco Chinchorro	Quintana Roo	144,360	-		Coral reefs, mangroves
La Sepultura	Chiapas	167,310	23,145		Thorn forest, pine-oak forest, deciduous forest, cloud forest, chaparral, savanna

El Pinacate y Gran Desierto de Altar	Sonora	714,556	200	Tohono - O'odham (pápagos)	Desert, chaparral, arid scrub
Sierra La Laguna	Baja California Sur	112,437	800		Pine-oak forest, deciduous forest, chaparral, grassland

Additional Annex 14

Further Expansion of the FANP Endowment

The project has been conceived and designed with the overall goal of including the endowment for 12 priority protected areas (PAs) in the FANP financing mechanism, as well as matching endowment funds for priority PAs in the country, with the consequent expansion of the endowment to a total of US\$ 45m (US\$ 25 to be contributed by the GEF and US\$25 million in matching funds from other sources). In November of 2000, The Council of the GEF included the present project in its work program for a total amount of US\$ 16.1m, comprising \$7.5m to endow four priority PAs. This annex describes the process to be followed to further capitalize the FANP endowment to cover eight additional PAs. In particular, it contains the following material:

1. Streamlined procedures for processing additional tranches of financing required to meet the goal of capitalizing the remaining eight PAs;
2. Cost estimates and underlying assumptions and criteria;
3. Financial projections for the investment income from the expanded FANP;
4. The fund-raising strategy proposed to further expand the endowment fund;
5. The investment guidelines to be adopted for FANP management

1. Streamlined procedure for the approval of additional endowment funds

Funding requests to further expand the endowment would be considered on the basis of a template containing the following information and documentation:

1. Reserve-specific logical framework with PA-specific indicators: this will follow the general structure of the log-frame set out for the entire project in the present Project Appraisal Document (PAD);
2. Evidence of matching contributions to the endowment: every dollar of non-GEF funding would trigger a dollar of GEF funding (US\$ 1.875 mi are necessary as match to endow one PA, future GEF disbursements will consider increments of PA endowment units);
3. Adequate social assessments for the entering PAs, as well as appropriate design of remedial actions as needed;
4. Adequate evaluation of indigenous people's issues and appropriate design of Indigenous Peoples;
5. Development Plans as needed;
6. Endowment contributions by SEMARNAT to FANP, in order to cover taxes during project implementation.

Compliance of the requested additional GEF support with applicable Bank safeguard and fiduciary policies will be ensured by applying the procedures described in the present PAD (particularly in the annexes on procurement, disbursement and environmental analysis), and by implementation of the IPDPs included in the request for additional GEF support. The request for additional GEF support and related template would be submitted by the Bank to the GEF Secretariat for CEO endorsement.

2. Estimated Project Cost (with capitalization of 12 areas)

To consolidate the system of protected areas in the country, it is necessary to endow eight priority PAs in addition to the four included in the first tranche of the project. GEF endowment funds will be directed

to cover the basic conservation in these priority areas. The one-to-one matching endowment funds will either cover basic conservation or other complementary activities in a group of 34 priority areas identified through the exercise described in Annex 13. Taking into account the preferences of the donors who will contribute to the endowment match, fundraising priority will be first to cover basic activities down the list of priority PAs that do not have these needs addressed, followed by complementary non-basic conservation costs in any of the 34 reserves.

Mexico has already secured US\$ 5 million as a match to SINAP 1 project. In addition, US\$ 7.5 million have been deposited as a match to the endowment for the first four PAs included in the first tranche of the SINAP 2 project. For the subsequent tranches, the GOM will provide US\$ 6 million to further expand the FANP endowment between 2000-2006. Part of the interest from this GOM endowment will be directed to the payment of taxes for FANP activities (components 1, 2 and 3) (see section “4. Fundraising plan” for a detailed description).

The following table summarizes the approach proposed to allocate capital resources obtained from GEF and other donors. The table takes into account the distinction between basic and complementary conservation activities, as well as the break-down of the 34 priority reserves into the three groups of a) reserves already receiving FANP support; b) reserves in need of immediate urgent attention; c) other priority areas.

Type of support	Areas under SINAP 1 (already supported with GEF funds)	New areas in need of immediate attention	Other priority areas
	<ol style="list-style-type: none"> 1. Calakmul 2. El Triunfo 3. Isla Contoy 4. Islas del Golfo 5. Sierra de Manantlán 6. Mariposa Monarca 7. Montes Azules 8. Ría Lagartos 9. Sian Ka'an 10. El Vizcaíno 	<ol style="list-style-type: none"> 1. Tehuacán-Cuicatlán 2. Alto Golfo y Delta del Río Colorado 3. Cuatrociénegas 4. Corredor Chichinautzin-Zempoala 5. Sierra de Álamos 6. Sierra de Huautla 7. La Encrucijada 8. Pantanos de Centla 9. Banco Chinchorro 10. La Sepultura 11. El Pinacate y Gran Desierto del Altar 12. Sierra La Laguna 	<ol style="list-style-type: none"> 1. Los Tuxtlas 2. Sierra Gorda (1) 3. El Ocote 4. Los Ajos-Buenos Aires (Mavavi) 5. Bonampak-Yaxchilán-La Cojolita 6. Lacantún-Chan-Kin 7. Maderas del Carmen 8. Huatulco 9. Metzabok-Naha 10. Cañón de Santa Elena 11. San Pedro Mártir-Constitución 1857 12. Mapimí
Basic conservation	-GEF contribution to the endowment since 1997 -Contribution from GOM and other donors	-GEF contribution to the endowment -Contribution from GOM and other donors	-Contribution from GOM and other donors
Complementary	-Restricted	-Restricted	-Restricted

activities to achieve full protection	contributions from GOM and other donors	contributions from GOM and other donors	contributions from GOM and other donors
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Note: (a) A separate Sierra Gorda Biosphere Reserve conservation project has been approved for support by GEF. As a result, no GEF funding under the SINAP 2 proposal will be assigned to this PA. Sierra Gorda is included in the list of 34 priority reserves for reasons of consistency with the priority setting exercise (Annex 13), which provides the scientific and technical basis for SINAP fund-raising efforts.

The total project costs after eight years, including SINAP 2 first and additional phases, are reflected in the project total budget:

Project Components by Financier (US\$ million) (2002 to 2009)

Component	GOM	GEF	Private	Bilateral	Total
	Amount	Amount	Amount	Amount	Amount
1. Expansion of the Fund					
1.1 Endowment capital	11.5	24.4(1)	12.9		48.8
1.2 Fundraising	0.4	1.2	0.8		2.4
2. PA conservation programs					
2.1 Implementation of Management Programs	19.4		13.14	2.61	35.15
3. Institutional Strengthening					
3.1 Commission Coordination Program	5.2	0.2			5.4
3.2 Institutional strengthening	0.5		2.0		2.5
4. Mainstreaming conservation and sustainable use policies	15.65 (2)	5.3			20.95
Total	52.65	31.1	28.84	2.61	115.2

(1) Includes US \$ 22.5 mi endowment and US \$ 1.9 mi start-up funds for 12 PAs

(2) Includes counterpart funds by GOM other than SEMARNAT as calculated by Pérez Gil and Jaramillo (1999) (12.0 mi for 12 PAs), as well as the contribution by PRODERS (3.65 mi).

I. Budget Basis for Component 1.1 Endowment capital

The budgets for endowment funding are calculated according to the following data and assumptions.

The US\$22.5 million endowment capital requested from the GEF would support basic conservation costs in the twelve PAs selected for the SINAP 2 proposal, generally following the criteria and formulas developed for the 10 areas supported by the current US\$16.48 million FANP endowment.

The calculations for the GEF portion of the endowment proceed from the assumption that this endowment will be the total endowment support for basic conservation activities in the selected twelve areas for SINAP 2.

The matching endowment capital will be dedicated to (a) other areas or (b) other activities. FMCN and the GOM will oversee the funds in such a way as to maximize coherence of strategies, uses, monitoring, and reporting procedures among the funds from different donors.

SINAP 1 project has maintained a balance of an average 24% of annual support to each reserve from CONANP fiscal funds, 20% from the endowment, and 56% from other sources (other government agencies, academia, private institutions, NGOs). The “base” amount of the endowment per reserve is calculated as (including taxes):

Type of expenditure	Costs per reserve per year (US\$)	Costs for 12 reserves (US\$)
Basic annual activities in the reserve	109,047	1,308,564
Benefits for personnel (acc. Law)	19,004	228,048
NGO accounting and hiring	14,487	173,844
Central Coordination Program (CCP)	12,308	147,696
FANP costs	21,115	253,380
Total	175,961	2,111,532

Of the costs presented above, the tax element is distributed as follows:

Type of expenditure	Per reserve	For 12 reserves
Taxes for PAs	12,247	146,964
Taxes for CCP and FANP	2,837	34,044
Total	15,084	181,008

The following table calculates the total endowment required for twelve priority areas, after considering all costs to be supported, excluding non-eligible costs (taxes) to be paid by the GOM (as interest from GOM endowment contributions to FMCN), a 3% return from local management, and assuming an 8.3 percent return on the endowment.

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Funds from the endowment	1,869,023
GOM contribution (taxes)	181,008
Local interest income (3%)	61,501
Total	2,111,532
Endowment required	22,500,000

II. Budget Basis for Traditional Project Activities (Non-Endowment) GEF Funds

The following table provides the cost assumptions behind the estimated incremental cost request for non-endowment GEF funding:

Component/sub-component	Cost Estimates
1. Expansion of the Fund for Natural Protected Areas	
1.2 Fundraising Campaign (1) (Disbursements starting in 2001)	<u>Costs per year</u> <u>Costs for 5 years</u> 254,0121,270,060
2. Protected Area Conservation Programs	
2.1 First-year costs of new reserves entering FANP program	<u>Costs per Reserve</u> <u>Total costs for 12 Reserves</u>
PA conservation “start-up” costs (2)	155,7521,869,024
Incremental FANP and CCP costs	3,33339,996
Subtotal 2.1 (Disbursements proportional with endowment disbursements)	159,0851,909,020
3. System-wide Institutional Strengthening	<u>Costs per Reserve</u> <u>Total costs for 22 Reserves</u>
1.1 M&E initial costs (3)	9,091200,000
4. Mainstreaming Conservation and Sustainable Use Policies (4)	<u>Costs per reserve per year</u> <u>Costs for 22 reserves per year</u> <u>Costs for 5 years for 22 Reserves</u>
Subtotal	48,1811,060,0005,300,000
Grand total (5)	8,679,080

(1) Fundraising costs have been calculated according to the estimates by the “National Society for Fundraising Executives” (1998, First course, NSFRE, Alexandria, VA, USA), which recommend an investment between US\$0.20 and US\$0.50 for every dollar obtained from private donors, foundations, and membership campaigns. These costs are calculated for non-endowment donations, which require less investment than endowment contributions. Under the proposed fund-raising plan (See Section V below), an investment of \$2.4 million is expected to generate US\$ 9 million in endowment capital, equivalent to \$ 0.26 per dollar raised. GEF is requested to fund half of the fund-raising expenditures, or \$0.13 per dollar raised. One third of these GEF funds will be managed by CONANP, two thirds by FMCN.

- (2) At each disbursement of capital funds by GEF, the first year of the program will be covered with endowment funds. The endowment return will begin to cover the costs for the priority reserves one year after capital disbursement.
- (3) The costs are based on the incremental needs for the 12 SINAP-2 PAs and the 10 reserves in the GEF Pilot Phase project. Disbursement is expected to occur at the end of 2001.
- (4) The costs are based on the incremental needs for the 12 SINAP 2 PAs and the 10 reserves in the GEF Pilot Phase project. Disbursements are expected to start at the end of 2001.
- (5) Non-eligible costs (taxes) have been excluded (these costs will be covered by GOM, in the portion managed by CONANP these taxes will be budgeted, while the taxes derived from grant portion under FMCN administration will be covered with interest from GOM endowment contributions to FMCN).

III. Budget Basis for Non-Endowment Funds from various sources

Budgets for CONANP fiscal appropriations were calculated using 2000 as a baseline year. This is considered a conservative estimate of annual increments in light of the “extraordinary” increase of US\$9 million granted for 2000 (not included in the baseline) and successful negotiations that already regularized the budget at this level in 2001. For the twelve PAs the total amount for fiscal appropriations (including personnel) is US\$19.4 million, and a pro-rated share of CONANP's costs for the Central Coordination amounts to US\$5.2 million over eight years (2002-2009).

Contributions to the mainstreaming component have been estimated from the Regional Sustainable Development Program (PRODERS), recently incorporated into CONANP. Its contribution to the 22 PAs (SINAP 1 and 2) over an eight year period, including central support costs, is expected to amount to US\$3.65mi.

Data for reserve conservation funding sources other than CONANP are derived from the study by Ramón Perez Gil and Fernando Jaramillo (1999), with corrections and updates from CONANP. The total amounts for the baseline year (1999) are as follows for twelve PAs: private sources: US\$1.24 mi (US\$ 9.89 mi for 12 PAs in eight years); and international public sources US\$ 0.326 mi (US\$2.61 mi for 12 PAs in eight years) (referred to as “bilateral” contributions) in the “Implementation of Management Programs component”. In addition, public sources other than CONANP, according to the study, will contribute US\$1.5 million per year to the mainstreaming component for the 12 PAs included in SINAP 2. This baseline is a conservative estimate, especially in the mainstreaming component, since the study by Pérez Gil and Jaramillo reports that GOM contributions from 1997 to 1999 showed an average contribution of \$ 3 million per year for the 12 reserves. Given the high variance observed in the study between PAs and years, it was deemed appropriate to consider half of the average contribution reported by the study as the baseline. In addition to the contributions reported by the study, a private campaign was launched in 2001 to raise national private funds for PAs. It is expected that this “Let’s Conserve Mexico” campaign will contribute US\$ 3.25 mi in an eight year period as a counterpart to the “Implementation of Management Programs” subcomponent.

Projecting income from each non-endowment non-GEF source for a total of eight years (2002 to 2009) produces the estimates in the following table:

	GOM	PRIVATE	BILATERAL	TOTAL
1.Expansion of the FANP				

1.2 Fundraising	0.4	0.8		1.2
2. Protected area conservation programs				
2.1 Implementation of Management Programs	19.4	13.1	2.6	35.1
3. Central Coordination Program	5.2			5.2
4. Institutional strengthening				
CNANP	0.5			0.5
NGO		2.0		2.0
5. Mainstreaming	15.6			15.6
TOTAL	41.1	15.9	2.6	59.6

3. Financial projections for the expanded FANP endowment

The following financial projection pertains both to the GEF endowment contribution and to contributions from other donors. It is assumed that donors that contribute to the endowment will request separate accounts and specific investment strategies (as well as different disbursement schedules and amounts), so that the projection will differ from the one presented here. The matching funds for year 2001 include funds already deposited or committed by donors other than GEF. The current proposal assumes that the initial GEF capital contribution will occur at the end of 2001 in the amount of 7.5 million dollars, which will generate income to cover the basic costs of four PAs from the beginning of the year 2003 on (year 2002 will be financed with non-endowment funds). The initial GEF disbursement will be followed in subsequent years by disbursements according to the amount necessary to endow one reserve (US\$ 1.875 million).

Given current market conditions, a reassessment of the financial strategy of FANP was conducted with World Bank staff, SEMARNAT and FMCN financial advisors in August 2000 as part of the mid-term review of the program. This analysis resulted in changes in the investment strategy to try to ensure 8.5% return per year derived from up to 90% of the endowment invested in fixed income securities (Eurobonds, Sovereign Debt). Of this amount, about 80% will be invested in dollar based sovereign and quasi-sovereign bonds, and the remainder in cash management to ensure minimally full coverage of the annual spending plans. This strategy avoids market fluctuations that can affect the availability of the required annual cash flow. At least 10% of the endowment will be invested in equities or protected capital products. This investment should help partially offset the erosion of the real value of FANP capital with the oversight of a financial consultant and the Committee of Administration and Finances of the FMCN under the current investment guidelines approved by the World Bank.

Based on the experience of FANP, the Emergency Fund to cover natural disaster and labor contingencies is not expected to go beyond 0.3% of the capital per year (in 1998, when fires in Mexico reached a historical record, US\$64,327 were required for ten reserves). Hence, an average 0.2% of the capital per year is expected to cover emergencies. While the emergency funds will not be withdrawn from the investment on a yearly basis (if not needed they will be reinvested), they will be invested in instruments that allow their immediate withdrawal should they be needed.

SINAP II: Example of a Financial Projection (amounts in thousands of US dollars)

Year	2002	2003	2004	2005	2006	2007	2008	2009
GEF contributions	7,500	1,875	1,875	3,750	1,875	1,875	1,875	1,875
Matching funds contributions	8,800	3,400	2,800	2,200	2,200	2,200	0,700	0,200
Accumulated contributions	16,300	21,575	26,250	32,200	36,275	40,350	42,925	45,000
Balance of investments	16,300	21,690	26,619	32,922	37,254	41,637	44,573	46,944
Investment in Fixed Income (90%)(1)	14,670	19,521	23,957	29,630	33,529	37,473	40,116	42,249
Investment in Equities (10%)	1,630	2,169	2,662	3,292	3,725	4,164	4,457	4,694
Growth from Fixed Income (8.5%)	1,247	1,659	2,036	2,519	2,850	3,185	3,410	3,591
Growth from Equities (12%)	0,196	0,260	0,319	0,395	0,447	0,500	0,535	0,563
Total Growth	1,443	1,920	2,356	2,914	3,297	3,685	3,945	4,155
Emergency Fund (0.2%)	0,033	0,043	0,053	0,066	0,075	0,083	0,089	0,094
Consultant & management fees (0.3%) (2)	0,049	0,065	0,080	0,099	0,112	0,125	0,134	0,141
Annual program requirement for next year	1,246	1,558	1,869	2,492	2,804	3,115	3,427	3,738
Total annual withdrawal at the end of year	1,328	1,666	2,002	2,657	2,990	3,323	3,649	3,973
Excess (shortfall)	0,115	0,254	0,354	0,257	0,307	0,362	0,295	0,182
End of year balance	16,415	21,944	26,972	33,179	37,562	41,998	44,869	47,125

(1) 80% of the fixed income securities will be invested in dollar based sovereign and quasi-sovereign bonds, 10% in cash management to ensure minimally full coverage of annual operating plans.

(2) Fees have been negotiated between a low fixed fee plus a portion according to performance. 0.3% reflects the average cost per year.

Total annual requirements of the program will consider offshore income derived from the endowment, a 9.7% contribution from the Mexican Government to cover the taxes in the program (including the taxes of the fundraising component) and a 3% income from local management. The latter can be obtained since disbursements to the project components will occur at four-monthly intervals, which allows for local management. Hence, the total income available to the FANP program for the portion of the GEF endowment will be the following:

Total income available to FANP program								
GEF	2003	2004	2005	2006	2007	2008	2009	2010
Total Offshore Income	623	779	935	1,246	1,402	1,558	1,713	1,869
GOM contributions to FANP	60	75	91	121	136	151	166	181
Local Interest Income	21	26	31	41	46	51	56	62
Total GEF	704	880	1,056	1,408	1,584	1,760	1,936	2,112

4. Fundraising plan

The requested GEF endowment contribution (US\$ 22.5 million) for SINAP 2 requires a 1:1 match. FMCN and GOM have already obtained US\$ 7.5 million, which represents the endowment required for four PAs. SEMARNAT is committed to contribute US\$ 6 million during the next six years (2001 to 2006). CONANP will obtain US\$ 3 million with the support to its fundraising activities by GEF (US\$ 400,000). FMCN's fundraising target is therefore US\$ 6 million for endowment funds for PAs. FMCN requests US\$ 800,000 from GEF to achieve this goal.

The fundraising effort for SINAP is thus the result of the partnership between FMCN, SEMARNAT and NGOs. The initial experience in raising endowment funds for PAs has shown that the GEF 1:1 match is an essential incentive for donors. FMCN and GOM estimate that the fundraising team will reach yearly targets according to the following projection:

Year	Funds deposited	SEMARNAT contribution	CONANP	FMCN	Total
2001	US\$ 7.5	US\$ 1.0 mi		US\$ 0.3 mi	US\$ 8.8 mi
2002		US\$ 1.0 mi	US\$ 0.6 mi	US\$ 1.8 mi	US\$ 3.4 mi
2003		US\$ 1.0 mi	US\$ 0.6 mi	US\$ 1.2 mi	US\$ 2.8 mi
2004		US\$ 1.0 mi	US\$ 0.6 mi	US\$ 0.6 mi	US\$ 2.2 mi
2005		US\$ 1.0 mi	US\$ 0.6 mi	US\$ 0.6 mi	US\$ 2.2 mi
2006		US\$ 1.0 mi	US\$ 0.6 mi	US\$ 0.6 mi	US\$ 2.2 mi
2007		-		US\$ 0.7 mi	US\$ 0.7 mi
2008		-		US\$ 0.2 mi	US\$ 0.2 mi
Total	US\$ 7.5	US\$ 6.0 mi	US\$ 3.0 mi	US\$6.0 mi	US\$ 22.5 mi

In the joint fundraising campaign for SINAP, the GOM is playing a lead role in national appropriations, approaches to bilateral and multilateral donors, and sources such as licenses, fees and concessions linked to the PAs themselves. FMCN is mainly working on strategies for raising funds from international and private sources, including partnership with GOM in approaching bilateral sources.

The following text gives an overview of the first steps and future plans for this major capital fundraising campaign from the perspective of the GOM first, followed by the perspective of the FMCN.

The GOM

The GOM has recognized the PAs program as a priority instrument to achieve conservation of biodiversity. This recognition has been followed by increments in the fiscal budget and support to negotiate with other ministries and authorities. CONANP is the responsible unit for all of the federal protected areas in Mexico and has created in recent years a working group oriented toward fundraising, mainly in the Mexican private sector. The results have been significant and through the present project continue to be so. This unit is expected to launch a fundraising campaign entitled "Let's Conserve Mexico" in September 2001.

Together with CONANP, Banamex, a leading bank in the country, has developed the initiative "Let's Conserve Mexico" through its recently created philanthropy unit "Fomento Ecológico Banamex". This unit will make available the financial infrastructure necessary to ensure transparency to the administration of the funds contributed by the private sector. The resources obtained will be deposited in a "fideicomiso" (special bank account) under the name "Let's Conserve Mexico". This account will be managed by a Technical Committee composed by representatives among the donors. The administration

of the funds and the operation of the conservation, research, ecological restoration, social and cultural development projects will be the responsibility of a working group. This group will be in charge of promoting the participation of new enterprises in the initiative, while it will also design the projects according to the donor's interests, select the best implementing groups to carry out the projects, monitor and provide reports to the donors, the Technical Committee and SEMARNAT. The operation costs will be either covered by "Fomento Ecológico Banamex" or with a percentage of the funds provided by the contributing companies.

The parties in charge of project execution will be private enterprises, NGOs, universities and research institutions. The goal of the initiative will focus on capturing new funds with donors interested in participating, as well as increasing the involvement of the private sector in the conservation of the ecosystems and natural resources of the country.

Aside from the private sector, ongoing negotiations with the Ministry of Finance (SHCP) are at hand to receive income from service fees within protected areas (tours, restaurants, environmental education, etc.) and in turn use the fees for management and operation improvements. Entrance fees are presently being charged in one marine national park (where the land is federal property) with the goal to test this mechanism for all the marine protected areas in 2002. If successful, a later phase will include entrance fees in protected areas where a large percentage of the land is private (the legal mechanisms are being explored). Service and entrance fees would represent a steady flow of annual funds for the basic operation of PAs equivalent to the interests of an endowment fund. Once the steady flow is ensured, the emission of bonds will be explored, as a possible mechanism to purchase land specifically devoted to conservation within PAs.

Other incentives to invest in PAs being explored with SHCP include a fund within CONANP that would allow an agile and direct mechanism to receive donations mainly from the Mexican private sector and bilateral donors. Further, fiscal promotion certificates are being analyzed, where SHCP recognizes the contributions of donors to PAs through certificates that can be used to pay taxes. Steps already taken towards these efforts include the partnership of CONANP with Naturalia. This NGO issued commemorative coins for conservation, whose sale will allow to support with US\$ 0.5 million PAs in Mexico. Tax exemption for this project was obtained.

CONANP is breaking new ground through its partnership with the conservation community and the private sector in purchasing critical habitats within PAs. A successful example has been the purchase of the core area of Cuatrociénegas by Pronatura Noreste (2,800 ha for a total of USD\$ 250,000) and Desarrollo Sustentable para el Valle, A. C. (1,200 ha for USD\$ 172, 000), which ensures its protection on a long term basis. With an increasing threat of tourism development in Baja California, CONANP has provided support to FUNDEA (Mexican Foundation for Environmental Education) to purchase Espíritu Santo Island (part of the Gulf Islands PA) and donate it to the Federation. For longer than two years, ISLA, a local NGO, has conducted the negotiations with the *ejido* that owns more than 90% of this land. The *ejido* has accepted USD\$ 3 mi for the purchase (for 10,000 ha), thus establishing an important precedent for land acquisition by the Federation. FANP in FMCN has obtained the support from Packard Foundation to endow Espíritu Santo with USD\$ 1.5 million to ensure the proper protection of the island complex. The donation will become effective once the whole island is owned by the Federation. This will further allow to capture additional funds through entrance fees. These are examples of what CONANP hopes will become a national strategy in the future.

The GEF support has been an incentive for the GOM to support the idea of diversifying funding sources for PAs, and the GOM sees this as an opportunity to further involve different sectors of society in a

co-responsibility toward conservation. Tangible examples of the GOM contribution include the following:

- The establishment of the Monarch Butterfly Conservation Fund within FANP in FMCN, which will support the communities with properties included in the core area under the new decree of the Monarch Butterfly Biosphere Reserve, in order to ensure the conservation of their forests. In this initiative, WWF, SEMARNAT and FMCN have collaborated to ensure a US\$ 5 million endowment contribution from the Packard Foundation.
- The direct contribution of US\$ 1 million from SEMARNAT to the Monarch Butterfly Conservation Fund in November 2000.
- The direct contribution of US\$ 1.5 million from SEMARNAT in November 2000 to the FANP endowment to ensure the long term tax payment for the ten PAs under the current program.

The above mentioned deposits amount to US\$ 7.5 million, which correspond to the match required by GEF for the first disbursement to the endowment.

In addition to general strategies in co-responsibility, SEMARNAT will contribute directly to the program endowment through yearly deposits of US\$1 million to FANP from 2001 to 2006. The new Administration has already confirmed the availability of US\$ 1 million for 2001-2002 (500,000 in 2001 and 500,000 in April 2002). The precedent of such practice has proven to be a success. In 1995, as a new Administration took charge, an agreement was signed between the GOM and the FMCN, where the GOM committed to contribute annual amounts up to US\$10 million as a match to a USAID US\$ 19.5 donation. This endowment has allowed the successful establishment, operation and growth of the Conservation Program within FMCN.

USD\$ 400,000 channeled from GEF to CONANP will add on to the investment in fundraising by CONANP. With this support, CONANP is committed to raise USD\$ 3 million additional in endowment funds as a match to the endowment contribution by GEF (on average, USD\$ 0.6 million per year from 2002 to 2006). The fundraising GEF funds will be mainly channeled to strengthen the fundraising unit within CONANP, to conduct necessary studies on potential donors and PAs, to prepare targeted proposals and presentations, to fund trips to specific PAs with potential donors and to strengthen lobbying efforts with SHCP. The relationship with SHCP will open new fund generating avenues for PAs, such as service and entrance fees, as well as incentives, including fiscal promotion certificates.

FMCN

The assurance of sufficient resources to achieve the objectives of the FMCN, within the framework of its mission and the context of the national strategy for the conservation of biodiversity, is a permanent task fundamental for the institution. Since the origin of FANP, the FMCN has raised:

- (1) US\$9.3 million in non-endowment funds for PAs;
- (2) US\$ 5 million (US\$ 1.5 million already deposited, US\$ 3.5 million committed) in endowment funds according to the objective established in the re-structured project (SINAP 1);
- (3) US\$ 7.5 million already deposited (US\$ 5 million from Packard Foundation, US\$ 2.5 million from SEMARNAT) to match the first GEF endowment disbursement for SINAP 2 project.

FMCN's strategic plan

FMCN recently finished an intensive strategic planning exercise. The consultancy was provided by "Strategies Teams, Inc." and lasted almost a year (the same consulting team that worked with the Natural History Museum of San Diego, which increased its funds significantly after this planning

exercise). The mission and vision of FMCN were reviewed with the active participation of members of the Board, staff and different sectors from the conservation community. An analysis of the current structure of FMCN, its values and constituencies was conducted. As a result, the participants defined key result areas where FMCN will concentrate its efforts for the period 2001-2006. Two of these key result areas focus on the most limiting factors to achieve positive results in conservation: economic resources and institutional capacity of recipient organizations and community groups. FMCN will work on both issues according to a pre-established plan. Regarding the increase in the amount of resources available for funding conservation projects and strategic initiatives, the FMCN recognizes two related main objectives:

- a) Increase FMCN's endowment to meet the Capital Campaign goal of USD\$ 100 million by December 2006.
- b) Increase the annual budget of FMCN to at least USD\$ 12 million per year by December 2006.

Three strategies were identified for the first objective, which are described as follows:

- 1) Endow two programs (the Mexican Learning Conservation Program and the Wildfire Prevention and Restoration Program) with USD\$ 2 million each to ensure the long-term independence of these programs.
- 2) Design, launch and implement a Capital Campaign to secure seed sources for at least two regional funds.
- 3) Design and implement a Capital Campaign to endow at least twelve additional protected areas.

The fundraising strategy to consolidate SINAP is thus an integral part of the strategic plan of FMCN, as reflected by the last strategy mentioned (the first and second will work in synergy with FANP). The overall Strategic Plan, including a description of the key result areas that FMCN will focus on, was presented to FMCN's Board last September. A detailed action plan per key result area, objectives and strategies (including assigned budget) was presented for analysis by the Board at its December 2001 meeting.

FMCN's general fundraising plan

The main inputs identified by FMCN to implement a successful fundraising strategy, as well as the advances to date, are the following:

1. A clear strategic plan with a mission, a vision and a plan, with its corresponding budget. As stated above, such plan is the result of a participatory process, which is being finalized. Its dissemination is envisioned through a collection of stories on successful projects together with results of the Strategic Planning exercise entitled "Creating Value for Conservation". Such report is intended to be an important fundraising tool.
2. Correspondence with national priorities: FMCN participated in the development of the Strategic Plan of SEMARNAT and CONANP. The national priorities in these plans are compatible with the priorities contained in FMCN's Strategic Plan, thus ensuring synergies by the different actors in the conservation community.
3. Unconditional commitment of the different groups involved in the initiative: FMCN Board, CTFANP, FMCN staff, SEMARNAT, as well as the recipients or direct beneficiaries (PAs and central coordination). Support from FMCN Board has been ensured (60% of the \$ 5 million fundraising match to SINAP 1 project was obtained through Board support). The International Advisory Committee within

FMCN is responsible for the oversight of the design and implementation of the fundraising strategy. It will meet next November in Washington to analyze this strategy and build consensus with the international conservation community and its main donors. Within the general FMCN's strategy, CTFANP and FMCN staff are constantly involved in lobbying for funds and preparing written proposals in close coordination with SEMARNAT. The central coordination and the PAs staff have contributed with technical information required for the proposals presented to donors.

4. Funds to conduct the Capital Campaign. Through a private donor, FMCN has obtained partial resources for a major fundraising campaign (US\$300,000). These funds are being complemented with US\$200,000 from FMCN. FMCN's exercise for the Strategic Plan and its dissemination are being paid by these funds. For the Protected Areas Campaign USD\$ 800,000 are requested from GEF to obtain USD\$ 6 million endowment funds for PAs.

5. A market study on potential donors whose philosophy is in accordance with FMCN institutional profile in the context of a developing nation. Donors and NGOs familiar with FMCN's operation have been contacted in an attempt to increase FMCN's endowment funds, as well as to explore new avenues within the constantly evolving donor market. This strategy has been successful especially with private foundations, which have increased significantly their support to FMCN. In addition to the funds already deposited by Packard and Ford Foundation, Summit Foundation has committed \$0.2 million per year for the next eight years to establish an endowment fund for Banco Chinchorro-Xcalak Reserve. Foundations new to the FMCN, as the Goldman Trust Fund, have shown interest in participating thanks to the support of foundations and NGOs familiar with FMCN, such as NFWF and WWF.

6. Partnerships with international institutions, such as WWF and NFWF, that can provide their expertise and help in these important fundraising goals. A strong partnership with WWF and NFWF has developed as a result of the first steps in the endowment fundraising process for PAs. This partnership has opened doors with new donors and allowed for a better detection of fundraising opportunities through synergies between the three institutions (NFWF: amplifying endowment funds for reserves along the Mexican-U.S. border, WWF: creating an endowment fund for the Sea of Cortes and increasing the fund for the reserve Mavavi (Los Ajos-Bavispe)). FMCN has benefited from the expertise in fundraising shared by WWF and NFWF. A formal exchange on fundraising strategies with other Funds for Protected Areas (through a workshop organized by the World Bank) and the Environmental Funds in Latin America and the Caribbean (through the corresponding network REDLAC presided by the FMCN) has initiated.

7. Dissemination on the importance of natural resources. Fundraising efforts are best accompanied by an awareness campaign on the importance of nature for society at large. FMCN is launching a major outreach campaign on the importance of biodiversity, which is expected to raise awareness, recognize the PAs efforts underway, influence environmental politics and ethics on the conservation of the country. One of the main TV channels in the country has offered free coverage, while an expert advising committee of communication and conservation experts has been formed. It is expected that this campaign will reach the national private sector and encourage its contributions. In order to attract international donors, two avenues are being followed. Support was provided to National Geographic TV in 2000 to cover the establishment of the Monarch Butterfly Conservation Fund, which was presented on TV in March 2001. Additionally, following the example of "Ocean Oasis", an IMAX production on the Sea of Cortes and the Baja Peninsula promoted by the Museum of Natural History in San Diego and Pronatura (Mexican NGO), FMCN has prepared a proposal for an IMAX movie on the Yucatán Peninsula and obtained the necessary funding. The goal of this outreach campaign is twofold: environmental education on the value of the unique Mexican ecosystems and their services, as well as

increasing contributions to their long-term conservation.

FMCN's fundraising plan for protected areas

The fundraising plan for FANP is part of the overall institutional FMCN Capital Campaign and works in synergy with the other programs in FMCN. Based on the initial results derived from US\$ 12.5 million endowment committed to PAs in 2000, an analysis was conducted by FMCN for potential sources and mechanisms to obtain US\$6 million in the next eight years to further endow priority PAs in Mexico. Due to its experience with the private sector, FMCN will concentrate on private sources. Further, the Strategic Plan recommends to first focus on international private sources and then on national donors. The potential sources and strategies detected for the Capital Campaign for protected areas are the following in order of priority:

1. Private foundations, NGOs, and state governments: creation of local, regional or state funds (already four being established: Sea of Cortes, Oaxaca, El Triunfo, Mavavi).
2. Private foundations, NGOs and private sector: contribution to PAs recognized for their importance in ecosystem's services (as a match to SINAP 1 project, Packard Foundation and Gonzalo Río Arronte Foundation have committed to establish endowment funds for two PAs recognized for their watershed function, which sets a precedent in assigning a value to ecosystem services. TNC has obtained funding to develop, in coordination with this project, mechanisms for water users (especially pertinent GOM sectors) to pay for this environmental service).
3. Private sector, foundations, NGOs, and bilateral sources: contribution to already existing PA projects that show success and innovation in conservation.
4. Private sector and NGOs: co-investments and joint projects with the private sector for providing tourism services that direct part of the profit to PA conservation (a contribution from the European Community for 786,940 Euros to FANP is presently being channeled to four marine PAs, so that local mechanisms for fundraising derived from tourism are developed, a fund for the Sea of Cortes with contributions from the tourism sector has started).
5. Private foundations, individuals, and international NGOs: fundraising for the direct application to the endowment. Fundraising for sinking funds with the possibility to direct interests to the endowment.
6. Individuals: membership through market campaigns. The dissemination campaign by FMCN on the importance of biodiversity will play a key role in this strategy.
7. Private sector and individuals: voluntary donations for PAs close to urban centers.
8. Private sector and NGOs: joint implementation (projects on carbon sequestration) with experienced NGOs that already work on this issue (such as TNC).

The following table presents a summary of some of the potential sources and contributions with respect to time:

Fundraising strategy for the Fund for Natural Protected Areas II (in thousands of US dollars)

Source/mechanism	Time-frame*	Non-endowment funds	Endowment funds
Bilateral Sources (inc. debt swap)	2-3	-	300
National private sector	1	1,000	-
National private sector	2-3	2,000	700
International private sector	2	500	500
Tourism operations	1-2	500	-
Membership campaigns	3	-	1,000
Private foundations	1	1,000	3,500
Total		5,000	6,000

- * 1: Short-term, 1-2 years
2: Medium-term, 3-5 years
3: Long-term, 6-8 years

The present proposal requests USD\$800,000 from GEF to support the fundraising activities by FMCN. The activities to be supported will include studies on the donor market (specifically emerging private foundations in the US which are increasing their support to conservation of PAs), outreach and dissemination to targeted donors, specific studies required for certain proposals (for example studies on ecosystem services provided by specific PAs), preparation and presentations of proposals, trips to visit fundraising partners and donors.

Based on the priority strategies and potential sources identified, FANP envisions the development of the following initial three steps for the continuation of its fundraising campaign:

1. Establishment of a formal partnership with NFWF and WWF to expand the endowment of Mavavi PA into a joint campaign to obtain endowment funds for four PAs along the Mexican-U.S. border. Based on the successful fundraising effort for Mavavi, where the goal of US\$ 1.5 million was achieved, the three NGOs could initiate a program for Mexican PAs adjacent to priority U.S. ecosystems:
 - Alto Golfo de California y Delta del Río Colorado PA in Baja California and Sonora sharing the Colorado River with the US;
 - El Pinacate y Gran Desierto del Altar PA in Sonora adjacent to Organ Pipe National Monument;
 - Cañón de Santa Elena in Chihuahua next to Big Bend National Park;
 - Maderas del Carmen in Coahuila next to Big Bend National Park
2. Identification of PAs with high ecosystem services value (especially water capture), quantification of these values, dissemination in targeted audiences, preparation of proposals and presentation to potential donors (following on the results obtained for Manantlán and El Triunfo PAs);
3. Dissemination of successful innovative projects in selected PAs (compensation mechanism in the Monarch Butterfly Biosphere Reserve, self-sufficiency projects in marine reserves currently supported by the European Community, protection of islands through land purchase) among donors interested in these particular areas in Mexico.

5. Investment Guidelines

General Information

Fondo Mexicano para la Conservación de la Naturaleza, A.C. (FMCN) is a civil association incorporated as per the Mexican law with fiscal year from January 1st to December 31st. As a Mexican NGO, it is tax exempt and qualifies also as 501(c) (3) in the United States.

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I. Investment Objectives

The primary objective for investing the assets shall be the generation of the annual income objective with simultaneous preservation and enhancement of the value of the endowment capital through adequate diversification of high quality instruments, with an acceptable degree of risk. The portfolio will be measured against a Benchmark Portfolio.

Execution of Services

Except to the extent the Finance Committee of FMCN directs otherwise, the Independent Financial Advisor (IFA), retained by our institution, may select brokers and dealers to purchase and sell securities for the purposes of the Project. In making such selection, the IFA shall comply with its duty to obtain best executions and may take into account such factors as price, financial responsibility and execution capability of the broker/dealer, research and other services furnished by such broker or dealer.

Investment Guidelines

(a) Annual Income Objective: Considering a first disbursement of USD\$7.5 million for Phase II of the Protected Areas Program, USD\$ 664,000 per year (8.85% nominal).

(b) Investment Constraints:

- 1) Investments must exclude corporations capitalized at less than USD\$250 million.
- 2) Fixed-income securities must be BB+ or better by S&P or equivalent.
- 3) Corporate debt must be stated in US dollars or at least hedged into US dollars.
- 4) Derivatives are permissible for hedging purposes only.
- 5) Performance will be analyzed in US dollars.
- 6) Maturity can be more than 15 years but less than 25 years, provided those instruments have marketability and quality. Shorter than longer maturity is preferable.

(c) Investment Parameters:

- 1) After disbursements, principal should not decrease by more than 8% in any one year (these is to be done on a “best efforts” basis recognizing that market volatility may render this objective impossible).

- 2) Equity allocation should range from 10% to 70% of the total market value of the portfolio (if exceeded the IFA will make appropriate recommendations to bring the portfolio back within the desired parameters [10%-70% equity] at least on a quarterly basis.).
- 3) Individual equities positions at cost can be up to 10% of the portfolio value.
- 4) Fixed income allocations should range from 30% to 90% of the total portfolio value.
- 5) Combined Government Securities at cost can be up to 100% of the fixed income portion of the portfolio. Individual positions at cost can be up to 100%.
- 6) Combined Sovereign and Quasi-Sovereign Bonds at cost can be up to 100% of the fixed income portion of the portfolio. Sovereign and Quasi-Sovereign Positions will be considered individual instruments as per the maturity date of each and can be up to 25% of the fixed income portfolio.
- 7) Combined Corporate Bonds at cost can be up to 25% of the fixed income portfolio. Individual positions at cost can be up to 10%.

The above guidelines are summarized in the following table:

	Equities	Fixed Income
Asset allocation	<u>MIN</u> 10%	<u>MAX</u> 70% MIN 30% MAX 90%
Instrument exposure	<u>MAX Comb.</u> 10%	<u>MAX Ind.</u> 10% Cap > \$250 millions Gov. Securities Emerging Bonds Corporate Bonds <u>MAX. Comb.</u> 100% 100% 25% <u>MAX Ind.</u> 100% 25% 10% - BB+ BB+
Maturity	-----	Shorter is preferred than longer

Benchmarks

<u>Investment</u>	<u>Benchmark</u>
Total Fixed Income	The percentage that results from adding: Program requirements (8.85%) + Financial management fee (0.35%) As an example, for an asset allocation of 90% fixed income and 10% equities, the benchmark should be $(8.85\% \times 90\% + 0.35\%)$ 8.32%
Total Equities	S&P 500

Other Restrictions

The currency exposure of the portfolio may be actively managed from the base currency of the U.S. Dollar. Third currency hedging is permitted. The portfolio will not be permitted to have net short positions in any single currency.

Derivatives (e.g., forwards, futures, swaps, options) may be used at all times or as circumstances that warrant hedging against interest and exchange rate risks. To the extent possible, use will be made of hedging products that are traded on recognized exchanges. Where this is impracticable, transactions will be entered into only with brokers of financial institutions of sound financial standing.

Annual Review

It is the intent of the FMCN to review these general investment principles and guidelines at least annually, effect changes as required, and communicate any changes or additions in writing to the Bank on a timely basis. Such changes or additions shall take effect only after the Bank has accepted them in writing.

All investment activities must be conducted with the CFA code of ethics.

Annex A

Scope of Services and Investment Guidelines

Scope of Services

Fondo Mexicano para la Conservación de la Naturaleza (“FMCN”) The Client is a newly established Mexican non-governmental civil association, Fondo Mexicano para la Conservación de la Naturaleza (“FMCN”), created to safeguard Mexico’s biological wealth and diversity. The Client seeks to retain an Asset Manager to manage approximately US\$16.37.5 million (“the Endowment”), which is being granted to the Client by the Global Environment Facility (“GEF”), administered by the World Bank. Pursuant to the Agreement among the GEF, FMCN, United Mexican States, and the World Bank (“the Grant Agreement”), the investment proceeds, and some portion of the capital, resulting from the appropriate investment management of the Endowment, will be used to fund national protected areas conservation and related activities.

The Asset Manager will manage the Endowment in accordance with the attached Investment Guidelines, and the following:

- (d) Annual Income Objective: These are US\$1,032,000 for the first year, increasing to US\$1,235,000 for the second year, US\$ 1,242,000 for the third year, and US\$ 1,248,000 for the fourth year.
- (e) Investment Constraints: These include (1) investments must exclude corporations capitalized at less than US\$250 million; (2) fixed-income securities must be investment grade (single A or better)BB++ or better by S&P (Sovereign or Quasi-Sovereign Debt) (considering that these US dollar instruments have an acceptable degree of risk); (3) corporate debt can be BB++ or better by S&P or equivalent, it has to be US dollar corporate debt or at least hedged into US dollars; (3) no new capital contributions are expected; (4) derivatives are permissible for hedging purposes only; and (5) performance will be analyzed in US dollars; 6) maturity can be more than ten years but less than 15 years, provided that instruments have marketability and quality. Shorter than longer maturity is preferable.
- (f) Investment Guidelines: These include (1) After disbursements, principal should not decrease by more than 8% in any one year (these is to be done on a “best efforts” basis recognizing that market volatility may render this objective impossible); (2) equity allocation should range from 150% to 70% of the total market value of the portfolio (If exceeded Smith Barney will make appropriate recommendations to bring the portfolio back within the desired parameters [150-70% equity] at least on a quarterly basis.); (3) Equities and fixed income instruments at cost can be up to 10% of the portfolio value of the authorized positions. Corporate bonds with BB++ or better cannot be more than 25% of the total value of the portfolio; (3) The funds may be transferred between the portfolio asset managers or into passive asset management provided that the FMCN can demonstrate, satisfactorily to the Bank, that the FMCN has the required financial expertise.
- (g) Execution of Services: Except to the extent the Client FMCN directs otherwise, the Asset Manager may select brokers and dealers (including the Asset Manager, to the extent permitted by applicable law and subject to applicable restrictions) to be used to effect purchases and sales of securities for the purposes of the Contract. In making such selection, the Asset Manager shall comply with its duty to

obtain best executions and may take into account such factors as price, the financial responsibility and execution capability of the broker dealer, and research and other services furnished by such broker or dealer.

(h) Connection with Grant Agreement: Pursuant to the sections 3.02, 4.02 and Schedule 1 of the Grant Agreement, the Asset Manager shall:

(1) only release investment income, and any portion of the capital of the Endowment (in case such portion has been authorized by the World Bank), after the World Bank has given its written approval to the relevant Annual Spending Plan, or in cases referred to in Schedule 1 paragraph 2 of the Grant Agreement; and

(2) (a) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition, including records and separate accounts in respect of the operations and financial condition of the Endowment.

(b) (i) have its records, accounts, and financial statements (balance sheets, statement of income and expenses, and related statements), for each fiscal year audited in accordance with appropriate auditing principles consistently applied by independent auditors acceptable to the Client;

(ii) furnish to the Client as soon as available, but in any case not later than 3 months after the end of each such year: (A) copies of its financial statements for such year as so audited; and (B) the reports of such audit by said auditors, of such scope and in such detail as the Client shall have reasonably requested;

iii) furnish to the Client such other information concerning said records, accounts, and financial statements as well as the audit thereof, as the Client shall from time to time reasonably request.

Additional Annex 15

Environmental Analysis

Environmental Category: B (Analysis provided through this Annex to the PAD)

The project is not expected to have any significant negative impacts on the environment. However, there may be low level impacts related to productive activities and rural development in the buffer zones, in-park infrastructure, and sustainable development initiatives promoted through the mainstreaming component.. To ensure that the impacts of these activities are fully mitigated, protected area personnel will be responsible for implementation of the Management Program of the specific protected area and the application of the protected areas law and its zoning rules. Appropriate impact assessments will be prepared and reviewed in accordance with LGEEPA and the Protected Areas Guidelines supervised by SEMARNAT. Two types of documents are required under this legislation, environmental impact statements and preliminary applications. Other legislation of importance include: The protection of threatened flora and fauna (NOM-059-ECOL-1994) and non timber forest resources (NOM-RECNAT).

Project activities that may have some significant environmental impacts are alternative livelihoods initiatives that reserve directors may include in their annual operating plans (POAs) under components 2 or 4. These activities would typically be geared towards promoting community and indigenous development. In terms of their nature, they are of three main types: a) maintenance of ecosystem quality, b) restoration and c) sustainable use of biodiversity. Different procedures for screening and assessing the impacts of sub-projects are established in the operational manual and are described in detail below.

Projects promoting maintenance and/or restoration of ecosystem quality (Types a and b) are expected to have very low environmental impacts. They would be screened and assess by developing a checklist which contains a set of criteria to be used for identifying possible negative impacts and their mitigation measures where possible. This Checklist will be prepared and updated by expert staff from Environmental Impact Assessment, the Wildlife section of INE, and from the headquarters of CONANP.

Institutional Structure

On the 4th of June the administrative structures were published, outlining the structure of SEMARNAT and where the administrative units are located. The following are the main groups dealing with environmental assessment issues in protected areas, the register of UMAS, Enforcement section etc.

Sub-secretariat for Environmental Protection and Management

The Director General (DG) for Risks and Environmental Impact resolves the impact statements and the preliminary application of works at the federal level and give authorizations for works and other activities. They modify, suspend, withdraw and cancel the authorizations on all issues regarding environmental impact assessment. The DG for Wildlife proposes, promotes and authorizes establishment of unites for the conservation, management and use of wild life. The DG Wildlife issues opinions on impact statements, authorizes the plans and programs on conservation, management, use, recovery, reintroduction and control of wildlife.

Decentralized Organizations

National Commission of Protected Natural Areas (CONANP).

Federal Environmental Enforcement (PROFEPA), enforces environmental regulations.

Administrative Procedures and Costs of EA

Environmental impacts of projects of sustainable use (Type a and b) are subject to limited review under LGEEPA and the environmental impact assessment regulation.

Preliminary Application:

The submission of a pre-screening application for the use of non timber forestry products carries in costs between 15-60 000 pesos that is covered by the promoter. The time needed to put together such report is estimated at 2-3 months, but it is recommended to calculate about one year to gather all the seasonal data necessary.

The current legal fee for the right to conduct the proposed activity is issued by SEMARNAT for 3178 pesos. The processing should be done within 20 days. An additional fee of 300 pesos will cover the final approval. During or after the submission of the application it will need to be registered with the director general for wildlife.

Environmental impacts of projects of sustainable use (Type c) will be subject to more in-depth scrutiny. They will receive a preliminary screening by CONANP to verify eligibility and a first environmental assessment, that will be prepared as a brief summary on environmental impacts, and mitigation measures for technical review. In addition, CONANP will review all the safeguard policies to see if any of them are triggered by the project. If that is the case, full documentation covering all pertinent aspects will need to be presented to the responsible agencies (INE or SEMARNAT). A condition for project financing will be the written approval from: CONANP, INE or SEMARNAT.

To establish a unit to evaluate the proposal under this activity for the management and benefit of wildlife the following costs and time frames would be needed:

To develop a management plan for one or several species costs between 10,000.00 and 60,000.00 pesos, depending on the species and this cost would include the costs of monitoring once the project is up and running . These plans will be developed by technical specialists contracted by the proponents for this work

The current legal fee for the right to conduct the proposed activity is issued by SEMARNAT for 300 pesos. The processing should be done within 60 days.

A) Maintenance of Ecosystem Quality

BENEFICIARY Individuals or organizations	NATIONAL COMISIÓN ON PROTECTED NATURAL AREAS	GENERAL DIRECTION OF WILDLIFE. INE	GENERAL DIRECTION OF IMPACT AND ENVIRONMENTAL RISK
	<ul style="list-style-type: none"> • LGEEPA • Regulation in Protected Natural Areas • Decree of the PNA 	<ul style="list-style-type: none"> • Genera Law of Wildlife • Mexican Official Norm NOM-059-ECOL94 	<ul style="list-style-type: none"> • LGEEPA • Regulation in Environmental Impact Assessment. • Mexican Official Norms • NOM on Natural Resources
<p>(1) Express interest in carry out a project of sustainable use of natural resources regulated by a NOM (NOM-RECNAT) →</p> <p>(3) Develops project, prepares the report on environmental impact assessment and mitigation measures (Informe preventivo) and compliance with the NOM. →</p> <p>(5) Receives positive opinion and submits the report for authorization ←</p> <p>(8) Project consistent with environmental protection, initiate implementation</p>	<p>(2) Reviews compatibility with Management Program, Regulation in PNA and zoning. Provides advice and technical assistance</p> <p>←</p> <p>(4) Analyzes the Report and gives its positive opinion</p> <p>←</p> <p>Follows up the project</p>		<p>(6) Evaluates the environmental impact assessment report ↓</p> <p>(7) Authorizes project in case of accordance with norm</p>

B) Restoration

BENEFICIARY Individuals or organizations	NATIONAL COMISIÓN ON PROTECTED NATURAL AREAS	GENERAL DIRECTION OF WILDLIFE. INE	GENERAL DIRECTION OF IMPACT AND ENVIRONMENTAL RISK
	<ul style="list-style-type: none"> • LGEEPA • Regulation in Protected Natural Areas • Decree of the PNA 	<ul style="list-style-type: none"> • Genera Law of Wildlife • Mexican Official Norm NOM-059-ECOL94 	<ul style="list-style-type: none"> • LGEEPA • Regulation in Environmental Impact. • Mexican Official Norms
<p>(1) Express interest in carry out an ecotouristic project and development of infrastructure</p> <p style="text-align: right;">→</p> <p>(3) Develops project, prepares the report on environmental impact assessment and mitigation measures (Informe preventivo or MIA)</p> <p style="text-align: right;">→</p> <p>(5) Receives positive opinion and submits the report for authorization.</p> <p>(8) Project consistent with environmental protection initiate implementation</p>	<p>(2) Reviews compatibility with Management Program, Regulation in PNA and zoning. Provides advice and technical assistance</p> <p>←</p> <p>(4) Analyzes the Report and gives its positive opinion</p> <p>←</p> <p>Folows up the project</p>		<p>(6) Evaluates the environmental impact assessment report (IP or MIA)</p> <p style="text-align: center;">↓</p> <p>(7) Authorizes project</p> <p>←</p>

C) Sustainable Use of Biodiversity Procedure for the environmental assessment of sustainable use of biodiversity projects and productive activities in Protected Natural Areas.

BENEFICIARY Individuals or organizations	NATIONAL COMISIÓN ON PROTECTED NATURAL AREAS	GENERAL DIRECTION OF WILDLIFE. INE	GENERAL DIRECTION OF IMPACT AND ENVIRONMENTAL RISK
	<ul style="list-style-type: none"> • LGEEPA • Regulation in Protected Natural Areas • Decree of the PNA 	<ul style="list-style-type: none"> • Genera Law of Wildlife • Mexican Official Norm NOM-059-ECOL94 	<ul style="list-style-type: none"> • LGEEPA • Regulation in Environmental Impact. • Mexican Official Norms • NOM RECNAT (natural resources)
<p>(1) Express interest in carry out a project of sustainable use of wildlife</p> <p>—————→</p> <p>(3) Develops project, prepares the management plan for the specie; Integrates the documents for registration as Management and Sustainable use of Wildlife Unit (UMA).</p> <p>—————→</p> <p>(5) Delivers the project (Management Plan) and the request for approval of UMA, including the consent of the PNA</p> <p>—————→</p> <p>(8)UMA registered and initiate project implementation</p>	<p>(2) Reviews compatibility with Management Program and Regulation in PNA. Provides advice and technical assistance</p> <p>←—————</p> <p>(4) Reviews project and gives its consent</p> <p>←—————</p> <p>Follows up the project</p>	<p>(6)Reviews the management plan of the specie and the request for approval of the UMA.</p> <p>↓</p> <p>(7)Approves and registers the UMA and authorices the management plan for the specie</p>	

Monitoring and evaluation

A detailed monitoring and evaluation program has been developed during the first protected areas project based on

the Methods and Tools Objectives-Oriented Project Planning (ZOPP) methodology. This M&E program includes detailed indicators on changes in land uses and ecosystem health as well as indicator species and social indicators. The M&E system is designed to give early warning to managers of protected areas to permit mitigating actions. The indicators will fully reflect the project and the EMP. The M&E program will assist and guide the development of activities to be permitted in the reserves.

Category B project is intended to be entirely positive from an environmental standpoint, particularly by promoting the conservation of biodiversity in protected natural areas.

Capacity Building in Environmental Assessment

Workshops will be held with Directors and staff of the protected natural areas of the project to improve their capacity to evaluate environmental impacts, implement the legislation and design mitigation measures. They will also be given an opportunity to improve on the check list of activities that will require environmental assessments and activities that should not be permitted and the methods for implementing the checklists to ensure that the rules reflect the practical need in the field.

List of eligible sustainable use sub-projects

Listing of categories of eligible projects or activities on management and use of natural resources, to be supported by the project.

Type	Theme	Activity
a) Maintenance and conservation of ecosystems	Forestry	Studies for definition of seedling areas
		Production of native plants
		Detection and evaluation of pests and diseases
		Control of pests and diseases
		Development of sustainable management plan
		Plant production of native species for afforestation and revegetation
		Forest enrichment with desirable species
	Forest fires	Infrastructure and equipment for wild fires suppression and prevention
		Studies on frequency and risks
		Operation plans and opening gaps for fire control
		Training personnel for FIRE control, suppression and management
	Wildlife	Reintroduction of native species
		Studies and inventories of key species of wildlife and habitats
		Studies of extractable volumes and demands
		Monitoring of populations
		Design of observation trails
	Flora	Construction observatory towers
		Inventories and population dynamic studies of useful species
		Inventories and studies of endangered species
		Identification and establishment of germplasm banks
	Wetlands	Monitoring of target species
		Hydrological studies
		Inventories and population studies

		Monitoring
		Identification of indicative species of ecosystem health
	Ecotourism	Define areas
		Feasibility studies
		Program of ecotourism
		Study of markets
		Programas de difusión
		Signals and displays
		Certification and marketing
		Training to local communities
		Monitoring
	Environmental education	Design and produce educational materials
		Training
		Environmental Education Program
b) Restoration of ecosystems	Eroded landscapes	Soil restoration and conservation
		Watershed control of erosion
		Cover crops or live barriers using native species
	Invasive and exotic species	Eradication and control of invasive and exotic species
		Inventory of exotic species
	Aforestation and revegetation	Defining native species for afforestation
		Select areas and techniques for afforestation with native species
		Maintenance of afforestations
		Nursery construction and operation
		Training
		Best Practices for sustainable use of species
	Wetlands	Follow up
		Hydrology and water quality studies
		Critical aspects of water use and demand
		Water pollution sources and treatment
		Restore of natural hydrodynamic
		Control of exotic species
Water volume restoring		
Construction of hydraulic connections (culverts)		
Wetlands monitoring		
c) Sustainable Use of biodiversity and productive activities	Aquaculture	Development of managerial skills
		Studies of population dynamics for target species
		* Pilot small model farms including waste recycling and alternative uses
		* Hatcheries
		Sanitary management
		Certification and marketing
	Agroforestry	Monitoring
		Local community training
		Certification and Marketing
		Studies for definition of seedling areas
		* Establishment of seedling areas
	Artesanal production	* Development of sustainable management plan
		Best practices for species collection methods (training) non wood products
		Development and enlargement of capacity building

	* Extraction and use of wildlife species
	Certification and Markets
	Quality control
	Social involvement workshops
Useful Plants	Define areas
	Define species and quantity for extraction
	Inventory of target species
	Identification of plants interesting and useful for local communities
	Ameliorate collection methods (training)
	* Sustainable use of species (training)
	* Nursery construction and maintenance of medicinal and other useful plants
	Certification and marketing
Wildlife	* Breeding facilities for reintroduction, commerce and hunting interest
	Rustic infrastructure
	Identification of target species and population dynamics
	Management plans for species
	* Extraction and use of wildlife species
	Training in wildlife management and breeding
	Certification and marketing
	Market access studies
Ecotourism	* Trails and infrastructure establishment

Environmental assessment for the activities type a and b will be done through a check list , because they are not expected to have any significant negative impacts on the environment or the biodiversity.

Project activities of type c, marked with *, include those that may have low or significant environmental impacts, they will receive a more deep screening and, in case, prepare full documentation to be presented to the responsible agencies in accordance with the Mexican legislation. The Environmental Assessment or the Management Plan needed to get the authorization, previous to the development of the project, shall be financed by the Bank. The rest of the projects type c are not expected to have any negative impacts.

In order to determine this list of projects that may be implemented in the natural protected areas through SINAP II, an analysis of different documents was carried out.

Some of the documents were the World Bank Operational Policies and Directives, whose primary objective is to ensure that Bank operations do not cause adverse impacts and that they “do not harm”. The list of projects were screened through these safeguard policies, in order to exclude the ones that Bank doesn’t support or to apply the environment policies and procedures in order to prevent environmental impacts. These policies are listed below:

BANK PROCEDURES

NATURAL HABITATS OP 4.04 OP 4.04

Operational Policies

Bank supports	Bank does not support
- Protection, maintenance and rehabilitation of natural habitats and their functions	- projects that involve the significant conversion or degradation of critical natural habitats unless there are no feasible alternatives
- natural habitat conservation and improved land	

use projects sited on lands already converted	
Identification of important natural habitat sites, the ecological functions they perform, the degree of threat to the sites, priorities for conservation measures, managing protected areas and other natural habitats, and monitoring and evaluating projects	

FORESTRY OP 4.36

Bank supports	Bank does not support
- improvements in the planning, monitoring, and field control of forestry operations to ensure sustainable management of the resource	-Commercial logging operations
-Projects environmentally protective like management of protected areas, reforestation of degraded watersheds	-Purchase of logging equipment for use in primary tropical moist forest
-supportive of small farmers, farm and community forestry	-Projects that contravene applicable international environmental agreements.
- preservation and light, non extractive use of forest resources, in forest areas of high ecological value	
- controlled sustained yield forest management	
-plantations only on nonforested areas or on heavily degraded forestland	

INDIGENOUS PEOPLES OD 4.20

Bank supports	Bank does not support
- Studies and activities to avoid or mitigate potentially adverse effects on indigenous people caused by projects	- Projects that cause adverse effects to indigenous people (their dignity, human rights and cultural uniqueness), during their development project

CULTURAL PROPERTY OP 4.11

Bank supports	Bank does not support
- Preservation and to seek to avoid their elimination	- Any project that may affect cultural property
- Protection and enhancement of cultural properties	
- In situ preservation, studies and restoration	
-Structures relocation for preservation, studies and restored on alternate sites	
-Training and strengthening of institutions entrusted with safeguarding nation's cultural patrimony	
- Reconnaissance surveys on cultural undertaken by a specialist	

